

FINANCIAL REPORT – FORECAST FULL YEAR AND ACTUAL FOR THE PERIOD APRIL 2008 TO OCTOBER 2008

1 INTRODUCTION

- 1.1 An important part of the Council's financial monitoring system is the bi-monthly report to Cabinet on spending against the approved budget.
- 1.2 This report considers budget performance for the first 7 months of 2008/09 on a Portfolio and Committee basis.
- 1.3 As part of the Council's scheme of Financial Delegation, budget variations over £50,000 are identified specifically for approval by Council at its next meeting.

2 GENERAL FUND (APPENDIX 1)

- 2.1 A summary of the variations reported to date is shown in the table below. Further detail is provided in paragraphs 2.2 to 2.8 and in Appendix 1.

	Previously Reported (To August) £	This Report (To October) £	Total £
Additional Interest Earned	325,000	210,000	535,000
Concessionary Travel		235,000	235,000
Extra Fuel Costs	-112,000	30,000	-82,000
Increased Electricity Costs		-28,000	-28,000
Reduced Fees & Charges Income:		0	
Planning	-300,000	0	-300,000
Land Charges	-136,000	0	-136,000
Car Parking	-68,000	0	-68,000
Dibden Golf	-50,000	0	-50,000
Reduction in Government Grant:			
Planning Delivery Grant	-76,000	0	-76,000
Increased Grants	-50,000	0	-50,000
Other Issues (net)	11,000	12,000	23,000
Total	-456,000	459,000	3,000

- 2.2 The previously forecast position for the year anticipated an overall net increase in budgeted expenditure of £456,000 after allowing for significant increases in fuel and related costs as well as significant shortfalls in income from Housing and Planning Delivery Grant, Planning Fees and Land Charges. Variations this month show an improvement in

the position of £459,000, resulting in a net decrease in expenditure of £3,000. Significant variations are individually addressed below and full details are also shown in Appendix 1 and 4 (in respect of concessionary travel).

- 2.3 The last monitoring report highlighted significant budget pressures on Planning Fees and Land Charges income. These areas have been very closely monitored because of the potential further impact of economic conditions on these income streams. To date no further deterioration has occurred and there is therefore no need to revise outturn forecasts for these areas at this stage.
- 2.4 In contrast to the impact of economic conditions on Planning Fees and Land Charges, Building Control fee income met or exceeded budgetary expectations in the first few months of the year. This situation has now started to deteriorate but it is too early to predict the impact for the remainder of the year. It is likely that a minor impact could be absorbed through reduced costs. The budget will therefore continue to be closely scrutinised and any significant deterioration will be reported at the earliest opportunity.
- 2.5 Earlier in the year Cabinet agreed a supplementary estimate in respect of fuel related costs of £112,000. In line with the experience of the general public at petrol stations the Council has in recent weeks experienced a downturn in its fuel costs. It is far from clear if this cost reduction will be sustained for the remainder of the year but at this stage a budget reduction of £30k is proposed. In contrast to this positive development on fuel costs, increases in the recently negotiated supply contract for electricity have resulted in a 30% rise in tariffs with effect from 1st October. This results in increased costs of £28k to the General Fund.
- 2.6 Following a recent meeting with operators, other Hampshire authorities and MCL (the transport consultants to the Hampshire Countywide Travel Scheme) it is appropriate to revise downwards the cost expectations for 2008/09 by £235,000. Full details are reported in Appendix 4.
- 2.7 The Council is also expecting to generate an additional £210,000 in interest earnings due to the fact that capital expenditure has remained lower than expected to date and interest rates have strengthened in response to the global financial crisis.
- 2.8 It is important to note that interest earnings and fuel budgets are currently subject to a high level of volatility as are budgets in respect of income generation and forecasts will likely change over the remainder of the year.

3 CAPITAL EXPENDITURE (APPENDIX 2)

- 3.1 A decrease in budgeted capital expenditure of £349,000 has been reported previously. Variations reported now (increase of £6k) result in a net expenditure reduction to date of 343,000.
- 3.2 A summary of the variations for this period is shown in the table below, but full details are shown in Appendix 2.

VARIATIONS

	£'000
Rephasings from (to) 2009/10:	
None reported	
Other:	
Appletree Court CCTV (Finance & Efficiency)	21
ICT Work Programme (Finance & Efficiency)	-20
DDA (Leisure, Culture & Youth)	<u>5</u>
TOTAL	<u>6</u>

- 3.3 The following table provides an overview of the funding implications of the variations.

IMPACT ON CAPITAL RESOURCES	£'000
Net Rephasings	0
Variations falling on Council's Capital Resources	<u>6</u>
TOTAL	<u>6</u>

- 3.4 The last monitoring report provided Members with information on the coastal protection emergency arising as a result of the collapse of the seawall at Milford on Sea. Emergency works were estimated to cost £200,000. The Council has since made a submission to the Environment Agency for funding of much needed upgrading of defences, in addition to the immediate requirement for repairs. Works totalling a value of approximately £698,000 plus 20% contingency have received technical and financial approval. This will enable works to proceed without financial risk to NFDC. Further details are included in Appendix 5 of this report.

4 HOUSING REVENUE ACCOUNT (APPENDIX 3)

- 4.1 Previously reported variations showed a decrease in net expenditure of £32,000. Variations reported for this period are due to cost increases in the recently negotiated supply contract for electricity which have resulted in a 30% rise in tariffs with effect from 1st October. This results in increased costs of £31k to the Housing Revenue Account resulting in a net decrease in reported expenditure of £1k.

5 CRIME AND DISORDER / EQUALITY AND DIVERSITY IMPLICATIONS

- 5.1 There are no crime and disorder or equality and diversity implications arising directly from this report.

6 ENVIRONMENTAL IMPLICATIONS

- 6.1 There are no environmental implications arising directly from this report.

7 RECOMMENDATIONS

- 7.1 It is recommended that Members: -
- a) approve the items set out in the revised General Fund, Capital Programme and Housing Revenue Account budgets, as shown in Appendices 1 – 3.
 - b) note the actual expenditure position after 7 months (58.3%) compared to the budgets for the General Fund, Capital Programme and Housing Revenue Account as set out in Appendices 1 – 3.

For Further Information Contact

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GENERAL FUND

APPENDIX 1

Financial Assessment at end of October (General Fund Revenue)					
Original Budget		Latest Revised Budget (1)	Forecast Outturn	Actual Spend (2)	% Budget Spent to Date (7 months = 58.3%)
£000s		£000s	£000s	£000s	
681	Crime & Disorder	705	705	439	62%
2283	Employment, Health & Wellbeing	2308	2276	1324	57%
6641	Environment	6841	6811	4010	59%
4982	Finance & Efficiency-Direct	5048	5048	2976	59%
0	Finance & Efficiency-Holding	0	28	0	0%
659	General Purposes & Licensing	659	659	308	47%
1396	Housing	1386	1386	642	46%
2514	Leisure, Culture & Youth	2628	2623	2093	80%
853	Planning Development Control	1273	1273	804	63%
2462	Planning & Transportation	2694	2484	1155	43%
-1328	Business Unit Asset Rentals	-1328	-1328	-775	58%
21143	Service Expenditure	22214	21965	12976	61%
811	Capital Financing Provision	799	799		
-31	Commercial Services	0	0		
1514	Vehicles & Equipment Provision	1500	1500		
-1150	Interest Earnings	-1475	-1685	-983	67%
22287	Net Expenditure	23038	22579		
0	Transfer to (from) Specific Reserves	-295	-295		
0	Transfer to (from) Capital Reserve	-456	3		
22287	TOTAL REVENUE	22287	22287		

(1) This reflects budget changes previously approved

(2) Including known commitments to date

	£000
Latest Revised 2008/09 Budget - Net Expenditure	23038
add: Net Increase(Decrease) in Costs	
Employment, Health & Wellbeing	-32
Environment	-30
Finance & Efficiency - Holding	28
Leisure, Culture & Youth	-5
Planning & Transportation	-210
Interest Earnings	-210
	-459
Forecast Outturn - Net Expenditure	22579
Transfers to/(from) Reserves	-292
FORECAST OUTTURN - TOTAL REVENUE	22287

**FORECAST GENERAL FUND FULL YEAR REVENUE
EXPENDITURE 2008/09
AND ACTUAL FOR THE PERIOD APRIL 2008 TO OCTOBER 2008**

<u>New Variations – General Fund Revenue Expenditure</u>	£000
<u>1. Crime & Disorder</u>	
No new variations to report	0
	<u>0</u>
<u>2. Employment, Health & Wellbeing</u>	
a) Employment & Tourism (BRO M Devine) – The Tourism Fundamental Service Review paper included on the 2 nd April 2008 Cabinet agenda (Report E) outlined the proposal to merge the Tourism and Economic Development services into one department headed ‘Employment & Tourism’. The financial implications of the review offer savings in 2008/09 of £32,000. The 2009/10 full year implications will be reported via the Portfolio Plan process.	-32
	<u>-32</u>
<u>3. Environment</u>	
a) Fuel Costs (BRO G Bettle) – The susceptibility of fuel costs to further fluctuations makes this a significant risk area which requires an emphasis on continued monitoring throughout the year. Following the allocation of £68k of additional budgetary resources (expected additional costs of £90k partly offset by £22k savings generated by improved vehicle fleet management) costs are now starting to reduce as a result of a pronounced downturn in fuel prices. It is far from clear if this cost reduction will be sustained for the remainder of the year but at this stage a budget reduction of £30k is proposed.	-30
	<u>-30</u>
<u>4. Finance & Efficiency</u>	
No new variations to report	0
	<u>0</u>
<u>5. Finance & Efficiency (Holding)</u>	
a) Electricity (BRO G Bettle/Various) – Increases in the recently negotiated supply contract have resulted in a 30% rise in tariffs with effect from 1 st October. This results in increased costs of £28k to the General Fund (including Public Lighting). The impact of this is over a variety of portfolios and will be reflected accordingly before the report moves on to Cabinet.	28
	<u>28</u>
<u>6. General Purposes and Licensing</u>	
No new variations to report	0
	<u>0</u>
<u>7. Housing</u>	
No new variations to report	0
	<u>0</u>
<u>8. Leisure, Culture & Youth</u>	
a) DDA (BRO H Renwick) - A virement has taken place between Dibden Golf Centre revenue and Ringwood Health and Leisure Centre capital to enable the purchase of a new Pool Hoist.	-5
	<u>-5</u>
<u>9. Planning Development Control</u>	
No new variations to report	0
	<u>0</u>
<u>10. Planning & Transportation</u>	
a) Concessionary Travel (HoS G Miles) – Following a recent meeting with operators, other Hampshire authorities and MCL (the transport consultants to the Hampshire Countywide Travel Scheme) it is appropriate to revise downwards the cost expectations for 2008/09 by £235,000. Full details are reported in Appendix 4. £25,000 of this budget saving will be utilized to fund the virement described below.	-235
b) Parking (HoS G Miles) – A virement of £25k from Concessionary Travel has been agreed in order to fund repairs to tree root damage and a resultant dangerous surface at Lyndhurst car park.	25
	<u>-210</u>

	£000
<u>11. Capital Financing Provision (BRO K Green)</u>	
No new variations to report	0
	<u>0</u>
<u>12. Vehicles and Equipment Provision (BRO K Green)</u>	
No new variations to report	0
	<u>0</u>
<u>13. Interest Earnings (BRO K Green)</u>	
a) Interest Earnings – The Council is now expecting to generate an additional £210,000 in interest earnings due to the fact that capital expenditure has remained lower than expected to date and interest rates have strengthened in response to the global financial crisis	-210
	<u>-210</u>
<u>14. Other</u>	
No new variations to report	0
	<u>0</u>
<u>15. Transfers to/from (-) Revenue Reserves</u>	
Transfer of above variations to the Capital Programme Reserve	459
	<u>459</u>
TOTAL ALL NEW VARIATIONS (REVENUE)	<u><u>0</u></u>

CAPITAL

APPENDIX 2

Financial Assessment at end of October (Capital)					
Original Budget £000s		Latest Revised Budget (1) £000s	Forecast Outturn £000s	Actual Spend (2) £000s	% Budget Spent to Date (7 months = 58.3%)
180	Crime & Disorder	180	180	11	6%
70	Employment, Health & Wellbeing	73	73	62	85%
285	Environment	284	284	31	11%
1414	Environment - Coastal Protection (3)	1248	1248	641	51%
1841	Finance & Efficiency	1954	1955	486	25%
2183	Leisure, Culture & Youth	2426	2431	1289	53%
9	Leisure, C & Y - Developers C	353	353	270	76%
581	Planning & Transportation	548	548	377	69%
6563	Subtotal Other Services	7066	7072	3167	45%
3267	Housing - Private Sector	3346	3346	340	10%
5695	Housing - Public Sector	5681	5681	3091	54%
8962	Subtotal Housing	9027	9027	3431	38%
15525	TOTAL CAPITAL	16093	16099	6598	41%

(1) This reflects budget changes previously approved

(2) Including known commitments to date

(3) This does not include expenditure relating to emergency works at Milford on Sea currently amounting to £225k

	£000
Latest Revised 2008/09 Budget	16093
add: Net Increase(Decrease) in Capital Programme	
Finance & Efficiency	1
Leisure, Culture & Youth	5
Forecast Outturn	6
	16099

**FORECAST FULL YEAR CAPITAL EXPENDITURE 2008/09
AND ACTUAL FOR THE PERIOD APRIL 2008 TO OCTOBER 2008**

New Variations – Capital Expenditure

1. Crime & Disorder

No new variations to report

2. Employment, Health & Wellbeing

No new variations to report

3. Environment

No new variations to report

4. Environment – Coastal Protection

No new variations to report

5. Finance & Efficiency

ICT Work Programme (BRO K Connolly) – Expenditure on GIS open Space Projects is projected to be less than originally estimated and a saving of £20k can now be reported.

- a) **Appletree Court (BRO P Freeman)** – A supplementary capital bid of £21k is required to upgrade the CCTV system within the grounds of Appletree Court. This essential upgrade has been included in the wider tender for Town Centre CCTV programme of works to ensure value for money is achieved.

6. Leisure, Culture & Youth

- a) **DDA (BRO H Renwick)** - A virement has taken place between Dibden Golf Centre revenue and Ringwood Health and Leisure Centre capital to enable the purchase of a new Pool Hoist.
- b) **Applemore Health & Leisure Centre (BRO B Millard)** - There is likely to be a second supplementary funding request for the Changing Room DDA compliance work at Applemore. A separate report to this paper will be presented to the AMG in November and onto Cabinet in December.

7. Leisure – Developers Contributions

No new variations to report

8. Planning & Transportation

No new variations to report

TOTAL VARIATION (CAPITAL – OTHER SERVICES)

9. Housing – Private Sector

No new variations to report

10. Housing – Public Sector

No new variations to report

TOTAL VARIATION (CAPITAL – HOUSING)

TOTAL CAPITAL EXPENDITURE VARIATION

	NFDC £000	RE – PHASING £000	OTHER £000	TOTAL £000
				0
	0	0	0	0
				0
	0	0	0	0
				0
	0	0	0	0
				0
	0	0	0	0
				0
	0	0	0	0
				0
	-20			-20
				0
	21			21
	1	0	0	1
				0
	5			5
				0
	5	0	0	5
				0
	0	0	0	0
				0
	0	0	0	0
				0
	6	0	0	6
				0
	0	0	0	0
	0	0	0	0
				0
	0	0	0	0
				0
	0	0	0	0
				0
	6	0	0	6

HOUSING REVENUE ACCOUNT

APPENDIX 3

Financial Assessment at end of October (Housing Revenue Account)					
Original Budget £000s		Latest Revised Budget (1) £000s	Forecast Outturn £000s	Actual Spend (2) £000s	% Budget Spent to Date (7 months = 58.3%)
-19896	Dwelling Rent Income	-19896	-19896	-11165	56%
-752	Other Rent Income	-752	-752	-370	49%
-1128	Service Charge Income	-1128	-1128	-635	56%
7920	Government Subsidy	7940	7940	4764	60%
-568	Other Income	-618	-587	-75	12%
-14424	Total Income	-14454	-14423	-7481	52%
2000	Reactive Maintenance	2000	2000	1566	78%
1657	Cyclical Maintenance/DFG	1657	1657	1092	66%
4978	Supervision & Management	4976	4976	2555	51%
163	Rent Rebates	163	163	129	79%
5595	Funding of Major Repairs	5595	5595	3090	55%
100	Environmental Enhancements	86	86	0	0%
303	Capital Financing Costs	303	303	0	0%
57	Other Expenditure	57	57	18	32%
14853	TOTAL EXPENDITURE	14837	14837	8450	57%
429	Deficit/Surplus (-)	383	414	969	

(1) This reflects budget changes previously approved

(2) Including known commitments to date

	£000	£000
Latest Revised 2008/09 Budget		383
add: Net Increase(Decrease) in HRA Costs		
Supervision & Management		31
FORECAST HRA OUTTURN		414

FORECAST FULL YEAR HOUSING REVENUE ACCOUNT
EXPENDITURE 2008/09
AND ACTUAL FOR THE PERIOD APRIL 2008 TO OCTOBER 2008

New Variations – Housing Revenue Account (HoS D Brown)

Supervision & Management

- a) **Electricity (BRO G Bettle/D Brown)** – Increases in the recently negotiated supply contract have resulted in a 30% rise in tariffs with effect from 1st October. This results in increased costs of £31k to the Housing Revenue Account.

	£000	£000
		31
		<u>31</u>

APPENDIX 4

Concessionary Pass - 2008/09 Costs v Budgets

The planning of budgets in respect of the cost of concessionary travel continues to be a major issue, particularly due to the:

- a) Relative 'immaturity' of the new scheme
- b) Absence of tested demand and journey patterns
- c) Difficulty in allocating journeys to relevant authorities near boundaries
- d) Protracted and complex negotiations between the bus operators and MCL, (the transport consultants to the Hampshire Countywide Concessionary Travel Scheme)

Seasonal weather conditions and event led journeys are other factors, which are likely to continue to present problems in forward estimation of demand and costs. This situation is further aggravated by significant fluctuations in input costs affecting the industry, which will in due course be reflected in ticket prices.

MCL have in the past estimated a potential range of costs in 2008/09 for New Forest ranging roughly between about £1.6m and 2.2m (including administration, extending the scheme to allow travel before 9:30am and the Hythe Ferry contribution).

Experience to date in respect of 2007/08 outcomes, 2008/09 demand patterns (based on first quarter Hampshire wide figures) and settlements with providers to date, indicate an eventual outcome towards the lower end of the above range.

To date MCL have been very successful negotiating with the bus operators on behalf of the countywide scheme.

Having regard to this, a cost of approximately £1.6m for the year appears probable – with the important caveat that existing appeals by the bus companies could yet increase this (if successful) or further reduce the cost (if unsuccessful).

It is therefore suggested to allow for the time being a contingency of £100k for potentially successful appeals resulting in a total current forecast for 2008/09 of £1.7m. **On this basis, a probable anticipated saving of £235k against the original budget can be reported at this stage.**

APPENDIX 5

Milford-on-Sea Coastal Emergency

The submission for funding approval for the emergency works at Milford-on-Sea has been successful. As agreed the Council has made a submission that seeks to advance funding for much needed upgrading of defences, in addition to the immediate requirement for repairs.

Works totalling a value of approximately £698,000 plus 20% contingency have received technical and financial approval. This will enable works to proceed without financial risk to NFDC. We expect to spend the whole of the approved sum and complete the works within this financial year.

The approved works make provision for repairs to the failed section of foundations of the wall, which is only a small proportion of the work required at the site. They also allow for construction of improvements in the immediate area which will provide about a further 25 years of life over parts of the site. These works will form part of the long term management solution.

The Council has argued with the EA that development of a long term scheme needs to be accelerated and that additional short term measures are required to safeguard adjoining sections of the wall. The EA have agreed with this argument. Funding makes provision therefore, for some limited short term improvements to the whole of the frontage (by building up the beach and extending the rock armour works). This is an important precedent in the approvals process since the need for a scheme is now recognised and financial commitment has been made on the basis that this is for a short term measure leading towards development of a major capital scheme.

The interim solution provides an important stepping stone towards a longer term management solution which will require some more development. The development of a longer term scheme is likely to take 1-2 years and is likely to cost about £3-4m. Nevertheless this is much sooner than the original capital programme had highlighted.