

MEDIUM TERM FINANCIAL PLAN - ANNUAL BUDGET 2009/10 PROGRESS REPORT

1. INTRODUCTION

- 1.1 At the Cabinet meeting of 1 October a Budget Strategy for 2009/10 was agreed within the context of the Medium Term Financial Plan.
- 1.2 In light of this agreed strategy Portfolio Holders have been developing their Plans and have been undertaking consultation with Review Panels on the actions and implications proposed. Feedback to this consultation is set out within this report.
- 1.3 Since the October meeting the consequences of the recession are becoming more apparent and a number of budget assumptions previously made have been re assessed. The details of these changes to the Council's plans are set out within this report.
- 1.4 Work has been ongoing to develop the Council's Capital Programme. This report looks to identify the level of resources likely to be provided to support this programme.

2. REVIEW PANEL CONSULTATION

- 2.1 Detail of feedback to "Portfolio Plan" consultation by the Review Panels is set out at Appendix A.

3. MEDIUM TERM FINANCIAL PLAN – UPDATE

- 3.1 Since the October meeting of Cabinet a number of budget cost base assumptions have changed, these include:
 - 3.1.1 Interest Earnings – On the 6 November Base Rates were reduced by 1 ½ % to 3%, with any indication that they may still reduce further. As a consequence no increase in interest generated in 2009/10 is assumed above that provided for in the budget for 2008/9. It is likely that this will need to be reviewed further in January 2009.
 - 3.1.2 Fees & Charges – the impact of the economic downturn has been estimated within the budget projections. However, a high level of uncertainty surrounds how "deep and long" the current predicted recession will impact on the local community. Provision for a further £50,000 is provided within the current budget projections.
 - 3.1.3 Fuel & Energy Costs – Assumptions have been amended to reflect lower increases in fuel costs than originally anticipated. However increases in energy costs have offset this assumed benefit.

- 3.1.4 Concessionary Fares – In light of actual budget demand in 2008/09 the assumptions for 2009/10 have been amended to reflect the revised position (Saving £110,000).
- 3.2 The development of Portfolio Plans has identified the need for new expenditure of £327,000 this is set out for consideration of Cabinet at Appendix B.
- 3.3 At the October meeting of Cabinet based on the assumptions made at that time a budget shortfall of approximately £700,000 was identified. Portfolio's were asked to review their Portfolio Plans in light of this identifying areas of budget saving. Savings of £945,000 have been identified for consideration by Cabinet at Appendix C.
- 3.4 Based upon the latest estimates a summary of the Medium Term Financial Plan, including the annual budget 2009/10 which identifies a potential budget gap of £344,000 is set out at Appendix D.
- 3.5 Options to fund the identified gap will continue to be progressed by Cabinet and the overall position will continue to be closely monitored. The Council's good financial standing (Current level of General Fund Reserves £2,036,000) will continue to be available to support the revenue budget.

4. CAPITAL PROGRAMME & PROJECT WORKS

Resources Available in the Medium Term

- 4.1 The Council's current capital financing strategy is to support investment in the Capital programme and revenue project work by means of:
- 4.1.1 A Corporate Annual Revenue Contribution - The General Fund Revenue budget contribution to capital expenditure is determined in light of the overall revenue budget.
- 4.1.2 A Capital Reserve – This has been generated from surplus revenue funds accumulated in earlier years. Uncommitted resources are currently estimated at £3.5M. At the October meeting of Cabinet as part of the financial strategy the Council determined to provide £2 million of the uncommitted capital reserves to enable three major projects currently identified (One Site, Totton Health & Leisure, Ringwood Town Centre) to progress during the early stages of their development.
- 4.1.3 Capital Receipts - Proceeds from the sale of assets are used to support the capital programme. Assumptions over the medium term assume £300,000 to be generated.

Capital Programme & One Off Project Requirements

- 4.2 On a regular basis the Council needs to fund Capital and One Off Project requirements. These range from unavoidable statutory requirements to projects which add to the "place shaping" role that the Council aims to provide to the local community. Every year demand for projects is always in excess of the funds available.

- 4.3 To help support Cabinet the Asset Management Group have developed a system of project prioritisation that addresses the following categories of work:
- a. Statutory
 - b. Intended to protect the fabric of the building.
 - c. Likely to have a positive impact on income generation.
 - d. Desirable to enhance the quality of service.
- 4.4 During this period of financial uncertainty it is proposed that a prudent approach is taken to committing resources to works other than those which are of the highest priority. In light of this it is proposed not to commit all available resources. The Asset Management Group is requested to develop a programme of projects to present to Cabinet in January for recommendation to Council, taking into consideration this guidance.

5. SUMMARY

- 5.1 The fallout of the “Worldwide Financial Crisis” is impacting upon a number of the Council’s budget estimates for 2009/10. In particular there remains considerable uncertainty over interest earnings and income derived from fees and charges.
- 5.2 The rapid changes in economic conditions that is currently being experienced will impact the budget for 2009/10 will likely require the support of General Fund Revenue Reserves to avoid service delivery being adversely affected. The planned use of reserves will need to be considered within the development of the Medium Term Financial Plan.

6. CRIME AND DISORDER, ENVIRONMENT AND EQUALITY & DIVERSITY

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

7. RECOMMENDATIONS

Cabinet is asked to:

- 7.1 Receive and consider the feedback from Review Panels to the proposals set out within Portfolio Plans;
- 7.2 Note the changed budget assumptions as set out in the Medium Term Financial Plan at Appendix D;
- 7.3 Request the Asset Management Group to develop a Capital Programme for consideration by Cabinet in January in light of the financial situation set out within this report;
- 7.4 Request Portfolio Holders to continue their work with Heads of Services to identify where areas of saving can be achieved; and

7.5 Note that it is likely that the 2009/10 budget will require the support of General Fund Reserves.

For Further Information Contact:

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Background Papers:

CABINET 3 DECEMBER 2008

Agenda Item 11 Report H – Medium Term Financial Plan

Portfolio Plans – Review Panel Feedback

Consultation on Cabinet's Plans for delivery of its Corporate aims and future budgets were discussed at each of the Review Panels. The following is a brief note of the more significant issues discussed at these meetings that form part of Cabinet's consultation which will help frame both the Medium Term Financial Plan and the budget for 2009/10. **It should be noted they are not minutes of the meetings.**

Corporate Overview - Policy & Resources

1. The trend of lower levels of employee sickness was commended and the potential for related efficiencies was noted.
2. To help support the aim of "Engaging the Public" the link with voter turnout was debated. It was felt that more could be achieved through schools and engaging young people.

Corporate Overview - Finance & Efficiency

1. It was recognised that during these difficult economic times a more sympathetic response was required with regard to debt recovery. It was noted at this time there was not being seen a significant impact upon collection performance, which still remained very good.
2. Members asked that a target be included within the Portfolio Plan to address the outcome of the one site accommodation review that was anticipated later this year.

Crime and Disorder

1. Members supported the proposed extension of CCTV cameras in the district.
2. The proposed actions to meet the potential budget shortfall were agreed.

Employment, Health & Wellbeing

1. Consideration was given to the ways in which the Economic Development Service could help with town and village viability during this difficult economic time.
2. Support was given to the initiative to assist in the provision of community alarms through "freezing" prices in 2009/10. "Valuing and Supporting Older People" is a Council Priority. Members were keen to ensure the Community Alarms Service was well marketed.
3. Members recognised that this was a key requirement for the Council to comply with and that there had been many separate pieces of legislation covering the topic. Members were keen for the Council to match its performance against the Equality Standards.

4. Panel members felt that the new Portfolio Plan documents were a significant improvement on the previous system.

Environment

1. Projected fee income from recycled materials was being kept under review as commodity prices fluctuated. Income from this source had however been historically under valued, and a net increase over last year's projected income was still expected.
2. Unacceptable levels of detritus along the side of roads had been identified through the street cleansing review. Resources were now being redirected to address this shortfall in performance.
3. The 6 Street Sweepers with hand carts that operated within the settlements were highly valued assets among the local communities they served. They also acted more widely as ambassadors for the Council within those communities.
4. While sensitive routes to hospitals etc were cleaned more frequently during periods of leaf fall, in general terms a pragmatic approach was taken, recognising that this was a rural area, with a lot of trees and frequent clearing of leaves would not be economically or practically viable.
5. Asking local businesses to provide conveniences that were available to the public was an option that was considered, but was often not a practical option.
6. While there was concern that an objective to increase "non-car" travel was empty without significant investment, Members accepted that it was important to keep that objective in place as it allowed and encouraged dialogue and partnership working to achieve alternatives to the car.
7. Members were also frustrated by their lack of ability to directly influence works to protect the District's coastline, but accepted that the objectives must remain to provide context for applications for government funding as necessary.
8. Together with neighbouring local authorities, the Council was investigating with ABP the possibility of using material they would be dredging from Southampton Water to recharge beaches. This could represent a significant cost savings.
9. There were concerns about the ability to protect Barton cliffs from eroding due to water incursion from the cliff tops. Planning inspectors could ignore policy restrictions on soakaways that had been imposed for this purpose. Members suggested that the Coastal Defence Engineers should be used more pro-actively at planning appeals where this was a consideration.

Housing

1. Some members of the Panel expressed reluctance to making cuts to the Housing Service budget. They felt that the Council offered an excellent Housing Service and that this should not be jeopardised by reductions in their budgets. It was suggested by some members that the Council use its reserves to support the Council's key services during times of economic difficulty.
2. Other members were of the view that the recession would have a negative impact on residents and household incomes and this would increase demand on the Service. They felt that the affordability of accommodation and the number of repossessions would increase, as would incidents of homelessness. The need for housing and housing benefits could also increase should the economic climate worsen. The Housing Service would therefore need to be supported financially in order to cope with an increase in demand.
3. In trying to find some areas where savings could be made, the Panel discussed the bid made for the Housing Stock Survey which amounted to £60,000. The Council had a legal duty to carry out regular surveys of its housing stock. The Government Office of the South East recommended that regular surveys should be undertaken every five years. The Council's last survey was undertaken in 2004 with approximately 1,000 random properties being selected in the survey. The information from the survey ensured that the Council was properly targeting its disabled facilities and housing improvement grants. It also helped the Council when bidding for monies from the Government. It was anticipated that the survey costs could be reduced slightly by undertaking a regional survey with ten other local authorities, although at this stage it was unclear how much this would save the Council. Members of the Panel expressed the view that money should have been set aside over a series of previous budgets rather than providing for the survey in one large sum. Members suggested that this approach be undertaken in future budget management. This suggestion would be taken forward by housing officers in future expenditure planning. Members were reluctant to support a high bid, but recognised that the joint survey would save the Council money and that this opportunity should not be missed.
4. Some members queried whether the service could raise funds through selling some of the Council's assets and whether money was made through the 'right to buy' scheme. The Council would be very cautious when considering selling assets at this time as the housing market was still in decline. Nonetheless properties that were costing the Council large sums of money in order for them to meet the Decent Homes Standard would be sold and proceeds of the sales would be kept in the HRA budget. The number of people taking up the 'right to buy' scheme was declining. Where sales were made, the Council was able to use the whole capital receipt to go towards affordable housing. Members were of the view that tenants might not take up the scheme at this time as, in general, market confidence in purchasing property was low. Some members suggested that the Council could look into offering residents mortgages however it was recognised that the risks involved in this were high.

Leisure, Culture and Youth Matters

1. Members recognised that the current economic downturn may impact upon the level of participation in Health and Leisure Services. Initiatives should be explored to help maintain at least current participation levels. To this end they welcomed the opportunities offered by the “Free” swimming initiatives.

Planning & Transportation

1. Agreed to recommend the deletion of the planned expenditure bid for “new ways of paying for car parking (by Mobile Phone)” – estimated cost £10,000.
2. Agreed to the proposals for increases in Fees & Charges, although there was some concern with regard to the proposed increases in casual parking.
3. Supported all the proposals presented by the Portfolio Holder to help address the significant reduction in Planning Fee income. Members noted and appreciated the efforts of Officers to deliver the proposed changes.

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NEW EXPENDITURE

	£'000	£'000
Employment, Health & Wellbeing Portfolio		
Aim 4.2- Various	8	
Aim 4.3 - Not increasing Life Line Charges	9	17
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Environment Portfolio		
Aim 5.1 - Kerb Line Detritus	35	
Aim 5.1 - Health and Safety Assessments	3	
Aim 5.3 - Hard Disk Recording on RCVs	12	
Aim 5.3 - Health and Safety Assessments	2	52
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Finance & Efficiency Portfolio		
Aim 2.1 - Loss of HB Administrative Grant		72
Housing Portfolio		
Aim 6.1 - Rural Housing Enabler (HARAH)	9	
Aim 6.1 - Various	4	
Aim 6.2 - 5 Yearly Stock Survey of Private Sector Housing (Annual Contribution)	12	25
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Leisure Portfolio		
Aim 7.2 - Free Swimming (over 60s / under 16s)	38	
Aim 7.2 - Superannuation	21	
Aim 7.2 - Total other items	44	103
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Policy & Resources Portfolio		
Aim 1.4 - Partnership Work	10	10
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Planning & Transportation Portfolio		
Aim 8.3 - Lymington Parking Survey	15	
Aim 8.3 - New Forest Tour (Continuation of Funding)	15	
Aim 8.3 - Lighting Maintenance (PFI)	18	48
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Total Proposed New Expenditure		<hr/> <hr/> 327

PROJECT RELATED

Policy & Resources Portfolio (ICT INVESTMENT PANEL CONSIDERATION)		
Aim 1.2 - Performance Management System		15
Housing Portfolio		
Aim 6.2 - 5 Yearly Stock Survey "Top Up"		48

BUDGET SAVINGS

	£'000	£'000
Crime & Disorder Portfolio		
Aim 3.1 - Policy Change Savings - ACSOs	-48	
Aim 3.1 - Various Management Efficiencies	-30	-78
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Employment, Health & Wellbeing Portfolio		
Aim 4.1 - Management Efficiencies	-44	
Aim 4.2 - Policy Change re Stray Dogs	-25	
Aim 4.2 - Management Efficiencies	-29	-98
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Environment Portfolio		
Aim 5.1 - Various Efficiencies	-74	
Aim 5.2 - Management Efficiencies	-10	
Aim 5.3 - Various Efficiencies	-52	
Aim 5.4 - Management Efficiencies	-5	
Aim 5.1 - Cemetery Fees	-19	-160
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Finance & Efficiency Portfolio		
Aim 2.1 - Savings proposed to deliver		-280
Housing Portfolio		
Aim 6.2 - Management Efficiencies		-40
Leisure Portfolio		
Aim 7.2 - Management Efficiencies		-87
Policy & Resources Portfolio		
Aim 1.1 - Policy Change (Reduced Consultants Costs)	-5	
Aim 1.4 - Management Efficiencies	-2	-7
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Planning Development Control Committee		
Closure of Planning Reception Desk	-23	
Reduction of Development Control Administration	-11	-34
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Planning & Transportation Portfolio		
Aim 8.2 - Land Charges Team	-36	
Aim 8.2 - Building Control	-44	
Aim 8.3 - Increased Parking Charges	-81	-161
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Total Proposed Budget Savings		<u><u>-945</u></u>

Medium Term Financial Plan

APPENDIX D

	2009/10 Original £000's	2009/10 Latest £000's	2009/11 Changes £000's	2010/11 £000's	2011/12 £000's
General Fund Revenue Budget					
Government Grant & Council Tax	-420	-420	0	-420	-420
Current Cost to Maintain Services					
Pay Award @ 2.5%	510	510	0	510	510
Incremental	300	300	0	300	300
General Costs @ 2%	480	480	0	480	480
Fuel & Energy	190	160	30	20	20
Interest on Cash Balances (Subject to Review)	-300	0	-300	0	0
Changes to Base Budget (Inc. Shortfall B/F)	-60	-118	58	344	304
Annual increase in Fees & Charges @ 3%	-480	-480	0	-480	-480
Impact of "Worldwide Financial Crisis"	480	530	-50	0	0
New Expenditure	0	327	-327	0	0
Contingency for Risk Items	0	0	0	250	350
	<hr/> 700	<hr/> 1289	<hr/> -589	<hr/> 1004	<hr/> 1064
Annual Efficiency/Savings Requirement	-700	-945	245	-700	-700
Annual Estimated Budget Shortfall	<hr/> <hr/> 0	<hr/> <hr/> 344	<hr/> <hr/> -344	<hr/> <hr/> 304	<hr/> <hr/> 364