

MEDIUM TERM FINANCIAL PLAN AND ANNUAL BUDGET 2010/11 PROGRESS REPORT

1. INTRODUCTION

- 1.1 At the Cabinet meeting of 4 November 2009 a budget strategy for 2010/11 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 November meeting additional information has been received 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.

2. REVIEW PANEL AND COMMITTEE CONSULTATION

- 2.1 Details of feedback to "Portfolio Plan" consultation by the Review Panels and Committee is set out in Appendix A.

3. MEDIUM TERM FINANCIAL PLAN – UPDATE

- 3.1 Since the November meeting of Cabinet a number of amendments to previous budget assumptions have been made. These are summarised as follows:
 - 3.1.1 Interest Earnings – Base rates were reduced to 0.5% in March 2009 and remain at this level at the time this report was written. The November Cabinet report assumed a £50,000 increase in interest earnings from the level originally budgeted for 2009/10. While a more detailed figure will be calculated for February Cabinet, when more information on the Council's 2010/11 spending plans are available, the continuing low level of base rates, with no imminent sign of increases, suggests that 2010/11 earnings could now only be £550,000, £100,000 less than assumed in November.
 - 3.1.2 Other Income – While there are signs of increased activity in the property and leisure markets, generating additional income from the original 2009/10 budget levels, there still remains areas of uncertainty where income may reduce. Indications are that overall the 2010/11 budget may see a reduction in income of £170,000. The position will continue to be monitored, and an update will be provided prior to the final tax setting meeting.
 - 3.1.3 New Revenue Expenditure – The development of Portfolio Plans, which were considered by Review Panels in November, has identified the need for new expenditure of £106,000, which is £44,000 less than was assumed in the November Cabinet report. Details of the proposed new expenditure items are set out in Appendix B for Cabinet's consideration.

3.1.4 New Capital Expenditure - Section 4 below details the capital expenditure processes. At this stage no change has been made to the assumed level of expenditure of £1.762 million on Council owned assets but Leisure Culture and Youth Matters Portfolio Plan bids for Partnership scheme projects are £245,000, an increase of £145,000 from the level assumed in November.

3.1.5 Council Tax – The Council Tax base setting report, considered by Cabinet in December, identified an increase of 475 in the number of properties making up the tax base. This, together with revised calculations of the Council's estimated share of the 09/10 collection fund surplus will generate additional council tax income of £89,000.

3.1.6 Government Grant – The Council has received the draft Grant notification which confirms our assumed increase in grant of £161,000, a 1.4% increase. This however compares with a quoted national average increase in grant of 2.6%. At the average level, the Council would have received an additional £137,000. The Council has also received a letter advising that the Government are again prepared to use their Council Tax increase capping powers but no specific details of their limits are quoted.

3.2 At the November meeting of Cabinet, based on the assumptions made at that time, a budget shortfall of approximately £820,000 was identified for 2010/11 with a further shortfall in 2011/12 of over £1.5 million. In light of this situation Portfolios were asked to review their Portfolio Plans, identifying areas of potential budget saving. The Plans have identified potential savings for 2010/11 of £1,092,000 for consideration by Cabinet. These are detailed at Appendix C.

3.3 A great deal of uncertainty surrounds the budgets for the next two years. At this stage there are a number of unknowns that will affect these years, such as the next 3 year Government Grant settlement, proposed amendments in the administration of Concessionary Travel, interest rates and inflation rates. Despite the potential for a "cap" of 1% on public sector pay for 2 years from 2011/12(Chancellor Pre Budget Report) general prices are rising. The latest quoted inflation (Consumer Retail Price Index) figure, as at October 2009, is 1.5%, an increase of 0.4% from the previous month, and the approved increase in the state pension from April 2010 is 2.5%. Early indications are that the Council could face a budget gap of £2.7 million in 2011/12 and £3.7 million in 2012/13.

Taking all these factors into consideration a Council Tax increase of 2% has been assumed within the Council's financial plans for 2010/11. The actual increase to apply will be determined by the Council in February.

3.4 Based upon the Council's stated budget strategy and the detail and assumptions previously referred to within this report a summary of the financial position is set out at Appendix D for 2010/11-2012/13.

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 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 to be £3.5million at 31 March 2010 although £1 million has been earmarked to enable two major projects (One Site and Ringwood Town Centre) to progress during the early stages of their development and the balance would be fully utilised over the 3 year period of the Plan if the current assumptions become reality.
 - 4.1.3 Capital Receipts - Proceeds from the sale of assets are used to support the capital programme. Assumptions over the medium term assume £200,000 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 has 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 Proposals from the Asset Management Group will be presented to Cabinet in February, alongside the proposals for other projects for expenditure on non – Council assets. At that time Cabinet will be able to consider the schemes in light of capital resources available and the overall revenue budget position.

5. PORTFOLIO HOLDER COMMENTS

- 5.1 The Review Panels and Committees have had the opportunity to comment on the progress that the Council has made in managing its finances in these challenging times. The worldwide financial crisis has impacted upon both our community and the Council's finances. The response we have made is to develop a plan which meets the needs of our community as well as balancing “the books”. To date we have identified and made savings of over £2 million , equivalent to 10% of our net budget and approximately matching our annual “loss” in income since the recession began just over a year ago.

Despite what we have achieved the uncertainty that we have to face over the next few years will require us to still do more to reduce the overall level of spending. The financial strategy that Cabinet has developed to date has enabled the Council to have a strong balance sheet but we still need to pursue further savings and efficiencies to maintain this into the future. The decisions to be taken at Council in February on the budget and Council Tax for 2010/11 remain challenging.

6. CRIME AND DISORDER, ENVIRONMENT AND EQUALITY & DIVERSITY IMPLICATIONS

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 Committees and 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 Portfolio Holders to continue their work with Heads of Services to identify where further areas of saving can be achieved, particularly in light of the potential financial position from 2011/12 onwards.

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Background Papers:

APPENDIX A

PORTFOLIO PLANS – COMMITTEE AND REVIEW PANEL FEEDBACK

Portfolio Plans were discussed by each of the Review Panels and Committees at their November meetings. The following is a brief note of the resolved issues from those meetings that should form part of Cabinet's consultation on the Medium Term Financial Plan and the budget for 2010/11. **It should be noted they are not full minutes of the meetings.**

Corporate Overview – Finance & Efficiency/Policy & Resources

1. That the Portfolio Plans for both Portfolios be endorsed.

Crime and Disorder

1. That the statement that "over the last three years all crime rates have been reducing steadily" should be amended.
2. That fear of crime is an issue that requires continued attention during 2010/11.

Employment, Health & Wellbeing

1. That the Portfolio Annual Report 'Looking Back at 2008/09' be noted.
2. That the performance to date in 2009/10 be noted.
3. That there were no bids for resources or additional savings and efficiencies identified.
4. That the proposed key targets for 2010/11 be agreed.
5. That no additional future risks be identified.
6. That the proposed scale of fees and charges for 2010/11 be endorsed.
7. That a letter be sent from the Portfolio Holder to the Chairman of the Local Strategic Partnership urging partners to assist in the success of the Older People's Community Action Network.

Environment

1. That the Panel was pleased to note that the overall performance across all areas had either improved or stayed the same. They felt the 'Looking Back' booklet was a useful addition to the portfolio plan process.
2. In terms of the preparation of the Portfolio Plan Budget Development for 2010/11, they support the proposals as set out in Report D to them with the exception of the proposed budget of £25,000 for Street Scene – chewing gum removal, which they felt should be deleted and replaced with a new bid of £5,000 to promote a chewing gum/litter awareness campaign to tackle the problem through education and awareness.

General Purposes & Licensing Committee

1. That the medium term financial plan be noted.
2. That the financial performance of the Committee for both 2008/09 and 2009/10 be noted.
3. That the Committee's fees and charges for 2010/11 be agreed.

Housing

1. That the Panel congratulates the Head of Housing, Housing Officers and the Portfolio Holder for their achievements during 2008/09 particularly in light of the recession.
2. That the portfolio annual report 'looking back' at 2008/09 be noted.
3. That the portfolio plan budget development for 2010/11 be supported.

Leisure, Culture and Youth Matters

1. That the portfolio annual report 'looking back' at 2008/09 be noted.
2. That the portfolio plan budget development for 2010/11 be supported, subject to the Panel requesting that complete and full financial information be submitted to the Panel prior to their November meeting in future years, to ensure that the Panel had ample opportunity to influence the budget development.

Planning and Transportation

1. That the Looking Back 2008/09 document for the Planning & Transportation Portfolio be noted, whilst noting concerns about the over simplification of the points system.
2. That the Portfolio Plan 2010/11 be endorsed, subject to the changes outlined by the Portfolio Holder in the savings section, relating to car parking charges.

Planning Development Control Committee

1. That no comments be forwarded to the Portfolio holder in respect of the Planning and Transportation Portfolio Plan budget development for 2010/11.

Standards Committee

1. That the medium term financial plan be noted.
2. That the financial performance of the Committee for both 2008/09 and 2009/10 be noted.

NEW REVENUE EXPENDITURE BIDS

	£'000	£'000
Crime & Disorder Portfolio		
Anti Social Behaviour Co-ordinator (grant income removal)		32
Environment Portfolio		
Driver Continuous Professional Competency training	25	
Creation of workshops apprentice post	20	
Chewing gum / litter awareness campaign	<u>5</u>	50
Planning & Transportation Portfolio		
Land Charges Admin Assistant	10	
Historic Buildings Grants	10	
Parking Enforcement - replacement of handheld devices and printers	<u>4</u>	24
Total Proposed New Expenditure		<u><u>106</u></u>

PORTFOLIO PLAN BUDGET SAVINGS

	£'000	£'000
Crime & Disorder Portfolio		
CCTV - Reduce cost of maintenance through tendering process	10	10
Environment Portfolio		
Refuse & Recycling - sacks costs	20	
Revision of refuse collection rounds	100	
Review management, supervisory and admin arrangements	50	
Increase grounds maintenance income from outside agencies	25	
Fitters and fleet - reduced insurance costs and various other minor savings	20	
Reduce dog and litter bin replacement programme	10	
Building cleaning - savings in employee costs	8	
Cemeteries fee increases	8	
Reduction in previously declared additional recycling income	-42	199
Environmental Health & Wellbeing Portfolio		
Employment and Tourism	9	
Environmental Health	25	34
Finance & Efficiency Portfolio		
ICT - Full year effect of previously declared employee saving	9	
Property Services - Employee cost reductions	21	
Accountancy - Savings from various supplies and services budgets	10	
Legal & Democratic - Reduction in employee costs	10	
Customer Servs - savings in employee and postages costs	100	
Review of civic and function catering at ATC	40	190
Housing Portfolio		
Review of the Strategic Housing Service	5	5
Leisure Portfolio		
Re-structure of Health & Leisure Centre Management	450	
Review operation of Dibden Golf Centre	30	
Additional usage of Dibden Golf Centre	30	
Review operation of the Coast	11	
Health & Leisure Centre fee increases	80	
Foreshores & Keyhaven fee increases	13	
Dibden Golf Centre fee increases	15	629
Planning & Transportation Portfolio		
Planning - full year effect of previously reported employee savings	13	
Reduction in Tour Bus Grant	5	18
Policy & Resources Portfolio		
Recruitment & Payroll - savings in supplies & services costs.	5	
Reduction in Citizen's/Young People's Panel budget	2	7
Total Proposed Budget Savings		<u><u>1,092</u></u>

Medium Term Financial Plan

	2010/11 November Draft £000's	2010/11 Latest Draft £000's	2011/12 £000's	2012/13 £000's
General Fund Revenue Budget				
Initial Budget	22,928	22,928	24,470	25,711
Pay and Prices	750	750	947	906
Changes in Income	-150	220	-300	-400
New Expenditure (estimated pending confirmation in February 2010)				
Revenue	150	106	150	150
Capital - additional annual costs	321	466	444	378
	23,999	24,470	25,711	26,745
Financed from:				
Grants (LPSA(net)/LABGI etc)	350	350	100	100
Government Grant	11,629	11,629	11,629	11,629
Council Tax (tax base & collection fund only)	11,200	11,289	11,289	11,289
	23,179	23,268	23,018	23,018
Estimated Cumulative Budget Shortfall	820	1,202	2,693	3,727
<u>Actions to be considered February 2010</u>				
Savings & Efficiency Plan	-820	-1,092		
Council Tax increase @ 2%		-226		