

FINANCIAL REPORT – OUTTURN PROJECTION BASED ON PERFORMANCE TO JULY 2010

1. INTRODUCTION

- 1.1 This report considers financial performance for the first 4 months of 2010/11 and any potential outturn implications on a Portfolio and Committee basis.

2. BACKGROUND

- 2.1 This is the first budget monitoring report of the year since the budget was set in March. During that time a new government has been formed which identified reducing the £156 billion national budget deficit as the most urgent issue facing the Country.
- 2.2 Already we have seen in year cuts in government grant of over £500,000 e.g. LPSA2, Planning Delivery Grant, Free Swimming etc. that the Council has had to adjust to.
- 2.3 A national emergency Budget took place which has signalled a reduction in public expenditure generally of 25% to 40% over the next 4 years. The next announcement will be the spending review details due on October 20th. Specific details as to the level of the Council's government grant for 2011/12 and future years will not be known until late November/Early December.
- 2.4 It is important that Council builds on the work it has already undertaken and uses the next six months and beyond to design, plan and implement different strategies for efficiency and cost reduction.

3. GENERAL FUND OUTTURN PROJECTION

- 3.1 A General Fund budget of £23.104 million for 2010/11 was agreed by Council in March and subsequently £33k has been added to this as a result of budgets totalling £72k carried forward from 2009/10 and/or movements between service budgets and reserves (i.e. the elections budget of £44k includes £39k which will be a transfer to reserves to cover expenditure in 2011/12).
- 3.2 Following the adjustments outlined above the starting base budget for 2010/11 is **£23.137m.**
- 3.3 The total of new commitments reported amounts to £853,000. This is partly offset by positive variations totalling £459,000, resulting in a net budget increase for this period of £394,000. This is likely to be offset by the contingency provision for a Pay Award in 2010/11 of £270,000 not being required and the additional capital contribution of £200,000.

3.4 The most significant variations are summarised below:

Interest Earnings:

The budget set for 2010/11 had anticipated a gradual recovery in interest rates and was based upon Building Society short term investment rates being in excess of 1%. After the budget was set for 2010/11 these rates fell by over 0.5%. Projections for Interest earnings have been adjusted accordingly and as a result income for the year is now forecast to be £250,000 below the original budget. Given this situation the additional contribution to capital planned within the budget of £200,000 will now not be made offsetting the reduced levels of interest anticipated.

Government Grants:

Following the election earlier in the year the new Government have decided to remove a number of grant allocations and budgets reflecting these have to be removed

- Housing Planning Delivery Grant (1) £120k
- Free Swimming Grant (1) £110k
- LPSA (2) £230k
- LABGI / Area Based Grants £70k

- (1) = Actions have and are being taken to mitigate these losses and the full net financial impact will be reported in future monitoring reports s once a full analysis of associated expenditure and or fees and charges has been concluded.
- (2) Provision of £250,000 had been made for anticipated expenditure associated with the receipt of LPSA grant. Following withdrawal of the grant the associated expenditure budgets have been adjusted to reflect this situation.

Planning & Transportation / Planning Development Control:

- While costs of the **Concessionary Travel** scheme for 2010/11 are currently on budget, final costs for the scheme in 2009/10 were £120k higher than expected. MCL (County wide advisers to the scheme) informed us too late to reflect this in the 2009/10 final accounts and the shortfall now has to be reflected as a one off adjustment in this financial year.
- **Building Control and Planning Fee Income**
Building Control income levels to date have been ahead of budget targets. However, new charging regulations will come into force from October which require authorities to set charges at a break-even level with any surplus/deficit to be reflected in adjusted charge levels. Planning Fee Income is at this stage about £30k behind target but income levels here are subject to significant fluctuations from month to month and it would be too early now to assume an ongoing trend for the remainder of the year.
- **Land Charges Income**
Fees for personal searches of the Local Land Charges Register based on the standard charge prescribed by Government of £22 were expected to contribute approximately £50k to land charges income. On 17 August the Local Land Charges (Amendment) Rules 2010 are due to come into effect. They amend the Local Land Charges Rules 1977 which formed the basis for the current charge. DEFRA and the LGA have advised that the charges should be

withdrawn with immediate effect following the publication of this amendment and this is expected to lead to a loss of income for the remainder of the year of up to £30,000.

- Whilst contracts have not yet been finalised the financial benefit of the **Public Lighting** PFI contract for New Forest in 2010/11 is expected to realise savings of approximately £77k (after allowing for virements previously agreed by the Portfolio Holder). Depending on a full review of the contract provision (once finalised) this figure may need some adjustment.
- As a result of various currently **vacant posts** across Planning & Transportation business units it is likely that minimum savings of about £10k can be achieved. This does not reflect any potential savings relating to the Planning Development Control Committee, which will be the subject of a detailed assessment of the overall budgetary situation in that area in time for the next Financial Monitoring report following the Government's withdrawal of Housing Planning Delivery Grant.

Environment:

- As a result of the delayed introduction of the refuse collection '**Round Review**' proposals savings originally estimated will be £40k lower in 2010/11, but the full effect will be achieved in 2011/12.
- **Fuel** budgets were originally based on an estimated 86p per litre. Based on a current cost of 99p per litre the costs for the year are estimated to be £55k higher than budgeted.
- The approach to delivering savings of £55k resulting from the introduction of the **Fleet Management System** is currently under review. Indications are that they may not now fully materialise until 2011/12.
- Based on actual income received in 2009/10 from **Project Integra** the forecast income for 2010/11 has been revised to £251k - £55k more than the initial budget target.
- **Other** variations across a variety of areas (see Appendix 1) are expected to contribute a budget saving of £37k.

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Other Portfolios:

- **Miscellaneous** variations across the Finance & Efficiency Portfolio (£20k) and the Leisure, Culture, Youth Matters Portfolio (£7k) are expected to contribute a net budget saving of £27k.

Pay Award Contingency:

- The budget for 2010/11 included provision for a 1% pay increase. Indications are that this may not be required saving £270,000 across services.

3.5 All variations reported to date are summarised in the table below and further detail is included in Appendix 1. The General Fund outturn after taking account of the reported variations is now forecast at **£23.331m**.

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	Previously Reported £	New Items £	Latest Position £
Additional Resources (+)			
<u>Income</u>			
Health & Leisure Centre Income		10,000	10,000
Project Integra		55,000	55,000
<u>Expenditure</u>			
LPSA Grant (associated expenditure) (a)		250,000	250,000
Public Lighting (PFI)		77,000	77,000
Environment Portfolio (Misc)		37,000	37,000
Finance & Efficiency Portfolio (Misc)		20,000	20,000
Planning & Transportation Portfolio (Misc)		10,000	10,000
Other Variations (net)		0	0
Subtotal Additional Resources		459,000	459,000
New Commitments (-)			
<u>Income</u>			
Interest Earnings (link to (b) above)		-250,000	-250,000
LPSA Grant (link to (a) above)		-230,000	-230,000
LABGI Grant		-70,000	-70,000
Land Charges Income		-30,000	-30,000
Housing Planning Delivery / Free Swimming		(1)	(1)
<i>(1) To be updated once associated spending/income impact has been fully assessed</i>			
<u>Expenditure</u>			
Concessionary Fares		-120,000	-120,000
Health & Leisure Centre Costs		-3,000	-3,000
Refuse Collection Round Review (Env)		-40,000	-40,000
Fuel / Fleet Management (Environment)		-110,000	-110,000
Subtotal New Commitments		-853,000	-853,000
NET TOTAL		-394,000	-394,000
CONTINGENCY			
Pay Award provision		270,000	270,000
Additional Contribution to Capital (b)		200,000	200,000

4. CAPITAL EXPENDITURE

4.1 The Capital Programme agreed by Council in March amounted to £14.795m. This has since been increased by 2009/10 capital programme slippage of £1.283m resulting in a total programme of £16.078m at the beginning of April 2010. Variations reported now result in an increase in capital budgets of **£475m** resulting in a forecast capital outturn of £19.553m.

4.2 The most significant factors responsible for the increase are the allocation of developers' contributions (£302k) in past months. Full details of all the variations are shown in Appendix 2.

4.3 The following table provides an overview of the funding implications of the variations reported to date.

IMPACT ON CAPITAL RESOURCES	£'000
Variations affecting the Council's Capital Resources	108
Funding from Developers' Contributions	302
Funding from Other External Sources	<u>65</u>
TOTAL	<u>475</u>

5. HOUSING REVENUE ACCOUNT

5.1 To date no variations are expected in the Housing Revenue Account outturn for this year. However, pending a decision on the proposed housing scheme at Howards Mead (Report A on this agenda) there will be an impact on the HRA reserves.

6. CRIME AND DISORDER / EQUALITY AND DIVERSITY IMPLICATIONS

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

7. ENVIRONMENTAL IMPLICATIONS

7.1 There are no environmental implications arising from this report.

8. PORTFOLIO HOLDER COMMENTS

8.1 Members should note well that although this report is the first forecast of the outturn for the year, the Council, despite careful management of its resources, is already forecasting that the year is expected to close with a shortfall of income against expenditure of £394,000. With the imminent expenditure review by government also expected to adversely impact the Council every effort is being made to rein in spending.

9. RECOMMENDATIONS

9.1 It is recommended that Members: -

- (a) Note the change in financial context since the budget was set in March and the impact this has already had in 2010/11 and the indications announced by the Government for future years.
- (b) Endorse the approach to LPSA2 funding as set out within this report
- (c) Note the inability to charge for personal searches of the land charges register from 17 August following the amendment of the Local Land Charges Rules 1977 by the Local Land Charges (Amendment Rules) 2010, which remove the authority for the charge. The likely income loss of £30k in this financial year (£50k in a full year) is reflected in the revised revenue outturn forecast presented in this report.
- (d) Note the revised outturn forecasts and their potential impact on the Authority's revenue (paragraph 3.5) and capital (paragraph 4.1) budgets.
- # (e) Note the detailed variations reported (Appendix 1 & 2)

For Further Information Please Contact:

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**REPORTED GENERAL FUND REVENUE BUDGET VARIATIONS
NARRATIVES**

	£000
<u>1. Crime & Disorder</u>	
a) No new variations to report	
<u>2. Employment, Health & Wellbeing</u>	
a) No new variations to report	
<u>3. Environment</u>	
a) Abandoned Vehicles (HoS C Read) – Subcontractor savings are expected to lead to a budget surplus of £6k.	-6
b) Environment Policy (HoS C Read) – Based on income levels in 2009/10 Project Integra should generate income of £55k in addition to the existing budget for 2010/11.	-55
c) Public Conveniences (HoS C Read) – A variety of expected smaller budget savings are expected to contribute to a reduction in costs totalling £19k.	-19
d) Fuel / Fleet Management (HoS C Read) – Fuel budgets were originally based on an estimated 86p per litre. Based on a current cost of 99p per litre the costs for the year are estimated to be £55k higher than budgeted. The approach to delivering savings of £55k resulting from the introduction of the Fleet Management System is currently under review. Indications are that they may not now fully materialise until 2011/12.	110
e) Refuse Collection / Recycling (HoS C Read) – As a result of the delayed introduction of the ‘Round Review’ proposals savings originally estimated will be £40k lower in 2010/11, but the full effect is expected to be achieved in 2011/12.	40
f) Misc Environment (HoS C Read) – Miscellaneous savings of £12k are currently predicted	-12
	58
<u>4. Finance & Efficiency</u>	
a) Misc Finance & Efficiency (HoS Various) – A net underspend of £20k against a variety of budget areas is currently anticipated.	-20
	-20
<u>5. General Purposes and Licensing</u>	
a) No new variations to report	
<u>6. Housing</u>	
a) No new variations to report	
<u>7. Leisure, Culture & Youth</u>	
a) Health and Leisure Centres (HoS B Millard) – On 19/04/2010 Cabinet approved a scheme to build a new Sauna / Steam suite at Lymington HLC. This is expected to lead to a net budget benefit of £7k (additional income of £10k partly offset by costs of £3k)	-7
	-7
<u>8. Planning Development Control</u>	
a) Full implications of the impact of the withdrawal of Housing Planning Delivery grant of £120k will be reported once an assessment of all associated budgets has been completed	
<u>9. Planning & Transportation</u>	
a) Public Lighting (HoS C Elliott) – Whilst contracts have not yet been finalised the financial benefit of the Public Lighting PFI contract for New Forest in 2010/11 is expected to realise savings of approximately £77k (after allowing for virements previously agreed by the Portfolio Holder). Depending on a full review of the contract provision (once finalised) this figure may need some adjustment.	-77
b) Planning & Transportation Miscellaneous (HoS C Elliott) – As a result of various currently vacant posts across Planning & Transportation business units it is likely that minimum savings of about £10k can be achieved.	-10

<p>c) Land Charges (HoS C Elliott) - Fees for personal searches of the Local Land Charges Register based on the standard charge prescribed by Government of £22 were expected to contribute approximately £50k to land charges income. On 17 August the Local Land Charges (Amendment) Rules 2010 are due to come into effect. They amend the Local Land Charges Rules 1977 which formed the basis for the current charge. DEFRA and the LGA have advised that the charges should be withdrawn with immediate effect following the publication of this amendment and this is expected to lead to a loss of income for the remainder of the year of up to £30,000.</p>	30
<p>d) Concessionary Travel (HoS G Miles) – While costs of the Concessionary Travel scheme for 2010/11 are currently on budget, final costs for 2009/10 were £120k higher than expected. Based on information from MCL, county wide advisors to the Concessionary Travel Scheme, about costs incurred on the scheme in 2009/10 budget savings of £200k could be reported to Members during that year and eventually the outturn was about £230k lower than the original budget. However, in June of this year, MCL advised us of a mistake in their calculations as a result of which the saving should only have been £110k (i.e. £120k short of the total reported to date). The update from MCL came too late to be reflected in our accounts for 2009/10 and the shortfall of £120k will therefore need to be reflected as an adjustment in this financial year.</p>	120
	63

10. Capital Financing Provision (BRO K Green)

- a) **No new variations to report**

11. Interest Earnings (BRO K Green)

<p>a) The budget set for 2010/11 had anticipated a gradual recovery in interest rates and allowed for a commensurate increase in our income due to interest earnings. In reality interest rates are now likely to stay depressed for some time to come and as a result the forecast income for the year is now £250,000 below the original budget.</p>	250
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12. Revenue Contribution to Capital (BRO K Green)

<p>a) The additional contribution to capital planned will not be made, offsetting partly the reduced level of interest anticipated</p>	-200
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13. Government Grants (BRO K Green)

<p>a) Following the election earlier in the year the new Government has decided to remove a number of grant allocations and budgets reflecting LPSA grant of £230k and LABGI/Area Based Grant of £70k have been removed from budgets. Alongside the grant income budgets, expenditure budgets of £250k which reflected the anticipated expenditure associated with the LPSA grant have also been removed.</p>	300
<p>b) Housing Planning Delivery Grant of £120k and Free Swimming Grant of £110k has also been removed but it is proposed to adjust the effect of these on the budgets once the potential impact on associated expenditure budgets and/or possible reductions in these has been fully assessed.</p>	-250

TOTAL NEGATIVE VARIATION

194

REPORTED CAPITAL EXPENDITURE BUDGET VARIATIONS
NARRATIVES

	NFDC £000	RE – PHASING £000	OTHER £000	TOTAL £000
1. Crime & Disorder				
2. Employment, Health & Wellbeing				
3. <u>Environment</u>				
a) Public Conveniences (HoS C Read) – Various virements totalling £48k have been agreed to support the new Calshot PC capital scheme with a net transfer of £16k from the LCYM Portfolio (see 6b below).	16			16
4. <u>Environment – Coastal Protection</u>				
a) North Solent SMP Review (A Bradbury) – Formal approval of £51k additional grant has been received to carry out further works			51	51
5. <u>Finance & Efficiency</u>				
a) Marsh Lane Depot (HoS G Bettle) - A forecourt separator costing £40k is required as reported to Cabinet on 5/7/2010.	40			40
	40	0	0	40
6. <u>Leisure, Culture & Youth</u>				
a) Lymington HLC (HoS B Millard) – On 19/4/2010 Cabinet approved a scheme to build a new Sauna/Steam suite at Lymington Health and Leisure Centre.	57			57
b) Leisure Services (HoS M Devine) – The Portfolio Holder has given approval for a budget transfer of £16k from the Calshot Pedestrian scheme to help fund the work at the Calshot Public Convenience (see 3 a above)	-16			-16
	41	0	0	41
7. <u>Leisure – Developers Contributions</u>				
a) Developers Contributions (HoS M Devine) – A number of new schemes have recently been approved from Developers Contributions funds: Ringwood - Pocket Park (£10k from other sources) £36,000 Fawley – Newlands Skate Park £31,000 Hordle – War Memorial £6,000 Marchwood – Skate Park £10,000			82	82
b) Developers Contributions (HoS M Devine) – The following schemes are to be removed from the programme: Ringwood – North Poultnr Monitoring £1,000 New Milton – MUGA at Ashley Road £27,000			-28	-28
	0	0	54	54

8. Planning & Transportation

a) **Car Parks (HoS G Miles)** - The Portfolio Holder has approved additional funding of £11,000 for the Ringwood Long Stay Car Park Resurfacing Scheme following advice from officers about the deterioration occurring and the potential safety hazards.

b) **Transport Initiatives / Other (HoS C Elliott)** – A number of new developers contribution funded schemes or amendments to existing schemes have been approved in past months and need to be reflected in the 2010/11 budgets:

Ampress to Lymington Cycle Route – additional	£20,000
Water Lane to Calmore Cycle Route	£18,000
Fordingbridge Green Lane	£2,000
Milford on Sea Cliff Road	£2,000
Soton – Mansfield Road Junction	£123,000
Lymington – Cycle Route Network	£33,000
Hordle Village / Ashley Road	£13,000
Ringwood – Hightown Road	£39,000
Barton on Sea / New Milton Cycle Route	£8,000

9. Housing – Private Sector

a) **Disabled Facilities (HoS D Brown)** – Earlier in the year Government notified us of an increase in the Disabled Facilities Grant from £318,000 to £322,000 without any associated match funding need.

10. Housing – Public Sector

TOTAL CAPITAL EXPENDITURE VARIATION

NFDC £000	RE – PHASING £000	OTHER £000	TOTAL £000
11			11
		258	258
11	0	258	269
		4	4
0	0	0	0
108	0	367	475

CABINET 1 SEPTEMBER 2010

Item 7 – Report D – Financial Report – Outturn Projection

Amendment:-

Page 5 - paragraph 4.1 – The last sentence should read: ***Variations reported now result in an increase in capital budgets of £475,000*** (not £475m) ***resulting in a forecast outturn of £16.553m*** (not £19.553m).

Clarification:-

Table on page 4:

Under 'New Commitments' the line re: Interest earnings points in brackets to a link in **b above**. This should read **b below**.

Page 10 – item 8 (b)

The 5th item in the list should read '**Ringwood – Southampton Rd/Mansfield Rd Junction - £123,000**'