

FINANCIAL REPORT – OUTTURN PROJECTION BASED ON PERFORMANCE TO SEPTEMBER 2010

1. INTRODUCTION

- 1.1 This report considers financial performance for the first 6 months of 2010/11 and any potential outturn implications on a Portfolio and Committee basis.

2. BACKGROUND

- 2.1 The report consolidates and updates the financial picture for the authority since the first financial report presented to Cabinet in September and following the measures announced by the new Government in the wake of a national emergency Budget and the Comprehensive Spending Review.
- 2.2 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.
- 2.3 The Council is progressing its response to the Government agenda building on the work partly undertaken in the past and through a constructive plan to determine and implement further strategies for efficiency and cost reduction.
- 2.4 The previous report outlined that further work on assessing the impact of the loss of Housing Development Planning Grant (HDPG) and Free Swimming grant was necessary before the financial impact could be gauged. The impact in respect of the loss of HDPG has been concluded and is now reflected in section 3 below. On the other hand, work on minimising the impact of the loss of the Free Swimming grant is still continuing and should be available for the next financial monitoring report.

3. GENERAL FUND OUTTURN PROJECTION

- 3.1 A General Fund budget of £23.104 million for 2010/11 was agreed by Council in March, which has since been amended to £23.331m in line with the items reported in the September report to Cabinet.
- 3.2 The total of new commitments in this report amount to £250,000. This is offset by positive variations totalling £293,000, resulting in a net improvement for the period of £43,000. (Note: A full financial assessment of the net impact resulting from the loss of £110k of Free Swimming Grant is ongoing)
- 3.3 The most significant variations are summarised below:

Government Grants:

- Loss of Housing Planning Delivery Grant £120k

Planning & Transportation / Planning Development Control:

- **PDC Expenditure / Income**

In addition to the Government's withdrawal of grant of £120k there has been a further marked deterioration in Planning Fee income and if current average monthly income levels continue there will be a shortfall of approximately £100k for the year. Work has been ongoing to identify savings and to date £110k of savings have been identified, related to staff savings from vacancy control and various supplies and services savings that can be achieved in this year.

In addition to this there are added pressures on legal costs / counsel advice required to support the Council's decision making process, which on the basis of past experience could lead to a budget shortfall. Developments will be closely monitored and reported over the remainder of the year.

- **Building Control and Planning Fee Income**

In the period to 30 September Building Control Income is expected to exceed costs by approximately £50k. From 1 October the authority has to comply with the new 'Building (Local Authority Charges) Regulations 2010', which impose a legal requirement on local authorities to set charges at break- even level with the need to recoup any shortfall through charge increases over a period of time and similarly to return any surplus through reduced charges. As a result the surplus reported to 30 September can be expected to be the forecast position for the full year.

- **Other areas**

Savings of £20k have been achieved in Concessionary Travel administration budgets.

Leisure, Culture & Youth Matters:

- **Various** – Further employee savings (£75k) are being realised in Health and Leisure centres as a result of the on-going service review and a vacant Play Development Officer post contributes additional savings of £20k. Income at Dibden Golf Centre is on the other hand £50k behind target to date and not likely to recover over the winter months.

Miscellaneous variations across the Finance & Efficiency Portfolio (£18k) and the Employment, Health and Wellbeing Portfolio (£20k) are expected to contribute a net budget saving of £38k.

- 3.4 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 **£23.288m**. This is an increase of **£151k** for the year to date from the original budget of £23.104m after allowing for net transfers from reserves of £33k.

	Previously Reported £	New Items £	Latest Position £
Additional Resources (+)			
<u>Income</u>			
Health & Leisure Centre Income	10,000	0	10,000
Project Integra	55,000	0	55,000
Building Control Income	0	50,000	50,000
<u>Expenditure</u>			
LPSA Grant (associated expenditure) (a)	250,000	0	250,000
Public Lighting (PFI)	77,000	0	77,000
Environment Portfolio (Misc)	37,000	0	37,000
Finance & Efficiency Portfolio (Misc)	20,000	18,000	38,000
Health & Leisure Centre Costs	-3,000	75,000	72,000
Other Leisure, Culture & Youth	0	20,000	20,000
Planning Development Control (c)	0	110,000	110,000
Planning & Transportation Portfolio (Misc)	10,000	0	10,000
Other Variations (net)	0	20,000	20,000
Subtotal Additional Resources	456,000	293,000	749,000
New Commitments (-)			
<u>Income</u>			
Interest Earnings (link to (b) below)	-250,000	0	-250,000
LPSA Grant (link to (a) above)	-230,000	0	-230,000
LABGI Grant	-70,000	0	-70,000
Housing Planning Delivery Grant (link to (c) above)		-120,000	-120,000
Planning Fee Income		-100,000	-100,000
Dibden Golf Centre Income		-50,000	-50,000
Land Charges Income	-30,000	0	-30,000
Free Swimming	(1)	(1)	(1)
(1) To be updated once fully assessed			
Concessionary Fares	-120,000	20,000	-100,000
Refuse Collection Round Review (Env)	-40,000	0	-40,000
Fuel / Fleet Management (Environment)	-110,000	0	-110,000
Subtotal New Commitments	-850,000	-250,000	-1,100,000
NET TOTAL	-394,000	43,000	-351,000
CONTINGENCY			
Pay Award provision	270,000	0	270,000
Additional Contribution to Capital (b)	200,000	0	200,000

4. CAPITAL EXPENDITURE

- 4.1 The revised capital programme reported to Cabinet in September forecast outturn expenditure of £16.553m. Variations reported now will result in a net increase in the programme of £27k to £16.580m.
- 4.2 The most significant factors responsible for the increase are the allocation of Developers' contributions (£68k) and PUSH grant (£124k) to projects in the past 2 months. Excluding these there have in fact been reductions of £165k in terms of costs falling on the Council, largely as a result of savings and rephasings. 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	-109
Rephasings to 2011/12	-56
Funding from Developers' Contributions	68
Funding from Other External Sources (PUSH)	<u>124</u>
TOTAL	<u>27</u>

5. HOUSING REVENUE ACCOUNT

- 5.1 On 1 September Cabinet recommended to Council to approve the proposals to part fund the development of Howards Mead from HRA reserves (£800k) and this has subsequently been ratified by Council. The remainder of the total scheme costs of £1.4m will be covered by a successful grant bid to the HCA. The Housing Revenue Account budgets will be increased to reflect the £800k contribution to the scheme.

6. CRIME AND DISORDER / EQUALITY AND DIVERSITY/ENVIRONMENTAL IMPLICATIONS

- 6.1 There are no Crime & Disorder, Equality & Diversity or Environmental implications arising directly from this report.

7. PORTFOLIO HOLDER COMMENTS

- 7.1 The Finance and Efficiency Portfolio Holder comments that the forecast net overspend for this year of £351,000 will make the task of complying with the Chancellor's grant cuts announced for the next four years even harder than anticipated.

8. RECOMMENDATIONS

8.1 It is recommended that Members: -

- (a) Note the revised outturn forecasts and their potential impact on the Authority's revenue (paragraph 3.4) and capital (paragraph 4.1) budgets;
- (b) Note the updated HRA budget (paragraph 5.1); and
- (c) Note the detailed variations reported (Appendix 1 and 2)

For Further Information Please Contact:

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REPORTED GENERAL FUND REVENUE BUDGET VARIATIONS

	£000
<u>1. Crime & Disorder</u>	
a) No new variations to report	
<u>2. Employment, Health & Wellbeing</u>	
a) Environmental Health Services (HoS A Righton) - Due to a vacant Senior Env Health Officer post a saving of £20k is expected to accrue.	-20
<u>3. Environment</u>	
a) No new variations to report	
<u>4. Finance & Efficiency</u>	
a) Misc Finance & Efficiency (HoS Various) – The rental income budget for Hardley Industrial estates needs to be adjusted downwards (£12k) to reflect the fact that the rental increase will be phased in over a period of time. This is largely balanced by savings from the Sustainability and Energy Conservation budget of £10k.	2
b) Appletree Court / Lymington Town Hall (HoS G Bettle) – Office optimisation processes are expected to lead to maintenance savings of £20k.	-20
	-18
<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) – Further employee savings are being realized as a result of the on-going service review.	-75
b) Dibden Golf Centre (HoS B Millard) – Golf income is £50k behind target to date and not likely to recover over the winter months.	50
c) Sports and Youth Development (HoS M Devine) – The vacant Play Development Officer post will not be replaced during 2010/11 resulting in savings of £20k.	-20
	-45
<u>8. Planning Development Control</u>	
a) PDC Expenditure / Income (HoS C Elliott) - Following the Governments withdrawal of grant of £120k an assessment has taken place of potential budget savings that can be made to compensate for this loss. £110k of savings have been identified to date in terms of salary and various supplies and services savings that can be achieved in this year, largely offsetting the loss in grant.	10
However this year has also seen a marked deterioration in Planning Fee income and if current average monthly income levels continue there will be a shortfall of approximately £100k for the year.	100
In addition to this there has in the past been a shortfall in the budget provision to cover legal costs /counsel advice as part of the 'Hired and Contracted' budget. In 2009/10 this amounted to £45k and unless those costs can be reduced there is a likelihood that a shortfall will continue and a negative variation will arise later in the year. Developments will be closely monitored and reported over the remainder of the year.	TBC
	110
<u>9. Planning & Transportation</u>	
a) Building Control (HoS C Elliott) – In the period to 30 September Building Control Income is expected to exceed costs by approximately £50k. From 1 October the authority has to comply with the new 'Building (Local Authority Charges) Regulations 2010', which impose a legal requirement on local authorities to set charges at break even level with the need to recoup any shortfall through charge increases over a period of time and similarly to return any surplus through reduced charges. As a result the surplus reported to 30 September can be expected to be the forecast position for the full year.	-50
b) Concessionary Travel (HoS G Miles) – Due to the retirement of the customer services manager a saving of £20k will be achieved in this financial year.	-20
	-70

10. Capital Financing Provision (BRO K Green)

a) No new variations to report

11. Interest Earnings (BRO K Green)

a) No new variations to report

12. Revenue Contribution to Capital (BRO K Green)

a) No new variations to report

13. Government Grants (BRO K Green)

a) The impact of losing Housing Planning Delivery Grant of £120k has now been assessed and been reflected in section 8 above. An assessment of the financial impact of the loss of Free Swimming Grant of £110k is still ongoing and is expected to be available by the time of the next financial monitoring report.

TOTAL POSITIVE VARIATION

-43

REPORTED CAPITAL EXPENDITURE BUDGET VARIATIONS

	NFDC £000	RE – PHASING £000	OTHER £000	TOTAL £000
1. Crime & Disorder				
2. Employment, Health & Wellbeing				
3. Environment				
4. Environment – Coastal Protection				
5. Finance & Efficiency				
a) Vehicles & Plant (HoS C Read) - Following an initial review of the Vehicles and Plant programme 2 purchases have been rephased into 2011/12:				
1 Refuse vehicle (Special collections £34k) – to be purchased after round changes.				
2 Leisure (Tractor £22k) – purchase delayed awaiting service review.		-56		-56
b) Marsh Lane Depot (HoS G Bettle) – Capital programme savings of £30k in total have been achieved through reduced costs of the replacement interceptors (£25k) and not replacing the weighbridge roof (£5k)	-30			-30
c) ICT Works Programme (HoS K Connolly) – Savings have been achieved on the Performance and Risk Management System.	-15			-15
d) Appletree Court (HoS G Bettle) – The use of an Evac Chair in place of a stair lift for the north wing will result in a £30k budget saving.	-30			-30
	-75	-56	0	-131
6. Leisure, Culture & Youth				
a) Dual Use / Joint Provision – Hurst Castle Sailing Club (HoS M Devine) – Progress on this scheme has been slower than expected. It is therefore proposed to remove the budget in this year and to rebid for it in the correct financial year.	-20			-20
b) NFDC Open Space – Safety Signage (HoS M Devine) – Total expenditure expected is £5k and £14k of budget provision can as a result be removed	-14			-14
	-34	0	0	-34
7. Leisure – Developers Contributions				
a) Developers Contributions (HoS M Devine) – Portfolio Holder decisions have been made to allocate Open Space Developer contributions to the following schemes				
Lymington – Woodside Master Plan £30,000				
Bransgore – Recreation Ground £30,000				
Sway – Tennis £ 4,000				
Sway – Cricket £ 4,000			68	68
	0	0	68	68
8. Planning & Transportation				
9. Housing – Private Sector				
a) Renovation Grants (HoS D Brown) – A report to Cabinet in June 2008 (Report C) outlined the success of the Council in bidding for PUSH grants totaling £445k (£176k for 2010/11). The current forecast of PUSH related expenditure in 2010/11 to be fully funded from the grant is £124k.			124	124
10. Housing – Public Sector				
TOTAL CAPITAL EXPENDITURE VARIATION	-109	-56	192	27