

## FINANCIAL REPORT – OUTTURN PROJECTION BASED ON PERFORMANCE TO DECEMBER 2010

### 1. INTRODUCTION

- 1.1 This report considers financial performance for the first 9 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 2 financial reports presented to Cabinet in September and December following the measures announced by the new Government in the wake of a national emergency Budget and the Comprehensive Spending Review.
- 2.2 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.
- 2.3 Details of the Council's reduced government grant for 2011/12 and future years have now been announced and this report shows the early results of the Council's determination to address the task set by Government in a constructive way through the achievement of significant savings since the last report.

### 3. GENERAL FUND OUTTURN PROJECTION

- 3.1 A General Fund budget of £23.104 million for 2010/11 was agreed by Council in February 2010, which has since been amended to £23.288m in line with the items previously reported to Cabinet in September and December.
- 3.2 The total of new commitments reflected in this report amounts to £110,000. This is offset by positive variations totalling £760,000, resulting in a net improvement for the period of £650,000.
- 3.3 The most significant variations apart from the release of a provision of £270k for pay award costs no longer required are summarised below:

#### **Planning & Transportation / Planning Development Control:**

##### **• Transportation**

Budget savings of £65k have been achieved on Community Transport, Green Transport, Minor Transport Enhancement Schemes and the Highways business unit.

##### **• Other areas**

Savings of £25k are likely to be achieved across a variety of business units as a result of the Vacancy Management process.

- **Concessionary Travel**

The professional advisors (MCL) to the Concessionary Fares scheme have advised us of a potential increase in costs for 2010/11 beyond their initial estimate. Whilst expenditure for the first 6 months has exceeded the forecast past experience would expect costs in the second half of the year to fall in line with a seasonal deterioration in demand for concessionary travel. MCL are now working on a revised forecast for 2010/11 and Members will be updated at the earliest opportunity should this give rise to the need for a budget revision.

- **Parking**

Income from Town Car Park Meters and from Penalty Charge notices is currently £65k behind budget (£31k and £34k respectively). Approximately £20k of this is offset by savings in the business unit but due to the early onset of winter this year it is unlikely that further savings can be made in supplies and services budgets because of increased maintenance costs. It is too early to assume that there will be a budget shortfall for car parking at the end of the year, as the income from clock sales could potentially offset the shortfall now identified.

### **Leisure, Culture & Youth Matters:**

- **Health and Leisure Centres**

Further employee savings (£90k) are being realised as a result of the ongoing service review and utilities expenditure is likely to be £80k lower than budgeted.

Work has been ongoing over the past months to manage the impact from the loss of the free swimming grant (£110k) and to date this has been achieved through the reintroduction of casual swimming charges and the success of the swim academy lessons with total income likely to fully offset the grant loss.

- **Other Areas**

Total positive budget variations of £45k are expected to be achieved in the following areas:

Foreshore & Beaches (£20k), Sports and Community Development (£15k), Open Spaces (£10k).

### **Environment:**

- **Refuse Collection / Recycling / Environment Policy / Others**

Increases in oil prices have impacted adversely on fuel (£25k) and material costs (£30k). In addition the recent severe winter weather has resulted in additional costs in order to maintain the service. However, income from 'Project Integra' is now expected to be higher than budgeted, and there are other small positive variations resulting in a net increase in costs of £20k.

**Miscellaneous** variations across the Finance & Efficiency Portfolio (£10k), the Employment, Health and Wellbeing Portfolio (£43k), the Crime and Disorder Portfolio (£20k) and the General Purposes and Licensing Committee (£22k) are expected to contribute a further net budget saving of £95k (*identified by suffix (1) in the New Items column of the table on the following page*).

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 **£22.638m**. This is a decrease of **£499k** 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 £
<b>Additional Resources (+)</b>			
<b><u>Income</u></b>			
Health & Leisure Centre Income	10,000	0	10,000
Casual Swim / Swim Academy Income (d)	0	110,000	110,000
Project Integra	55,000	<b>100,000</b>	155,000
Building Control Income	50,000	<b>0</b>	50,000
<b><u>Expenditure</u></b>			
Pay Award Provision	0	270,000	270,000
LPSA Grant (associated expenditure) (a)	250,000	0	250,000
Public Lighting (PFI)	77,000	0	77,000
Environment Portfolio (Misc)	37,000	<b>-120,000</b>	-83,000
Finance & Efficiency Portfolio (Misc)	38,000	<b>10,000 (1)</b>	48,000
Health & Leisure Centre Costs	72,000	<b>170,000</b>	242,000
Other Leisure, Culture & Youth	20,000	<b>45,000</b>	65,000
Planning Development Control (c)	110,000	<b>0</b>	110,000
Planning & Transportation Portfolio (Misc)	10,000	<b>90,000</b>	100,000
Other Variations (net)	20,000	<b>85,000 (1)</b>	105,000
<b>Subtotal Additional Resources</b>	<b>749,000</b>	<b>760,000</b>	<b>1,509,000</b>
<b>New Commitments (-)</b>			
<b><u>Income</u></b>			
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	0	-120,000
Planning Fee Income	-100,000	0	-100,000
Dibden Golf Centre Income	-50,000	0	-50,000
Land Charges Income	-30,000	0	-30,000
Free Swimming Grant (link to (d) above)	0	-110,000	-110,000
Concessionary Fares	-100,000	0	-100,000
Refuse Collection Round Review (Env)	-40,000	0	-40,000
Fuel / Fleet Management (Environment)	-110,000	0	-110,000
<b>Subtotal New Commitments</b>	<b>-1,100,000</b>	<b>-110,000</b>	<b>-1,210,000</b>
<b>NET TOTAL</b>	<b>-351,000</b>	<b>650,000</b>	<b>299,000</b>
<b>Additional Contribution to Capital (b)</b>	<b>200,000</b>	<b>0</b>	<b>200,000</b>

#### 4. CAPITAL EXPENDITURE

- 4.1 The revised capital programme reported to Cabinet in December forecast outturn expenditure of £16.580m. Variations reported now will result in a net decrease in the programme of £1.488k to £15.092m.
- 4.2 The most significant factors responsible for the decrease are net savings across a number of projects totalling £455k, which together with rephasings of £1.479m bring the total reduction to £1.934m. This is partly offset by the additional allocation of external funds in form of developers contributions to projects (£276k) and Environment Agency (EA) grants to coastal projects (£170k) in the past 3 months. Excluding rephasings and externally funded schemes the Council's costs have reduced by £455k. 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.

<b>IMPACT ON CAPITAL RESOURCES</b>	<b>£000</b>
Positive Variations affecting the Council's Capital Resources	-455
Rephasings to 2011/12	-1,479
Funding from Developers' Contributions	276
Funding from Other External Sources (EA)	170
<b>TOTAL</b>	<b>-1,488</b>

- 4.4 Planned maintenance budgets for Appletree Court, Lymington Town Hall and Marsh Lane depot (£300k) are closely linked to progress with the One Site Project. It is likely that a large part of this expenditure will now take place in 2011/12 but the amount cannot be determined until closer to the year end.

#### 5. HOUSING REVENUE ACCOUNT

- 5.1 HRA capital financing costs will be £153k less than the original budget. This is principally due to a reduction of £132k in the premium costs payable on prematurely repaid loans. This reduction is usually matched by an equivalent adjustment in the Housing Subsidy figure payable but this had already been reflected in the original budget. This reduction in costs is offset by an estimated shortfall of £135k in rents and service charges leading to a net improvement in the HRA budget position of £18k. As a result of the rephasing of some of the work on North Milton estate (see Appendix 2, 10a) the costs falling onto the HRA in this year will reduce by £1m. Total positive variations of 1.018m will therefore reduce the HRA budget for 2010/11 from £3.008m to £1.990m.

#### 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 There has been a swing of £650,000 from a forecast deficit position for the year to one where income is now expected to be ahead of expenditure.

This is partly due to the release of a provision of £270,000 not required. However, it is good to see that the 2 year programme to reduce expenditure to offset the central government reduction in support grant is beginning to take effect.

It should be noted that the position with regard to concessionary fares remains unclear.

## **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)

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## REPORTED GENERAL FUND REVENUE BUDGET VARIATIONS

	£000	£000
<b>1. <u>Crime and Disorder</u></b>		
a. <b>CCTV (HoS A Righton)</b> – The outcome of the tendering process has generated budget savings of £20k on CCTV maintenance.		20
<b>2. <u>Employment, Health &amp; Wellbeing</u></b>		
a. <b>Environmental Health Services (HoS A Righton)</b> – Business unit savings totaling £43K in the Pollution and Dog Wardens business units due to frozen posts and/or staff vacancies are currently forecast.		43
<b>3. <u>Environment</u></b>		
a. <b>Refuse Collection / Recycling / Environment Policy /Others (HoS C Read)</b> – Increases in oil prices have impacted adversely on fuel (£25k) and material costs (£30k). In addition the recent severe winter weather has resulted in additional costs in order to maintain the service. However, income from 'Project Integra' is now expected to be higher than budgeted, and there are other small positive variations resulting in a net increase in costs of £20k.		-20
<b>4. <u>Environment (Coastal Protection)</u></b>		
<b>5. <u>Finance &amp; Efficiency</u></b>		
a. <b>Benefits Administration (HoS G Miles)</b> – £10k additional admin grant will be received in 2010/11		10
<b>6. <u>General Purposes and Licensing</u></b>		
a. <b>Licensing (HoS A Righton)</b> – Due to an unfilled post savings of £22k are currently expected.		22
<b>7. <u>Housing</u></b>		
<b>8. <u>Leisure, Culture &amp; Youth</u></b>		
a. <b>Health and Leisure Centres (HoS B Millard)</b> – Further employee savings (£90k) are being realised as a result of the ongoing service review and utilities expenditure across the centres is estimated to be £80k lower than budgeted.	170	
b. <b>Health and Leisure Centre Swimming (HoS B Millard)</b> – It is expected that the loss of free swimming grant of £110k will be fully offset by income from casual swimming and the success of swim academy lessons.	0	
c. <b>Foreshore and Beaches (HoS M Devine)</b> – Income received from site transfers and site rents is to exceed targets by £20k.	20	
d. <b>Sports and Community Development (HoS M Devine)</b> – £15k of the Youth Project grant will not be spent in 2010/11.	15	
e. <b>Open Spaces (HoS M Devine)</b> – One off income of £10k has been received for the disturbance of NFDC land for the laying of a cable.	10	
		<b>215</b>
<b>9. <u>Planning Development Control</u></b>		
<b>10. <u>Planning &amp; Transportation</u></b>		
a. <b>Transportation (HoS C Elliott)</b> – Budget Savings of £65k have been achieved on Community Transport, Green Transport, Minor Transport Enhancement Schemes and the Highways business unit.		65
b. <b>Various Business Units (HoS C Elliott)</b> – Savings of £25k are likely to be achieved across a variety of business units as a result of the Vacancy Management process.		25
c. <b>Concessionary Travel / Parking (HoS G Miles)</b> – see section 3.3 of the report		TBC
		<b>90</b>
<b>11. <u>All Portfolios</u></b>		
a. <b>Pay Award (HoS K Green)</b> – A provision of £270k for potential pay award costs had been set up, which is now no longer required.		270
<b>TOTAL POSITIVE VARIATION</b>		<b>650</b>

## REPORTED CAPITAL EXPENDITURE BUDGET VARIATIONS

	NFDC £000	RE – PHASING £000	OTHER £000	TOTAL £000
<b>1. <u>Crime and Disorder</u></b>				
a. <b>CCTV (HoS A Righton)</b> – Savings of £17k are now expected to be made as part of the CCTV capital programme for 2010/11.	-17			-17
<b>2. <u>Employment, Health &amp; Wellbeing</u></b>				
<b>3. <u>Environment</u></b>				
a. <b>Public Conveniences (HoS C Read)</b> – £300k of the Public Conveniences programme needs to be carried forward to 2011/12 to reflect the programming of actual work.		-300		-300
<b>4. <u>Environment (Coastal Protection)</u></b>				
a. <b>Coastal Protection (A Bradbury)</b> – Adjustments are necessary to a number of schemes to reflect updated/new funding approvals by the Environment Agency, largely to allocate additional funding to the 'Regional Monitoring, Phase 2' project.			170	170
<b>5. <u>Finance &amp; Efficiency</u></b>				
a. <b>ICT Capital Projects (HoS K Connolly)</b> – Changes to the ICT capital programmes implementation mean that because of timing issues £20k of resources need to be moved between projects and a further £79k of budget provision is no longer required and can be released.	-79			-79
b. <b>ICT Capital Projects (HoS K Connolly)</b> – As part of the report included as Appendix 4 a virement of £10k is necessary from Coast/Dual Use to cover software costs (see 6e below)	10			10
c. <b>Planned Maintenance Works – ATC/LTH/Marsh Lane (HoS G Bettle)</b> – Office optimisation and the one site project have resulted in some rescheduling and a changed emphasis on work across the 3 sites whilst still resulting in a net saving: The movement between budgets is outlined below				
• Boilers		-£57k		
• ICT Data Centre		-£60k		
• Various Marsh Lane Works		-£35k		
• Roof Coverings		+£70k		
• Windows		+£42k		
• Access Control/Various		+£28k		
d. <b>Vehicles &amp; Plant (HoS C Read)</b> – £12k was originally allocated as part of the revenue budgets for cameras to be installed in various refuse vehicles. To offset the expenditure the budget provision now needs to be reflected in capital budgets (following the removal from revenue as part of previous reports).	12			12
	-69			-69
<b>6. <u>Leisure, Culture &amp; Youth</u></b>				
a. <b>Applemore HLC (HoS B Millard)</b> – The proposed scheme for boiler replacements at Applemore needs to be revised to reflect a serious deterioration. The additional costs of £44k can be funded through virements of savings from other projects. Full details are attached in Appendix 3	0			0
b. <b>HLC &amp; Dibden Golf Centre Equipment (HoS B Millard)</b> – The equipment budgets have been reviewed and £21k can as a result be rephased to 2011/12.		-21		-21

	NFDC £000	RE – PHASING £000	OTHER £000	TOTAL £000
<b>c. Dual Use / Joint Provision (HoS M Devine)</b> – In order to align resources to implementation schedules it is necessary to rephase the following budgets to 2011/12: Youth Facilities £30,000 Ringwood Meeting House £10,000 Ringwood Community Association £11,000 Waterside Theatre £30,000		-81		-81
<b>d. Dual Use / Joint Provision (HoS M Devine)</b> – A number of underspends can now be reported: Sway Village Hall £11,000(scheme less expensive than anticipated) Noadswood School £20,000(self financed)	-31			-31
<b>e. Coast / Dual Use (HoS M Devine)</b> – A report attached as Appendix 4 outlines a number of budget transfers and rephasings, including a viement to cover software costs (see 5b above)	-10	-48		-58
<b>f. Dual Use (HoS M Devine)</b> – It has become necessary to rephase £29k of the Eling Tide Mill capital budget to 2011/12.		-29		-29
<b>g. Dual Use (HoS M Devine)</b> – £40k of the Eling Causeway budget will now not be needed until 2012/13. It is therefore being removed from the existing programme at this time and will be re-bid for at the appropriate time.	-40			-40
<b>h. Open Space (HoS M Devine)</b> – The £20k allocation to the 'Barton Management Plan' is no longer required as the works were completed using in-house resources.	-20			-20
	<b>-101</b>	<b>-179</b>	<b>0</b>	<b>-280</b>
<b>7. Leisure – Developers Contributions</b>				
<b>a. Developers Contributions (HoS M Devine)</b> – A number of new schemes have recently been approved from Developers Contributions funds: Fawley; MUGA at Gang Warily £30,000 Brockenhurst, Play Facilities, Highwood £49,900			<b>80</b>	<b>80</b>
<b>8. Planning &amp; Transportation</b>				
<b>a. Car Parks (HoS G Miles)</b> – Savings of £8k have been achieved on the replacement of handheld PCN issuing equipment.	-8			-8
<b>b. Transport Initiatives / Other (HoS C Elliott)</b> – 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: Lymington Town Cycle Route £51,000 Barton on Sea / New Milton Cycle Route £16,000 Claypits Lane / Southampton Road Cycle Improvements £11,000 Langdown Lane Pedestrian Crossing Improvements £8,000 Roman Road South Traffic Calming £5,000 The Bickerley, Ringwood £10,000 Highlands Road Accessibility Improvements £15,000 New Milton Rail Station Improvements £6,000 Manor Road/Ashley Common Road Improvements £14,000 Old Milton Road Junction Improvements £60,000			196	196
	<b>-8</b>	<b>0</b>	<b>196</b>	<b>188</b>
<b>9. Housing – Private Sector</b>				
<b>a. Disabled Facilities Grant / Social Housing Grant (HoS D Brown)</b> – In order to address a backlog of Disabled Facilities applications expenditure is expected to be £200k above budget for the year. This is balanced by an underspend of £460k on Social Housing grant as a result of fewer schemes coming forward due to current market conditions.	-260			-260



**10. Housing – Public Sector**

- a. **Major Projects – North Milton Estate (HoS D Brown)** – There are no changes to the overall cost of the scheme but in order to match the timing of work £1m of the budget does now need to be moved back a year.

**TOTAL VARIATIONS**

<b>NFDC £000</b>	<b>RE – PHASING £000</b>	<b>OTHER £000</b>	<b>TOTAL £000</b>
	-1,000		-1,000
<b>-455</b>	<b>-1,479</b>	<b>446</b>	<b>-1,488</b>

## REQUEST FOR VIREMENT OF CAPITAL BUDGETS – APPLEMORE HEALTH & LEISURE CENTRE - REPLACEMENT OF BOILERS

### 1. INTRODUCTION

- 1.1 A scheme to replace 4 of the 10 boilers serving Applemore Health & Leisure Centre was included in the capital programme for 2010/11. A budget of £58,000 has been allocated to the scheme. The boilers have exceeded their effective life and are in need of replacement before they break down and become irreparable. The boilers serve to heat the complete building and in the event that any more become non operational the result would be the closing of the Centre and a large loss of revenue.
- 1.2 In addition to the above, due to their age and design, the boilers are inefficient resulting in increasing running costs. The intended new boilers are of the highest efficiency and will year on year have lower running costs and have a reduced carbon footprint
- 1.3 During the preparation of the contract further closer inspection of the boilers was carried out and it was discovered that of the original 4 boilers requiring replacement a further 2 had ceased working meaning that there are now only 4 boilers operating effectively. Because of these increasing breakdowns and seizures it was decided that the most cost effective approach will be to replace all 10 boilers.
- 1.4 Tenders were therefore sought for a full replacement of the boilers in accordance with Contract Standing Orders. The lowest tender received was £102,000 resulting in a shortfall of £44,000 against the original budget.
- 1.5 Additional budget provision is therefore required to progress this essential work. It is proposed that savings achieved elsewhere on a number of capital projects be vired to fund these additional costs, as follows:

Scheme	Saving £
General CCTV/Lighting	13,000
Applemore – Pool Lighting	12,000
Applemore – Replace roofing over Gym Hall	8,000
Lymington – Entrance Door	11,000
<b>Total</b>	<b>44,000</b>

- 1.6 The budget virements are all within the Leisure portfolio, the Portfolio Holder supports the proposal to vire these budgets.

### 2. CONCLUSIONS

- 2.1 The boilers have been identified as being past their useful life and are in a poor state of repair which will only continue to worsen. It is crucial that these boilers are replaced to prevent a serious risk of simultaneous breakdown resulting in the closure of the Leisure Centre. The works therefore need to be progressed as a matter of priority.

**3. RECOMMENDATION**

- 3.1 That Members approve a virement of the capital budget of £44,000 to cover the cost of the replacement of the boilers.

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**BACKGROUND PAPERS:**

None

## REQUEST FOR TRANSFER OF CAPITAL BUDGETS – KEYHAVEN IMPROVEMENTS

### 1. INTRODUCTION

1.1 After assessment of the current operation of the quay, works have been identified which are a priority. These include works to the surface of the quay to restore its surface and drainage. At the moment these have adverse effects on users, including the operation of the boatyard crane when it is on the quay itself. This is also an opportune moment to install the services (water and electricity) pedestal on the quay. The conduit is already laid in and this would help ensure wise use of these two services.

1.2 Good advances have been made with the new Keyhaven computer system, through which management can be improved. To complete matters a final software purchase would speed implementation.

1.3 Additional budget provision is therefore required:

	£
Works to Quay	48,000
Services pedestal	10,000
Software	10,000
<b>Total</b>	<b>68,000</b>

1.4 It is proposed the funding is transferred from the existing schemes:

	£
Milford Gap	35,000
Eling Tide Mill	33,000
<b>Total</b>	<b>68,000</b>

1.5 The Portfolio Holder supports the proposal to transfer these budgets.

### 2. CONCLUSIONS

2.1 Assuming the budget transfers as above are agreed, there will be a delay in some elements of the scheme progressing, due to the need to obtain written tender quotations. Therefore the £48,000 budget for the Quay Works will need to be re-phased to 2011/12.

### 3. RECOMMENDATION

3.1 That Members approve a transfer of the capital budget of £68,000 to cover the cost of works, equipment and software at Keyhaven.

3.2 That Members note that once approved, £48,000 of the budget will then need to be re-phased to 2011/12.

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#### BACKGROUND PAPERS:

None