

FINANCIAL REPORT – OUTTURN PROJECTION BASED ON PERFORMANCE TO JULY 2011 AND PROPOSED BUDGET TIMETABLE

1. INTRODUCTION

- 1.1 This report considers financial performance for the first 4 months of 2011/12 and any potential outturn implications on a Portfolio and Committee basis. It also proposes a timetable for consideration of the 2012/13 budget.

2. BACKGROUND

- 2.1 The report provides an update of the Medium Term Financial Plan and 2011/12 Budget.
- 2.2 Work on efficiency and savings targets set out in various workstreams last year continues.

3. GENERAL FUND OUTTURN PROJECTION

- 3.1 A General Fund budget of £20.404m for 2011/12 was agreed by Council in February 2011. The report to Cabinet in July 2011 identified additional resources of £366,000. The latest update now reported identifies adverse net variances of £254,000. The latest position is therefore an overall improvement of £112,000. A full summary is set out at Appendix 1.

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- 3.2 The latest variations are summarised below:

Planning & Transportation / Planning Development Control – Net adverse variation £250,000

A revaluation of business rates for car parks has increased costs by £150,000. Further increases are likely in subsequent years as the benefits of transitional relief is lost. Car park income this year is behind budget and should this continue for the remainder of the year the shortfall against budgets would be approximately £100,000 (*this is partly due to the impact of the increased VAT rate which costs the Council approximately £50,000; £2m *2.5%*).

Health & Leisure – Net adverse variation £9,000

(a) Health and Leisure Centres

A scheme to refurbish the Pool Hall and changing rooms at Ringwood HLC has been put on hold due to higher than anticipated tender prices. As a result, the expected loss in income of £51k built into the budget to reflect the disruption will not now be needed.

(b) Dibden Golf Centre

Actual performance is below budget by £60k. The Council has established a Task and Finish Group to review the ongoing management of the facility.

Environment – Net adverse variation £50,000:

(a) Refuse Collection / Recycling / Street Scene

The budget for fuel was based on a price of £1.00 per litre. The price paid to date averages £1.11 which is expected to result in additional costs of **£50,000** for the year.

Finance & Efficiency – Net positive variation £5,000:

(a) Hythe Marina

Due to the recession (leasing to empty properties) rental income has declined. Income is expected to remain £25K below budget in 2011/12.

(b) Bank Charges

Bank charges are expected to cost **£30,000** less than the existing budget for the current financial year.

Miscellaneous – Net positive variation £50,000:

Interest Earnings

Additional interest earnings of £50,000 are now expected in 2011/12 due higher interest rates returns and higher than expected balances brought forward.

4. CAPITAL EXPENDITURE

4.1 The Capital Programme agreed in February amounted to £16.334m. This has since been amended to **£20.166m** in line with the report in July to Cabinet to principally reflect new developer contributions allocated and also budgets brought forward from the previous year. Variations of £312,000 savings reported now will result in a revised programme of **£19.854m**.

4.2 A summary of the latest position is set out in Appendix 2.

5. HOUSING REVENUE ACCOUNT

5.1 There are currently no variations to report.

6. 2012/13 BUDGET TIMETABLE

6.1 In response to the Government's two year financial settlement for 2011-2013 the Council developed its budget strategy for the next two years based around savings to be achieved through work streams. Work is therefore already well underway to deliver a balanced budget for 2012/13.

6.2 It is planned that a detailed report on the development of work stream savings will be reported to the Cabinet at their meeting on 2 November 2011 and will form the basis of the following year's strategy.

- 6.3 In line with the arrangements set out in the Council's Constitution for budget development the first draft of the budget will go to Cabinet on 2 November 2011. The Corporate Overview and Scrutiny Panel will be invited, at their meeting on 7 November 2011, to consider the report and to set up a Task and Finish Group.
- 6.4 The Task and Finish group could comprise any interested members and should report back to the Corporate Overview and Scrutiny Panel on 19 January 2012. This will enable the Cabinet at their meeting on 1 February 2012 to consider any comments and make the usual budgetary recommendations to the Council 27 February 2012 who will then agree the final budget and the Council Tax.

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

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

8. PORTFOLIO HOLDER COMMENTS

- 8.1 The Finance and Efficiency Portfolio Holder comments that the Council's expenditure is well under control and its budgeted expenditure reductions are being achieved.
- 8.2 The Council is to appeal against the increase in business rates on its car parks but considers it prudent to include the increase in its full year forecast.

9. RECOMMENDATIONS

- 9.1 It is recommended that Members: -
- (a) Note the revised outturn forecasts and their potential impact on the Authority's revenue (paragraph 3.2) and capital (paragraph 4.1) budgets;
 - (b) Note the updated HRA budget (paragraph 5.1);
 - (c) Note the detailed variations reported (Appendices 1 and 2); and
 - (d) Agree the proposals for the 2012/2013 budget timetable as set out in paragraph 6.

For Further Information Please Contact:

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REPORTED GENERAL FUND REVENUE BUDGET VARIATIONS

	Previously Reported £000	New Items £000	Total £000
<u>Environment</u>			
a. Refuse Collection / Recycling / Street Scene – The budget for fuel was based on a price of £1.00 per litre. The price paid to date averages £1.11 which would result in additional costs of £50,000 for the year.	0	-50	-50
<u>Finance & Efficiency</u>			
a. Hythe Marina – Due to the recession (leasing to empty properties) rental income has declined. Income is expected to remain £25K below budget in 2011/12.	0	-25	-25
b. Bank Charges – Bank charges are expected to be £30k below the existing budget for the current financial year.	0	+30	+30
Total	0	+5	+5
<u>Health & Leisure</u>			
a. Health and Leisure Centres – A scheme to refurbish the Pool Hall and changing rooms at Ringwood HLC has been put on hold due to higher than anticipated tender prices. As a result, the expected loss in income of £51k built into the budget to reflect the disruption will not now be needed.	0	+51	+51
b. Dibden Golf Centre – Actual performance is below budget by £60k.		-60	-60
Total	0	-9	-9
<u>Planning & Transportation</u>			
a. Parking – A revaluation of business rates for car parks has increased costs by £150,000. Further increases are likely in subsequent years as the benefits of transitional relief is lost. Car park income this year is behind budget and should this continue for the remainder of the year the shortfall against budgets would be approximately £100,000 (<i>this is partly due to the impact of the increased VAT rate which costs the Council approximately £50,000; £2m *2.5%</i>).	0	-250	-250
<u>Other Items</u>			
a. Government Grants – Since the budget was set the Council has been notified of £78k Local Services Support Grant and £408k New Homes Grant (£288k more than the budget assumed).	+366		+366
b. Interest Earning – Additional interest earnings of £50,000 are now expected in 2011/12 due higher interest rates returns and higher than expected balances brought forward.	0	+50	+50
TOTAL VARIATION	+366	-254	+112

REPORTED CAPITAL BUDGET VARIATIONS

	Previously Reported £000	New Items £000	Total £000
<u>Environment – Coastal Protection</u>			
a. The phasing of some coast protection schemes extends to 2012/13 and £146k of the total resources available will therefore need to be moved from 2011/12 to 2012/13. This does not change the funding of the scheme with 100% still provided by the Environment Agency	0	+146	+146
<u>Finance & Efficiency</u>			
a. Marsh Lane Depot – Work on the replacement of the asbestos roof in the vehicle workshop will be delayed and should therefore be rephased to 2012/13.	0	+49	+49
b. Vehicles & Plant – Changes to the scheduling of vehicle procurement will allow the Council to rephase £53k of expenditure into the following year.	0	+53	+53
c. One Site – £24,000 of urgent additional work to the Lymington Town Hall reception area has been identified in a report to the Portfolio Holder.	0	-24	-24
Total	0	+78	+78
<u>Health & Leisure</u>			
a. Ringwood / Totton HLC – The Portfolio Holder and the Asset Management Group have given approval to complete a budget transfer of £20,600 from the Ringwood wet change refurbishment scheme to Totton to allow the creation of a dedicated spin studio. The residual £87,400 of the Ringwood scheme budget will be removed and re-bid for 2012/13	0	+87	+87
b. Ringwood / Totton HLC – The Portfolio Holder has given approval for a budget transfer of £15,000 from the Ringwood capital equipment budget to the Totton capital equipment budget and has also allocated £15k of resources from equipment sales income to fund the remainder of the equipment required at Totton.	0	-15	-15
c. Developer Contributions – A previously reported scheme (Ashley Lane, Hordle) will be replaced by a less expensive option, which allows the allocation to be reduced from £80,600 to £65,000 (-£15,600).	-202	+16	-186
Total	-202	+88	-114
<u>Planning & Transportation</u>			
a. Developer Contributions – Allocation of Developer Contributions in accordance with Portfolio Holder decisions	-436	0	+436
TOTAL VARIATION	-638	+312	-326
+ Saving			
- Additional Cost			

Funding of Capital Variations			
Increase (+)/ Decrease (-) in External Funding Utilised (1)	+638	-162	+476
Increase (+)/ Decrease (-) in NFDC Funding		-150	-150

(1) *This will in most cases reflect changes to coast protection and developer contribution funded schemes*