

MEDIUM TERM FINANCIAL PLAN 2011 – 2014 AND 2011/12 BUDGET UPDATE

1. PURPOSE OF REPORT

- 1.1 To provide Members with an update on the progress of the Medium Term Financial Plan (MTFP) for 2011 – 2014 and with details of the latest estimated financial outturn position for 2011/12.

2. BACKGROUND

- 2.1 In December 2010 the Government announced a reduction in the Council's grant, over 2 years, of £2.7 million (26%). The Council's response was to develop a 2 year strategy, 2011 to 2013, that would bridge the financial gap created by this loss and to identify further savings that would help address the reductions in grant that the Government was planning for 2013 and beyond.
- 2.2 The Council developed a targeted response to this situation, avoiding a piecemeal slice reduction in all service budgets. This led to the development of five workstreams:
- a. Back Office and Support activities
 - b. Benefits from Collaboration
 - c. Review of Senior Management
 - d. Service Reviews
 - e. Employee Terms and Conditions
- 2.3 In the first year the emphasis of the strategy was, where possible, to protect front line services and activities and deliver significant savings in back office and management areas. The strategy recognised that the emphasis would need to change in future years.

3. WORKSTREAMS 2011/12

- 3.1 To balance the budget in 2011/12 savings of approximately £2.3 million were required. It can now be reported that the target amount is likely to be exceeded by an estimated £85,000. The details of performance of each of the workstreams are set out at Appendix A and summarised below. Details of other general budget movements for 2011/12 are set out in Section 6.

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Workstreams 2011/12	Original £	Revised £	Variance £
Back Office and Support activities	1,635,000	1,715,000	+80,000
Benefits from Collaboration	230,000	160,000	-70,000
Review of Senior Management	225,000	300,000	+75,000
Service Reviews	225,000	225,000	0
Employee Terms and Conditions	-	-	-
Total	2,315,000	2,400,000	+85,000

4. ESTIMATED FINANCIAL POSITION 2012/13

4.1 In 2012/13, the second year of the strategy, gross savings of £1.855 million are estimated to be required, before Government special grants are taken into account (Appendix B). This is based on a number of assumptions including,

- a. the action taken with regard to car parking fees being successful in offsetting the increase in costs and losses incurred in 2011/12;
- b. that there will be no national pay award for employees and
- c. Council tax will not be increased, thereby attracting further Government grant of £285,000 for 2012/13 only.

Total Government grant achieved from “Freezing” Council Tax over 2 years is estimated at £570,000 in 2012/13 together with New Homes Grant estimated at £288,000. Neither of these special grants are guaranteed beyond the Government’s spending review period.

4.2 Taking into account all the assumptions made, savings of £997,000 are estimated to be required to bridge the funding gap in 2012/13 (Appendix B). The contribution from workstreams, as currently identified, is set out in Appendix A and summarised as follows:

Workstreams 2012/13	£
Back Office and Support activities	402,000
Benefits from Collaboration	245,000
Review of Senior Management	30,000
Service Reviews	40,000
Employee Terms and Conditions	-
Additional Savings 2011/12	85,000
Total	802,000

4.3 The emphasis of the workstreams in this second year is reliant more on savings to be derived from Service Reviews. A number of these reviews are currently work in progress. However, taking into account only the decisions taken to date, there is a predicted financial shortfall in 2012/13 of £195,000. Plans are that this Budget Gap will be met by the work being carried out by Task & Finish groups who will be reporting to Cabinet.

5. FINANCIAL POSITION 2013/14

5.1 In 2013 and beyond there remains considerable budgetary uncertainty. Changes are planned to be made to the Local Government Finance system including proposals to alter the way Business Rates operate. Changes are also expected to be made to Welfare Reform which will have a financial implication and include the introduction of Universal Credit which will significantly impact upon Housing Benefit and the anticipated Localisation of Council Tax Benefit.

5.2 The broad assumptions made identify a requirement for further gross savings in the medium term of £2.340 million. It is currently anticipated that, in the short term, Government funding will support approximately £573,000 of this budget gap, equivalent to a Council Tax increase of 5%. Existing workstreams have identified future savings of approximately £460,000, including a significant contribution from the review of Terms and Conditions, resulting in an estimated budget gap of £1.307 million.

6. FINANCIAL MONITORING 2011/12 UPDATE

6.1 GENERAL FUND

A General Fund budget of £20.404m (presented in the new Portfolio Structure in Appendix C) for 2011/12 was agreed by Council in February 2011. Previous reports to Cabinet in July and September identified a net improvement in the budgetary position of £112,000. The latest update now reported identifies further net positive variances of £96,000 in addition to the £85,000 excess workstream items detailed in paragraph 3.1. The latest position is therefore an overall improvement of **£293,000**. A full summary is set out at Appendix D.

6.2 CAPITAL EXPENDITURE

The Capital Programme agreed in February amounted to £16.334m. This has since been amended to **£19.854m** in line with reports to Cabinet in July and September. Variations of £336,000 in terms of net additional budgets reported now will result in a revised programme of **£20.190m**. A summary of the latest position is set out in Appendix E.

6.3 HOUSING REVENUE ACCOUNT

6.3.1 Major changes are planned to the HRA from 2012/13 through the introduction of the self financing model. This will require the Council to pay to the Government £140m. In return it will enable the Council to be taken out of the Housing Subsidy system saving the Council from paying to Government £9.5m annually. A Task & Finish group has been established to review the HRA business plan and to report to Cabinet.

6.3.2 Budgetary performance of the HRA in this year is on target and to date there are no variations to report.

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 as planned the Council looks to be well on its way to delivering a balanced budget for this year, closing the gap created by the loss of Government grant of £2.7m. Looking beyond 2013 there remains considerable uncertainty. The Council must therefore continue to prioritise where taxpayers money is spent and continue to deliver even more efficiencies.

9. RECOMMENDATIONS

9.1 That subject to further details on grant settlements being received a further report be made to the January meeting of Cabinet on the Draft Medium Term Financial Plan 2012/13 to inform the setting of the Council Budget and Council Tax in February; and

- 9.2 That the Corporate Overview and Scrutiny Panel Budget Task and Finish group be invited to review the budget strategy and its implications for the broader community of the New Forest and to make recommendations back for consideration by Cabinet in February 2012.

For Further Information Please Contact:

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MTFP Budget Monitoring 2011 to Future

	2011/12 Original £	2011/12 Revised £	2012/13 £	Future £
Workstream - Back Office & Support Services				
B01 Democratic & Civic Costs	50,000	56,000	50,000	-
BO2/38/39 Health & Leisure Restructure etc	364,000	364,000	32,000	-
BO 3 Refuse Round Review - 2nd Phase	-	-	30,000	-
BO4 New Forest Today	30,000	30,000	-	-
BO5 Payroll/HR Recruitment Establishment savings	28,000	28,000	-	-
BO6 Employee Support Line	5,000	5,000	-	-
BO7 Corporate Consultaion/Improvement	16,000	16,000	-	-
BO8 Sustainability Budget	10,000	10,000	-	-
BO 9 ICT Third Party	50,000	50,000	10,000	20,000
BO10 Benefits from virtulisation (Electricity)	20,000	10,000	30,000	-
BO12 Procurement Arrangements	60,000	68,000	40,000	-
BO13 Property Services Arrangements	18,000	12,000	-	-
BO14/15/16 Audit/Accountancy/Fraud	75,000	75,000	14,000	-
B0 17 Democratic Services Admin inc.Print Room	52,000	45,000	8,000	5,000
BO18 Customer Services & Information Services	54,000	54,000	51,000	-
BO19 Tax & Benefits	59,000	59,000	35,000	29,000
BO20 Community Safety/Public Health Administration	46,000	46,000	-	-
BO21 Environmental Health Student Training	7,000	7,000	-	-
BO22 Health Development Project Work	7,000	7,000	-	-
BO23 Environmental Health (Commercial) Temporary Staff	19,000	19,000	-	-
BO24 CCTV - Savings in Maintenance Contract	20,000	20,000	-	-
BO25 Licencing Savings in back office costs	10,000	10,000	-	-
BO26 Keyhaven and Coast Administration	20,000	20,000	-	-
BO27 Sports & Community Development	35,000	35,000	-	-
BO28 Play Project match reduction in funding	30,000	30,000	-	-
BO29 Business Initiative Budget	20,000	20,000	-	-
BO30 Grounds Maintenance	15,000	15,000	-	-
BO31 Street Scene	69,000	69,000	-	-
BO32 Public Conveinences	20,000	20,000	-	-
BO33 Abandoned Vehicles	5,000	5,000	-	-
BO34 Fleet Service - Service & Maintenance	49,000	49,000	9,000	-
BO35 Rephased Vehicle & Procurement	20,000	20,000	-	-
BO36 Refuse & Recycling Sacks Pilot	30,000	-	-	-
BO37 Housing (GF) Establishment	64,000	64,000	16,000	-
BO40 Street Lighting (PFI)	100,000	100,000	-	-
BO41 Planning Administration Saving (Optimisation)	55,000	55,000	-	-
BO42 ICT Staff Savings	45,000	58,000	77,000	23,000
BO43 Engineeering Design/Land Drainage	39,000	-	-	100,000
BO44 Environmental Protection - Enforcement	32,000	32,000	-	-
BO45 Grounds Maintenance & Engineering Works	5,000	5,000	-	-
BO46 Health & Safety Internal Arrangements	19,000	-	-	-
BO47 Admin Staff Savings	35,000	35,000	-	-
BO48 Training Budget Reductions	50,000	35,000	-	-
BO49 Meals on Wheels Administration (Agency)	10,000	10,000	-	-
BO50 Support To Community Planning	47,000	47,000	-	-
Contingency	- 179,000	-	-	-
	1,635,000	1,715,000	402,000	177,000
Workstream - Collaboration				
CB1 Optimisation	90,000	20,000	185,000	-
CB2 Ringwood Gateway	-	-	52,000	-
CB3/4 Human Resources	40,000	35,000	-	-
CB5 ICT SLA's	7,000	7,000	8,000	33,000
CB6 Insurance Savings	50,000	50,000	-	-
CB7 Emergency Planning	6,000	6,000	-	-
CB8 Private Drainage Transfer to Water Companies	32,000	32,000	-	-
CB9 Grounds Maintenance - HCC Weed Spraying	10,000	10,000	-	-
CB10 Tree Service	20,000	-	-	-
CB 11 Shared Legal & Democratic	-	-	-	-
Contingency	- 25,000	-	-	-
	230,000	160,000	245,000	33,000

	2011/12 Original £	2011/12 Revised £	2012/13 £	Future £
Workstream - Senior Management				
Original Total	225,000	300,000	30,000	
Workstream - Service Reviews				
General Provision	225,000	-	-	-
RS 1 Community Grant Funding	-	38,000	-	-
RS2/14 Planning Fees/Service	-	-	-	-
RS 3 Dibden Golf Course (RCCO Reduction)	-	-	-	-
RS 4 Parking Arrangements	-	60,000	22,000	-
RS 5 Licensing Enforcement	-	-	-	-
RS 6 Local Recycling sites/Bring sites	-	-	-	-
RS 7 Public Health (Post White Paper)	-	-	-	-
RS 8 Environmental Health (Commercial)	-	38,000	7,000	-
RS 9 Pest Control	-	20,000	-	-
RS 10 Employment & Tourism	-	-	-	-
RS 11 Public Conveniences	-	-	-	-
RS 12 Trade Waste	-	-	-	-
RS 13 Sheltered Housing	-	-	-	-
RS 14 Conservation Advisory Service	-	-	-	-
RS 15 Coastal Management	-	26,000	-	-
RS 16 Licencing/CCTV Management	-	5,000	-	-
RS 17 Improvement Grants Administration	-	-	-	-
RS 18 Fees & Charges	-	-	-	-
RS 19 Equalities Arrangements	-	-	-	-
Complaints Arrangements	-	-	11,000	-
RS20 Graphics Review	-	38,000	-	-
	225,000	225,000	40,000	-
Workstream - Senior Management Stage 2	-	-	-	50,000
Workstream - Terms & Conditions	-	-	-	200,000
Gross Budget Savings	2,315,000	2,400,000	717,000	460,000
Workstream Exceed Budget 2011/12			85,000	
Total Workstreams	2,315,000	2,400,000	802,000	460,000

Forecast Budget 2012/13 & Future

	2011/12 Original £	2011/12 Revised £	2012/13 £	Future £
Budget Gap 2011/12	-2,315,000	-2,315,000	-	-
Revenue Monitoring Reports				
Post Budget Changes				
July Report				
New Homes Grant		288,000	-	-
Local Services Support Grant		78,000		
September Report				
Car Parking	-	250,000	-	60,000
Dibden	-	60,000	60,000	-
H&L Income Improvement (Inc. one off)		51,000	-	-
Hythe Marina - loss of rental income	-	25,000	-	-
Fuel Costs	-	50,000	50,000	-
Interest & Bank Charges		80,000	80,000	-
	-	112,000	30,000	60,000
New Items - November Cabinet				
Local Services Support Grant	-	78,000	-	
Interest Earnings		35,000	35,000	
Planning Fee Income		50,000	26,000	
Car Parking	-	90,000	90,000	
Concessionary Travel		150,000		
Other Planning and Transportation Savings		29,000	29,000	
	-	208,000	30,000	60,000
Grant Reduction				
Government Announced Reduction of 12.2%			- 1,084,000	-
Council Tax Special Grant 2011/12 (Year 1 & 2)			- 285,000	285,000
Council Tax Special Grant 2012/13 (one year only)			-	285,000
Estimated reduction 2013/14			-	1,000,000
Known New Cost Increases				
Pay Award			-	500,000
Pay Increments			- 210,000	210,000
ICT Programme			- 178,000	-
Benefits Admin Grant			- 53,000	-
Street Lighting (Energy)			- 15,000	-
Gross Savings Required	- 2,315,000	- 2,107,000	- 1,855,000	- 2,340,000
Funding				
Council Tax Increase		-	-	-
Council Tax Special Grant 2011/12 (Year 2 & 3)			285,000	285,000
Council Tax Special Grant 2012/13 (one year only)			285,000	-
New Homes Grant			288,000	288,000
			858,000	573,000
Total Savings Required	- 2,315,000	- 2,107,000	- 997,000	- 1,767,000
Workstreams 2012/13 onwards (Appendix A)	2,315,000	2,400,000	802,000	460,000
Budget Variance	-	293,000	- 195,000	- 1,307,000

REVISED PORTFOLIO BUDGETS 2011/12

Service Allocation to new Portolios:	Budget(£)	Portfolio Total Budget(£)
<u>Leader's Portfolio</u>		
Emergency Planning	90,490	
Employment and Tourism	526,850	
Communications	158,830	776,170
<u>Finance & Efficiency</u>		
Town Centre Development	800	
Industrial Estates	-359,190	
Other Land Holdings	35,120	
Asset Management Group	101,880	
Non-Domestic Rates	-56,520	
Council Tax	819,690	
Council Tax Benefits	-74,350	
Benefits Administration	467,520	
Housing Benefits	-185,820	
Rent Rebates	3,260	
Corporate and Democratic Core	2,914,310	
Hythe Marina	-141,630	
Unapportioned Central Overheads	1,380,990	
Community Partnerships (Grants to CAB etc.)	354,140	
Balances Unallocated	-2,930	5,257,270
<u>Housing & Communities</u>		
CCTV	378,600	
Community Safety	182,970	
Community Alarm Scheme	-55,200	
Enabling Role	267,780	
Housing Advice	187,260	
Homeless Assistance	590,570	
Housing Renewal Grant	203,820	
Shared Amenities	171,760	
Stillwater Park	-101,350	
Sub-Standard Housing Including Slum Clearance	44,780	
Welfare Funerals	10,620	
Community Meals	-2,370	1,879,240
<u>Health & Leisure</u>		
Dibden Golf Centre	-54,350	
Eling Toll Bridge	-5,250	
Grants	61,470	
Health and Leisure Centres - Management	209,480	
Applemore Health and Leisure Centre	423,270	
New Milton Health and Leisure Centre	481,250	
Ringwood Health and Leisure Centre	551,890	
Lymington Health and Leisure Centre	412,550	
Totton Health and Leisure Centre	477,830	
Open Spaces	264,130	
Sports and Community Development	403,160	
Leader + Programme	0	
Public Health and Social Inclusion	76,770	3,302,200
<u>Environment</u>		
Abandoned Vehicles	30,780	
Cemeteries	46,980	
Clean Neighbourhoods and the Environment	3,700	
Coast Protection	1,202,310	

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Recycling	1,016,090	
Grounds Maintenance	73,620	
Land Drainage	179,420	
Public Conveniences	496,190	
Refuse Collection	2,461,400	
Street Scene	1,341,300	
Technical Advice (Engineering and Coastal Related)	28,470	
Foreshores and Beaches	-146,170	
Keyhaven River	-46,320	
Environmental Health Services (Excl Pest Control)	1,247,200	
Pest Control	89,400	8,024,370
<u>P&T</u>		
Building Control	151,400	
Environmental Design	446,970	
Green Transport Plan	14,330	
Highways Agency Services	5,880	
Land Charges	-130,860	
Local Development Framework	0	
Parking	-990,490	
Planning Policy	407,100	
Public Lighting	205,450	
Road Closures	7,350	
Street Naming and Numbering	61,930	
Technical Advice (Transport Related Matters)	48,810	
Transportation Measures	190,900	418,770
<u>GP & L</u>		
Elections	130,280	
Registration of Electors	186,260	
Animal Welfare	7,560	
Caravan and Camping	49,450	
Skin Piercing	3,340	
Gambling Act	6,690	
Taxi Licensing	10,290	
Health and Safety	222,450	
Miscellaneous Licences	18,190	
Public Entertainment Licences/Liquor Licences	56,620	691,130
<u>Development Control and Enforcement</u>	1,177,790	1,177,790
		21,526,940
Asset Rentals		-3,491,000
Capital Financing		2,953,000
Interest & Grants	-	585,000
NET BUDGET REQUIREMENT 2011/12		<u>20,403,940</u>
Government Grant Reduction 2012/13 (Appendix B)	-	1,084,000
NET BUDGET REQUIREMENT 2012/13		19,319,940
Government Grant Reduction 2013/14 (Appendix B)	-	1,000,000
NET BUDGET REQUIREMENT 2013/14		18,319,940

REPORTED GENERAL FUND REVENUE BUDGET VARIATIONS

	Previously Reported £000	New Items £000	Total £000
<u>Environment</u>			
a. Refuse Collection / Recycling / Street Scene – no new variations in this period	-50		-50
<u>Finance & Efficiency</u>			
a. Hythe Marina – no new variations in this period	-25		-25
b. Bank Charges – no new variations in this period	+30		+30
Total	+5		+5
<u>Health & Leisure</u>			
a. Health and Leisure Centres – no new variations in this period	+51		+51
b. Dibden Golf Centre – no new variations in this period	-60		-60
Total	-9		-9
<u>Planning & Transportation / Planning Development Control</u>			
a. Parking – In line with the countrywide experience of reduced car parking income as a result of the summer weather and the economic environment there is now an expected further shortfall of £90k for the year on meter income.	-250	-90	-340
b. Concessionary Travel - The Council had set aside a provision for potential additional capacity claims. Based on information from the consultants to the scheme this provision can now be reduced substantially as forecast claims are expected to be lower than initially projected.		+150	+150
c. P&T Business units – Vacant posts are expected to contribute a net saving of £23k after taking into account some overspends due to unachievable turnover savings.		+23	+23
d. Planning Development Control – Fee income to date is ahead of the income budget target and if continued should contribute a £50k positive variation in this year – there is however a need to monitor the ongoing performance carefully given the potential impact of economic conditions and Members will therefore be informed at the earliest opportunity if the forecast changes substantially.		+50	+50
e. P&T Miscellaneous – Other small variations are currently expected to contribute a saving of £6k		+6	+6
Total	-250	+139	-111
<u>Other Items</u>			
a. Government Grants – Local Services Support Grant has simply replaced the Preventing Homelessness grant and is therefore not a new source of funding.	+366	-78	+288
b. Interest Earnings – Further additional interest earnings of £35,000 are now expected in 2011/12 due to slightly higher interest rates and cash flow improvements.	+50	+35	+85
TOTAL VARIATION	+112	+96	+208

REPORTED CAPITAL BUDGET VARIATIONS**Environment – Coastal Protection**

- a. No new variations in this period

Finance & Efficiency

- a. **Marsh Lane Depot**– No new variations in this period
- b. **Vehicles & Plant** – 3 additional 3.5tonne vans are required to complete Housing Revenue Maintenance contract work. The ongoing revenue costs are borne from within the agreed contract sum and will not increase either General Fund or HRA revenue costs
- c. **One Site** – No new variations in this period

Total**Health & Leisure**

- a. **Ringwood / Totton HLC** – Due to the rephasing of the associated refurbishment project, the majority of lockers and cubicles originally planned for replacement in 2011/12 will now be purchased in 2012/13.
- b. **Ringwood / Totton HLC** – No new variations in this period
- c. **Developer Contributions** – Portfolio Holder decisions have been made to allocate Open Space Developer contributions to:
 Lymington – Woodside Drainage £190,000
 Lymington – Improved Tennis Facilities £ 20,500

Total**Planning & Transportation**

- a. **Developer Contributions**– Further allocation of Developer Contributions of £107k to transportation schemes in accordance with Portfolio Holder decisions

TOTAL VARIATION

- + Saving
 - Additional Cost

Previously Reported £000	New Items £000	Total £000
+146		+146
+49		+49
+53	-48	+5
-24		-24
+78	-48	+30
+87	+29	+116
-15		-15
-186	-210	-396
-114	-181	-295
-436	-107	-543
-326	-336	-662

Funding of Capital Variations			
Increase (+)/ Decrease (-) in External Funding Utilised (1)	+476	+317	+793
Increase (+)/ Decrease (-) in NFDC Funding	-150	+19	-131

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