



FINANCIAL MONITORING REPORT – FORECAST OUTTURN (BASED ON PERFORMANCE TO JULY 2012) AND MEDIUM TERM FINANCIAL PLAN (MTFP) 2013/14

1. INTRODUCTION

- 1.1 This report monitors financial performance for the first 4 months of 2012/13 and any potential outturn implications on a Portfolio and Committee basis.
- 1.2 It also sets out an update on the Medium Term Financial Plan (2013/14 budget) impact of any issues that have emerged since the 2012/13 budget was agreed, either as a result of the 2011/12 outturn or as part of the 2012/13 budget monitoring arrangements.

2. BACKGROUND

- 2.1 The Council's financial strategy has been to develop a process of continuous review of activities and services identifying both areas where savings in expenditure can be made and opportunities to generate income. This is an ongoing process and not an annual event. The budget monitoring report therefore forms an important part of the ongoing development of the Medium Term Financial Plan (MTFP)

3. GENERAL FUND OUTTURN PROJECTION

- 3.1 A General Fund budget of £19.595m for 2012/13 was agreed by Council in February 2012, which has been adjusted to **£19.712m** to reflect budgets carried forward from 2011/12.
- 3.2 This report identifies **positive** net variations of **£471k** and the General Fund budget outturn is now set at **£19.241m**. A full summary of the individual items is set out at Appendix A and the most significant variations are summarised in section 3.3/3.4 below, together with issues which, whilst not yet having an impact on the financial position, are being closely monitored.

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3.3 IMPACT OF 2011/12 OUTTURN

A review of the 2011/12 outturn indicates areas where budget adjustment is forecast in 2012/13 and 2013/14.

Income

Project Integra – improved tonnage rates	+£170k
Licensing Services – improved income generation	+ £50k
Environmental Health – reduced income budgets	- £20k

Expenditure – General Savings achieved

Environment	+ £60k
Corporate Costs	<u>+ £40k</u>

Total Outturn based variations **+£300k**

(+ = improvement in the budget position / - = deterioration in the budget position)

3.4 BUDGET (2012/13) MONITORING TO JULY 2012

Planning & Transportation / Planning Development Control:

• Parking – Total variation £0

Car Parking Clocks:

- New charges have been introduced for 2012. Since the introduction of these demand for long stay clocks sales has increased by 16.2%, but short stay clock sales has fallen by 17.6%.
- The financial impact has been a 40% increase in income from all clock sales in the period since the introduction of the new charges. This is in line with expectations and the 2012/13 budget target.

Car Park Meter Income:

- Meter charges were increased by an average 10% in January. The sales pattern since then has been variable with income in January and February over 20% ahead of the previous year, whilst March to June income has been in line with the previous year and July likely to be ahead of the target again based on provisional figures.
- The above pattern appears to reflect the impact of weather conditions.
- As August to September are vital income earning months and results in this period could significantly alter the overall position an update will be provided in future monitoring reports.

Other factors:

- The introduction of all year round amenity parking charges together with a Totton & Eling contribution to parking income in lieu of introducing charges in the Civic Centre and Westfield car parks is expected to raise £45k to £50k of additional income.
- Depending on August and September meter income figures it is possible overall that an improved budget position will be achieved.

- **Planning Applications / Land Charges / Building Control – Total variation £0**

Income earnings across planning budgets are very volatile due to the general economic environment and also due to local factors such as weather conditions and the availability of sites.

Budgets are therefore carefully managed and scrutinised on an ongoing basis and, in spite of the volatility, show little variation from budget targets overall for the 4 month period to the end of July. Due to the volatility there is however a need for continued close monitoring. This is particular due with regard to ‘**Pre Application Advice**’, a new source of income which has been introduced in April 2012. The income in this area is at the moment indicating a small potential shortfall but based on the limited track record it is too early to project likely amounts. The half year picture should allow a much better informed assessment of all planning budgets and in particular the newly introduced ‘**Pre Application Advice**’ income and it is proposed to provide Cabinet with a further update as part of the next financial monitoring report.

Dibden Golf Centre – Positive Variation £50k:

Following on from a successful service review the new management arrangements now in place at Dibden Golf Centre will have revenue benefits of £50k this year, rising to £87k in 2013/14.

Other Areas

Interest Earnings	+ £180k
Health & Leisure Centres	+ £15k
Telecommunications	- £74k

(+ = improvement in the budget position / - = deterioration in the budget position)

Full details of those variations are provided in Appendix A.

3.5 BID FOR WEEKLY COLLECTION SUPPORT SCHEME

In response to the Government making funds available a proposal has been developed to introduce kerbside glass collections. Details are set out in Appendix C.

4. CAPITAL EXPENDITURE (General Fund and Housing Revenue Account)

4.1 The Capital Programme agreed in February was valued at £14.357m. This is now amended to reflect budgets brought forward from the previous year (£1.772m) alongside contributions brought forward from external parties to developer contribution schemes (Hampshire County Council 42K) and inclusion of the New Housing Strategy investment of £6 million. Together with variations of £922,000 reported will result in a programme of **£23.093m**.

4.2 The most significant factors responsible for the increase are:

- Affordable Housing Investment of £6m
- Additional developer contribution schemes agreed in respect of Health and Leisure Open Space Developer contributions of £280k and Planning & Transportation scheme contributions in respect of the former RNAD site, Marchwood of £393k and in respect of transportation schemes of £123k. Additional developer contributions allocated therefore total £796k.
- Telecommunications investment of £231k.

4.3 The New Affordable Housing Strategy had a target in the first year to deliver 38 new or acquired properties. Indications are that this will be delivered with 23 properties either already completed or the offer has been accepted. The average purchase price is currently in the region of £151,000 which is lower than the original budget.

4.4 The following table provides an overview of the funding implications of the variations reported.

IMPACT ON CAPITAL RESOURCES	£000
Reduced internal funding of General Fund (GF) Capital Investment	-105
Increased internal loan funding of GF Capital Investment	231
Additional funding from Developers' Contributions	796
TOTAL	922

5. HOUSING REVENUE ACCOUNT

5.1 There are currently no variations to report.

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 results to the end of July are a most positive start to the year. They reflect the results of earlier decisions and, provided there are no detrimental government changes, the Council should be able to maintain its healthy financial position.

8. RECOMMENDATIONS

8.1 It is proposed that Cabinet: -

- (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 detailed variations reported (Appendix A and B);
- (c) Recommends to Council the capital investment of £152,000 at Totton Health and Leisure centre necessitated by the loss of the refectory facilities (full details are provided in Appendix B(1));
- # (d) Supports the weekly collection scheme bid (kerbside glass) and recommends that budgetary provision be identified in the Medium Term Financial Plan 2015/16 and beyond (see Appendix C).
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Background Papers:

None

REPORTED GENERAL FUND REVENUE BUDGET VARIATIONS

	Previously Reported £000	New Items £000	12/13 Total £000	13/14 Impact £000
Environment				
a. Environmental Health Services - A review of 2011/12 outturn variations indicates a need to adjust income targets to reflect actual earnings potential.		-20	-20	-20
b. Project Integra – A review of 2011/12 outturn variations indicates that tonnage rates can be adjusted and a revised tonnage rate of £46 will result in a £170k improvement in income. Every £1 change in the per tonnage payment will result in a £10k up or down movement in the income earned and rates will therefore be monitored carefully in order to adjust budgeted income if necessary.		+170	+170	+170
c. Misc Environment - A review of 2011/12 outturn variations indicates a potential to make ongoing savings in miscellaneous Environment Portfolio budgets of £60k.		+60	+60	+60
Total		+210	+210	+210
Finance & Efficiency				
a. Telecommunications – Investment in an upgrade to the Council's HPSN2 telephone system was agreed by Council on 16 July 2012. This is expected to result in additional expenditure of £74k in 2012/13, but will lead to reduced expenditure of £37k per annum from 2013/14.		-74	-74	+37
b. Corporate Costs – A review of 2011/12 outturn variations indicates a potential to make ongoing savings amounting to £40k.		+40	+40	+40
Total		-34	-34	+77
General Purposes and Licensing				
a. Licensing Income – A review of 2011/12 outturn variations indicates scope to increase the income budget to reflect earning patterns in past years.		+50	+50	+50
Health & Leisure				
a. Health & Leisure Centres – A capital scheme at New Milton health and leisure centre (retiling / balance tank replacement) is to be deferred and the budgeted loss of income of £35k will therefore be avoided. This is partly offset by additional NNDR costs of £20k across health and leisure centres.		+15	+15	-20
b. Health & Leisure Centres – The development of a new studio at Totton will generate revenue benefits of £20k in 2013/14, rising to £23k in a full year – see appendix B(1).		0	0	+20
c. Dibden Golf Centre – The new management arrangement at Dibden Golf Centre will have revenue benefits of £50k this year, rising to £87k in 2013/14.		+50	+50	+87
Total		+65	+65	+87
Planning & Transportation / Planning Development Control				
a. Parking – no new variations in this period..		0	0	0
b. Planning Development Control – no new variations in this period.		0	0	0
Total		0	0	0
Other Items				
a. Interest Earnings – Due to higher balances available for investment, longer investment periods and associated higher interest rates, total interest earnings in 2012/13 are now expected to be around £600k (£180k above budget).		+180	+180	+180
TOTAL VARIATION		+471	+471	+604

REPORTED CAPITAL BUDGET VARIATIONS

	Previously Reported £000	New Items £000	12/13 Total £000
<u>Environment – Coastal Protection</u>			
a. no new variations in this period.		0	0
<u>Finance & Efficiency</u>			
a. Telecommunications – Upgrade of the Council's HPSN2 telephone system was agreed by Council on 16 July 2012. The revenue implications are reflected in appendix A and beyond year one should result in savings of £37k per annum.		-231	-231
Total		-231	-231
<u>Health & Leisure</u>			
a. Health and Leisure Centres – The scheme to retile the New Milton HLC pool and to replace the balance tank will be delayed to 2013/14.		+95	+95
b. Health and Leisure Centres – Improvements to pre-school toilets at Applemore.		-16	-16
c. Health and Leisure Centres – The development of a new studio at Totton over a 2 year period (Total cost £152K) – see appendix B(1).		-30	-30
d. Dibden Golf Centre – Savings following the implementation of the new management arrangements to the capital scheme budget for the centre		+40	+40
e. Dual Use – Essential works costing £24k at Eling Tide Mill, but there is an offsetting reduction in the programme of £40k as the budget for the Pennington Childrens Centre is no longer required.		+16	+16
f. Developer Contributions – Allocation of Open Space contributions to the following:			
Ringwood – Ash Grove Play Area	£2,900		
Totton – Testwood House Farm	£5,700		
New Milton – Memorial Ground (Feasibility)	£11,000		
Ringwood – New Public Square	£191,600		
Ringwood – New Public Square Lighting	£35,000		
Lymington – Play Space at Howards Mead	£3,000		
Lymington Woodside Drainage	£31,000		
Total		-280	-280
Total		-175	-175
<u>Planning & Transportation</u>			
a. Developer Contributions – in line with Portfolio Holder decisions developer contribution resources have been allocated to the following schemes:			
RNAD site Marchwood - (PH decision 02/03/2012)	£393,000		
Misc Transportation schemes - (PH decision 02/03/2012)	£123,000		
Total		-516	-516
Total		-516	-516
TOTAL VARIATION		-922	-922

+ Saving
- Additional Cost

TOTTON HEALTH & LEISURE – COLLEGE HALL AND NEW STUDIO

A report presented to the Council's Asset Management Group in June highlighted the need to spend £152k at Totton Health & Leisure Centre, as a result of the College requiring the refectory hall for their sole use from July (used by NFDC as part of its community programme since 1990).

The proposal includes enlarging the existing first floor studio, relocating the existing staff offices to the flat roof above reception, and reconfiguring the ground floor which would reduce the size of the dry change areas in order to accommodate a new studio. It is estimated at this stage that £30k of the £152k would be required in 2012/13 with the balance falling into 2013/14.

It is anticipated that not replacing the hall, would result in a net lost income of c£23k p.a. and a decrease in annual uses of around 15,000. The estimated income generation from the new studio is anticipated to be in the region of £46k p.a.

Asset Management Group (including the Portfolio Holder for Finance & Efficiency) and the Portfolio Holder for Health & Leisure support this proposal.

A further building issue has arisen at Totton concerning the respective entrances to the College and Centre. This does not affect the studio project and negotiations continue.

Recommendation

That Cabinet approve the request for a supplementary estimate of £152k and notes that the ongoing associated revenue implications will be included in the 2013/14 medium term financial plan (net improvement to Portfolio revenue bottom line of c£23k in full year).

WEEKLY COLLECTION SUPPORT SCHEME – KERBSIDE GLASS BID

A Weekly Collection Support Scheme has been established by the Department for Communities and Local Government, making available up to £250 million, over 3 years, to all English local authorities that want to safeguard weekly refuse collections. The Scheme also encourages new waste or recycling collection services.

The Council is using the opportunity to bid for grant to support the introduction of a 4 weekly district-wide kerbside glass collection service. A proposal has been presented to the government. Development of the proposal has been overseen by a Member Task and Finish Group and is supported by the Environment Portfolio Holder. If successful, a grant of over £1.8 million will enable the capital purchases (vehicles and receptacles) together with revenue costs for the first three years of this new service.

From 2015/16 the ongoing costs of approximately £250,000 per annum will need to be provided for in the current Medium Term Financial Plan (MTFP). The Environment Portfolio has identified savings of £230k within the current report.