

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 7 November 2016

Portfolio:	Policy and Resources
Subject:	Finance Monitoring Report 2016/17
Report of:	Director of Finance and Resources
Strategy/Policy:	Finance Strategy
Corporate Objective:	A dynamic, prudent and progressive Council

Purpose:

This report provides comparative information on the Council's revenue and capital expenditure for the period ended 30 September 2016. Members are invited to consider the financial performance and any corrective action that may be deemed appropriate.

Executive summary:

This report provides summary information on the overall spending position against the revenue and capital budgets in the current year, as set out in the following tables:-

Revenue	Budget 2016/17	Budget to 30 Sep 16	Actual to 30 Sep 16	Variation
	£000s	£000s	£000s	£000s
Service Budgets	12,283	13,474	13,196	-278
Non-Service Budgets	-3,380	-1,094	-1,130	-36
Net	8,903	12,380	12,066	-314

Capital Programme	Budget 2016/17	Budget to 30 Sep 16	Actual to 30 Sep 16	Variation
	£000s	£000s	£000s	£000s
General Fund	41,168	5,636	5,348	-288
HRA	8,987	4,169	4,397	228
Total	50,155	9,805	9,745	-59

Revenue and capital spending plans are showing an under spend for the period.

While there are no areas of immediate concern, it is appropriate to monitor financial performance over the second half of the financial year to ensure that any slippage

does not adversely affect the services provided to residents and customers. Commentary on the most significant variations is set out in the in the briefing paper accompanying the report.

Recommendation:

That the Executive notes the Revenue and Capital Budget Monitoring Report.

Reason:

To provide members of the Executive with a summary of the Council's budgetary performance to 30 September 2016.

Cost of proposals:

Not applicable.

Appendices: **None**

Background papers:

Reference papers:

FAREHAM

BOROUGH COUNCIL

Executive Briefing Paper

Date:	7 November 2016
Subject:	Finance Monitoring Report 2016/17
Briefing by:	Director of Finance and Resources
Portfolio:	Policy and Resources

INTRODUCTION

1. This report sets out, in detail, the variations between the budgeted and actual income/expenditure to 30 September 2016 for both revenue and capital budgets.

REVENUE EXPENDITURE SUMMARY

2. The details of the budget and spend for each of the Council's committees and portfolios for the first six months of the 2016/17 financial year are shown in the following table:-

ACTUAL REVENUE EXPENDITURE TO 30 SEPTEMBER 2016

	Budget 2016/17 £	Budget to 30 Sep 16 £	Actual to 30 Sep 16 £	Variation £
Committees				
Planning	672,900	245,500	138,382	-107,118
Licensing & Regulatory Affairs	491,400	175,900	183,432	7,532
Executive - Portfolio Budgets				
- Leisure & Community	2,635,700	692,800	611,434	-81,366
- Health & Housing	1,196,900	517,900	488,264	-29,636
- Planning & Development	-595,700	-538,900	-413,608	125,292
- Policy & Resources	1,353,000	10,419,000	10,254,974	-164,026
- Public Protection	2,050,600	993,300	922,261	-71,039
- Streetscene	4,478,600	968,200	1,010,984	42,784
SERVICE BUDGETS	12,283,400	13,473,700	13,196,123	-277,577
NON-SERVICE BUDGETS	-3,380,100	-1,094,000	-1,130,135	-36,135
NET BUDGET	8,903,300	12,379,700	12,065,988	-313,712

3. The budget for Policy and Resources to September 2016 appears high against the budget for the year as housing benefit payments are processed during the year whereas the grant income is processed at year end.

THE KEY COUNCIL SERVICES

4. The Council has a number of services that would be considered as major or demand led services as they have a large impact on the council tax and any major variation in these budgets could lead to unacceptable rises in council tax. The details are shown in the following table:-

Service	Budget 2016/17 £	Budget to 30 Sep 16 £	Actual to 30 Sep 16 £	Variation £	
Cost of Employment	15,429,600	7,773,415	7,962,826	189,411	☹
Parking Services	-1,081,800	-530,000	-412,180	117,820	☹
Waste & Recycling Total	1,972,700	809,300	924,753	115,453	☹
Local Plan	1,093,000	472,500	509,271	36,771	☹
Homelessness	358,600	290,600	306,209	15,609	☹
Ferneham Hall	437,200	212,400	227,298	14,898	☺
Local Land Charges	-170,800	-97,700	-83,234	14,466	☹
Community Parks & Open Spaces	1,133,500	66,600	79,722	13,122	☹
Street Cleansing	885,600	381,500	388,202	6,702	☹
Local Tax Collection	795,300	346,600	319,750	-26,850	☺
Housing Benefit Payments	-77,300	10,159,200	10,131,725	-27,475	☺
Interest On Balances	-569,900	-60,000	-94,165	-34,165	☺
Processing Applications	276,700	81,100	24,278	-56,822	☺
Trade Refuse	-85,600	-421,100	-500,009	-78,909	☺
Commercial Estates	-2,132,400	-1,181,500	-1,302,652	-121,152	☹

5. The main variations in the key services are detailed as follows:-







- (a) Expenditure on employees represents approximately 60% of the Council's gross expenditure (excluding benefit payments) and therefore it is important that the total establishment cost is monitored collectively, as well as monitoring at service level. During the first 6 months of the year, savings on salaries and wages have arisen, mainly as a result of employee vacancies. This has been partly offset by the additional expenditure on agency employees used to cover some of those vacancies. On top of this there has been additional expenditure as a result of contract terminations but these will be offset by salary savings over the course of the year.

- (b) Parking Services is showing a variation of £117,000 above the budget, which is mainly as a result of reduced income from users of the Council's car parks. The usage has shown a continued decline from the last financial year.
- (c) Waste Collection and Recycling services is showing an over spend at the half year point mainly as a result of higher spend on agency staff particularly in the garden waste service. Some of this over spend has been offset by vacancy savings and lower transport costs especially where fuel costs have stabilised.
- (d) The Local Plan is showing an over spend on the budget mainly due to an increase in the use of consultants where there have been staff vacancies. These vacancies have now been filled so the budget should stabilise throughout the rest of the year.
- (e) The Homelessness budget is showing a slight overspend for the year to date due to extra payments for renting properties. The trend on this service shows higher spend in the early part of the financial year which is anticipated to reduce nearer the end of the year.
- (f) Ferneham Hall is showing an over spend after 6 months mainly due to high levels of spend on repairs to the building and spend on purchases of equipment. There has also been lower than anticipated income from hiring of the hall.
- (g) Local Land charges is showing a variation of over £14,000 over the budget which is as a result of less income due to a 10% reduction in applications received. It is not known if this reduction will continue during the remainder of the financial year.
- (h) Housing benefits payments are currently £27,000 under the budget for the year. The forecast will be reviewed at the mid-point of the financial year and will reflect the updated position on changes in caseload and amounts paid in benefits. Expenditure will be offset by income at year end when Government Grant is accounted for.
- (i) Interest on investments is currently higher than budgeted for the year as more cash has been available for investment than anticipated. This however will drop off throughout the remainder of the financial year as some of the larger capital projects will reduce this balance as they near completion or are completed. During the financial year there was also a drop in interest rates which mean that any investments will in future attract very little income from interest.
- (j) Processing Applications is showing as under spent as the income for the year is showing as over £70,000 over the budget for the year. This has been partially offset by an increase in the use of consultants.
- (k) Trade Waste is currently showing an increase in income due to an increase in the number of customers using the service.
- (l) Commercial estates are showing a variation of £121,000 more than the

budget for the first 6 months of the year. The rental income is over the budget for the year to date as units that were empty have now been filled particularly at FareTec, and the Innovation Centre at Daedalus has had units filled quicker than anticipated. There have also been savings on premises expenditure which has been offset by increased spend on consultants.

THE COUNCIL'S FUNDAMENTAL PARTNERSHIPS

6. The Council has six fundamental partnerships and it is appropriate that the expenditure in relation to each partnership is specifically monitored. The table below shows the financial performance relating to this Council's element of each partnership:-

Service	Budget 2016/17 £	Budget to 30 Sep 16 £	Actual to 30 Sep 16 £	Variation £	
Project Integra	25,000	0	0	0	
Community Safety Partnership	180,700	75,800	75,371	-429	
Fareham & Gosport CCTV Partnership	148,100	68,400	58,165	-10,235	
Portchester Crematorium JC	-125,000	0	0	0	
Environmental Health Partnership	1,362,400	669,900	648,662	-18,238	
Building Control Partnership	226,300	102,800	76,443	-26,357	

7. There are no particular causes for concern within the Council's fundamental partnerships.

CAPITAL PROGRAMME

8. On 8 February 2016, the Executive approved the 2016/17 capital programme for General Fund services of £14m and Housing Revenue Account (HRA) of £6.6m giving a combined total of £20.6m.
9. Details of actual capital expenditure in 2015/16 were reported to the Executive on 11 July 2016 and it was noted that the slippage on the capital programme for 2015/16 of £5.9m for General Fund and HRA services, would now be included in the capital programme for 2016/17.
10. Since the capital programme was approved earlier in the year, a number of new schemes have been added to the 2016/17 programme giving a revised total of £50.1m:-
- Leigh Road Tennis Courts – Conversion to Car Parking - £70,000
 - Property Purchases - £1.8m
 - Wickham Cemetery Wall Repair - £132,500
 - Play Area Upgrades – £70,000
 - Daedalus Schemes Updated - £8.8m
 - Westbury Manor Museum Remodelling - £448,000
 - Hook Recreation Ground Sports Changing Room – Change of Use - £37,000

- Hill Head Coastal Protection Phase 1 - £355,500
- Southampton Road Retail Park - £11.8m
- Holly Hill Play and Recreational Facilities - £150,000

11. The following table sets out the updated capital programme for 2016/17 and has been used as the basis for monitoring progress to 30 September 2016:-

	Approved Programme £	2015/16 Slippage £	New Schemes £	Updated Programme £
Public Protection	0	0	0	0
Streetscene	434,500	39,600	169,500	643,600
Leisure & Community	1,922,100	2,649,900	738,000	5,310,000
Health & Housing	560,000	396,400	0	956,400
Planning & Development	47,700	22,000	355,500	425,200
Policy & Resources	11,047,600	429,900	22,355,000	33,832,500
Total General Fund	14,011,900	3,537,800	23,618,000	41,167,700
Housing Revenue Account	6,621,000	2,366,200	0	8,987,200
Updated Capital Programme	20,632,900	5,904,000	23,618,000	50,154,900

MAJOR CAPITAL SCHEMES

12. The Council has a number of major capital schemes where budgeted expenditure for 2016/17 is in excess of £500,000. These schemes, with forecast budget to 30 September 2016, are detailed in the following table:-

Capital Scheme	Budget 2016/17 £	Budget to 30 Sep 16 £	Actual to 30 Sep 16 £	Variation £	
Commercial Property Investment Acquisition	11,755,000	0	0	0	😊
Sylvan Court Sheltered Housing	3,938,000	1,969,000	2,012,335	43,335	😊
Holly Hill Leisure Centre	3,377,100	3,000,000	2,929,420	-70,580	😊
Daedalus	3,265,000	150,000	111,088	-38,912	😊
HRA Capitalised Repairs/Renewals	2,650,000	1,325,000	1,814,375	489,375	😐
Property Purchases	1,800,000	1,000,000	1,011,377	11,377	😊
Bridge Road Development	1,000,000	0	0	0	😊
Stevenson Court New Build	654,700	600,000	570,390	-29,610	😊
Housing Purchases	650,000	0	0	0	😊
Vehicles and Plant	576,100	288,000	127,145	160,855	😊
Civic Offices Improvement Programme	550,200	100,000	78,036	-21,964	😊
Disabled Facilities Grant	500,000	295,500	247,388	-48,112	😊

13. Progress updates on the major schemes are detailed below:-

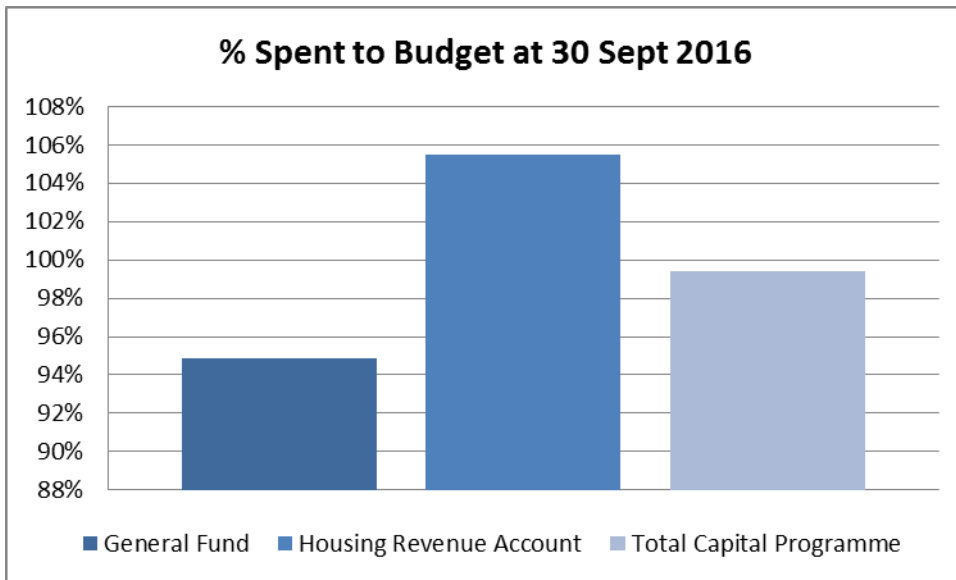
- (a) The scheme at Sylvan Court is for 36 x 1 and 2 bed sheltered housing flats in the western wards. Work commenced in July 2015 with expected completion now due mid-January 2017. The delay has been due to a delivery of uncured concrete blocks which halted work for 5 weeks and some delays due to inclement weather.
- (b) The construction of the Holly Hill Leisure is now complete and the facility is now open to the public. Remaining works relate to agreeing the final account and resolving end of construction snagging issues.
- (c) Expenditure to date for HRA Capitalised Repairs/Renewals is higher than profiled and is likely to be over budget by the end of the year. Future spend will be on a holistic basis focussing on improving individual estates as well as borough-wide improvements on individual elements such as windows, kitchens and bathrooms.
- (d) The scheme at Stevenson Court is for 16 x 1bed flats for general needs (including 1 fully wheelchair accessible unit) in central Fareham. Work commenced in February 2015 and completed in August 2016 and is currently being allocated tenants.
- (e) Expenditure on Vehicles and Plant has been for three ride-on mowers and a tractor for grounds maintenance and a transit van for the refuse and recycling service.
- (f) There have been 46 completed cases for Disabled Facilities Grants to date, with a further 17 approved and 30 pending. Better Care Fund funding has increased this year from £330,000 to £590,990.

CAPITAL MONITORING

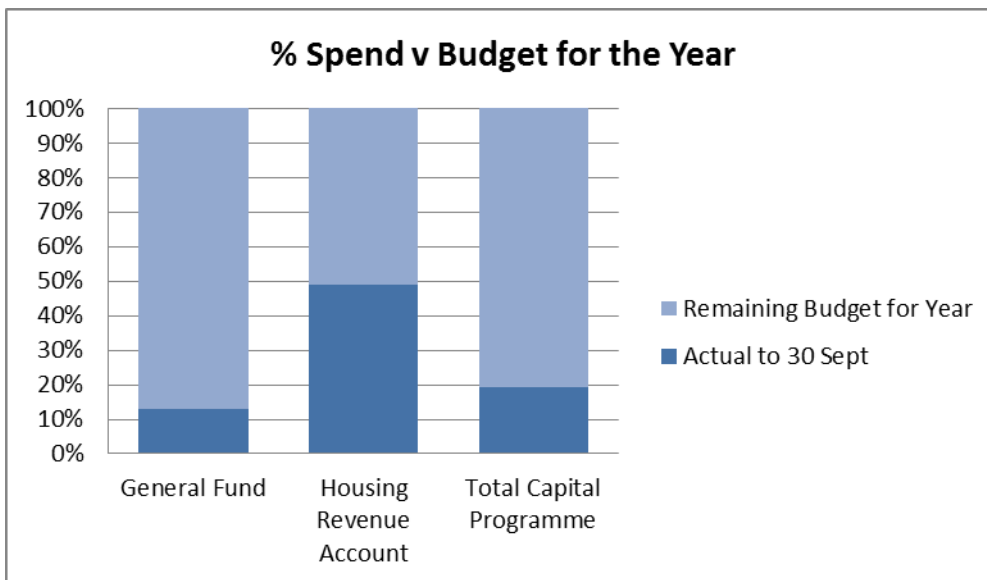
14. The following table provides summary information for the period to 30 September 2016, for the schemes within each portfolio.

	Revised Budget 2016/17 £	Budget to 30 Sep 16 £	Actual to 30 Sep 16 £	Variation £
Public Protection	0	0	0	0
Streetscene	643,600	0	1,418	1,418
Leisure & Community	5,310,000	3,388,900	3,355,120	-33,780
- Buildings	4,813,900	3,176,900	3,028,958	-147,942
- Outdoor Recreation	100,000	50,000	31,703	-18,297
- Play and Parks	314,000	162,000	294,459	132,459
- Grants to Community Groups	30,000	0	0	0
- Other Community Schemes	52,100	0	0	0
Health & Housing	956,400	523,700	281,708	-241,992
- Enabling	369,800	184,900	18,884	-166,016
- Home Improvement Schemes	586,600	338,800	262,824	-75,976
Planning & Development	425,200	0	261,000	261,000
- Car Parks	69,700	0	261,000	261,000
- Coastal Protection	355,500	0	0	0
Policy & Resources	33,832,500	1,723,300	1,449,032	-274,268
- Daedalus	18,791,000	150,000	111,089	-38,911
- Commercial Property Acquisition	13,555,000	1,000,000	1,050,846	50,846
- Civic Offices	550,200	100,000	78,036	-21,964
- Vehicles and Plant	576,100	288,000	127,145	-160,855
- ICT	319,200	156,000	55,136	-100,864
- Depot	23,400	11,700	7,550	-4,150
- Other	17,600	17,600	19,230	1,630
Total General Fund	41,167,700	5,635,900	5,348,278	-287,622
Housing Revenue Account				
- New Build	5,592,700	2,796,400	2,582,725	-213,675
- Capitalised Repairs/Renewals	2,650,000	1,325,000	1,763,724	438,724
- Stock Repurchases	650,000	0	0	0
- Other HRA Schemes	94,500	47,300	50,651	3,351
Total Housing Revenue Account	8,987,200	4,168,700	4,397,100	228,400
Total Capital Programme	50,154,900	9,804,600	9,745,378	-59,222

15. The graphs below show the actual expenditure to 30 September 2016 as a percentage of the programme for the equivalent period and for the whole year.
16. 99% of the capital programme has been spent compared to the profiled budget for the first half of the year.



17. Only 19% has been spent compared to the budget for the year. The budgets will be reviewed and re-phased where applicable as part of the forthcoming budget setting process.



RISK ASSESSMENT

18. Whilst it would be too early to draw very firm conclusions regarding the final revenue and capital budget position for 2016/17 after six months, it is equally important that the Executive is made aware of the trends in both expenditure and income where they differ from those anticipated when the original budgets were prepared.
19. It is also worth noting that expenditure tends to increase during the latter months of the year as work programmes proceed so any under spends in the first half of the financial year are unlikely to continue throughout the whole of the financial year.
20. A potential risk to the capital programme relates to scheme slippages. Delayed schemes could result in increased contract costs for which funding may not be available and could also impact on the Council achieving its corporate objectives.

21. The Council's expenditure and income are monitored by officers throughout the year. Known spending pressures have been reflected in the Finance Strategy for 2017/18 that was presented to the Executive at its meeting in October. The budget that will reflect the revised position will be reported to the Executive in January 2017.

CONCLUSION

22. It is important that there is a timely reporting system in place to focus the Executive on key variances. To reflect this, revenue and capital monitoring reports include detailed information about the more significant areas of the Council's expenditure and income.
23. No particular actions are considered necessary at the present time. Officers will, however, continue to monitor the actual revenue and capital expenditure very closely and any variance that will impact on the Council's overall financial position will be reported to the Executive as soon as possible, in advance of the normal monitoring arrangements.

Reference Papers:

- (a) 8 February 2016 Executive Report - Finance Strategy, Capital Programme, Revenue Budget and Council Tax 2016/17.
- (b) 11 July 2016 Executive Report – General Fund & Housing Revenue Account Outturn 2015/16.

Enquiries:

For further information on this report please contact Neil Wood. (Ext 4506)