

# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 06 November 2017

<b>Portfolio:</b>	Policy and Resources
<b>Subject:</b>	<b>Finance Monitoring Report 2017-18</b>
<b>Report of:</b>	Director of Finance and Resources
<b>Strategy/Policy:</b>	Finance Strategy
<b>Corporate Objective:</b>	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 2017. 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 2017/18 £000s	Budget to 30 Sep 17 £000s	Actual to 30 Sep 17 £000s	Variation £000s
Service Budgets	11,801	2,590	2,298	-292
Non-Service Budgets	-3,184	-787	-792	-5
Net	8,617	1,803	1,506	-297

Capital Programme	Budget 2017/18 £000s	Budget to 30 Sep 17 £000s	Actual to 30 Sep 17 £000s	Variation £000s
General Fund	42,761	13,154	12,545	-609
HRA	4,845	1,623	963	-660
Total	47,606	14,777	13,508	-1,269

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 briefing paper accompanying the report.

**Recommendation:**

It is recommended 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 2017.

**Cost of proposals:**

Not applicable.

**Appendices:**                **None**

**Background papers:** **None**

**Reference Papers:**

- (a) 6 February 2017 Executive Report - Finance Strategy, Capital Programme, Revenue Budget and Council Tax 2017/18.
- (b) 10 July 2017 Executive Report – General Fund and Housing Revenue Account Outturn 2016/17 and Capital and Treasury Management Outturn 2016/17.

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## BOROUGH COUNCIL

### Executive Briefing Paper

<b>Date:</b>	06 November 2017
<b>Subject:</b>	Finance Monitoring Report 2017/18
<b>Briefing by:</b>	Director of Finance and Resources
<b>Portfolio:</b>	Policy and Resources

#### INTRODUCTION

1. This report sets out, in detail, the variations between the budgeted and actual income/expenditure to 30 September 2017 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 2017/18 financial year are shown in the following table:-

#### ACTUAL REVENUE EXPENDITURE TO 30 SEPTEMBER 2017

	Budget 2017/18 £	Budget to 30 Sep 17 £	Actual to 30 Sep 17 £	Variation £
Committees				
Planning	622,100	208,700	136,203	-72,497
Licensing & Regulatory Affairs	481,000	167,900	172,114	4,214
Executive - Portfolio Budgets				
- Leisure & Community	2,543,800	523,300	471,706	-51,594
- Housing	1,024,400	224,100	226,967	2,867
- Planning & Development	121,600	-377,300	-380,850	-3,550
- Policy & Resources	123,900	61,300	78,243	16,943
- Health & Public Protection	2,226,100	1,074,800	1,005,532	-69,268
- Streetscene	4,657,800	706,800	587,488	-119,312
<b>SERVICE BUDGETS</b>	<b>11,800,700</b>	<b>2,589,600</b>	<b>2,297,403</b>	<b>-292,197</b>
<b>NON-SERVICE BUDGETS</b>	<b>-3,184,000</b>	<b>-787,100</b>	<b>-791,407</b>	<b>-4,307</b>
<b>NET BUDGET</b>	<b>8,616,700</b>	<b>1,802,500</b>	<b>1,505,996</b>	<b>-296,504</b>

## THE KEY COUNCIL SERVICES

3. 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 2017/18 £	Budget to 30 Sep 17 £	Actual to 30 Sep 17 £	Variation £	
<b>Income Budgets</b>					
Trade Waste	-74,900	-504,400	-601,916	-97,516	😊
Parking Services	-798,600	-425,300	-439,418	-14,118	😊
Investment Properties	-896,800	-506,800	-503,368	3,432	😊
Local Land Charges	-120,400	-74,700	-68,746	5,954	😊
Housing Benefit Payments	-77,600	38,800	58,958	20,158	😞
Industrial and Commercial Estates	-2,870,400	-993,800	-960,972	32,828	😞
<b>Expenditure Budgets</b>					
Planning Applications	212,100	53,700	-90,768	-144,468	😊
Local Tax Collection	812,000	361,600	321,384	-40,216	😊
Community Parks and Open Spaces	1,176,500	159,000	135,493	-23,507	😊
Local Plan	1,701,000	602,000	584,669	-17,331	😊
Homelessness	362,700	67,200	56,326	-10,874	😊
Street Cleansing	903,200	357,800	363,528	5,728	😞
Ferneham Hall	479,300	-9,900	-351	9,549	😞
Solent Airfield Daedalus	228,600	215,600	233,191	17,591	😞
Waste & Recycling Total	2,005,600	604,000	651,443	47,443	😞
Cost of Employment	16,132,700	7,952,517	8,089,510	136,993	😞

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

- (a) **Trade Waste** is currently showing an increase in income due to an increase in the number of customers using the service with some underspends on expenditure increasing the variation against the budget. The budget for the 6 months to date appears high but this is due to all the income for the service being due at the start of the year with expenditure coming in through

the remainder of the year.

- (b) **Parking Services** is showing a variation of £14,000 net additional income compared to the budget. Income from users of the Council's car parks is less than budgeted for but is higher than the figure of a year ago. However, other income from car parks including penalty charge notices are showing as above the budget for the year. There has also been less spend on equipment purchase and maintenance.
- (c) **Investment properties** are showing as slightly below budget which is mainly due to increased spend on insurance costs.
- (d) **Local Land charges** is showing a variation of £6,000 income underachieved compared to the budget which is due to a reduction in the type of applications that are being received. There are increasing users of the service going through personal search companies for which there is no charge.
- (e) **Solent Airfield Daedalus** is showing as over the budget mainly as a result of higher repairs costs to the buildings.
- (f) **Housing benefits** payments are currently £20,000 over 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.
- (g) **Industrial and Commercial estates** are showing a variation of almost £33,000 below the budget for the first 6 months of the year. This is because of reduced rental income as there are vacant units at a number of locations in the borough.
- (h) **Processing Applications** is showing as being under budget by over £144,000 as the income for the year is currently higher than the budget for the year. This has been partially offset by an increase in the use of consultants and will also offset legal costs for planning appeals.
- (i) **Local Tax Collection** is showing an underspend as a result of vacancies savings and some additional grant that has been received during the year.
- (j) **Community Park and Open Spaces** is showing an underspend for the first six months of the year mainly due to less spend on equipment and additional income from sales and grants.
- (k) The **Local Plan** is showing spend of less than the budget for the first six months mainly due to less spend in the use of consultants. It is anticipated that spend will match budget during the latter part of the year as the plan progresses through to the consultation phase.
- (l) The **Homelessness** budget is showing a slight reduction in spend against budget for the year of almost £11,000. Additional rental costs have been more than offset by more income from 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.

- (m) **Street Cleansing** is showing spend being over the budget in the early part of the year mainly as a result of increased vehicle and equipment costs.
- (n) **Ferneham Hall** is showing an over spend after 6 months mainly due to higher levels of spend on repairs to the building and spend on purchases of equipment. There has also been lower than anticipated income from promotions.
- (o) **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 in all of the waste services due to cover for vacancies and sickness. Some of this over spend has been offset by vacancy savings and lower transport costs especially where fuel costs have stabilised.
- (p) 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 due to contract terminations but these will be funded from reserves where salary savings do not meet the full costs.

## THE COUNCIL'S FUNDAMENTAL PARTNERSHIPS

5. 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 2017/18 £	Budget to 30 Sep 17 £	Actual to 30 Sep 17 £	Variation £	
Project Integra	25,000	0	0	0	😊
Community Safety Partnership	188,000	78,200	74,220	-3,980	😊
Fareham & Gosport CCTV Partnership	153,000	82,200	66,608	-15,592	😊
Portchester Crematorium JC	-135,000	0	0	0	😊
Environmental Health Partnership	1,555,100	692,990	655,040	-37,950	😊
Building Control Partnership	226,400	99,700	74,519	-25,181	😊

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

## CAPITAL PROGRAMME

7. On 6 February 2017, the Executive approved the 2017/18 capital programme for General Fund services of £25.6m and Housing Revenue Account (HRA) of £4.8m giving a combined total of £30.4m.
8. Details of actual capital expenditure in 2016/17 were reported to the Executive on 10 July 2017 and it was noted that the slippage on the capital programme for 2016/17 of £8m for General Fund and HRA services, would now be included in the capital programme for 2017/18.
9. Since the capital programme was approved earlier in the year, a number of new schemes and increased budgets, as shown below, have been added to the 2017/18 programme giving a revised total of £47.6m:-
  - Holly Hill Cemetery Extension - £300,000
  - Daedalus Control Tower Refurbishment - £330,000
  - Daedalus Fuelling Equipment - £250,000
  - Hill Head Coastal Protection Phase 2 - £650,000
  - Daedalus Innovation Centre 2 - £472,000
  - Town Centre Hotel - £7,090,000
  - Wallington Gabions - £78,000
10. The following table sets out the updated capital programme for 2017/18 and has been used as the basis for monitoring progress to 30 September 2017:-

	<b>Approved Programme</b> £	<b>2016/17 Slippage</b> £	<b>New Schemes</b> £	<b>Updated Programme</b> £
Health & Public Protection	0	0	0	0
Streetscene	311,500	87,900	300,000	699,400
Leisure & Community	797,100	533,200	0	1,330,300
Housing	3,619,000	446,200	0	4,065,200
Planning & Environment	13,000	29,200	728,000	770,200
Policy & Resources	20,850,000	6,903,500	8,142,000	35,895,500
<b>Total General Fund</b>	<b>25,590,600</b>	<b>8,000,000</b>	<b>9,170,000</b>	<b>42,760,600</b>
Housing Revenue Account	4,791,000	54,300	0	4,845,300
<b>Updated Capital Programme</b>	<b>30,381,600</b>	<b>8,054,300</b>	<b>9,170,000</b>	<b>47,605,900</b>

## MAJOR CAPITAL SCHEMES

11. The Council has a number of major capital schemes where budgeted expenditure for 2017/18 is in excess of £500,000. These schemes, with forecast budget to 30 September 2017, are detailed in the following table:-

Capital Scheme	Budget 2017/18 £	Budget to 30 Sep 17 £	Actual to 30 Sep 17 £	Variation £	
Daedalus Schemes	24,826,400	10,000,000	9,982,882	-17,118	😊
Town Centre Hotel	8,090,000	0	27,430	27,430	😊
HRA Capitalised Repairs/Renewals	3,437,200	1,622,500	960,161	-662,339	😐
Hampshire Rose Site	2,850,000	0	0	0	😊
Bridge Road Development	1,000,000	0	0	0	😊
Civic Offices Improvement Programme	832,100	50,000	41,816	-8,184	😊
Property Purchases	777,300	10,000	8,984	-1,016	😊
Disabled Facilities Grant	732,500	378,000	128,767	-249,233	😐
Vehicles and Plant	677,300	677,300	701,932	24,632	😐
Hill Head Coastal Protection	650,000	650,000	643,284	-6,716	😐

12. Progress updates on some of the major schemes are detailed below:-

- (a) Expenditure to date for **HRA Capitalised Repairs/Renewals** is lower than profiled for the first half of the year. Spending plans and priorities are being reviewed for the latter part of the year.
- (b) The **Hampshire Rose Site and Bridge Road Development** have been grouped together with six other affordable housing schemes and are with the local housing company, Aspect, to prepare a business plan on their viability. Significant expenditure is not anticipated this year.
- (c) Expenditure on the **Civic Offices Improvement Programme** is expected to be less than budget for 2017/18. The scope on further projects for 2018 are yet to be agreed.
- (d) The third property purchase in relation to the **Welborne** development is anticipated to take place later in the year.
- (e) Arrangements for the processing of **Disabled Facilities Grants** was passed to Portsmouth City Council from 1 April. Expenditure for the first half of the year is lower than the profiled budget as payment arrangements have yet to be finalised.
- (f) Expenditure on **Vehicles and Plant** has been for three refuse trucks, four transit vans, a sweeper and several smaller pieces of plant and equipment. Expenditure is slightly over budget for the year.



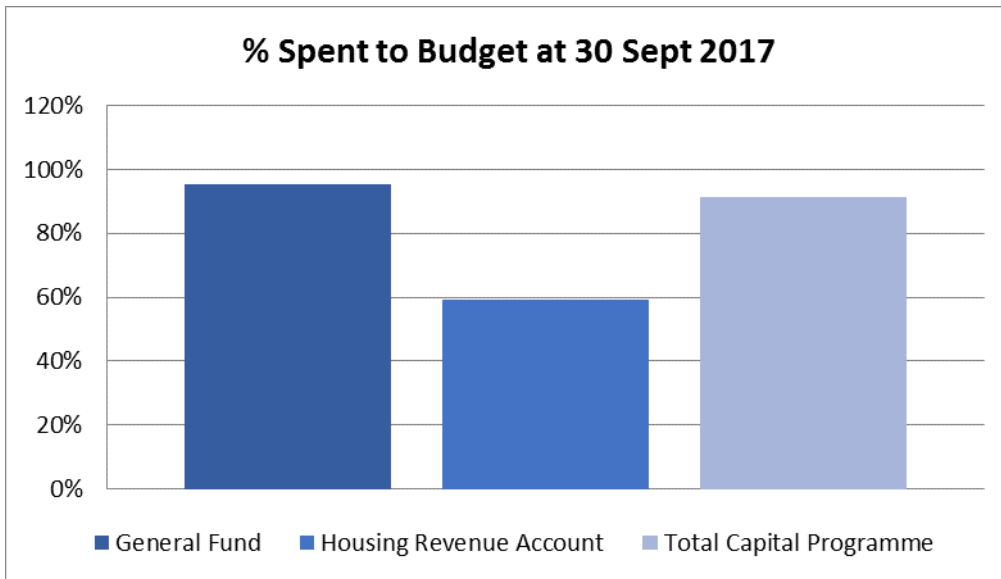
- (g) Works on the **Hill Head Coastal Protection** scheme is ongoing and is projected to overspend the allocated budget. A report seeking further funds will be presented to the Executive at a future meeting.

## CAPITAL MONITORING

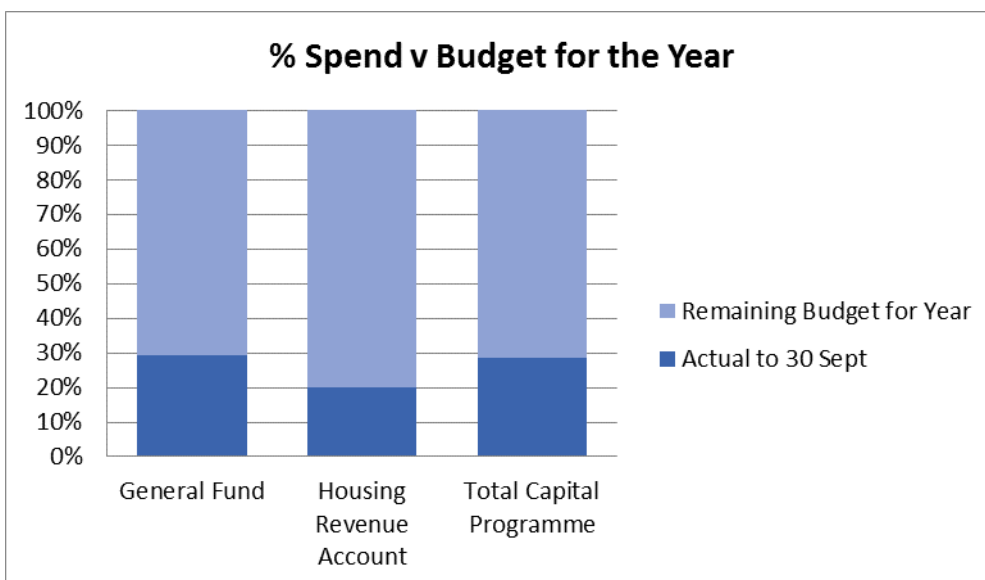
13. The following table provides summary information for the period to 30 September 2017, for the schemes within each portfolio.

	Budget 2017/18	Budget to 30 Sep 17	Actual to 30 Sep 17	Variation
	£	£	£	£
<b>Health &amp; Public Protection</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Streetscene</b>	<b>699,400</b>	<b>19,750</b>	<b>34,852</b>	<b>15,102</b>
- Holly Hill Cemetery Extension	300,000	0	13,935	13,935
- Bus Shelters	339,100	0	3,714	3,714
- Other	60,300	19,750	17,203	-2,547
<b>Leisure &amp; Community</b>	<b>1,330,300</b>	<b>848,800</b>	<b>753,411</b>	<b>-95,389</b>
- Buildings	811,100	500,000	471,789	-28,211
- Play and Parks	437,100	348,800	281,622	-67,178
- Grants to Community Groups	30,000	0	0	0
- Other Community Schemes	52,100	0	0	0
<b>Housing</b>	<b>4,065,200</b>	<b>830,700</b>	<b>246,735</b>	<b>-583,965</b>
- Enabling	3,236,600	386,600	114,029	-272,571
- Home Improvement Schemes	828,600	444,100	132,705	-311,395
<b>Planning &amp; Environment</b>	<b>770,200</b>	<b>664,600</b>	<b>676,616</b>	<b>12,016</b>
- Car Parks	42,200	14,600	33,332	18,732
- Coastal Protection	650,000	650,000	643,284	-6,716
- Wallington Gabions	78,000	0	0	0
<b>Policy &amp; Resources</b>	<b>35,895,500</b>	<b>10,790,087</b>	<b>10,833,147</b>	<b>43,060</b>
- Daedalus	24,826,400	10,000,000	9,982,882	-17,118
- Civic Offices	832,100	50,000	41,816	-8,184
- Vehicles and Plant	677,300	677,300	701,932	24,632
- ICT	369,400	52,787	70,105	17,318
- Town Centre Hotel	8,090,000	0	27,430	27,430
- Other	1,100,300	10,000	8,984	-1,016
<b>Total General Fund</b>	<b>42,760,600</b>	<b>13,153,937</b>	<b>12,544,761</b>	<b>-609,176</b>
<b>Housing Revenue Account</b>				
- New Build	1,000,000	0	0	0
- Capitalised Repairs/Renewals	3,437,200	1,622,500	960,161	-662,339
- Stock Repurchases	340,300	0	0	0
- Other HRA Schemes	67,800	0	2,419	2,419
<b>Total Housing Revenue Account</b>	<b>4,845,300</b>	<b>1,622,500</b>	<b>962,580</b>	<b>-659,920</b>
<b>Total Capital Programme</b>	<b>47,605,900</b>	<b>14,776,437</b>	<b>13,507,342</b>	<b>-1,269,095</b>

14. The graphs below show the actual expenditure to 30 September 2017 as a percentage of the programme for the equivalent period and for the whole year.
15. 91% of the capital programme has been spent compared to the profiled budget for the first half of the year.



16. 28% has been spent compared to the total budget for the year. The budgets will be reviewed and re-phased where applicable as part of the forthcoming budget setting process.



**RISK ASSESSMENT**

17. Whilst it would be too early to draw very firm conclusions regarding the final revenue and capital budget position for 2017/19 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.

18. 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.
19. 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.
20. The Council's expenditure and income are monitored by officers throughout the year. Known spending pressures will be reflected in the Finance Strategy for 2018/19. The budget that will reflect the revised position will be reported to the Executive in January 2018.

## **CONCLUSION**

21. 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.
22. 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.

### **Enquiries:**

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