

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 11 December 2023

Portfolio:	Policy & Resources
Subject:	Finance Monitoring 2023/24
Report of:	Head of Finance and Audit
Corporate Priorities:	Dynamic, prudent and progressive Council

Purpose:

This report provides comparative information on the Council's revenue expenditure for the period for the first half of the financial year. 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 budgets in the current year, as set out in the following tables: -

General Fund	Budget 2023/24	Budget to 30 Sep 23	Actual to 30 Sept 23	Variation
	£000s	£000s	£000s	£000s
Service Budgets	15,715	495	320	-175
Non-Service Budgets	-3,818	-9	-9	0
Net Budgets	11,897	486	311	-175

Housing Revenue Account	Budget 2023/24	Budget to 30 Sep 23	Actual to 30 Sept 23	Variation
	£000s	£000s	£000s	£000s
Income Budgets	-14,228	-7,256	-7,383	-127
Management Costs	4,730	1,882	1,649	-233
Finance Costs	2,819	700	700	0
Property Costs	6,815	1,444	1,796	352
Net Budgets	0	-3,230	-3,238	-8

Revenue spending plans are currently showing a net underspend for the first half of the financial year. Any underspending achieved by the end of the year will reduce the need to call on the Council's reserves for 2023/24 which was originally expected to be in the region of £400,000.

However, there are a number of areas where spend is in excess of the budget and some areas are likely to continue to be overspent through to the end of the financial year. Current forecasts against the base budget are predicting a worse position than indicated at the half-way point. However, work being carried out on the revised budgets may give an improved position once the opportunities plan and shopping centre savings are built in.

It therefore remains appropriate to continue to monitor financial performance closely over the remainder 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/Recommended Option:

It is recommended that the Executive notes the Finance Monitoring Report.

Reason:

To provide members of the Executive with a summary of the Council's budgetary performance. for the first half of the financial year.

Cost of proposals:

Not applicable

Background papers: None

Reference papers: Finance Strategy, Revenue Budget and Council Tax 2023/24, Executive, 9 January 2023

Finance Strategy, Capital Programme, Revenue Budget and Council Tax 2023/24, Executive, 6 February 2023

Housing Revenue Account 2023/24, Executive, 6 February 2023

FAREHAM

BOROUGH COUNCIL

Executive Briefing Paper

Date:	11 December 2023
Subject:	Finance Monitoring 2023/24
Briefing by:	Head of Finance and Audit
Portfolio:	Policy & Resources

INTRODUCTION

1. This report sets out, in detail, the variations between the budgeted and actual income/expenditure for the first half of the financial year for the revenue budgets.
2. To follow in line with the outturn reports that were reported to the Executive in September this year, the report contains an updated position for the Housing Revenue Account as well as the General Fund.

REVENUE EXPENDITURE SUMMARY

3. The details of the budget and spend for each of the Council's committees and portfolios for the first half of the 2023/24 financial year are shown below:-

ACTUAL REVENUE EXPENDITURE TO 30 SEPTEMBER 2023

	Budget 2023/24 £	Budget to 30 Sep 23 £	Actual to 30 Sep 23 £	Variation £
Committees				
Licensing & Regulatory Affairs	540,400	55,150	61,496	6,346
Planning	694,300	152,100	35,851	-116,249
Executive - Portfolio Budgets				
- Leisure & Community	1,911,500	-252,900	-291,551	-38,651
- Housing	2,317,300	827,100	746,408	-80,692
- Planning & Development	2,087,900	530,100	478,626	-51,474
- Policy & Resources	1,111,900	-1,470,125	-1,297,062	173,063
- Health & Public Protection	904,700	-207,100	-290,460	-83,360
- Streetscene	6,146,700	860,294	876,202	15,908
TOTAL SERVICE BUDGETS	15,714,700	494,619	319,510	-175,109

4. Although some increases to costs have been included in the budgets, the current cost of living crisis has continued to have an impact on council spending during this financial year. Evidence of this has been seen across a range of services where prices or demand on the services (such as homelessness) have remained.
5. General inflation for September has been reported at 6.70% which has reduced from the peak of over 10% in the previous year, but it hasn't been dropping as quickly as the forecasts were suggesting.
6. In order to balance the council budgets for 2023/24 a sum of £401,000 has been set aside from reserves. Currently the table above shows the actuals at the halfway point to be below budget. Although, forecasts for the rest of the year against the base budget set are projected to lead to an overspend, the work currently being carried out setting the revised budget is indicating an improved position when Opportunities Plan projects and the Shopping Centre revenue income are taken into account.

THE KEY COUNCIL SERVICES

7. 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 2023/24 £	Budget to 30 Sep 23 £	Actual to 30 Sep 23 £	Variation £	Forecast
Parking Services	-212,500	-357,150	-467,144	-109,994	😊
Planning Applications	243,700	7,350	-78,204	-85,554	😊
Local Plan	1,375,000	369,050	307,787	-61,263	😊
Local Land Charges	-7,300	-23,950	-46,373	-22,423	😊
Commercial Estates	-803,200	-1,147,775	-1,169,394	-21,619	😊
Community Parks and Open Spaces	2,768,000	895,200	876,879	-18,321	😊
Housing Benefit Payments	44,800	-12,600	-28,501	-15,901	😐
Local Tax Collection	1,056,500	391,800	382,066	-9,734	😊
Garden Waste	-623,300	-712,750	-722,207	-9,457	😊
Trade Waste	-144,200	-822,056	-830,273	-8,217	😊
Waste & Recycling	2,460,200	844,000	838,477	-5,523	😊
Street Cleansing	1,144,500	451,100	467,356	16,256	😐
Homelessness	739,600	309,950	368,910	58,960	😐
Daedalus	490,600	-274,950	-176,348	98,602	😐
Investment Properties	-2,606,000	-1,571,450	-1,460,092	111,358	😐

Cost of Employment	21,744,340	10,649,620	10,396,529	-253,091	😊
--------------------	------------	------------	------------	----------	---

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

- (a) **Parking Services** is showing a variation of £110,000 increased net income compared to the base budget. Income from users of the Council's car parks is currently £100,000 more than the budget due to an increase in town centre and coastal parking levels. There has also been an under spend in the levels of business rates when compared to the budgets due to previous lower levels of income. This increase has been partly offset by increased costs in the repair of car parks.
- (b) **Planning Applications** is showing as being under budget by approximately £85,000. The income for the year is currently higher than the budget as there have been larger sums received for the Welborne planning applications. The regular planning application numbers have reduced this year and this is reflected in the income levels being below that part of the budget at this stage of the financial year.
- (c) The **Local Plan** is showing an underspend of over £61,000. The plan was approved in April 2023 and budgets will be adjusted later in the year to reflect the workload of the team as use of consultants and legal fees will be reduced during the year.
- (d) **Local Land charges** is showing as more income than budget by almost £22,000. Applications have increased slightly in the first 6 months of the year and are showing as £18,000 over the budget. There has also been a reduction in legal costs to the service.
- (e) **Commercial estates** – the current position shows that the income for this service is over the base budget. However, the situation continues to be closely monitored as some businesses continue to struggle with the current cost of living crisis and their future may remain uncertain.
- (f) **Community Park and Open Spaces** is showing an underspend for the first six months of the year mainly due to reductions in repairs and maintenance of buildings. Income received is slightly above the budget but this has been offset by increased costs of repairs to vehicles and hire of vehicles to cover those that are off the road. Other areas of underspend and overspends are offsetting each other and are currently in line with the budget.
- (g) **Housing benefits** service overall is currently showing £16,000 under the budget for the year to date. Payments to claimants are currently under the budget for the year and the benefits that are paid out during the year are supported by grant incomes. The main variation comes from the discretionary element of the service that is almost £14,000 under budget. The full year position will show transactions that will go through including bad debts, write offs and debtors raised for overpayments.
- (h) **Local Tax Collection** is showing a small underspend of £10,000 as a result of vacancies savings but these have been offset by reduced income from grants.

- (i) **Garden Waste Service** is showing that there is an increase in the income over the budget for the first 6 months of the year. The service continues to attract customers since it commenced in February 2022 where the initial take up exceeded expectations. The additional income coming into the service is currently offsetting higher costs for the vehicles that support the service with repairs and hire costs being higher than the budget for the year to date.
- (j) **Trade Waste** is currently showing an overall position of £8,000 under the budget. The service continues to see an increase in income through additional customers although this increase has been partially offset by increasing repairs and hire costs of vehicles for the service.
- (k) **Waste Collection and Recycling** services are showing an underspend of just over £5,000 after 6 months of the year. This is mainly due to additional income being received for glass recycling. However, this has been largely offset by increased repairs to vehicles and additional hire costs to replace those vehicles that are not operational.
- (l) **Street Cleansing** is showing spend over the budget mainly as a result of increased vehicle costs including fuel prices, repair costs and additional hire costs to replace vehicles under repair. This has been slightly offset by reduced employee costs due to vacancies.
- (m) **Daedalus** is currently showing as over budget as income from some areas has remained lower than anticipated. There has been reduced income from landing and licence fees, during the summer period, but also there has been increased expenditure in some areas such as cost of electricity along with increased legal fees. The impact of the income and expenditure variations will be considered as part of the revised budget setting process.
- (n) The **Homelessness** budget is showing an increase in spend against budget for the year of over £59,000. The main reason is due to continuing costs for bed and breakfast and other homelessness costs. Current rough sleeper initiatives encourage local authorities to move sleepers off the streets and into temporary accommodation. These costs along with those for other persons identifying as homeless have been increasing year on year. Some of these additional costs will be offset by grant or use of the homeless reserve at year end but the reserve is getting close to NIL so the use of it is not sustainable going forward.
- (o) **Investment properties** are showing as below the budget for the first 6 months of the year. Rents are on track to be on budget but there have been some units where the council has been required to pay business rate bills for empty properties which was an unbudgeted expense. However, as with other property-based services, the situation on income received will continue to be closely monitored.
- (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 and a delay to the 2023 pay award (£762,000). This has been partly offset

by the additional expenditure on agency and casual employees used to cover some of those vacancies and also to cover sickness (£261,000). On top of this there has been additional expenditure due to contract terminations (£247,500). It is anticipated that these costs will be met from vacancy saving but will be funded from reserves if necessary.

THE COUNCIL'S FUNDAMENTAL PARTNERSHIPS

9. The Council has five 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 2023/24 £	Budget to 30 Sep 23 £	Actual to 30 Sep 23 £	Variation £	
Project Integra	5,000	0	0	0	😊
Community Safety/CCTV Partnership	282,100	140,500	118,488	-22,012	😊
Portchester Crematorium JC	-80,000	0	0	0	😊
Environmental Health Partnership	1,686,800	730,500	668,290	-62,212	😊
Building Control Partnership	198,700	-2,500	-2,581	-81	😊

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

HOUSING REVENUE ACCOUNT

11. The Housing Revenue Account is in line with budget after the first 6 months of 2023/24, as set out in the following table. At this point in the year this is shown as a surplus, but this does not take account of year-end transactions relating to corporate recharges and other adjustments between the revenue account and earmarked reserves. An explanation of the variances is given below.

	Base Budget 2023/24 £'000	Budget to 30 Sep 2023 £'000	Actual to 30 Sep 2023 £'000	Variation £'000
HOUSING REVENUE ACCOUNT				
Income	-14,228	-7,256	-7,383	-127
Tenancy Management & Running Costs	4,730	1,882	1,649	-233
Net Interest	1,679	700	700	0
Transfer to Debt Repayment Fund	1,140	0	0	0
Revenue Repairs Expenditure	3,465	1,444	1,796	352
Depreciation set aside into the Major Repairs Reserve	3,050	0	0	0
Revenue Contribution to Capital Programme	300	0	0	0

Transfer to(-)/from HRA Reserve	0	-3,230	-3,238	-8
---------------------------------	---	--------	--------	----

12. Income is slightly ahead of budget for income from dwelling rents and service charge actuals recognised for 2023/24. This additional income will be part of the revised HRA revenue budget to be reported to the Executive.
13. The property repairs and maintenance expenditure is showing an overspend after the first six months of 2023/24 as a result of demand and price increases that are being experienced. These will inform the revised HRA revenue budget to be reported to the Executive.
14. Taking the above into account it is realistic that the HRA Revenue Account forecast outturn will be very close to breakeven in this financial year.

RISK ASSESSMENT

15. Whilst it would be too early to draw very firm conclusions regarding the final revenue budget position for 2023/24 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 budgets were approved in January.
16. There are some areas where the impact of the cost of living crisis is continuing to be felt and this trend is likely to continue for the remainder of this financial year and possibly through to the 2024/25 financial year.
17. It is also worth noting that expenditure tends to increase during the latter months of the year as work programmes proceed so any underspends in the first half of the financial year are unlikely to continue throughout the whole of the financial year.
18. Any underspend from services will reduce the amount that is required to be used from reserves to fund services and this value stood at £401,000 when the base budget was set but overspends will cause the draw on reserves to increase.
19. The Council's expenditure and income are monitored by officers throughout the year and there is even more monitoring going on under the current pressures. Known spending pressures will be reflected in the Finance Strategy for 2023/24.
20. The spending predictions show that if levels continue at the current rates in some services then there could be an overspend position by year end compared to the **base** budget set. If this is the case then a greater level of reserves will need to be drawn on to finance the spend. However, the budget that will reflect the **revised** position will show savings from the Opportunities Plan and also additional income from the shopping centre which will help the bottom-line position. This updated forecast will be reported to the Executive in January 2024.

CONCLUSION

21. It is important that there is a timely reporting system in place to focus the Executive on key variances. To reflect this the revenue monitoring reports include detailed information about the more significant areas of the Council's

expenditure and income.

22. There are a number of areas where spend is higher than the budget and doesn't show signs of being in line with the base budget by the end of the financial year. Officers will, however, continue to monitor the actual revenue expenditure very closely and will review the budgets before they are brought to the Executive in January 2024.

Enquiries:

For further information on this report please contact Neil Wood (01329 824506)