

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 02 February 2015

Portfolio: Policy and Resources
Subject: **Quarterly Financial Monitoring Report**
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 nine months ended 31 December 2014. Members are invited to consider the financial performance in the quarter, 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 2014/15 £000s	Budget to 31 Dec 14 £000s	Actual to 31 Dec 14 £000s	Variation £000s
Service Budgets	12,959	21,150	20,564	-586
Non-Service Budgets	-3,443	-1,355	-1,362	-7
Net	9,516	19,795	19,202	-593

The main variations in spending to 31 December 2014 are within cost of employment (-£249,457) and housing benefits (-£336,076). Vacancies are the main reason behind the under spend on the cost of employment. Housing benefit payments are under the budget although this will be offset by receiving less grant at the end of the financial year.

Capital Programme	Budget 2014/15 £000s	Budget to 31 Dec 14 £000s	Actual to 31 Dec 14 £000s	Variation £000s
General Fund	15,720	12,103	7,461	-4,642
HRA	7,351	6,207	4,563	-1,644
Total	23,071	18,310	12,024	-6,286

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 final quarter 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 contents of the report on revenue and capital budget monitoring.

Reason:

To provide members of the Executive with a summary of the Council's budgetary performance to 31 December 2014.

Cost of proposals:

Not applicable.

FAREHAM

BOROUGH COUNCIL

Executive Briefing Paper

Date: 02 February 2015

Subject: Quarterly Financial Monitoring Report

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 31 December 2014 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 nine months are shown in the following table:-

ACTUAL REVENUE EXPENDITURE TO 31 DECEMBER 2014

	Budget 2014/15 £	Budget to 31 Dec 14 £	Actual to 31 Dec 14 £	Variation £
Committees				
Planning	801,800	387,400	368,186	-19,214
Licensing & Regulatory Affairs	497,200	247,200	292,573	45,373
Executive - Portfolio Budgets				
- Leisure & Community	2,257,100	988,300	918,330	-69,970
- Health & Housing	1,322,100	747,000	713,278	-33,722
- Planning & Development	-610,300	-817,300	-767,791	49,509
- Policy & Resources	1,755,600	15,699,000	15,314,373	-384,627
- Public Protection	2,417,400	1,314,500	1,288,086	-26,414
- Streetscene	4,517,800	2,583,700	2,437,030	-146,670
SERVICE BUDGETS	12,958,700	21,149,800	20,564,065	-585,735
NON-SERVICE BUDGETS	-3,442,600	-1,354,500	-1,362,236	-7,736
NET BUDGET	9,516,100	19,795,300	19,201,829	-593,471

3. The budget for Policy and Resources to December 2014 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 2014/15 £	Budget to 31 Dec 14 £	Actual to 31 Dec 14 £	Variation £	
Income Budgets					
Parking Services	-1,003,200	-1,029,400	-977,916	51,484	
Commercial Estates	-2,130,800	-1,666,000	-1,600,997	65,003	
Land Charges	-170,900	-143,900	-154,947	-11,047	
Interest on Investments	-706,900	-292,500	-294,324	-1,824	
Expenditure Budgets					
Local Tax Collection	874,100	578,800	554,993	-23,807	
Community Parks & Open Spaces	1,127,600	659,600	653,987	-5,613	
Street Cleansing	961,800	618,500	605,159	-13,341	
Processing Planning Applications	233,600	84,800	87,138	2,338	
Homelessness	356,700	388,000	373,461	-14,539	
Housing Benefits Payments	0	14,890,600	14,554,524	-336,076	
Waste Collection & Recycling Services	1,936,400	1,263,800	1,233,486	-30,314	
Trade Waste	-64,000	-328,300	-370,390	-42,090	
Ferneham Hall	403,400	102,600	62,639	-39,961	
Cost of Employment	15,436,900	11,508,631	11,259,174	-249,457	

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

- (a) Parking Services is showing a variation of £51,000 above the budget, which is mainly as a result of reduced income from users of the Council's car parks. This has been partially offset by savings in employee budgets.

- (b) Rents derived from commercial estates are less than expected, by £65,000. This is mainly due to vacant units in some of the Council's commercial properties and also new lettings on less favourable terms to the council.
- (c) Housing benefits payments are currently £336,000 under the budget for the year. Expenditure will be offset by income at year end when Government Grant is accounted for.
- (d) Interest on investments is slightly higher than budgeted for the year due to more cash being available for investment than anticipated. This however will not last throughout the financial year as some of the larger capital projects that require funding will reduce this balance during the later months of the financial year.
- (e) 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 9 months of the year, savings on salaries and wages have arisen, mainly as a result of employee vacancies. While this has been partly offset by the additional expenditure on agency employees, it is anticipated that there will be an overall saving in this area at the end of the year.

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 2014/15 £	Budget to 31 Dec 14 £	Actual to 31 Dec 14 £	Variation £	
Project Integra	25,000	20,500	20,461	-39	
Community Safety Partnership	299,100	165,500	150,468	-15,032	
Fareham & Gosport CCTV Partnership	204,900	81,700	57,789	-23,911	
Portchester Crematorium Joint Committee	-150,000	0	0	0	
Environmental Health Partnership	1,491,200	1,027,400	1,011,231	-16,169	
Building Control Partnership	221,200	119,100	111,498	-7,602	

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

CAPITAL PROGRAMME

8. Since the capital programme was approved earlier in the year, a number of new

schemes have been added and some have been re-phased over the 5 year capital programme.

9. The following table sets out the updated capital programme for 2014/15 and has been used as the basis for monitoring progress to 31 December 2014:-

	Approved Programme £	2013/14 Slippage £	New/ Rephased Schemes £	Updated Programme £
Public Protection	0	0	0	0
Streetscene	36,100	79,300	69,600	185,000
Leisure & Community	3,432,300	940,800	-452,040	3,921,060
Health & Housing	480,000	97,300	145,000	722,300
Planning & Development	75,000	36,300	-37,1000	74,200
Policy & Resources	12,283,000	386,500	-1,852,300	10,817,200
Total General Fund	16,306,400	1,540,200	-2,126,840	15,719,760
Housing Revenue Account	8,297,000	1,008,500	-1,954,400	7,351,100
Updated Capital Programme	24,603,400	2,548,700	-4,081,240	23,070,860

MAJOR CAPITAL SCHEMES

10. The Council has a number of major capital schemes where expenditure is in excess of £300,000. These schemes, with forecast budget to 31 December 2014, are detailed in the following table:-

Capital Scheme	Budget 2014/15 £	Budget to 31 Dec 14 £	Actual to 31 Dec 14 £	Variation £	
Daedalus	6,060,000	5,404,700	3,498,517	-1,906,183	☹️
Commercial Property Investment Acquisition	4,110,300	2,500,000	2,156,243	-343,757	☹️
Collingwood Court Sheltered Housing	4,067,100	3,319,000	2,538,992	-780,008	☹️
HRA Capitalised Repairs/Renewals	2,047,000	1,495,300	1,466,639	-28,661	😊
Fareham Leisure Centre Swimming Pool Refurbishment	1,500,000	1,500,000	0	-1,500,000	☹️
Housing Stock Repurchases	790,000	593,000	462,500	-130,500	☹️
Disabled Facilities Grants	500,200	402,500	311,672	-90,828	☹️
Bath Lane Cricket Pavilion	490,000	367,500	145,557	-221,943	☹️
Western Ward Leisure Centre	463,000	348,900	328,927	-19,973	😊

11. The main variations in the major schemes where expenditure is over £300,000 are detailed below:-

- (a) The Council's investment project at Daedalus is progressing well, with the delivery of an Innovation Centre at Daedalus remaining on schedule for

completion in March 2015. Airfield improvements have also progressed well, with the runway refurbishment being completed in December. The location and construction of new hangar space has been delayed pending the outcome of broader discussions over land ownership of the airfield part of the site. The programme of work is being overseen by a Member Working Group, chaired by Cllr T Cartwright.

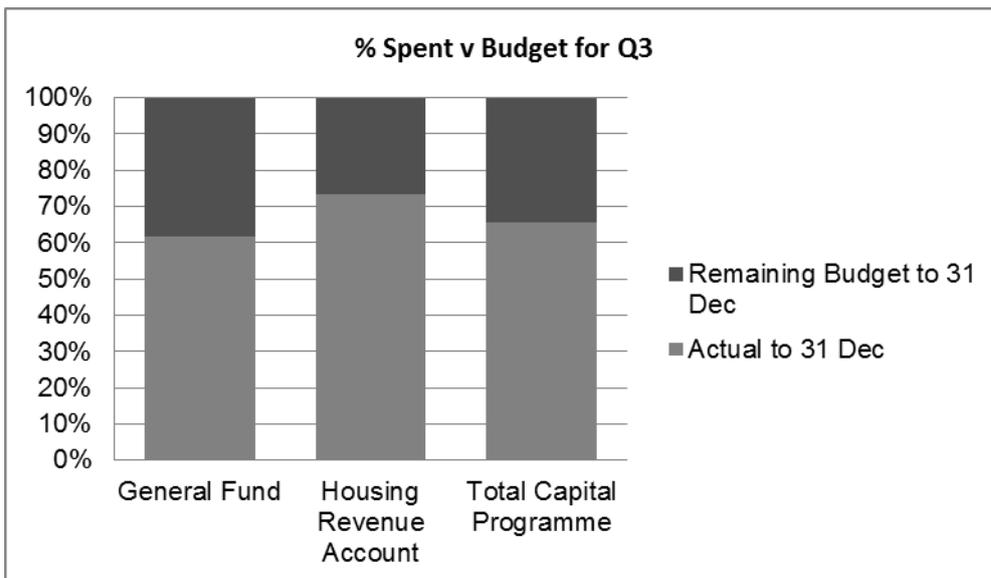
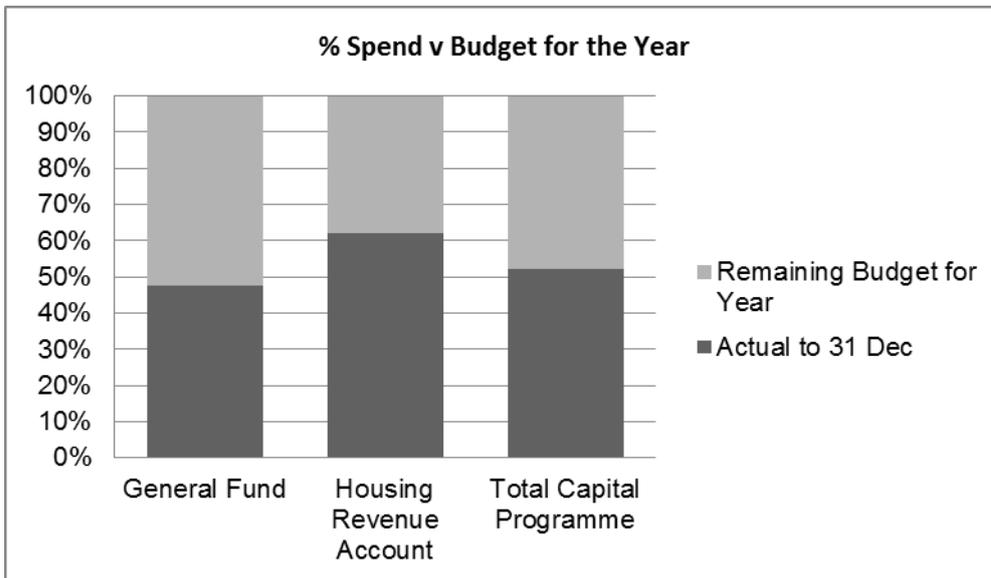
- (b) The commercial property investment acquisition programme is progressing well. The fourth purchase, a property in Weymouth let to a high street retailer, completed on 29 September 2014 at a purchase price of £810,000 and the fifth purchase a ground floor convenience store in Poole completed on 24 November 2014 at a purchase price of £1.26m. Negotiations are on-going in relation to a sixth investment.
- (c) Building works continue to progress well at Collingwood Court and officers are working closely with the contractor to ensure practical completion before the end of March 2015.
- (d) Expenditure to the close of the third quarter for HRA Capitalised Repairs/Renewals is close to the budgeted position and there are no known current issues for the remainder of this financial year.
- (e) The refurbishment of the Fareham Leisure Centre swimming pool is now complete and the works have been approved by the Head of Estates. SLM have been requested to submit their invoice for payment of the £1.5m.
- (f) There have been no housing stock repurchases in the third quarter of the year.
- (g) £311,672 has been spent on Disabled Facilities Grants. With the number of committed cases in the pipeline there may be a small overspend at the end of the year.
- (h) Works are underway at Bath Lane Cricket Pavilion and completion of the changing rooms and club house is anticipated in March 2015. Following this the former club house will be demolished and the land reinstated prior to the 2015 cricket season.
- (i) A successful public consultation has been held for the Western Wards Leisure Centre and planning applications for the Leisure Centre, changing rooms and sports pitches submitted. Construction work is programmed to commence in April/May 2015 with completion in spring/summer 2016.

CAPITAL MONITORING

12. The following table provides summary information for the third quarter to 31 December 2014, for the schemes within each portfolio.

	Budget 2014/15 £	Budget to 31 Dec 14 £	Actual to 31 Dec 14 £	Variation £
Public Protection	0	0	0	0
Streetscene	185,000	92,300	60,077	-32,223
Leisure & Community	3,921,060	3,143,660	1,079,448	-2,064,212
- Buildings	2,072,300	1,816,000	493,098	-1,322,902
- Play & Parks	258,200	215,700	49,765	-165,935
- Outdoor Recreation	1,221,600	801,900	249,035	-552,865
- Grants to Community Groups	99,960	42,360	42,360	0
- Other Community Schemes	269,000	267,700	245,190	-22,510
Health & Housing	722,300	494,600	425,466	-69,134
- Home Improvement Loans	693,200	465,500	403,552	-61,948
- Enabling	29,100	29,100	21,914	-7,186
Planning & Development	74,200	55,600	30,231	-25,369
- Car Parks	74,200	55,600	30,231	-25,369
Policy & Resources	10,817,200	8,317,100	5,866,089	-2,451,011
- Vehicles & Plant	108,500	75,000	15,909	-59,091
- ICT	277,800	220,000	93,904	-126,096
- Depot	98,500	87,400	74,394	-13,006
- Civic Offices	148,100	30,000	27,122	-2,878
- Commercial Property Acquisition	4,110,300	2,500,000	2,156,243	-343,757
- Daedalus	6,060,000	5,404,700	3,498,517	-1,906,183
- Other Schemes	14,000	0	0	0
Total General Fund	15,719,760	12,103,260	7,461,311	-4,641,949
Housing Revenue Account				
- Capitalised Repairs/Renewals	2,047,000	1,495,300	1,466,639	-28,661
- New Build	4,367,100	4,119,100	2,633,735	-1,485,365
- Other HRA Schemes	937,000	593,000	462,500	-130,500
Total Housing Revenue Account	7,351,100	6,207,400	4,562,874	-1,644,526
Total Capital Programme	23,070,860	18,310,660	12,024,185	-6,286,475

13. The graphs below show the actual expenditure to 31 December 2014 as a percentage of the programme for the equivalent period and for the whole year. 66% of the capital programme has been spent compared to the profiled budget for the third quarter of the year. 52% has been spent compared to the budget for the year.



RISK ASSESSMENT

14. Whilst it would be too early to draw very firm conclusions regarding the final revenue and capital budget position for 2014/15 after nine 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.
15. 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 going into the final first quarter of the financial year are likely to be reduced as spend increases.
16. 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.
17. The Council's expenditure and income are monitored by officers throughout the year and these projections will be updated each quarter, as part of the budget monitoring reports. Known spending pressures have been reflected in the Finance Strategy for 2015/16 that was presented to the Executive at its meeting

in October. The budget that reflects this revised position was reported to the Executive in December 2014 and a revised position was reported in January 2015.

18. There remains a concern with the speed of the economic recovery, which is continuing to affect some Council services and funding. Those particularly affected includes services whose income is reliant on the business sector such as commercial rents. There is also a continuing impact on services such as car parking where income levels have been reducing over the last couple of years and are continuing to reduce in the current financial year with increasing competition from other shopping centres. Finally there is an impact on services affected by benefit changes with increased demand on the homelessness, benefits and council tax services.

CONCLUSION

19. 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.
20. There are no particular actions considered necessary at the present time, however, officers will 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) 10 February 2014 Executive Report - Finance Strategy, Capital Programme, Revenue Budget and Council Tax 2014/15.
- (b) 10 February 2014 Executive Report - HRA Spending Plans including the Capital Programme for 2014/15.
- (c) 7 July 2014 Executive Report - Actual Capital Expenditure and Financing 2013/14.