

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 11 February 2013

Portfolio:	Policy, Strategy and Finance
Subject:	Quarterly Financial Monitoring Report 2012/13
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 2012. 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 2012/13	Budget to 31 Dec 12	Actual to 31 Dec 12	Variation
	£000s	£000s	£000s	£000s
Service Budgets	13,254	23,334	22,167	-1,167
Non-Service Budgets	-2,795	-1,163	-1,116	47
Net	10,459	22,171	21,051	-1,120

The main variations in spending to 31 December 2012 are within cost of employment (-£326,001) and housing benefit payments (-£516,847). Vacancies are the main reason behind the under spend on the cost of employment. Housing benefit payments are under budget although it is expected this will be closer to the budgeted position by the end of the financial year.

Capital Programme	Budget 2012/13	Budget to 31 Dec 12	Actual to 31 Dec 12	Variation
	£000s	£000s	£000s	£000s
General Fund	8,893	3,611	3,336	-275
HRA	2,843	1,620	1,311	-309
Total	11,736	5,231	4,647	-584

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 report on revenue and capital budget monitoring be noted.

Reason:

To provide members of the Executive with a summary of the Council's budgetary performance to 31 December 2012.

Cost of proposals:

Not applicable.

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BOROUGH COUNCIL

Executive Briefing Paper

Date: 11 February 2013

Subject: Quarterly Financial Monitoring Report 2012/13

Briefing by: Director of Finance and Resources

Portfolio: Policy, Strategy and Finance

INTRODUCTION

1. This report sets out, in detail, the variations between the budgeted and actual income/expenditure to 31 December 2012 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 are shown in the following table:-

ACTUAL REVENUE EXPENDITURE TO 31 DECEMBER 2012

	Budget 2012/13 £	Budget to 31 Dec 12 £	Actual to 31 Dec 12 £	Variation £
Committees				
Planning	730,400	554,300	517,036	-37,264
Licensing & Regulatory Affairs	479,600	360,500	285,846	-74,654
Executive - Portfolio Budgets				
- Leisure & Community	1,791,500	685,800	646,556	-39,244
- Health & Housing	1,482,200	785,800	683,076	-102,724
- Strategic Planning & Environment	-326,300	-623,000	-701,972	-78,972
- Policy, Strategy and Finance	2,210,500	16,918,400	16,264,915	-653,485
- Public Protection	2,485,600	1,808,900	1,734,361	-74,539
- Streetscene	4,400,000	2,843,300	2,737,418	-105,882
SERVICE BUDGETS	13,253,500	23,334,000	22,167,236	-1,166,764
NON-SERVICE BUDGETS	-2,795,000	-1,162,700	-1,115,568	47,132
NET BUDGET	10,458,500	22,171,300	21,051,668	-1,119,632

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 2012/13	Budget to 31 Dec 12	Actual to 31 Dec 12	Variation	
	£	£	£	£	
Parking Services	-1,353,400	-948,300	-933,490	14,810	
Commercial Estates	-2,256,000	-1,572,200	-1,515,481	56,719	
Local Tax Collection	990,400	938,700	867,612	-71,088	
Community Parks and Open Spaces	930,500	655,000	628,677	-26,323	
Street Cleansing	978,600	677,400	666,589	-10,811	
Processing Planning Applications	279,500	215,200	195,789	-19,411	
Homelessness	192,600	256,300	202,707	-51,793	
Land Charges	-153,600	-113,400	-137,579	-24,179	
Housing Benefits Payments	0	14,731,500	14,214,653	-516,847	
Waste Collection & Recycling Services	1,941,500	1,493,600	1,473,699	-19,901	
Trade Waste	-55,200	-327,000	-321,608	5,392	
Ferneham Hall	433,100	61,700	51,730	715	
Interest on Investments	-874,500	-655,900	-608,988	46,912	
Cost of Employment	15,467,700	11,498,866	11,172,865	-326,001	
Key					
	budget currently on track and likely to be in a positive position at year end				
	budget is either off track currently or is expected to be off track at year end				
	budget currently off track and likely to be in a negative position at year end				

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

- (a) Parking Services is showing a variation of £15,000 above the budget, which is mainly as a result of reduced income from users of the Council's car parks which is down on budget and also below the level for the same period during the last financial year. The budget has been revised to reflect the downturn in usage.
- (b) Commercial estates is showing that the income due to the Council is under budget by almost £57,000. This is mainly due to rental income from the shopping centre which has seen a fall due to empty units reflecting the continued downturn in the retail sector. It is anticipated that the overall deficit for the service will be £100,000 by the end of the financial year.
- (c) Waste Collection and Recycling Services covers Household Waste Collection, Recycling and Garden Waste Collection. These services combined are currently showing an under spend of £20,000. There are underspends in all of the expenditure budget headings within waste services with income currently in line with the budget.
- (d) Housing benefits payments are currently £517,000 under the budget for the year. The budget was increased at revised stage to reflect the continuing increase in caseload and it is anticipated that the gap between expenditure and budget will close before the end of the financial year. Expenditure will be offset by income at year end when Government Grant is received.
- (e) Interest on investments is lower than budgeted for the year due to lower interest rates on the Council's investments. Longer term investments with higher rates continue to reach maturity and are being replaced with shorter term lower rate deals that are reflective of the current position within the investment market.
- (f) 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 and also due to organisational structure changes. 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

5. 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 2012-13	Budget to 31 Dec 12	Actual to 31 Dec 12	Variation	
	£	£	£	£	
Project Integra	26,800	0	0	0	
Community Safety Partnership	279,900	187,700	99,341	-88,359	
Fareham and Gosport CCTV Partnership	218,500	134,900	77,594	-57,306	
Portchester Crematorium Joint Committee	- 150,000	0	0	0	
Building Control Partnership	212,700	159,600	151,328	-8,272	
Key					
	budget currently on track and likely to be in a positive position at year end				
	budget is either off track currently or is expected to be off track at year end				
	budget currently off track and likely to be in a negative position at year end				

6. There are no major causes for concern within the Council's Fundamental Partnerships.















CAPITAL PROGRAMME

7. On 6 February 2012, the Executive approved the 2012/13 capital programme for the General Fund services of £6.186m and £2.169m for the Housing Revenue Account (HRA), giving a combined total of £8.355m.
8. Details of actual capital expenditure in 2011/12 were reported to the Executive on 16 July 2012 and it was noted that the slippage on the capital programme for 2011/12 of £2.911m for General Fund and HRA services, would now be included in the capital programme for 2012/13, giving a revised total of £11.266m.
9. Since the capital programme was approved earlier in the year, a number of new schemes have been added to the 2012/13 programme.
10. The following table sets out the updated capital programme for 2012/13 and has been used as the basis for monitoring progress to 31 December 2012:-

	Approved Programme	2011/12 Slippage	New Schemes	Total
	£	£	£	£
Public Protection	50,000	78,700	0	128,700
Streetscene	37,000	30,400	0	67,400
Leisure and Community	3,359,600	637,000	106,500	4,103,100
Health & Housing	1,365,000	1,117,900	115,000	2,597,900
Strategic Planning & Environment	700,200	56,300	0	756,500
Policy, Strategy & Finance	674,200	529,300	29,000	1,323,500
Total General Fund	6,186,000	2,449,600	250,500	8,886,100
Housing Revenue Account	2,169,000	461,700	220,000	2,850,700
Updated Capital Programme	8,355,000	2,911,300	470,500	11,736,800

MAJOR CAPITAL SCHEMES

11. The Council has a number of major capital schemes where expenditure is in excess of £200,000. These schemes, with forecast budget to 31 December 2012, are detailed in the following table:-

Capital Scheme	Budget 2012/13	Budget to 31 Dec 12	Actual to 31 Dec 12	Variation	
	£	£	£	£	
Ferneham Hall Repairs	285,200	30,000	26,889	-3,111	
Wicor Rec Sport Changing Facilities	813,600	610,500	660,711	50,211	
Portchester Community Centre	1,541,400	1,231,000	1,095,779	-135,221	
Disabled Facilities Grants	655,700	340,000	334,519	-5,481	
Enabling: Coldeast Close	400,000	400,000	406,096	6,096	
Vehicles and Plant	462,300	80,000	76,281	-3,719	
ICT	318,700	130,000	129,674	-326	
HRA: Electrical Upgrading	200,000	147,000	110,883	-36,117	
HRA: Tenants Modernisation	950,000	650,000	558,148	-91,852	
HRA: Replacement Windows/Doors	200,000	50,000	33,212	-16,778	
HRA: Central Heating and Boiler Replacement	470,000	320,000	248,831	-71,169	
	budget currently on track and likely to be in a positive position at year end				
	budget is either off track currently or is expected to be off track at year end				
	budget currently off track and likely to be in a negative position at year end				

12. The main variations in the major schemes where expenditure is over £200,000 are detailed below:-
- (a) Expenditure to date at Ferneham Hall has been for new Auditorium chairs, a projector and external neon signage. Works planned for the last quarter of the year include refurbishment of Auditorium tiered seating and kitchen equipment improvements.
 - (b) The Wicor Changing Facilities were complete one week ahead of programme and within budget. The facility became operational in January 2013.
 - (c) The new Portchester Community Centre is complete and was opened in January 2013. The project is now into phase 2 (demolition of the old community centre) which is expected to complete at the end of March 2013.
 - (d) A total of £334,519 has been spent on Disabled Facilities Grants with an additional £166,000 of grant applications committed to date.
 - (e) The Enabling budget allocated £400,000 to bring back into use four long term empty properties at Coldeast Close. The works are now complete and all four long term properties are now occupied by homeless families.
 - (f) Three street cleansing vehicles, two grounds maintenance vehicles and the Mayor's car have been purchased to date from the Vehicles and Plant capital scheme. Two refuse vehicles are due to be purchased in the last quarter of the year.
 - (g) The major projects for the year for the ICT programme include the on-going SharePoint development for the HUB, upgrading and increasing the current Storage and Back-up systems, upgrade of the main computer suite electrical installation and continuation of the rolling programme of PC and server upgrades.
 - (h) The HRA Electrical Upgrades scheme is progressing in line with budget. A programme of periodic electrical inspections is continuing with urgent remedial works being undertaken as identified. It is anticipated that there will be an overspend on this budget, financed from other capital budgets, to ensure properties that require electrical inspections are undertaken within the recommended period.
 - (i) For the Tenants Modernisation scheme, properties have received new kitchens and bathrooms due to age and condition. The programme is determined by the recent stock condition survey and is programmed to continue in all areas of the Borough. This now includes providing level access showering facilities at our flagship sheltered accommodation schemes. A proportion of the budget is held for such works to vacant properties as needed throughout the year.

- (j) Works to renew maisonette entrance doors have now been completed. Further door replacement works have been determined for properties in Portchester and North Fareham using the recent stock condition survey information. Procurement is now in progress with commencement on site anticipated in March 2013.
- (k) Replacement of old and inefficient boilers has been progressing well. Seasonal changes in the autumn and winter months result in a number of reactive replacements where boilers are considered to be beyond economical repair. The boiler stock is in a good condition following the planned investment resulting in a reduced number of reactive replacements. This is likely to be underspent compared to the year's budget.

CAPITAL MONITORING

13. The following table provides summary information for the third quarter to 31 December 2012, for the schemes within each portfolio.

	Updated Budget 2012/13	Budget to 31 Dec 12	Actual to 31 Dec 12	Variation
	£	£	£	£
Public Protection	128,700	0	0	0
Streetscene	67,400	0	0	0
Leisure and Community	4,103,100	2,313,550	2,100,960	-212,590
- Buildings	2,160,000	1,309,950	1,168,979	-140,971
- Play and Parks	380,500	177,200	124,510	-52,690
- Outdoor Recreation	1,353,400	695,500	671,855	-23,645
- Grants to Community Groups	119,000	82,800	89,000	6,200
- Other Community Schemes	90,200	48,100	46,616	-1,484
Health & Housing	2,605,100	847,400	790,804	-56,596
- Home Improvement Loans	759,000	417,400	369,708	-47,692
- Enabling	1,497,200	400,000	421,096	21,096
- Other	348,900	30,000	0	-30,000
Strategic Planning and Environment	756,500	220,000	205,068	-14,932
- Environmental Improvements	120,000	120,000	114,087	-5,913
- Car Parks	616,500	100,000	90,981	-9,019
- Other	20,000	0	0	0
Policy, Strategy and Finance	1,232,600	230,000	239,152	9,152
- Fareham Town Centre	136,800	30,000	33,197	3,197
- Vehicles and Plant	462,300	70,000	76,281	6,281
- ICT	286,800	130,000	129,674	-326
- Depot	89,000	0	0	0
- Civic Offices	15,700	0	0	0
- Other	242,000	0	0	0
Total General Fund	8,893,400	3,610,950	3,335,984	-274,966

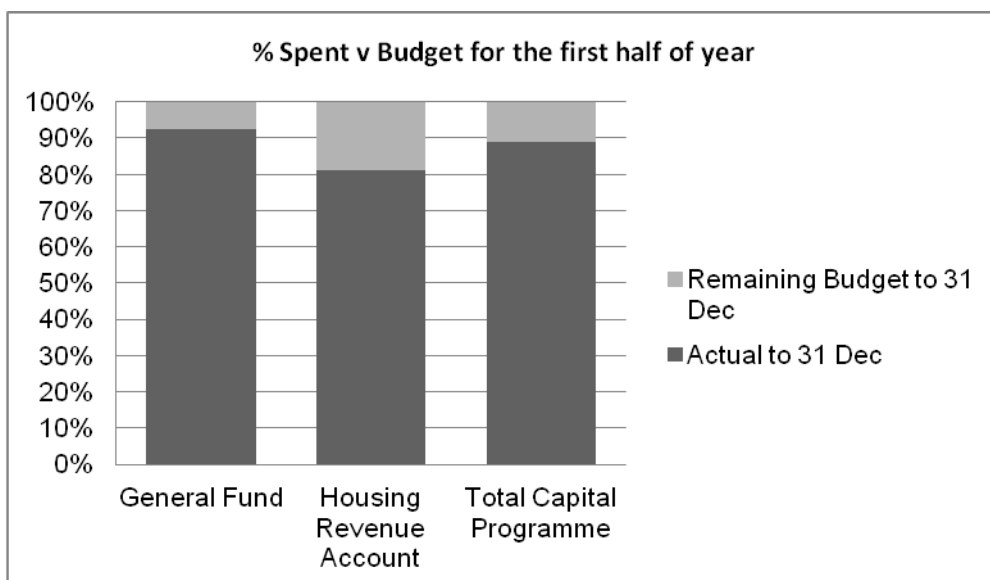
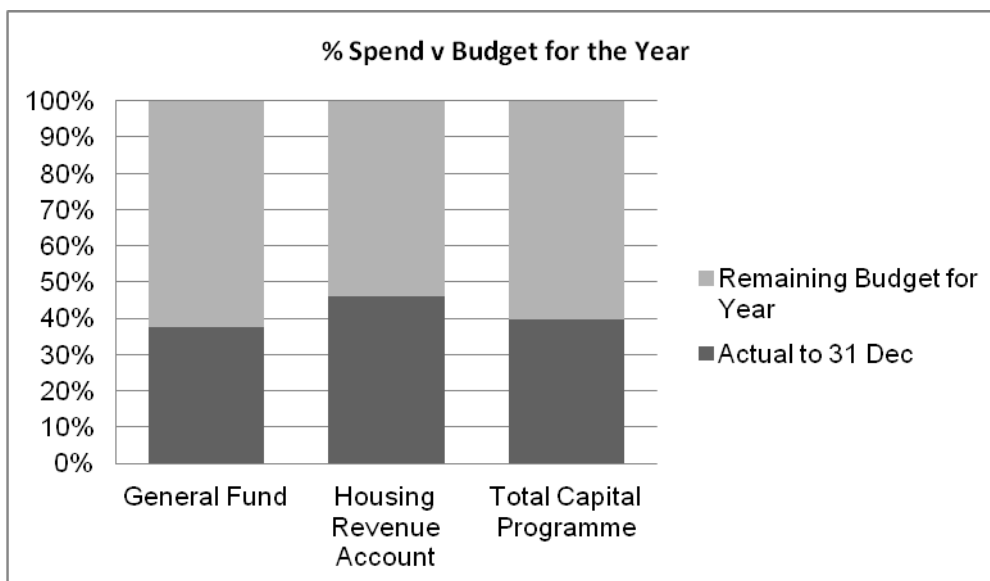
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Housing Revenue Account				
- Improvement Work	1,520,500	856,500	705,886	-150,614
- Energy Conservation	670,000	370,000	282,042	-87,958
- Environmental Work	72,000	9,500	15,325	5,825
- Capitalised Repairs/Renewals	178,900	69,800	76,477	6,677
- New Build	352,000	269,250	188,618	-80,632
- Other HRA Schemes	50,000	45,000	42,815	-2,185
Total Housing Revenue Account	2,843,400	1,620,050	1,311,163	-308,887
Total Capital Programme	11,736,800	5,231,000	4,647,147	-583,853

14. The graphs below show the actual expenditure to 31 December 2012 as a percentage of the programme for the equivalent period and for the whole year. 89% of the capital programme has been spent compared to the profiled budget for the third quarter of the year. 40% has been spent compared to the budget for the year.



RISK ASSESSMENT

15. Whilst it would be too early to draw very firm conclusions regarding the final revenue and capital budget position for 2012/13 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.
16. 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 year are unlikely to continue throughout the whole of the financial year.
17. 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.
18. 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. These were reflected in the Finance Strategy for 2013/14 that was presented to the Executive at its meeting in October and also in the Spending Plans report that went to the Executive in December.
19. There remains concerns with the general economic climate, which could continue to affect other Council services, particularly within the business sector where a large proportion of the Council's income is reliant on businesses continuing to rent property owned by the Council such as industrial estates or the trade waste service where businesses ceasing to trade can affect income to that service. There is also an 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.

CONCLUSION

20. 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.
21. No particular actions are considered necessary at the present time as variations have been reflected in the revised budget, which was considered in detail by the Executive in December 2012 and January 2013. 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) 6 February 2012 Executive Report - Finance Strategy, Capital Programme, Revenue Budget and Council Tax 2012/13.

- (b) 6 February 2012 Executive Report - HRA Spending Plans including the Capital Programme for 2012/13.
- (c) 16 July 2012 Executive Report - Actual Capital Expenditure and Financing 2011/12.