

# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 7 December 2015

<b>Portfolio:</b>	Policy and Resources
<b>Subject:</b>	Finance Monitoring Report 2015/16
<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 2015. 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 2015/16	Budget to 30 Sep 15	Actual to 30 Sep 15	Variation
	£000s	£000s	£000s	£000s
Service Budgets	11,773	13,446	13,154	-292
Non-Service Budgets	-2,598	-1,024	-1,030	-6
Net	9,175	12,422	12,124	-298

Capital Programme	Budget 2015/16	Budget to 30 Sep 15	Actual to 30 Sep 15	Variation
	£000s	£000s	£000s	£000s
General Fund	17,838	5,069	2,968	-2,101
HRA	12,140	2,766	2,743	-23
Total	29,978	7,835	5,711	-2,124

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 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 30 September 2015.

**Cost of proposals:**

Not applicable.

**Background papers:**

# FAREHAM

## BOROUGH COUNCIL

### Executive Briefing Paper

<b>Date:</b>	07 December 2015
<b>Subject:</b>	Finance Monitoring Report 2015/16
<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 2015 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 2015/16 financial year are shown in the following table:-















#### ACTUAL REVENUE EXPENDITURE TO 30 SEPTEMBER 2015

	<b>Budget 2015/16 £</b>	<b>Budget to 30 Sep 15 £</b>	<b>Actual to 30 Sep 15 £</b>	<b>Variation £</b>
Committees				
Planning	753,000	184,700	187,968	3,268
Licensing & Regulatory Affairs	490,200	4,400	-4,833	-9,233
Executive - Portfolio Budgets				
- Leisure & Community	2,112,600	504,300	498,706	-5,594
- Health & Housing	1,215,000	512,300	497,957	-14,343
- Planning & Development	-1,001,900	-562,700	-499,054	63,646
- Policy & Resources	1,463,400	11,123,700	10,897,770	-225,930
- Public Protection	2,293,800	881,100	812,058	-69,042
- Streetscene	4,447,000	798,400	764,040	-34,360
<b>SERVICE BUDGETS</b>	<b>11,773,100</b>	<b>13,446,200</b>	<b>13,154,612</b>	<b>-291,588</b>
<b>NON-SERVICE BUDGETS</b>	<b>-2,598,500</b>	<b>-1,024,000</b>	<b>-1,030,391</b>	<b>-6,391</b>
<b>NET BUDGET</b>	<b>9,174,600</b>	<b>12,422,200</b>	<b>12,124,221</b>	<b>-297,979</b>

3. The budget for Policy and Resources to September 2015 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 2015/16 £	Budget to 30 Sep 15 £	Actual to 30 Sep 15 £	Variation £	
Parking Services	-1,070,300	-556,800	-493,465	63,335	
Commercial Estates	-2,472,100	-791,700	-836,891	-45,191	
Local Tax Collection	892,100	348,100	381,506	33,406	
Community Parks & Open Spaces	1,096,700	62,000	40,602	-21,398	
Street Cleansing	953,000	345,000	364,326	19,326	
Processing Planning Applications	245,000	43,900	24,486	-19,414	
Homelessness	346,900	281,400	277,873	-3,527	
Land Charges	-170,400	-92,900	-106,527	-13,627	
Housing Benefits Payments	0	10,254,600	10,107,598	-147,002	
Waste Collection & Recycling Services	1,950,900	783,200	819,942	36,742	
Trade Waste	-72,600	-482,500	-502,824	-20,324	
Ferneham Hall	415,100	155,100	187,825	36,725	
Interest on Investments	-599,900	-200,000	-195,689	4,311	
Cost of Employment	15,607,000	7,836,823	8,056,225	219,402	






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


- (a) Parking Services is showing a variation of £63,000 above the budget, which is mainly as a result of reduced income from users of the Council's car parks.
- (b) Commercial estates are showing a variation of £45,000 less than the budget for the first 6 months of the year. There have been savings on premises expenditure which has been offset by increased spend on consultants. The rental income is currently in line with budget.

- (c) Housing benefits payments are currently £147,000 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.
- (d) 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 lower transport costs especially where fuel costs have stabilised.
- (e) Ferneham Hall is showing an overspend after 6 months mainly due to high levels of promoter expenditure where income sharing arrangements are in place as many shows are showing higher than anticipated ticket sales. There has also been lower than anticipated income from hiring of the hall.
- (f) Interest on investments is lower than budgeted for the year due to less cash being available for investment than anticipated. This however will continue throughout the financial year as some of the larger capital projects reduce this balance as they require funding later in the financial the year.
- (g) 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 that are likely to mean an over spend 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:-

<b>Service</b>	<b>Budget 2015/16 £</b>	<b>Budget to 30 Sep 15 £</b>	<b>Actual to 30 Sep 15 £</b>	<b>Variation £</b>	
Project Integra	25,000	20,500	20,461	-39	
Community Safety Partnership	297,200	100,700	96,759	-3,941	
Fareham & Gosport CCTV Partnership	151,000	58,200	52,466	-5,634	
Portchester Crematorium JC	-125,000	0	0	0	
Environmental Health Partnership	1,545,900	677,600	635,297	-42,303	

<b>Service</b>	<b>Budget 2015/16 £</b>	<b>Budget to 30 Sep 15 £</b>	<b>Actual to 30 Sep 15 £</b>	<b>Variation £</b>	
Building Control Partnership	221,200	100,400	60,496	-39,904	

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

## **CAPITAL PROGRAMME**

8. On 2 February 2015, the Executive approved the 2015/16 capital programme for General Fund services of £11.2m and Housing Revenue Account (HRA) of £11.2m giving a combined total of £22.4m.
9. Details of actual capital expenditure in 2014/15 were reported to the Executive on 13 July 2015 and it was noted that the slippage on the capital programme for 2014/15 of £3.5m for General Fund and HRA services, would now be included in the capital programme for 2015/16.
10. Since the capital programme was approved earlier in the year, a number of new schemes have been added to the 2015/16 programme giving a revised total of £30m:-
- Daedalus - £2.1m
  - Additional funding for Holly Hill Leisure Centre - £2m
  - Housing Enabling Purchases - £680,000
  - New sports pitches at Holly Hill Leisure Centre – revised down to £110,000
  - Whiteley Community Centre Refurbishment - £55,000
  - Play Area Upgrades - £50,000
11. The following table sets out the updated capital programme for 2015/16 and has been used as the basis for monitoring progress to 30 September 2015:-

	<b>Approved Programme £</b>	<b>2014/15 Slippage £</b>	<b>New Schemes £</b>	<b>Updated Programme £</b>
Public Protection	0	0	0	0
Streetscene	134,400	77,000	0	211,400
Leisure & Community	7,146,700	639,000	1,229,000	9,014,700
Health & Housing	560,000	77,500	680,000	1,317,500
Planning & Development	83,500	35,300	0	118,800
Policy & Resources	3,303,000	1,772,300	2,100,000	7,175,300
<b>Total General Fund</b>	<b>11,227,600</b>	<b>2,601,100</b>	<b>4,009,000</b>	<b>17,837,700</b>
Housing Revenue Account	11,232,000	908,200	0	12,140,200
<b>Updated Capital Programme</b>	<b>22,459,600</b>	<b>3,509,300</b>	<b>4,009,000</b>	<b>29,977,900</b>

## MAJOR CAPITAL SCHEMES

12. The Council has a number of major capital schemes where expenditure is in excess of £500,000. These schemes, with forecast budget to 30 September 2015, are detailed in the following table:-

Capital Scheme	Budget 2015/16 £	Budget to 30 Sep 15 £	Actual to 30 Sep 15 £	Variation £	
Holly Hill Leisure Centre	7,722,300	3,382,300	1,466,458	-1,915,842	☹
Sylvan Court Sheltered Housing	5,470,600	500,000	430,981	-69,019	☺
Daedalus	3,492,100	0	0	0	☺
HRA Capitalised Repairs/Renewals	2,150,000	1,254,000	973,768	-280,232	☹
Commercial Property Investment Acquisition	1,936,800	0	0	0	☺
Stevenson Court New Build	1,630,600	400,000	332,751	-67,249	☺
Housing Stock Repurchases	1,019,600	0	0	0	☺
Allotment Road Passivhaus	956,200	350,000	303,071	-46,929	☺
Civic Offices Improvement Programme	939,000	0	0	0	☺
Collingwood Court Sheltered Housing	781,500	500,000	474,142	-25,858	☺
Housing Enabling Purchases	680,000	680,000	676,270	-3,730	☺
Disabled Facilities Grant	500,000	247,100	209,212	-37,888	☺

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

- (a) Construction of the Holly Hill Leisure Centre has commenced and the steel frame is now complete. Practical Completion is on target for early July 2016 with the Leisure Centre opening to the public later that month. The project is currently forecast to complete within the approved budget.
- (b) 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 in October 2016. A £720,000 Homes and Communities Agency (HCA) grant has been approved for the scheme. 50% has been received to date and 50% will be claimed at completion.
- (c) Expenditure to date for HRA Capitalised Repairs/Renewals is lower than profiled but is anticipated to increase over the second half of the year. Future spend will be on a holistic basis focussing on improving individual estates rather than borough-wide improvements on individual elements such as windows, kitchens and bathrooms.

- (d) The scheme at Stevenson Court is for 16 x 1 bed flats for general needs (including 1 fully wheelchair accessible unit) in central Fareham. Work commenced in February 2015 with expected completion in May 2016. A £310,000 HCA grant has been approved for the scheme. 75% has been received to date and 25% will be claimed at completion.
- (e) The Allotment Road Passivhaus scheme is for 6 x 2 bed houses for general needs in the western wards. Work commenced in April 2015 with completion expected in February 2016. A £120,000 HCA grant has been approved for the scheme. 50% has been received to date and 50% will be claimed at completion.
- (f) The scheme at Collingwood Court is for 40 x 1 and 2 bed sheltered housing flats in north Fareham. This scheme is now complete and occupied. A £625,000 grant was received from the HCA and the formal opening event and dedication of the Ernest Crouch lounge was in September 2015.
- (g) Adjoining sites at 96 Highlands Road and 2 Fareham Park Road were purchased in Spring 2015 for Housing Enabling. An initial concept design by appointed architects suggests 20 x 1 and 2 bed flats for general needs (including 2 fully wheelchair accessible units) could be achieved. This scheme is now subject to planning and funding.
- (h) There have been 54 completed cases for Disabled Facilities Grants to date, with a further 15 approved and 30 pending. Government funding has increased this year from £250,000 to £330,000.

## CAPITAL MONITORING

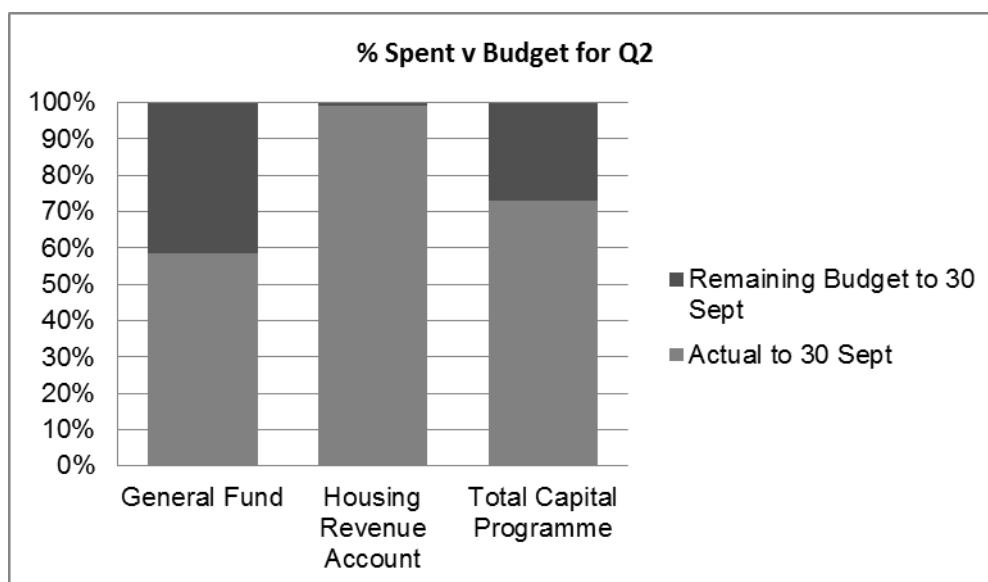
14. The following table provides summary information for the period to 30 September 2015, for the schemes within each portfolio.

	<b>Budget 2015/16 £</b>	<b>Budget to 30 Sep 15 £</b>	<b>Actual to 30 Sep 15 £</b>	<b>Variation £</b>
<b>Public Protection</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Streetscene</b>	<b>211,400</b>	<b>0</b>	<b>8,011</b>	<b>8,011</b>
<b>Leisure &amp; Community</b>	<b>9,014,700</b>	<b>3,931,600</b>	<b>1,919,551</b>	<b>-2,012,049</b>
- Buildings	8,108,500	3,502,400	1,487,733	-2,014,667
- Outdoor Recreation	504,000	310,833	235,917	-74,916
- Play and Parks	290,100	88,367	165,901	77,534
- Grants to Community Groups	60,000	30,000	30,000	0
- Other Community Schemes	52,100	0	0	0
<b>Health &amp; Housing</b>	<b>1,317,500</b>	<b>981,400</b>	<b>919,947</b>	<b>-61,453</b>
- Enabling	704,100	701,400	682,702	-18,698
- Home Improvement Schemes	613,400	280,000	237,245	-42,755
<b>Planning &amp; Development</b>	<b>118,800</b>	<b>0</b>	<b>0</b>	<b>0</b>
- Car Parks	118,800	0	0	0
<b>Policy &amp; Resources</b>	<b>7,175,300</b>	<b>156,000</b>	<b>120,876</b>	<b>-35,124</b>

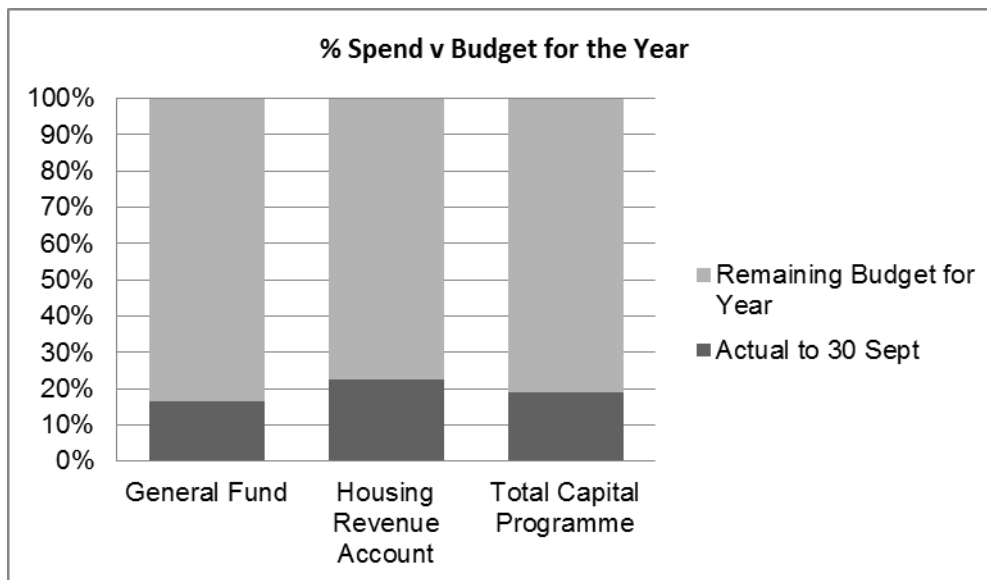


	<b>Budget 2015/16 £</b>	<b>Budget to 30 Sep 15 £</b>	<b>Actual to 30 Sep 15 £</b>	<b>Variation £</b>
- Daedalus	3,492,100	0	0	0
- Commercial Property Acquisition	1,936,800	0	0	0
- Civic Offices	939,000	0	0	0
- Vehicles and Plant	428,600	0	16,950	16,950
- ICT	321,000	156,000	103,926	-52,074
- Depot	57,800	0	0	0
<b>Total General Fund</b>	<b>17,837,700</b>	<b>5,069,000</b>	<b>2,968,385</b>	<b>-2,100,615</b>
<b>Housing Revenue Account</b>				
- New Build	8,838,900	1,600,000	1,540,945	-59,055
- Capitalised Repairs/Renewals	2,150,000	1,100,000	1,122,653	22,653
- Stock Repurchases	1,019,600	0	0	0
- Other HRA Schemes	131,700	66,000	79,650	13,650
<b>Total Housing Revenue Account</b>	<b>12,140,200</b>	<b>2,766,000</b>	<b>2,743,248</b>	<b>-22,752</b>
<b>Total Capital Programme</b>	<b>29,977,900</b>	<b>7,835,000</b>	<b>5,711,633</b>	<b>-2,123,367</b>

15. The graphs below show the actual expenditure to 30 September 2015 as a percentage of the programme for the equivalent period and for the whole year.
16. 73% 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 2015/16 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 2015/16 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 2016.

## 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) 2 February 2015 Executive Report - Finance Strategy, Capital Programme, Revenue Budget and Council Tax 2015/16.
- (b) 2 February 2015 Executive Report - HRA Spending Plans including the Capital Programme for 2015/16.
- (c) 13 July 2015 Executive Report - Actual Capital Expenditure and Financing 2014/15.