

# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 05 November 2018

<b>Portfolio:</b>	Policy and Resources
<b>Subject:</b>	<b>Finance Monitoring Report 2018-19</b>
<b>Report of:</b>	Director of Finance and Resources
<b>Corporate Priorities:</b>	A dynamic, prudent and progressive Council

**Purpose:**

This report provides comparative information on the Council's revenue expenditure for the period ended 30 September 2018. 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: -

<b>General Fund</b>	<b>Budget 2018/19</b>	<b>Budget to 30 Sep 18</b>	<b>Actual to 30 Sep 18</b>	<b>Variation</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Service Budgets	10,769	1,957	1,833	-124
Non-Service Budgets	-2,329	-536	-534	2
<b>Net Budgets</b>	<b>8,440</b>	<b>1,421</b>	<b>1,299</b>	<b>-122</b>

<b>Housing Revenue Account</b>	<b>Budget 2018/19</b>	<b>Budget to 30 Sep 18</b>	<b>Actual to 30 Sep 18</b>	<b>Variation</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Income Budgets	-12,497	-6,265	-6,297	-32
Expenditure Budgets	11,222	3,627	3,238	-389
Other Budgets	1,140	0	0	0
<b>Net Budgets</b>	<b>-135</b>	<b>-2,638</b>	<b>-3,059</b>	<b>-421</b>

Revenue spending plans are showing an under spend for the period up to 30 September 2018.

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/Recommended Option:**

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

**Reason:**

To provide members of the Executive with a summary of the Council's budgetary performance to 30 September 2018.

**Cost of proposals:**

Not applicable.

**Appendices:               None**

**Background papers:   None**

**Reference papers:**

- (a) 5 February 2018 Executive Report - Finance Strategy, Capital Programme, Revenue Budget and Council Tax 2018/19.
- (b) 9 July 2018 Executive Report – General Fund and Housing Revenue Account Outturn 2017/18 and Capital and Treasury Management Outturn 2017/18.

# FAREHAM

## BOROUGH COUNCIL

### Executive Briefing Paper

<b>Date:</b>	05 November 2018
<b>Subject:</b>	Finance Monitoring Report 2018-19
<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 2018 for the revenue budgets.
2. To follow in line with the outturn reports that are reported to the Executive in July each year, this report now contains an updated position for the Housing Revenue Account as well as the General Fund.
3. This report had previously shown the up to date capital position for the General Fund along with the Housing Revenue Account and this information is now shown as part of the Treasury Management Monitoring Report which appears later as part of this agenda.

#### REVENUE EXPENDITURE SUMMARY

4. The details of the budget and spend for each of the Council's committees and portfolios for the first six months of the 2018/19 financial year are shown in the following table:-

## ACTUAL REVENUE EXPENDITURE TO 30 SEPTEMBER 2018

	Budget 2018/19 £	Budget to 30 Sep 18 £	Actual to 30 Sep 18 £	Variation £
Committees				
Planning	565,100	166,000	229,350	63,350
Licensing & Regulatory Affairs	501,500	197,400	221,063	23,663
Executive - Portfolio Budgets				
- Leisure & Community	2,222,700	419,000	369,614	-49,386
- Housing	1,082,500	405,900	309,769	-96,131
- Planning & Development	170,200	-320,000	-316,789	3,211
- Policy & Resources	-989,100	-1,007,900	-1,107,047	-99,147
- Health & Public Protection	2,182,300	805,000	743,964	-61,036
- Streetscene	5,034,200	1,291,100	1,382,768	91,668
<b>TOTAL SERVICE BUDGETS</b>	<b>10,769,400</b>	<b>1,956,500</b>	<b>1,832,692</b>	<b>-123,808</b>
<b>NON-SERVICE BUDGETS</b>	<b>-2,328,900</b>	<b>-536,000</b>	<b>-534,208</b>	1,792
<b>NET BUDGET</b>	<b>8,440,500</b>	<b>1,420,500</b>	<b>1,298,484</b>	<b>-122,016</b>

### THE KEY COUNCIL SERVICES

5. 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 2018/19 £	Budget to 30 Sep 18 £	Actual to 30 Sep 18 £	Variation £	
<b>Income Budgets</b>					
Housing Benefit Payments	-77,600	703,500	664,175	-39,325	☺
Industrial and Commercial Estates	-593,100	-583,300	-618,645	-35,345	☺
Investment Properties	-3,290,100	-1,362,900	-1,371,848	-8,948	☺
Trade Waste	-78,800	-593,900	-582,973	10,927	☹
Local Land Charges	-133,900	-78,800	-56,492	22,308	☹
Parking Services	-783,000	-415,200	-294,794	120,406	☹
Solent Airport at Daedalus	-675,100	-1,131,400	-908,360	223,040	☹
<b>Service</b>	<b>Budget 2018/19</b>	<b>Budget to 30 Sep 18</b>	<b>Actual to 30 Sep 18</b>	<b>Variation</b>	

	£	£	£	£	
<b>Expenditure Budgets</b>					
Local Tax Collection	829,500	392,500	298,369	-94,131	☺
Local Plan	1,638,500	496,200	423,506	-72,694	☺
Homelessness	385,000	147,700	110,947	-36,753	☺
Street Cleansing	964,500	384,700	352,925	-31,775	☺
Ferneham Hall	508,000	113,000	120,805	7,805	☹
Community Parks and Open Spaces	534,300	131,300	143,186	11,886	☹
Planning Applications	135,700	-3,800	14,890	18,690	☹
Waste & Recycling Total	2,056,600	774,800	848,041	73,241	☹
Cost of Employment	16,591,000	7,720,928	7,906,214	185,286	☹

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

- (a) **Housing benefits** payments are currently £39,000 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. The benefits paid out during the year are supported by grant payments.
- (b) **Industrial and Commercial estates** are showing a variation of almost £35,000 above the budget for the first 6 months of the year. This is because rental income is slightly above budget and there has been less spend on maintenance during the year.
- (c) **Investment properties** are showing as slightly above budget which is mainly due to reduced spend on maintenance costs while the rental income is also slightly above budget.
- (d) **Trade Waste** is currently showing an overall reduction in income. The service is showing an increase in income due to an increase in the number of customers using the service. This increase in income has been offset by increased spend on employee's costs along with additional vehicle costs.
- (e) **Local Land charges** is showing a variation of £22,000 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.
- (f) **Parking Services** is showing a variation of £83,000 reduced income compared to the budget. Income from users of the Council's car parks is £86,000 less than budgeted for and is almost £78,000 lower than the figure of a year ago. There has also been less spend on employees, equipment purchase and maintenance during the year.

- (g) **Solent Airport at Daedalus** is showing as over the budget mainly as a result of higher costs to the buildings including maintenance, electricity and rates. The income from licence fees is also below budget although these budgets will be reviewed as the site expands operations. It is anticipated that the budget position will move to break even by the end of the financial year.
- (h) **Local Tax Collection** is showing an underspend as a result of vacancies savings and some additional grant that has been received during the year.
- (i) The **Local Plan** is showing spend of less than the budget for the first six months. This is mainly due to implications of changes to national planning policy, which meant further work to inform the next stage of the plan was halted. It is anticipated that spend will match budget during the latter part of the year as the plan progresses through to its next stage.
- (j) The **Homelessness** budget is showing a reduction in spend against budget for the year of almost £37,000. There has been additional rental costs but these have been more than offset by more income from properties and additional grant for the service.
- (k) **Street Cleansing** is showing spend being under the budget in the early part of the year mainly as a result of reduced employee's costs and additional income from vehicle sales.
- (l) **Ferneham Hall** is showing an over spend after 6 months mainly due to higher levels of spend on employees, repairs to the building and spend on purchases of equipment. There has also been lower than anticipated income from sales and hirings.
- (m) **Community Park and Open Spaces** is showing an overspend for the first six months of the year mainly due to increased spend on tree maintenance and reduced income from sales and grants.
- (n) **Processing Applications** is showing as being over budget by almost £19,000. The income for the year is currently higher than the budget for the year by over £51,000. This has been offset by an increase in the use of consultants and legal costs for more complex planning applications.
- (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 additional income.
- (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

7. 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 2018/19 £</b>	<b>Budget to 30 Sep 18 £</b>	<b>Actual to 30 Sep 18 £</b>	<b>Variation £</b>	
Project Integra	25,000	0	0	0	😊
Community Safety Partnership	183,900	71,400	62,031	-9,369	😊
Fareham & Gosport CCTV Partnership	151,600	62,600	53,589	-9,011	😊
Portchester Crematorium JC	-150,000	0	0	0	😊
Environmental Health Partnership	1,519,900	622,800	568,691	-54,109	😊
Building Control Partnership	216,500	94,600	53,709	-40,891	😊

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

## HOUSING REVENUE ACCOUNT

9. The Housing Revenue Account shows an underspend to Period 6 2018/19, 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 adjustments between the revenue account and earmarked reserves. An explanation of the variances is given below.

	<b>Budget 2018/19 £</b>	<b>Budget to 30 Sep 18 £</b>	<b>Actual to 30 Sep 18 £</b>	<b>Variation £</b>
Income	-12,497	-6,265	-6,297	-32
Management and Finance	4,489	1,702	1,726	24
Revenue Repairs	3,709	1,925	1,512	-413
Revenue Capital Contributions	3,024	0	0	0
<b>Surplus(-)/Deficit</b>	<b>-1,275</b>	<b>-2,638</b>	<b>-3,059</b>	<b>-421</b>
Transfer to Debt Repayment Fund	1,140	0	0	0
<b>Transfer of Balance to(-)/from Revenue Reserve</b>	<b>-135</b>	<b>-2,638</b>	<b>-3,059</b>	<b>-421</b>

10. There has been additional income received for the extension of leases on leasehold properties. The grounds maintenance and leaseholder service charge

income are slightly ahead of budget to date and will be reviewed. Management and finance costs are slightly overspent against the budget to date.

11. The main area of underspend is in the revenue responsive and void maintenance area, as new working and management arrangements are settling into place. Vacancies remain in the building services employee establishment, and a tender process is currently underway seeking a single suitable contractor to carry out refurbishment of Fareham Borough Council's Housing stock in four categories of work. These are voids, reactive replacement kitchens and bathrooms, disabled adaptations and other occasional reactive works.

## **RISK ASSESSMENT**

12. Whilst it would be too early to draw very firm conclusions regarding the final revenue budget position for 2018/19 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.
13. 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.
14. The Council's expenditure and income are monitored by officers throughout the year. Known spending pressures will be reflected in the Finance Strategy for 2019/20. The budget that will reflect the revised position will be reported to the Executive in January 2019.

## **CONCLUSION**

15. 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.
16. No particular actions are considered necessary at the present time. Officers will, however, continue to monitor the actual revenue 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)