

# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 04 November 2019

<b>Portfolio:</b>	Policy and Resources
<b>Subject:</b>	<b>Finance Monitoring Report 2019-20</b>
<b>Report of:</b>	Deputy Chief Executive Officer
<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 2019. 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 2019/20</b>	<b>Budget to 30 Sep 19</b>	<b>Actual to 30 Sep 19</b>	<b>Variation</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Service Budgets	11,302	3,108	3,049	-59
Non-Service Budgets	-2,636	-460	-489	-29
<b>Net Budgets</b>	<b>8,666</b>	<b>2,648</b>	<b>2,560</b>	<b>-88</b>

<b>Housing Revenue Account</b>	<b>Budget 2019/20</b>	<b>Budget to 30 Sep 19</b>	<b>Actual to 30 Sep 19</b>	<b>Variation</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Income Budgets	-12,321	-6,363	-6,353	10
Expenditure Budgets	8,406	3,071	2,726	-345
Other Budgets	3,915	0	0	0
<b>Net Budgets</b>	<b>0</b>	<b>-3,292</b>	<b>-3,627</b>	<b>-335</b>

Revenue spending plans are showing an under spend for the period up to 30 September 2019.

However, there are a number of areas where spend is in excess of the budget so it remains appropriate to continue to monitor financial performance closely 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 Finance Monitoring Report 2019-20.

**Reason:**

To provide members of the Executive with a summary of the Council's budgetary performance to 30 September 2019.

**Cost of proposals:**

Not applicable.

**Appendices:                None**

**Background papers:    None**

**Reference papers:**

- (a) 4 February 2019 Executive Report - Finance Strategy, Capital Programme, Revenue Budget and Council Tax 2019/20.
- (b) 1 July 2019 Executive Report – General Fund and Housing Revenue Account Outturn 2018/19 and Capital and Treasury Management Outturn 2018/19.

# FAREHAM

## BOROUGH COUNCIL

### Executive Briefing Paper

<b>Date:</b>	04 November 2019
<b>Subject:</b>	Finance Monitoring Report 2019-20
<b>Briefing by:</b>	Deputy Chief Executive Officer
<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 2019 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.

#### REVENUE EXPENDITURE SUMMARY

3. The details of the budget and spend for each of the Council's committees and portfolios for the first six months of the 2019/20 financial year are shown below:-

#### ACTUAL REVENUE EXPENDITURE TO 30 SEPTEMBER 2019

	<b>Budget 2019/20 £</b>	<b>Budget to 30 Sep 19 £</b>	<b>Actual to 30 Sep 19 £</b>	<b>Variation £</b>
Committees				
Planning	485,700	130,700	209,762	79,062
Licensing & Regulatory Affairs	516,800	237,700	146,998	-90,702
Executive - Portfolio Budgets				
- Leisure & Community	1,668,800	353,900	413,965	60,065
- Housing	1,381,300	862,500	748,827	-113,673
- Planning & Development	-307,300	747,000	579,799	-167,201
- Policy & Resources	-589,300	-715,600	-742,562	-26,962
- Health & Public Protection	2,332,200	-24,400	-52,167	-27,767
- Streetscene	5,814,000	1,516,500	1,743,929	227,429
<b>TOTAL SERVICE BUDGETS</b>	<b>11,302,200</b>	<b>3,108,300</b>	<b>3,048,551</b>	<b>-59,749</b>
<b>NON-SERVICE BUDGETS</b>	<b>-2,635,800</b>	<b>-460,000</b>	<b>-488,519</b>	<b>-28,519</b>
<b>NET BUDGET</b>	<b>8,666,400</b>	<b>2,648,300</b>	<b>2,560,032</b>	<b>-88,268</b>

## 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 2019/20 £	Budget to 30 Sep 19 £	Actual to 30 Sep 19 £	Variation £	
<b>Income Budgets</b>					
Trade Waste	-103,100	-614,700	-702,712	-88,012	😊
Industrial and Commercial Estates	-371,500	-310,100	-378,700	-68,600	😊
Housing Benefit Payments	-114,100	441,100	403,665	-37,435	😊
Investment Properties	-3,339,600	-1,667,800	-1,686,476	-18,676	😊
Local Land Charges	-122,600	-75,200	-36,862	38,338	😞
Parking Services	-698,400	-322,700	-246,637	76,063	😞
Solent Airport at Daedalus	-634,200	-104,800	20,874	125,674	😞
<b>Expenditure Budgets</b>					
Local Plan	1,321,400	565,200	393,220	-171,980	😊
Homelessness	420,700	182,000	147,529	-34,471	😊
Local Tax Collection	881,900	359,500	340,840	-18,660	😊
Street Cleansing	993,300	397,400	396,168	-1,232	😊
Planning Appeals	56,400	24,800	55,866	31,066	😞
Ferneham Hall	444,400	102,400	154,232	51,832	😞
Planning Applications	60,000	-36,300	44,465	80,765	😞
Tree Maintenance	120,600	45,300	140,292	94,992	😞
Waste & Recycling Total	2,027,100	810,800	951,597	140,797	😞
Community Parks and Open Spaces	1,787,900	700,300	851,844	151,544	😞
Cost of Employment	17,919,100	8,313,156	8,450,853	137,697	😞

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

- (a) **Trade Waste** is currently showing an overall increase in income. The service is showing an increase in income due to growth 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.
- (b) **Industrial and Commercial estates** are showing a variation of almost £69,000 above the budget for the first 6 months of the year. This is because rental income is slightly above budget. There has been increased spend on employees and business rates but these has been offset by reduced spend on consultants.
- (c) **Housing benefits** payments are currently £37,000 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. The full year position shows a different position due to year-end transactions that will go through including bad debts, write offs and debtors raised for overpayments.
- (d) **Investment properties** are showing as slightly above budget which is mainly due to the rental income being slightly above budget.
- (e) **Local Land charges** is showing a variation of £38,000 income underachieved compared to the budget which is due to a reduction in the type of applications that are being received. More customers who previously used the chargeable service now go through personal search companies for which there is no charge.
- (f) **Parking Services** is showing a variation of £126,000 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 £22,000 lower than the figure of a year ago. There has also been an increase spend on maintenance of the multi-storey car parks during the year along with increased business rates spend.
- (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 service charges 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) The **Local Plan** is showing spend of less than the budget for the first six months. This is mainly due to vacancy savings in employee costs along with lower than anticipated spend on consultants. It is anticipated that spend will increase during the latter part of the year as the plan progresses through to its next stage.
- (i) The **Homelessness** budget is showing a reduction in spend against budget for the year of almost £35,000. There have been additional employee costs which have been offset by grant payments along with additional rental costs but these have been more than offset by more income from properties.

- (j) **Local Tax Collection** is showing an underspend as a result of small vacancies savings and reduced spend on summons costs during the year.
- (k) **Street Cleansing** is showing spend being slightly under the budget in the early part of the year mainly as a result of reduced employee's costs, additional income from sales, all of which have been offset by increased vehicle costs including higher repairs and fuel expenses.
- (l) **Planning Appeals** is showing an over spend after 6 months of over £31,000 which is due to an increase in the use of consultants, for example, in relation to the Land East of Down End Road inquiry.
- (m) **Ferneham Hall** is showing an over spend after 6 months mainly due to higher levels of spend on repairs to the building. There has also been lower than anticipated income from sales and hirings.
- (n) **Planning Applications** is showing as being over budget by almost £81,000. The income for the year is currently lower than the budget by over £58,000. This has been added to by an increase in the use of consultants and legal costs for more complex planning applications including the Welborne application.
- (o) **Tree Maintenance** is showing as being over budget by almost £95,000. The main cost is as a result of planned work which takes up almost 70% of the spend while good neighbour work takes up a further 16% of the work with inspections and urgent work accounting for the remaining 15% of spend.
- (p) **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. There has also been higher than anticipated spend on vehicles due to higher fuel costs and increased repairs to vehicles.
- (q) **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, additional vehicle costs due to repairs and fuel costs. There have also been additional costs for employees as a result of termination payments due to a restructure.
- (r) 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 and also to cover sickness. 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

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 2019/20 £	Budget to 30 Sep 19 £	Actual to 30 Sep 19 £	Variation £	
Project Integra	15,000	0	0	0	😊
Community Safety Partnership	204,500	81,900	72,541	-9,359	😊
Fareham & Gosport CCTV Partnership	188,200	94,700	68,233	-26,467	😊
Portchester Crematorium JC	-150,000	0	0	0	😊
Environmental Health Partnership	1,558,200	639,200	605,367	-33,833	😊
Building Control Partnership	198,800	88,800	84,360	-4,440	😊

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

### HOUSING REVENUE ACCOUNT

8. The Housing Revenue Account shows an underspend to Period 6 2019/20, 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 2019/20 £'000	Budget to 30 Sep 2019 £'000	Actual to 30 Sep 2019 £'000	Variation £'000
<b>HOUSING REVENUE ACCOUNT</b>				
Income	-12,321	-6,363	-6,353	10
Tenancy Management & Running Costs	2,892	946	921	-25
Net Interest	1,669	700	700	0
Transfer to Debt Repayment Fund	1,140	0	0	
	-6,620			
Revenue Repairs Expenditure	2,705	1,425	1,105	-320
Depreciation set aside into the Major Repairs Reserve	2,538	0	0	0
Revenue Contribution to Capital Programme	1,377	0	0	0
<b>Transfer to(-)/from HRA Reserve</b>	<b>0</b>	<b>-3,292</b>	<b>-3,627</b>	<b>-335</b>

9. Income is largely in line with the budget for the year to date. The leaseholder repairs budget figure will be revised once actual billing for the year 2018/19 has been finalised.

10. The main area of underspend is in the revenue responsive and void maintenance area. New working and management arrangements are now well established and are meeting the customer led demand. Vacancies remain in the building services employee establishment as consideration is given to using this resource to enable delivering the planned programme that will include compliance-related work (such as fire safety and other health and safety works).

## **RISK ASSESSMENT**

11. Whilst it would be too early to draw very firm conclusions regarding the final revenue budget position for 2019/20 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.
12. 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.
13. The Council's expenditure and income are monitored by officers throughout the year. Known spending pressures will be reflected in the Finance Strategy for 2020/21. The budget that will reflect the revised position will be reported to the Executive in January 2020.

## **CONCLUSION**

14. 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.
15. 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 2020.

### **Enquiries:**

For further information on this report please contact Neil Wood (Ext 4506)