

# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 07 December 2020

<b>Portfolio:</b>	Policy and Resources
<b>Subject:</b>	<b>Finance Monitoring Report 2020/21</b>
<b>Report of:</b>	Deputy Chief Executive Officer
<b>Corporate Priorities:</b>	Dynamic, prudent and progressive Council

**Purpose:**

This report provides comparative information on the Council's revenue expenditure for the period for the first half of the financial year. 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 emergency revenue budgets in the current year, as set out in the following tables: -

General Fund	Emergency Budget 2020/21	Budget to 31 Oct 20	Actual to 31 Oct 20	Variation
	£000s	£000s	£000s	£000s
Service Budgets	15,908	3,345	3,171	-174
Non-Service Budgets	-2,602	-727	-737	-10
<b>Net Budgets</b>	<b>13,306</b>	<b>2,618</b>	<b>2,434</b>	<b>-184</b>

Housing Revenue Account	Emergency Budget 2020/21	Budget to 30 Sep 20	Actual to 30 Sep 20	Variation
	£000s	£000s	£000s	£000s
Income Budgets	-12,142	-6,177	-6,224	-47
Management Costs	3,517	1,173	1,046	-127
Finance Costs	2,837	700	700	0
Property Costs	5,788	1,132	938	-194
<b>Net Budgets</b>	<b>0</b>	<b>-3,172</b>	<b>-3,540</b>	<b>-368</b>

Revenue spending plans are currently showing a net underspend for the first half of the financial year.

However, there are a number of areas where spend is in excess of the budget; and a similar half yearly position was reported last year but the outturn position on the General Fund was a small overspend. It therefore remains appropriate to continue to monitor financial performance closely over the remainder 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.

**Reason:**

To provide members of the Executive with a summary of the Council's budgetary performance. for the first half of the financial year

**Cost of proposals:**

Not applicable.

**Background papers:** None

**Reference papers:** 7 September 2020 Executive Report - COVID-19 Emergency  
Revised 2020-21 Budget

# FAREHAM

## BOROUGH COUNCIL

### Executive Briefing Paper

<b>Date:</b>	07 December 2020
<b>Subject:</b>	Finance Monitoring Report 2020/21
<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 for the first half of the financial year 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 contains an updated position for the Housing Revenue Account as well as the General Fund.

#### REVENUE EXPENDITURE SUMMARY

3. The details of the emergency budget and spend for each of the Council's committees and portfolios for the first seven months of the 2020/21 financial year are shown below:-

#### ACTUAL REVENUE EXPENDITURE TO 31 OCTOBER 2020

	<b>Budget 2020/21 £</b>	<b>Budget to 31 Oct 20 £</b>	<b>Actual to 31 Oct 20 £</b>	<b>Variation £</b>
Committees				
Planning	431,000	235,500	185,961	-49,539
Licensing & Regulatory Affairs	615,700	167,700	157,818	-9,882
Executive - Portfolio Budgets				
- Leisure & Community	3,091,000	426,500	373,275	-53,225
- Housing	1,777,200	656,100	656,828	728
- Planning & Development	1,734,500	590,200	570,888	-19,312
- Policy & Resources	534,600	-1,748,700	-1,756,093	-7,393
- Health & Public Protection	1,257,600	754,300	762,212	7,912
- Streetscene	6,465,100	2,263,200	2,220,355	-42,845
<b>TOTAL SERVICE BUDGETS</b>	<b>15,906,700</b>	<b>3,344,800</b>	<b>3,171,244</b>	<b>-173,556</b>
<b>NON-SERVICE BUDGETS</b>	<b>-2,602,300</b>	<b>-727,400</b>	<b>-737,293</b>	<b>-9,893</b>
<b>NET BUDGET</b>	<b>13,304,400</b>	<b>2,617,400</b>	<b>2,433,951</b>	<b>-183,449</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 2020/21 £	Budget to 31 Oct 20 £	Actual to 31 Oct 20 £	Variation £	Forecast
<b>Income Budgets</b>					
Industrial and Commercial Estates	-298,900	-629,200	-668,474	-39,274	☹️
Trade Waste	-3,600	-608,900	-615,879	-6,979	😊
Investment Properties	-3,318,600	-2,592,200	-2,596,618	-4,418	☹️
<b>Expenditure Budgets</b>					
Solent Airport at Daedalus	323,700	-308,600	-120,804	187,796	☹️
Parking Services	151,700	270,500	329,720	59,220	☹️
Community Parks and Open Spaces	2,037,400	1,011,900	1,054,483	42,583	☹️
Homelessness	549,500	347,000	372,568	25,568	😊
Waste & Recycling Total	2,431,500	1,182,000	1,201,290	19,290	☹️
Housing Benefit Payments	424,700	104,100	122,197	18,097	😊
Planning Applications	104,000	-26,500	-10,075	16,425	☹️
Tree Management	345,100	197,500	211,711	14,211	😊
Local Land Charges	29,400	-23,100	-30,135	-7,035	😊
Planning Appeals	179,100	46,500	29,365	-17,135	😊
Street Cleansing	1,021,800	492,600	460,429	-32,171	😊
Local Plan	1,150,100	495,500	460,998	-34,502	😊
Local Tax Collection	914,100	441,500	387,560	-53,940	😊
Cost of Employment	17,796,900	10,374,288	9,973,971	-400,317	😊
<b>Overall Service budget Position</b>	<b>15,906,700</b>	<b>3,344,800</b>	<b>3,171,244</b>	<b>-173,556</b>	😊

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

- (a) **Industrial and Commercial estates** – the current position shows that the income for this service is in line with the revised budget. However, the situation is being closely monitored as many businesses may have been forced to close for a second time and it is likely that some of these debts raised will not be paid by the year end.
- (b) **Trade Waste** is currently showing an overall increase in income. The service has seen changes over the pandemic with many customers cancelling or delaying their collections, but the current level of income is likely to end the year within the revised budget.
- (c) **Investment properties** are showing as slightly above the net income budget and is likely to stay on track through to the end of the year. However, the situation is being closely monitored as many businesses may have been forced to close for a second time and it is likely that some of these debts will not be paid by the year end.
- (d) **Solent Airport at Daedalus** is currently showing as below budget although the service is forecast to come in on budget although as with the rest of the property budgets there will be a need to continue to monitor the debts for the remainder of the year and there is a likelihood that there will be a need to call on the additional bad debt provision for some tenants.
- (e) **Parking Services** is showing a variation of £59,000 reduced income compared to the emergency budget. Income from users of the Council's car parks is £77,000 less than the emergency budget due to parking levels not picking up as much as was anticipated and income will further reduce in November with less use of the car parks during the second national lockdown. There have been some savings on expenditure which has reduced the loss of income.
- (f) **Community Park and Open Spaces** is showing an overspend for the first seven months of the year mainly due to additional vehicle costs for repairs. Other areas of underspend and overspends are offsetting each other.
- (g) The **Homelessness** budget is showing an increase in spend against budget for the year of almost £26,000. The main reason is due to additional costs for bed and breakfast and other homelessness costs as a result of the pandemic. These additional costs will be offset by grant or use of the homeless reserve at year end.
- (h) **Waste Collection and Recycling** services are showing an overspend of just over £19,000 after 7 months of the year mainly as a result of higher spend on vehicles due to increased repairs to vehicles and also additional agency spend to cover vacancies and sickness. These areas of spend have been offset by reduced fuel spend as fuel prices have reduced during the pandemic.
- (i) **Housing benefits** service overall is currently showing £18,000 over budget. Payments are currently £249,000 under the budget for the year and the

benefits that are paid out during the year are supported by grant incomes. 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.

- (j) **Planning Applications** is showing as being over budget by almost £16,000. The income for the year is currently lower than the budget by £30,000 as application numbers have reduced. 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.
- (k) **Tree Management** is showing as being over budget by almost £14,000. This is an improved position on last financial year and has been achieved by reducing reactive works for good neighbour costs to only those needed on an emergency basis; and also there has been limited new tree planting this year. There is likely to be an overspend by the year end due to extraordinary spend of around £50,000 to come during the rest of the financial year needed for ash die back work which needs to be done to prevent more serious issues with the trees. Other work is expected to be within budget.
- (l) **Local Land charges** is showing as more income than budget by £7,000. The income budget for this area has been reviewed and reduced, recognising the reduction in the type of applications that are being received and that more customers who previously used the chargeable service now go through personal search companies for which there is no charge.
- (m) **Planning Appeals** is showing an underspend after 7 months of over £17,000. The budget was increased to reflect appeals that were due to be heard in this financial year but it is more likely that due to the pandemic issues these appeals will be heard in 2021/22.
- (n) **Street Cleansing** is showing spend slightly under the budget mainly as a result of reduced employee costs, due to vacancies. This has been slightly offset by increased vehicle costs including higher repairs.
- (o) The **Local Plan** is showing spend of less than the budget for the first seven months due to a slippage in the plan resulting in less spend on legal and inspector fees which will be incurred in the 2021/22 financial year.
- (p) **Local Tax Collection** is showing an underspend as a result of small vacancies savings and reduced spend on summons costs during the year. There will be, however, reduced income from summons during the year.
- (q) 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 7 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 2020/21 £	Budget to 31 Oct 20 £	Actual to 31 Oct 20 £	Variation £	
Project Integra	5,000	0	0	0	😊
Community Safety Partnership	186,500	101,100	89,559	-11,541	😊
Fareham & Gosport CCTV Partnership	159,900	101,400	106,378	4,978	😐
Portchester Crematorium JC	-165,000	0	0	0	😊
Environmental Health Partnership	1,482,800	748,500	697,546	-50,954	😊
Building Control Partnership	216,400	5,800	2,430	-3,370	😊

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 after the first 6 months of 2020/21, 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.

	Emergency Budget 2020/21 £'000	Budget to 30 Sep 2020 £'000	Actual to 30 Sep 2020 £'000	Variation £'000
<b>HOUSING REVENUE ACCOUNT</b>				
Income	-12,142	-6,177	-6,224	-47
Tenancy Management & Running Costs	3,517	1,173	1,046	-127
Net Interest	1,697	700	700	0
Transfer to Debt Repayment Fund	1,140	0	0	0
	-5,788	-4,304	-4,478	-174
Revenue Repairs Expenditure	2,264	1,132	938	-194
Depreciation set aside into the Major Repairs Reserve	2,685	0	0	0
Revenue Contribution to Capital Programme	839	0	0	0
<b>Transfer to(-)/from HRA Reserve</b>	<b>0</b>	<b>-3,172</b>	<b>-3,540</b>	<b>-368</b>

9. Income is largely in line with the budget for the year to date which was reduced to reflect a continuing trend in rising tenant rent arrears. A further impact is being experienced as a result of changes in circumstances and financial stability for some of our tenants, along with lost rent income for void properties being experienced for longer periods than we would usually have expected. Service Charge actuals have been completed for 2019/20 and were slightly higher than budgeted, this additional income will be part of the further revised HRA revenue budget to be reported to the Executive.
10. The property repairs and maintenance area has seen a significant drop in expenditure incurred with external contractors in the early part of the year and a fall in demand for responsive repairs when only emergency works were being completed as a result of lockdown restrictions and working arrangements. As services returned to a higher volume of call outs and contractor engagements for jobs, expenditure had risen again. The second lockdown will also have an impact on works we are able to complete, but it is hoped for a shorter term.
11. We have been able to continue with stock repurchase and in the financial year to date have bought back 7 properties to replenish our housing stock. This has taken us slightly ahead of the budget, and this budget area will be subject to further revision that will be part of the further revised Capital Programme to be reported to the Executive along with an increased Revenue Contribution to Capital to account for this in the HRA revenue budget.
12. Taking the above into account it is realistic that the HRA Revenue Account forecast outturn will be very close to breakeven in this financial year. If further positive opportunities come forward to replenish our housing stock in line with our housing need over and above the capital programme budget then these will be subject to careful consideration of the impact on the revenue budget outturn position.

## **RISK ASSESSMENT**

13. Whilst it would be too early to draw very firm conclusions regarding the final revenue budget position for 2020/21 after seven months especially with all the uncertainty over the COVID pandemic, 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 emergency budgets were prepared in September.
14. 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.
15. The Council's expenditure and income are monitored by officers throughout the year and there is even more monitoring going on under the current pressures. Known spending pressures will be reflected in the Finance Strategy for 2021/22. The budget that will reflect the revised position will be reported to the Executive in January 2021.

## **CONCLUSION**

16. 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.

17. 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 2021.

**Enquiries:**

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