

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 07 December 2021

Portfolio:	Policy and Resources
Subject:	Finance Monitoring Report 2021/22
Report of:	Deputy Chief Executive Officer
Corporate Priorities:	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	Budget 2021/22	Budget to 30 Sep 21	Actual to 30 Sep 21	Variation
	£000s	£000s	£000s	£000s
Service Budgets	14,693	1,261	1,002	-259
Non-Service Budgets	-1,854	-287	-293	-6
COVID Funding	-2,567	-451	-451	0
Net Budgets	10,272	523	258	-265

Housing Revenue Account	Budget 2021/22	Budget to 30 Sep 21	Actual to 30 Sep 21	Variation
	£000s	£000s	£000s	£000s
Income Budgets	-12,353	-6,176	-6,397	-221
Management Costs	3,515	1,067	973	-94
Finance Costs	2,837	700	700	0
Property Costs	6,001	1,100	1,155	55
Net Budgets	0	-3,309	-3,569	-260

Revenue spending plans are currently showing a net underspend for the first half of the financial year. Any underspending achieved by the end of the year will reduce the need to call on the Council's reserves for 2021/22.

However, there are a number of areas where spend is in excess of the budget and some areas are likely to continue to be overspent through to the end of the financial year. 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: NONE

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BOROUGH COUNCIL

Executive Briefing Paper

Date:	07 December 2021
Subject:	Finance Monitoring Report 2021/22
Briefing by:	Deputy Chief Executive Officer
Portfolio:	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 half of the 2021/22 financial year are shown below:-

ACTUAL REVENUE EXPENDITURE TO 30 SEPTEMBER 2021

	Budget 2021/22 £	Budget to 30 Sep 21 £	Actual to 30 Sep 21 £	Variation £
Committees				
Licensing & Regulatory Affairs	552,700	114,900	95,384	-19,516
Planning	527,000	107,700	405,702	298,002
Executive - Portfolio Budgets				
- Leisure & Community	3,060,500	781,500	495,920	-285,580
- Housing	1,885,600	-288,800	-366,297	-77,497
- Planning & Development	1,702,800	833,200	640,507	-192,693
- Policy & Resources	-19,700	-1,183,110	-1,260,912	-77,802
- Health & Public Protection	575,000	-36,950	215,436	252,386
- Streetscene	6,408,800	932,700	775,999	-156,701
TOTAL SERVICE BUDGETS	14,692,700	1,261,140	1,001,739	-259,401

NON-SERVICE BUDGETS	-1,854,300	-287,400	-293,106	-5,706
COVID Funding	-2,566,500	-451,000	-451,093	-93
NET BUDGET	10,271,900	554,740	257,540	-265,200

4. The emergency budget set for the year recognised that the Council would need to draw from its reserves to fund the net position for the year, as shown by the COVID Funding line. This equated to approximately £1.8million of reserves after Government Grants of £767,000 were used. Any underspending achieved in the year will result in a reduced need to draw from the reserves.

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 2021/22 £	Budget to 30 Sep 21 £	Actual to 30 Sep 21 £	Variation £	Forecast
Income Budgets					
Industrial and Commercial Estates	-547,300	-679,700	-710,864	-31,164	😊
Investment Properties	-3,438,700	-1,697,100	-1,775,212	-78,112	😊
Trade Waste	-71,100	-703,900	-734,180	-30,280	😊
Parking Services	-571,100	-201,400	65,646	267,046	😞
Expenditure Budgets					
Daedalus	194,900	-278,100	-179,870	98,230	😞
Community Parks and Open Spaces	2,533,000	809,300	745,553	-63,747	😊
Homelessness	591,300	160,600	228,989	68,389	😞
Waste & Recycling Total	2,475,500	266,000	308,015	42,015	😞
Housing Benefit Payments	496,400	120,200	109,218	-10,982	😞
Planning Applications	100,400	-48,800	-451	48,349	😞
Tree Management	319,400	183,700	190,010	6,310	😞
Local Land Charges	21,000	-14,300	-49,209	-34,909	😊
Planning Appeals	97,300	43,600	280,539	236,939	😞
Street Cleansing	1,013,500	404,600	382,421	-22,179	😊

Local Plan	1,114,700	449,000	265,548	-183,452	😊
Local Tax Collection	1,000,400	337,500	330,897	-6,603	😊
Cost of Employment	17,712,700	8,903,604	8,782,415	-121,189	😊

6. 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 base budget. However, the situation continues to be closely monitored as many businesses are still recovering from the pandemic and their future may remain uncertain.
- (b) **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, as with other property-based services, the situation is continuing to be closely monitored.
- (c) **Trade Waste** is currently showing an overall increase in income of over £30,000. This increase has been partially offset by increasing fuel prices.
- (d) **Parking Services** is showing a variation of £267,000 reduced net income compared to the base budget. Income from users of the Council's car parks is £334,000 less than the budget due to parking levels not returning to expected levels once lockdown was lifted. There have been some savings on expenditure including reduced business rates that has partially offset the loss of income.
- (e) **Daedalus** is currently showing as below budget as income from some areas has remained below the budget. The income from fuel sales, landing fees and other income from the hangers is below budget due to reduced usage. There has been increased expenditure in some areas such as business rates, use of consultants, cost of fuel and insurance premiums. Although the budgets will be revisited it is unlikely that the position will improve before year end.
- (f) **Community Park and Open Spaces** is showing an underspend for the first six months of the year mainly due to vacancies in the grounds team and reduced use of agency staff. There has been an increase in fuel costs but this has been offset by reduced costs of repairs to vehicles. Other areas of underspend and overspends are offsetting each other with income currently in line with the budget.
- (g) The **Homelessness** budget is showing an increase in spend against budget for the year of over £68,000. The main reason is due to continuing 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 £42,000 after 6 months of the year mainly as a result of increased

repairs to vehicles and also additional agency spend to cover vacancies and sickness. There has also been an increase in the cost of fuel as prices have risen during the year.

- (i) **Housing benefits** service overall is currently showing £11,000 under budget. Payments to claimants are currently 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 over £48,000. The income for the year is currently lower than the budget by £38,000 as application numbers have reduced. This has been partly offset by costs recovered due to legal work on planning agreements. There has also been an additional cost as a result of an award made against the council in a planning dispute.
- (k) **Tree Management** is showing as being over budget by almost £6,500. This continues to be an improved position on previous financial years 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 in a small overspend by the year end due to extraordinary spend 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 almost £35,000. Applications have increased mainly due to the suspension of stamp duty due to the pandemic but as this returned to normal levels in September it is anticipated that activity will return to normal levels for the rest of the year.
- (m) **Planning Appeals** is showing an overspend after 6 months of almost £237,000. The budget was increased to reflect appeals that were due to be heard in this financial year but the costs have far exceeded the budget for the year and costs are likely to continue to increase during the rest of the year. The main appeals have been at Newgate Lane, Posbrook Lane, South of Romsey Avenue, Down End Road and Land West of Peak Lane.
- (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 an underspend of over £183,000. The plan has now moved into the examination phase and it is likely that the spend will be in line with the budget by the year end.
- (p) **Local Tax Collection** is showing a small underspend of £6,000 as a result of vacancies savings but these have been offset by increased costs for external printing.

- (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 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

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:-

Service	Budget 2021/22 £	Budget to 30 Sep 21 £	Actual to 30 Sep 21 £	Variation £	
Project Integra	5,000	0	0	0	😊
Community Safety Partnership	194,900	79,300	66,052	-13,248	😊
Fareham & Gosport CCTV Partnership	114,900	52,100	45,769	-6,331	😊
Portchester Crematorium JC	-165,000	0	0	0	😊
Environmental Health Partnership	1,559,900	671,400	613,944	-57,456	😊
Building Control Partnership	199,400	-2,600	-3,116	-516	😊

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 after the first 6 months of 2021/22, 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 2021/22 £'000	Budget to 30 Sep 2021 £'000	Actual to 30 Sep 2021 £'000	Variation £'000
HOUSING REVENUE ACCOUNT				
Income	-12,353	-6,176	-6,397	-221
Tenancy Management & Running Costs	3,515	1,067	973	-94
Net Interest	1,697	700	700	0
Transfer to Debt Repayment Fund	1,140	0	0	0
	-6,001			
Revenue Repairs Expenditure	2,600	1,100	1,155	-55
Depreciation set aside into the Major Repairs Reserve	2,706	0	0	0
Revenue Contribution to Capital Programme	695	0	0	0
Transfer to(-)/from HRA Reserve	0	-3,309	-3,569	-260

10. Income is slightly ahead of budget for income from dwelling rents and service charge actuals completed for 2020/21. This additional income will be part of the revised HRA revenue budget to be reported to the Executive.
11. The property repairs and maintenance expenditure is in line with budget for the period of expenditure to date.
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 and priorities over and above the capital programme budget, then these will be subject to careful consideration of the impact on the revenue budget.

RISK ASSESSMENT

13. Whilst it would be too early to draw very firm conclusions regarding the final revenue budget position for 2021/20 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 budgets were approved in January.
14. There remains some areas where the impact of the global pandemic is still being felt and this trend could continue for the remainder of the financial year and possibly through to the 2022/23 financial year.
15. It is also worth noting that expenditure tends to increase during the latter months of the year as work programmes proceed so any underspends in the first half of the financial year are unlikely to continue throughout the whole of the financial year.
16. Any underspend from services will reduce the amount that is required to be used from reserves to fund services and this value stood at £1.8m when the base budget was set.

17. 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 2022.

CONCLUSION

18. 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.
19. 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 2022.

Enquiries:

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