

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 2 September 2013

Portfolio: Policy and Resources
Subject: Quarterly Financial Monitoring Report 2013/14
Report of: Director of Finance and Resources
Strategy/Policy: Finance Strategy

Corporate Objective: A dynamic, prudent and progressive Council

Purpose:

This report provides comparative information on the Council's revenue and capital expenditure for the three months ended 30 June 2013. Members are invited to consider the financial performance in the quarter, 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 2013/14	Budget to 30 Jun 13	Actual to 30 Jun 13	Variation
	£000s	£000s	£000s	£000s
Service Budgets	12,712	7,588	7,002	-586
Non-Service Budgets	-2,889	-399	-407	-8
Net	9,823	7,189	6,595	-594

The main variations in spending to 30 June 2013 are within cost of employment (-£179,326) and housing benefit payments (-£315,847). Vacancies are the main reason behind the under spend on the cost of employment. Housing benefit payments are under budget although it is expected this will be closer to the budgeted position by the end of the financial year.

Capital Programme	Budget 2013/14	Budget to 30 Jun 13	Actual to 30 Jun 13	Variation
	£000s	£000s	£000s	£000s
General Fund	7,564	565	503	-62
HRA	7,317	502	456	-46
Total	14,881	1,067	959	-108

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 final quarter 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 June 2013.

Cost of proposals:

Not applicable.

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BOROUGH COUNCIL

Executive Briefing Paper

Date: 2 September 2013

Subject: Quarterly Financial Monitoring Report 2013/14

Briefing by: Director of Finance and Resources

Portfolio: Policy and Resources

INTRODUCTION

1. This report sets out, in detail, the variations between the budgeted and actual income/expenditure to 30 June 2013 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 three months are shown in the following table:-

ACTUAL REVENUE EXPENDITURE TO 30 JUNE 2013

	Budget 2013/14 £	Budget to 30 Jun 13 £	Actual to 30 Jun 13 £	Variation £
Committees				
Planning	669,000	165,600	133,356	-32,244
Licensing & Regulatory Affairs	395,800	55,100	30,309	-24,791
Executive - Portfolio Budgets				
- Leisure & Community	1,681,800	270,600	222,155	-48,445
- Health & Housing	1,369,400	274,800	265,987	-8,813
- Strategic Planning & Environment	-234,100	-188,400	-182,369	6,031
- Policy & Resources	2,113,000	5,617,800	5,306,214	-311,586
- Public Protection	2,435,700	843,900	760,518	-83,382
- Streetscene	4,281,600	548,900	466,231	-82,669
SERVICE BUDGETS	12,712,200	7,588,300	7,002,401	-585,899
NON-SERVICE BUDGETS	-2,888,900	-398,800	-406,706	-7,906
NET BUDGET	9,823,300	7,189,500	6,595,695	-593,805

THE KEY COUNCIL SERVICES

3. 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 2013/14 £	Budget to 30 Jun 13 £	Actual to 30 Jun 13 £	Variation £	
Parking Services	-1,347,300	-948,300	-933,490	14,810	
Commercial Estates	-2,325,300	-531,000	-448,837	82,163	
Local Tax Collection	1,081,400	303,300	287,873	-15,427	
Community Parks & Open Spaces	913,500	214,900	180,823	-34,077	
Street Cleansing	979,600	232,000	213,133	-18,867	
Processing Planning Applications	209,300	50,500	62,506	12,006	
Homelessness	231,000	110,700	116,917	6,217	
Land Charges	-144,000	-36,300	-52,788	-16,488	
Housing Benefits Payments	0	4,910,500	4,595,463	-315,037	
Waste Collection & Recycling Services	1,898,700	470,000	478,680	8,680	
Trade Waste	-60,400	-499,300	-447,401	51,899	
Ferneham Hall	390,800	40,500	38,479	-2,021	
Interest on Investments	-874,500	-125,600	-119,241	6,359	
Cost of Employment	15,444,400	3,818,626	3,639,300	-179,326	
Key					
	budget currently on track and likely to be in a positive position at year end				
	budget is either off track currently or is expected to be off track at year end				
	budget currently off track and likely to be in a negative position at year end				

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

- (a) Parking Services is showing a variation of £15,000 above the budget, which is mainly as a result of reduced income from users of the Council's car parks which is down on budget and also below the level for the same period during the last financial year.
- (b) Commercial Estates is showing that the income due to the Council is under

budget by over £82,000. This is mainly due to rental income from the shopping centre which has seen a fall due to empty units reflecting the continued downturn in the retail sector along with competition from shopping centres. It is anticipated that the overall deficit for the service will be in excess of £100,000 by the end of the financial year.

- (c) Waste Collection and Recycling Services covers Household Waste Collection, Recycling and Garden Waste Collection. These services combined are currently showing an over spend of £9,000. The main reason for the variation is some income that was due to be received in the first quarter will now be received in quarter 2.
- (d) Housing benefits payments are currently £315,000 under the budget for the year. The budget was increased at revised stage to reflect the continuing increase in caseload and it is anticipated that the gap between expenditure and budget will close before the end of the financial year. Expenditure will be offset by income at year end when Government Grant is received.
- (e) Interest on investments is lower than budgeted for the year due to lower interest rates on the Council's investments. Longer term investments with higher rates continue to reach maturity and are being replaced with shorter term lower rate deals that are reflective of the current position within the investment market.
- (f) 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 3 months of the year, savings on salaries and wages have arisen, mainly as a result of employee vacancies and also due to organisational structure changes. While this has been partly offset by the additional expenditure on agency employees, it is anticipated that there will be an overall saving in this area at the end of the year.

THE COUNCIL'S FUNDAMENTAL PARTNERSHIPS

5. The Council has five 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 2013/14 £	Budget to 30 Jun 13 £	Actual to 30 Jun 13 £	Variation £	
Project Integra	26,800	0	0	0	
Community Safety Partnership	269,500	66,800	58,158	-8,642	
Fareham & Gosport CCTV Partnership	214,200	13,000	6,969	-6,031	
Portchester Crematorium Joint Committee	- 150,000	0	0	0	
Building Control Partnership	211,100	52,900	41,033	-11,867	
Key					
	budget currently on track and likely to be in a positive position at year end				
	budget is either off track currently or is expected to be off track at year end				
	budget currently off track and likely to be in a negative position at year end				

6. There are no major causes for concern within the Council's Fundamental Partnerships.

CAPITAL PROGRAMME

7. On 11 February 2013, the Executive approved the 2013/14 capital programme for General Fund services of £3.08m and £5.33m for the Housing Revenue Account (HRA), giving a combined total of £8.41m.
8. Details of actual capital expenditure in 2012/13 were reported to the Executive on 8 July 2013 and it was noted that the slippage on the capital programme for 2012/13 of £1.76m for General Fund and HRA services, would now be included in the capital programme for 2013/14, giving a revised total of £10.17m.
9. Since the capital programme was approved earlier in the year, a number of new schemes have been added to the 2013/14 programme:
- Commercial property investment acquisition - £3m
 - Palmerston Avenue housing development - £1.6m
 - Matched funding grants for community groups - £107,500
10. The following table sets out the updated capital programme for 2013/14 and has been used as the basis for monitoring progress to 30 June 2013:-

	Approved Programme £	2012/13 Slippage £	New Schemes £	Total £
Public Protection	0	0	0	0
Streetscene	22,800	31,800	0	54,600
Leisure & Community	1,609,300	613,200	107,500	2,330,000
Health & Housing	585,600	249,800	0	835,400
Strategic Planning & Environment	160,000	125,300	0	285,300
Policy & Resources	702,600	355,900	3,000,000	4,058,500
Total General Fund	3,080,300	1,376,000	3,107,500	7,563,800
Housing Revenue Account	5,333,100	384,400	1,600,000	7,317,500
Updated Capital Programme	8,413,400	1,760,400	4,707,500	14,881,300

MAJOR CAPITAL SCHEMES

11. The Council has a number of major capital schemes where expenditure is in excess of £200,000. These schemes, with forecast budget to 30 June 2013, are detailed in the following table:-

Capital Scheme	Budget 2013/14 £	Budget to 30 Jun 13 £	Actual to 30 Jun 13 £	Variation £	
Collingwood House	3,160,600	17,000	4,064	-12,936	
Commercial Property Investment Acquisition	3,000,000	170,000	170,000	0	
Palmerston Avenue	1,600,000	0	16,160	0	
HRA: Tenants Modernisation	950,000	330,000	327,862	-2,138	
Disabled Facilities Grants	549,000	123,900	67,577	-56,323	
HRA: Replacement Windows & Doors	488,100	30,000	27,173	-2,827	
HRA: Central Heating & Boiler Replacement	485,400	20,000	11,260	-8,740	
Vehicles & Plant	446,800	70,000	60,250	-9,750	
Bath Lane Cricket Pavilion	393,800	0	0	0	
ICT	264,100	10,000	7,895	-2,105	
HRA: Electrical Upgrading	243,400	50,000	49,671	-329	
Salterns Promenade	212,500	0	0	0	
	budget currently on track and likely to be in a positive position at year end				
	budget is either off track currently or is expected to be off track at year end				
	budget currently off track and likely to be in a negative position at year end				

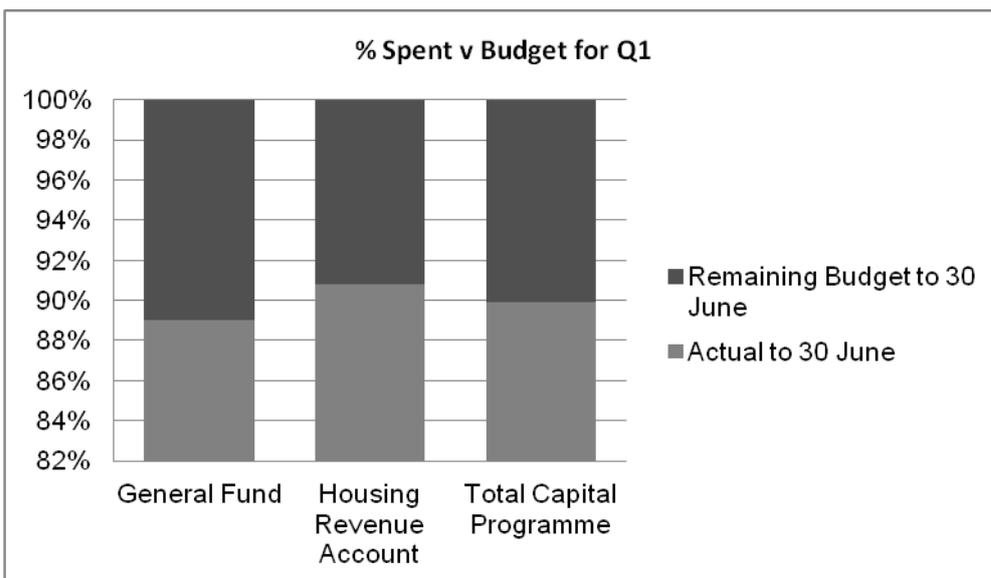
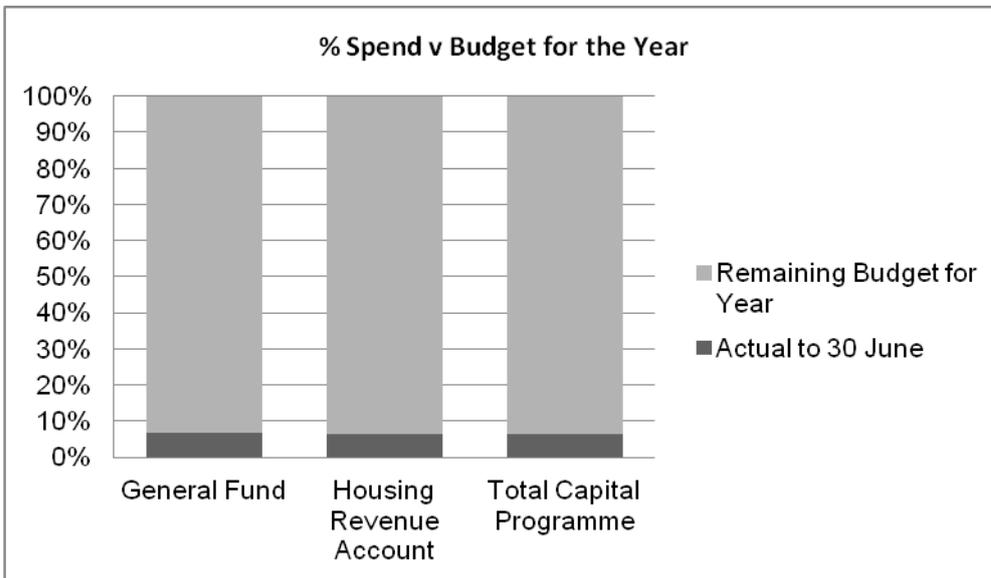
12. The main variations in the major schemes where expenditure is over £200,000 are detailed below:-
- (a) A contract has been entered into with Leadbitters for the redevelopment of Collingwood House. Works should commence in October with the scheme finishing in late 2014 or early 2015.
 - (b) In January 2013, the Executive agreed £3m to fund a commercial property investment acquisition programme. Completion of the first purchase Clifton House, an industrial premises located in Segensworth, completed on 1 August 2013 at a purchase price of £1.7m. Expenditure to the end of June relates to a 10% deposit for the purchase.
 - (c) The £1.6m housing development scheme at Palmerston Avenue was approved by the Executive in June and will be considered by the Planning Committee in September. The construction works will be put to tender in the near future.
 - (d) For the Tenants Modernisation scheme, a number of properties have received new kitchens and bathrooms due to age and condition. The programme is determined by the recent stock condition survey and is programmed to continue in all areas of the Borough until autumn 2013 where the current contract will be suspended due to a lack of need. A proportion of the budget is held for such works to vacant properties as needed throughout the year.
 - (e) A total of £67,577 has been spent on Disabled Facilities Grants. To the end of June 23 cases have been completed and 22 approved. There are 43 pending cases with an estimated value of £190,000.
 - (f) Replacement doors will be installed to 240 properties this year following a recent tender exercise. This timely work has been identified by stock condition survey findings.
 - (g) Replacement of old and inefficient boilers will be progressed later this year. Seasonal changes in the autumn and winter months result in a number of ad hoc replacements where existing ones are considered to be beyond economical repair however a number have already been progressed during the spring.
 - (h) A street cleansing sweeper and a garden waste bin lift have been purchased from the Vehicles and Plant rolling programme in quarter 1.
 - (i) There has been no expenditure to date for Bath Lane Cricket Pavilion. It is unlikely that works will begin in this financial year due to issues on the agreement of a robust design that is acceptable in a conversation area.
 - (j) The major projects for the year for the ICT programme include the on-going SharePoint development for the HUB, expanding the use of mobile technology to improve customer contact and data collection at source, replacing and upgrading the internal security infrastructure and continuation of the rolling programme of PC and server upgrades.
 - (k) The Salterns Promenade scheme is progressing. The specification is complete and will be shortly ready to tender. Hampshire County Council (HCC) is also working on a project in the same area to build a cycleway. The two projects need to be coordinated to minimise disruption to the public. The HCC scheme will not be ready until April 2014, so it is likely that this funding will need to be rephased to 2014/15.
 - (l) The HRA Electrical Upgrades scheme is progressing in line with budget for the first quarter of the year. A programme of periodic electrical inspections is continuing with urgent remedial works being undertaken as identified. A number of sites are programmed to receive new emergency lighting installations to communal areas later in the autumn of this year.

CAPITAL MONITORING

13. The following table provides summary information for the first quarter to 30 June 2013, for the schemes within each portfolio.

	Updated Budget 2013/14 £	Budget to 30 Jun 13 £	Actual to 30 Jun 13 £	Variation £
Public Protection	0	0	0	0
Streetscene	54,600	0	0	0
Leisure & Community	2,330,000	81,600	104,277	22,677
- Buildings	663,600	11,600	35,175	23,575
- Play & Parks	258,000	0	0	0
- Outdoor Recreation	1,020,000	37,500	36,602	-898
- Grants to Community Groups	107,500	32,500	32,500	0
- Other Community Schemes	280,900	0	0	0
Health & Housing	835,400	183,900	111,077	-72,823
- Home Improvement Loans	673,800	138,900	68,577	-70,323
- Enabling	111,600	42,500	42,500	0
- Other	50,000	2,500	0	-2,500
Strategic Planning & Environment	285,300	50,000	50,000	0
- Environmental Improvements	120,000	50,000	50,000	0
- Car Parks	165,300	0	0	0
Policy & Resources	4,058,500	250,000	238,145	-11,855
- Fareham Town Centre	76,600	0	0	0
- Vehicles & Plant	446,800	70,000	60,250	-9,750
- ICT	264,100	10,000	7,895	-2,105
- Depot	85,800	0	0	0
- Civic Offices	171,200	0	0	0
- Commercial Property Acquisition	3,000,000	170,000	170,000	0
- Other	14,000	0	0	0
Total General Fund	7,563,800	565,500	503,499	-62,001
Housing Revenue Account				
- Improvement Work	1,293,400	380,000	344,721	-35,279
- Energy Conservation	973,500	50,000	38,433	-11,567
- Environmental Work	80,000	25,000	21,701	-3,299
- Capitalised Repairs/Renewals	190,000	30,000	29,406	-594
- New Build	4,760,600	17,000	21,649	4,649
- Other HRA Schemes	20,000	0	0	0
Total Housing Revenue Account	7,317,500	502,000	455,910	-46,090
Total Capital Programme	14,881,300	1,067,500	959,409	-108,091

14. The graphs below show the actual expenditure to 30 June 2013 as a percentage of the programme for the equivalent period and for the whole year. 90% of the capital programme has been spent compared to the profiled budget for the first quarter of the year. 6% has been spent compared to the budget for the year.



RISK ASSESSMENT

15. Whilst it would be too early to draw very firm conclusions regarding the final revenue and capital budget position for 2013/14 after three 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.
16. 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 quarter of the financial year are unlikely to continue throughout the whole of the financial year.
17. 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.
18. The Council's expenditure and income are monitored by officers throughout the year and these projections will be updated each quarter, as part of the budget monitoring reports. These will be reflected in the Finance Strategy for 2014/15

that will be presented to the Executive at its meeting in October and also in the Spending Plans report that will be going to the Executive in December.

19. There remains concerns with the general economic climate, which could continue to affect other Council services, particularly within the business sector where a large proportion of the Council's income is reliant on businesses continuing to rent property owned by the Council such as industrial estates or the trade waste service where businesses ceasing to trade can affect income to that service. There is also an impact on services such as car parking where income levels have been reducing over the last couple of years and are continuing to reduce in the current financial year and with increasing competition from other shopping centres.

CONCLUSION

20. 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.
21. No particular actions are considered necessary at the present time as variations will be reflected in the revised budget, which will be considered in detail by the Executive in December 2013 and January 2014. 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) 11 February 2013 Executive Report - Finance Strategy, Capital Programme, Revenue Budget and Council Tax 2013/14.
- (b) 11 February 2013 Executive Report - HRA Spending Plans including the Capital Programme for 2013/14.
- (c) 8 July 2013 Executive Report - Actual Capital Expenditure and Financing 2012/13.