

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 07 November 2022

Portfolio:	Policy and Resources
Subject:	Finance Monitoring 2022/23
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 revenue budgets in the current year, as set out in the following tables: -

General Fund	Budget 2022/23	Budget to 30 Sep 22	Actual to 30 Sept 22	Variation
	£000s	£000s	£000s	£000s
Service Budgets	13,467	491	407	-84
Non-Service Budgets	-2,679	-54	-54	0
Net Budgets	10,788	437	353	-84

Housing Revenue Account	Budget 2022/23	Budget to 30 Sep 22	Actual to 30 Sept 22	Variation
	£000s	£000s	£000s	£000s
Income Budgets	-12,983	-6,631	-6,779	-148
Management Costs	3,825	1,155	1,143	-12
Finance Costs	2,837	700	700	0
Property Costs	6,321	1,409	1,511	102
Net Budgets	0	-3,309	-3,569	-58

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 2022/23.

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

Appendices: **None**

Background papers: **None**

Reference papers: **None**

FAREHAM

BOROUGH COUNCIL

Executive Briefing Paper

Date:	07 November 2022
Subject:	Finance Monitoring 2022/23
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 September this year, the report 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 half of the 2022/23 financial year are shown below:-

ACTUAL REVENUE EXPENDITURE TO 30 SEPTEMBER 2022

	Budget 2022/23 £	Budget to 30 Sep 22 £	Actual to 30 Sep 22 £	Variation £
Committees				
Licensing & Regulatory Affairs	574,400	242,669	310,270	67,601
Planning	439,500	132,706	184,641	51,935
Executive - Portfolio Budgets				
- Leisure & Community	1,537,100	-145,528	-109,526	36,002
- Housing	2,113,300	9,920	-59,474	-69,394
- Planning & Development	1,724,900	273,264	272,602	-662
- Policy & Resources	635,100	-634,656	-672,767	-38,111
- Health & Public Protection	699,200	158,402	116,914	-41,488
- Streetscene	5,743,900	454,552	363,931	-90,621
TOTAL SERVICE BUDGETS	13,467,400	491,329	406,591	-84,738

NON-SERVICE BUDGETS	-2,679,400	-54,400	-54,400	0
NET BUDGET	10,788,000	436,929	352,191	-84,738

4. The current cost of living crisis has had an impact on council spending during this financial year. Evidence of this has been seen across a range of services where prices have been rising.
5. General inflation for September has been reported at 10.1% and fuel for council vehicles has seen increases of over 30% since last financial year.
6. In order to balance the council budgets for 2022/23 a sum of £1.1m has been set aside from reserves and it will be important to monitor this position over the remainder of the financial year to make sure that this position is maintained and not increased to unacceptable levels.

THE KEY COUNCIL SERVICES

7. 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 2022/23 £	Budget to 30 Sep 22 £	Actual to 30 Sep 22 £	Variation £	Forecast
Local Plan	1,102,300	309,702	260,295	-49,407	😊
Garden Waste	-439,900	-757,702	-795,886	-38,184	😊
Parking Services	-398,300	-185,202	-221,546	-36,344	😊
Community Parks and Open Spaces	2,390,900	558,640	525,402	-33,238	😊
Trade Waste	-104,700	-759,112	-789,009	-29,897	😊
Planning Appeals	94,900	43,900	19,625	-24,275	😊
Tree Management	389,700	186,104	164,807	-21,297	😊
Industrial and Commercial Estates	-827,300	-731,877	-750,898	-19,021	😊
Local Land Charges	6,100	-23,896	-39,966	-16,070	😊
Local Tax Collection	939,500	418,152	408,074	-10,078	😊
Investment Properties	-2,606,000	-1,258,075	-1,255,066	3,009	😐
Housing Benefit Payments	543,300	-602,050	-598,869	3,181	😐
Street Cleansing	1,049,400	413,888	454,729	40,841	😞
Waste & Recycling	2,394,300	830,104	884,278	54,174	😞

Daedalus	230,000	-232,796	-155,620	77,176	☹
Planning Applications	17,300	-29,792	49,969	79,761	☹
Homelessness	602,700	300,010	640,499	340,489	☹
Cost of Employment	19,322,200	9,465,606	9,488,921	23,315	☹

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

- (a) The **Local Plan** is showing an underspend of almost £50,000. The plan has now moved out of the examination phase and it is likely that the spend will be in line with the budget by the year end.
- (b) **Garden Waste Service** is showing that there is an increase in the income over the budget for the first 6 months of the year. The service commenced in February 2022 and the take up exceeded expectations. Additional customers have continued to sign up to the service with additional income being offset by increased fuel costs.
- (c) **Parking Services** is showing a variation of £36,000 increased net income compared to the base budget. Income from users of the Council's car parks is currently £100,000 more than the budget due to an increase in town centre parking levels. This increase has been partly offset by increased costs in the repair of car parks.
- (d) **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.
- (e) **Trade Waste** is currently showing an overall increase in income of over £30,000. The service continues to see an increase in customers although this increase has been partially offset by increasing fuel prices for the service.
- (f) **Planning Appeals** is showing an underspend after 6 months of almost £25,000. This is a situation that will not continue as the appeal for Newgate Lane is likely to cost over £100,000 with costs being met in this financial year.
- (g) **Tree Management** is showing as being under budget by almost £21,000. 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. There will continue to be spend on Ash die back during the year and this cost will be met from reserves. As with other services the costs associated with tree works are on the increase and these will be monitored during the rest of the financial year.
- (h) **Industrial and Commercial estates** – the current position shows that the income for this service is over the base budget. However, the situation continues to be closely monitored as many businesses are struggling with

the current cost of living crisis and their future may remain uncertain.

- (i) **Local Land charges** is showing as more income than budget by almost £16,000. Applications have increased slightly in the first 6 months of the year and there has also been a reduction in legal costs to the service.
- (j) **Local Tax Collection** is showing a small underspend of £49,000 as a result of vacancies savings but these have been offset by increased costs for external printing.
- (k) **Investment properties** are showing as slightly below 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.
- (l) **Housing benefits** service overall is currently showing £4,000 over 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.
- (m) **Street Cleansing** is showing spend over the budget mainly as a result of increased vehicle costs including higher fuel prices, repair costs and additional hire costs to replace vehicles under repair. This has been slightly offset by reduced employee costs due to vacancies
- (n) **Waste Collection and Recycling** services are showing an overspend of just over £54,000 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.
- (o) **Daedalus** is currently showing as below budget as income from some areas has remained lower than anticipated. There has been a vacant unit on the site but also there has been increased expenditure in some areas such as cost of aviation fuel and increase gas and electricity prices. The impact of the income and expenditure variations will be considered as part of the revised budget setting process.
- (p) **Planning Applications** is showing as being over budget by approximately £80,000 The income for the year is currently lower than the budget by £37,000 as application numbers have reduced and alongside this the level of costs recovered due to legal work on planning agreements has also reduced. There has also been an additional legal and consultant costs as a result of a planning enquiry.
- (q) The **Homelessness** budget is showing an increase in spend against budget for the year of over £340,000. The main reason is due to continuing costs for bed and breakfast and other homelessness costs as a result coming out of the pandemic slower than anticipated and current rough sleeper initiatives encouraging local authorities to move sleepers off the streets. These additional costs will be offset by grant or use of the homeless reserve

at year end, when the budgets are reviewed as part of the revised budget setting process, together with steps being taken to mitigate the need for some bed and breakfast uses.

- (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 (£229,000). This has been partly offset by the additional expenditure on agency and casual employees used to cover some of those vacancies and also to cover sickness (£164,000). On top of this there has been additional expenditure due to contract terminations (£57,000) but these will be funded from reserves where salary savings do not meet the full costs.

THE COUNCIL'S FUNDAMENTAL PARTNERSHIPS

9. 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 2022/23 £	Budget to 30 Sep 22 £	Actual to 30 Sep 22 £	Variation £	
Project Integra	5,000	0	0	0	😊
Community Safety Partnership	198,100	81,550	73,636	-7,914	😊
Fareham & Gosport CCTV Partnership	110,800	17,100	5,222	-11,878	😊
Portchester Crematorium JC	-170,000	0	0	0	😊
Environmental Health Partnership	1,559,900	672,750	633,855	-38,895	😊
Building Control Partnership	165,700	-2,600	-7,954	-5,354	😊

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

HOUSING REVENUE ACCOUNT

11. The Housing Revenue Account is in line with budget after the first 6 months of 2022/23, 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 2022/23 £'000	Budget to 30 Sep 2022 £'000	Actual to 30 Sep 2022 £'000	Variation £'000
HOUSING REVENUE ACCOUNT				
Income	-12,983	-6,631	-6,779	-148
Tenancy Management & Running Costs	3,825	1,155	1,143	-12
Net Interest	1,697	700	700	0
Transfer to Debt Repayment Fund	1,140	0	0	0
	-6,321			
Revenue Repairs Expenditure	2,818	1,409	1,511	102
Depreciation set aside into the Major Repairs Reserve	3,103	0	0	0
Revenue Contribution to Capital Programme	400	0	0	0
Transfer to(-)/from HRA Reserve	0	-3,367	-3,425	-58

12. Income is slightly ahead of budget for income from dwelling rents and service charge actuals completed for 2022/23. This additional income will be part of the revised HRA revenue budget to be reported to the Executive.
13. The property repairs and maintenance expenditure is showing an overspend after the first six months of 2022/23 as a result of demand and price increases that are being experienced. These will inform the revised HRA revenue budget to be reported to the Executive.
14. 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.

RISK ASSESSMENT

15. Whilst it would be too early to draw very firm conclusions regarding the final revenue budget position for 2022/23 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.
16. There are some areas where the impact of the cost of living crisis is being felt and this trend is likely to continue for the remainder of this financial year and possibly through to the 2023/24 financial year.
17. 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.
18. Any underspend from services will reduce the amount that is required to be used from reserves to fund services and this value stood at £1.1m when the base budget was set but overspends will cause the draw on reserves to increase.

19. 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 2022/23. The budget that will reflect the revised position will be reported to the Executive in January 2023.

CONCLUSION

20. 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.
21. 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 2023.

Enquiries:

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