

# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 4 November 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 September 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 Sept 13	Actual to 30 Sept 13	Variation
	£000s	£000s	£000s	£000s
Service Budgets	12,712	15,649	15,177	-472
Non-Service Budgets	-2,889	-798	-793	+5
Net	9,823	14,851	14,384	-467

The main variations in spending to 30 September 2013 are within cost of employment (-£221,719). Vacancies are the main reason behind the under spend on the cost of employment.

Capital Programme	Budget 2013/14	Budget to 30 Sept 13	Actual to 30 Sept 13	Variation
	£000s	£000s	£000s	£000s
General Fund	7,614	2,806	2,558	-248
HRA	7,317	1,282	1,051	-231
Total	14,931	4,088	3,609	-479

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 September 2013.

**Cost of proposals:**

Not applicable.

# FAREHAM

## BOROUGH COUNCIL

### Executive Briefing Paper

**Date:** 4 November 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 September 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 SEPTEMBER 2013

	Budget 2013/14 £	Budget to 30 Sept 13 £	Actual to 30 Sept 13 £	Variation £
Committees				
Planning	669,000	337,700	314,842	-22,858
Licensing & Regulatory Affairs	395,800	105,400	60,310	-45,090
Executive - Portfolio Budgets				
- Leisure & Community	1,681,800	506,300	416,689	-89,611
- Health & Housing	1,369,400	554,500	523,275	-31,225
- Strategic Planning & Environment	-234,100	-363,100	-191,471	171,629
- Policy & Resources	2,113,000	11,448,300	11,407,740	-40,560
- Public Protection	2,435,700	1,350,700	1,205,948	-144,752
- Streetscene	4,281,600	1,709,400	1,439,724	-269,676
<b>SERVICE BUDGETS</b>	<b>12,712,200</b>	<b>15,649,200</b>	<b>15,177,057</b>	<b>-472,143</b>
<b>NON-SERVICE BUDGETS</b>	<b>-2,888,900</b>	<b>-797,700</b>	<b>-793,413</b>	<b>4,287</b>
<b>NET BUDGET</b>	<b>9,823,300</b>	<b>14,851,500</b>	<b>14,383,644</b>	<b>-467,856</b>

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## 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 Sept 13 £	Actual to 30 Sept 13 £	Variation £	
Parking Services	-1,347,300	-455,600	-353,853	101,747	
Commercial Estates	-2,325,300	-832,400	-749,460	82,940	
Local Tax Collection	1,081,400	611,500	584,805	-26,695	
Community Parks & Open Spaces	913,500	440,300	373,113	-67,187	
Street Cleansing	979,600	473,300	413,951	-59,349	
Processing Planning Applications	209,300	103,100	155,257	52,157	
Homelessness	231,000	239,300	250,740	11,440	
Land Charges	-144,000	-78,000	-103,183	-25,183	
Housing Benefits Payments	0	9,821,000	9,849,398	28,398	
Waste Collection & Recycling Services	1,898,700	992,300	935,953	-56,347	
Trade Waste	-60,400	-389,900	-392,703	-2,803	
Ferneham Hall	390,800	46,500	43,082	-3,418	
Interest on Investments	-874,500	-251,300	-232,763	18,537	
Cost of Employment	15,444,400	7,506,308	7,284,589	-221,719	
<b>Key</b>					
	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 £102,000 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 £83,000. 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 other shopping centres. It is anticipated that the overall deficit for the service will be in excess of £150,000 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 under spend of £56,000. The main reason for the variation is that additional income in respect of recycling has been received.
- (d) Housing benefits payments are currently £28,000 over 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 increased expenditure and budget will continue throughout 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 being achieved. 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 6 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:-

<b>Service</b>	<b>Budget 2013/14 £</b>	<b>Budget to 30 Sept 13 £</b>	<b>Actual to 30 Sept 13 £</b>	<b>Variation £</b>	
Project Integra	25,000	25,000	24,937	-63	
Community Safety Partnership	269,500	140,800	124,437	-16,363	
Fareham & Gosport CCTV Partnership	214,200	51,100	22,134	-28,966	
Portchester Crematorium Joint Committee	- 150,000	0	0	0	
Building Control Partnership	211,100	105,200	89,293	-15,907	
<b>Key</b>					
	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 particular 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
  - Daedalus Project - £50,000
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 September 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	3,050,000	4,108,500
<b>Total General Fund</b>	<b>3,080,300</b>	<b>1,376,000</b>	<b>3,157,500</b>	<b>7,613,800</b>
Housing Revenue Account	5,333,100	384,400	1,600,000	7,317,500
<b>Updated Capital Programme</b>	<b>8,413,400</b>	<b>1,760,400</b>	<b>4,757,500</b>	<b>14,931,300</b>

## 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 September 2013, are detailed in the following table:-

Capital Scheme	Budget 2013/14 £	Budget to 30 Sept 13 £	Actual to 30 Sept 13 £	Variation £	
Collingwood House	3,160,600	20,000	11,738	-8,262	
Commercial Property Investment Acquisition	3,000,000	1,700,000	1,719,873	19,873	
Palmerston Avenue	1,600,000	0	0	0	
HRA: Tenants Modernisation	950,000	742,000	709,658	-32,342	
Disabled Facilities Grants	549,000	200,000	198,176	-1,824	
HRA: Replacement Windows and Doors	488,100	125,400	54,845	-70,555	
HRA: Central Heating and Boiler Replacement	485,400	149,200	76,050	-73,150	
Vehicles and Plant	446,800	189,200	105,085	-84,115	
Bath Lane Cricket Pavilion	393,800	10,000	1,050	-8,950	
ICT	264,100	63,900	75,673	11,773	
HRA: Electrical Upgrading	243,400	96,200	84,406	-11,794	
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 started on site in mid-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.
  - (c) The £1.6m housing development scheme at Palmerston Avenue was approved by the Executive in June but the Planning Committee has asked for the scheme to be re-designed to incorporate more car parking spaces. 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.
  - (e) £198,176 has been spent on Disabled Facilities Grants with 49 cases completed. Current approvals stand at 39 cases with a value of £204,417 and there are 51 pending cases with an estimated value of £244,500.
  - (f) Replacement doors will be installed to 240 properties this year following a recent tender exercise. This timely work scheduled to commence in December has been identified by stock condition survey findings.
  - (g) Replacement of old and inefficient boilers is being progressed following breakdowns where major repairs have been identified and are considered to be beyond economical repair. A planned boiler replacement programme will be considered in 2014/15 therefore the anticipated under spend will be carried forward.
  - (h) A street cleansing sweeper, garden waste bin lift, two grounds maintenance ride-on mowers and a Transit tipper have been purchased to date from the Vehicles and Plant rolling programme.
  - (i) An application for planning consent has been submitted for Bath Lane Cricket Pavilion and permission is expected to be granted in November 2013. The aim is to have the scheme ready for construction in spring 2014, but it is likely that works will be deferred until the end of the cricket season (September) to minimise disruption to the cricket club.
  - (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) To minimise disruption to users, the Salterns Promenade scheme is being combined with a Hampshire County Council scheme to provide a cycle way alongside the promenade. The designs of both schemes are due to complete in October 2013 and the project will be tendered in November 2013. Work on site will commence next financial year with the exact timing subject to discussion with the successful contractor, the need to avoid work during the peak summer months and the requirement to avoid the over wintering birds nesting season (October to March).
- (l) The electrical upgrades scheme is progressing in line with budget. A programme of periodic electrical inspections is continuing with urgent remedial works being undertaken as identified. Garden Court and Frosthole Close communal areas are programmed to receive a lighting renewal improvement which incorporates the upgrade of the emergency lighting to meet the current British Standard. The project is scheduled to commence in early 2014.

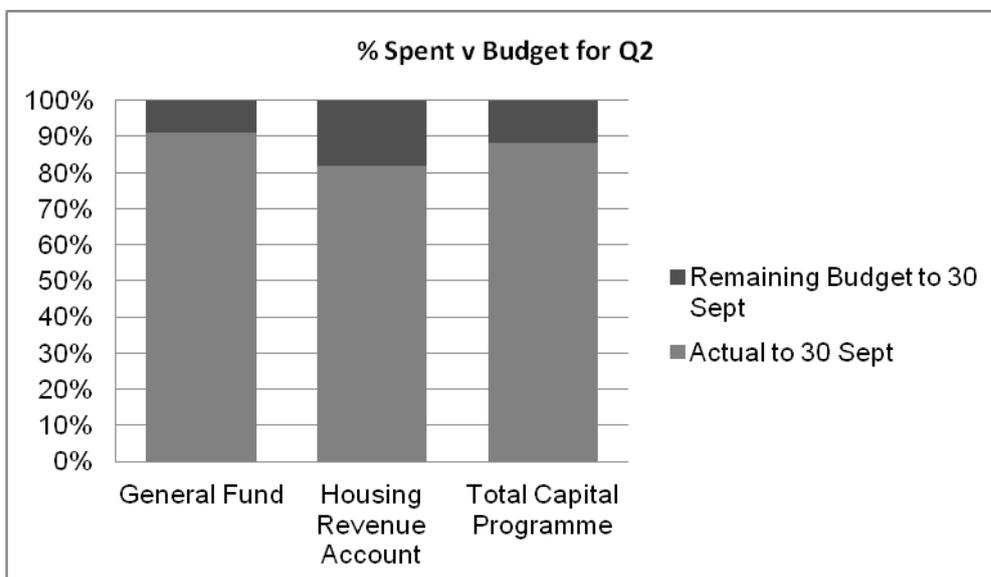
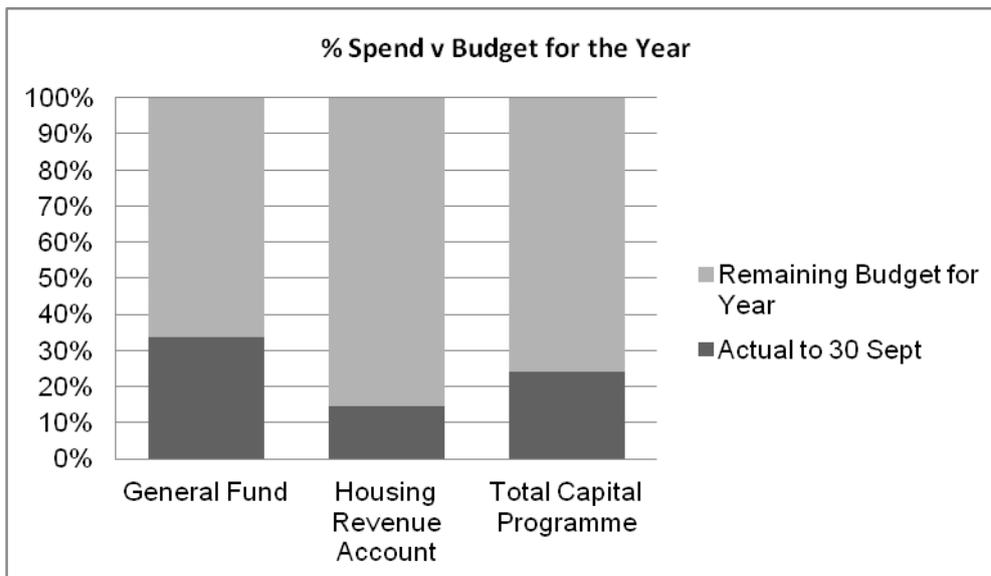
## CAPITAL MONITORING

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

	<b>Budget 2013/14 £</b>	<b>Budget to 30 Sept 13 £</b>	<b>Actual to 30 Sept 13 £</b>	<b>Variation £</b>
<b>Public Protection</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Streetscene</b>	<b>54,600</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Leisure &amp; Community</b>	<b>2,330,000</b>	<b>255,350</b>	<b>194,482</b>	<b>-60,868</b>
- Buildings	663,600	41,600	39,675	-1,925
- Play & Parks	258,000	0	0	0
- Outdoor Recreation	1,020,000	106,250	68,807	-37,443
- Grants to Community Groups	107,500	107,500	86,000	-21,500
- Other Community Schemes	280,900	0	0	0
<b>Health &amp; Housing</b>	<b>835,400</b>	<b>376,400</b>	<b>253,954</b>	<b>-122,446</b>
- Home Improvement Loans	673,800	294,800	211,009	-83,791
- Enabling	111,600	81,600	42,945	-38,655
- Other Housing Schemes	50,000	0	0	0
<b>Strategic Planning &amp; Environment</b>	<b>285,300</b>	<b>107,550</b>	<b>93,235</b>	<b>-14,315</b>
- Environmental Improvements	120,000	100,000	93,235	-6,765
- Car Parks	165,300	7,550	0	-7,550
<b>Policy &amp; Resources</b>	<b>4,108,500</b>	<b>2,067,100</b>	<b>2,016,635</b>	<b>-50,465</b>
- Fareham Town Centre	76,600	0	0	0
- Vehicles & Plant	446,800	189,200	105,085	-84,115
- ICT	264,100	63,900	75,673	11,773
- Depot	85,800	37,000	37,349	349
- Civic Offices	171,200	57,000	56,420	-580
- Commercial Property Acquisition	3,000,000	1,700,000	1,719,873	19,873
- Other Schemes	64,000	20,000	22,235	2,235
<b>Total General Fund</b>	<b>7,613,800</b>	<b>2,806,400</b>	<b>2,558,306</b>	<b>-248,094</b>

<b>Housing Revenue Account</b>				
- Improvement Work	1,293,400	888,200	795,001	-93,199
- Energy Conservation	973,500	274,600	130,895	-143,705
- Environmental Work	80,000	50,700	57,491	6,791
- Capitalised Repairs/Renewals	190,000	38,460	38,682	222
- New Build	4,760,600	30,000	28,971	-1,029
- Other HRA Schemes	20,000	0	0	0
<b>Total Housing Revenue Account</b>	<b>7,317,500</b>	<b>1,281,960</b>	<b>1,051,040</b>	<b>-230,920</b>
<b>Total Capital Programme</b>	<b>14,931,300</b>	<b>4,088,360</b>	<b>3,609,346</b>	<b>-479,014</b>

14. The graphs below show the actual expenditure to 30 September 2013 as a percentage of the programme for the equivalent period and for the whole year. 88% of the capital programme has been spent compared to the profiled budget for the second quarter of the year. 24% 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 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.
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 which was 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.