

# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 10 February 2014

<b>Portfolio:</b>	Policy and Resources
<b>Subject:</b>	<b>Quarterly Financial Monitoring Report 2013/14</b>
<b>Report of:</b>	Director of Finance and Resources
<b>Strategy/Policy:</b>	Finance Strategy
<b>Corporate Objective:</b>	A dynamic, prudent and progressive Council

#### **Purpose:**

This report provides comparative information on the Council's revenue and capital expenditure for the nine months ended 31 December 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 31 Dec 13	Actual to 31 Dec 13	Variation
	£000s	£000s	£000s	£000s
Service Budgets	13,867	23,453	22,511	-942
Non-Service Budgets	-4,044	-1,196	-1,180	+17
Net	9,823	22,256	21,331	-925

The main variations in spending to 31 December 2013 are within cost of employment (-£221,719) and housing benefits (-£554,775). Vacancies are the main reason behind the under spend on the cost of employment. Housing benefit payments are under the revised 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 31 Dec 13	Actual to 31 Dec 13	Variation
	£000s	£000s	£000s	£000s
General Fund	9,154	4,965	4,049	-916
HRA	4,276	2,221	1,884	-337
Total	13,430	7,186	5,933	-1,253

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 31 December 2013.

**Cost of proposals:**

Not applicable.

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## BOROUGH COUNCIL

### Executive Briefing Paper

**Date:** 10 February 2014

**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 31 December 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 nine months are shown in the following table:-

#### ACTUAL REVENUE EXPENDITURE TO 31 DECEMBER 2013

	Budget 2013/14 £	Budget to 31 Dec 13 £	Actual to 31 Dec 13 £	Variation £
Committees				
Planning	707,400	524,800	471,608	-53,192
Licensing & Regulatory Affairs	399,700	228,200	168,870	-59,330
Executive - Portfolio Budgets				
- Leisure & Community	1,837,200	669,200	628,732	-40,468
- Health & Housing	1,444,800	801,800	819,374	17,574
- Strategic Planning & Environment	-181,700	-479,800	-432,028	47,772
- Policy & Resources	2,621,900	17,115,200	16,461,964	-653,236
- Public Protection	2,745,100	1,810,800	1,719,496	-91,304
- Streetscene	4,292,600	2,782,400	2,672,887	-109,513
<b>SERVICE BUDGETS</b>	<b>13,867,000</b>	<b>23,452,600</b>	<b>22,510,903</b>	<b>-941,697</b>
<b>NON-SERVICE BUDGETS</b>	<b>-4,043,700</b>	<b>-1,196,400</b>	<b>-1,179,543</b>	<b>16,857</b>
<b>NET BUDGET</b>	<b>9,823,300</b>	<b>22,256,200</b>	<b>21,331,360</b>	<b>-924,840</b>

## 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 31 Dec 13 £	Actual to 31 Dec 13 £	Variation £	
Parking Services	-982,100	-822,500	-751,122	71,378	
Commercial Estates	-2,104,500	-1,541,000	-1,474,676	66,324	
Local Tax Collection	1,058,100	934,900	924,553	-10,347	
Community Parks & Open Spaces	991,900	668,400	623,790	-44,610	
Street Cleansing	961,700	696,000	671,739	-24,261	
Processing Planning Applications	216,700	160,800	196,074	35,274	
Homelessness	327,300	341,400	383,211	41,811	
Land Charges	-165,600	-122,400	-152,641	-30,241	
Housing Benefits Payments	0	14,865,800	14,311,025	-554,775	
Waste Collection & Recycling Services	1,839,100	1,439,500	1,435,005	-4,495	
Trade Waste	-67,300	-320,200	-321,984	-1,784	
Ferneham Hall	390,000	54,000	47,375	-6,625	
Interest on Investments	-770,700	-376,900	-339,608	37,292	
Cost of Employment	15,146,200	11,289,780	11,002,433	-287,347	
<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 £71,000 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) Rents derived from commercial estates are less than expected, by £66,000. This is mainly due to the Council's interest in the shopping centre which has seen a fall due to empty units and new lettings on less favourable terms. Recently, after approval from the Executive through the Commercial Property Investment Acquisition Fund, the Council has purchased more commercial properties to attempt to reduce the impact of lower interest rates on income received. The full benefit of the acquisitions and subsequent rental income will not be received until the 2014/15 financial year.
- (c) Housing benefits payments are currently £555,000 under the budget for the year. The forecast was revised earlier this year to reflect the changes 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.
- (d) Interest on investments is lower than budgeted for the year due to lower interest rates being achieved. This also reflect the Executive's decision to invest in commercial property as an alternative to treasury investments, in order to benefit from more favourable returns.
- (e) 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 9 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 31 Dec 13 £	Actual to 31 Dec 13 £	Variation £	
Project Integra	25,000	25,000	24,937	-63	
Community Safety Partnership	344,000	199,700	183,625	-16,075	
Fareham & Gosport CCTV Partnership	181,200	83,600	78,984	-4,616	
Portchester Crematorium Joint Committee	- 150,000	0	0	0	
Building Control Partnership	225,600	169,500	148,066	-21,434	
<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. Since the capital programme was approved earlier in the year, a number of new schemes have been added and some have been rephased over the 5 year capital programme.
8. The following table sets out the updated capital programme for 2013/14 and has been used as the basis for monitoring progress to 31 December 2013:-

	Approved Programme £	2012/13 Slippage £	New/ Rephased Schemes £	Updated Programme £
Public Protection	0	0	0	0
Streetscene	22,800	31,800	58,900	113,500
Leisure & Community	1,609,300	613,200	-804,700	1,417,800
Health & Housing	585,600	249,800	710,000	1,545,400
Strategic Planning & Environment	160,000	125,300	56,000	341,300
Policy & Resources	702,600	355,900	4,677,500	5,736,000
<b>Total General Fund</b>	<b>3,080,300</b>	<b>1,376,000</b>	<b>4,697,700</b>	<b>9,154,000</b>
Housing Revenue Account	5,333,100	384,400	-1,441,200	4,276,300
<b>Updated Capital Programme</b>	<b>8,413,400</b>	<b>1,760,400</b>	<b>3,256,500</b>	<b>13,430,300</b>

## MAJOR CAPITAL SCHEMES

9. The Council has a number of major capital schemes where expenditure is in excess of £200,000. These schemes, with forecast budget to 31 December 2013, are detailed in the following table:-

Capital Scheme	Budget 2013/14 £	Budget to 31 Dec 13 £	Actual to 31 Dec 13 £	Variation £	
Commercial Property Investment Acquisition	3,000,000	2,600,000	2,580,609	-19,391	
Collingwood House	1,719,400	400,000	376,115	-23,885	
Daedalus	1,385,000	30,000	29,795	-205	
HRA: Tenants Modernisation	950,000	862,000	1,022,378	160,378	
Purchase of Properties from HCA	800,000	0	0	0	
Vehicles and Plant	712,800	584,000	394,845	-189,115	
Disabled Facilities Grants	549,000	350,000	328,632	-21,368	
HRA: Replacement Windows and Doors	488,100	306,600	80,979	-225,621	
HRA: Central Heating and Boiler Replacement	485,400	317,800	99,407	-218,393	
ICT	264,100	118,500	106,865	-11,635	
HRA: Electrical Upgrading	243,400	171,800	148,774	-23,026	
Salterns Promenade	212,500	0	0	0	
Car Park Surface Improvements	206,200	93,350	20,205	-73,145	
	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				

10. The main variations in the major schemes where expenditure is over £200,000 are detailed below:-

- (a) In January 2013, the Executive agreed £3m to fund a commercial property investment acquisition programme. A further £5m was agreed by the Executive in November 2013. 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. The second purchase of a ground floor convenience store in Eastbourne completed on the 20 December 2013 at a purchase price of £825,000. A third purchase of a convenience store in Streatham is currently with solicitors to conclude.

- (b) 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. The old buildings have now been demolished and a new access road created to serve Gibraltar Close.
- (c) The Council's investment project at Daedalus is progressing as planned, with the delivery of an Innovation Centre at Daedalus on schedule for completion in March 2015. Airfield improvements and provision of new hangar space should also be completed in 2014/15, and the programme of work is being overseen by a Member Working Group, chaired by Cllr T Cartwright.
- (d) For the Tenants Modernisation scheme, a number of properties have received new kitchens and bathrooms due to age and condition. Although expenditure has exceeded budget, demand for modernisations has significantly declined therefore the current contract has been suspended.
- (e) Legal work is underway to purchase properties from the Homes and Communities Agency and architectural feasibility work is being undertaken.
- (f) Two refuse lorries, 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. An additional budget of £266,000 has been brought forward from the 2014/15 programme to purchase two more refuse vehicles in 2013/14.
- (g) £328,632 has been spent on Disabled Facilities Grants with 79 cases completed and a further 33 approved. There are 42 pending cases with an estimated value of £170,000.
- (h) Replacement doors are currently being installed to over 200 properties this year following a recent tender exercise. This timely work commenced in December 2013 and will conclude during March 2014.
- (i) 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.
- (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) Tenders have been received for the repairs to Salterns Promenade and works are expected to commence in April 2014 and should complete by mid-July. Hampshire County Council have been unable to progress their scheme to provide a cycleway, so we are looking at the possibility of obtaining funding from Sustrans to enable this to be delivered in combination with the promenade repairs. There is however a risk that the cycleway will not be delivered due to funding and legal considerations.

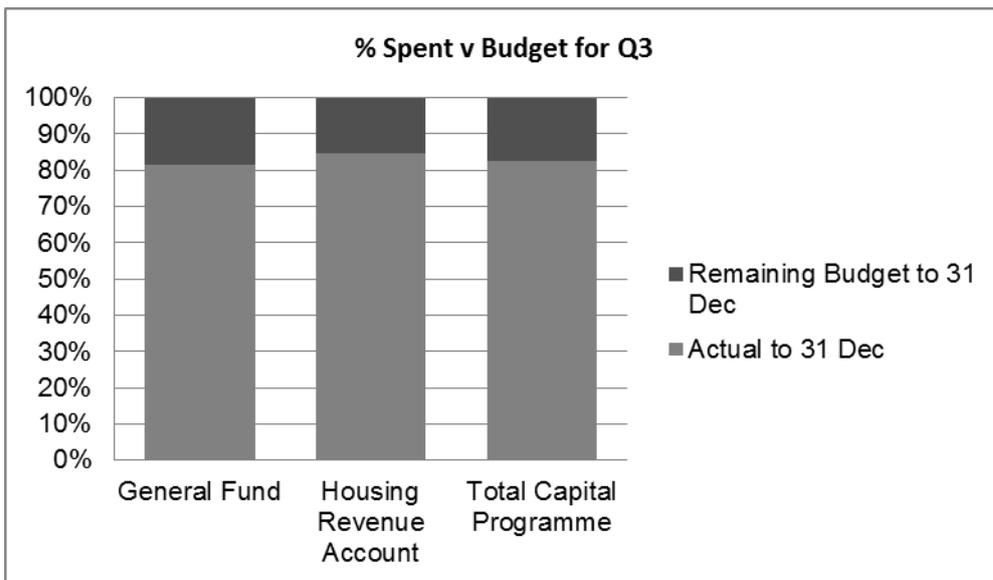
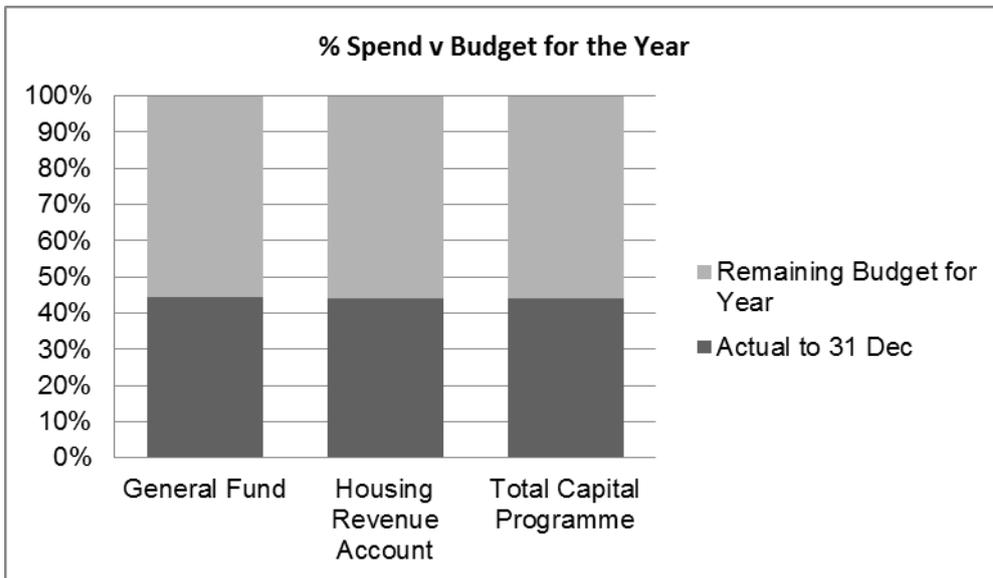
- (l) The electrical upgrades scheme is progressing in line with budget. A programme of periodic electrical inspections is continuing with urgent remedial works being undertaken as identified. Garden Court and Frosthole Close communal areas are programmed to receive a lighting renewal improvement which incorporates the upgrade of the emergency lighting to meet the current British Standard. The project is scheduled to commence in February 2014.
  
- (m) The planned car park improvement works for 2013/14 are part of an on-going programme of improvements to the town centre surface car parks, district car parks and leisure car parks and mainly involves resurfacing, line marking, trees and drainage works. A contract was awarded for this work and is progressing well with invoices due to be paid once snagging and final inspections have been completed. Work is still continuing through to March and it is envisaged that the expenditure will be on track at year end.

## CAPITAL MONITORING

11. The following table provides summary information for the third quarter to 31 December 2013, for the schemes within each portfolio.

	<b>Budget 2013/14 £</b>	<b>Budget to 31 Dec 13 £</b>	<b>Actual to 31 Dec 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>113,500</b>	<b>0</b>	<b>2,080</b>	<b>2,080</b>
<b>Leisure &amp; Community</b>	<b>1,417,800</b>	<b>714,450</b>	<b>315,830</b>	<b>-398,620</b>
- Buildings	570,800	312,100	52,261	-259,839
- Play & Parks	133,000	66,500	44,817	-21,683
- Outdoor Recreation	336,700	228,350	111,252	-117,098
- Grants to Community Groups	115,000	107,500	107,500	0
- Other Community Schemes	262,300	0	0	0
<b>Health &amp; Housing</b>	<b>1,545,400</b>	<b>611,400</b>	<b>396,860</b>	<b>-214,540</b>
- Home Improvement Loans	673,800	459,800	344,015	-115,785
- Enabling	871,600	151,600	52,845	-98,755
<b>Strategic Planning &amp; Environment</b>	<b>341,300</b>	<b>200,900</b>	<b>108,465</b>	<b>-92,435</b>
- Environmental Improvements	120,000	100,000	93,235	-6,765
- Car Parks	221,300	100,900	15,230	-85,670
<b>Policy &amp; Resources</b>	<b>5,736,000</b>	<b>3,438,700</b>	<b>3,226,155</b>	<b>-212,545</b>
- Fareham Town Centre	58,000	0	0	0
- Vehicles & Plant	712,800	584,000	394,845	-189,155
- ICT	264,100	118,500	106,865	-11,635
- Depot	76,900	49,200	48,938	-262
- Civic Offices	80,200	57,000	65,103	8,103
- Commercial Property Acquisition	3,000,000	2,600,000	2,580,609	-19,391
- Daedalus	1,530,000	30,000	29,795	-205
- Other Schemes	14,000	0	0	0
<b>Total General Fund</b>	<b>9,154,000</b>	<b>4,965,450</b>	<b>4,049,390</b>	<b>-916,060</b>
<b>Housing Revenue Account</b>				
- Improvement Work	1,293,400	1,083,800	1,178,815	95,015
- Energy Conservation	973,500	624,400	180,386	-444,014
- Environmental Work	80,000	70,700	97,664	26,964
- Capitalised Repairs/Renewals	190,000	42,540	50,584	8,044
- New Build	1,719,400	400,000	376,115	-23,885
- Other HRA Schemes	20,000	0	0	0
<b>Total Housing Revenue Account</b>	<b>4,276,300</b>	<b>2,221,440</b>	<b>1,883,564</b>	<b>-337,876</b>
<b>Total Capital Programme</b>	<b>13,430,300</b>	<b>7,186,890</b>	<b>5,932,954</b>	<b>-1,253,936</b>

12. The graphs below show the actual expenditure to 31 December 2013 as a percentage of the programme for the equivalent period and for the whole year. 83% of the capital programme has been spent compared to the profiled budget for the third quarter of the year. 44% has been spent compared to the budget for the year.



## RISK ASSESSMENT

13. Whilst it would be too early to draw very firm conclusions regarding the final revenue and capital budget position for 2013/14 after nine 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.
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 quarter of the financial year are unlikely to continue throughout the whole of the financial year.
15. 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.

16. 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 have been reflected in the Finance Strategy for 2014/15 that which was presented to the Executive at its meeting in October. The budget reflects the revised position that was reported to the Executive in December.
17. 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**

18. 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.
19. No particular actions are considered necessary at the present time. 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.