

FINANCIAL MONITORING REPORT (2018/19 PROVISIONAL OUTTURN)

1. INTRODUCTION

- 1.1 This report provides a provisional outturn on the 2018/19 budget following on from the previous monitoring report to Cabinet in December.

2. BACKGROUND

- 2.1 An important element of the Council's financial strategy includes a continuous review of activities and services in order to identify opportunities for savings in expenditure alongside opportunities to generate income. This has been successful in addressing the significant reductions in government funding, whilst at the same time maintaining key service levels. Budget monitoring reports form an important part of this process and support the ongoing development of the Medium Term Financial Plan (MTFP).
- 2.2 It is important that this report is reviewed in the context of the MTFP as it includes savings and incomes generated as a result of the Council's need to deliver a balanced budget going forward.

3. GENERAL FUND 2018/19 OUTTURN PROJECTION

- 3.1 A General Fund budget of **£17.243m** for 2018/19 was agreed by Council in February 2018. Net positive variations reported to Cabinet in September and December amounted to **£776k**. These net positive variations, along with rephasing from future years into 2018/19 of **£240k** resulted in a reduced budget requirement for 2018/19 of **£16.707m**.
- 3.2 This report identifies positive budget variations of **£1.418m** and new budget requirements of **£1.299m** (with £102k being funded from earmarked reserves). In addition, the report identifies budgets rephased to later years of **£814k** with the amount returned to reserves. **The latest General Fund estimated outturn for 2018/19 is now updated to £16.561m.** Tables 1 and 2 provide an overview of the variations and details of the material variations are provided in sections 3.6 to 3.8:

Table 1	Para.	Savings £'000	New Req. £'000	Rephasing £'000	Total £'000
Original Budget April 2018/19					17,243
Variations agreed in September	3.1	-577	102	606	131
Transfer from Reserves in September	3.1	0	0	-606	-606
Variations agreed in December	3.1	-351	50	240	-61
Transfer from Reserves in December	3.1	0	0	0	0
Updated Budget December 2018		-928	152	240	16,707
Portfolio / Committee Items	3.7	-1,392	890	-275	-777
AMG / Asset Replacement	3.8	-26	409	-491	-108
Business Development / Third Party	3.9	0	0	-48	-48
		-1,418	1,299	-814	15,774
Transfer from Reserves			-102		-102
Transfer to Reserves			75	814	889
Provisional Outturn 31-03-19					16,561

- 3.3 When the final yearend position is established, a review of the variations will be undertaken to determine which are on-going and not yet reflected in the 2019/20 budget or forward looking MTFP.
- 3.4 As there is a net positive variation being reported, a contribution of £75k has been allowed for to top up the Local Development Framework reserve, to account for expenditure anticipated during 2019/20.
- 3.5 Outside of the variations as included within paragraph 3.2 and table 1, the Council has successfully appealed against the rateable value on 5 of its car parks. A net refund of £720k will be returned to the Council from the NNDR appeals provision for the period covering 2010/11 - 2017/18. The further financial implications of the refund to 2018/19 and future years have been included within previous financial reporting. The refund will be placed into the capital programme reserve and will be used to support the delivery of the capital and maintenance programmes.
- 3.6 Table 2 confirms the Portfolio variations between expenditure and income. The significant individual variations are then listed in section 3.7:

Table 2	Expenditure Savings £'000	Additional Income £'000	New Requirements £'000	Income Shortfalls £'000
Finance, Corporate Services and Improvement	-213	-180	20	0
Environment & Regulation	-180	-24	38	60
Leisure & Wellbeing	-15	-100	30	35
Housing Services	-80	-103	45	0
Planning & Infrastructure	-140	-250	383	184
Local Economy, Property & Innovation	-20	-57	75	0
Community Affairs	-30	0	0	20
	-678	-714	591	299
		-1,392		890

3.7 SIGNIFICANT PORTFOLIO ITEMS

Savings Total; £1.392m

- £150k – Interest Earnings are forecast to exceed the budget by £150k (F,CS&I).
- £103 – Savings on central corporate budgets have accumulated to an anticipated total of £103k (F,CS&I)
- £90k – ICT software licence expenditure is forecast to be £90k under budget (F,CS&I).
- £90k – Savings have materialised across various operational budgets within Streetscene and Refuse and Recycling, totalling £90k (Env&Reg).
- £85k – additional income received (£35k) and expenditure savings have occurred within Transportation, resulting in an overall saving of £85k (P&I)
- £80k – Net expenditure on the provision of Private Sector Housing is lower than budgeted by £80k (Hsg)
- £55k – Various underspends within Policy and Plans have accumulated during 2018/19 to a total now reported of £55k (P&I)
- £50k – Additional turnover rent is expected from Hythe Marina relating to 2017/18 and 2018/19 (LE,P&I)

New Requirements Total; £890k (of which £102k funded from reserves)

- £164k – Planning Application Income is forecast to be down in 2018/19 against the total budget by £164k (P&I).
- £90k – Local Plan Expenditure in 2018/19, to be met from earmarked reserves, is forecast to total £90k in 2018/19 (P&I).
- £75k – The Cabinet previously approved a payment to the Centre for Social Innovation CIC of £75k in 2018/19, this is now included within this report to reflect this decision within the budget (LE,P&I)
- £60k – A shortfall in Cemeteries income of £60k is forecast in 2018/19 (Env&Reg).
- £50k – A net additional expenditure requirement of £50k is forecast within the Parking Service, reflecting additional maintenance and equipment expenditure, largely offset through an accrual due in the 2018/19 accounts for PCN charges (P&I).

Rephasings; £275k

- £160k – The project to reconfigure the layout and resurface Fordingbridge Car Park commenced during March, but will not complete until early in the new financial year (P & I).
- £115k – rephasing is necessary within the Coastal budgets with works now due to take place early in 2019/20 instead of in late 2018/19 (Env&Reg)

3.8 ASSET MAINTENANCE / REPLACEMENT

Savings; £26k

- £26k – Minor savings across schemes are expected to realise savings of £26k at the yearend.

New Requirements Total; £409k

- £249k – Expenditure has progressed during 2018/19 on the delivery of the ICT work programme, necessitating a budget uplift in 2018/19 of £249k (previously reported as rephasing from 2017/18 but not brought into the 2018/19 budget on earlier Financial Monitoring Reports) (F,CS&I).
- £100k – The capital programme includes the Smarter Working budget. £100k of revenue expenditure is forecast in 2018/19 on the delivery of Smarter Working programme, the budget is therefore to be moved from Capital to Revenue (Leaders / F,CS&I)
- £60k – The Cabinet previously approved additional expenditure in respect of the CCTV and Contact Centre office space reconfiguration; £60k of the approved £90k is expected to be spent in 2018/19, with the remainder falling due in 2019/20 (Comm)

Rephasings; £491k

- £491k – incomplete projects in need of rephasing to future years total £491k;
 - Environment – Public Toilet Replacement £298k
 - Environment – Foreshores £105k
 - Health & Leisure Centres £88k

3.9 BUSINESS DEVELOPMENT/THIRD PARTY GRANTS

Rephasings; £48k

- £48k - Community Grants of £48k need rephasing into 2019/20 (Marchwood Guides £20k and Sandleheath £28k)

4. CAPITAL EXPENDITURE (General Fund and Housing Revenue Account)

- 4.1 The Capital Programme agreed in February 2018 amounted to £26.225m. Net rephasings into 2019/20 reported in September and December amounted to **£1.095m** resulting in a revised capital budget of **£25.130m**.

- 4.2 This is now decreased to a revised capital budget of **£23.226m** to reflect net budget adjustments of **£664k** (£670k savings with £1.334m of new requirements) and net rephasings of schemes to future years of **£2.568m**, as outlined in tables 3 and 4:

Table 3	Savings £'000	New Req. £'000	Rephasing £'000	Total £'000
Original Budget April 2018/19				26,225
Previously Reported				
Public Sector Housing	0	0	749	749
Other Services (General Fund)	0	0	-1,844	-1,844
Updated Budget December 2018	0	0	-1,095	25,130
New Variations				
Public Sector Housing (HRA)	-370	970	-1,970	-1,370
Other Services (General Fund)	-300	364	-598	-534
Total New Variations	-670	1,334	-2,568	-1,904
Provisional Outturn 31 March 2019	-670	1,334	-3,663	23,226

Table 4	Savings £'000	New Req. £'000	Rephasing £'000
S106 Acquisitions - Crow Lane Phase 2			-1,200
Stocklands			-770
Other Acquisitions		970	
Property Extensions	-200		
Buyback Programme	-170		
Public Sector Housing (HRA)	-370	970	-1,970
Vehicle & Plant Replacement (expected within Q1 2019/20)			-342
Env - Coast protection			-336
Env - Milford on Sea			-20
Smarter Working - Accommodation			100
Disabled Facilities Grants		300	
ENV – Cemeteries Enhancements		64	
Social Housing Grant	-100		
Private Sector Renewal/Home Repairs	-100		
Smarter Working - ICT (to Revenue, not Capital)	-100		
Other Services (GF)	-300	364	-598

5. HOUSING REVENUE ACCOUNT (HRA)

- 5.1 A break-even HRA budget for 2018/19 was agreed in February 2018. The following table summarises the revised position, taking into account the previously reported and new variations (detailed in paragraphs 5.2 – 5.4):

Table 5	Original Budget	Previously Reported Variations	New Variations (Para. 5.2 - 5.5)
	£'000	£'000	£'000
Income	27,667	0	-70
		0	
Revenue Maintenance	4,144	-250	
Supervision & Management	5,391	-32	-100
Rents, Rates, Taxes & Other Charges	38	0	
Provision for Bad Debt	150	0	
Capital Financing Costs	8,528	0	
Contribution to Capital	9,416	-815	
	27,667	-1,097	-170

- 5.2 There are no particular material variations within the £170k now reported, but rather this figure represents an accumulation of smaller sums combined to reach this total.
- 5.3 In accordance with current policy any underspend in the Housing Revenue Account at the year-end, after ensuring the optimum use of capital and revenue resources available, will be transferred to the Acquisitions and Development Reserve, retaining the current Housing Revenue Account general reserve balance at c£1m.

6. CRIME AND DISORDER / EQUALITY AND DIVERSITY / ENVIRONMENTAL IMPLICATIONS

- 6.1 There are no Crime & Disorder, Equality & Diversity or Environmental implications arising directly from this report.

7. PORTFOLIO HOLDER COMMENTS

- 7.1 I am pleased overall that the Council continues to identify net favourable variations within its budgets. It would be easy to adversely comment on the level of project rephasing at this late stage, however I fully support the timing that best suits project delivery, rather than fitting in with fiscal boundaries.

8. RECOMMENDATIONS

- 8.1 It is recommended that Cabinet notes the latest budget forecasts of the General Fund (para 3.2), Capital (para 4.2) and HRA (para 5.1) for 2018/19.

For Further Information Please Contact:

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Background Papers:

Financial Monitoring Report 05-09-18
Financial Monitoring Report 05-12-18
Medium Term Financial Plan 06-02-19