

FINANCIAL MONITORING REPORT (based on Performance April to July 2019 inclusive)

1. RECOMMENDATIONS

- 1.1 It is recommended that Cabinet;
 - 1.1.1 notes the latest budget forecasts of the General Fund (para 4.2), Capital (para 5.1) and HRA (para 6.1);
 - 1.1.2 approves the additional budget request at para 6.2 in relation to the Housing Maintenance ICT System, Keystone; and
 - 1.1.3 recommends Council approve the £400k additional budget requirement at paragraph 5.2.

2. INTRODUCTION

- 2.1 This report provides an update on the 2019/20 General Fund, Capital and Housing Revenue Account budgets, adjusting for any initial budget changes required, including the addition of the rephased budgets from 2018/19.

3. BACKGROUND

- 3.1 The Council's financial strategy of a continuous review of activities and services to identify opportunities for savings in expenditure alongside opportunities to generate income 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).

4. GENERAL FUND REVISED PROJECTION

- 4.1 A General Fund budget of **£17.493m** for 2019/20 was agreed by Council in February 2019.
- 4.2 Forecast income shortfalls identified at this early stage total **£230k**. Rephasings into 2019/20 from 2018/19 total **£683k**, funded by earmarked reserves set up in 2018/19, Rephasings from 2019/20 into 2020/21 within ICT total £330k. These changes result in an updated General Fund budget of **£17.723m**. Table 1 provides an overview of the variations and full details are provided in sections 4.3 to 4.5.

Table 1	Para.	Savings £'000	New Req. £'000	Rephasing £'000	Total £'000
Original Budget April 2019					17,493
Portfolio Items	4.3	0	230	275	505
AMG / Asset Replacement	4.4	0	0	28	28
Business Development / Third Party	4.5	0	0	50	50
		0	230	353	18,076
Transfer from Reserves				-353	-353
Updated Budget July 2019					17,723

4.3 PORTFOLIO ITEMS

New Requirements (Income Shortfalls); £230k

- £100k – The annual Planning Fee income target of £911,000 is unlikely to be achieved. The Inspectors' letter setting out the main modifications to the Local Plan will be received in September and there will be further consultation on modifications over the autumn. This will give developers more certainty over allocated sites, however it is unlikely that applications on strategic sites will come forward immediately (P&I).
- £90k – Income generation to date across the Leisure Centres has been below target, with Ringwood and Totton showing the largest variations. This shortfall is being reported now as it is unlikely it will be recovered through the course of the financial year (L&W).
- £40k – We are continuing to see a fall in the number of Land Charge searches and do not anticipate any significant improvement until confidence in the economy improves. We are currently looking at a predicted underachievement in search income in the region of £40,000 and a clearer picture may emerge after October of this year; meanwhile we will continue to monitor the situation closely (P&I).

Rephasings; £275k

- £160k – Fordingbridge Car Park reconfiguration (P&I)
- £115k – Coast Protection (E&R)

4.4 ASSET MAINTENANCE & REPLACEMENT

Rephasings; £28k

Budgets rephased from 2018/19 and to be met from earmarked reserves are as follows:

	£ into 2019/20	£ out of 2019/20
South Wing Roof Repairs (F,I&CS)	16,000	
LTH Roof Repairs (F,I&CS)	28,000	
Motorised Doors as MLD (F,I&CS)	7,000	
CCTV Equipment (Comm)	29,000	
Health & Leisure Chemical Dosing System (L&W)	75,000	
Health & Leisure Kiosks (L&W)	34,000	
Health & Leisure Virtual System (L&W)	33,000	
Health & Leisure Other Minor Schemes (L&W)	31,000	
MoS Steps and H&S Improvements (E&R)	105,000	
ICT Strategy 2018-22 (F,I&CS) *		-330,000
	358,000	-330,000

* The anticipated timing of the delivery the 'ICT Strategy 2018-22' has been reviewed and results in net rephasing required of **£330,000** out of 2019/20 (F,I&CS).

4.5 BUSINESS DEVELOPMENT/THIRD PARTY GRANTS

Rephasings; £50k

Budgets rephased from 2018/19 and to be met from earmarked reserves are as follows:

- £50k - Community Grants (Comm)

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

- 5.1 The Capital Programme agreed in February amounted to **£27.919m**. This is now increased to a revised capital budget of **£30.244m** to reflect net rephasings of schemes from 2018/19 (**£1.660m**) and new requirements (**£665k**). Table 2 provides an overview of the variations and full details are provided in sections 5.2 and 5.3.

Table 2	Savings £'000	New Req. £'000 Para 5.2	Rephasing £'000 Para 5.3	Total £'000
Original Budget April 2019				27,919
Public Sector Housing (HRA)		400	1,588	1,988
Other Services (General Fund)		265	72	337
Updated Budget July 2019	0	665	1,660	30,244

5.2 New Requirements; £665k

- £615k – The better care fund allocation for disabled facilities adaptations for 2019/20 is £215k greater than the budget allowed for in February. In addition, based on current spending and enquiries, it is envisaged that additional adaptations could be made to the Council's Housing stock to the value of £400k in 2019/20 (HRA / E&R).
- £50k – the commercial investment panel agreed to allocate £50k of the Commercial Investment Strategy fund to finance works at Lymington Town Hall to enable a tenant to occupy vacant space located on the ground floor (F,I&CS).

5.3 Rephasings; £1.660m

Net capital schemes rephased from 2018/19 to 2019/20 totalled **£2.790** million;

	£'000	£'000
Public Sector Housing:		
· Section 106 Acquisitions	1,200	
· Acquisition Programme	239	
· Older Person Scheme Alterations	68	
· Compton & Sarum New Build	55	
· Stocklands	26	
		<hr/> 1,588
Environment:		
· Coast Protection Schemes	336	
· Public Convenience Programme	298	
· Milford on Sea	20	
		<hr/> 654
Finance & Efficiency:		
· Vehicle & Plant Acquisitions	316	
· ICT Smarter Working	50	

· Hardley Industrial Estate	49	
· Smarter Working Accommodation (19/20 to 18/19)	-131	
		284
Health & Leisure:		
· Eling Experience		91
Planning & Transportation:		
· Open Space Works	67	
· Transportation Works	106	
		173
		2,790
TOTAL REPHASINGS BETWEEN 2018/19 AND 2019/20		

Net capital budgets rephased from 2019/20 to future years total **£1.130** million (detailed below);

- £1.130m – A new National Waste and Resources Strategy was released in December 2018, with four public consultations following in February-May 2019. There is also a review of waste services underway across Hampshire, and at NFDC Full Council in July, the Portfolio Holder announced a review of local Waste Strategy. The outcome of these three areas of work is likely to have a significant impact on the size and composition of the NFDC refuse/recycling fleet, therefore a precautionary approach is being taken to ensure we do not purchase vehicles that will quickly become obsolete or surplus to requirements. (E&R)

6. HOUSING REVENUE ACCOUNT

- 6.1 A break-even HRA budget for 2019/20 was agreed in February 2019. A variation to the original staffing establishment budget was approved by Council in July. The additional part-year budgetary implications as included within that report are now being reflected in the revised 2019/20 HRA budget; this and an additional budget variation are included within table 3 and explained further in 6.2.

Table 3	Original Budget	New Variations
	£'000	£'000
Income	27,876	
Revenue Maintenance	4,052	
Supervision & Management	5,954	280
Rents, Rates, Taxes & Other Charges	39	
Provision for Bad Debt	150	
Capital Financing Costs	8,456	
Contribution to Capital	9,225	
	27,876	280

- 6.2 The part year cost of the Housing Maintenance review has been estimated at £190k for 2019/20. The Housing Maintenance ICT system, Keystone, requires updating and the

scope of the system extending at a one-off cost of £90k. The acquisition of additional modules will help to support areas of planned maintenance, compliance and risk management and ensure that the Council meets statutory obligations. The HRA ICT reserve will be used to fund this expenditure.

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

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

8. PORTFOLIO HOLDER COMMENTS

8.1 The report covers the first four months of this financial year and shows that, apart from a slight down turn in income and some rephasing of capital expenditure, we are broadly on track for the year. I note with pleasure that we are over delivering on the better care fund allocation for disabled facilities and that we have been able to allocate a further £400k to further increase the support to our residents.

8.2 The Council's finance continues to come under pressure due the allocation of central government funding however, through prudent management or reserves and a willingness to adopt modern and innovative ways of working, we continue to deliver on the frontline services for our residents.

For Further Information Please Contact:

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