

FINANCIAL MONITORING REPORT (based on Performance April to October 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); and
 - 1.1.2 approves the additional budget request at para 4.5 in relation to the new Finance System

2. INTRODUCTION

- 2.1 This report provides an update on the 2019/20 General Fund, Capital and Housing Revenue Account budgets, adjusting for any budget changes required, including the addition of any rephasing required to 2020/21.

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. Forecast income shortfalls and rephasings required from 2018/19 increased this budget requirement to **£17.723m** at Cabinet in September.
- 4.2 Budget variations of £402k are now being reported, along with project rephasings of £255k, whereby the funds will be returned to reserves for use in delivering the identified projects in future years. These changes result in an updated General Fund budget of **£18.125m**. 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 2019/20					17,493
Variations agreed in September	4.1	0	230	353	583
Transfer from Reserves in September	4.1	0	0	-353	-353
Updated Budget September 2019/20		0	230	0	17,723
Portfolio Items	4.3	-343	570	0	227
Asset Maintenance / Replacement	4.4	0	0	-200	-200
Business Development / Third Party		0	175	-55	120
		-343	745	-255	17,870
Transfer to Reserves				255	255
Updated Budget October 2019		-343	975	-255	18,125

4.3 PORTFOLIO ITEMS

Savings: £343k

- £150k – Vacancy savings within Revenues & Benefits and Corporate Admin have accrued as some posts have been held vacant whilst updates are awaited regarding universal credit, and savings have occurred as a result of timing differences between leavers and new starters (F,CS&I)
- £100k – income is up (£60k) and expenditure down (£40k) in the Highways Agency Services Team, resulting in a variation against the 2019/20 budget (P&I)
- £68k – additional net income generation as a result of a commercial property purchase (F,CS&I)
- £25k – Savings in Streetscene, namely as a result of timing differences between leavers and new starters (Env&Reg)

New Requirements; £570k

- £140k – Employee expenditure at the Health & Leisure centres is exceeding the original budget and is forecast to be over by £140k at the end of the financial year. As a contributing factor, the original budget included some employee savings as expected from the operational review, which haven't come into fruition in line with the originally anticipated timescales (L&W)
- £110k – Income generation to date across the Leisure Centres has been below target, with Applemore, Ringwood and Totton showing the largest variations. The sum now being reported is in addition to the £90k previously reported, and includes the position to the end of October (L&W)
- £120k – A further income shortfall is projected in planning over a combination of standard and pre-app fees. The total cumulative shortfall in this area is now £220k for 2019/20 as against the original budgeted position of £911k (P&I)
- £103k – Based on the £ / tonne for Q1 and Q2 and a reduction in tonnage collected, there is an expected income shortfall of £153k in recycling income. This is partially offset by an additional £50k expected from Garden Waste collections (Env&Reg)

- £45k – Planned savings expected from a merger of the CCTV&Careline team with the Customer Services team will not be delivered in 2019/20. Alternative plans to deliver equivalent savings are being worked on (Comm)
- £30k – In addition to the £40k shortfall as included in the September monitoring report, we are continuing to see a fall in the number of Land Charge searches as the housing market remains fairly stagnant. We do not anticipate any significant improvement until confidence in the economy improves (P&I)
- £22k – Following the publication of the draft national waste strategy and the development of the New Forest waste strategy, through a task and finish group, we have arranged for early 2020, to consult with residents on the headline issues and have identified an external provider to carry out this function (Env&Reg)

4.4 ASSET MAINTENANCE & REPLACEMENT

Rephasings; £200k

- £172k – A review of the Asset Maintenance programme at the Health & Leisure centres has resulted in the project to replace the carpet of the synthetic turf pitch at Lymington being rephased (L&W)
- £28k – DDA works to ATC will be completed in 2020/21 when the majority of planned accommodation changes taking effect in the East and South wings will have been completed (F,CS&I)

4.5 BUSINESS DEVELOPMENT/THIRD PARTY GRANTS

New Requirements; £175k

- £120k – An estimated additional £120k will be required to complete the implementation of the new finance system, due to go live in April 2020. (F,CS&I)
- £30k – Changes in the way in which Chip and Pin payments are processed in relation to the Council's new infrastructure and cloud based hosting of servers will result in one-off costs of £30k above what was originally budgeted for within the infrastructure project (F,CS&I)
- £25k – A community grant was awarded to Mencap during 2019/20. The grant request was originally submitted to the grants panel, but the project at that stage was not at the point that the panel could award (Comm)

Rephasings; £55k

- £55k – A review of the timings on the delivery of the ICT strategy has been carried out and results in rephasings required to future years of £55k (F,CS&I)

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

- 5.1 The Capital Programme agreed in February amounted to **£27.919m**. Increases to projects and rephasings required from 2018/19 increased this budget requirement to **£30.244m** at Cabinet in September.
- 5.2 This is now increased to a revised capital budget of **£34.810m** to reflect net rephasings

of schemes from 2019/20 to future years (**£270k**) and new requirements (**£4.836m**). Table 2 provides an overview of the variations and full details are provided in sections 5.3 and 5.4.

Table 2	Savings £'000	New Req. £'000	Rephasing £'000	Total £'000
Original Budget April 2019/20				27,919
Previously Reported				
Public Sector Housing (HRA)	0	400	1,588	1,988
Other Services (General Fund)	0	265	72	337
Updated Budget September 2019	0	665	1,660	30,244
New Variations				
Public Sector Housing (HRA)	0	0	0	0
Other Services (General Fund)	-46	4,882	-270	4,566
Total New Variations	-46	4,882	-270	4,566
Updated Budget November 2019	-46	5,547	1,390	34,810

5.3 Savings; £46k

- £46k – following the Housing Maintenance Operational Review, 3 vehicle replacements have been identified as being no longer required (F,CS&I / HOU)

New Requirements; £4.882m

- £2.26m – The Commercial Property Investment Panel agreed the use of £2.26m from the Commercial Property Fund to cover the acquisition of a car park at the Ampress business park in Lymington, currently on a long-lease by the NHS for use as staff parking (F,CS&I)
- £2.15m – The Commercial Property Investment Panel agreed the use of £2.15m from the Commercial Property Fund to cover the acquisition of land at Beaumont Park Ringwood for the purposes of development into an industrial park (F,CS&I)
- £400k – The Commercial Property Investment Panel agreed the use of £400k from the Commercial Property Fund to cover the works required at Lymington Town Hall to convert the South wing of the building into lettable accommodation (F,CS&I)
- £72k – The preapproved budget to convert or acquire land for cemeteries has been further utilised in 2019/20 on opening the Calshot Cemetery (Env&Reg)

5.4 Rephasings; £270k

- £270k – The O365 programme has been reviewed and an element of the budget (including the telephony) will require rephasing to 2020/21 (F,CS&I)

6. HOUSING REVENUE ACCOUNT

- 6.1 A break-even HRA budget for 2019/20 was agreed in February 2019. Previously reported and new variations of £280k and a net -£50k respectively are included within table 3, with the new variations explained further in para 6.2.

Table 3	Original Budget	Previously Reported Variations	New Variations (Para. 6.2)
	£'000	£'000	£'000
Income	27,876	0	-250
Revenue Maintenance	4,052	0	200
Supervision & Management	5,954	280	
Rents, Rates, Taxes & Other Charges	39	0	
Provision for Bad Debt	150	0	
Capital Financing Costs	8,456	0	
Contribution to Capital	9,225	0	
	27,876	280	-50

- 6.2 Rents income will be ahead of the original budget by £250k as new and additional properties have been delivered and so increased rents are collected.

An additional £300k has been incurred on the turnaround of void properties. This increased expenditure and an additional £200k in reactive maintenance are largely offset by a reduction in cyclical maintenance of £300k.

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 details the variations since the last update in September. A reduction in some areas of income and additional expenditure has, in part, been offset through savings giving rise to an overall satisfactory position at just past the halfway point in the current financial year.

For Further Information Please Contact:

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