

FINANCIAL MONITORING REPORT (based on Performance April to July 2021 inclusive)

1. RECOMMENDATIONS

1.1 It is recommended that Cabinet;

1.1.1 notes the latest budget forecasts of the General Fund (section 4) and Capital (section 5); and

1.1.2 recommends that Council approves additional budget provision of £300,000 for Housing Void works and notes the latest budget forecast, including £180,000 shortfall in rental income within the Housing Revenue Account (section 6)

2. INTRODUCTION

2.1 Following the approval of the Original Budget for 2021/22 in February 2021, this report provides an update on the General Fund, Capital and Housing Revenue Account budgets, adjusting for any budget changes now required.

3. BACKGROUND

3.1 Financial Monitoring is an important feature in the management of the Council's finances as it gives an opportunity to reflect on variations as against the latest set budget and reflect on the impact that these variations may have over the period covered by the Council's Medium Term Financial Plan.

4. GENERAL FUND REVISED PROJECTION

4.1 A General Fund budget of **£19.291 million** for 2021/22 was agreed by Council in February 2021.

4.2 The original budget for Finance, Investment and Corporate Services included £360,000 set aside for expenditure specifically related to COVID. An initial virement of £200,000 is now being made to other Portfolios to cover predicted spend relating to Homelessness, Public Conveniences and Waste Management.

- 4.3 Provision was included within the original 2021/22 budget for pay award at the lower end of the pay scale. The main feeling at the time of setting the budget at that time was one of local government needing to share the burden when it came to recovering the national debt incurred as a result of the pandemic and so a sweeping pay award across the pay scale looked unlikely. Negotiations have since been ongoing between the trade unions and the National Joint Council, with the latest employer side offer being a pay award of 1.5% for senior pay, 1.75% for officer pay, and a 2.75% increase to be reflected on the lowest pay point. The cost of this award is c£410,000 to the General Fund, with £110,000 already budgeted, and although at the time of writing, it has not been formally accepted by the union, it represents the lowest offer that is now likely to be applied, and so it is reasonable to build the additional cost into the revised budget for 2021/22.
- 4.4 The Health and Leisure Centre budgets have been rebased to take account of the in-house financial position to the end of June and the transfer of operations to Freedom Leisure from 1 July. No adjustment has been made to the net overall position for 2021/22 as the level of Management Fee payable to Freedom until 31 March will depend on centres' performance in accordance with the transitional year open book arrangements, but, as demonstrated within the following table, gross income and expenditure budgets have been amended by £3.488 million to reflect the new arrangements:

REVISED HEALTH & LEISURE BUDGET 2021/22			
	Orig. Budget £'000's	Revised Estimate £'000's	Variation £'000's
Employees	4,760	1,760	-3,000
Premises	1,953	748	-1,205
Supplies & Services	1,002	1,718	716
Transport	1	2	1
Capital Financing	10	10	0
Support Services	364	364	0
Total Expenditure	8,090	4,602	-3,488
Income	-5,206	-1,718	3,488
Net Expenditure	2,885	2,885	0

- 4.5 Rephrasing of projects totalling £447,000 (General Fund impact of £412,000, HRA £35,000) has occurred from 2020/21, principally relating to the ICT Work Programme £170,000, Appletree Court Power Supply £100,000, Car Park Maintenance £75,000 and Community Grants £62,000.
- 4.6 Excluding the Health and Leisure Centre budget adjustments, net new expenditure requirements are £44,000 (+£300,000 pay award, less £256,000 of other favourable variations) and forecast net income shortfalls are £51,000, resulting in an updated General Fund Budget of **£19.386 million**; an increase of £95,000 from the original estimate.

- 4.7 The revised General Fund Budget 2021/22 can be seen at Appendix 1, with further details on the variations being reported included within Appendix 2.

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

- 5.1 A Capital Programme budget of **£36.197 million** for 2021/22 was agreed by Council in February 2021.
- 5.2 The latest forecast confirms variations totalling £2.630 million and net rephasings into 2021/22 of £488,000. The main variations are summarised below:

Variations

- Health & Leisure Centres (£2.4 million) – provision of capital finance for the centre enhancement programme, to be funded from Freedom Leisure contract income (over and above the management fee) over 10 years from year 2 of the contract (in line with contractual position as presented to the Council in February '21).
- Coast Protection Regional Monitoring funded by Government Grant (£408,000)
- Public Conveniences (-£195,000) – Review of the Lymington Quay scheme

Rephasings

- Coast Protection Regional Monitoring Programme (£100,000)
 - Other Coast Protection Works rephased from 20/21 (£90,000)
 - Coast Protection – Westover Phase 2 scheme rephased to 22/23 (-£275,000)
 - Vehicles & Plant Replacement Programme (£573,000).
- 5.3 The changes as above result in an updated Capital Programme Budget of **£39.315 million** (Appendix 3).
- 5.4 Elsewhere on this Cabinet agenda is a report recommending the development of the employment land at Crow Lane. The decision resolution from that report will be picked in a future Financial Monitoring report and Medium Term Financial Plan.

6. HOUSING REVENUE ACCOUNT

- 6.1 A break-even HRA budget for 2021/22 was agreed in February 2021, with a Revenue Account operating surplus of £9.120 million supporting the financing of the £20.250 million HRA Capital Programme.
- 6.2 During the first lockdown, the Council ceased turning around empty properties to focus entirely on the continuation of providing essential services. This created a backlog of empty properties and, following the recommencement of works, the Council sourced a contractor to support the inhouse team in turning around empty properties again. While progress was made during 20/21 it has been necessary to continue with this arrangement in this financial year, at an estimated cost of £300,000. While efforts will be made to offset these additional costs additional budget provision of £300,000 is requested at this stage. This has been essential to bring properties back into occupation to provide homes for families and individuals on the Homeseach Register, and to minimise the loss of rental income, which is currently estimated to be £180,000 greater than the original budget provision.

- 6.3 Paragraph 4.3 identifies the latest position regarding the National Pay Award. The cost of this to the HRA would be c £90,000. This is shown in Appendix 4 within the Supervision and Management heading but will actually be spread between management and maintenance budgets.
- 6.4 Approximately £35,000 of the rephasing from 20/21 (Para 4.5) is chargeable to the Housing Revenue Account.

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 There is always the risk that the Portfolio Holder comments can simply repeat the statements made within the report. To avoid this I will simply say that at this point, one third of the way through the financial year, we have not surprisingly made a few relatively minor adjustments to address changes in circumstances however the Council remains in a strong financial position.

For Further Information Please Contact:

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FINANCIAL MONITORING 2021/22

REVISED GENERAL FUND BUDGET 2021/22

	Feb 21 2021/22 £'000's Original Budget	Sept'21				2021/22 £'000's Updated Budget
		2021/22	2021/22	2021/22	2021/22	
		£'000's	£'000's	£'000's	£'000's	
		COVID Adjustment	New Variations Expend.	New Variations Income	New Variations Rephasings	
PORTFOLIO REQUIREMENTS						
Business, Tourism and High Streets	296		0	0	0	296
Environment and Coastal Services	3,588	20	-38	0	83	3,653
Finance, Investment and Corporate Services	2,722	-200	195	-49	270	2,938
Housing and Homelessness Services	1,791	120	0	0	7	1,918
Leader	435		0	0	0	435
Partnering and Wellbeing	5,045		-3,488	3,588	16	5,161
People and Places	3,573	60	-142	0	71	3,562
Planning, Regeneration and Infrastructure	2,512		29	0	0	2,541
	19,962	0	-3,444	3,539	447	20,504
Reversal of Depreciation	-1,526					-1,526
Contribution (from) / to Earmarked Revenue Reserves	-815				-447	-1,262
Contribution to Revenue Reserves	1,250					1,250
NET PORTFOLIO REQUIREMENTS	18,871	0	-3,444	3,539	0	18,966
Minimum Revenue Provision	1,265					1,265
Interest Earnings (Net)	-569					-569
New Homes Bonus	-276					-276
GENERAL FUND NET BUDGET REQUIREMENTS	19,291	0	-3,444	3,539	0	19,386
COUNCIL TAX CALCULATION						
Budget Requirement	19,291	0	-3,444	3,539	0	19,386
Less:						0
Settlement Funding Assessment						0
Lower Tier Service Grant	-170					-170
Council Tax Reduction Support Grant	-209					-209
Business Rates Baseline	-3,997					-3,997
	-4,376	0	0	0	0	-4,376
Locally Retained Business Rates	-2,134					-2,134
Use of (-) Budget Equalisation & Variation Reserves	-138			-95		-233
Estimated Collection Fund (Surplus)/Deficit Business Rates	424					424
Estimated Collection Fund (Surplus)/Deficit Council Tax	94					94
Irrecoverable Tax Loss Grant	-44					-44
Use of General Budget Reserve	0					0
COUNCIL TAX	13,117	0	-3,444	3,444	0	13,117
TAX BASE NUMBER OF PROPERTIES	71,538.70					71,538.70
COUNCIL TAX PER BAND D PROPERTY	183.36					183.36
GENERAL FUND BALANCE 31 MARCH	3,000					3,000

FINANCIAL MONITORING 2021/22
 VARIATION ANALYSIS GENERAL FUND 2021/22

PORTFOLIO ADJUSTMENTS

Business, Tourism and High Streets

Environment and Coastal Services

Keyhaven - Chain maintenance works done in 20/21
 Parking - Maintenance budget re Lymington Quay scheme
 Parking - Enforcement - Structure Review
 Recycling - Rephasing re 20/21 Textiles income
 Refuse and Recycling - Virement for Driver pay review
 Refuse and Recycling - Allocation of COVID expenditure budget

Finance, Investment and Corporate Services

Refuse/Recycling and Street Scene - Virement for Driver pay review
 ATC Power Supply
 ICT Work Programme
 21/2 Pay Award @1.75%
 Allocation of COVID related expenditure budget
 Test and Trace Support New Burdens Admin Grant

Housing and Homelessness Services

Stillwater Park - Maintenance
 Homelessness - Allocation of COVID expenditure budget

Leader

	2021/22 £'000's	2021/22 £'000's	Sept'21 2021/22 £'000's	2021/22 £'000's	2021/22 £'000's
	COVID Adjustment	New Variations Expend.	New Variations Income	New Variations Rephasings	Updated Budget
	0	0	0	0	0
		-15			
		-50		75	
		-37			
				8	
		64			
	20				
	20	-38	0	83	65
		-70			
				100	
		-35		170	
		300			
	-200				
			-49		
	-200	195	-49	270	216
				7	
	120				
	120	0	0	7	127
	0	0	0	0	0

FINANCIAL MONITORING 2021/22

VARIATION ANALYSIS GENERAL FUND 2021/22

PORTFOLIO ADJUSTMENTS

Partnering and Wellbeing

Pest Control - Fees and Charges income shortfall

Community Alarms - Lifeline rental income shortfall

Air Pollution Grant

Health & Leisure Centres

People and Places

Cemeteries - Rephasing from 20/21 re vehicle purchase

Public Conveniences - Remove Asset Maintenance demolition budgets

Public Conveniences - Business Rates

Public Conveniences - Allocation of COVID expenditure budget

Street Scene - Virement for Driver pay review

Community Grants - Rephasing

Planning, Regeneration and Infrastructure

Planning Appeal costs

TOTAL PORTFOLIO ADJUSTMENTS

NON-PORTFOLIO ADJUSTMENTS

Contribution to/from(-) Earmarked Reserves - Rephased Projects

TOTAL NON-PORTFOLIO ADJUSTMENTS

GRAND TOTAL ADJUSTMENTS (Credited to (-) / Debited from (+) Budget Reserves)

	2021/22	2021/22	Sept'21	2021/22	2021/22
	£'000's	£'000's	£'000's	£'000's	£'000's
COVID	New	New	New	New	Updated
Adjustment	Variations	Variations	Variations	Variations	Budget
	Expend.	Income	Rephasings		
			50		
			50		
				16	
	-3488	3488			
	0	-3488	3588	16	116
				9	
		-60			
		-88			
	60				
		6			
				62	
	60	-142	0	71	-71
		29			
	0	29	0	0	29
TOTAL PORTFOLIO ADJUSTMENTS	0	-3444	3539	447	482
				-447	
TOTAL NON-PORTFOLIO ADJUSTMENTS	0	0	0	-447	-447
GRAND TOTAL ADJUSTMENTS (Credited to (-) / Debited from (+) Budget Reserves)	0	-3444	3539	0	95

FINANCIAL MONITORING 2021/22

REVISED CAPITAL PROGRAMME 2021/22

		Feb 21 2021/22 £'000 Original Budget	2021/22 £'000's New Variations Expend.	Sept 21 2021/22 £'000's New Variations Rephasing	2021/22 £'000 Updated Budget
Disabled Facilities Grants	HSG (GF)	1,200,000			1,200,000
South East Regional Coastal Monitoring Prog (22-27)	ENV & COAST	2,300,000	-182,000		2,118,000
South East Regional Coastal Monitoring Prog (18-21)	ENV & COAST		299,000	100,000	399,000
South East Regional Coastal Monitoring Prog (12-17)	ENV & COAST		291,000		291,000
Barton Drainage Test (19-21)	ENV & COAST	125,000		75,000	200,000
Westover Phase 2 Scheme Development	ENV & COAST	275,000		-275,000	
Emergency Works - Milford Sea Wall	ENV & COAST			15,000	15,000
Public Convenience Modernisation Programme	PEOPLE & PL	300,000	-270,000		30,000
Public Convenience Additional Enhancements	PEOPLE & PL	75,000	-75,000		
Public Convenience Refurbishment Scheme - Lym Quay	PEOPLE & PL		150,000		150,000
Health & Leisure Centres	PART & WELL		2,400,000		2,400,000
New Depot Site: Hardley	F,I & CS	2,000,000			2,000,000
New Depot Site: West	F,I & CS	100,000			100,000
V&P; Replacement Programme	F,I & CS	3,462,000	17,000	573,000	4,052,000
Smarter Working; Future Delivery	F,I & CS	250,000			250,000
Economic Sustainability & Regeneration Projects - Crow Lane Ringwood (provisional sum)	F,I & CS	5,000,000			5,000,000
Open Space Schemes	P, R & I	265,000			265,000
Transport Schemes	P, R & I				
Mitigation Schemes	P, R & I	595,000			595,000
TOTAL GENERAL FUND CAPITAL PROGRAMME		15,947,000	2,630,000	488,000	19,065,000
HRA - Major Repairs	HRA	6,050,000			6,050,000
Estate Improvements	HRA	200,000			200,000
Development Strategy	HRA	13,000,000			13,000,000
Disabled Facilities Grants	HRA	1,000,000			1,000,000
TOTAL HRA CAPITAL PROGRAMME		20,250,000			20,250,000
GRAND TOTAL CAPITAL PROGRAMME		36,197,000	2,630,000	488,000	39,315,000

FINANCIAL MONITORING 2021/22

REVISED HOUSING REVENUE ACCOUNT BUDGET
2021/22

	Feb 21	Sept 21	
	2021/22	2021/22	2021/22
	£'000	£'000	£'000
	Original	New	Updated
	Budget	Variations	Budget
INCOME			
Dwelling Rents	-27,276	180	-27,096
Non Dwelling Rents	-713		-713
Charges for Services & Facilities	-730		-730
Contributions towards Expenditure	-64		-64
Interest Receivable	-15		-15
Sales Administration Recharge	-33		-33
Shared Amenities Contribution	-242		-242
TOTAL INCOME	-29,073	180	-28,893
EXPENDITURE			
Repairs & Maintenance			
Cyclical Maintenance	1,346		1,346
Reactive Maintenance	3,418	300	3,718
Supervision & Management			
General Management	5,546	125	5,671
Special Services	1,290		1,290
Homeless Assistance	76		76
Rents, Rates, Taxes and Other Charges	77		77
Provision for Bad Debt	150		150
Capital Financing Costs - Settlement Adjustment	8,400		8,400
Capital Financing Costs - Internal Borrowing			
TOTAL EXPENDITURE	20,303	425	20,728
HRA OPERATING SURPLUS(-)	-8,770	605	-8,165
Contribution to Capital - supporting Housing Strategy	9,120		9,120
HRA Total Annual Surplus(-) / Deficit	350	605	955
Use of HRA Reserve for Major Projects	-350		-350
HRA TOTAL ANNUAL SURPLUS(-) / DEFICIT	0	605	605