

FINANCIAL MONITORING REPORT (based on Performance April to September 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), Capital (section 5) and Housing Revenue Account (section 6);
 - 1.1.2 approves the Communications Service review (paragraph 7.1), resulting in full year additional costs of approximately £50,000; and
 - 1.1.3 approves the additional resources required in relation to Asbestos Management (paragraph 7.2), resulting in full year additional costs of approximately £80,000 (with costs to be split between the HRA and General Fund accordingly)

2. INTRODUCTION

- 2.1 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 **£19.291m** for 2021/22 was agreed by Council in February 2021.
- 4.2 Net additional budget requirements of £95,000 were reported to Cabinet in September, increasing the total budget requirement to **£19.386m**.
- 4.3 Excluding rephasing items, total net new expenditure requirements identified in this report are £287,000 and reported net income increases are £332,000, resulting in an updated General Fund Budget of **£19.341m**; a reduction of £45,000 from September Cabinet and an overall increase of £50,000 from the original estimate.
- 4.4 The revised General Fund Budget 2021/22 can be seen at Appendix 1, with further details on the material variations being reported in paragraphs 4.5 – 4.9, and all variations included within Appendix 2.

- 4.5 **COVID Expenditure Adjustments** - The original budget for Finance, Investment and Corporate Services included £360,000 for expenditure specifically related to COVID. In September an initial virement of £200,000 was made to other Portfolios to cover predicted spend relating to Homelessness, Public Conveniences and Waste Collection. This report identifies additional virements of £70,000 for COVID related income losses from voids on the Housing Private Sector Leasing scheme and £17,000 additional vehicle insurance costs within Waste Collection.
- 4.6 **Refuse & Recycling** – Suspension of the Garden Waste service will result in an estimated reduction in budgeted income of £194,000. In addition, across the service increased fuel costs of £30,000, additional communications costs of £10,000 and additional staffing costs of £80,000 due to sickness and overtime result in total estimated additional costs of the service of £284,000.
- These cost pressures have however been completely offset by £150,000 anticipated additional income from recycling (increased tonnages), a £119,000 reduction in vehicle costs due to rephasing of purchases and lower insurance premium increases than estimated and a senior management review (impacting mainly Streetscene, Cemeteries and Open Spaces) resulting in savings of £45,000 per annum.
- 4.7 **Coast Protection** - Rephasing of budget of £65,000 from 2022/23 is required, relating to groyne repair works of £90,000 at Milford. The remaining additional cost to 2021/22 is offset by additional foreshores income.
- 4.8 **Homelessness** – The Council has received additional Government Grant of £262,000, to be used to fund additional expenditure on prevention of Rough Sleeping and other Emergency Accommodation/Support schemes. This has largely been allocated this year but some commitments will continue into next financial year, so £70,000 of the funding will be allocated to an earmarked reserve. In addition, general pressures continue on the bed and breakfast budget, resulting in net additional expenditure of £70,000.
- 4.9 **Planning Policy** – Budgetary provision of £59,000 has been made for a legislative Air Quality Monitoring survey which will be funded from future external contributions from developers.

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 Principally due to the inclusion of £2.4 million for projects at Health and Leisure Centres and rephasing of schemes totalling £488,000, September Cabinet approved an updated programme of **£39.315 million**.
- 5.3 The latest forecast confirms variations totalling £1.3 million and rephasings of £3.807 million into later years, as against the revised budgeted position. The main variations are summarised below:

Variations

- Economic Sustainability and Regeneration Project (£1.3m) – The purchase of a

new unit providing additional employment opportunities and supporting the local economy has been completed in Totton.

Rephasings

- Vehicles & Plant Replacement Programme (-£907,000). Rephasing due to COVID related delays on production lines and supplies.
- Crow Lane Ringwood (-£1m). The Council has been working on the delivery timeline with the appointed contractor with the budget being set across 21/22 and 22/23 accordingly.
- Hardley Depot Site (-£1.9m). Progress stalled whilst ongoing work was ongoing on the new national waste strategy and a wider strategic piece on the Council's overall depot estate was completed.

5.4 The changes, as above, result in an updated Capital Programme Budget of **£36.808 million** (Appendix 3).

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. Budget adjustments totalling £605,000 were included on the First monitoring report, reported to the Cabinet in September.

6.2 Work is required on a number of the Council's housing blocks as a result of actions emanating from Fire Risk Assessments. A specific project team has been set up to assess and commission the necessary works. Anticipated costs are not yet known but they are expected to be additional to the original budget provision set aside for works on this nature. At this stage, efforts are being made to fund as much as possible by managing all maintenance and other HRA budgets.

6.3 Asbestos Surveys are taking place on HRA (and General Fund) properties, as recently reported within the 'Control of Asbestos Policy and Control of Contractors Policy'. The costs to the HRA are estimated to be £45,000 in 2021/22. These costs do not account for any potential removal of asbestos and should this be required, the costs will be dealt with as part of the remedial work, once identified.

6.4 Any additional budgetary requirements in relation to paragraphs 6.3 and 6.4 will be included on future Financial Monitoring reports and would ultimately be funded from Housing Reserves.

7. REVIEWS UNDERTAKEN TO FEED INTO FINANCIAL MONITORING AND THE BUDGET

7.1 **Communications** – A review has been carried out of the Communications Service. This review identified that to fully support the Council's objectives and corporate priorities additional staff resources costing £14,000 this year and £50,000 per annum once fully implemented, are required. These additional resources will be added to the Council's Medium Term Financial Plan and will enable the team to:

- fully explore and utilise opportunities to strengthen proactive community engagement, and gain insight

- enable communications work in support of key projects
- move from reactive to proactive
- give resilience
- manage reputational risk
- contribute to aims, create savings, and efficiencies
- strengthen internal and external communications
- meet our legal obligations
- mirror best practice and resourcing structures
- contribute to the desired outcomes of task and finish groups
- set and meet KPIs
- prioritise work tasks based on whole-team planning

7.2 **Asbestos Management** – Having recently adopted a new Control of Asbestos Policy, 2 new posts need to be introduced to the Council’s staffing establishment to ensure the Council’s obligations relating to Asbestos are met.

The ‘Corporate Asbestos Manager’ will be the Council’s “Responsible Person” under Control of Asbestos Regulations 2012 and will manage and oversee the Council’s approach to dealing with asbestos.

The manager will be supported by a new administrative resource who will be responsible for co-ordinating the asbestos activities and keeping asbestos records up to date.

The combined cost of the 2 posts is approximately £80,000 in a full year, with the majority (circa 75%) of this cost falling on the HRA.

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

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

9. PORTFOLIO HOLDER COMMENTS

9.1 As we enter the third quarter of the 2021/22 financial year it is pleasing to see that the net movement within the General Fund shows a forecast outturn within one quarter of one percent of the original budget.

9.2 Changes reported in September showed an increase in forecast expenditure within the Capital programme, but movements within this latest report has brought this back more in line with the original budget. Whilst the Housing Revenue account remains broadly in line with the expenditure set in February I am aware that there are proposals that may well cause a rise in in year expenditure however this can be accommodated within the account.

9.3 Overall the Council remains in a sound financial position.

For Further Information Please Contact:

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