

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

1. RECOMMENDATIONS

- 1.1 It is recommended that Cabinet notes the latest budget forecasts of the General Fund (section 4), Capital (section 5) and Housing Revenue Account (section 6);

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. Budget Equalisation Reserves of £138,000 were required to balance the original 2021/22 budget
- 4.2 Net additional budget requirements of £95,000 were reported to Cabinet in September and net budget savings of £45,000 reported to Cabinet in November, increasing the total budget requirement to **£19.341m**.
- 4.3 Excluding rephasing items (as these are placed in earmarked reserves in any case), total net new expenditure budget requirements identified in this report are £24,000 and reported net income increases are £228,000, resulting in an updated General Fund Budget of **£19.130m**; a reduction of £211,000 from the November report and an overall reduction of £161,000 from the original estimate. The variations as now reported result in a minor contribution (£23,000) to reserves instead of the need to use £138,000 as originally planned.
- 4.4 The revised General Fund Budget 2021/22 can be seen at Appendix 1, with further details on the ongoing (required to be reflected upon in the proposed 22/23 budget) and material variations being reported in paragraphs 4.5 – 4.13. All variations (including non-material and one-off) are included within Appendix 2. Inevitably there will be further variations reported at outturn as we move into the final period of the financial year. Information on the ICT Work Programme rephasing required from 2021/22 to 2022/23 (£394k split between GF and HRA) is included at paragraph 4.14.

- 4.5 **Economic Development (£50,000)** – On 19 July 2021 the Council approved a £50,000 contribution to support the delivery of the Solent Freeport. The Council has pre-approved further contributions towards the delivery of the freeport for the next 2 financial years, with payments being considered if third party contributions and use of retained business rates aren't sufficient to meet expenditure in these early stages.
- 4.6 **Refuse & Recycling (net £3,000)** – The continued adjustment to the collection frequency of the Garden Waste service will result in an estimated reduction in income of £83,000. The council is working on achieving the delivery of the regular service for 2022/23.
- The reduced service and so income loss to 2021/22 has however largely been offset by anticipated additional income of £80,000 from recycling, principally due to an increase in £ per tonne. As this commodity market is fluid and heavily supply and demand led, no assumption has been made that the increased £ per tonne will continue into 2022/23.
- 4.7 **Hythe Marina (-£35,000)** – Latest financial accounts received from Hythe Marina identify anticipated additional annual income contributions to the Council of £21,000, with a further £14,000 relating to 2020/21. The 2022/23 budget will reflect the new level of income.
- 4.8 **New Forest Enterprise Centre (-£55,000)** – The conclusion of a backdated rent review will generate additional income in 2021/22 of £55,000 and an additional £27,000 per annum ongoing.
- 4.9 **Economic Sustainability and Regeneration (-£38,000)** – The recent purchase of additional Commercial premises in Totton providing employment and supporting the local economy will result in new rental income of £38,000 to 2021/22, and net additional income of £120,000 per annum from 2022/23 onwards.
- 4.10 **Staffing (-£61,000)** – Vacancies in the Revenues and Benefits and Planning Policy teams will result in salary savings to 2021/22 of £61,000.
- 4.11 **Housing Standards Enforcement (£39,000)** – The number of Houses in Multiple Occupation (HMO's) requiring licensing has been significantly less than expected and therefore an income budget shortfall of £39,000 is anticipated. This reduction is expected to be ongoing and so has been reflected in the proposed 2022/23 budget.
- 4.12 **Planning, Land Charges and Building Control Income (-£165,000)**
Planning Applications (-£100,000) – Largely due to the submission of some large planning applications in respect of sites identified for development in the Local Plan, development control income is predicted to exceed the 2021/22 budget by £100,000.
Pre-application Charges (-£20,000) – fees from 'pre-application charges' have also exceeded forecasts by £20,000.
Land Charges (-£25,000) – Income from Searches is predicted to exceed the budget by £25,000
Building Control (-£20,000) – Building control income is predicted to exceed the budget by £20,000.

- 4.13 **Interest Earnings (-£31,000)** – Anticipated interest earnings from Appletree Property Holdings are anticipated to be £31,000 greater than budget, reflecting the number of properties now acquired. This additional and on-going income has been factored into the 2022/23 budget.
- 4.14 **ICT Work Programme Rephasing (-£394,000 Total: -£315,000 to General Fund) –** The work programme budget is being adjusted to fit in with the latest expectations in terms of delivery of projects. The projects underway, that will continue into 2022/23 include, project RS (the project related to Planning, Environmental Health, Licencing and Building Control), the newly formed Operations Project, and the project to improve how the Council interacts digitally with residents and customers. The ICT work programme spend is split across the General Fund and Housing Revenue Account on approximately an 80% / 20% basis respectively.

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 Revisions to the programme, reported to Cabinet in September, increased anticipated spend by £3.118 million but this was reduced by £2.507 million in the November report to Cabinet, resulting in an updated approved programme of **£36.808 million**.
- 5.3 The latest forecast confirms net budget reductions of £1.378 million and rephasing of £3.602 million into later years, as against the revised budgeted position. The variations are summarised below:

Variations

- **Economic Sustainability and Regeneration (£2.174m)** – The purchase of additional units, providing employment and supporting the local economy, has been completed in Totton. In addition, equity funding of £204,000 has been allocated for Residential Property Acquisitions.
- **Lymington Quay Public Convenience Refurbishment (£48,000)** – the project to refurbish the Public Conveniences located on Lymington Quay is underway. The project is forecast to cost an additional £48,000 in comparison to the original earmarked budget, with additional contributions being made by both the Council and Harbour Commissioner.
- **Housing Development Strategy (-£3.5m)** – Latest estimates show that anticipated spend for the year will be c £9.5m, a reduction of £3.5m from the approved (indicative, as opposed to programme based) original budget.
- **Disabled Facilities Adaptions (HRA Stock) (-£100,000)** – the cost of adaptions is forecast to be £900,000 in 2021/22, £100,000 less than the original budget.

Rephasings

- **Health and Leisure Centres (-£2.1m)** – Funding of £2.4m was allocated in September to the delivery of the Capital Programme of works to be undertaken by Freedom Leisure, with £300,000 of this is currently anticipated to be incurred this financial year.

- **Crow Lane Ringwood (-£800,000)** – The Council has been working on the delivery timeline with the appointed contractor and expenditure of £800,000 is anticipated to be rephased into 2022/23.
- **Open Space/Mitigation Schemes (-£702,000)** – A review of anticipated spend this year has resulted in rephasing of a number of projects.

5.4 The changes, as above, result in an updated Capital Programme Budget of **£31.828 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 to Cabinet in September and an additional £45,000 in the second report to Cabinet in November.
- 6.2 **Dwelling Rents (£80,000)** – The net growth in property numbers has been less than anticipated, due to increased Right to Buy Sales and the timing of completions from the Development Strategy, resulting in a reduction in budgeted income of £80,000.
- 6.3 **Non-Dwelling Rents (£40,000)** – Income is anticipated to be £40,000 less than budget, largely due to site management in preparation for planned development of garage sites.
- 6.4 **Service Charges (£20,000)** – Income will be £20,000 less than budget due to increased void levels arising from a higher level of turnover of lettings.
- 6.5 **Council Tax on Void Properties (£40,000)** – While properties are vacant the HRA is required to pay the Council Tax charge for those properties. Earlier reports identified increased levels of voids and the anticipated additional costs of Council Tax is now estimated to be £40,000 greater than budgeted.
- 6.6 **ICT Work Programme Rephasing (-£79,000)** – The HRA share of the ICT Work Programme rephasing as outlined in paragraph 4.14 is £79,000.
- 6.7 Excluding rephasing items (as these are placed in earmarked reserves in any case), combining these new budget pressures (£180,000) with those previously reported (£650,000) results in additional budget pressures in the year of £830,000. Efforts will be made to mitigate these additional costs from within the HRA but any shortfall can be balanced by reducing the revenue contribution to fund the capital programme, given the underspend in the Development Strategy Programme detailed in the Capital Section of this report.
- 6.8 The relevant on-going expenditure and income variations from 2021/22 have been reflected in the proposed 2022/23 budget where applicable. Management will continue to target the most efficient use of property and financial resources to support a financially sustainable 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 When setting a budget one must accept that there will be changes however it is pleasing to see that 9 months into the year, despite variations across services, that we remain on track to deliver a General Fund budget close to that initially set.
- 8.2 It is clear that the HRA has faced some pressures this year resulting in additional expenditure and pressure on income, and I'm pleased to see that matters have been addressed in the proposed 2022/23 budget to mitigate against these variations occurring again into the new financial year.

For Further Information Please Contact:

Alan Bethune
Executive Head of Financial and Corporate Services
Section 151 Officer
Telephone: (023) 8028 5001
E-mail: alan.bethune@nfdc.gov.uk

Kevin Green
Finance Manager
Deputy Section 151 Officer
Telephone: (023) 8028 5067
E-mail: kevin.green@nfdc.gov.uk

Background Papers:

Fin Mon - Sept '21 Cabinet
Fin Mon – Nov '21 Cabinet
MTFP – Dec '21 Cabinet

FINANCIAL MONITORING 2021/22

REVISED GENERAL FUND BUDGET 2021/22

	Nov-21 2021/22 £'000's Latest Budget	Feb 22			
		2021/22 £'000's New Variations Expend.	2021/22 £'000's New Variations Income	2021/22 £'000's New Variations Rephasings	2021/22 £'000's Updated Budget
PORTFOLIO REQUIREMENTS					
Business, Tourism and High Streets	281	50	0	0	331
Environment and Coastal Services	3,655	0	43	0	3,698
Finance, Investment and Corporate Services	2,805	-158	-141	-315	2,191
Housing and Homelessness Services	2,046	0	39	0	2,085
Leader	435	0	0	0	435
Partnering and Wellbeing	6,010	128	20	0	6,158
People and Places	3,506	25	0	0	3,531
Planning, Regeneration and Infrastructure	2,565	-21	-165	0	2,379
	21,303	24	-204	-315	20,808
Reversal of Depreciation	-1,426				-1,426
Contribution (from) / to Earmarked Revenue Reserves	-1,257		0	315	-942
Contribution to Revenue Reserves	1,250				1,250
NET PORTFOLIO REQUIREMENTS	19,870	24	-204	0	19,690
Minimum Revenue Provision	1,165				1,165
Interest Earnings (Net)	-569		-31		-600
Sales/Fees and Charges Grant Reimbursement	-849				-849
New Homes Bonus	-276				-276
GENERAL FUND NET BUDGET REQUIREMENTS	19,341	24	-235	0	19,130
COUNCIL TAX CALCULATION					
Budget Requirement	19,341	24	-235	0	19,130
Less:					
Settlement Funding Assessment					
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	-4,376
Locally Retained Business Rates	-2,134				-2,134
Use of (-) Budget Equalisation & Variation Reserves	-188	-24	235	0	23
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	0	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

	Nov-21 2021/22 £'000's Previous Variations	Feb-22			
		2021/22 £'000's New Variations Expend.	2021/22 £'000's New Variations Income	2021/22 £'000's New Variations Rephasings	2021/22 £'000's Updated Budget
PORTFOLIO ADJUSTMENTS					
Business, Tourism and High Streets					
Previously Reported	-15				
Solent Freeport (Economic Development)		50			
	-15	50	0	0	35
Environment and Coastal Services					
Previously Reported	67				
Recycling - Garden Waste further suspension - income loss			83		
Recycling - Project Integra recyclables income projection			-80		
Keyhaven River - Projected income budget shortfall			40		
	67	0	43	0	110
Finance, Investment and Corporate Services					
Previously Reported	83				
ICT Work Programme Rephasing				-315	
Environment Health & Safety to Partnering & Wellbeing		-108			
Hythe Marina Rent 20/21 and 21/22			-35		
New Forest Enterprise Centre - backdated rent review			-55		
Hardley Industrial Estate - Supplies/ Additional Rent		-10	-13		
New Acquisition - 27 Salisbury Road rents			-38		
Salary Savings - Revenues Service		-20			
Salary Savings - Benefits Service		-20			
	83	-158	-141	-315	-531
Housing and Homelessness Services					
Previously Reported	255				
Houses in Multiple Occupation Income Shortfall			39		
	255	0	39	0	294
Leader - No Variations					
	0	0	0	0	0

FINANCIAL MONITORING 2021/22					
VARIATION ANALYSIS GENERAL FUND 2021/22					
	Nov-21	Feb-22			2021/22 £'000's Updated Budget
	2021/22 £'000's Previous Variations	2021/22 £'000's New Variations Expend.	2021/22 £'000's New Variations Income	2021/22 £'000's New Variations Rephasings	
PORTFOLIO ADJUSTMENTS					
Partnering and Wellbeing					
Previously Reported	116				
Taxi - private hire operator licence - income shortfall			20		
Public Lighting - Increased energy costs		20			
Environment Health & Safety from Finance, Inv & Corp		108			
	116	128	20	0	264
People and Places					
Previously Reported	-67				
Public Conveniences - Various expenditure overspends		25			
	-67	25	0	0	-42
Planning, Regeneration and Infrastructure					
Previously Reported	53				
Building Control additional estimated income			-20		
Planning Income			-120		
Land Charges Additional estimated income			-25		
Policy - vacancy saving		-21			
	53	-21	-165	0	-133
TOTAL PORTFOLIO ADJUSTMENTS	492	24	-204	-315	-3
NON-PORTFOLIO ADJUSTMENTS					
Interest Earnings			-31		-31
Contribution to/from(-) Earmarked Reserves	-442				-442
TOTAL NON-PORTFOLIO ADJUSTMENTS	-442	0	-31	0	-473
GRAND TOTAL ADJUSTMENTS (Credited to (-) / Debited from (+) Bu	50	24	-235	-315	-476

FINANCIAL MONITORING 2021/22

REVISED CAPITAL PROGRAMME 2021/22

	Portfolio	Nov-21	Feb-22		
		2021/22 £'000 Latest Budget	2021/22 £'000's New Variations Expend.	2021/22 £'000's New Variations Rephasing	2021/22 £'000 Updated Budget
Disabled Facilities Grants	HSG (GF)	1,200			1,200
South East Regional Coastal Monitoring Prog (22-27)	ENV & COAST	2,118			2,118
South East Regional Coastal Monitoring Prog (18-21)	ENV & COAST	399			399
South East Regional Coastal Monitoring Prog (12-17)	ENV & COAST	291			291
Barton Drainage Test (19-21)	ENV & COAST	200			200
Westover Phase 2 Scheme Development	ENV & COAST				
Emergency Works - Milford Sea Wall	ENV & COAST	15			15
Public Convenience Modernisation Programme	PEOPLE & PL	30			30
Public Convenience Additional Enhancements	PEOPLE & PL				
Public Convenience Refurbishment Scheme - Lym Quay	PEOPLE & PL	150	48		198
Health & Leisure Centres	PART & WELL	2,400		-2,100	300
New Depot Site: Hardley	F, I & CS	100			100
New Depot Site: West	F, I & CS	100			100
V&P; Replacement Programme	F, I & CS	3,145			3,145
Commercial Property Acquisition	F, I & CS	1,300	1,970		3,270
Residential Property Acquisition			204		204
Smarter Working; Future Delivery	F, I & CS	250			250
Economic Sustainability & Regeneration Projects - Crow Lane Ringwood (provisional sum)	F, I & CS	4,000		-800	3,200
Open Space Schemes	P, R & I	265		-177	88
Transport Schemes	P, R & I				
Mitigation Schemes	P, R & I	595		-525	70
TOTAL GENERAL FUND CAPITAL PROGRAMME		16,558	2,222	-3,602	15,178
HRA - Major Repairs	HRA	6,050			6,050
Estate Improvements	HRA	200			200
Development Strategy	HRA	13,000	-3,500		9,500
Disabled Facilities Grants	HRA	1,000	-100		900
TOTAL HRA CAPITAL PROGRAMME		20,250	-3,600		16,650
GRAND TOTAL CAPITAL PROGRAMME		36,808	-1,378	-3,602	31,828

FINANCIAL MONITORING 2021/22

REVISED HOUSING REVENUE ACCOUNT BUDGET
2021/22

	Feb-21	Nov-21	Feb-22	
	2021/22	2021/22	2021/22	2021/22
	£'000	£'000	£'000	£'000
	Original	Latest	New	Updated
	Budget	Budget	Variations	Budget
INCOME				
Dwelling Rents	-27,276	-27,096	80	-27,016
Non Dwelling Rents	-713	-713	40	-673
Charges for Services & Facilities	-730	-730	20	-710
Contributions towards Expenditure	-64	-64		-64
Interest Receivable	-15	-15		-15
Sales Administration Recharge	-33	-33		-33
Shared Amenities Contribution	-242	-242		-242
TOTAL INCOME	-29,073	-28,893	140	-28,753
EXPENDITURE				
Repairs & Maintenance				
Cyclical Maintenance	1,346	1,391		1,391
Reactive Maintenance	3,418	3,718		3,718
Supervision & Management				
General Management	5,546	5,671	-79	5,592
Special Services	1,290	1,290		1,290
Homeless Assistance	76	76		76
Rents, Rates, Taxes and Other Charges	77	77	40	117
Provision for Bad Debt	150	150		150
Capital Financing Costs - Settlement Adjustment	8,270	8,270		8,270
Capital Financing Costs - Internal Borrowing	130	130		130
TOTAL EXPENDITURE	20,303	20,773	-39	20,734
HRA OPERATING SURPLUS(-)	-8,770	-8,120	101	-8,019
Contribution to Capital - supporting Housing Strategy	9,120	9,120	-830	8,290
HRA Total Annual Surplus(-) / Deficit	350	1,000	-729	271
Use of HRA Reserve for Major Projects	-350	-350		-350
Return to Earmarked Reserves (ICT Rephasing)			79	79
HRA TOTAL ANNUAL SURPLUS(-) / DEFICIT	0	650	-650	0