

FINANCIAL MONITORING REPORT (based on Performance April to September 2022 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 HRA (section 6).
- 1.1.2 approves additional budgetary provision of £100,000 for Housing Revenue Account Cyclical Maintenance External Decorating costs.
- 1.1.3 requests Council to approve additional budgetary provision of £330,000 for Housing Revenue Account voids and general reactive maintenance costs.
- 1.1.4 requests Council to approve a 25% uplift in Housing tenants domestic and communal electric and gas service charges element only, commencing from 2 January 2023, in line with the detail as outlined in appendix 5, and as unanimously supported by the Tennant Involvement Group on the 6th October.

2. INTRODUCTION

2.1 Following the approval of the Original Budget for 2022/23 in February 2022, 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.
- 3.2 During September the Government announced its 'mini-budget' proposals. The change in National Insurance rates has a direct favourable impact on the Council (detailed in paragraph 4.10) as does the business energy price cap.
- 3.3 Increases in interest rates and continued high levels of inflation continue to have consequential impacts to the Council's finances. Interest rate increases have the potential to result in additional interest earnings in 2022/23 but these still need to be quantified and taken in the context of the wider financial market volatility seen since the significant tax cutting measures that were included within the 'mini-budget'. Longer term, the higher interest rates are likely to have a negative impact as reserves are utilised and borrowing is required to meet the Capital Financing Requirement. Inflationary pressures continue to be seen in some areas in terms of the procurement of goods and services.

4. GENERAL FUND REVISED PROJECTION

- 4.1 A General Fund budget of **£20.674 million** for 2022/23 was agreed by Council in February 2022.
- 4.2 Net additional budget requirements of £511,000 were included within the first Financial Monitoring Report of the year reported up to the Council. This updated monitoring position increased the total budget requirement to **£21.185 million**. The report identified that work would commence over the Summer on mitigations to offset the variations, with a view to bringing the forecast outturn for 2022/23 back more closely aligned with the original budget expectation.
- 4.3 The latest budget variations now reported, including the mitigating actions as required, include net favourable expenditure variations of £711,000 and net income increases of £235,000. This mitigated position exceeds the level of previous adverse variations by £435,000. However, the Council is also now facing significant additional homelessness budget pressures, forecast at £1.3 million, largely through increased bed and breakfast usage. The report elsewhere on the agenda covers this issue in more detail, and covers the specific recommendations related to this increased expenditure.
- 4.4 The resultant updated General Fund Budget, taking all new reportable variations into account, including those on homelessness, is **£21.539 million**. This is an overall increase of £865,000 from the original estimate. Work will continue to confirm options as to how to address this new budget variation.
- 4.5 The revised General Fund Budget for 2022/23 can be seen at Appendix 1, with further details on the material variations being reported in paragraphs 4.6 – 4.12, and all variations included within Appendix 2.
- 4.6 **Staffing Vacancies (-£254,000)** – Staff vacancies across various services including Revenues and Benefits (£85,000), Planning (£61,000), Housing Development (£40,000), Information Offices (£20,000) and Economic Development (£19,000) have resulted in savings of £254,000.
- 4.7 **Pay Review (-£226,000)** – Funding of £300,000 was allocated within the budget for a pay spine review. The Changes to Spine Point report approved by Council in October results in a part year impact to 2022/23 of £74,000.
- 4.8 **Car Parking (-£150,000)** - The funds set aside in 2022/23 to accommodate the Parking Clock review will no longer be required this year as scheme changes will not be made for 2023 clocks.
- 4.9 **Investment Property (-£132,000)** – Rental income in 2022/23 from the recently acquired property in New Milton will be £187,000, partially offset by internal capital financing costs of £55,000.
- 4.10 **Government Mini Budget (-£75,000)** – The recent Government announcement to reverse the National Insurance increase will generate £75,000 of savings in 2022/23.
- 4.11 **Refuse & Recycling (net -£42,000)** – Operational overspends on agency staff and overtime (£110,000) and in the costs of sacks (£28,000) are offset by anticipated

additional recycling income (-£110,000), recent reductions in fuel costs (-£35,000) and savings due to the rephasing implications of the vehicle replacement programme (-£35,000).

- 4.12 **Coast Protection (net £nil)** – Additional expenditure budget of £57,000 is required to carry out enhanced sea defence maintenance works at Hurst Spit. Contributions have been agreed with key stakeholders, English Heritage, Hampshire County Council and the Environment Agency, to fully offset the cost.

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

- 5.1 A Capital Programme budget of **£42.074 million** for 2022/23 was agreed by Council in February 2022.
- 5.2 Principally due to scheme rephasings, the budget was reduced by £1.006 million to £41.068 million in the September Cabinet report.
- 5.3 The latest forecast confirms new variations totalling £5.530 million offset by reductions in spend forecasts of £4.300 million, and rephasings into 2023/24 of £260,000. The main variations are summarised below:

Variations **£1,230,000**

- **Investment Property (£5,500,000)** – Expenditure of £5.5 million was incurred in acquiring the investment property in Station Road, New Milton.
- **Housing Development Strategy Programme (-£4,000,000)** – Latest spend predictions show an underspend of £4.0 million against the £14.2 million original approved budget.
- **Private Sector Disabled Facilities Grants (-£300,000)** – Latest spend predictions show an underspend of £300,000 against the £1.2 million original approved budget.
- **Developers' Contributions (£30,000)** – Funding of £30,000 has been provided for the Ewart Recreation Ground Play Area.

Rephasings **-£260,000**

- **Coast Protection** – Barton Drilling Trials (-£175,000)
 - **Coast Protection** – Hurst Spit Shingle Source Study (-£85,000)
- 5.4 The changes, as above, result in an updated Capital Programme Budget of **£42.038 million** (Appendix 3).

6. HOUSING REVENUE ACCOUNT

- 6.1 After allowing for contributions of £200,000 from earmarked reserves for the Housing ICT system replacement and Stock Condition Survey work, a break-even HRA budget for 2022/23 was agreed in February 2022, with a Revenue Account contribution of £9.120 million supporting the financing of the £24.900 million HRA Capital Programme.
- 6.2 The September monitoring report to Cabinet identified additional budget requirements of £866,000.
- 6.3 This report identifies further net additional budget requirements of £546,000, resulting in **an overall net additional budget requirement of £1.412 million**. New variations are detailed in the following paragraphs and summarised in Appendix 4.
- 6.4 **Reactive Maintenance (£330,000)** – The level of works on void properties has continued at the higher levels also incurred in 2021/22, resulting in a forecast budget shortfall of £200,000. In addition, general price increases in materials and hired services have resulted in additional costs of £130,000, an overall supplementary budget of £330,000 is therefore requested.
- 6.5 **Dwelling Rent Income Voids (£200,000)** – Income loss from void properties has continued at similar levels to 2021/22 and is anticipated to exceed budget by £200,000.
- 6.6 **Cyclical Maintenance (£100,000)** – Contracted commitments on external decorating works were not allowed for in the original budget, a supplementary budget is therefore requested.
- 6.7 **Pay Review (£29,000)** – The Changes to Spine Review report approved by Council in October results in additional costs to the Housing Revenue Account of £29,000 in 2022/23. This is reflected within General Management (£16,000), Reactive Maintenance (£12,000) and Special Services (£1,000).
- 6.8 **General Management (-£100,000)** – Staff vacancies in the Housing Property Services team have generated savings of £100,000.
- 6.9 **Service Charges (-£13,100)** – The review of services charges proposal detailed in Appendix 5 will generate a contribution towards increased utility costs of £13,100 in 2022/23, and £52,400 in a full year.

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 Given the volatility of the global economy, it is vital that NFDC monitor and, where possible, adjust its financial strategy both in the short and long term.

- 8.2 Whilst we are seeing upward inflationary pressures across a number of areas within the Council we can take solace that we can, in the short term, manage them and that we are better positioned to accommodate the challenges when compared against a number of other local authorities.

For Further Information Please Contact:

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Background Papers:

Cabinet 29 July 2022 -
Financial Monitoring Report
Cabinet 16 February 2022 -
MTFP and Annual Budget
2022/23

FINANCIAL MONITORING 2022/23

REVISED GENERAL FUND BUDGET 2022/23

	Feb-22	29-July-22	Nov-22			2022/23 £'000's Updated Budget
	2022/23 £'000's Original Budget	2022/23 £'000's Updated Budget	2022/23 £'000's New Variations Expend.	2022/23 £'000's New Variations Income	2022/23 £'000's New Variations Rephasings	
PORTFOLIO REQUIREMENTS						
Business, Tourism and High Streets	297	354	-18	0	0	336
Environment and Coastal Services	4,100	4,532	2	-177	0	4,357
Finance, Investment and Corporate Services	3,778	3,950	-441	-212	-80	3,217
Housing and Homelessness Services	2,025	2,160	1,267	0	0	3,427
Leader	496	581	53	0	0	634
Partnering and Wellbeing	3,013	3,183	9	-15	0	3,177
People and Places	3,713	4,001	20	0	0	4,021
Planning, Regeneration and Infrastructure	2,696	2,811	-110	57	0	2,758
Multi Portfolio adjustments - To be allocated	0	385	-136	0	0	249
	20,118	21,957	646	-347	-80	22,176
Reversal of Depreciation	-1,589	-1,589				-1,589
Contribution (from) / to Earmarked Revenue Reserves	-38	-466	0	0	80	-386
NET PORTFOLIO REQUIREMENTS	18,491	19,902	646	-347	0	20,201
Minimum Revenue Provision	1,571	1,571		55		1,626
Contribution to Capital Programme Financing (RCCO)	1,750	850				850
Interest Earnings (Net)	-772	-772				-772
New Homes Bonus	-366	-366				-366
GENERAL FUND NET BUDGET REQUIREMENTS	20,674	21,185	646	-292	0	21,539
COUNCIL TAX CALCULATION						
Budget Requirement	20,674	21,185	646	-292	0	21,539
Less: Settlement Funding Assessment						
Lower Tier Service Grant	-179	-179				-179
Services Grant	-276	-276				-276
Business Rates Baseline	-3,997	-3,997				-3,997
	-4,452	-4,452	0	0	0	-4,452
Locally Retained Business Rates	-2,185	-2,185				-2,185
Estimated Collection Fund (Surplus)/Deficit Business Rates	-199	-199				-199
Estimated Collection Fund (Surplus)/Deficit Council Tax	-253	-253				-253
Use of (-) Variation Reserves	0	-511	-646	292		-865
COUNCIL TAX	13,585	13,585	0	0	0	13,585
TAX BASE NUMBER OF PROPERTIES	72,122.70	72,122.70				72,122.70
COUNCIL TAX PER BAND D PROPERTY	188.36	188.36				188.36
GENERAL FUND BALANCE 31 MARCH	3,000	3,000				3,000

FINANCIAL MONITORING 2022/23

VARIATION ANALYSIS GENERAL FUND 2022/23

	29-July-22	Nov-22			2022/23 £'000's Updated Budget
	2022/23 £'000's Updated Budget	2022/23 £'000's New Variations Expend.	2022/23 £'000's New Variations Income	2022/23 £'000's New Variations Rephasings	
PORTFOLIO ADJUSTMENTS					
Business, Tourism and High Streets					
Previously Reported	50				
National Pay Award implications allocated to relevant Portfolio	7				
Changes to Pay Spine - October Council		1			
Staff vacancies within Economic Development		-19			
	57	-18	0	0	39
Environment and Coastal Services					
Previously Reported	89				
National Pay Award implications allocated to relevant Portfolio	343				
Changes to Pay Spine - October Council		27			
Coast Protection - Hurst Spit Maintenance Works funded by Third Parties		57	-57		
Foreshores - additional concessions income			-10		
Parking		-150			
Refuse Collection & Recycling - new Sacks price increase		28			
Refuse Collection & Recycling - fuel price updated		-35			
Refuse Collection & Recycling - Operational overspend - Agency/Overtime to Sept		110			
Recycling - Additional projected PI income 22/23			-110		
Refuse Collection & Recycling - V&P Programme revenue savings to Service		-35			
	432	2	-177	0	257
Finance, Investment and Corporate Services					
Previously Reported	26				
National Pay Award implications allocated to relevant Portfolio	146				
Changes to Pay Spine - October Council		15			
Changes to Pay Spine - October Council. Virement to Portfolios		-74			
Unutilised Pay Review Funding		-226			
Corporate Plan Non -recurring. Resident Insight vired to Leader		-35			
Corporate Plan Delivery Objectives - Transformation Programme Manager				-80	
Climate Change Manager funding vired to Leader		-37			
Democratic Services - Members Allowance Review & 22/23 Inflationary Award		43			
Democratic Services - Members Car Allowances underspend		-10			
Revenues & Benefits Service - Salary Savings		-85			
Additional Investment Income - Station Road, New Milton			-187		
Communications - salary savings		-12			
Information Offices - salary savings		-20			
Lymington Town Hall - service charges re utilities			-25		
	172	-441	-212	-80	-561
Housing and Homelessness Services					
Previously Reported	66				
National Pay Award implications allocated to relevant Portfolio	69				
Changes to Pay Spine - October Council		7			
Homelessness		1300			
Staff Vacancy - Housing Development		-40			
	135	1267	0	0	1402
Leader					
Previously Reported	77				
National Pay Award implications allocated to relevant Portfolio	8				
Changes to Pay Spine - October Council		1			
Resident Insight vired from Finance, Inv & CS		35			
Registration of Electors - annual canvass savings		-20			
Climate Change Manager, Funding vired from F, I & CS		37			
	85	53	0	0	138

FINANCIAL MONITORING 2022/23

VARIATION ANALYSIS GENERAL FUND 2022/23

	29-July-22	Nov-22			2022/23 £'000's Updated Budget
	2022/23	2022/23	2022/23	2022/23	
	£'000's	£'000's	£'000's	£'000's	
	New	New	New	Updated	
	Variations	Variations	Variations	Budget	
	Expend.	Income	Rephasings		
PORTFOLIO ADJUSTMENTS					
Partnering and Wellbeing					
Previously Reported	82				
National Pay Award implications allocated to relevant Portfolio	88				
Changes to Pay Spine - October Council		9			
Government grant to fund Priority Places Post			-15		
	170	9	-15	0	164
People and Places					
Previously Reported	164				
National Pay Award implications allocated to relevant Portfolio	124				
Changes to Pay Spine October Council		6			
Street Scene - Fuel price updated		-6			
Public Conveniences - consumables price increases		20			
	288	20	0	0	308
Planning, Regeneration and Infrastructure					
Previously Reported					
National Pay Award implications allocated to relevant Portfolio	115				
Changes to Pay Spine October Council		8			
Salary Vacancies		-61			
Salary Vacancies offset by income shortfall (CIL)		-57	57		
	115	-110	57	0	62
Portfolio adjustments - Non Direct					
Previously Reported	385				
Design Room - salary savings		-17			
ICT - Licence savings		-35			
Various - Fuel price updated		-9			
National Insurance Increase Reversal		-75			
	385	-136	0	0	249
TOTAL PORTFOLIO ADJUSTMENTS	1839	646	-347	-80	2058
NON-PORTFOLIO ADJUSTMENTS					
Minimum Revenue Provision					
Contribution to Capital Programme Financing (RCCO)	-900		55		
Contribution to/from(-) Earmarked Reserves	-428	0	0	80	
TOTAL NON-PORTFOLIO ADJUSTMENTS	-1328	0	55	80	-1193
GRAND TOTAL ADJUSTMENTS (Credited to (-) / Debited from (+) Budget Reserves)	511	646	-292	0	865

FINANCIAL MONITORING 2022/23

REVISED CAPITAL PROGRAMME 2022/23

		Feb-22	29-July-22			Nov-22
		2022/23	2022/23	2022/23	2022/23	2022/23
		£'000	£'000	£'000's	£'000's	£'000
	Portfolio	Original Budget	Updated Budget	New Variations Expend.	New Variations Rephasing	Updated Budget
Sustainability Fund - Unallocated	LEADER/ALL	500	300			300
Sustainability Fund - Crow Lane Solar Panels	LEADER/ALL		200			200
Disabled Facilities Grants	HSG (GF)	1,200	1,200	-300		900
South East Regional Coastal Monitoring Prog (22-27)	ENV & COAST	1,978	1,775			1,775
South East Regional Coastal Monitoring Prog (18-21)	ENV & COAST		363			363
South East Regional Coastal Monitoring Prog (12-17)	ENV & COAST		12			12
Barton Horizontal Directional Drilling Trails	ENV & COAST	225	225		-175	50
Milford Promenade Handrail	ENV & COAST	115	115			115
Hurst Spit Beach Shingle Source Study	ENV & COAST	100	100		-85	15
Public Convenience Modernisation Programme	PEOPLE & PL	300	237	-225		12
Public Convenience Refurbishment - Lymington Quay	PEOPLE & PL		205	25		230
Public Convenience Refurbishment - Barton on Sea	PEOPLE & PL			200		200
Health & Leisure Centres	PART & WELL		2,014			2,014
New Depot Site: Hardley	F, I & CS	4,000	500			500
V&P; Replacement Programme	F, I & CS	3,081	1,800			1,800
Smarter Working; Future Delivery	F, I & CS		75			75
Economic Sustainability & Regeneration Projects						
- Crow Lane Ringwood	F, I & CS	4,995	5,667			5,667
Station Road, New Milton	F, I & CS			5,500		5,500
Open Space Schemes	P, R & I		700	30		730
Transport Schemes	P, R & I					
Mitigation Schemes	P, R & I	680	680			680
TOTAL GENERAL FUND CAPITAL PROGRAMME		17,174	16,168	5,230	-260	21,138
HRA - Major Repairs	HRA	5,500	5,500			5,500
Major Structural Refurbishments	HRA	1,000	1,000			1,000
Fire Risk Assessment Works	HRA	3,000	3,000			3,000
Estate Improvements	HRA	200	200			200
Development Strategy	HRA	14,200	14,200	-4,000		10,200
Disabled Facilities Grants	HRA	1,000	1,000			1,000
TOTAL HRA CAPITAL PROGRAMME		24,900	24,900	-4,000		20,900
GRAND TOTAL CAPITAL PROGRAMME		42,074	41,068	1,230	-260	42,038

FINANCIAL MONITORING 2022/23

REVISED HOUSING REVENUE ACCOUNT BUDGET
2022/23

	Feb-22 2022/23 £'000 Original Budget	29-July-22 2022/23 £'000 Updated Budget	Nov-22 2022/23 £'000 New Variations	2022/23 £'000 Updated Budget
INCOME				
Dwelling Rents	-28,414	-28,414	200	-28,214
Non Dwelling Rents	-672	-672		-672
Charges for Services & Facilities	-732	-732	-13	-745
Contributions towards Expenditure	-60	-60		-60
Interest Receivable	-58	-58		-58
Sales Administration Recharge	-33	-33		-33
Shared Amenities Contribution	-256	-256		-256
TOTAL INCOME	-30,225	-30,225	187	-30,038
EXPENDITURE				
Repairs & Maintenance				
Cyclical Maintenance	1,196	1,224	100	1,324
Reactive Maintenance	3,648	3,794	342	4,136
Supervision & Management				
General Management	6,209	6,446	-84	6,362
Special Services	1,377	1,792	1	1,793
Homeless Assistance	91	131		131
Rents, Rates, Taxes and Other Charges	81	81		81
Provision for Bad Debt	150	150		150
Capital Financing Costs - Settlement Adjustment	8,322	8,322		8,322
Capital Financing Costs - Internal Borrowing	231	231		231
TOTAL EXPENDITURE	21,305	22,171	359	22,530
HRA OPERATING SURPLUS(-)	-8,920	-8,054	546	-7,508
Contribution to Capital - supporting Housing Strategy	9,120	9,120		9,120
HRA Total Annual Surplus(-) / Deficit	200	1,066		1,612
Use of HRA Reserve for Major Projects	-200	-200		-200
HRA TOTAL ANNUAL SURPLUS(-) / DEFICIT	0	866	0	1,412

HOUSING REVENUE ACCOUNT SERVICE CHARGES - UTILITIES

1 BACKGROUND

- 1.1 The Housing Revenue Account (HRA) pays utility companies directly for the domestic gas usage of residents living in 16 blocks of flats across the district, the domestic electric usage of residents residing in 13 blocks of flats and the communal electric used in 31 blocks of flats.
- 1.2 In addition to their weekly rent, an additional weekly service charge to recover income against these utility costs is charged to each resident residing in these blocks. Some residents also incur additional charges for communal cleaning etc. Service Charges are due for a wider review for 2023/24 but due to the significant increase in energy costs over the last few months resident service charges are now well below the level of costs incurred by the HRA. The result is utility costs in these blocks are now on average 110% higher than the respective service charges. In effect, this means the HRA is now subsidising the energy costs of residents in these blocks.
- 1.3 Given the cost-of-living pressures currently experienced by residents it is proposed to apply a fair and reasonable approach to increasing current service charges across a number of phases, beginning with a 25% uplift of charges from 2nd January, following a period of notice and consultation with affected residents
- 1.4 In the majority of cases where costs for communal electricity only are recovered the increase is less than £1 per week per resident. A typical example of where both domestic and communal charges are recovered is show in Table 1 below.

Table 1. Marryat Court, New Milton:

	<i>Bedsit</i>	<i>One bed</i>	<i>Two bed</i>
Current total weekly charge	£19.90	£21.24	£22.57
Proposed total weekly service charge	£23.33	£25.00	£26.66
Additional weekly payment (utilities only)	£3.43	£3.76	£4.09

- 1.5 These charges are not covered by Housing Benefit or Universal Credit. During the period of consultation, we aim to identify any issues of financial hardship and we will signpost residents appropriately with this change. Implementing a 25% increase on 2nd January 2023 will result in a contribution towards increased utility costs of £13,100 to the HRA in 2022/23 (£52,400 full year).
- 1.6 A wider review of service charges is currently taking place and recommendations will be taken through the Council's decision-making process in due course.

2 TENANT INVOLVEMENT GROUP

- 2.1 On 6 October 2022 the Tenant Involvement Group received a presentation on the proposal to increase service charges. Unanimous support was given to the proposal to increase service charges and by a phased approach, commencing with a 25% uplift on 2 January 2023.

For further information contact:

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