

FINANCIAL MONITORING REPORT (based on Performance April to December 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).

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 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 and these will be quantified at the yearend. 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 reported to Cabinet in July and net budget increases of £354,000 reported to Cabinet in November, increasing the total budget requirement to **£21.539 million**.

4.3 The latest budget variations now reported (including interactions with earmarked reserves), include favourable expenditure variations of £213,000, unfavourable income adjustments of £47,000 and rephasing of £19,000.

- 4.4 The resultant updated General Fund Budget, taking all new reportable variations into account is **£21.373 million**. This is an overall increase of £699,000 from the original budget estimate.
- 4.5 The revised General Fund Budget for 2022/23 can be seen at Appendix 1, with summary details on the material variations being reported in paragraphs 4.6 – 4.8, and all variations included within Appendix 2.
- 4.6 **Staffing Vacancies (-£124,000)** – Staff vacancies across various services have resulted in savings of £124,000.
- 4.7 **Recycling Income (-£84,000)** – The increased price per tonne for recycling materials is forecast to generate an additional £84,000 in income, in comparison to the latest budget position.
- 4.8 **Car Parking (+£95,000)** – Car Parking income is behind profile, with variations totalling £95,000 to date.

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 Revisions to the programme, reported to Cabinet in July, decreased anticipated spend by £1.006 million but this was increased by £970,000 in the November report to Cabinet, resulting in an updated approved programme of **£42.038 million**.
- 5.3 The latest forecast confirms new variations totalling £279,000 and rephasings into 2023/24 of £160,000. The variations at project level are shown within Appendix 3, with the summary programme now totalling a forecast **£41.599 million**.

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 Budget adjustments totalling £866,000 were included in the first monitoring report to Cabinet in July and an additional £546,000 in the second report to Cabinet in November.
- 6.3 This report identifies further budget adjustments of £190,000, resulting in **an overall net additional budget requirement of £1.602 million**. New variations are detailed in the following paragraphs and summarised in Appendix 4.
- 6.4 **Dwelling Rent Income (£120,000)** - Gross dwelling rent income is forecast to be £100,000 below budget and reductions due to voids are anticipated to be a further £20,000 above budget.

- 6.5 **Non-Dwelling Rent Income (£20,000)** - Income from garages is anticipated to be £20,000 less than budget.
- 6.6 **Service Charge Income - (-£11,000)** - Income from service charges is anticipated to be £11,000 higher than previously reported.
- 6.7 **Insurance Premiums (£23,000)** - Dwellings insurance costs for the year are £23,000 higher than budget.
- 6.8 **Trees (£38,000)** - Expenditure on trees maintenance is anticipated to exceed the budget by £38,000. This is partly due to works following storm damage.
- 6.9 The cumulative budget deficit of £1.602 million is currently expected to need to be funded from reserves, reducing funding available for future years. A significant proportion of the inflationary items and service demands are ongoing and together with new service pressures will need to be reflected in the 2023/24 budget currently being prepared. This will result in future reduced ability to repay existing debt and increased borrowing requirements to fund future capital programmes

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 I note the Council's financial position at the end of the third quarter. Variations within the General Fund and for the Capital expenditure are within reasonable parameters, given the volatility of the global economy and inflationary pressures. The Housing Revenue Account is where we are beginning to see a need to review our strategy as we push ahead with our ambitious building and acquisition program with the resultant reduction in our liquidity.

For Further Information Please Contact:

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Background Papers:

Cabinet 2 November 2022 –
[Financial Monitoring Report](#)
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

| | Nov-22 2022/23 £'000's Latest Budget | Feb-23 | | | 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 | 336 | -26 | 0 | 0 | 310 |
| Environment and Coastal Services | 4,394 | -33 | 11 | 0 | 4,372 |
| Finance, Investment and Corporate Services | 3,231 | 0 | -15 | 0 | 3,216 |
| Housing and Homelessness Services | 3,427 | 0 | -52 | 0 | 3,375 |
| Leader | 570 | 0 | 0 | 0 | 570 |
| Partnering and Wellbeing | 3,183 | -35 | 2 | 0 | 3,150 |
| People and Places | 4,021 | -24 | 0 | 0 | 3,997 |
| Planning, Regeneration and Infrastructure | 2,752 | -78 | 16 | 0 | 2,690 |
| Multi Portfolio adjustments - To be allocated | 262 | -15 | 0 | -19 | 228 |
| | 22,176 | -211 | -38 | -19 | 21,908 |
| Reversal of Depreciation | -1,589 | | | | -1,589 |
| Contribution (from) / to Earmarked Revenue Reserves | -386 | -2 | 85 | 19 | -284 |
| NET PORTFOLIO REQUIREMENTS | 20,201 | -213 | 47 | 0 | 20,035 |
| Minimum Revenue Provision | 1,626 | | | | 1,626 |
| Contribution to Capital Programme Financing (RCCO) | 850 | | | | 850 |
| Interest Earnings (Net) | -772 | | | | -772 |
| New Homes Bonus | -366 | | | | -366 |
| GENERAL FUND NET BUDGET REQUIREMENTS | 21,539 | -213 | 47 | 0 | 21,373 |
| COUNCIL TAX CALCULATION | | | | | |
| Budget Requirement | 21,539 | -213 | 47 | 0 | 21,373 |
| Less: Settlement Funding Assessment | | | | | |
| Lower Tier Service Grant | -179 | | | | -179 |
| Services Grant | -276 | | | | -276 |
| Business Rates Baseline | -3,997 | | | | -3,997 |
| | -4,452 | 0 | 0 | 0 | -4,452 |
| Locally Retained Business Rates | -2,185 | | | | -2,185 |
| Estimated Collection Fund (Surplus)/Deficit Business Rates | -199 | | | | -199 |
| Estimated Collection Fund (Surplus)/Deficit Council Tax | -253 | | | | -253 |
| Use of (-) Variation Reserves | -865 | 213 | -47 | | -699 |
| COUNCIL TAX | 13,585 | 0 | 0 | 0 | 13,585 |
| TAX BASE NUMBER OF PROPERTIES | 72,122.70 | | | | 72,122.70 |
| COUNCIL TAX PER BAND D PROPERTY | 188.36 | | | | 188.36 |
| GENERAL FUND BALANCE 31 MARCH | 3,000 | | | | 3,000 |

FINANCIAL MONITORING 2022/23

VARIATION ANALYSIS GENERAL FUND 2022/23

| | Nov-22 | Feb-23 | | | |
|---|------------|------------|------------|------------|---------|
| | 2022/23 | 2022/23 | 2022/23 | 2022/23 | 2022/23 |
| | £'000's | £'000's | £'000's | £'000's | £'000's |
| | Previous | New | New | New | Updated |
| | Variations | Variations | Variations | Variations | Budget |
| | | Expend. | Income | Rephasings | |
| PORTFOLIO ADJUSTMENTS | | | | | |
| Business, Tourism and High Streets | | | | | |
| Previously Reported | 39 | | | | |
| Salary Underspends (Vacant Posts) | | -26 | | | |
| | 39 | -26 | 0 | 0 | 13 |
| Environment and Coastal Services | | | | | |
| Previously Reported | 294 | | | | |
| Recycling - Refuse fleet panels/leaflets expenditure savings | | -33 | | | |
| Car Parking - income to Nov'22 (PCN's +£76k/Town Centre Meter +£49k/Clocks -£30k) | | | 95 | | |
| Recycling - Project Integra Recyclables Income projection | | | -84 | | |
| | 294 | -33 | 11 | 0 | 272 |
| Finance, Investment and Corporate Services | | | | | |
| Previously Reported | -547 | | | | |
| Housing Benefit Admin. Grant | | | -15 | | |
| Housing Benefit Salary Savings | | -15 | | | |
| Council Tax - Warm Spaces Grants | | 25 | | | |
| Democratic (Secretarial) Services - Salary Savings | | -10 | | | |
| | -547 | 0 | -15 | 0 | -562 |
| Housing and Homelessness Services | | | | | |
| Previously Reported | 1402 | | | | |
| Renovation Grants Caseworker Income | | | -30 | | |
| Stillwater Park Home Sales Income | | | -22 | | |
| | 1402 | 0 | -52 | 0 | 1350 |
| Leader | | | | | |
| Previously Reported | 74 | | | | |
| | 74 | 0 | 0 | 0 | 74 |
| Partnering and Wellbeing | | | | | |
| Previously Reported | 170 | | | | |
| Community Safety - costs re Public Space Protection Order | | 20 | | | |
| Pest Control - income shortfall | | | 25 | | |
| Community Alarms - Shortfall in Rented Unit Income | | | 10 | | |
| Community Alarms - Supplies & Services savings to offset income shortfall | | -10 | | | |
| Health & Leisure Centres Insurance Premium | | -12 | | | |
| DCLG Grant received 21/22 Domestic Abuse | | -33 | | | |
| DCLG Grant received 22/23 Domestic Abuse | | | -33 | | |
| | 170 | -35 | 2 | 0 | 137 |

FINANCIAL MONITORING 2022/23

VARIATION ANALYSIS GENERAL FUND 2022/23

| | Nov-22 2022/23 £'000's Previous Variations | Feb-23 | | | |
|---|--|--|---|---|---|
| | | 2022/23 £'000's New Variations Expend. | 2022/23 £'000's New Variations Income | 2022/23 £'000's New Variations Rephasings | 2022/23 £'000's Updated Budget |
| PORTFOLIO ADJUSTMENTS | | | | | |
| People and Places | | | | | |
| Previously Reported | 308 | | | | |
| Removal of Grant awarded to Its your Choice (in administration) | | -20 | | | |
| Removal of Grant awarded to Orchard School (match funding no longer available) | | -4 | | | |
| | 308 | -24 | 0 | 0 | 284 |
| Planning, Regeneration and Infrastructure | | | | | |
| Previously Reported | 56 | | | | |
| Shortfall Planning Income | | | 30 | | |
| Salary underspends re vacancies | | -30 | | | |
| Salary underspends offset by income shortfall CIL | | -38 | 38 | | |
| Policy - Rephasing DEFRA Grant | | -10 | | | |
| New Income re S106 Monitoring Fee (Into reserve) | | | -52 | | |
| | 56 | -78 | 16 | 0 | -6 |
| Portfolio adjustments - Non Direct | | | | | |
| Previously Reported | 262 | | | | |
| Appletree Court - East Wing Roof AMR Project | | | | -19 | |
| Support Services - Salary Savings | | -15 | | | |
| | 262 | -15 | 0 | -19 | 228 |
| TOTAL PORTFOLIO ADJUSTMENTS | 2058 | -211 | -38 | -19 | 1790 |
| NON-PORTFOLIO ADJUSTMENTS | | | | | |
| Minimum Revenue Provision | 55 | | | | |
| Contribution to Capital Programme Financing (RCCO) | -900 | | | | |
| Contribution to/from(-) Earmarked Reserves | -348 | -2 | 85 | 19 | |
| TOTAL NON-PORTFOLIO ADJUSTMENTS | -1193 | -2 | 85 | 19 | -1091 |
| GRAND TOTAL ADJUSTMENTS (Credited to (-) / Debited from (+) Budget Reserves) | 865 | -213 | 47 | 0 | 699 |

FINANCIAL MONITORING 2022/23

REVISED CAPITAL PROGRAMME 2022/23

| | Portfolio | Nov-22 | Feb-23 | | 2022/23 £'000 Updated Budget |
|--|-------------|--|--|--|---------------------------------------|
| | | 2022/23 £'000's Latest Budget | 2022/23 £'000's New Variations Expend. | 2022/23 £'000's New Variations Rephasing | |
| Sustainability Fund - Unallocated | ENV/ALL | 300 | | | 300 |
| Sustainability Fund - Crow Lane Solar Panels | ENV/ALL | 200 | | | 200 |
| Disabled Facilities Grants | HSG (GF) | 900 | | | 900 |
| South East Regional Coastal Monitoring Prog (22-27) | ENV & COAST | 1,775 | -309 | | 1,466 |
| 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 | 50 | | | 50 |
| Milford Promenade Handrail | ENV & COAST | 115 | | | 115 |
| Hurst Spit Beach Shingle Source Study | ENV & COAST | 15 | | | 15 |
| Public Convenience Modernisation Programme | PEOPLE & PL | 12 | -5 | -7 | |
| Public Convenience Refurbishment - Lymington Quay | PEOPLE & PL | 230 | 5 | | 235 |
| Public Convenience Modernisation Programme - Barton on Sea | PEOPLE & PL | 200 | | -168 | 32 |
| Public Convenience Modernisation Programme - Tech. advisor | PEOPLE & PL | | | 15 | 15 |
| Health & Leisure Centres | PART & WELL | 2,014 | | | 2,014 |
| New Depot Site: Hardley | F, I & CS | 500 | | | 500 |
| V&P; Replacement Programme | F, I & CS | 1,800 | | | 1,800 |
| Smarter Working; Future Delivery | F, I & CS | 75 | | | 75 |
| Economic Sustainability & Regeneration Projects | | | | | |
| - Crow Lane Ringwood | F, I & CS | 5,667 | | | 5,667 |
| Station Road, New Milton | F, I & CS | 5,500 | -70 | | 5,430 |
| Open Space Schemes | P, R & I | 730 | | | 730 |
| Transport Schemes | P, R & I | | 100 | | 100 |
| Mitigation Schemes | P, R & I | 680 | | | 680 |
| TOTAL GENERAL FUND CAPITAL PROGRAMME | | 21,138 | -279 | -160 | 20,699 |
| HRA - Major Repairs | HRA | 5,500 | | | 5,500 |
| Major Structural Refurbishments | HRA | 1,000 | | | 1,000 |
| Fire Risk Assessment Works | HRA | 3,000 | | | 3,000 |
| Estate Improvements | HRA | 200 | | | 200 |
| Development Strategy | HRA | 10,200 | | | 10,200 |
| Disabled Facilities Grants | HRA | 1,000 | | | 1,000 |
| TOTAL HRA CAPITAL PROGRAMME | | 20,900 | | | 20,900 |
| GRAND TOTAL CAPITAL PROGRAMME | | 42,038 | -279 | -160 | 41,599 |

FINANCIAL MONITORING 2022/23

REVISED HOUSING REVENUE ACCOUNT BUDGET
2022/23

| | Feb-22 | Nov-22 | Feb-23 | |
|---|--|--------------------------------------|---------------------------------------|---------------------------------------|
| | 2022/23 £'000 Original Budget | 2022/23 £'000 Latest Budget | 2022/23 £'000 New Variations | 2022/23 £'000 Updated Budget |
| INCOME | | | | |
| Dwelling Rents | -28,414 | -28,214 | 120 | -28,094 |
| Non Dwelling Rents | -672 | -672 | 20 | -652 |
| Charges for Services & Facilities | -732 | -745 | -11 | -756 |
| 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 | -30,038 | 129 | -29,909 |
| EXPENDITURE | | | | |
| Repairs & Maintenance | | | | |
| Cyclical Maintenance | 1,196 | 1,324 | | 1,324 |
| Reactive Maintenance | 3,648 | 4,136 | | 4,136 |
| Supervision & Management | | | | |
| General Management | 6,209 | 6,362 | 23 | 6,385 |
| Special Services | 1,377 | 1,793 | 38 | 1,831 |
| 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 | 22,530 | 61 | 22,591 |
| HRA OPERATING SURPLUS(-) | -8,920 | -7,508 | 190 | -7,318 |
| Contribution to Capital - supporting Housing Strategy | 9,120 | 9,120 | | 9,120 |
| HRA Total Annual Surplus(-) / Deficit | 200 | 1,612 | 190 | 1,802 |
| Use of HRA Reserve for Major Projects | -200 | -200 | | -200 |
| | | | | 0 |
| HRA TOTAL ANNUAL SURPLUS(-) / DEFICIT | 0 | 1,412 | 190 | 1,602 |