

FINANCIAL MONITORING REPORT (based on Performance April to September 2023 inclusive)

1. RECOMMENDATIONS

1.1 It is recommended that Cabinet:

- i) notes the latest budget forecasts of the General Fund (section 5), Capital (section 6), and HRA (section 7).
- ii) approves an increase in the Housing Revenue Account reactive maintenance budget of £200,000 and notes a reduction in the Dwelling Rents income budget of £100,000, with offsetting adjustments to act as a budget virement from a reduction of £100,000 in the Cyclical maintenance budget, a reduction of £120,000 in the Supervision and Management Maintenance Administration budget and a reduction of £80,000 in the Major Repairs capital budget.
- iii) approves an increase of £100,000 in the Housing Revenue Account Disabled Facilities Grant capital budget, with an offsetting reduction to the Major Repairs capital budget.

2. INTRODUCTION

2.1 Following the approval of the Original Budget for 2023/24 in February 2023, 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. PAY AWARD IMPLICATIONS

4.1 As previously reported, the 2023/24 pay award has yet to be settled. Currently, the final outcome of ballots being held by the three unions represented at the Council is expected after 24 October. The current employers offer would result in additional budget requirement in the region of £650,000 in the General Fund and £230,000 in the Housing Revenue Account but until a settlement is reached no additional budget will be allocated.

4.2 The final additional costs of the pay award in 2023/24 will need mitigating. Cumulative net

budget savings of £523,000 identified in this and previous reports already largely achieve this. The Medium-Term Financial Plan has been updated to include the impact and will address the ongoing increased base salary costs, balancing these out in a financially sustainable way over the medium to long term.

5. GENERAL FUND REVISED PROJECTION

5.1 A General Fund budget of **£22.468 million** for 2023/24 was agreed by Council in February 2023 (£22.851 million at Portfolio analysis level, with other budget elements reducing this to this lower General Fund budget figure).

5.2 Net reduced budget requirements of £100,000 were included within the first Financial Monitoring Report of the year reported to the Council and this report identifies further net savings and additional income of £423,000. This updated monitoring position has lowered the current total budget requirement to **£21.945 million**.

5.3 The latest budget variations now reported, including the mitigating actions as required, include net unfavourable expenditure variations of £38,000 and net income increases of £461,000. In addition, £260,000 has been rephased to future years. Major variations are detailed below (ordered in accordance with appendix 1) with full variations listed in Appendix 1.

5.4 Community, Safety and Wellbeing (Housing, Communities and Governance)

i) Community Safety (-£260,000)

The base budget included £300,000 for enhancement of Community Safety measures across the district, to include a significant enhancement to CCTV. Consultations have commenced with town and parish councils, and in light of the lead in for suppliers/new infrastructure, the latest project plan estimates that the majority of the spend will fall outside of the 2023/24 financial year. £260,000 is therefore being rephased.

5.5 Environment and Sustainability (Place, Operations and Sustainability)

i) **Fleet (-£50,000)** – following approval of the updated Vehicle and Plant capital replacement programme by Cabinet on 6 September, the revised programme has resulted in estimated revenue depreciation savings to 2023/24 of £50,000.

ii) **Car Parks (-£263,000)** – as approved by Council on 9 October, the 2024 revised Meter tariffs and Clock Fees and Charges are estimated to result in additional income in 2023/24 of £263,000.

iii) **Car Parks (£150,000)** – Cost of income collection and rent expenditure is projected to be around £82,000 higher than originally estimated. Also, mainly due to the poor weather over the summer, income is currently £68,000 lower than budget.

5.6 Finance and Corporate (Corporate Resources and Transformation)

- i) **Revenues and Benefits Service (-£60,000)** – Savings relating to vacant posts within the Revenues and Benefits Service.

5.7 **Housing and Homelessness (Housing, Communities and Governance)**

- i) **Homeless Assistance (-£302,000)** – The Council built additional budgetary provision of £1 million into the 2023/24 budget for cost pressures arising from homelessness. Additional Government grant of £302,000 has now been received to offset some of these additional cost pressures.

5.8 **Leader (Corporate Resources and Transformation)**

- i) **Elections (£10,000)** – Voter Id and accessibility changes for the Elections held in May 2023, resulted in additional expenditure of £74,000. However, this has been offset by additional Government grant of £64,000.

5.9 **Planning and Economy (Place, Operations and Sustainability)**

- i) **Development Management and Land Charges (£145,000)** – Due to uncertainty in the housing market, Development Management income (£130,000) and Land Charges fees (£15,000) income is currently lower than budgeted.
- ii) **Development Management (-£80,000)** – vacancies within the Development Management business unit have resulted in savings of £80,000.
- iii) **Economic Development (£50,000)** – As approved by Council in July 2021, a third and final contribution of £50,000 will be made to the Solent Freeport.

5.10 **Net Other Variations (-£23,000)** – Net other variations total -£23,000.

5.11 The overall impact of all variations results in an updated General Fund Budget of **£21.945 million**; a reduction of £523,000 from the original estimate. The revised General Fund Budget for 2023/24 can be seen at Appendix 1, with further details on the variations being reported included within Appendix 2.

5.12 Initially the positive variations will be transferred to reserves but will later contribute to expected savings required to fund the eventual pay award. Work will continue during the remainder of the year on mitigations to offset the expected additional costs, with a view to keeping the forecast outturn for the 2023/24 financial year in line with the original budget expectation. Progress will be reported back to the Cabinet within the next Financial Monitoring Report.

6. **HOUSING REVENUE ACCOUNT REVISED PROJECTION**

6.1 After allowing for contributions of £150,000 from earmarked reserves for the continuing Stock Condition Survey work, a break-even HRA budget for 2023/24 was agreed in February 2023, with a Revenue Account contribution of £9.700 million supporting the financing of the £27.610 million HRA Capital Programme.

- 6.2 The September monitoring report to Cabinet identified additional budget requirements of £110,000 from rephasing of the 2022/23 Corporate ICT programme.
- 6.3 Latest insurance premiums on the Council stock for 2023/24 exceed the budget by £16,000.
- 6.4 Maintenance expenditure incurred on properties becoming void has exceeded budget by £200,000. The 2023/24 financial year has seen yet a further year on year increase in the number of void properties, due to the increased numbers of households moving to improved accommodation through the register and the increased numbers of households who are under-occupying their current accommodation now seeking smaller homes. Whilst this is positively impacting our tenants the increased costs of materials and labour has resulted in the average void cost increasing by almost £2,000 per property.
- 6.5 Income loss from void properties has exceeded the budget by £100,000. The Fire Safety programme has required that a large volume of properties remain empty for an extended period to reduce the impact on residents and assist contractors in completing works in a more efficient and effective manner.
- 6.6 In order to balance the overall spend on Housing, excluding the ICT rephasing, the Major Repairs programme has been reduced by £100,000, the cyclical maintenance budget has been reduced by £100,000 by removing the budget for communal area decoration in some of the Council's age restricted blocks, and an underspend of £120,000 largely due to staff vacancies has occurred within the Housing Maintenance Property Services team.
- 6.7 The updated HRA budget can be seen at Appendix 3.

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

- 7.1 A Capital Programme budget of **£42.641 million** for 2023/24 was agreed by Council in February 2023.
- 7.2 Principally due to Vehicle and Plant and Housing Revenue Account Fire Risk Assessment works additional budget requirements, the budget was increased by £0.276 million to **£42.917 million** in the September Cabinet report.
- 7.3 The latest forecast confirms variations totalling £150,000 and rephasings from 2022/23 of £14,000. The variations are detailed below:

Variations £150,000

- **Planning and Economy** – Mitigation Schemes: On 14 July 2023 the Portfolio holder approved expenditure of £250,000 for an all-weather pitch at Burgate School.
- **Housing Revenue Account** – Disabled Facilities Grants: Demand for mandatory grants means that the budget is predicted to be £100,000 overspent. Discussions are being reheld with Hampshire County Council about the possibility of funding this from the Better Care Fund.
- **Housing Revenue Account** – Major Repairs: £200,000 has been reduced from the Major Repairs Programme to fund the current budgeted overspend on the

Housing Revenue Account and the anticipated overspend on Disabled Facilities Grants.

Rephasings £14,000

- **Leader** - UK Shared Prosperity Fund – rephasing of £14,000 from 2022/23.

7.4 The changes, as above, result in an updated Capital Programme Budget of **£43.081 million** (Appendix 4).

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 - FINANCE AND CORPORATE

9.1 The half year report shows that we remain broadly in line with our budget although the Housing Revenue account continues to come under pressure. Clarity on the pay awards would be welcome not only by this Council but, I feel, equally with our staff and would also enable greater accuracy within our Medium-Term Financial Plan.

Whilst I would have liked to have seen the funding for Community Safety spent within the current financial year, it is essential that we achieve the best results possible and it has therefore been necessary to rephase this into the following year to ensure a full and meaningful consultation with our partners.

10. PORTFOLIO HOLDER COMMENTS – HOUSING AND HOMELESSNESS

10.1 I note the impact of costs for void refurbishments in our housing stock being higher than planned. In addition to a higher number of voids, the cost of materials has also increased. I look forward to the refurbished dwellings becoming available for those families on the housing list.

For Further Information Please Contact:

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Background Papers:

Cabinet 6 September 2023
Cabinet 15 February 2023