

## **FINANCIAL MONITORING REPORT (based on Performance April to December 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) supports the proposed approach (outlined in para 5.11) to utilise the additional investment income and one-off VAT refund to increase the Revenue Contribution to Capital Programme financing, in order to support a reduction in capital financing costs over the medium term.

### **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 The 2023/24 pay award has now been settled. The financial implications are summarised in paragraphs 5.2 and 6.3.

### **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 reported to Cabinet in September and further net budget reductions of £423,000 reported to Cabinet in November, reducing the total budget requirement to **£21.945 million**. The November report also identified, but had not allocated to Portfolios, anticipated additional costs arising from the pay award, which had not been settled at that time. The award has now been agreed and final additional budget requirement is £654,000. This has been allocated across Portfolios within the November 23 Latest Budget column within Appendix 1. The adjusted November total budget requirement figure is £131,000 higher than the original budget, at **£22.599 million**:

<b>Summary Table</b>	<b>2023/24 Budget £'000</b>
Original Budget	22,468
September Report	(100)
November Report	(423)
Pay Award Implications	+654
<b>Revised Budget to end of November</b>	<b>22,599</b>

- 5.3 The latest budget variations now reported include net favourable expenditure variations of £348,000 and net income increases of £1.683 million. In addition, £605,000 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) **Health and Leisure Centres (-£43,000)** - Due to unfavourable weather and supply chain issues, remaining paint work repairs to the steels at Ringwood Health and Leisure Centre have been delayed until next financial year. This will be funded from the proposed increased maintenance allowance for the centres next year and therefore a saving of £43,000 will arise this year.

5.5 **Finance and Corporate (Corporate Resources and Transformation)**

- i) **Business Improvement (-£45,000)** – Due to staff vacancies there will be savings in the Business Improvement Service.
- ii) **Commercial Properties (£70,000)** – There will be a reduction in Commercial Property rental income due to a vacancy while dilapidations works are tendered.
- iii) **Eling Tide Mill (£35,000)** – Budgetary provision of £35,000 is required for urgent feasibility study works at Eling Tide Mill.

Other variations relevant to central finance and corporate activity, but not directly assigned to the Portfolio in terms of the Portfolio level summary of the General Fund budget include;

- iv) **Interest Earnings** – The Council, through its SLA with the County Council have looked to maximise the potential additional revenues to be generated because of increased interest rates. As a result, Treasury Management earnings are significantly ahead of the originally budgeted position, and are anticipated to result in additional interest earnings of £1.5 million for the year.
- v) **VAT Refund** – As a result of HMRC's decision to reclassify Sporting Services as a non-business activity for Local Authorities, the Council claimed and received a £668k one-off refund of VAT paid on its leisure services in previous years.
- vi) **ATC North Wing Roof Repairs (-£45,000)** – Funding of £45,000 has been rephased into 2024/25 for works on the Appletree Court North Wing roof.

#### 5.6 **Housing and Homelessness (Housing, Communities and Governance)**

- i) **Homelessness (-£250,000)** – Additional budgetary provision of £1 million was allocated for homelessness costs in 2023/24, to reflect actual costs in 2022/23. Due partly to the increased availability of temporary accommodation units arising from the Development Programme and the work of the Homelessness team, £250,000 of this additional provision is unlikely now to be required.
- ii) **Housing Benefits (Private Sector Leased Properties) (£255,000)** – Housing Benefit payments on Private Sector Leased Properties are subject to a threshold for Government Subsidy reimbursement. Payments above the threshold in 2023/24 are estimated at £255,000 for which no subsidy will be received.
- iii) **Ukraine Families Housing - (-£560,000)** - The Council has received £892,000 revenue funding to assist Ukrainian Families. It is anticipated that £560,000 will not be utilised this year and will be transferred to a specific reserve for use in 2024/25 and future years.

#### 5.7 **Planning and Economy (Place, Operations and Sustainability)**

Current national financial conditions have resulted in a slowdown in activity relating to the housing market. This has impacted income in a number of the Council's services where demand is related to that market.

- i) **Building Control - (£75,000)** – Income for the year is currently predicted to fall short of the £550,000 budget by £75,000. The overall loss on the fee-earning account will be transferred at yearend to the accrued balance in the Building Control Breakeven Reserve.
- ii) **Development Management - (£20,000)** – Planning fees income is currently predicted to fall short of the revised £726,000 budget by £65,000. This will be offset by salary savings of £45,000 due to staff vacancies.

iii) **Land charges - (£20,000)** – Income for the year is currently predicted to fall short of the revised £310,000 budget by £20,000.

- 5.8 The overall impact of all variations results in an updated General Fund Budget of **£20.493 million**; a reduction of £1.975 million from the original estimate. The Council has been able to absorb the additional pay award costs and, thanks largely to the investment earning position and claimed VAT windfall is now able to contribute an additional £1.975 million in Revenue Contributions to assist with funding the capital programme. This is of particular benefit given pressure on capital resources in future years, as seen through the Council's proposed Capital Strategy, and will support a reduction in forecast capital financing costs going forward over the medium term.
- 5.9 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.

## 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 Budget adjustments totalling £110,000 were included in the first monitoring report to Cabinet in September and an additional £96,000 in the second report to Cabinet in November.
- 6.3 The November Cabinet report also highlighted estimated additional unbudgeted pay award costs of £230,000 which had not been allocated to services. Following settlement of the award actual additional costs are now estimated to be £260,000 and budgetary provision has been allocated across the service areas and shown within the November 2023 column of Appendix 3.
- 6.4 This report identifies net budget reductions of £45,000, resulting in an overall net additional budget requirement for the year of £421,000. The capital Major Repairs budget has been reduced by £204,000 to partly fund the additional costs. This leaves a balance of £217,000 not yet funded but work will continue over the remainder of the year to mitigate this net overspend. New variations are detailed in the following paragraphs and summarised in Appendix 3.
- 6.5 **Dwelling Rents - (-£65,000)** – Income loss on void properties has been reviewed and the previously reported anticipated additional loss of £100,000 can now be reduced by £65,000.
- 6.6 **Garage rents - (£46,000)** – Rental income is anticipated to be £46,000 less than budget due to the impact of reduced lettings, partly in preparation for development opportunities on garage sites.
- 6.7 **Interest - (£63,000)** – Increases in interest rates and higher than anticipated reserves balances brought forward from 2022/23 will result in additional interest earnings of £200,000 but will also result in additional interest costs on internal borrowing of £263,000.

- 6.8 **Repairs and Maintenance - (overall £nil)** – Budget of £24,000 has been allocated to purchase some high-level working equipment. This has been funded by virement from the capital Major Repairs Programme.
- 6.9 **General Management - (-£70,000)** – Staff vacancies in the Housing Development Team have resulted in savings of £70,000.
- 6.10 **Other - (-£70,000)** – Latest estimates anticipate a reduction of £90,000 in the budget requirement for utility bills in older persons accommodation. This saving is offset by an increased need of £20,000 in the trees' maintenance budget.
- 6.11 **Homeless Assistance/Service Charges - (£27,000)** – Additional budget of £51,000 is required for council tax costs on new temporary accommodation units. This is offset by additional service charge income of £24,000.
- 6.12 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 Revisions to the programme, reported to Cabinet in September, increased anticipated spend by £276,000 and this was increased by £164,000 in the November report to Cabinet, resulting in an updated approved programme of **£43.081 million**.
- 7.3 The latest forecast confirms variations totalling £100,000 and net rephasings of £1.205 million (£469,000 from 2022/23 and £1.674 million to 24/25). The variations are detailed below:

### Variations £26,000

- **Planning and Economy** – Mitigation Schemes. On 2 November 2022 Cabinet approved the allocation of £100,000 Community Infrastructure Levy contributions for the Football Foundation project at Ringwood. These funds have now been released.
- **Housing Revenue Account** – The Major Repairs programme has been reduced by a further £24,000 and the Estate Improvements budget by £50,000 to part fund the current predicted overspend on the revenue budget.

### Rephasings £1.205 million

- **Environment and Sustainability** – The Hurst Spit Beach Shingle Source Study scheme (-£123,000) will now commence in 2024/25.
- **Finance and Corporate** – New Hardley Depot Site. It is currently anticipated that £1.551million of this scheme will be rephased into 2024/25.

- **Housing Revenue Account** – In 2022/23 the Fire Risk Assessment Works budget was underspent by £565,000. Initially a rephasing amount of £116,000 was identified in the September financial monitoring report to Cabinet but current spend predictions are that the remaining £469,000 now needs to be allocated for this year.

7.4 The changes, as above, result in an updated Capital Programme Budget of **£41.902 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**

9.1 The third quarter monitoring report does not highlight any concerns, conversely I am pleased to see additional income within the General Fund. This positive position will enable an enhanced level of financing support to the Council's Capital programme, further delaying the need for external borrowing, in turn reducing overall costs of finance.

### **For Further Information Please Contact:**

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### **Background Papers:**

Cabinet 1 November 2023  
Cabinet 6 September 2023  
Cabinet 15 February 2023