

## Cabinet – 6 November 2024

### Financial Monitoring Report (based on Performance April to September 2024 inclusive)

Purpose	For Decision
Classification	Public
Executive Summary	<p>This report provides the latest budget forecasts for the General Fund, Housing Revenue Account (HRA) and capital programme for the 2024/25 financial year, based on the half year performance from April 2024 to September 2024 inclusive.</p> <p>It confirms that despite variations a balanced budget is forecast in the General Fund, a forecast deficit in the HRA currently of £200,000 has been identified and a net increase in the capital programme for 2024/25 of £300,000.</p>
Recommendation(s)	<p><b>It is recommended that Cabinet:</b></p> <ol style="list-style-type: none"><li><b>1) note the latest budget forecasts of the General Fund, HRA, and Capital.</b></li><li><b>2) approve the £75,000 supplementary budget for the Salisbury Arcade, Totton scheme funded via a corresponding reduction in the councils Revenue Contribution to Capital Outlay (RCCO) and Milford-on-Sea Public conveniences capital scheme.</b></li><li><b>3) request Council approval of the £375,000 supplementary budget for the Hardley Depot scheme as a result of abnormal ground works.</b></li></ol>
Reasons for recommendation(s)	<p>To comply with accounting codes of practice and best practice which requires councils to regularly monitor the annual budget position and take any action to support the sustainability of the council's financial position ensuring we are being financially responsible.</p>

	To comply with the council's financial regulations regarding budget virements and supplementary budget requests.
Ward(s)	All
Portfolio Holder(s)	Councillor Jeremy Heron - Finance and Corporate
Strategic Director(s)	Alan Bethune - Strategic Director Corporate Resources and Transformation (Section 151 Officer)
Officer Contact	Paul Whittles Assistant Director - Finance 02380 285766 paul.whittles@nfdc.gov.uk

## Introduction and background

1. Following the approval of the Original Budget for 2024/25 in February 2024 this report provides a further update on the General Fund, Housing Revenue Account and Capital budgets, adjusting for any budget changes now required and recommended.
2. 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 (MTFP).

## Pay award implications

3. As previously reported the 2024/25 pay award for Chief Officers (Strategic Directors) had been agreed at 2.5%. During October the National Joint Council for Local Government Services (NJC) has come to an agreement on the 2024/25 pay award relevant to the rest of the NFDC workforce, applicable from 1st April 2024 to 31st March 2025. This has agreed an additional £1,290 on all pay points up to SCP 43 on the NJC scale (equivalent to NFDC scale point 47) and an increase of 2.50% for all other pay points (including the Chief Executive), implemented from 1st April 2024. This increase in pay costs is covered within the council's 2024/25 budget. Further detailed work will determine the variation to the budgeted sum,

with any variation to budget being reported in the Q3 Financial Monitoring Report.

### **General Fund revised projection**

4. A General Fund budget of £24.513 million for 2024/25 was agreed by council in February 2024 (£24.898 million at Portfolio analysis level, with other budget elements reducing this to this lower General Fund budget figure).
5. This report identifies a number of new budget variances but there is no overall change from the Q1 position, that being a £4,000 reduction from the original budget approved in February to £24.509 million.
6. The latest budget variations reported include net unfavourable expenditure variations of £150,000 and net income increases of £150,000. Major variations are detailed below (ordered in accordance with **Appendix 1**), with full variations listed in **Appendix 2**.

### **Environment and Sustainability (Place, Operations and Sustainability)**

7. **Car Parks – Income (£200,000)** – The rollout of the new tariffs in January 2024 to support the council’s MTFP has led to a positive increase in car parking income, forecast at £810,000 albeit against the budgeted £1.1m increase (total income budget £4.988m). This £290,000 projected shortfall has been partially mitigated via agreed increases for both pay and display payments and parking clocks. These will come into effect from 1 January 2025 positively impacting the final quarter of this financial year, resulting in a £200,000 forecast shortfall overall.
8. **Street Scene – Operational (£90,000)** – Operational staff and vehicle costs have been higher than expected this year. Pressures from long term sick absences and vacancies have led to increased agency and overtime costs to maintain service delivery. Extra hire costs have been incurred because of issues with an ageing fleet and vehicle reliability, and further compounded by longer vehicle repair turnaround times. Mitigation is now in place, with 7 new vehicles now arriving to replace the older/less reliable elements of the fleet.
9. **Waste and Recycling – Fuel (-£30,000)** – Fuel costs are on average approximately 15% lower than budgeted, therefore savings

of £30,000 have been identified based on the first six months of the financial year.

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

10. There are variations that impact directly on the reported Finance and Corporate Portfolio summary and other variations under the control of the Portfolio holder which impact all Portfolios or other General Fund budgets:
11. **Interest Earnings (-£400,000)** – The continued implementation of the Investment Strategy and the current comparatively high Bank of England base rate compared to recent years means the council is forecasting additional interest earnings of £400,000. Further work is ongoing with the treasury management team, and this is likely to be updated in future reporting.
12. **Revenue and Benefits (-£75,000)** – Current vacancies within the Revenue and Benefits Service will result in salary underspends of £75,000.
13. **ICT Cloud Storage (£105,000)** – Additional General Fund apportionment of ongoing cloud storage consumption costs are being incurred following the implementation of the Azure Cloud project. Work will be ongoing with the ICT department as to whether these costs can be offset going forward.
14. **Insurance Premium (£70,000)** – The council has historically benefitted from lower costs for professional indemnity insurance, however due to a change in the premium calculation methodology by our insurer this has grown significantly. This is a Hampshire wide issue affecting all members of the Hampshire Insurance Forum. Officers are seeking clarification on the rationale with a view to mitigating the impact where possible. £70,000 is the General Fund proportion.
15. **Support Services (-£30,000)** Current vacancies within Support Services will result in salary underspends of £30,000.

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

16. **Planning Fees (£150,000)** – Planning fee income is cyclical and dependent on market conditions in the development sector/wider economy. An increase in nationally set planning fees has not delivered anticipated revenue as the market is still reasonably suppressed, and key sites have not come forward as expected. Work

will be ongoing with the planning department to review and reprofile budgetary expectations going forwards. It is also noted that the recent consultation on the National Planning Policy Framework proposed a further increase to the nationally set planning fees, albeit any benefit this financial year would be subject to that being taken forwards and would be a part year effect only.

17. **Planning Development Management (-£80,000)** – Current vacancies within the Development Management service has resulted in salary underspends of £80,000. Vacancies will be managed throughout the remainder of the year to provide further mitigation to the budgeted income shortfall covered above.
18. The revised General Fund Budget for 2024/25 can be seen at Appendix 1, with further details on the variations being reported included within Appendix 2.

### **Other Financial Matters to Note**

19. The following matters do not affect the council's net revenue position but are included for information and transparency.
20. Within the Finance and Corporate portfolio, an additional £52,000 of staffing costs to support transformation within Human Resources are to be funded using the council's corporate contingency.
21. Within the Planning and Economy portfolio a £100,000 Planning Skills Delivery Fund grant awarded by the Ministry of Housing, Communities and Local Government will be used on skills support expenditure.
22. Within the Leader portfolio the Resident Insight Survey will not be carried out in 2024/25, consequently the £25,000 budget will be returned to reserves to be available for use in 2025/26 as required.

### **Housing Revenue Account Revised Projection**

23. A break-even HRA budget for 2024/25 was agreed in February 2024, with a Revenue Account contribution of £9.700 million supporting the financing of the £32.380 million HRA Capital Programme.
24. The quarter one monitoring report to September Cabinet identified additional budget requirements of £122,000.

25. This report identifies additional net budget increases of £78,000 (£200,000 total). New variations are detailed in the following paragraphs and summarised in **Appendix 3**.
26. **General Management - (£43,000)** – The council has historically benefitted from lower costs for professional indemnity insurance, however due to a change in methodology in calculating the premium by our insurer this has grown significantly. This is a Hampshire wide issue affecting all members of the Hampshire Insurance Forum. Officers are seeking clarification on the rationale with a view to mitigating the impact where possible. £43,000 is the HRA proportion.
27. **General Management - (£35,000)** – ICT Cloud Storage – additional HRA proportion of ongoing cloud storage consumption costs are being incurred following the implementation of the Azure Cloud project. Work will be ongoing with the ICT department as to whether these costs can be offset going forward.
28. There are additional in-year budget pressures on the HRA, particularly due to the procurement of external contractors to cover trades vacancies. However, work will continue over the remainder of the year targeted to mitigate any net impact and budget pressure.
29. The updated HRA budget can be seen at Appendix 3.

### **Capital Expenditure (General Fund and Housing Revenue Account)**

30. A Capital Programme budget of £48.959 million for 2024/25 was agreed by council in February 2024.
31. Principally due to rephasing from 2023/24, the budget was increased by £3.454 million to £52.413 million in the September Cabinet report.
32. The latest forecast confirms gross programme changes in year totalling £300,000 and rephasing into 2025/26 of £213,000 which results in an updated 2024/25 Capital Programme Budget of £52.500 million (**Appendix 4**).
33. Details of the changes and rephasing are provided below:
34. **Environment and Sustainability** – Expenditure regarding various coastal schemes has been reviewed resulting in the rephasing of £213,000 into 2025/26 relating to Barton Horizontal Directional

Drilling Trials, Hurst Spit Beach Shingle Source Study and Milford Beach and Cliff Study.

35. **Finance and Corporate** – The **New Depot Site at Hardley** has an additional budget requirement of £375,000. This is due to higher build contract costs due to matters outside of our project control, concerning abnormal ground works and drainage redesign.
36. Value engineering options have been considered with a view to offsetting these unexpected abnormal costs. However, there is a clear balance between ensuring the depot is set up to operate effectively and efficiently in operational use and cutting costs in the short term which will only create longer term maintenance or operational costs.
37. The council is committed to constructing a modern fit for purpose depot facility that futureproofs the delivery of operational service provision for the district over the long term and this additional investment covered by the supplementary budget will provide this.
38. Following a tender process to refurbish the **Salisbury Arcade, Totton** an additional budget requirement of £75,000 has been identified above the £150,000 approved as part of the 2023/24 budget.
39. This refurbishment is essential in supporting the two adjoining council investment assets and will enhance the overall appearance and value of each of the assets.
40. The additional £75,000 can be funded by a corresponding reduction in the council's Revenue Contribution to Capital Outlay (RCCO).
41. This transfer is possible due to a reduction of £75,000 in the **Milford-on-Sea Public Conveniences** capital budget. This project will now provide an interim solution whilst a wider Masterplan for the area is concluded. As options are reviewed, the final proposal might enable a further reduction of spend in 2024/25.

### **Corporate plan priorities**

42. Regular monitoring and reporting of our financial activity including adjusting budgets whilst maintaining a balanced medium term financial plan (MTFP), ensures we are being financially responsible and supports our Future New Forest transformation programme which underpins the delivery of all our priorities.

## **Options appraisal**

43. In relation to the Hardley Depot supplementary budget request the project team have been exploring options to mitigate costs by reviewing the scope of remaining contract works and the depot requirements with the operational team.
44. Unfortunately, the cost saving options would only result in disproportionately large additional expenditure being incurred regarding maintenance and operational costs over the medium to long term of the asset, which outweighs the short-term cost reduction during construction.
45. Therefore, officers consider the best course of action to be the approval of the supplementary budget as included in the recommendation.

## **Consultation undertaken**

46. Internal consultation between finance officers, service managers and budget holders has determined the forecast data presented in the report.

## **Financial and resource implications**

47. This is a financial report with budget implications already detailed and considered in the main body of the report.

## **Legal implications**

48. There are no legal implications arising directly from this report.

## **Risk assessment**

49. The projected forecast is prepared based on estimates and assumptions in consultation with services. There are key risks in the projections across all service areas and both revenue and capital activity.

## **Environmental / Climate and nature implications**

50. There are no environmental implications arising directly from this report.

## **Equalities implications**

51. There are no equality implications arising directly from this report.



## **Crime and disorder implications**

52. There are no crime and disorder implications arising directly from this report.

## **Data protection / Information governance / ICT implications**

53. There are no data protection, information governance or ICT implications arising directly from this report.

### **Appendices:**

Appendix 1 – Revised General Fund Budget 2024/25

Appendix 2 – Variation Analysis General Fund 2024/25

Appendix 3 – Revised Housing Revenue Account Budget 2024/25

Appendix 4 – Revised Capital Programme 2024/25

### **Background Papers:**

Cabinet 4 September 2024:

[Financial Monitoring Report - \(based on Performance April to June 2024 inclusive\)](#)

Cabinet 21 February 2024 – Budget Reports 24/25:

[Housing Revenue Account Budget and the Housing Public Sector Capital Expenditure Programme 2024/25](#)

[Medium Term Financial Plan and Annual Budget 2024/25](#)