

FINANCIAL MONITORING REPORT – FORECAST OUTTURN (BASED ON PERFORMANCE TO FEBRUARY 2016)

1. INTRODUCTION

- 1.1 This report monitors financial performance for the 11 months to February 2016 and any potential outturn implications on a Portfolio and Committee basis.

2. BACKGROUND

- 2.1 The Council's financial strategy of a continuous review of activities and services to identify opportunities for savings in expenditure alongside opportunities to generate income has been successful in addressing the significant reductions in government funding whilst at the same time maintaining key service levels. Budget monitoring reports form an important part of this process and the ongoing development of the Medium Term Financial Plan (MTFP).
- 2.2 Following the setting of the 2016/17 budget in February significant work has continued on reviewing the structure and future budget requirements of the Council and an updated MTFP will be presented to Cabinet in June. This will include an efficiency plan that will be based on the key delivery actions set out in the Council's Corporate Plan approved in February. The efficiency plan will form part of the submission to the Government to meet the requirements for obtaining a Multi-Year Financial Settlement.

3. GENERAL FUND OUTTURN PROJECTION

- 3.1 A General Fund budget of **£18.327 million** for 2015/16 was agreed by Council in February 2015.

As a result of financial monitoring reports to Cabinet in August and November 2015 account was taken of project rephasings from 2014/15 (£1.243 million) and additional Asset Management Group(AMG) projects (£75,000), offset by net savings in Portfolio budgets of £734,000.

	Project Budgets £M	Portfolio Budgets £M	Total Budget £M
Original Budget			18.327
Projects rephased between years	1.243		1.243
New approved Projects	0.075		0.075
Savings previously reported	-	(0.734)	(0.734)
	1.318	(0.734)	
Transfer from Reserves	(1.318)	-	(1.318)
Local Plan Reserve		0.326	0.326
Transitional Costs		0.300	0.300
Forecast as at November 2015			18.219

- 3.2 This report identifies new additional net budget savings of **£960,000** and scheme rephasings to future years of **£1.991 million**. The table below provides an overview of the variations and full details of all new variations are provided in sections 3.3 to 3.6.

	Project Budgets £M	Portfolio Budgets £M	Total Budget £M
Forecast as at November 2015			18.219
Portfolio Savings (3.3)		(0.361)	(0.361)
AMG Savings (3.4)		(0.574)	(0.574)
Business Development & Third Party Grants (3.5)		(0.025)	(0.025)
Projects rephased between years (3.6)	(1.991)		(1.991)
	(1.991)	(0.960)	
Transfer to Reserves	1.991	-	1.991
Forecast as at March 2016			17.259
Forecast Annual Saving on Original Budget			(1.068)

3.3 PORTFOLIO BUDGET VARIATIONS £361,000

Environment £90,000

Refuse and Recycling £40,000

Fuel savings are expected to contribute £40,000 by the end of this financial year.

Street scene £50,000

Staff savings (due to vacancies) and savings on litter picking and fly tipping costs are now expected to generate a £50,000 saving.

Finance and Efficiency £8,000

Tax and Benefits £40,000

Principally due to specific grants exceeding associated expenditure, alongside various minor positive variations, a total budget saving of £40,000 is now projected.

Offices and Depots / Land Holdings £8,000

Projected offices and depots cost savings of £35,000 are partly offset by one off costs of £27,000 on various council property and land holdings projects.

Property Services (£40,000)

The Property Services budget allowed for income of £40,000 from charges to capital projects and rechargeable works. This has not materialised in 15/16 and the budget has already largely been removed for 2016/17.

General Purposes and Licensing (£38,000)

Registration of Electors (£38,000)

Due to the increased cost of the electoral registration process that the Council had to implement in line with statutory requirements costs this year are expected to exceed budgets by £38,000.

Health and Leisure £50,000

Leisure Centres £30,000

Budget Savings of £55,000 due to improved net fees and charges income of £40,000 and other income of £15,000 are partly offset by predicted increases in operational costs of £25,000.

Sports and Community Development £20,000

The annual Sports and Community Development Grants budgets will be underspent by around £20,000.

Housing and Communities (£100,000)

Homeless Assistance – (£150,000)

Principally due to increased bed and breakfast costs (£100,000 - as a result of a reduced availability of alternative accommodation and the impact of the closure of a block of flats, as a result of safety concerns, requiring emergency accommodation for 17 households) alongside additional private sector leasing costs (£50,000) an overspend of £150,000 is expected in this financial year.

CCTV/Community Alarms (£20,000)

A revised staffing structure was agreed and implemented during 2015/16, resulting in an anticipated net overspend of £20,000. This is non-recurring as it will be offset by additional income in future years.

Stillwater Park £40,000

As a result of an increase in the number of mobile home sales, additional commission income of £40,000 is now expected to be generated for the Council in this financial year.

Community Safety £30,000

Due to a staff vacancy there will be a saving of £30,000 in 2015/16.

Planning and Transportation / Planning Development Control Committee £351,000

Land Charges £124,000

The Council has received £124,000 Government New Burdens Grant as a contribution towards costs incurred following legal claims for fees for searches of the local land charges register.

P&T Supplies and Services £67,000

Projected underspends over a range of largely supplies and services budgets across P&T business units are expected to contribute a budget saving of £67,000.

Transportation £70,000

Savings of £40,000 are now projected resulting from underspends on the community transport and minor transport enhancement scheme budgets, alongside a projected £30k saving on the street lighting due to the progress in the installation of energy efficient lighting as part of the HCC PFI contract.

Planning Fees £20,000

The income target of £500,000 is now expected to be exceeded by approximately £20,000.

Parking £70,000

Small underspends across a variety of budget heads are expected to generate a £20,000 saving by the end of the year, alongside improved clock sales income, which is now expected to contribute an additional £50,000.

3.4 AMG PLANNED MAINTENANCE AND EQUIPMENT REPLACEMENT PROJECTS

Savings of **£574,000** have now been identified as part of a full review of progress and outcomes of the Asset Management and equipment replacement programmes. This is in respect of the following main areas:

- £190,000 of resources carried forward from 2014/15 and allocated to the car park meter replacement programme are not required as the 2015/16 budget already included provision for the full programme.
- £146,000 of savings are currently forecast in respect of AMG projects within the Finance and Efficiency Portfolio.
- £96,000 of savings are now forecast in respect of AMG projects within the Health and Leisure Portfolio.
- £115,000 of savings have been achieved on car park related AMG projects within the Planning and Transportation Portfolio.
- Rephasings in the vehicle replacement programme will generate a revenue saving of £25,000 in 2015/16.

3.5 BUSINESS DEVELOPMENT AND THIRD PARTY GRANTS

Savings of **£25,000** are anticipated. This is principally due to a budgeted grant of £20,000 for a project at Lymington Pre-School no longer being required.

3.6 REPHASINGS

Total scheme rephasings into 2016/17 are anticipated to be £1.991 million. These are detailed below and funding will be carried forward into 2016/17 as part of the year end closedown process.

Portfolio Budgets £290,000

- £150,000 Refuse and Recycling Text Reward Service (ENV)
- £100,000 Refuse and Recycling Kerbside Glass (ENV)
- £40,000 Streetscene major roads litter picking (ENV)

Asset Management / Equipment Replacement Projects £1,042,000

Due to the rescheduling of asset management projects and equipment purchases the following rephasings to future years are required:

- £61,000 Coastal Steps Replacement (ENV)
- £44,000 Open Space Projects (ENV)
- £122,000 Hurst Road West and Furlong car park projects (P&T)
- £370,000 Car Park Machine replacement programme (P&T)
- £191,000 Various projects within the H&L AMG programme (H&L)
- £76,000 Health and Leisure Equipment replacement (H&L)
- £76,000 ICT Replacement Programme (F&E)
- £73,000 Appletree Court Car Park Resurfacing (F&E)
- £29,000 Insulation Work at ATC (F&E)

Business Development / Third Party Grants £659,000

Due to the rescheduling of programmed expenditure or changes to project implementation the following rephasings are required:

- £160,000 Totton Gym Extension (H&L)
- £230,000 Public Conveniences Refurbishment at New Milton(ENV)
- £207,000 ICT Systems Development (F&E)
- £62,000 Community Grants (H&L)

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

- 4.1 The Capital Programme agreed in February amounted to £18.516 million. It was adjusted to **£18.230 million** following the financial monitoring reports to Cabinet in August and November. Additional expenditure of **£1.300 million** is now forecast due to an increased housing acquisitions and development programme as outlined in paragraph 4.2 below. At the same time there will be reductions to the capital programme due to rephasings totalling **£0.950 million** (paragraph 4.3) resulting in a new capital budget of **£18.580 million**.
- 4.2 The Housing Acquisition and Development budget was increased by £2.492 million to £6.3 million in November 2015 to enable the purchase of 30 dwellings and for preliminary works at Compton/Sarum House. A further 20 additional acquisitions have also been agreed for 2016/17. The 2015/16 project has now been extended to 34 properties and average purchase prices have increased meaning that total expenditure is expected to be £1.3 million more than the November forecast. The most appropriate source of funding will be considered as part of the closedown process but will come from right to buy receipts, section 106 funds or the Acquisitions Reserve.
- 4.3 The following capital rephasings totalling £0.950 million to 2016/17 are required:
- £650,000 of the vehicle and plant replacement programme due to the procurement and tendering process taking longer than originally planned.
 - £300,000 on the North Milton new build and environmental enhancements projects due to bad weather and delays in obtaining agreement from Hampshire County Council regarding highways works.

5. HOUSING REVENUE ACCOUNT

- 5.1 An HRA budget was agreed in February with a forecast net operating surplus of **£1.461million**. This was amended to £1.394 million to reflect variations reported as part of financial monitoring reports earlier in the year. New variations identified in this report generate net additional income of £175,000, leading to a latest expected surplus for the year of **£1.549 million**.
- 5.2 Dwellings Income is expected to exceed the budget by £203,000. This is due to an improvement of circa 25% in vacant property turnaround times, the re-letting of dwellings at Cranleigh Paddock and a general increase due to a greater number of properties than was budgeted for.
- 5.3 Non Dwelling Income is expected to be £28,000 less than budget due principally to increased garage voids arising from less demand or deliberate decisions not to let, in

order to facilitate new development.

6. CRIME AND DISORDER / EQUALITY AND DIVERSITY/ENVIRONMENTAL IMPLICATIONS

6.1 There are no Crime and Disorder, Equality and Diversity or Environmental implications arising directly from this report.

7. PORTFOLIO HOLDER COMMENTS

7.1 I am pleased to see that further savings have been identified and the Council is continuing to deliver a better than forecast outcome against the budget.

8. RECOMMENDED

8.1 It is recommended that Cabinet notes the revised outturn forecasts of the General Fund (para 3.2), Capital Programme (para 4.1) and Housing Revenue Account (para 5.1).

For Further Information Please Contact:

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Background Papers:

None