

FINANCIAL MONITORING REPORT (BASED ON PERFORMANCE TO OCTOBER 2016)

1. INTRODUCTION

- 1.1 This report provides an update on the 2016/17 budget following on from the first report to Cabinet in August, which included the reporting of rephasings from the previous year.

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 support the ongoing development of the Medium Term Financial Plan (MTFP).

3. GENERAL FUND OUTTURN PROJECTION

- 3.1 A General Fund budget of £17.192m for 2016/17 was agreed by Council in February 2016. Net positive variations reported to Cabinet in August amounted to **£654k** and a reduced updated budget total for 2016/17 of **£16.538m**.
- 3.2 This report identifies new positive budget variations of **£1.061m** and new budget requirements of **£279k**. In addition, the report identifies budgets rephased to later years of £272k with the amount returned to earmarked reserves. **The latest General Fund estimated outturn is now £15.756m**. The table below provides an overview of the variations and full details are provided in sections 3.3 to 3.5.

	Para.	Savings £'000	New Req. £'000	Rephasing £'000	Total £'000
Original Budget April 2016/17					17,192
Variations agreed in August	3.1	-731	110	2,297	1,676
Transfer from Reserves in August	3.1		-33	-2,297	-2,330
Updated Budget August 2016/17		-731	77	0	16,538
Portfolio / Committee Items	3.5	-551	279	-57	-329
Asset Maintenance / Replacement	3.6	-489		-185	-674
Business Development / Third Party	3.7	-21		-30	-51
Total Budget Variations This Period		-1,061	279	-272	-1,054
Transfer to Reserves This Period				272	272
Updated Budget October 2016/17		-1,792	356	0	15,756

- 3.3 The majority of the Portfolio / Committee items have occurred as a result of the new Service Managers working towards the achievement of their large budget stabilisation targets factored into the Council's latest (October) MTFP.
- 3.4 The large savings and rephasings relating to the Asset Maintenance and Replacement programme are included as a result of a review of the complete programme, in order to effect a 're-set' and budget for a deliverable programme in 2016/17. The revised programme budget is now £2.075m, with spend (committed and actual) after 7 months totalling £900k. Some projects included within the £489k savings will be included within future years' programmes, and will be assessed in line with the overall programme requirements, as against the funding available outlined in the MTFP.

3.5 PORTFOLIO/COMMITTEE ITEMS

Savings: £551k

- £150k – The positive development of **car parking income** in respect of both clock sales and meter income which started in 2015/16 has continued into 2016/17. Aided by fair seasonal conditions, this is expected to result in additional income of approximately £150k in this financial year (P&T).
- £160k – Total Savings of £60k are now expected as a result of staff structure reviews in the **Revenues Service** (£20k) and **Benefits Service** (£40k). The service will, in this year, also benefit from additional one-off Government funding for the implementation of welfare reforms which have largely been implemented from within existing resources (£70k) and the fact that the Government subsidies for housing benefit and the local council tax support scheme administration are higher than originally anticipated (£30k) (F&E).
- £70k – Total savings of £70k are now expected within the **Streetscene Service** as a result of temporary vacant posts (£30k), a planned reduction in overtime costs (£20k) and sub-contractor savings (£20k) (ENV).
- £63k – Staffing savings (£46k) and additional external income (£17k) within Community Safety result in an overall ongoing saving of £63k (HSG & COMM).
- £58k – Additional income has been received in respect of the telecommunications mast at Lymington Town Hall. This covers payments in respect of previous years which have now been received.
- £50k – Staffing savings of £60k have resulted following the Accountancy team restructure, £50k of which will benefit the General Fund and £10k the Housing Revenue Account.

New Requirements: £279k

- £250k – It is anticipated that some one-off transition costs may be incurred in order to deliver further efficiency savings. The savings outlined in this report enable a sum of £250k to be set aside, without impacting on reserves.
- £29k – Delays in the implementation of the In-cab technology project (see 3.6) will delay the forecast savings being achieved (ENV).
- **Planning fee income** is currently £30k ahead of last year's figures, with **land charges income** falling short by a similar amount. This area will continue to be closely monitored as changing income earning patterns in the remainder of the year have the potential to lead to significant variations (P&T).

Rephasings to 2017/18: £57k

- £57k – Investigations have taken place to see if the Text Reward Service project (relating to waste & recycling collection) could be integrated into one larger corporate project involving other Council services. This has resulted in a delay to the commencement of the project, and so now requires rephasing to 2017/18 (ENV).

3.6 ASSET MAINTENANCE / REPLACEMENT

Savings: £489k

- £489k – The overall total is £540k, of which £51k relates to the Housing Revenue Account. The impact on the General Fund is therefore a reduction in costs of £489k:

	GF	HRA
• Environment	£54k	
• Health & Leisure	£221k	
• P&T (Parking)	£55k	
• Offices & Depots	£145k	£51k
• Vehicles & Plant (Minor)	£14k	

Rephasings to 2017/18: £185k

- £185k – In-Cab Technology (£217k total; £185k GF and £32k HRA):
The Council's ICT function is currently subject to a corporate review. This review is wide ranging and will take some time to undertake. It is likely that the current ICT systems will change in some form and the in-cab technology relies on data transfer from the cab of the vehicle to the CRM or equivalent in order for it to function fully. It is unclear what CRM system will be in place in the immediate future and therefore it is recommended that this project be deferred until 2017/18.

3.7 BUSINESS DEVELOPMENT/THIRD PARTY GRANTS

Savings: £21k

- £20k – A saving is currently projected on the Community Grants programme.
- £1k – A saving is currently projected on the Business Development programme.

Rephasings to 2017/18: £30k

- £30k – Rephasing is required relating to the Council's community grant contribution towards the large redevelopment project at Lepe Country Park.

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

- 4.1 The Capital Programme agreed in February amounted to £20.669m. New requirements approved by Cabinet in August amounted to **£1.363m** and this, together with rephasings from 2015/16 of **£2.161m** resulted in a revised capital budget of **£24.193m**.
- 4.2 This is now reduced to a revised capital budget of **£21.343m** to reflect additional budget requirements of **£100k** and rephasings of schemes to future years of **£2.950m**, as outlined in the table below and reflected in paragraphs 4.3 and 4.4:

	Savings £'000	New Req. £'000 Para 4.3	Rephasing £'000 Para 4.4	Total £'000
Original Budget April 2016/17				20,669
Variations agreed in August		1,363	2,161	3,524
Updated Budget August 2016/17	0	1,363	2,161	24,193
Public Sector Housing			-1,900	-1,900
Other Services		100	-1,050	-950
Total Budget Variations This Period		100	-2,950	-2,850
Updated Budget October 2016/17	0	1,463	-789	21,343

4.3 New Requirements: £100k

- £100k – Additional vehicle procurement costs due to timing of vehicle procurement and/or specification changes (£86k, equivalent to 8%) and items moved from revenue budgets to capital budgets (£14k; paragraph 3.6).

4.4 Rephasings: £2,950k

- Capital costs originally assumed for 2016/17 now rephased to 2017/18 or future years and so will be included as part of the budget setting proposals for the relevant year, are broken down as follows:

	£'000	£'000
Public Sector Housing:		
· HRA Major Repairs	-1,720	
· Extensions to Properties	-30	
· Older Persons Schemes Allocations	-150	
		-1,900
Environment:		
· Procurement of Cemeteries Land	-17	
· Beach Hut Works	-50	
· Coast Protection Schemes	-119	
Finance & Efficiency:		
· Vehicle & Plant Acquisitions	-258	
· New Depot Site Feasibility	-37	
Planning & Transportation		
· Open Space Projects	-259	
· Transportation Projects	-310	
		-1,050
TOTAL		-2,950

5. HOUSING REVENUE ACCOUNT (HRA)

5.1 A break-even HRA budget for 2016/17 was agreed in February 2016. The table below summarises the revised position, taking into account the current reported variations (detailed in paragraphs 5.2 – 5.5):

HRA Budget Summary

	Original Budget £'000	Variations Oct £'000
Income	-28,113	
Revenue Maintenance	4,770	
Supervision & Management	5,027	-61
Rents, Rates, Taxes & Other Charges	11	
Provision for Bad Debt	150	
Capital Financing Costs	4,488	
Contribution to Capital	13,667	-1,900
	28,113	-1,961

5.2 Paragraph 4.4 identifies a variance of £1.9m in the Housing Capital Programme, largely due to delays in the Major Repairs Programme (following changes to the Property Services Team). As this programme is budgeted to be financed from the HRA an equivalent saving is anticipated in the revenue account.

- 5.3 Asset Maintenance and Replacement programme savings, identified for offices and depots in paragraph 3.4, will result in a £51k cost saving for the Housing Revenue Account.
- 5.4 The £32k rephasing included in paragraph 3.6 will be absorbed within the overall building works on-cost account (and so not reflected in the table above).
- 5.5 As detailed in paragraph 3.3, £10k of savings in Accountancy staffing costs will benefit the HRA.
- 5.6 In accordance with current policy any underspend in the Housing Revenue Account at the year-end, after ensuring the optimum use of capital and revenue resources available, will be transferred to the Acquisitions and Development Reserve, retaining the current Housing Revenue Account general reserve balance at c£1m.

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

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

7. PORTFOLIO HOLDER COMMENTS

- 7.1 We continue to make steady progress and to meet challenging and ever changing targets.

8. RECOMMENDATIONS

- 8.1 It is recommended that Cabinet notes the latest budget forecasts of the General Fund (para 3.2), Capital (para 4.2) and HRA (para 5.1), and recommends to Council the inclusion of the new budget requirements as outlined in sections 3.5 and 4.3.

For Further Information Please Contact:

Alan Bethune
Service Manager – Finance & Audit
Telephone: (023) 8028 5588
E-mail: alan.bethune@nfdc.gov.uk

Background Papers:

Financial Monitoring Report 03-08-16
Medium Term Financial Plan 05-10-16