

GOSPORT BOROUGH COUNCIL

BUDGET MONITOR

JULY 2016

SUMMARY OF REPORT AND RECOMMENDATIONS

To report to members on forecast expenditure compared to the latest budget for 2016/17 and to note related issues.

Recommendations

This report is for information only.

1.0 PURPOSE OF REPORT

1.1 This is the first Budget Monitor to be issued for 2016/17.

1.2 **Material issues identified in the report are:**

- o **General Fund revenue account – estimated revenue savings of £237,870 (section 4 and Appendix B)**
- o **Housing Revenue Account – estimated revenue savings of £146,910 (section 5 and Appendix B)**
- o **Capital Programme – summary attached (section 6 and Appendix C)**

2.0 BACKGROUND

2.1 This monitor reports and comments on variances against the original budget approved by Council on 10 February 2016 and provides an early indication of any issues arising.

2.2 The draft Statement of Accounts for 2015/16 was completed on schedule by 30 June and the external audit is taking place from 04 July 2016.

2.3 The Council's external auditors, Ernst and Young, will present their governance report firstly to Standards and Governance Committee on 08 September 2016 and secondly to P&O Board on 21 September 2016.

2.4 Officers will formally report on, and seek member approval of, the final accounts for 2015/16 at P&O Board on 21 September 2016 prior to publication by 30 September 2016..

2.5 The annual budget process for 2017/18 will shortly start and the Medium Term Financial Strategy (MTFS), Budget Strategy and Capital Programme will be considered by P&O Board in September.

2.6 The Council's Budget Book for 2016/17 sets out the revenue and capital budgets as well as forecast savings figures that are required for future years

together with detail of the risks and uncertainties that lie ahead. The estimated savings required by 2019/20 are £1.532 million.

3.0 DEVELOPMENTS IN 2016/17

3.1 Council 08 June 2016, Proposal for Shared Management

Council approved to jointly share senior management with Portsmouth City Council to provide ongoing annual savings to both authorities and a basis for achieving further savings in the future.

The financial effects of this on both the General Fund and Housing Revenue Account are included in sections 4 and 5

3.2 EU Referendum 23 June 2016 – Brexit

The impact that the referendum vote to leave the European Union will have on the Public Sector's finances remains to be seen. It is possible that there may be additional austerity measures, resulting from a downturn in the economy, that would affect the Council's budgetary projections.

3.3 Government Consultation on Devolved Business Rates

The Government's consultation paper on the introduction of 100% business rate retention was issued on 5 July 2016 – the consultation closes on 26 September 2016. Business Rate income in the Council's forward projections comes with considerable uncertainty as many factors are presently outside of the Council's control. The government paper can be found at

<https://www.gov.uk/government/consultations/self-sufficient-local-government-100-business-rates-retention>

3.4 Housing and Planning Act 2016

The act contained a number of initiatives affecting the HRA, most notably is the sale of high value void properties to meet the levy payment to the government that is required to fund the extension of the right to buy initiative to Housing Associations. More detail is awaited on this in order to assess the financial impact on the HRA and no estimates are included in this monitor.

4.0 GENERAL FUND

REVENUE BUDGET

4.1 The Council's net revenue budget of £9,346,640 was approved by Council on 10 February 2016 with Band D Council Tax subsequently being set at £207.81 on 25 February 2016.

4.2 Revenue budgets totalling £421,730 have been carried forward from 2015/16 into 2016/17.

- 4.3 An examination of the revenue budgets at this early stage of the year has revealed the material variations listed in Appendix B, indicating a net saving in 2016/17 of £237,870.

The salary savings in 2016/17, from both the PCC Shared Management arrangement and an ongoing staffing review, are £265,370. The one off redundancy and pension fund payments in 2016/17 of £1,046,960 will be met from the Revenue Financing Reserve which was set up to meet such costs in order to make efficiency savings.

The full year ongoing savings that will be achieved after 2016/17 are approximately £433,000 per annum after the estimated PCC Shared Management charge.

- 4.4 Appendix A summarises the overall General Fund budget including the main revenue reserves.

RESERVES

- 4.5 The current level of revenue reserves is considered adequate, but it is essential that they are maintained, and ideally increased, in order to safeguard the Council's position

- The General Fund Balance is the statutory fund for the day to day operation of the Council and is being maintained at its current level of £890,000.
- The Revenue Financing Reserve (RFR) is a general reserve particularly targeted at funding further spend to save initiatives, evening out annual maintenance fluctuations and funding uninsured risks.
- The Stability and Resilience Reserve covers the risks and volatility inherent in the Business Rate Retention and Local Council Tax Support Schemes and the uncertainty of future levels Revenue Support Grant.

- 4.6 Capital reserves consist of the residual part of the receipt from Camden Allotments. This must be applied in accordance with the provisions of Section 32 of the Smallholdings and Allotments Act 1908.

5.0 HOUSING REVENUE ACCOUNT (HRA)

REVENUE BUDGET

- 5.1 The reported HRA variance is shown at Appendix B. The salary savings in 2016/17 arising from both the Housing Review and the PCC Shared Management arrangement are £146,910. The one off redundancy and pension fund payments of £548,440 will be met from the Major Repairs, New Build & Loan Repayment Reserve in 2016/17.
- 5.2 The full year ongoing savings that will be achieved after 2016/17 are approximately £228,000 per annum net of the estimated PCC Shared Management charge.

RESERVES

- 5.4 Appendix A includes the HRA revenue and capital reserve estimates – these reflect the revenue budget transfers (including variation at 5.1) and the estimated financing of the capital programme.

6.0 CAPITAL PROGRAMME

- 6.1 The capital programme for 2016/17 was approved by Policy and Organisation Board on 23 September 2015. An update is included at Appendix C which shows the latest budget position, including slippage from 2015/16 and expenditure to date.
- 6.2 The programme schemes for this year will shortly be reviewed and an updated capital programme, including proposed schemes, for 2017/18 and beyond will be brought to Policy and Organisation Board in September as part of the Budget Strategy report.

7.0 WRITE OFFS

- 7.1 Under Financial Regulations, the Borough Treasurer has delegated authority to approve write offs up to £20,000. These are summarised in Appendix D showing 2015/16 and 2016/17 to July 2015.

8.0 RISK ASSESSMENT

- 8.1 The Council's budget report for 2015/16 highlighted budget areas and associated risks. These included the new Business Rate Retention scheme. These areas have been examined as part of this budget monitoring exercise and, where applicable, are included in section 3 above.
- 8.2 Budgets are kept under review to identify further savings and efficiencies in order to minimise any effect on council tax levels.

Any questions regarding this monitor or comments on the content and presentation should be directed to either Julian Bowcher or John Norman.

GENERAL FUND	ESTIMATE 2016/17 £	FORECAST 2016/17 £	VARIANCE £
General Fund Budget			
Community Board	5,500,140	5,692,340	192,200
Economic Development Board	752,630	948,390	195,760
Policy and Organisation Board	3,235,120	3,271,420	36,300
Business Units / Admin	0	(240,400)	(240,400)
Net Expenditure of Boards	9,487,890	9,671,750	183,860
Transfer to / (from) Reserves			
Revenue Financing Reserve (RFR)	(142,250)	(326,110)	(183,860)
Stability & Resilience Reserve (SRR)	0		0
Budget Total	9,345,640	9,345,640	0
Financed by			
Gosport Council Tax	(5,461,300)	(5,461,300)	0
Revenue Support Grant	(1,175,890)	(1,175,890)	0
Business Rates Retention	(2,708,450)	(2,708,450)	0
	(9,345,640)	(9,345,640)	0
GENERAL FUND - RESERVES	ACTUAL 01-Apr-16 £	FORECAST 31-Mar-17 £	MOVEMENT IN YEAR £
Revenue (main)			
General Fund Balance	(890,000)	(890,000)	0
Revenue Financing Reserve	(3,067,420)	(1,694,350)	1,373,070
Stability & Resilience Reserve	(1,338,830)	(1,338,830)	0
	(5,296,250)	(3,923,180)	1,373,070
Capital			
Capital Receipts - Allotments	(64,530)	(64,530)	0
	(64,530)	(64,530)	0
HOUSING REVENUE ACCOUNT (HRA)	ESTIMATE 2016/17 £	FORECAST 2016/17 £	VARIANCE £
Net Surplus	(628,000)	(774,910)	(146,910)
HRA - RESERVES	ACTUAL 01-Apr-16 £	FORECAST 31-Mar-17 £	MOVEMENT IN YEAR £
Revenue			
Revenue Account Balance	(991,740)	(991,740)	0
Major Repairs, New Build & Loan Repayment Reserve	(2,992,350)	(1,428,540)	1,563,810
	(3,984,090)	(2,420,280)	1,563,810
Capital			
Capital Receipts - Allowable Debt	(100,000)	0	100,000
Capital Receipts - New Build 1-4-1	(1,016,350)	(730,200)	286,150
	(1,116,350)	(730,200)	386,150

MAIN VARIATIONS IN GF REVISED REVENUE BUDGETS

	VARIANCE £
Parking income including fines	30,000
Market income	11,000
Land Charges income	6,500
Nimrod Centre Improvement Grant (P&O 06/07/16)	5,000
External Interest Receivable	(5,000)
IT - Purchase of Software	(20,000)
Shared Management - salary savings	(274,410)
Shared Management - PCC Shared Management charge	108,210
Other Staffing - salary savings	(99,170)
Net underspending	(237,870)

1. The figures in brackets denote an underspending compared to the latest budget
2. Staffing redundancy payments, including payments to the Pension Fund, of approximately £1.047m are met from the Revenue Financing Reserve

MAIN VARIATIONS IN HRA REVISED REVENUE BUDGETS

	VARIANCE # £
Shared Management - salary savings	(62,100)
Shared Management - PCC Shared Management charge	28,860
Other Staffing - salary savings	(113,670)
Net underspending	(146,910)

1. The figures in brackets denote an underspending compared to the latest budget
2. Staffing redundancy payments, including payments to the Pension Fund, of approximately £0.548m are met from the Housing Reserves

Budget Holder	Cost Centre	Item	CAPITAL PROGRAMME 2016/17	Budget 2016/17 £	Slippage 2015/16 £	Other Movements £	Latest 2016/17 £	Expenditure 07-Jul-16 £	Variance £	Forecast 2016/17 £	Variance 2016/17 £	Notes / Comments	
JH/TH	6000	1	COMMUNITY BOARD - HOUSING (HRA)										
JH/TH	6001	2	LA Tenants Disabled Persons Grant	50,000	0		50,000	0	(50,000)	50,000	0		
JH/TH	6033	3	Improvements to Housing Stock	3,590,000	0		3,590,000	474,369	(3,115,631)	3,590,000	0		
JH/TH	6034	0	St Vincent Road Development	900,000	600,800		1,500,800	284,667	(1,216,133)	1,345,690	(155,110)	Community 09/04/14 & 15/09/14	
JH/TH	6034	0	Purchase of Properties	0	0		0	178,625	178,625	178,630	178,630	6 Sycamore Close	
				4,540,000	600,800	0	5,140,800	937,661	(4,203,139)	5,164,320	23,520		
			COMMUNITY BOARD - HOUSING (GENERAL FUND)										
IR	6102	1	Disabled Facilities	382,000	66,710	235,780	684,490	66,713	(617,777)	684,490	0	Slippage is payments in advance to PCC at 31/03/16 - grant funded. Notified grant for 16/17 is £617,780	
IR	6103	2	Housing Renewal	60,000	56,470		116,470	0	(116,470)	116,470	0		
				442,000	123,180	235,780	800,960	66,713	(734,247)	800,960	0		
			COMMUNITY BOARD - NON HOUSING										
SR/IL/SV/CP	6201	1	Alver Valley Country Park	0	752,120		752,120	2,832	(749,288)	752,120	0	Work has commenced on the Eastern Gateway Car Park refurbishment and extension. The Western Gateway Play Area project is currently going through the tender process	
AM/MJ	6299	0	BMX National Center, Alver Valley	0	0		0	229	229	0	0	Inspired Facilities Bid Award	
JB	6202	0	Landing Stage	0	0		0	3,640	3,640	0	0	WS Atkins	
SR/IL	6203	2	River Hamble to Portchester CFERM Strategy	0	11,880		11,880	6,298	(5,582)	11,880	0	0	Funded by Environment Agency, managed by Coastal Partnership. Future programme to be updated
SR/AB/IL	6209	3	Car Park resurfacing & upgrading	40,000	67,210		107,210	133	(107,077)	107,210	0	0	Work to provide additional car parking spaces at Stokes Bay to comment in October. Resurfacing works to South St will commence after this as work will be limited to remaining budget.
SV/SR/IL	6230	4	Provide lighting to pathways within Leisure Parks, Gardens & Open Spaces	0	169,410		169,410	0	(169,410)	169,410	0	0	HCC / PFI specification being finalised - New designs being drawn up due to upgrade of lighting within PFI Contract

Budget Holder	Cost Centre	Item	CAPITAL PROGRAMME 2016/17	Budget 2016/17 £	Slippage 2015/16 £	Other Movements £	Latest 2016/17 £	Expenditure 07-Jul-16 £	Variance £	Forecast 2016/17 £	Variance 2016/17 £	Notes / Comments
IL	6264	5	Privett Park - Replacement 2nd Pavilion & paths (this scheme is subject to both S.106 developer contribution and equivalent match funding [each £350k] being identified - the capital programme funding projections currently assume that this will be the case or the scheme will not proceed)	0	700,000		700,000	0	(700,000)	700,000	0	
SV/SR/IL	6211	7	Lee Promenade resurfacing	0	45,000		45,000	0	(45,000)	45,000	0	Last phase to be completed in 2016/17
AB/SR/AW/IL	6214	8	Public Conveniences refurbishment	80,000	75,960		155,960	850	(155,110)	155,960	0	Marine Parade West to be completed in the first quarter 2016/17. Refurbishment of Battery No.2 toilets currently being designed and costed.
SV/SR/IL	6256	9	Transfer of Play Areas at Priddys Hard	0	7,070		7,070	0	(7,070)	7,070	0	Design being finalised
SV/SR/IL	6259	10	Privett Park-Provision of High Protective Fence	0	10,000		10,000	0	(10,000)	10,000	0	Planning permission granted Works started
SV/SR/IL	6266	11	Playgrounds - improvements to existing facilities	20,000	57,000		77,000	59,436	(17,564)	77,000	0	Works underway St Nicholas Ave completed Grove Road rec Playground Contractor to quote for works
AB/SR/IL	6286	12	Kerbside & Glass Collection service	134,000	0		134,000	0	(134,000)	134,000	0	
SV/SR/IL	6263	13	Essential Paving Improvements & Upgrades	40,000	0		40,000	0	(40,000)	40,000	0	
SV/SR/IL	6280	17	Stanley Park - phased refurbishment	20,000	42,860		62,860	0	(62,860)	62,860	0	
SV/SR/IL	6281	18	Renew interpretation boards across the Borough	9,000	30,000		39,000	7,894	(31,106)	39,000	0	On going D Day Boards all in situ , Planning permission to be applied for the revised boards being drawn up at present
JB	6613	19	Ice Rink refurbishment & improvement	0	100,000		100,000	0	(100,000)	100,000	0	P&O 13/03/13. Payment will be made shortly.
SV/SR/IL	6293	21	Stokes Bay Golf Club - drainage works	0	35,000		35,000	0	(35,000)	35,000	0	Working with Golf Club & Natural England
AB/SR/IL	6234	0	Bus Shelters	0	540		540	0	(540)	540	0	Funded by HCC deposit
SV/SR/IL	6294	22	Ann's Hill Cemetery Waiting Room	20,000	0		20,000	0	(20,000)	20,000	0	Designs and costings being investigated
SV/SR/IL	6295	23	Bridgemaury Skate Park (to include BMX & Scooters)(subject to match funding of £90k)	180,000	0		180,000	0	(180,000)	180,000	0	
SV/SR/IL	6296	24	Cockle Pond - water circulation scheme	100,000	0		100,000	0	(100,000)	100,000	0	On going with Coastal and NE
SV/SR/IL	6297	26	Community Space - Manor Way	100,000	0		100,000	0	(100,000)	100,000	0	
SR/IL	6298	27	Parham Road - flood measures	25,000	0		25,000	0	(25,000)	25,000	0	
				768,000	2,104,050	0	2,872,050	81,312	(2,790,738)	2,872,050	0	
ECONOMIC DEVELOPMENT BOARD												

Budget Holder	Cost Centre	Item	CAPITAL PROGRAMME 2016/17	Budget 2016/17 £	Slippage 2015/16 £	Other Movements £	Latest 2016/17 £	Expenditure 07-Jul-16 £	Variance £	Forecast 2016/17 £	Variance 2016/17 £	Notes / Comments
IL	6605	1	Waterfront Masterplanning	0	26,610		26,610	3,779	(22,832)	26,610	0	Waterfront being marketed
				0	26,610	0	26,610	3,779	(22,832)	26,610	0	
JP/IL	6608	1	POLICY & ORGANISATION BOARD CCTV - Replacement & Upgrades	46,000	0		46,000	0	(46,000)	46,000	0	£15k for camera replacements & upgrades when economic repair is unviable and £31k to reduce annual fibre costs by using radio links (spend to save)
DE/IL	6602	3	IT - PC Replacement Programme	10,000	0		10,000	0	(10,000)	10,000	0	
DE/IL	6614	4	IT - Server Replacement	40,000	33,280		73,280	0	(73,280)	73,280	0	
DE/IL	6615	5	IT - Microsoft Licence	50,000	29,080		79,080	0	(79,080)	79,080	0	
DE/IL	6616	6	IT - System Upgrades	35,000	19,250		54,250	13,938	(40,313)	54,250	0	
AM/MJ	6603	7	Town Hall Major Repairs - Electrics	10,000	25,110		35,110	8,603	(26,507)			
AM/MJ	6618	8	Town Hall Major Repairs - Internal	15,000	5,430		20,430	5,006	(15,424)	139,500	25,680	Town Hall works to be completed in 2016/17
AM/MJ	6619	9	Town Hall Major Repairs - Health & Safety	10,000	10,850		20,850	5,109	(15,741)			
AM/MJ	6620	10	Town Hall Major Repairs - Adaptions	15,000	22,430		37,430	19,236	(18,194)			
AM/MJ	6622	11	Town Hall Passenger Lift - major refurbishment / renewal	0	79,000		79,000	4,225	(74,775)	79,000	0	
AR/JN/JB	6621	12	Financial Management System V.5 Upgrade	45,000	0		45,000	0	(45,000)	70,000	25,000	On hold - need to commit by February 2017
				276,000	224,430	0	500,430	56,116	(444,314)	551,110	50,680	
				6,026,000	3,079,070	235,780	9,340,850	1,145,579	(8,195,271)	9,415,050	74,200	

FINANCED BY												
HRA - Major Repairs Reserve	2,400,000	0	0	2,400,000								2,400,000
HRA - Revenue	1,240,000			1,240,000								1,240,000
HRA - Reserves	900,000	600,800	0	1,500,800								1,524,320
GF - Capital Grants - Disabled Facilities	282,000	66,710	335,780	684,490								684,490
GF - Developer Contributions - Open Spaces	0	859,240	0	859,240								859,240
GF - Other Grants & Contributions	90,000	469,490	0	559,490								559,490
GF - Capital Receipts	135,000	0	0	135,000								135,000
GF - Borrowing - GF	979,000	1,082,830	(100,000)	1,961,830								2,012,510
	6,026,000	3,079,070	235,780	9,340,850	0	0	0	0	0	9,415,050		

CUMULATIVE WRITE OFFS UNDER DELEGATED AUTHORITY			2015/16	2016/17 to 7 July
			£	£
Council Tax			132,583	831
NNDR			107,013	-
Housing Rents	HRA		46,695	11,684
	GF		61,269	-
Sundry Debtors			1,527	-
Housing Benefits			14,895	-
TOTALS			363,982	12,515