

ITEM 11 – APPENDIX F

WAVERLEY BOROUGH COUNCIL

EXECUTIVE – 1 OCTOBER 2013

Title:

MID-YEAR BUDGET REVIEW 2013-14

[Portfolio Holder: Councillor Band]

[Wards Affected: All]

Summary and purpose:

This report provides a projection of the total expenditure and income position for the General fund and the Housing Revenue Account for 2013-14 compared with the budget. The projection is based on the position as at the end of August 2013 and provides an important mid-year Budget review. The report also updates Members on the key Financial Strategy issues for the next four years.

How this report relates to the Council's Corporate Priorities:

The monitoring and management of the Council's Budgets ensures there is financial control over the services that contribute to the Corporate Priorities. Savings identified can be redirected towards Corporate Priorities or action can be taken to rectify overspends.

Equality and Diversity Implications:

There are no direct equality and diversity implications relating to this report.

Resource/Value for Money implications:

This report shows the budget management position to the end of August 2013 for the General Fund and the Housing Revenue Account. It monitors the progress of revenue expenditure and income and projects the potential year-end position, based on activity to date. The report details a small underspend against the General Fund Revenue budget and a small overspend against the Housing Revenue Account.

Legal Implications:

There are no direct legal implications relating to this report.

Introduction

1. This Report summarises the likely outturn position for 2013-14 based on updated projections as at the end of August 2013. It follows on from the Budget Management report to Executive on 2 September 2013 by identifying any changes to items reported previously. The Finance Seminar was held for all Councillors on 10 September, which set out the key strategy issues for the medium term including pressures and opportunities going forward. The most

significant pressure arises from the reduction to Government Grants. Taken with other Budget pressures, the funding gap is approximately £4m over the next four years; thereby requiring further savings of circa £1m per annum. This is in addition to the £8m savings identified over the previous five years. More detailed information will be presented to Members as part of the Budget reports as the Budget process develops

General Fund

Budget Variances

2. The projected variations from the Budget are detailed in the schedule at Annexe 1. Key areas of interest are also detailed below. At this stage, projections to the end of August have identified an underspend in the region of £221,000 for the General Fund Revenue Budget after allowing for approvals and anticipating provisions for additional expenditure against the underspend. This is very similar to the previous full budget monitoring report as at the end of July. Income levels were generally fairly low during August, but this is the usual pattern and in line with previous projections.

3. **Investment Interest**

Since the Budget was set in February 2013, interest rates have been extremely depressed, with few opportunities to improve on general market rates, particularly in those organisations that meet Waverley's investment criteria. As a result, a £50,000 shortfall in income has been forecast from the commencement of the year. Market rates remain very low, often below the base-rate of 0.5%. However, analysis of the first five months of the year shows that by taking advantage of small differences in rates that do become available the shortfall should be less than previously anticipated; and this is now projected to be £30,000 for the year.

4. **Land Charge Income**

Income for the first five months of 2013-14 has been particularly strong and this is expected to continue for the rest of the year. Consequently an additional £230,000 income is projected. Land Charge software with an estimated cost of £30,000 may need to be purchased during the year, leaving net additional income of £200,000.

5. **Car Park Income**

There is a projected shortfall of £25,000 for Pay and Display income, resulting from a small decline in income at Cranleigh and some Farnham car parks. This is offset by some overall increase in season ticket income, projected at £15,000 for the year, leaving a net shortfall in fee income of £10,000. Income at Haslemere remains strong and Godalming is also on budget. Additional income from rent of £5,000 remains as reported previously where rents have been increased. The net projected shortfall is therefore £5,000 for total car park income.

6. **Development Control / Planning Infrastructure Contribution (PIC) Monitoring Fee Income**

Additional Development Control income of £60,000 is reported which is an improvement of £50,000 from the previous amount reported. However, there is likely to be a requirement for a provision for additional expenditure on Development Control staff later in the year. This is dealt with in detail in a separate report on this agenda. £30,000 of the additional Development Control income has been earmarked against the underspend as shown at Annexe 1 to cover the potential additional cost in the current year.

A standard monitoring fee is charged for each PIC item as a contribution towards the costs of administering the scheme. An estimate of £22,000 for the income is included within the Development control budget. In view of the number of PIC items being experienced this year, the budgeted income is likely to be exceeded by £10,000.

7. Office Accommodation

The 2013-14 Budget includes estimated additional income from the rental of further office space, with Surrey CC being the most likely partners. Surrey CC are undertaking a major review of their services and have recently informed Waverley that they are unlikely to require further office space until January 2014 at the earliest, resulting in a shortfall of £15,000 from the budget. However, it may be that the review will result in additional office requirements beyond previous expectations.

8. Staff Vacancy Target Reductions

The General Fund Staff Vacancy Target for 2013-14 is £206,000. This is likely to be over-achieved by at least £50,000, based on experience to August and after taking account of known pressures.

9. Emergency Funding Provision

The 2012-13 budget provision for Emergency Funding of £24,130 was unspent and has been carried forward to the current year. A further £45,410 is included within the 2013-14 Budget, making a total of £69,540. £16,575 has been allocated currently, with up to £15,000 for Brightwells Gostrey and £1,575 for The Orchard Club, Haslemere. Whilst there is potential for an underspend, no amount has currently been included within the projections at Annexe 1.

10. Use of Balances

No use of the General Fund working balance was planned within the 2013-14 Budget, but the revenue carry forwards totalling £39,000 approved from 2012-13 will be met from the increased working balance at 31 March 2013.

General Fund Capital Programme

11. The detailed monitoring report for the General Fund Capital Programme to the end of August is attached at Annexe 2.

12. The monitoring position at the end of August shows expected slippage of £80,000 and a saving of £12,910.

Housing Revenue Account (HRA)

HRA Revenue Account

13. Major variations to the HRA budget are shown at Annexe 3. The previous projected overspend of £221,700 resulting from rent income being below budget has been reduced by £50,000 as a result of Rent Rebate subsidy received by Waverley now likely to be higher than originally estimated. However, this improvement is outweighed by the potential additional HRA Staff costs of £119,323 (as detailed below). The latest projected overspend on the HRA as at the end of August is therefore £291,023.

HRA Staff Budget

14. The Housing service has an overall staff budget of £3,460,900 and a vacancy savings target of £78,000. Staff costs are currently within budget, with £30,000 of the vacancy target expected to be achieved. However, projections to the end of the year demonstrate the need for additional spending for the following reasons;
- Vacancies in key roles need to be filled by use of external support - agency staff and temporary quantity surveyor services in order to ensure continued service delivery. The use of external support is costly but is required to ensure that service delivery does not suffer.
 - Supporting the delivery of a much larger Capital Programme requires extra surveying staff
 - Cover of long-term sickness in key roles has doubled costs for a number of months. This situation is now resolved.
 - Speeding up delivery of new affordable homes requires additional resources and expertise.

	£
Projected additional cost (as described above)	106,323
Add unachieved Vacancy Savings Target	48,000
Less Project manager Ockford Ridge redevelopment to be funded from Stock Remodelling Reserve	-35,000
Total additional cost	£119,323

15. The above position represents a worst-case scenario and allows for the continued use of agency staff until 31st March 2014. Recruitment of new permanent staff will help to reduce the projected overspend and this process has already begun.

16. In preparing the 2014-15 Budget a full review of the staffing structure will be carried out in order to ensure the delivery of the HRA Business Plan and corporate objectives.
17. At its meeting on 17 September 2013, the Audit Committee considered a number of overdue audit recommendations relating to the Housing service. The Committee felt that more support and resources were needed in order to ensure that future recommendations were met by their due dates and as such they wished to endorse the Head of Housing Operations's request for additional spending on staffing.

18. Rent Collection

The total rent arrears as at 30 August 2013 continue to be low at 1.17 % of the gross debit, with the arrears value of £353,000.

HRA Capital Programme

19. The detailed monitoring report for the HRA Capital Programme is attached at Annexe 4.
20. The September Executive agreed Major structural and adaptation works in the sum of £688,000. A further three properties in need of works exceeding £5,000 have now been identified and CMT recommend reinvestment totalling £18,005 for these properties as listed in (Exempt) Annexe 5.
21. In order to ensure completion of the decent homes backlog work in the current year, 2 additional contracts were let in accordance with the Council approval given in December 2012. The 2 contractors, for kitchens and bathrooms, should be on site by the end of September to deliver the programme by the end of March. It will be essential that the Housing service manages the contractors effectively.

Revenues Cash Collection

National Non-Domestic Rates

22. The collection rate to 31 August 2013 is 51.2%, compared with 51.3% last year.

Council Tax

23. The collection rate to 31 August 2013 is 49.8%, compared with 50.0% last year.

Medium Term Financial Strategy

24. Waverley's Medium Term Financial Strategy has been revised to take account of Waverley's latest financial position and the emerging financial pressures and opportunities in the coming years. The document covering the period 2014-15 to 2017-18 is included at Annexe 6. The annual Finance Seminar presented the key issues to Councillors ahead of the budget setting process.

25. The following are the key financial strategy issues arising from the Finance Seminar held on 10 September:
- £8million saving in last 5-years' Budgets including £3m staff costs
 - Further reduction in Government grant in 2013-14 with new funding regime introduced
 - Budget shortfall estimated at £4m over next 4-years; £800k in 2014-15
 - Some future savings identified already
 - £8.7m housing repairs backlog to be cleared 2013-14
 - As part of Budget process the Council will review Interest Income projections particularly from 2016-17 onwards.

26. For the HRA the more positive position continues, with resources now in place from rents and grants to meet decent homes backlog repairs by 2014 and to invest significant sums for new affordable homes and to improve existing council house stock.

27. **Star Chamber Savings**

The Star Chamber savings included within the 2013-14 Budget are monitored as an integral part of the budget monitoring process. All of these are being achieved in full, with the exception of the rental of office space as detailed at paragraph 7.

28. **Council Tax Support Scheme**

In January, the Council agreed its local scheme of council tax support which replaced council tax benefit from 1 April 2013. The Government cut Waverley's funding for council tax benefit by £600,000 (WBC's proportion is approx. £67,000). The six changes that Waverley made to the scheme were expected to reduce the support for around 900 working age claimants and have saved over £200,000 of this budget shortfall.

The actual impact of the changes is now clear. From the 852 claimants affected by the new scheme, as set out in the table below, there are 655 households that receive less support towards their council tax in 2013/14 compared to the previous year.

Changes	Number of Claimants	No. of changes that apply
Limit to maximum Band D	635	1
Treat child maintenance as income	191	2
Increase earnings disregard from 16 to 24hpw	21	3
Increase Non Dependent deductions	4	4
No Second adult rebate	1	5
Limit minimum award to £5pw	0	6

Waverley established a hardship fund to support those affected through the transition and is working with council tax payers who are experiencing difficulty paying their council tax. Given that Waverley has already implemented a thoroughly considered range of measures following a

comprehensive consultation in 2012, and a detailed impact assessment, it is proposed that the current council tax support scheme is not changed in 2014/2015 and a further review involving public consultation is not necessary.

Conclusion

29. Projections at the end of August indicate a further improvement to the General Fund surplus which is now projected at £221,000 by the year-end for the General Fund. The projected shortfall on the HRA, as detailed at Annexe 3, will be kept under review and, where possible, steps will be taken to mitigate the situation.
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Recommendations

That the Executive:

1. notes the mid-year revenue Budget projection and acknowledges that no immediate action is required for 2013-14;
 2. approves the Structural Repairs over £5,000, totalling £18,005 as scheduled at (exempt) Annexe 5 to be included in the 2013-14 HRA Capital Programme;
 3. approves a supplementary estimate of £120,000 on the HRA to meet the projected shortfall on the staffing budget;
 4. agrees to continue with the current Council Tax Support Scheme in 2014-15;
 5. agrees the updated Medium Term Financial Strategy included at Annexe 6; and
 6. continues to monitor the Budget closely during the remainder of 2013-14.
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Background Papers (Deputy Chief Executive)

There are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to this report.

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