

AGENDA ITEM 6: **APPENDIX B**

WAVERLEY BOROUGH COUNCIL

EXECUTIVE – 30 SEPTEMBER 2014

Title:

BUDGET MANAGEMENT REPORT AND MID-YEAR BUDGET REVIEW

[Portfolio Holder: Cllr Julia Potts]

[Wards Affected: All]

Note pursuant to Section 100B (5) of the Local Government Act 1972

Annexes to this report contain exempt information by virtue of which the public is likely to be excluded during the item to which the report relates, as specified in the following paragraphs of the revised Part 1 of Schedule 12A to the Local Government Act 1972, namely:

Information relating to any individual (paragraph 1);

Information relating to the financial or business affairs of any particular person (including the authority holding that information) (paragraph 3).

Summary and purpose:

This report provides a projection of the expenditure and income position for the 2014/15 Budget compared with the approved budget for the General Fund and the Housing Revenue Account. The projection is based on the position to date and provides a 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.

Financial Implications:

This report shows the budget management position to date 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 Housing Revenue Account position is given in the report.

Legal Implications:

There are no direct legal implications relating to this report

1. Introduction

1.1 Throughout 2014/15 all budgets are being monitored on a monthly basis with budget performance reported after taking into account of the following:

- Spend to date, including commitments.
- Last year's outturn
- Variations to the budget based on forecast outturn that includes the effect of management taken where required.
- Consultation with managers and budget holders on service performance.
- Virements identified where possible from existing budgets to cover budget pressures and budget approvals actioned as required.
- Service managers review and sign off their budget forecasts and explanations.

1.2 Financial position reporting will also focus on performance against financial targets such as income, establishment and star chamber savings. Financial risk is always inherent in service delivery and service management will be assisted in identification, evaluation and mitigation of significant risks and reporting appropriately.

2. General Fund

2.1 The General Fund forecasted outturn to the year end against the approved budget is given in the table below. The table presents significant variances by service compared to the previous month on a management by exception basis. The latest forecast is an underspend of (£422k), a net £13k decrease in underspend from the previous report as a result of the underlying improvement in performance and virement approved at the Executive on 2 September.

	Variance on budget		
	Last Report £'000	This Report £'000	Change £'000
Service Variations			
Policy and Governance			
Land Charges – projected additional income	(200)	(240)	(40)
Planning			
Development Control – projected additional income	(100)	(54)	46
Community			
Waverley Training Services – projected increased surplus	(30)	(30)	0
Environment			
Additional take up of the green waste service see 2.5	(55)	0	55
Car Parks – net additional income see 2.6	(20)	(68)	(48)
Corporate budget			
Inflation provision not required	(30)	(30)	0

- 2.2 Land Charges income is variable and demand is not within the councils control as it is entirely dependant upon the activity of the housing market. The budget is therefore set cautiously to mitigate the risk of underachievement, which would result in additional strain on the General Fund financing. Whilst this increase is only based upon the first four months, it is reasonably certain that the forecasted increase will be achieved this year and the position will be kept under review.
- 2.3 Last period it was reported that planning activity has significantly increased as reflected in the additional income (£100k), and this is increasing pressure on the Planning Service capacity to meet demand. In the last report a virement of £46k from the additional income was approved to support the planning enforcement function by employing a planning lawyer for a year.
- 2.4 Waverley Training Services is a council service operated under a trading arrangement that offers a range of training courses and apprenticeships to students and businesses. The net surplus from this service is returned to the General Fund. An increase in the budgeted net surplus is forecasted resulting from an upturn in activity.
- 2.5 A successful change was made to the Green Waste service this year by the provision of wheeled bins to collect composting materials resulting in an additional (£55k) forecasted income. Last year (£149k) of income was achieved and the budget for 2014/15 uplifted to (£240k) to reflect the demand, and the popularity for the service is still increasing. In order to meet demand, the Executive has approved delegated authority to the Head of Environmental Services to proceed with further incremental purchases of garden waste bins up to a threshold of 12,000 bins from the additional income. This will account for all of the £55k additional income.
- 2.6 Car Parks – net additional income of (£68K) is reported as below:

Changes in Car Park forecast	£'000
Car Wash contract income – implementation is delayed pending infrastructure changes.	10
Additional Season Ticket income	(30)
Additional Rent income	(30)
Increased activity on Pay and Display	(18)
Total improvement in Car Park income.	(68)

Additional rental income has been secured resulting in a one-off backdated payment and an ongoing small rental income. Other smaller rental incomes have been received for car parking spaces, which historically have not been certain enough to be included in the base budget. Overall, Pay and Display and Season Ticket income has continued to improve during the summer. The free Thursday evening Christmas trading car park loss of income will be covered by drawing down the HMRC refund held within the Revenue Reserve Fund.

- 2.7 Each year an establishment vacancy management target is included within the budget to ensure that the establishment complement is scrutinised for

efficiency savings and reflects the needs of ongoing service delivery. The forecast outturn at the end of July shows that the General Fund element of the target should be achieved.

2.8 The 2014/15 General Fund revenue budget was set to self-balance without the need to draw upon the General Fund balance. However, the balance will be increased this year by the forecasted underspend and reduced by any supplementary estimate approvals in year, including service expenditure carried forward from last year that was approved in the end of 2013/14. These are illustrated in the table below.

2.9

Forecast General Fund Balance movement as at end of July	
	£'000
Balance 1 April 2014	(3,361)
Increased by the forecast outturn variation on budget	(422)
<u>Reduced by Approvals:</u>	
Revenue carry forward from 2013/14	139
Planning Enforcement - executive 3 June 2014	40
Forecast balance 31 March 2015	(3,604)

2.10 Within the General Fund services there are some potential service changes and financial risks that as yet are not reflected in the forecasts due to their uncertainty, these are:

- Rent allowances and rent rebates represent £32m in income and expenditure for the council. Whilst the majority of this money is recovered from central government, there is a performance element attached to recovery. Any fluctuation can be significant to the overall budget. Therefore performance is closely monitored. At this point there is no concern.
- Council tax and business rates are collected on behalf of Waverley, Surrey County Council, and DCLG. The recovery is usually around 99% for council tax and business rates. Any losses in collection are shared between the preceptors. The overall cash-flow is used as collection performance indicator. There are no concerns to report.

2.11 The Executive Director has approved spend of £16,100 to carry out urgent river dredging and de-silting works at Elmbridge Road, Cranleigh, in partnership with the Environment Agency and Thames Water. It is proposed to meet this cost from the urgent capital schemes budget in the general fund capital programme.

2.12 (Exempt) Annexe 6 sets out the details of a confidential staffing matter and the Executive is requested to approve the recommendation shown.

3. General Fund Capital

- 3.1 General Fund Capital programme is on track with no significant budget variances or slippage on individual schemes.

General Fund Capital and Revenue Projects				
	Current Budget	Forecast Outturn	(Saving)/ Overspend	Comment
Service	£'000	£'000	£'000	
Community	5,474	5,474	0	
Customer, Office & IT	746	746	0	
Environment	427	427	0	
Finance	8	4	(4)	E-tendering project spend
Housing	498	440	(58)	Additional DFG grant received
Planning	13	13	0	
Policy & Governance	101	101	0	
Special Projects	969	969	0	
Urgent schemes budget	93	93	0	
Total programme	8,329	8,267	(62)	

- 3.2 Within the Community budget there is £3.6m allocated for the Herons (Haslemere Leisure Centre). Since June, approval has been given to expand the project by £60k to include a new soft play centre, outdoor play equipment and spinning bikes which will be funded by S106 monies and Shottermill Trust funds. Work at the site has begun and it is anticipated to be completed within the budget. Completion of the leisure centre is expected this financial year.
- 3.3 Within the General Fund Housing budget there is £458k for Disabled Facility Grants, which is partially funded by Waverley Borough Council and partially funded by a grant from the DCLG. Additional grant has been received from the Government and the expected spend for the financial year is lower than the budget, resulting in an underspend.

4. **HRA Revenue Account**

- 4.1 The HRA overview is given in the table below. The overview is structured to draw attention to the different operational aspects of HRA service delivery in providing a housing landlord service, housing maintenance and development of the housing stock. Where necessary, for clarity, more detail is given in the annexes to this report.

Housing Revenue Account	Current Budget £'000	Forecast Variance on budget to year end		
		Last Report £'000	This Report £'000	Change £'000
Repairs and Maintenance				
Responsive repairs and voids	2,272	-	-	-
Cyclical Maintenance	1,705	-	-	-
Supervision and Management				
General	3,825	-	-	-
Special	545	-	-	-
Rents rates taxes and other charges				
Waverley Families	95	-	-	-
'Back-Funded' pension contributions	550	-	-	-
Interest receivable	(135)	-	(20)	(20)
Rent rebate subsidy	300	-	-	-
Interest on HRA debt	5,877	-	-	-
Capital charges				
Housing capital programme	6,577	-	-	-
Stock Improvement	3,534	-	-	-
New Build funding	3,534	-	-	-
Income				
Gross rents	(28,256)	95	90	(5)
Garage rents	(304)	-	-	-
Other Income	(117)	-	-	-
(Surplus)/Deficit for the year	-	95	70	(25)

- 4.2 Responsive repairs and voids and cyclical repairs budgets cover the day to day and planned maintenance of the housing stock. These budgets have been difficult to control due to higher volumes and resulted in an overspend last year. The Orchard system that is used to monitor and control the workflow has been interfaced with the Mears (contractor) maintenance software to enable greater control by the Housing service. This went live in July. Until this is bedded in there is a significant risk in not controlling this expenditure effectively and any significant variation on budget will be reported later in the year. Detail of the expenditure to date is given on [Annexe 1](#).
- 4.3 Following the adverse weather last winter there is an estimated £200k of fencing repairs required in line with the current fencing policy. There has already been £75k of repairs completed to comply with Health and Safety reason, and an additional £82k of work on hold pending funding approval. It is proposed that £50k is vired from the cyclical external decoration budget and that £150k drawn from the Housing Repairs Fund balance.

- 4.4 Supervision and management includes the cost of staff salary and accommodation related costs incurred in running the housing service. There is a vacancy savings target of £50k for the HRA to achieve by the year end. However, no savings have been delivered to date because agency staff are covering the vacant posts to provide capacity for service delivery. Interviews for substantive posts will begin in September 2014.
- 4.5 Rents rates taxes and other charges are predominantly predetermined costs with minimal variation expected during the year with the exception of interest receivable which is dependant upon treasury investment performance. The HRA share of treasury management costs are over estimated by £20k, it is proposed that the underspend is allocated to the Fraud Initiative which is being developed to reduce tenancy fraud and is also the subject of a bid for Government funding.
- 4.6 On 15 April 2014 the Council agreed a £125,400 budget for the Housing Service Process Improvement Programme. The whole project costs were identified over three financial years. Phase One was met in 2013/14 and a £75,000 budget was approved for expected work in 2014/15. The whole programme has been scoped and the majority of projects will be carried out in 2014/15 and the programme completed in May 2015. Good progress has been made with the delivery of the Responsive Repairs Interface project and Managing Tenancies project. A further three projects are in progress with two more are to start in the Autumn. As a result of this good progress, approval is sought to bring forward £36,000 of the £48,000 that would have been included in the 2015/16 budget in order to progress the programme.
- 4.7 Parking is a common concern raised by local residents and Council tenants. It is also a common cause of dispute between neighbours. In many cases there is no physical capacity on the estates to address local parking concerns directly, other than through enforcement. However, where there is flexibility and space, there is an opportunity for the Council to work with local residents and Ward Members to take forward local solutions to increase the number of designated parking spaces. Recognising this, the Council has an approved capital budget to fund these types of works.
- 4.8 A recent review has identified 12 areas across the borough where parking on grassed areas is a particular issue, with Upfold Close Cranleigh emerging as a priority when assessed against a number of key criteria. As a result, plans to provide an additional 14 spaces (including two disabled) have been progressed, with tenants and Ward Member consultation undertaken. Works amounting to approximately £40,000 have been tendered in accordance with Contract Procedure Rules.
- 4.9 The HRA Capital Programme detailed monitoring report is attached at Annexe 2. The kitchen and bathroom replacement works schedule is underway with 10-12 to be completed per week, and the programme is due to be completed by year end.
- 4.10 As reported to the Executive in July, removal of cavity fill is required in approximately 120 Council properties due to the sustained wet weather over last winter causing water ingress through the outer brick walls resulting in

damp problems and gaps in the insulation. By its nature the full extent of affected walls to each property is not known at this stage. In July the estimate for the removal was £100,000 but further investigations have been done since and the figure is now likely to be circa £200,000. Each wall will however be surveyed, to ensure only wet fill is removed. There is already a £400k budget for damp proofing works within the housing capital programme and it is proposed to use this budget to meet the additional sum now required. The fill will require replacement at a later date and a proposal for this work will be put forward to Members as soon as possible.

- 4.11 The Capital Roof Works Programme is attached in (Exempt) Annexe 3 which seeks approval to change properties since the initial list.
- 4.12 The New Affordable Homes Programme detailed approved budget, latest anticipated costs and expenditure to date are shown at Annexe 4.
- 4.13 The Stock Remodelling Programme detailed approved budget, latest anticipated costs and expenditure to date are shown at Annexe 5.
- 4.14 Rental income is below the budgeted figure due to income from decant property occupation (the tenant continues to pay their tenancy rent but not the rent for the property they occupy during the work occurring in their home, nor is it classified as void). There are currently 17 decant properties in occupation.

5. Medium-Term Financial Strategy

- 5.1 The Annual Finance Seminar was held on 9 September for all members of the Council, setting out the key aims of the finance strategy, highlights of the current position for the General Fund and Housing Revenue Account, issues and risks for the next four years and a strategy for balancing the budget.
- 5.2 Key aims of the strategy are to:
 - Support service improvement
 - Continue to deliver Savings
 - Maintain Balanced Budget
 - Use New Homes Bonus for invest-to-save
 - Ensure prudent level of balances
 - Ensure adequate investment in assets
- 5.3 The highlights of the current position were summarised in the following points:
 - Continued Government Grant Cuts
 - Waverley's Council Tax same level for fifth year
 - Overall underspends in 13/14 on GF and HRA
 - Star Chamber continues to deliver
 - New affordable house building programme
 - Haslemere Leisure Centre
 - Brightwells enabling works
- 5.4 Issues and Risks for the 2015-16 budget and beyond were summarised as follows:

- Waste management
- Growth-driven funding and transfer of risks
- Inflation and interest rates
- Service growth demands
- Importance of contractors/partners
- Impact of the Economy.

5.5 The key message for the General Fund is that there is a £3.2 million budget gap over the next four years. The savings required for next year are £1million. Whilst this is going to be a challenge to become self sufficient from government, Waverley has a good track record of balancing the budget. The HRA business plan is robust, and the focus will be upon delivering the HRA New Homes and Stock Remodelling Programmes.

6. **Conclusion**

6.1 The service performance is stable against the budget. Income is holding up, with the underspend at a comfortable level and with an increasing trend. Capital spend is generally on track with no concerns to report at this stage.

6.2 The mid-year budget review shows that the budgets are on track with no major causes for concern emerging, therefore no immediate action is required. The financial strategy has identified an estimated budget deficit of £1m next year and £3m over the next four years. This will be addressed as the budget setting process develops in the coming months.

Recommendation

It is recommended that the Executive notes the report and:

1. accepts the mid-year revenue budget projection and acknowledges that no immediate action is required for 2014-15 at this stage;
2. approves the funding for responsive fencing work from the Cyclical Maintenance budget £50,000 and £150,000 from the HRA Repairs Fund balance as described in paragraph 4.3;
3. approves the £20,000 funding for the Fraud Initiative vired from the HRA treasury management costs budget as described in paragraph 4.5;
4. approves the additional £100,000 use of the approved HRA damp-proofing budget to undertake removal of cavity fill as described in paragraph 4.10;
5. approves the list of properties for roof maintenance in (Exempt) Annexe 3 to be met from the approved HRA roof capital budget;
6. recommends to Council the approval of a supplementary estimate in 2014/15 of £36,000 to bring forward approved spend included in the 2015/16 HRA revenue budget in light of the excellent progress being made in the Housing Process Improvement Programme;

7. approves the submission of a planning application for consent to undertake identified works to resolve parking issues at Upfold Close, Cranleigh; and agrees that a budget of £40,000 required for these works be allocated from the approved £80,000 HRA Capital budget for improving parking and infrastructure on estates;
8. notes the Executive Director's decision to spend £16,100 on urgent dredging works at Elmbridge Road, Cranleigh and approves the allocation of this amount from the urgent capital schemes budget within the general fund capital programme; and
9. approves the recommendation set out in (Exempt) Annexe 6 regarding a confidential staffing matter.

Background Papers

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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