

**WAVERLEY BOROUGH COUNCIL**

**EXECUTIVE – 12 JULY 2016**

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**Title:**

**BUDGET MANAGEMENT REPORT**

**[Portfolio Holder: Cllr Ged Hall]**

**[Wards Affected: All]**

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**Summary and purpose:**

This report provides a review against the 2016/17 budget for the General Fund and the Housing Revenue Account forecast to 31 March 2017 based on the latest information available.

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**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.

**Resource/Value for Money implications:**

This report reviews the position against the budget to date for the General Fund, the Housing Revenue Account and Capital Programmes. It reviews the progress of service delivery against budget, taking into account 2015/16 outturn implications where necessary, projecting the potential year-end position after the impact of management actions.

**Legal Implications:**

There are no direct legal implications relating to this report.

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**Introduction**

1. Throughout 2016/17 budgets will be monitored on a monthly basis and performance against budget reported monthly.
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 managers will be assisted in identification, evaluation and mitigation of significant risks and these will be reported throughout budget management as necessary.

**General Fund**

3. The first budget management report for 2016/17 has identified a few areas for reporting that net to an overspend of £52,000. These are shown in the table below:

Service Variations	Current Position (Underspend)/Overspend £'000
<b>Finance</b>	
Council Tax Support – grant income (see 4.)	(36)
<b>Planning</b>	
Building Control – income (see 5.)	88
<b>Overspend/(underspend) against budget</b>	<b>52</b>

4. Finance

The Council receives an administration grant from the Department for Communities and Local Government (DCLG). The grant due for 2016/17 has been finalised at a higher than budgeted amount leading to additional income of £36,000.

5. Building Control

A shortfall in income is forecast for the year. Analysis of the income achieved for the last three years together with the anticipated loss of custom to independent approved inspectors has identified a likely shortfall in income to budget at year end of £88,000. The budget for the year is £615,000.

6. Waste Recycling

Given the new homes in the Borough, whereby Waverley provides free of charge the necessary set of waste bins, it is necessary to approve additional funding for the purchase of the bins. They would normally be funded from Planning Infrastructure Contributions (PIC), however, since the Government ended this mechanism until Community Infrastructure Levy (CIL) is established in 2017/18 there is a one-off need to allocate sufficient funding for the 2016/17 demand for new bins. The cost of £25,000 can be met from the Repairs and Renewals fund in the first instance. In the event the Waste Recycling service is in a net underspend position in 2016/17 the bins will be funded from that underspend.

Income Levels

7. Income levels so far for 2016/17 are in line with budget. Areas which are subject to fluctuations will be monitored closely and include:

- Car Park income – this has a strong seasonal element and will be kept under closer review
- Investment income – forecasts to date show that the budgeted income will be achieved

## Identifying areas of risk or uncertainty

### 8. Development Control

During the Star Chamber process the income estimate was raised to £1,238,000 from £1,100,000. The seasonality of planning applications and the uncertainty of application values can have a big impact on fee income and make monitoring difficult to project. Income received to date and projections suggest there is likely to be a shortfall in income but it is too early in the year to say by how much.

### 9. Waverley Training Services

As reported to Executive on the 7 June 2016 in the Revenue Outturn report the funding arrangements are becoming increasingly complicated with the government changes in apprenticeship schemes and funding between the financial year to which the Council works and the academic year. Waverley Training Services continues to be closely monitored.

## Staffing Establishment

10. There is no significant variance to budget emerging at this stage to report but maintaining service delivery within the 2016/17 establishment budget will need careful management.

## General Fund Capital

11. The General Fund Capital programme is monitored closely each quarter.

The total capital programme budget for 2016/17 is made up as follows:

<b>Capital Programme for 2016/17</b>		<b>£'000</b>
Original budget approved by Council in February 2016		3,150
Carry forward from 2015/16 approved during 2015/16		2,218
Carry forward from 2015/16 approved by Executive in June 2016		989
New schemes and additional budget approved during 2016/17		927
		<b>7,284</b>

12. The table below summarises the movements as detailed in the report below:-

	<b>Current Budget</b>	<b>Forecast Outturn</b>	<b>Reschedule</b>	<b>(Underspend) /Overspend</b>	<b>Comment</b>
<b>Service</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
Community	4,491	4,491	0	0	
Customer & Corporate	1,744	1,784	0	40	See para 13. below
Environment	527	527	0	0	
Other Projects	372	372	0	0	
Urgent schemes budget	150	110	0	(40)	
<b>Total programme</b>	<b>7,284</b>	<b>7,284</b>	<b>0</b>	<b>0</b>	

13. The Development Consultancy Budget enables legal and property expertise to be procured to support the delivery of major capital projects. There are a number of major projects progressing in the current year including Frensham Pond, Memorial Hall and Brightwells. In light of the recent decision to progress the Brightwells project there is the need to allow for £40,000 within overall General Fund Urgent Schemes budget for Development Consultancy.

### **Housing Revenue Account (HRA)**

14. The HRA is currently forecast to break even against the approved budget to the year end. The revenue account contains the day to day running cost of managing the Housing Service such as staff costs and repairs.
15. There is additional pressure within the HRA relating to responsive repairs and maintenance. This relates to tighter performance management of one of the key contractors which has improved throughput and in turn, significantly reduced lead times. If this higher level of performance and throughput is maintained throughout the year, an overspend is likely to emerge. This will be monitored closely and reported through future budget management reports.

### HRA Capital

#### **Core Capital**

16. The total capital programme approved budget for 2016/17 is made up as follows:

<b>Approved Budget for 2016/17</b>	
	<b>£'000</b>
Original budget approved by Council in February 2016	8,619
Carry forward from 2015/16 approved during 2015/16	810
Carry forward from 2015/16 approved by Executive in June 2016	800
<b>Total</b>	<b>£10,229</b>

17. The budget has been reviewed in light of the work progressing and the table below summarises the spend and committed work to date:

<b>Work Stream</b>	<b>Latest Approved Budget 2016/17</b>	<b>Forecast Outturn</b>	<b>Reschedule</b>	<b>(Underspend) /Overspend</b>	<b>Comment</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
Kitchen & Bathrooms	3,616	3,327	0	289	See paragraph 18. below
Windows & Doors	1,082	1,082	0	0	
Roofing & Associated work	1,124	974	0	150	See paragraph 18. below
Aids & Adaptions	200	200	0	0	
Structural & Damp work	1,414	1,414	0	0	

Health & Safety	316	316	0	0
Building Services	2,102	2,102	0	0
Communal & Estate work	315	315	0	0
Professional Fees & Misc	60	60	0	0
<b>Grand Total</b>	<b>£10,229</b>	<b>£9,790</b>	<b>£0</b>	<b>£439</b>

18. Following a condition review of heating and hot water systems a need for urgent works to communal boiler systems at the sheltered blocks and Abbey Court has been identified at a cost of £690,000 in 2016/17. Previous experience at Blunden Court, where tenants were left without hot water, has meant that this work is a priority to ensure continued heating and hot water services. There is a budget of £251,000 available so virement is sought for the remainder of £439,000 to be able to appoint a contractor to undertake the work. The virement is shown in the table above.

### Stock Remodelling

19. The total stock remodelling capital programme approved budget for 2016/17 is made up as follows:

Work Stream	Latest Approved Budget 2016/17	Forecast Outturn	Reschedule	(Underspend) /Overspend	Comment
	£'000	£'000	£'000	£'000	
Approved Schemes	57	57	0	0	
Potential Schemes	4,169	3,538	0	(631)	See para 20.
<b>Total</b>	<b>£4,226</b>	<b>£3,595</b>	<b>£0</b>	<b>(£631)</b>	

20. The savings in the Potential Schemes budget of £630,500 is as a result of two projects no longer taking place. The high cost of works to get 8 Elmbridge Cottages into a suitable stock condition meant it was not a viable project, therefore, in February 2016 Council approved the disposal of the property. Additionally the proposed housing scheme at Cranleigh Day Centre is no longer necessary.

### New Build

21. The New Build capital programme approved budget for 2016/17 is made up as follows:

Work Stream	Latest Approved Budget 2016/17	Forecast Outturn	Reschedule	(Underspend) /Overspend	Comment
	£'000	£'000	£'000	£'000	
Project management	400	400	0	0	

Pre-development Expenditure	184	184	0	0	
Committed schemes	7,760	7,760	0	0	See para 21.
Proposed schemes	568	568	0	0	
Land and asset purchase	1,377	1,377	0	0	
<b>Total</b>	<b>£10,289</b>	<b>£10,289</b>	<b>£0</b>	<b>£0</b>	

22. Approval is sought to realign two budget areas. The budget for the Ladymead and Hullmead capital scheme of £1.2million, approved in October 2014, is insufficient due to the contingency for this scheme being fully utilised to meet unforeseen works. The shortfall can be met from the Bridge Road, Haslemere scheme where there is sufficient headroom in the budget. In accordance with Waverley's Financial Regulations, it is proposed to transfer £44,000 of The Bridge Road budget to the Ladymead and Hullmead scheme.
23. The tender process for selecting a contractor for the redevelopment of site D at Ockford Ridge in Godalming is likely to result in a start date on site of January 2017 at the earliest. Concern has been expressed that the vacant homes and increasing vegetation will attract a number of protected species, and a number may enter the site to hibernate. Early spring will see the presence of nesting birds and it is therefore imperative that steps are taken to demolish the eight vacant properties and prepare the site for construction as soon as possible.
24. In addition, as it is no longer intended to run multiple sites at the same time, which previously necessitated the need for a large site compound independent to the sites, this demolition proposal will also potentially provide hard-standing within the site curtilage to accommodate the site compound, so that an area of the recreation area need not be used for that purpose. It is proposed that an allocation of up to £200,000 from the HRA new build budget for Ockford Ridge is approved to bring forward the demolition and site assembly works on Site D.

### **Recommendation**

It is recommended that the Executive notes the report and

1. approves the use of the Repairs and Renewals fund in the first instance to fund the cost of £25,000 for new waste bins as detailed in paragraph 6 above;
2. allocates £40,000 from the General Fund urgent schemes budget for Development Consultancy budget, see para 13 above;
3. recommends to Council to approve the virement for urgent boiler works of £439,000 detailed in paragraph 18;
4. approves a virement of £44,000 within the HRA New Build Budget, from the Bridge Road, Haslemere scheme to the Ladymead and Hullmead scheme, see paragraph 22 above; and

5. approves the allocation of up to £200,000 from the HRA New Build Budget for Ockford Ridge to bring forward demolition and site assembly works on Site D.

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### 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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