

**WAVERLEY BOROUGH COUNCIL**

**EXECUTIVE – 6 SEPTEMBER 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 current budget management report for 2016/17 shows an additional overspend of £91,000 on the £52,000 overspend reported previously. This is detailed in the table below:

Service Variations	Previously Reported (Underspend)/ Overspend £'000	Current Position (Underspend)/ Overspend £'000	Change since last report £'000
<b>Finance</b>			
Council Tax Support – grant income – 4 (i)	(36)	(36)	
<b>Planning</b>			
Building Control – income – 5 (i)	88	88	
<b>Environment</b>			
Saturday Garden Waste – 6 (i)		6	6
School parking permits – 6 (i)		20	20
<b>Policy and Governance</b>			
Land Charges – 7 (i)		63	63
South East Subscription – 7 (ii)		2	2
<b>Overspend/(underspend) against budget</b>	<b>52</b>	<b>143</b>	<b>91</b>

#### 4. Finance

- i. 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. Planning

- i. A shortfall in Building Control income is forecast for the year. Trend analysis of the monthly income achieved for the last three years against achievement to date, indicates a significant reduction in forecast income for the year of £88,000 against a budget of £615,000. This reduction is attributed to loss of custom to increased competition from independent approved inspectors. The Building Control service is developing a new business model to respond to the external competition.

#### 6. Environment

- i. During the 2016/17 budget, changes to the arrangements for Saturday garden waste collections and for school parking permits were agreed which would have generated cost savings and additional income respectively. It has not been possible to agree with the schools on car parking and the Saturday garden waste collection will now continue. As a consequence there will be a budget deficit of £26,000 in 2016/17 and £52,000 in subsequent years. This will be funded from in year savings

with the first call being on any above budget car park income, however, if there are insufficient savings identified a supplementary estimate will be requested to be taken from reserves.

## 7. Policy and Governance

- i. Land charges income is down on previous years for June and July, (July by 43% and the lowest July income since 2006). The forecast income is estimated to be approximately £63,000 below budget this year.
- ii. The South East Council subscription of £2,000 was due to be cancelled, however this decision has been reviewed in the light of the importance now placed on the Council participating in the ongoing work on the devolution agenda, therefore it is proposed that the subscription continues in 2016/2017.

## 8. Communities

Following Executive agreement for officers to work with the Day Centres on the development of a fresh food service that continue to offer a 'meals on wheels' service, necessary upfront capital spend has been identified to facilitate this. Each of the centres will need to add to their kitchen equipment and introduce specialist equipment such as hot cupboards, food trays etc. To meet this need it is proposed that £40,000 should be ring-fenced from the Council's Emergency Funding provision for voluntary organisations. The Day Centres will pay back this initial investment over a period of time as the service develops and SLAs will be revised accordingly.

## **Supplementary Estimate**

### 9. Brightwells Regeneration Scheme

In May 2016 the Council agreed to proceed with the major scheme to regenerate the Brightwells development site to bring much needed new community facilities, shops, restaurants and affordable housing to central Farnham. The Farnham Interest Group (FIG) has decided to challenge the Council's decision through a Judicial Review process. This will delay the scheme's commencement and is likely to incur significant legal costs. Given that delivering this important scheme is a key corporate priority, the Council will defend the Judicial Review challenge. It is proposed to allocate £250,000 initially to cover external legal costs to represent the Council in defending the claim. Therefore, a supplementary estimate is requested to be funded from the Revenue Reserve fund in the first instance, but a review of other capital schemes may be necessary to reinstate the fund which will be carried out as part of the mid-year budget review.

Given that the Council needs to incur legal costs prior to the October Council meeting, a supplementary estimate of £20,000 is requested to be agreed at this Executive meeting, followed by a further £230,000 recommended to Council for approval in October.

## Potential Risks

10. Development Control forecasted income is dependent on future applications that cannot be accurately estimated at this time and therefore full year income could be below budget.
11. Parking income during the first quarter has been strong but this is subject to seasonality and could change. The Christmas parking concession could impact this and there is a significant car park maintenance requirement. An updated position on this will be presented in a future budget management report.

## General Fund Capital

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

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

### Capital Programme for 2016/17

	£'000
Original budget approved by Council in February 2016	3,151
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	1,712
<b>Total</b>	<b>8,070</b>

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

	Current Budget	Forecast Outturn	Reschedule	(Underspend) /Overspend	Comment
Service	£'000	£'000	£'000	£'000	
Community	5,106	5,106	0	0	
Customer & Corporate	1,930	1,838	0	0	
Environment	552	552	0	0	
Other Projects	372	372	0	0	
Urgent schemes budget	110	110	0	0	
<b>Total programme</b>	<b>8,070</b>	<b>7,978</b>	<b>92</b>	<b>0</b>	

14. It is requested to install permanent CCTV at Weyhill recycling centre due to the high level of fly tipping at the site. By installing the fixed CCTV officers will be better able to monitor, issue warning notices and issue Fixed Penalty Notices to offenders. Therefore it is requested to fund this project from emergency schemes at a cost of £7,500.

## Housing Revenue Account (HRA)

15. The HRA contains the day to day running cost of managing the Housing Service such as staff costs and repairs.

16. It is forecast that garage and other property rental income will not meet the approved budget of £300,000. Current expectations suggest a £20,000 under achievement of income. The team are currently working on the Garage Strategy, focusing on repair and disposal of inappropriate properties, therefore the budget will be monitored closely and reported through future budget management reports.
17. The responsive repairs budget continues to come under considerable pressure this year and as a consequence is being closely monitored and action being taken to reduce the call on this budget.
18. So far this year there has been less take up than planned for the Easymove service. There is an allowance of £40,000 in the budget for Easymove grant payments to enable residents to move into smaller, more suitable homes.
19. There will be external legal costs estimated at £10,000 relating to the need to secure the services of a "litigation friend" through the courts to resolve a case involving a tenant who has moved to a residential care home, but is unable to relinquish her tenancy with the Council.
20. There will be external legal costs estimated at £15,000 associated with addressing an Anti Social Behaviour case in housing.

#### HRA Capital

#### **Core Capital**

21. 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>

22. 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	3,617	3,617	0	0	See paragraph 23. below
Windows & Doors	822	522	0	(300)	See paragraph 24. below
Roofing & Associated work	1,024	574	(450)	0	See paragraph 25. below

Aids & Adaptions	200	200	0	0	
Structural & Damp work	1,094	1,094	0	0	
Health & Safety	575	575	0	0	
Building Services	2,402	2,402	0	0	
Communal & Estate work	315	315	0	0	
Professional Fees & Misc	180	(40)	(220)	0	See paragraph 26. below
<b>Grand Total</b>	<b>£10,229</b>	<b>£9,259</b>	<b>(£670)</b>	<b>(£300)</b>	

### 23. Kitchens and Bathrooms

The forecast outturn is likely to be achieved. Any underspend from the 2016/17 programme, due to issues of access on site and a lack of response from some tenants, will be replaced by bringing forward work scheduled for 2017/18.

The budget for void kitchen and bathroom installations is being carefully managed with spend kept to a minimum. This is to reduce the turn around time on re-letting void property to keep rent loss to a minimum.

### 24. Windows and Doors

The budget is unlikely to be spent in 2016/17 due to issues with negotiating the contract. An underspend in the region of £300,000 is likely. As the year progresses it will be determined whether this budget is required to be carried forward into 2017/18 or a saving delivered.

### 25. Roofing and Associated Work

This budget includes £200,000 for porches and canopies and £400k for roofline and surface water renovation. The porches and canopies budget will not be spend and £250,000 of the roofline and surface water budget is unlikely to be spent. As the year progresses, and depending on preparation to enable the work to start, a reschedule will be requested or a saving identified.

### 26. Professional fees & Miscellaneous

A budget of £320,000 was rescheduled from 2015/16 however survey work is still being undertaken making it likely that spend in 2016/17 will be in the region of £100,000. As the year progresses, and depending on preparation to enable the work to start, a reschedule will be requested or a saving identified.

### 27. HRA Business Plan Review

The HRA business plan review group have proposed that the following principles should apply to HRA capital spending:

- i) Net Present Value (NPV) analysis is to be conducted on all new projects prior to them being presented to the Housing Delivery Board (HDB) and Executive.
- ii) The core capital programme to be set an annual target for a 5 year period, amount to be determined as part of the mid-year budget review.
- iii) No further capital commitments to new buildings or refurbishment projects are to be made unless a sound financial business case is agreed.

## Stock Remodelling

28. 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)	
<b>Total</b>	<b>£4,226</b>	<b>£3,595</b>	<b>£0</b>	<b>(£631)</b>	

## New Build

29. 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	7,966	7,610	0	(356)	See para 28.
Proposed schemes	557	557	0	0	
Land and asset purchase	1,182	1,182	0	0	
<b>Total</b>	<b>£10,289</b>	<b>£9,933</b>	<b>£0</b>	<b>(£356)</b>	

30. One scheme, Binhams Lea will not be continuing as disposal of the site has been approved. Therefore a £356,000 saving will be achieved on this project.

## Recommendation

It is recommended that the Executive notes the report and

1. agrees a supplementary estimate of £20,000 and recommends to the Council that a further supplementary estimate of £230,000 be approved for external

legal costs to defend the Council's position on the Judicial Review brought by the Farnham Interest Group (FIG), as detailed in paragraph 9;

2. approves the allocation of £7,500 from the General Fund urgent capital schemes budget for CCTV at Weyhill bring-bank, detailed in paragraph 14;
3. approves supplementary estimates of £10,000 for external legal costs relating to the need to secure the services of a "litigation friend" through the courts as detailed in paragraph 19 above and £15,000 for external legal costs associated with addressing an Anti Social Behaviour case in housing, detailed in paragraph 20 above, to be funded from the HRA working balance;
4. agrees that the school parking and Saturday garden waste collection budget additional income/savings proposals are not implemented in 2016/17, noting the impact on the budget as set out in paragraph 6(i);
5. agrees that £40,000 be ring-fenced from the Council's Emergency Funding provision for voluntary organisations in anticipation of the required capital expenditure needed to deliver a fresh meals service from the Day Centres, as detailed in paragraph 8; and
6. approves the HRA business plan principles as set in paragraph 27.

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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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