

WAVERLEY BOROUGH COUNCIL

EXECUTIVE – 1 NOVEMBER 2016

Title:

BUDGET MANAGEMENT AND MID-YEAR BUDGET REVIEW

[Portfolio Holder: Cllr Ged Hall]

[Wards Affected: All]

Summary and purpose:

This report provides a mid-year review of the 2016/17 budget for the General Fund and the Housing Revenue Account against forecast to 31 March 2017, based on the latest information available. An update on the Housing Revenue Account Business Plan review was requested by the Council in February.

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.

Introduction

1. Throughout 2016/17 performance against budget will be monitored on a monthly basis.
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 underspend of £89,000 on the £143,000 overspend reported previously. The current position with an overspend of £54,000 represents 0.4% of the General Fund net budget of £14.3m. This is detailed in the table below:

Estimated variance against 2016/17 budget at outturn			
Service Variations:	Reported previously at 31/08/16	Current position at 30/09/16	Change since 31/08/16
	(Underspend)/ Overspend	(Underspend)/ Overspend	(Decrease)/ Increase
	£'000	£'000	£'000
Finance			
Council Tax Support – grant income – 4	(36)	(36)	
Planning			
Building Control – income – 5	88	88	
Environment			
Saturday Garden Waste – 6 (i)	6	6	
School parking permits – 6 (i)	20	20	
New Years Eve Waste Collection – 6 (ii)		11	11
Parking Income - 6 (iii)		(68)	(68)
Policy and Governance			
Land Charges – 7 (i)	63	31	(32)
South East Subscription – 7 (ii)	2	2	
Overspend/(underspend) against budget	143	54	(89)

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. Planning

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. This is being monitored by the Corporate Overview and Scrutiny Committee.

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 reach agreement 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.
- ii. In order to minimise disruption to customers over the Christmas period, it will be necessary to pay for refuse collections to take place on two Bank Holidays (Tuesday 27 December 2016 and Monday 2 January 2017), and also on Saturday 31 December 2016. The existing budget will not cover the cost of collection on Saturday 31 December 2016 and a supplementary estimate of £11,000 will be required to enable collection on this date.
- iii. Parking income during the first half of this year has held up against budget and the latest estimate is that income will be £68,000 (1.7%) above budget over the whole year.

7. Policy and Governance

- i. Land charges income has recovered slightly over the past couple of months so is now estimated to be £31,000 below budget.
- ii. The South East Councils 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 2016/17.

8. Planning Appeals

Legal fees are due to defend the Council's case on appeal at an important Public Inquiry at Waverley Lane, Farnham. The proposal is for the erection of 159 dwellings and associated works. The Council refused the application for four reasons. The Public inquiry has so far lasted six days and will reconvene on 18 October for a further four days. The length of the Inquiry has reflected the examination of important issues, including Housing Land Supply, which are important to the Council's case going forward in resisting other inappropriate development. Whilst the cost of employing Counsel is not insignificant, this has been considered to be vital to ensure that the Council's case is rigorously defended. A supplementary estimate of £30,000 is requested to cover the Council's legal fees.

9. Council Tax Support Scheme

The Council Tax Support Scheme, which replaced council tax benefit on 1st April 2013, is reviewed annually. A range of assistance was introduced by Waverley to assist claimants and these schemes are actively promoted. A hardship fund was created to support claimants and the qualifying criteria revised to encourage take up. Discretionary Housing Payments are also available, and Waverley's "Don't Lose Your Home" officer and the Family Support team are proactively supporting households that are most affected by welfare reforms. Experience shows that the current Council Tax Support Scheme remains successful as evidenced by the gradual reduction in the number of claimants and the consistently low take up of discretionary support. **It is, therefore, recommended that the current scheme remains unchanged for 2017/18.**

Staffing Establishment

10. Staffing establishment costs are forecast to be on budget for the year, including use of agency staff.

	£'000
2016/17 Establishment Cost Budget:	
2016/17 Staff Budget	13,436
LESS target reductions	(200)
Approved Budget	13,236
2016/17 Establishment Cost Forecast Outturn:	
Employed Staff Cost	12,782
Agency Staff Cost	460
Forecast Outturn	13,242
Overspend/(underspend) against budget	6

Collection Fund

11. The collection rates for Council Tax and Business rates are forecast to be on target at 99%.

Potential Risks

12. 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 based on activity so far this year.
13. Parking income during the first half of this year has been positive 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.

14. Housing Benefit Rent Allowances overpayment is increasing due to the success of the government's data matching initiatives. Recovery of overpayments is challenging and will potentially result in an increase in provision for unrecoverable overpayment.
15. Business Rates Retention Scheme. Performance is on track; however, the income from Business rates is subject to changes in rateable values, appeals and refunds, which can potentially be significant.
16. Continued recruitment challenges, especially in Planning, could result in further demand for the use of agency staff to cover vacancies in Q4.
17. Post-Brexit the market has experienced significant reductions in interest rates which potentially affect the likelihood of achieving the 2016/17 budget position and has an even greater negative impact on the 2017/18 budget. Actions already taken will largely protect the 2016/17 budget position however in order to mitigate the risk to the 2017/18 budget, a minor revision to the Annual Investment Strategy is proposed. It is proposed that Annexe 3 of the Annual Investment Strategy is revised to increase the total investment with any approved group from £15m to £20m; £10m becoming the maximum with any single member of that group. Our existing strategy allows for changes of this nature with approval of the Executive.

Use of Balances

18. No use of the General Fund working balance was planned within the 2016/17 Budget. Projected movements in 2016/17 are illustrated in the table below. In line with the Financial Strategy the General Fund balance will be maintained at £3.2million.

Forecast General Fund Balance Movement

	£'000
Balance 1 April 2016	(3,200)
Forecast outturn variation on budget	54
<u>Reduced by Approvals:</u>	
Revenue carry forward from 2015/16	59
Supplementary Estimates:	
Local Plan phase 2	200
Brightwells Regeneration Scheme Judicial Review	250
Legal fees on planning appeals	30
Transfer from Revenue Reserve Fund to meet the above demands	(593)
Forecast balance 31 March 2017	(3,200)

Supplementary estimates approved this year are putting significant pressure on the Revenue Reserve Fund. Any future request will put pressure on the capital programme as the Revenue Reserve Fund is now fully allocated.

General Fund Capital

19. The General Fund Capital programme is monitored 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		2,588
Carry forward from 2015/16 approved during 2015/16		2,218
Carry forward from 2015/16 approved by Executive in June 2016		972
New schemes and additional budget approved during 2016/17		1,014
- Manfield Park Industrial Units	917	
- Other approvals e.g. S106 projects	97	
		6,792

20. The table below summarises current performance to date:

Current Performance against Capital Programme for 2016/17					
	Current Budget	Forecast Outturn	Reschedule	(Underspend) /Overspend	Comment
Service	£'000	£'000	£'000	£'000	
Community	1,238	1,238	0	0	
Customer & Corporate	755	523	172	(60)	See para 21. below
Environment	374	304	0	(70)	See para 22. below
Other Projects	372	372	0	0	
Memorial Hall	2,177	2,177	0	0	
Manfield Industrial Unit	917	17	900	0	See para 23. below
Frensham Common	849	69	780	0	See para 24. below
Urgent schemes budget	110	110	0	0	
Total programme	6,792	4,810	1,852	(130)	

21. Customer & Corporate

- i. Farnham Museum works will not take place this year as temporary fix works have been undertaken and the works can now be deferred. Therefore it is suggested that this project should take place next financial year and that the budget of £92,000 is rescheduled to allow the works to be completed.
- ii. The project at Gostrey Meadow Pavilion will not take place this financial year. Preparation for this project is taking place however it is foreseen that spend on this project will not be incurred before March 2017 and it is therefore requested that the full £80,000 budget is rescheduled into 2017/18.
- iii. It is suggested that the Document Management project should no longer be undertaken. After further review it has been determined that there is currently no business case for this investment and the full budget of £60,000 will be a saving. The team is focussing on clearing other scanning projects.

22. Environment

- i. High Street, Haslemere car park works are reaching completion at a saving to budget of circa £70,000.
 - ii. However, a retaining wall in Central car park has been deemed unsafe and needs rebuilding at a likely cost of £25,000. Additional maintenance works in our car parks have also been recognised. Consequently, it is requested that the £70,000 saving on the High Street, Haslemere is vired to the Car Park Rolling Maintenance Programme to allow this work to be undertaken.
 - iii. Cranleigh Leisure Centre requires a whole heating system replacement. This is part of the lifecycle costs; however, the costs of replacing the system are higher than forecast. Work is currently taking place to design the most cost effective replacement approach. The works will be partially funded by already approved budgets but additional budget may be required. Therefore, to be prudent, it is requested that budgets for Office Lighting replacement (£62,000) and Electricity meter installation (£5,000) are vired to allow the heating system replacement to take place. The new boiler will offer a significant energy saving and therefore revenue savings going forward.
23. Manfield Park industrial units are unlikely to start on site this financial year. Work is being undertaken by the developer in preparation and a planning application is to be submitted, however it is requested that the £900,000 budget is rescheduled into 2017/18 as works will not start this financial year. Some budget will be needed this year for fees and preparatory work.
24. Due to delays in the consultation and design process, the Frensham Common Site Re-development project will not start construction works this financial year. Some redesign work will be undertaken in the meantime. To enable to works to be carried out next year it is requested that £780,000 of the 2016/17 budget is rescheduled into 2017/18.

Housing Revenue Account (HRA)

25. A summary of progress against revenue budget for the HRA is given in the table below. The HRA contains the day to day running cost of managing the Housing Service such as staff costs and repairs, contributions to the capital programmes and financing costs. The forecast outturn on the HRA is £598,000 overspend against budget.

	2016-17 Budget	2016/17 Forecast Outturn	(Under)/ Overspend
	£'000	£'000	£'000
INCOME			
Gross Dwelling Rent income	(29,245)	(29,067)	178
Subsidy penalty	177	177	0
Voids income loss	291	265	(26)
Net Dwelling Rent	(28,777)	(28,625)	152
Gross Garage rents	(375)	(422)	(47)
Voids income loss	75	145	70
Net Garage Rent	(300)	(277)	23
Service Charges	(295)	(295)	0
Costs recovered	(269)	(269)	0
Other Income	(398)	(430)	(32)
Total Income	(30,039)	(29,896)	143
COSTS			
Housing Management	5,455	5,455	0
Maintenance	55	55	0
- Responsive Repairs	1,876	2,126	250
- Void Repairs	782	997	215
- Cyclical Maintenance	1,740	1,740	0
Other Costs	653	643	(10)
Interest	5,827	5,827	0
Debt management	30	30	0
Total Costs	16,418	16,873	455
Net Operating Expenses	(13,621)	(13,023)	598
Contribution to Core Capital Programme	6,628	6,628	0
Contribution to Stock Improvement			0
Contribution to New Build	7,068	7,068	0
Principal repayment			0
Planned contribution from working balance	(75)	(75)	0
(Underspend) / Overspend	0	598	598

Dwelling Rent income

26. Dwelling rental income is not forecast to achieve budget this year due to delays in the letting of new build properties. Work has been taking place in the current year with the Homes and Communities Agency to enable the Council to set affordable rents on new build properties which will ensure that these properties make a greater contribution to rental income going forward.

27. Void property turn around has improved through out the year and is on target of a 20 day turn around. This is reflected in the void rent loss estimates being reduced from £291,000 to £265,000. Void loss has been reduced significantly in comparison to last year's performance. In 2015/16 total void loss was £511,000 therefore in 2016/17 there is a projected reduction in void loss of 48% compared to the previous year.

Garage rents

28. Garage and other property rental income are forecast not to meet the budget of £300,000. Current expectations suggest a £23,000 underachievement of income. The team are implementing a garage strategy, focusing on repair and where economically unfeasible, disposal of properties.

Other income

29. The Family Support Service attachment fee has been received. A payment by results fee is expected later in the year.

Housing Management

30. Staffing establishment costs are forecast to be on budget for the year.

Maintenance

31. The responsive repairs budget continues to come under considerable pressure this year with a potential projected overspend of £250,000. The budget is demand led and the pressure comes from a combination of additional orders from tenants and as a result of improved performance of the main repairs contractor which has led to the successful completion of a backlog of works as well as responding to new requests for repairs in a much more timely way. Given this pressure and the need to contain expenditure within overall budgets, officers have been actively refocusing expenditure on the highest priority repair activities while at the same time creating capacity in other non-urgent revenue and capital maintenance budgets during the year to offset this pressure.

32. The void repairs budget also continues to forecast an overspend currently estimated at £215,000. This arises from a greater number of properties becoming void in the current year and a shift in expenditure from capital to revenue with more repairs being undertaken rather than the more expensive wholesale capital replacement of kitchens, bathrooms etc.

Other costs

33. 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. A saving of £10,000 is forecast.

HRA Capital

Core Capital

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

Approved Budget for 2016/17		£'000
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
Total		£10,229

35. Pressures on the Responsive Repairs and Voids budgets, and as a result of the Housing and Planning Act 2016, will bring about significant reductions in funding available to the Council for future capital investment. As a result, officers have started to look for opportunities to scale back requirements for capital spending in year in all but the most essential areas. At the same time work has taken place during the year to identify Housing Revenue Account property and land assets that are no longer economic to maintain and therefore can be earmarked for disposal. The capital receipts from the sale of these assets will provide an additional source of capital funding that can be reinvested back into the housing service in future years. The table below summarises the capital spend and committed work to date.

Work Stream	Approved Budget as at 30/09/16 for 2016/17	Forecast Outturn	Reschedule	(Underspend) /Overspend	Comment
	£'000	£'000	£'000	£'000	
Kitchen & Bathrooms	3,327	3,327	0	0	
Windows & Doors	822	512	250	(60)	See paragraph 36. below
Roofing & Associated Work	1,174	654	100	(420)	See paragraph 37. below
Aids & Adaptions	200	200	0	0	
Structural & Damp Work	1,094	844	0	(250)	See paragraph 38. below
Health & Safety	575	515	25	(35)	See paragraph 39. below
Building Services	2,542	2,542	0	0	
Communal & Estate Work	315	315	0	0	
Professional Fees & Miscellaneous.	380	165	0	(215)	See paragraph 40. below
Target Savings Core Capital Programme	(200)	0	0	200	Included in above underspend
Grand Total	£10,229	£9,074	£375	(£780)	

36. Windows and Doors

As previously reported, the main windows and door replacement contract specification has been finalised however, the delay in getting a contract in place has led to works being delayed. It is therefore requested that £250,000 budget is rescheduled into 2017/18.

Additionally replacement windows and associated works at Hillcroft, Haslemere are not due to be as extensive as originally expected, therefore a saving of circa £60,000 will be achieved.

37. Roofing and Associated Work

As previously reported, £200,000 for porches & canopies and £250,000 of the Roofline & Surface Water budget is unlikely to be spent this financial year. It is requested that £100,000 of the porches budget is rescheduled into 2017/18 to enable this work to be completed. The remaining budget will be a saving this financial year.

A further £70,000 from the Roof covering budget will not be spent this financial year and will not be required to slip, this is therefore reported as a saving.

38. Structural & Damp Work

Savings have been achieved on the structural projects budgeted for this financial year. It is requested that £250,000 is vired into revenue to fund the additional works being undertaken on responsive repairs.

39. Health and Safety

A saving of £35,000 is to be achieved on the Asbestos removal budget. Additionally it is requested that £25,000 of the Fire Walls budget is rescheduled into 2017/18 as the works will not be complete this financial year.

40. Professional fees & Miscellaneous

As previously reported, survey work is being completed; therefore works on pre-1945 properties is unlikely to be undertaken in 2016/17 and will be encompassed in the 2017/18 budget. It is requested that £215,000 is vired into revenue to fund the additional repairs works being undertaken on void properties.

Stock Remodelling

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

Work Stream	Approved Budget 2016/17 as at 30/09/16	Forecast Outturn as at 30/09/16	Reschedule	(Underspend) /Overspend	Comment
	£'000	£'000	£'000	£'000	
Approved Schemes	253	253	0	0	
Potential Schemes	4,169	3,538	50	(581)	See para 42. below
Total	£4,422	£3,791	£50	(£581)	

42. As previously reported, the housing projects at Cranleigh Day Centre and 8 Elmbridge Cottages will not be continuing. Therefore a £631,000 saving was due to be achieved. To enable works to be undertaken at Cranleigh Day Centre so it is brought back into community use it is requested that £50,000 of this saving is built into the 2017/18 budget.

New Build

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

Work Stream	Approved Budget 2016/17 as at 30/09/16	Forecast Outturn as at 30/09/16	Reschedule	(Underspend) /Overspend	Comment
	£'000	£'000	£'000	£'000	
Project management	400	400	0	0	
Pre-development Expenditure	184	184	0	0	
Committed schemes	7,771	7,415	0	(356)	See para 44. below
Proposed schemes	557	557	0	0	
Land and asset purchase	1,182	1,182	0	0	
Total	£10,094	£9,738	£0	(£356)	

44. As previously reported, 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. Council has a process for identifying uneconomical properties for disposal. Additionally costs have been incurred of £49,000 on the Ockford Ridge Show homes over the approved budget due to unexpected site works during construction. This is proposed to be covered by a virement of £49,000 from the underspend on the Ockford Ridge demolition budget.

HRA Business Plan Review Update

45. Last summer the Government announced changes to HRA finances. These changes will have a significant impact on the continued delivery of the current strategy for the Housing service depicted by the Business Plan. A commitment was made to undertake a fundamental review of every budget within the Business Plan before December 2016 taking into account the Government's legislative changes when the details are published.

46. A combined Member and Officer group has worked throughout the summer to complete this review. A revised Business Plan with proposed actions including cutting back on capital expenditure to balance the budget over the next three years will be recommended to Full Council on 13 December in line with the following timetable.

Corporate O&S Housing Improvement Sub Committee	7 November
Corporate O&S Committee	22 November
Executive	29 November
Full Council	13 December

Recommendations

It is recommended that the Executive notes the report and

1. agrees a supplementary estimate of £11,000 to cover the cost of waste collection on New Years' Eve, as set out in paragraph 6 (ii);
2. agrees a supplementary estimate of £30,000 for external legal costs regarding the Development Control appeal set out in paragraph 8;
3. agrees that the current Council Tax Support Scheme remains unchanged for 2017/18, as set out in Paragraph 9;
4. agrees a revision to Annexe 3 of the Annual Investment Strategy by increasing the total investment limit for any approved group from £15m to £20m, with £10m becoming the maximum with any single member of that group as set out in paragraph 17;
5. recommends to Council to approve the rescheduling of £92,000 for Farnham Museum into 2017/18 as detailed in paragraph 21 (i);
6. recommends to Council to approve the rescheduling of £80,000 for Gostrey Meadow Pavilion into 2017/18 as detailed in paragraph 21 (ii);
7. recommends to Council to approve a virement from High Street Haslemere car park for Car Parks Rolling Maintenance of £70,000, as set out in paragraph 22 (ii);
8. recommends to Council to approve a virement from Office Lighting replacement (£62,000) and Electricity meter installation (£5,000) to Installation of heating system at Cranleigh Leisure Centre as set out in paragraph 22 (iii);

9. recommends to Council to approve the rescheduling of £900,000 for Manfield Park Industrial Units into 2017/18 as detailed in paragraph 23;
10. recommends to Council to approve the rescheduling of £780,000 for Frensham Common Site Redevelopment into 2017/18 as detailed in paragraph 24;
11. recommends to Council to approve the rescheduling of £250,000 for Windows & Doors into 2017/18 as detailed in paragraph 36;
12. recommends to Council to approve the rescheduling of £100,000 for Roofing and Associated works into 2017/18 as set out in paragraph 37;
13. recommends to Council to agree a virement from Structural & Damp works of £250,000 for Responsive Repair works as set out in paragraph 38;
14. agrees to reschedule £25,000 of the Fire Walls budget into 2017/18 as set out in paragraph 39;
15. recommends to Council to agree a virement from Professional fees of £215,000 for Void Repair works as set out in paragraph 40;
16. recommends to Council to approve the rescheduling of £50,000 for Cranleigh Day Centre as set out in paragraph 42; and
17. agrees a virement from the Ockford Ridge demolition budget into the Ockford Ridge Show homes budget of £49,000 as detailed in paragraph 44.

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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