

WAVERLEY BOROUGH COUNCIL

EXECUTIVE – 29 NOVEMBER 2016

Title:

BUDGET MANAGEMENT REPORT

[Portfolio Holder: Cllr Ged Hall]

[Wards Affected: All]

Summary and purpose:

This report provides a 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.

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 the 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 £47,000 on the £54,000 overspend reported previously. The current position with an overspend of £101,000 represents 0.7% 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 30/09/16	Current position at 31/10/16	Change since 30/09/16
	(Underspend)/ Overspend	(Underspend)/ Overspend	(Decrease)/ Increase
	£'000	£'000	£'000
Finance			
Council Tax Support – grant income	(36)	(36)	
Planning			
Building Control – income – 4 (i)	88	120	32
Development Control – income – 4 (ii)		80	80
Environment			
Parking Income - 5 (i)	(68)	(92)	(24)
Saturday Garden Waste	6	6	
School parking permits	20	20	
New Years Eve Waste Collection (now approved as supplementary estimate)	11		(11)
Contaminated Land - 5 (ii)		(30)	(30)
Policy and Governance			
Land Charges	31	31	
South East Subscription	2	2	
Overspend/(underspend) against budget	54	101	47

4. 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 of £120,000 in forecast income for the year 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.
- ii. Development Control forecast income is dependent on future applications that cannot be accurately estimated, this has been identified as potential risk in the Mid-Year Budget Review. Trend analysis of the monthly income achieved for the last three years against achievement to date, indicates a significant reduction of £80,000 in forecast income for the year against a budget of £1,238,000.

5. Environment

- i. Parking income during the first half of this year has held up against budget and the latest estimate is that income will be £92,000 (2.3%) above budget over the whole year.
- ii. Contaminated land works are now being carried out on a much more limited basis following changes to the policy which reflects statutory changes that reduce Council responsibility to remediate contaminated land. Therefore, a saving of £30,000 is now anticipated on the contaminated land revenue project.
- iii. Garden waste subscriptions continue to increase and for team stability and resilience it will be beneficial if the long-standing temporary post of Environmental Services Assistant becomes a permanent post. The existing budget for the temporary post will not cover the period beyond November 2016. The garden waste subscriptions will result in a surplus on the scheme but will also generate additional workload. The continuance of the additional post will be funded by the income generated from the additional garden waste subscriptions; therefore, the recommendation is to fund a permanent post from garden waste subscriptions.

6. Planning Appeals

- i. 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 Public inquiry has now concluded with an estimated additional cost of £10,000 (above the original supplementary estimate of £30,000).
- ii. 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.

7. Leisure

The profit share that Waverley receives from the operation of its leisure centres is projected to be in excess of budget in 2016/17 due to strong performance of the centres and high demand for the new facilities provided as part of the Council's leisure investment programme. Phase two of the investment programme is currently being planned which will bring further improvements for users and an improved return to the Council in addition to managing the significant lifecycle cost risk in some of the older facilities in the coming years. These plans will be considered by the Council in 2017. To help inform these plans and identify the full range of options, it is proposed to set aside up to £50,000 of the above-budget profit share in 16/17 to undertake the necessary specialist leisure, property and legal work to inform the options appraisal for future leisure centre investment and development of the management contract.

Staffing Establishment

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

Forecast outturn of establishment cost against 2016/17 budget	
	£'000
2016/17 Establishment Cost Budget:	
2016/17 Staff Budget	13,436
LESS Vacancy Target	(200)
Approved Budget	13,236
2016/17 Establishment Cost Forecast Outturn:	
Permanent Staff Cost	12,661
Agency Staff Cost	588
Forecast Outturn	13,249
Overspend/(underspend) against budget	13

Potential Risks

9. 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 the current £80,000 shortfall forecast to budget.
10. 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.
11. 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.
12. 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.
13. Continued recruitment challenges, especially in Planning, could result in further demand for the use of agency staff to cover vacancies in the last quarter of 2016/17.

Use of Balances

14. 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		General Fund
		£'000
Balance 1 April 2016		3,200
Forecast outturn variation on budget		(101)
Reduced by Approvals:		
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)
Farnham Football Club - feasibility study		(50)
New Years Eve Waste Collection		(11)
Transfer from Revenue Reserve Fund to meet the above demands		701
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

15. 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		954
Manfield Park Industrial Units	917	
Other approvals e.g. S106 projects, virements	37	
Carry forward to 2017/18 approval to be sought at Council in December 2016		(1,852)
Total General Fund Capital Programme for 2016/17		4,880

16. 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	1,248	1,248			
Customer & Corporate	583	523		(60)	
Environment	304	304			
Other Projects	372	372			
Memorial Hall	2,177	2,177			
Manfield Industrial Unit	17	17			
Frensham Common	69	69			
Urgent schemes budget	110	110			
Total programme	4,880	4,820		(60)	

Housing Revenue Account (HRA)

17. 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.

Estimated variance against 2016/17 budget at outturn			
Service Variations:	Reported previously at 30/09/16 (Underspend)/ Overspend £'000	Current position at 31/10/16 (Underspend)/ Overspend £'000	Change since 30/09/16 (Decrease)/ Increase £'000
INCOME			
Dwelling Rent			
Gross Dwelling Rent income	178	178	
Voids income loss	(26)	(26)	
Garage Rent			
Gross Garage rents	(47)	(47)	
Voids income loss	70	70	
Other Income			
Family Support service	(32)	(32)	
COSTS			
Maintenance			
Responsive Repairs	250	250	
Void Repairs	215	215	
Other Costs			
EasyMove Service	(10)	(10)	
Overspend/(underspend) against budget	598	598	

HRA Capital

Core Capital

18. 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
Virements approved in 2016/17 approved by Executive in November 2016	(465)
Carry forward to 2017/18 approved by Executive in November 2016	(25)
Carry forward to 2017/18 approval to be sought at Council in December 2016	(350)
Total	9,389

19. The table below summarises current performance to date:

Work Stream	Approved Budget as at 31/10/16 for 2016/17	Forecast Outturn	Reschedule	(Underspend) /Overspend	Comment
	£'000	£'000	£'000	£'000	
Kitchen & Bathrooms	3,327	3,327			
Windows & Doors	572	512		(60)	
Roofing & Associated Work	1,074	604	50	(420)	See paragraph 19. below
Aids & Adaptions	200	200			
Structural & Damp Work	844	569	135	(140)	See paragraph 20. below
Health & Safety	550	515		(35)	
Building Services	2,542	2,427	135	20	See paragraph 21. below
Communal & Estate Work	315	230	50	(35)	See paragraph 22. below
Professional Fees & Miscellaneous	165	132		(33)	See paragraph 23. below
Target Savings Core Capital Programme	(200)			200	
Grand Total	9,389	8,516	370	(503)	

20. Roofing and Associated Work

- i. Roofline and Surface Water Renovation - It is requested that £50,000 of the roofline budget be rescheduled into 2017/18 budget to enable this work to be completed

21. Structural and Damp Work

- i. External Wall finish – A saving of £50,000 will be achieved on the External Wall finish this year.
- ii. Sewerage Plant - Investigation and resolution of legal issues have delayed this project and it is requested that the £65,000 budget is rescheduled to 2017/18.
- iii. Structural Works – Additional savings of £90,000 have been achieved through the disposal rather than refurbishment of properties requiring major structural works.
 - a. £35,000 is requested to be vired to fund the water main works at the former Police Houses in Farnham;
 - b. £35,000 is requested to be vired to fund heating for the former Police Houses in Farnham; and
 - c. £20,000 vired to fund lift refurbishment as detailed in paragraph 21 (iii).
- iv. Timber Clad Replacement - A pilot replacement programme only will be undertaken this year to be followed by completion of the project in 2017/18. It is requested therefore that £70,000 is rescheduled to 2017/18.

22. Building Services

- i. Domestic Heating Upgrades – Due to access issues being experienced to upgrade heating to some properties it is requested that £135,000 is rescheduled to 2017/18 to enable completion of the planned upgrades.
- ii. Electrical Upgrade/Rewiring – It is requested that £10,560 of the rewiring budget be vired into the Electrical upgrade budget to enable this work to be completed.
- iii. Lift Refurbishment – The preferred tender received for this work, although considered competitive, is £20,000 over original budget. In order to complete this project a sum of £20,000 is requested to be vired from Structural Works.

23. Communal and Estate Work

- i. Flat Block Communal Area Upgrade – Surveys undertaken to date have identified works estimated at £50,000. It is therefore requested that £50,000 is rescheduled to 2017/18 to enable further works to continue next year.
- ii. Community Room Upgrade – A saving of £35,500 against this budget is anticipated this year.

24. Professional Fees and Miscellaneous

- i. In addition to the £215,000 previously requested to be vired from works to pre-1945 properties an additional saving of £30,000 will be achieved.
- ii. A saving of £2,500 will be achieved on the professional fees relating to Hindhead House works.

Stock Remodelling

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

Work Stream	Approved Budget 2016/17 as at 31/10/16	Forecast Outturn as at 31/10/16	Reschedule	(Underspend)/ Overspend	Comment
	£'000	£'000	£'000	£'000	
Approved Schemes	1,120	1,120			
Potential Schemes	3,302	1,871	850	(581)	See para 25. below
Total	4,422	2,991	850	(581)	

26. The pilot phase of Ockford Ridge refurbishments is underway, and Phase 1 will be carried out before the end of the financial year. However, Phase 2 will not start until 2017/18. Therefore it is requested that £800,000 of the Ockford Ridge refurbishment budget is rescheduled into 2017/18 so that the works can start early in the new financial year.

New Build

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

Work Stream	Approved Budget 2016/17 as at 31/10/16	Forecast Outturn as at 31/10/16	Reschedule	(Underspend) /Overspend	Comment
	£'000	£'000	£'000	£'000	
Project management	400	400			
Pre-development expenditure	184	184			
Committed schemes	7,831	7,475		(356)	
Proposed schemes	557	557			
Land and asset purchase	1,182	1,182			
Total	10,154	9,798		(356)	

Recommendation

It is recommended that the Executive notes the report and

1. recommends to Council that approval be given to the creation of a new permanent Environmental Services Assistant post to be funded from the increased number of customers for the garden waste collection service, as set out in paragraph 5 (iii);
2. approves the additional supplementary estimate of £10,000 for external legal costs regarding Development Control appeals, as set out in paragraph 6 (i);
3. recommends to Council to earmark up to £50,000 of the leisure centre profit share in 2016/17 to undertake an options appraisal for future leisure centre investment and the development of the management contract as set out in paragraph 7;
4. recommends to Council to approve the rescheduling of £50,000 of the roofline budget into 2017/18 as set out in paragraph 19 (i);
5. recommends to Council to approve the rescheduling of £65,000 of the sewerage plant budget into 2017/18 as set out in paragraph 20 (ii);
6. recommends to Council to approve the virement of £90,000 from the Structural works budget, £70,000 to the former Police House scheme in Farnham and £20,000 to the lift refurbishment budget as set out in paragraph 20 (iii);
7. recommends to Council to approve the rescheduling of £70,000 of the timber cladding replacement budget into 2017/18 as set out in paragraph 20 (iv);
8. recommends to Council to approve the rescheduling of £135,000 from the Domestic Heating Upgrades budget into 2017/18 as set out in paragraph 21 (i);

9. approves a virement of £10,560 from the Rewiring budget into the Electrical Upgrade budget as set out in paragraph 21 (ii);
10. approves a virement of £20,000 from Structural works into the Lift refurbishment budget as set out in paragraph 21 (iii);
11. recommends to Council to approve the rescheduling of £50,000 for Flat Block Communal Upgrades into 2017/18 as set out in paragraph 22 (i); and
12. recommends to Council to approve the rescheduling of £800,000 for Ockford Ridge refurbishment – Phase 2 into 2017/18 as set out in paragraph 25.

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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