

**WAVERLEY BOROUGH COUNCIL**

**EXECUTIVE – 02 DECEMBER 2014**

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**Title:**

**BUDGET MANAGEMENT REPORT**

**[Portfolio Holder: Cllr Julia Potts]**

**[Wards Affected: All]**

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**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.

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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.

**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.

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**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 action 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 forecast outturn to the year end against the approved budget is given in the table below. The table presents significant variances by service and compares the current position to that reported to the previous Executive. The latest forecast is an underspend of £468,000, after allowing for all virement request commitments. This is a net £100,000 increase in the underspend from the position reported to the Executive on 4 November 2014.

2.2 Where there are changes identified in this report from the last report explanations are given below on an exception basis. Variances identified in the last report are detailed in the previous Budget Management Report presented to the Executive on 4 November 2014.

2.3 Current forecast outturn variance against budget:

	Variance on budget		
	Last Report £'000	This Report £'000	Change £'000
<b>Service Variations</b>			
<b>Policy and Governance</b>			
Land Charges – projected additional income	(240)	(240)	0
<b>Planning</b>			
Development Control – projected net additional income (see 2.4)	(0)	(70)	(70)
<b>Community</b>			
Waverley Training Services – projected increased surplus	(30)	(30)	0
	Variance on budget		
	Last Report £'000	This Report £'000	Change £'000
<b>Service Variations</b>			
<b>Environment</b>			
Car Parks – net additional income	(68)	(108)	(40)
Christmas Refuse Collections		10	10
<b>Corporate budget</b>			
Inflation provision not required	(30)	(30)	0
<b>Overspend/(underspend) against budget</b>	<b>(368)</b>	<b>(468)</b>	<b>(100)</b>

- 2.4 Development Control – income is still increasing with an additional £100,000 being reported this month. However, it is requested to vire £30,000 of the increase to cover additional legal costs of £20,000 and specialist consultancy costs of £10,000 associated with two recent planning appeals. The net improvement for this month is therefore £70,000.
- 2.5 Environment – Car Park income continues to strengthen as the local economy improves, with a further increase of £40,000 projected this month across all car parks due to increased usage.
- 2.6 Environment – Christmas Refuse Collection this year will be collected during the holiday period, resulting in an additional £10,000 payment to the contractor. This will avoid the need for the usual catch-up arrangements over Christmas and normal collection arrangements will resume by 5 January 2015.
- 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 current forecast outturn for the end of the year shows that the General Fund element of the target should be achieved.
- 2.8 The finance team has been under review to ensure that the service is resilient. It has a succession risk around key posts due to a number of staff approaching retirement. The recent retirement of a long-serving member of staff (post BD04) on part-time (15 hours) at band 5 has presented an opportunity to recruit a full-time accounting technician on band 8 at 37 hours. Post BD04 will provide technical accounting capacity to complete reconciliation and systems support work currently being covered by more senior accountants. The post can be funded from the existing budget. However, as there is an increase in establishment from 15 to 37 hours the Council is asked to approve this increase.
- 2.9 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 forecast underspend and reduced by any supplementary estimate approvals in year and service expenditure carried forward from last year approved at the end of 2013/14. These are illustrated in the table below. The excess of balance beyond £3.2m will be transferred to the Revenue Reserve Fund at the year end in accordance with the Financial Strategy.

<b>Forecast General Fund Balance movement</b>	
	<b>£'000</b>
<b>Balance 1 April 2014</b>	<b>(3,361)</b>
Increased by the forecast outturn variation on budget	(468)
<b><u>Reduced by Approvals:</u></b>	
Revenue carry forward from 2013/14	139
Planning Enforcement - executive 3 June 2014	40
Transfer to Revenue Reserve Fund	(450)
<b>Forecast balance 31 March 2015</b>	<b>(3,200)</b>

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.

2.12 Following an Ofsted visit earlier this year with a resultant grade of '3 Requires Improvement' (previously 'satisfactory') it is felt that a budget requirement should be made for an external review of the service. This will provide an action plan to achieve an Ofsted Grade 2 (good) at the next inspection which is due in the next 12 – 18 months. The budget sum identified to appoint consultants with the necessary expertise is £15,000. It is felt that this sum can be found from the previously identified surplus from this service.

### 3. General Fund Capital

3.1 General Fund Capital programme is on track with no significant variances on major schemes, although the latest position regarding the Farnham Maltings project bids is detailed in paragraph 3.2. The table below summarises the overall position and more detail is provided at [Annexe1](#).

General Fund Capital and Revenue Projects					
Service	Current Budget £'000	Forecast Outturn £'000	(Saving)/ Overspend £'000	Change from Last report £'000	Comment
Community	5,538	5,543	5	5	Small overspends
Customer, Office & IT	757	687	(70)	(70)	New land charges system will not be bought, Contact Manager reduced.
Environment	383	383	0	0	
Finance	8	2	(6)	(6)	Spend incurred in 2013/14
Housing	498	440	(58)	0	Additional DFG grant received
Planning	19	19	0	0	
Policy & Governance	101	74	(27)	(27)	Intrnet migration project now being carried out in-house
Special Projects	969	969	0	0	
Urgent schemes budget	55	55	0	0	
<b>Total programme</b>	<b>8,330</b>	<b>8,172</b>	<b>(161)</b>	<b>(103)</b>	

- 3.2 The Capital Programme includes a sum of £35,000 in 2014/15 and £40,000 in 2015/16 to enable substantial improvements to be made to the Great Hall at Farnham Maltings as part of a funding bid to the Arts Council England. The bid failed but a new application is underway. If successful, work on the project would commence in the summer of 2015. Farnham Maltings is therefore seeking the Council's approval to move the £35,000 capital budget forward to be added to the 2015/16 £40,000 budget.
- 3.3 Throughout this financial year the toilets at Broadwater have been vandalised on several occasions taking the facilities out of use for the users of Broadwater Park. This park is one of Waverley's most prominent and well visited sites and it is felt that these facilities are needed to serve those visitors. To this end capital needs to be made available from this year's budget to allow for the toilets to be refurbished with vandal proof fittings in time for users of the park next spring, the budget sum identified for these works is £63,000.

#### 4 Housing Revenue Account (HRA)

- 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.
- 4.2 Where there are changes identified in this report from the last report explanations are given below on an exception basis. Variances identified in the last report are detailed in the Budget Management Report and Mid-Year Budget Review presented to the Executive on 4 November 2014.

Housing Revenue Account	Current Budget £'000	Last Report £'000	Forecast Variance on budget to year end		
			This Report £'000	Change £'000	
<b>Repairs and Maintenance</b>					
Responsive repairs and voids	2,272	100	100	0	Virement requested 2.11.14
Cyclical Maintenance	1,705	(100)	(100)	0	Virement requested 2.11.14
Bellwin shortfall of Storm Damage		39	39	0	
<b>Supervision and Management</b>					
General	4,489	40	40	0	Staff & Insurance
Special	545	-	-	-	
<b>Rents rates taxes and other charges</b>					
Waverley Families	95	-	-	-	
'Back-Funded' pension contributions	550	-	-	-	
Interest receivable	(135)	20	20	0	Contribution to Fraud initiative
Rent rebate subsidy	300	(150)	(150)	0	Mid year calculation
Interest on HRA debt	5,877	-	-	-	

<b>Capital charges</b>				-	
Housing capital programme	5,913	(19)	(19)	0	Rescheduled Community room refurbishment due to review
Stock Improvement	3,534	-	-	-	
New Build funding	3,534	-	-	-	
<b>Income</b>					
Gross rents	(28,256)	90	90	-	
Garage rents	(304)	10	10	0	
Other Income	(119)	10	21	11	Solar panel income
<b>(Surplus)/Deficit for the year</b>	<b>0</b>	<b>20</b>	<b>31</b>	<b>11</b>	

- 4.3 Responsive repairs and voids and cyclical repairs budgets cover the day to day and planned maintenance of the housing stock. As the use of the interface between the Orchard system and Mears (the housing contractor) continues to bed in greater control of expenditure will be gained. It is currently projected that day to day repairs will be achieved within the revised budget. Detail of the expenditure to date is given in Annexe 2.
- 4.4 Supervision and management includes the cost of staff salaries 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, with satisfactory progress made to date.
- 4.5 Rents, rates, taxes and other charges are predominately pre-determined costs, with no variations expected.
- 4.6 Wey Court bungalows are now refurbished following the flooding. It is estimated that compensation of £11,000 will be due to Savills for lost Solar power Feed In Tariff income, as the panels were disconnected for safety reasons. It is anticipated that Savills will net the compensation against the roof rental income paid to Waverley (reduced to £25,000).
- 4.7 HRA Capital Programme detailed monitoring report is attached at Annexe 3. There are five properties requiring approval for major works on (Exempt) Annexe 6. There is currently budget available for the work to be undertaken. (Exempt) Annexe 7 lists additional properties for major works to be undertaken; there is sufficient budget as the previous work has been achieved with a lower unit price than estimated.
- 4.8 The New Affordable Homes Programme detailed approved budget, latest anticipated costs and expenditure to date are shown at Annexe 4. Construction work at Badgers Close and Warren/Perrior Road is going to schedule and a sod-cutting ceremony has now taken place at Station Road. An employer's agent for Phase 1 of the new build at Ockford Ridge has been appointed.

- 4.9 The latest position for Stock Remodelling is shown at Annexe 5. It is now unlikely that stock remodelling will begin at Ockford Ridge during the current financial year. The options for each type of dwelling are being considered by the Housing Delivery Board and costs will be rescheduled as part of the 2015-16 budget process.
- 4.10 Following the decision of Age UK Waverley that it does not want the ex-Rowland House accommodation which is attached to the Rowleys Community Centre, Cranleigh an estimated provision of £14,200 is required to separate the two areas of the building and the services provided. These works will be funded from the HRA.

## **5 Conclusion**

- 5.1 Generally service performance is stable against the budget. For the General Fund the underspend continues in a favourable direction. The Housing Revenue Account continues to be monitored closely. Capital spend is generally on track with no concerns to report at this stage.

## **Recommendation**

It is recommended that the Executive notes the report and:

1. approves the virement requests from the additional planning income to cover additional legal fees of £20,000 and consultants costs of £10,000 within Development Control appeal costs, as detailed in paragraph 2.4;
2. approves the employment of consultants at an estimated cost of £15,000 to be met from the identified WTS surplus to carry out a review of the service as detailed in paragraph 2.12;
3. agrees to the request to slip the £35,000 capital provision for the Farnham Maltings from 2014-15 to 2015-16 as detailed in paragraph 3.2;
4. recommends to the Council that the addition of £63,000 within the 2014-15 General Fund Capital Programme be approved for the refurbishment of Broadwater Toilets, as detailed in paragraph 3.3;
5. approves the work for the properties in (Exempt ) Annexes 6 and 7;
6. approves the change in accountant post BD04 from 15 to 37 hours within existing budgets, as described in 2.8 and recommends to the Council that the staffing establishment be amended accordingly; and
7. approves the expenditure of £14,200 to be met from the HRA required to separate the two areas of ex-Rowland House/Rowleys accommodation as detailed in paragraph 4.10.

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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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