

WAVERLEY BOROUGH COUNCIL

EXECUTIVE – 7 MARCH 2017

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 the 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 underspend of £66,000 which is an overspend change of £26,000 on the £92,000 underspend reported previously. The current position with an underspend of £66,000

represents -0.5% 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 31/12/16	Current position at 31/01/17	Change since 31/12/16
	(Underspend)/ Overspend	(Underspend)/ Overspend	(Decrease)/ Increase
	£'000	£'000	£'000
Finance			
Council Tax Support – grant income	(36)	(36)	
Business Rates – cost of collection	17	17	
Rent Allowance and Rent Rebates overpayments recovered	50	50	
Interest on Investments – 4		(25)	(25)
Planning			
Building Control – income	120	120	
Building Control – Consultation – 5 (i)		10	10
Development Control – income	80	80	
Development Control – resubmissions and appeals – 5 (ii) & 5 (iii)		73	73
Development Control – Agricultural appraisals – 5 (iv)		24	24
Development Control – RTP1 training	(15)	(15)	
Communities			
Leisure Centre – income	(186)	(186)	
Waverley Training Services – 6		81	81
Environment			
Parking Income – 7	(175)	(305)	(130)
Saturday Garden Waste	6	6	
School parking permits	20	20	
Contaminated Land	(30)	(30)	
Returns on collection of Refuse and Recycling	23	23	
Textile – income	7	7	
Policy and Governance			
South East Subscription	2	2	
Land Charges – 8		(25)	(25)
Staffing Establishment			
Establishment Cost – 9	25	43	18
Overspend/(underspend) against budget	(92)	(66)	26

4. Finance

The interest on investments has been positive so far and the expectation is that the budget will be exceeded by at least £25,000.

5. Planning

- i. Corporate O&S Committee has been monitoring the financial position of the building control service for some time and received a report on the future

options at its January meeting. It has been proposed to allocate £10,000 to undertake a review of the building control service.

- ii. The number of new major applications has reduced but there are a number of resubmissions where no fee is payable. These applications still incur cost of advertisement, consultants on expert matters and legal advice.
- iii. There are a number of appeals including at Public Inquiry going through the system at present on greenfield sites which were submitted during the period when the Council could not demonstrate a 5 year land supply. These incur the cost of consultants and Counsel in defence of the Council's case in the interest of robustly resisting unacceptable development.
- iv. There have been a number of applications this year that required an agricultural appraisal that resulted in an overspend of £24,000. Future applications will now require that an independent expert agricultural appraisal is submitted with the application so that, in effect, this cost is funded by the applicant and not the Council.

6. Communities

2016/17 was a period of great operational change in Waverley Training Services which included the reduction of staff numbers including a management re-structure. It is projected that a shortfall against budget of £81,000 for this financial year will materialise due to a range of factors including sub-contractor issues and prior year grant uncertainty from the Government. The service is still forecast to broadly break even. This does not reflect the underlying strength of the business opportunity that exists going forward following the changes to government funding to be implemented in May.

7. Environment

Parking Income has held up against budget and the latest estimate is that income will be £305,000 above budget over the whole year.

8. Policy and Governance

Land Charges income has been strong and the latest estimate forecast is that income will be £25,000 above budget for the year.

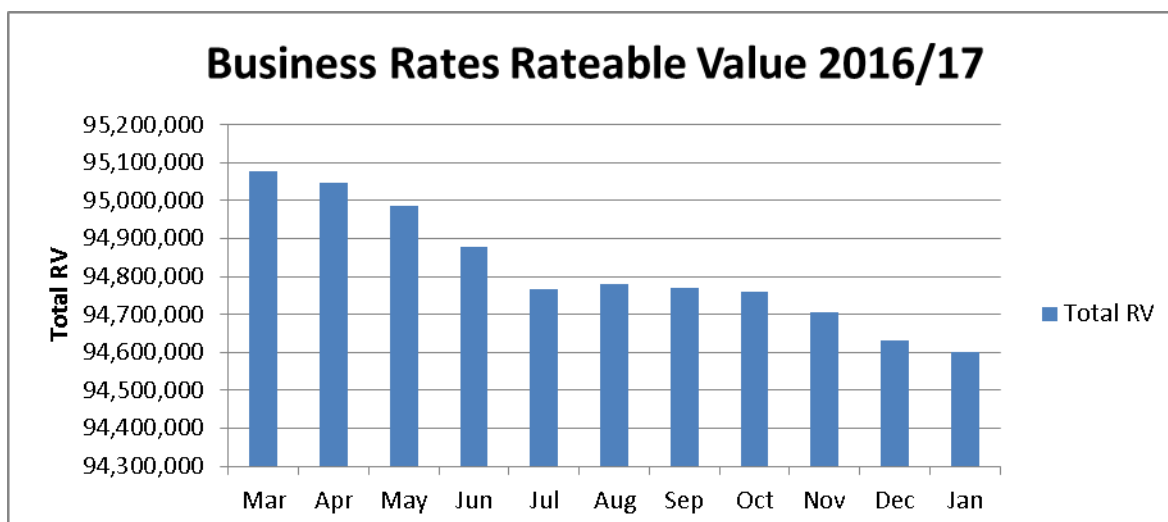
Staffing Establishment

9. 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	12,385
Agency Staff Cost	894
Forecast Outturn	13,279
Overspend/(underspend) against budget	
	43

Potential Risks

10. Building Control loss of custom to increased competition from independent approved inspectors has not returned and the developing of a new business model for Building Control is still in progress as per the Corporate O&S meeting in January and will follow a Business Plan in the next cycle.
11. 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.
12. 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 a further increase in the provision for unrecoverable overpayment.
13. The Government set the maximum recoverable EU referendum costs at £149,284 and these have been exceeded by £56,320. The shortfall is mainly due to the Government setting its estimate based upon a combined election where the costs are shared, in addition there was a very high turnout and high number of postal votes. We hope to recover the majority of this overspend and are awaiting the Cabinet Office decision.
14. Business Rates Retention Scheme. Performance is on track; however, the income from Business rates is subject to changes in rateable values (see chart below), appeals and refunds, which can potentially be significant.



Use of Balances

15. 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	66
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)
Weydon Lane - feasibility study	(50)
New Years Eve Waste Collection	(11)
Leisure Centre options appraisal	(50)
Transfer from Revenue Reserve Fund to meet the above demands	584
Forecast balance 31 March 2017	3,200

Supplementary estimates approved this year have put a 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

16. 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		1,119
Manfield Park Industrial Units	917	
Other approvals e.g. S106 projects, virements	202	
Carry forward to 2017/18 approved by Council in December 2016		(1,944)
Total General Fund Capital Programme for 2016/17		4,953

17. 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	1,276	1,276			See para. 18
Customer & Corporate	556	421	60	(75)	See para. 19
Environment	354	308	46		See para. 20
Other Projects	411	411			
Memorial Hall	2,177	2,177			
Manfield Industrial Unit	17	17			
Frensham Common	69	69			
Urgent schemes budget	93	93			
Total programme	4,953	4,772	106	(75)	

18. Community

Due to adverse weather there is additional budgetary need for further health & tree works to be carried out. Therefore, it has been requested that an 'Executive Director's decision' is taken to allow a further £20,000 budget to be allocated from the provision for urgent schemes.

19. Customer & Corporate

- i. The Replacement of the Property Terrier Database is unlikely to take place this financial year. Scoping works are underway, however it is requested that the full budget of £40,000 is rescheduled into 2017/18 to enable this project to be undertaken in 2017/18.
- ii. The project to purchase and implement new Call Management Technology will take place in 2017/18. Currently the Customer Services Project Group is looking at proposals which are yet to be agreed. Therefore, it is requested that the full £20,000 budget is rescheduled into 2017/18 to enable this work to be completed.

Housing Revenue Account (HRA)

20. 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 £93,000 overspend against

budget and represents less than 0.6% of the net HRA budget of £13.6m. This is detailed in the table below.

Estimated variance against 2016/17 budget at outturn			
Service Variations:	Reported previously at 31/12/16 (Underspend)/ Overspend £'000	Current position at 31/1/17 (Underspend)/ Overspend £'000	Changes since 31/12/16 (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)	
Interest on Investments – 21		(30)	(30)
COSTS			
Maintenance			
Responsive Repairs – 22 (i)		250	250
Void Repairs – 22 (ii)		(50)	(50)
Cyclical Repairs – 22 (ii)		(60)	(60)
Redecoration – 22 (ii)		(140)	(140)
Other Costs			
EasyMove Service – 23	(10)	(20)	(10)
Overspend/(underspend) against budget	133	93	(40)

21. Other Income

The interest on investments has been positive so far and the expectation is that the budget will be exceeded by at least £30,000.

22. Maintenance

- i. 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 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.

- ii. The void, cyclical repairs and redecoration budgets now forecast an underspend of £50,000, £60,000 and £140,000 respectively. This is partially due to reduced void properties in December, and reduced spend due to additional controls on costs being put into place. It is therefore requested that £250,000 from these budgets is vired to the responsive repairs budget to ensure repairs can continue to be carried out where required.
- iii. Executive approval is sought to apply for Planning permission to undertake window replacement and associated works at Nos 5-12 Hillcroft, Shepherds Hill, Haslemere. GU27 2JL

23. Other Costs

As previously reported 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 has been previously forecast and a further £10,000 saving is estimated this financial year.

HRA Capital

Core Capital

24. 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		(535)
Carry forward to 2017/18 approved by Executive in November 2016		(25)
Carry forward to 2017/18 approved by Council in December 2016		(720)
Total		8,949

25. The table below summarises current performance to date:

Work Stream	Approved Budget 2016/17	Forecast Outturn as at 31/01/17	Reschedule	(Underspend)/ Overspend	Comment
	£'000	£'000	£'000	£'000	
Kitchens & Bathrooms	3,327	2,937		(390)	See para. 28
Windows & Doors	572	222	290	(60)	See para. 29
Roofing & Associated Work	1,024	604		(420)	
Aids & Adaptions	200	200			
Structural & Damp Work	619	548		(71)	See para. 30
Health & Safety	550	310	205	(35)	See para. 31
Building Services	2,427	1,627	800		See para. 32
Communal & Estate Work	265	130	80	(55)	See para. 33
Professional Fees & Miscellaneous	165	99	20	(46)	See para. 34
Target Savings Core Capital Programme	(200)			200	
Grand Total	8,949	6,677	1,395	(877)	

26. Demand pressures on the Responsive Repairs and Voids budgets as outlined above, and the likely impact of the Housing and Planning Act, will bring about significant reductions in funding available to the Council for future capital investment. As a result, officers have sought 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 have been or are in the process of 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.

27. Kitchens & Bathrooms

The focus on repairing rather than replacing Kitchens & Bathrooms in voids will result in savings estimated to reach £390,000, of which £120,000 is against bathrooms and £270,000 against kitchens.

28. Windows & Doors

- i. Replacement windows at Hillcroft, Haslemere – It is requested that £70,000 of the Hillcroft windows budget is rescheduled into 2017/18 due to delays in delivering the project this year. Due to the type of property, bespoke designs have been drawn up and Waverley Borough Council have a requirement to gain planning permission before works begin.
- ii. Windows & Door Replacement – Due to contract and mobilisation delays this work will not be complete in 2016/17. It is therefore requested that £220,000 of the windows & doors budget is rescheduled into 2017/18 to enable the planned works to be completed.

29. Structural & Damp work

Sound Insulation – Access issues to a single property has delayed these works and due to ongoing difficulties gaining access it is expected that these works will not be carried out. Therefore there is a forecast saving of £21,000 on this budget.

30. Health & Safety

- i. Asbestos Removal – Asbestos removal has been progressing throughout the year as works have been required, however it is forecast that the full budget will not be spent by year end. It is therefore requested that £40,000 is rescheduled into 2017/18 to enable further works to be carried out next year.
- ii. Fire Risk Assessment - Due to access issues being experienced to carry out fire risk assessments it is requested that £150,000 is rescheduled to 2017/18 to enable further assessments to be carried out.
- iii. Fire walls – No further spend is expected on this work stream this financial year therefore it is requested that the remaining £15,000 budget is rescheduled into 2017/18 to enable works to continue.

31. Building Services

- i. Communal gas heating replacement – Due to the need to retender these works the delivery has been delayed and the contractor is not yet on site. Therefore it is requested that £500,000 of this budget is rescheduled into 2017/18 to enable the works to be completed.
- ii. Domestic heating upgrade – Due to access issues being experienced to upgrade heating to some properties it is requested that £250,000 is rescheduled to 2017/18 to enable completion of the planned upgrades.
- iii. Electrical upgrade - Due to access issues being experienced to carry out electrical upgrades to some properties it is requested that £50,000 is rescheduled to 2017/18 to enable completion of the planned upgrades.

32. Communal & Estate work

- i. Car Parking schemes – In order to enable the completion of a major parking scheme in 2017/18 it is requested that £50,000 of the car parking budget is rescheduled into the next financial year.
- ii. Community Rooms – Consultation and negotiations are currently underway to enable a number of community rooms to be leased to third parties. Until this is completed works are unable to go ahead, therefore it is requested that £30,000 of this budget is rescheduled into the next financial year when it is hoped required works can be carried out.
- iii. Estate works - In addition to the previously reported saving, a further saving of £20,000 are forecast to be achieved on this budget.

33. Professional fees & Miscellaneous

- i. Professional fees – To enable delivery of schemes in 2017/18 it is requested that £20,000 of the professional fees budget is rescheduled into the next financial year.
- ii. Renovation of pre-1945 council dwellings – In addition to the previously reported saving, a further £16,000 saving will be achieved this financial year.

Stock Remodelling

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

Work Stream	Approved Budget 2016/17	Forecast Outturn as at 31/01/17	Reschedule	(Underspend)/ Overspend	Comment
	£'000	£'000	£'000	£'000	
Approved Schemes	2,253	2,253			
Potential Schemes	1,319	738		(581)	
Total	3,572	2,991		(581)	

New Build

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

Work Stream	Approved Budget 2016/17	Forecast Outturn as at 31/01/17	Reschedule	(Underspend)/ Overspend	Comment
	£'000	£'000	£'000	£'000	
Project management	400	400			
Pre-development expenditure	184	184			
Committed schemes	5,831	4,775	700	(356)	See para. 37
Proposed schemes	196	196			
Land and asset purchase	1,182	1,182			
Total	7,793	6,737	700	(356)	

36. The Weyhill project is pending decision on delivery method therefore the budget provision will not be spent this financial year. Therefore it is requested that the full £700,000 budget is rescheduled into 2017/18 to ensure sufficient budget is available to enable this scheme in the next financial year.

Recommendation

It is recommended that the Executive:

1. approves the rescheduling of £40,000 for the Replacement of the Property Terrier Database system into 2017/18;
2. approves the rescheduling of £20,000 for the Call Management System Technology into 2017/18;
3. approves a virement of £50,000 from the Void repairs budget, a virement of £60,000 from the Cyclical repairs budget and a virement of £140,000 from the Redecoration budget into the Responsive repairs budget;
4. recommends to Council to approve the rescheduling of £290,000 for Windows & Doors into 2017/18;
5. recommends to Council to approve the rescheduling of £205,000 for Health & Safety into 2017/18;
6. recommends to Council to approve the rescheduling of £800,000 for Building Services into 2017/18;

7. approves the rescheduling of £80,000 for Communal & Estate works into 2017/18;
8. approves the rescheduling of £20,000 of the Professional Fees & Miscellaneous budget into 2017/18;
9. recommends to Council to approve the rescheduling of £700,000 for Weyhill, Haslemere into 2017/18; and
10. approves Officers applying for Planning permission to undertake window replacement works at Hillcroft, Shepherds Hill, Haslemere.

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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