

WAVERLEY BOROUGH COUNCIL

EXECUTIVE – 5 SEPTEMBER 2017

Title:

BUDGET MANAGEMENT REPORT

[Portfolio Holder: Cllr Ged Hall]

[Wards Affected: All]

Summary and purpose:

This report provides a review of the 2017/18 budget for the General Fund and the Housing Revenue Account against the forecast to 31 March 2018, 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 2016/17 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 2017/18, 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 savings targets. 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 **General Fund** has a net budget of £13.4m in 2017/18 and the latest estimate forecast is to be **on budget** over the year.

4. The significant variations to note and monitor are given below:

Planning

5. Development Control income so far this year has been lower than expected and the current projected forecast is for a £50,000 underachievement of income.
6. The costs of two planning inquiries coming forward will amount to approximately £60,000 (Longdean House and Folly Hill). A supplementary estimate is requested to cover these costs. The Government's proposed increase in planning fees has been postponed from July 2017 and is now expected in November at the earliest. This is clearly a disappointing delay with a consequent adverse impact on projected income.

Environmental Services

7. The financial impact of the recent traveller incursions in Farnham is likely to be approximately £40,000 (excluding staff time). Fuller information will be reported in the next budget monitoring report.
8. The public conveniences budget included a £50,000 cost reduction for 2017/18 from the closure of Crown Court, Godalming and High Street, Haslemere. There has been a delay in closing the public conveniences whilst negotiating with alternative providers and, although the public conveniences are all now closed, the delay will result in an overspend of £16,000.
9. A one-off additional income of £43,000 has been negotiated from the site offices positioned on the Wharf car park.

Finance

10. A change in legislation will prevent the council from charging customers a fee for paying via credit card after January 2018. This is likely to lose the council £8,000 this year and £30,000 next year. The most significant impact may be on the car park RingGo contract income. The council is taking legal advice on how to mitigate this loss of income.
11. Waverley administers approx. £28m of Housing Benefit, the majority of which it receives back from the Department for Work and Pensions (DWP). However, the Government's increasing use of electronic data matching with agencies such as HMRC tax records is continuing to identify undeclared changes in claimant circumstances resulting in the identification of benefit overpayment. The council receives 40% of the cost from the DWP and is allowed to retain 100% of any recovered overpayment. These overpayments are difficult to recover due to claimants' circumstances and the council will have to prudently make an allowance in its accounts for an under recovery. This allowance will cause a £50,000 overspend.
12. Business Rates Discretionary Relief Policy: two organisations have requested the Executive to consider awarding relief under this policy. The council is responsible for 40% of the cost of awarding discretionary rate relief.

- i. Catalyst is a Surrey-based registered charity with four centres providing support to people to reduce stigma, harm and isolation in individuals and their families, through the provision of support for those misusing drugs and alcohol, and support for people with depression, anxiety and severe and enduring mental health problems. Catalyst receives 80% mandatory rate relief on its Queen Street, Godalming premises and is requesting discretionary relief for the 20%, £2,100 per year. This will be consistent with the current list of locally based charities receiving discretionary relief.
- ii. The Maltings, Farnham is a registered charity, its objectives are to deliver a participatory and performance programme of contemporary art including film, dance, music and theatre, local and national craft events, manage the Museum of Farnham and 20 studios, rehearsal space, host 25 arts companies and work to make the Maltings a meeting place that welcomes all. It also provide space for voluntary groups to deliver their own ambitions. The Maltings receives 80% charitable mandatory rate relief for its venue and museum and is requesting discretionary relief for the 20%, £10,180.17.

This is the only museum in Waverley not receiving discretionary rate relief. The Maltings venue discretionary rate relief will be in line with other educational charitable trusts and this is the only fee-earning car park granted 80% mandatory relief, however, it supports the Maltings finances.

Community Services

13. The council's investment in its leisure centres has proven to be a continuing success and the centre's profit share income is forecast to be approximately £80,000 higher than budgeted.
14. Careline income is forecast to be underachieved by £100,000 compared to a budget of £579,500 due to an over-estimated increase in the client base within the 2017/18 budget. A marketing strategy is being developed to increase the take-up of the service.
15. The leisure centre budget included a cost saving of £40,000 from the transfer of the Edge Leisure Centre to Woolmer Hill School. The site is legally complex and any transfer requires the resolving of leases and subleases affecting several parties, including the current management operator (Places For People), Woolmer Hill School, Surrey County Council (the freeholder) and Sport England. Whilst these negotiations are ongoing it is unlikely to be resolved in this financial year.
16. A number of projects had budget approval in 2016/17 and were not completed by year end, these require budget carry forwards from 2016/17:
 - i. Cranleigh Leisure Centre emergency boiler works, new doors for Farnham Leisure Centre and a roof access system for Haslemere Leisure Centre. It is therefore requested that the Executive approves a carry forward of 2016/17 budget of £133,000.

- ii. A number of signs for the council's parks and countryside locations are required. It is requested that the Executive approves a carry forward of 2016/17 budget of £9,000.
- iii. Resurfacing works at Chestnut Avenue, repair of wall at Borelli Yard and tariff boards to display car park charges. It is requested that the Executive approves a carry forward of 2016/17 budget of £59,000

Customer and Corporate Services

17. The Enterprise Centre is expected to produce rental income of £180,000 (net of all management and maintenance costs) in 2017/18. In January when the budget was being set, an initial £50,000 was included to reflect the early stage of negotiation and due diligence to purchase the centre.

Potential risks

18. Business Rates Retention Scheme. Performance is on track however the income from Business Rates can be subject to significant changes as a result of changes in rateable values, appeals and refunds.
19. The car park income included £75,000 from the introduction of means-tested support to continue free car parking for drivers with a disability. Delays in the implementation of the Blue Badge scheme charging will impact on the overall achievement of the car parking income budget. It is estimated that the impact will be £40,000 in 2017/18.

General Fund Capital

20. The **General Fund Capital** programme for 2017/18 is £7.4m, including rescheduled spend from 2016/17. At this stage the General Fund Capital programme is **on target** to be delivered this year.

Housing Revenue Account (HRA)

21. The **HRA** contains the day to day running costs of managing the Housing Service. These costs include staff costs, repairs, contributions to the capital programmes and financing costs and total £30m in 2017/18. The latest forecast does not identify any material deviations from budget.

HRA Capital

Core Capital

22. The HRA **Core capital** programme budget for 2017/18 is £6.1m, including rescheduling from 2016/17. A number of capital contracts are due to come to completion in 2019, therefore procurement for these contracts are underway. As work continues some changes to budgets in 2017/18 may be required, however officers currently expect to deliver **to budget**, apart from those detailed below. This will be monitored closely throughout the year.

23. Compliance works

In the 2017/18 budget, an allowance of £86,000 was provided for a lift refurbishment. The refurbishment was brought forward and carried out in the last financial year and no others are due. Therefore it is requested that the £86,000 is vired into Health and Safety works to enable additional fire remedial works to be undertaken this financial year.

24. Structural and damp works

A budget allocation of £440,000 is available for internal remodelling this financial year. However, the number and value of works, following surveys, are around £140,000. It is therefore requested that the remaining budget of £300,000 is vired to the kitchens and bathrooms budget. This will enable more one-off kitchens and bathrooms to be provided on both occupied and void properties where required.

25. Roofing and associated works

A budget of £390,000 is available for roof covering works this financial year. Currently a contract is not in place and expectations are that no further roofing works will be complete this financial year. Therefore it is requested that the remaining £260,000 budget is vired into windows and doors where officers can accelerate works and complete additional installations this financial year.

26. Professional fees

A budget of £120,000 is available for professional fees within the HRA capital budgets. Current expectation is that only £60,000 of this will be required this financial year. However, additional fees will be incurred within revenue for contract procurement. It is therefore requested that the £60,000 not required in capital is vired into revenue to enable the successful procurement of the new contracts.

Stock remodelling

27. The revised HRA Stock Remodelling capital programme budget for 2017/18 is £2.8m, including rescheduling from 2016/17.

28. A saving of £50,000 on Cranleigh Day Centre is expected to be achieved as the works are now forecast to cost £50,000 to reinstate the room for community use.

New build

29. The revised HRA New Build capital programme budget for 2017/18 is £11.4m, including rescheduling from 2016/17.

30. The scheme planned for Chilton Close has been put on hold until further notice as there is a high level of developments currently underway in Cranleigh. This

site may well be reconsidered in the future however funds will be released for other programmed sites for now. A saving of £360,965 has been achieved.

31. The Bridge Road development looks to achieve a saving of £150,000 with works completed and the development now in the defects liability period.
32. The Middlefield development also looks to achieve a saving of £150,000 with works complete and final payment due early in the new year.
33. Contracts for the site on land adjacent to 75 Sherrydon are now complete and a saving of £50,000 is forecast on current budget levels.
34. Final payments are due on the Station Road development, which are likely to cause an overspend on the development of £36,600. It is therefore requested that a virement to this value is approved, funded from the savings listed above, to enable the council to release the final payments.

Recommendation

It is recommended that the Executive:

1. notes the latest position against the budget in 2017/18;
2. approves a further supplementary estimate for the cost of two planning inquiries, as detailed in paragraph 6;
3. agrees to award discretionary 20% business rates relief to Catalyst until 2019/20, as detailed in paragraph 12(i);
4. agrees to award discretionary 20% business rates relief to the Maltings venue and Farnham Museum rated sites until 2019/20, as detailed in paragraph 12(ii);
5. approves carry forwards as detailed in paragraph 16; and
6. approves virements as detailed in paragraphs 23 to 26 and 34 of the report.

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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