

WAVERLEY BOROUGH COUNCIL

EXECUTIVE – 10 OCTOBER 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 is 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.
3. Explanations for variations have been provided in the previous budget management reports. Where a new significant variation has appeared, an explanation is provided in this report.

General Fund

4. 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.
5. The significant variations arising since the previous report to note and monitor are given below:

Environmental Services

6. The September Budget Management Report reported an overspend due to the delay in the closing of public conveniences. A separate report on the agenda for this meeting proposes a way forward to resolve the future of public convenience provision in Waverley.

Finance

7. Discretionary business rates relief of £12,280 has been approved at the September Executive meeting and this will impact future Business Rates income to the General Fund by £5,000 per year (£12,280 x 40%).

Potential risks

8. Business Rates collection. 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.
9. 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.
10. Discussions regarding the proposed new financial mechanisms to replace recycling credits from Surrey County Council (SCC) have been in progress since March 2015 and several iterations have been proposed. The proposals are predicated on SCC's need to reduce its costs generally. The first tranche of recycling credit payments reduction to Waverley was £125,000 and this has been accounted for in the budget. A task group has been developing proposals for the new financial mechanisms and the long term proposals are for a mechanism that includes a fixed payment and variable payment. As a result of the revised proposals, there would be further reduction in the level of payment to Waverley in 2017/18 of £146,000. This further reduction is meant to be covered by a transitional payment for those authorities who will still retain their recycled materials beyond January 2018 until the end of their current contract. Discussions on the transitional payments are still ongoing.

Business Rate Pilot

11. From 2018/19 onwards Waverley will not receive any general government grant funding. Members have been informed that the Government has been developing proposals for its reform of the funding for local government from business rates revenues. The new system was due to be implemented in 2019/2020 but has now been delayed by at least two years. The proposals are complex and involve a 'Fair Funding Review' and a review of how business rates income will be distributed nationally.
12. In mid-September the Government invited bids to pilot the new proposals throughout 2018/2019. The eleven district and borough councils in Surrey have been working with Surrey County Council to assess the potential of becoming a pilot. This assessment has concluded that there is a strong case for submitting a bid. There is a high likelihood that a Surrey pilot would generate one-off financial gains for each council and it would also provide an opportunity to both influence the final proposals before they are implemented and to highlight Surrey's particular characteristics and needs. Given the stable and growing business rate base across Surrey and the fact that the pooling of resources for the pilot will give significantly greater scale and resilience, the risks to any individual authority are considered to be relatively low.
13. The Executive is requested to endorse Waverley's participation in the Surrey Pilot bid which will be submitted by the deadline of 27 October 2017.

Information Governance

14. Information and data is one of Waverley's key resources alongside its finances, staff and physical assets. The effective management and governance of information is of equal importance. Since 1998 the principal legislation governing how organisations manage data, particularly personal data, is the Data Protection Act. New regulations come into force on 25 May 2018 'The General Data Protection Regulations (GDPR)' which seeks to strengthen and unify data protection for individuals. The primary objectives of the GDPR are to give citizens much greater control of personal data and to simplify the regulatory environment for organisations.
15. Whilst Waverley has robust arrangements in place to meet the current legislative framework, the GDPR changes are significant and wide reaching. They will require a major effort to ensure compliance with the new requirements by the deadline. Officers have in place an Information Governance Board (IGB) which is overseeing the necessary work. The IGB has assessed the initial resource requirements and, whilst officers will undertake as much of the implementation work as possible, one-off expert resource is necessary to handle the significant technical aspects and ensure full compliance. This approach has been supported by the Audit Committee.
16. Officers are currently exploring options to jointly procure external resource with other councils that are at a similar stage of the process to achieve good value for money from a larger scale procurement. The IGB consider that a one-off budget of up to £50,000 will be necessary to achieve implementation and compliance.

The ongoing resource will be assessed as the details become better understood and any additional resource will be considered as part of the budget setting process for 2018/2019.

Emergency Funding Earmarked Reserve

17. The **Emergency Funding Earmarked Reserve** has an uncommitted balance of **£35,141** after the award of a £10,000 grant to Farnham Maltings in September 2017.

General Fund Capital

18. 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.

19. Works on the Godalming Museum fire escape have been identified and need to be addressed before the Museum transfers to Godalming Town Council later this financial year. It is intended that the costs of these works will be funded as a first call on expected savings in the general fund capital programme in 2017/2018, however, in the event that sufficient savings do not arise, a supplementary estimate of £15,000 is requested.

Housing Revenue Account (HRA)

20. The **HRA** contains the day to day running costs of managing the housing service. These costs include staff, 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 however there some areas of risk to note.

21. Gas and Electricity – Sheltered Units

Expected spend on utilities for Sheltered Units looks to underspend this financial year. This is partially due to improved rates achieved on the renegotiation of the contract but additionally improved forecasting methods being utilised. With the winter months due a forecast figure is difficult to calculate with confidence but is likely to be reported in coming months.

22. Council Tax/Business Rates – Sheltered Units

Expenditure on Council Tax and Business Rates for sheltered units is expected to come in under budget this financial year. Once final bills are settled the savings figure will be reported.

HRA Capital

Core Capital

23. 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 is underway. As

work continues some changes to budgets in 2017/18 may be required however officers currently expect to deliver **to budget**. This will be monitored closely throughout the year.

Stock remodelling

24. The revised **HRA Stock Remodelling capital** programme budget for 2017/18 is **£2.8m**, including rescheduling from 2016/17. As previously reported a **saving of £50,000** will be achieved.

25. Three community room projects have achieved planning permission and will be carried out this financial year. The budget provision however is more than that required by these three projects. Therefore it is requested that £140,000 is carried forward into 2018/19 to enable further community room conversion projects to take place next financial year as lead in times prevent further projects being achieved this financial year.

New build

26. The revised **HRA New Build capital** programme budget for 2017/18 is **£12.1m**, including rescheduling from 2016/17. As previously reported **savings of £0.7m** will be achieved.

Recommendation

It is recommended that the Executive:

1. notes the latest position against the budget in 2017/18;
2. endorses Waverley's participation in the Surrey-wide bid to become a business rate pilot, as detailed in paragraphs 11 to 13;
3. approves a supplementary estimate of up to £50,000 for the external resource required to implement the new information governance regulations, as detailed in paragraphs 14 to 16;
4. approves a supplementary capital estimate of up to £15,000 for the works at Godalming Museum in the event that sufficient savings do not arise in the 2017/2018 capital programme, as detailed in paragraph 19; and
5. approves the carry forward of £140,000 from the 2017/2018 HRA community room projects capital budget to 2018/2019, as detailed 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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