

WAVERLEY BOROUGH COUNCIL

EXECUTIVE – 06 JANUARY 2015

Title:

BUDGET MANAGEMENT REPORT

[Portfolio Holder: Cllr Julia Potts]

[Wards Affected: All]

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.

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.

1. Introduction

1.1 Throughout 2014/15 all budgets are being monitored on a monthly basis with budget performance reported after taking 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 managers will be assisted in identification, evaluation and mitigation of significant risks and will report 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 £608,000, after allowing for all requested approvals. This is a net £140,000 increase in the underspend from the position reported to the Executive on 2 December 2014.

2.2 The figures are reported on an exception basis, with explanations given for changes in forecasts. Variances identified in the last report are detailed in the previous Budget Management Report presented to the Executive on 2 December 2014.

2.3 Current forecast outturn variance against budget:

	Variance on budget		
	Last Report £'000	This Report £'000	Change £'000
Service Variations			
Policy and Governance			
Land Charges – projected additional income	(240)	(240)	0
Legal (see 2.4)	0	(24)	(24)
Planning			
Development Control – projected net additional income (see 2.5)	(70)	(150)	(80)
Community			
Waverley Training Services – projected net increased surplus (see 2.6)	(30)	(15)	15
Careline- additional Income (see 2.7)	0	(69)	(69)
Environment			
Car Parks – net additional income (see 2.8)	(108)	(123)	(15)
Christmas Refuse Collections	10	10	0
Finance			
Rent Allowances (see 2.9)	0	53	53
Corporate budget			
Inflation provision not required (see 2.10)	(30)	(50)	(20)
Overspend/(underspend) against budget	(468)	(608)	(140)

2.4 Legal – additional legal fee income from increased volume of externally requested work (eg Section 106 agreements), supplemented by several large applications of work.

- 2.5 Development Control – additional £100,000 is reported this month on top of previous increases. However, it is requested to vire £20,000 of the increase to cover specialist agricultural consultancy costs associated with two recent planning appeals. The net improvement for this month is therefore £80,000.
- 2.6 Waverley Training Services – the underlying increase in the surplus remains at £30,000. However, the net surplus has been reduced to £15,000 to reflect the review of the service at a cost of £15,000 agreed by the Executive on 2 December 2014.
- 2.7 Careline – Additional Income of £68,700 is reported. Much of this arises from private customers following successful promotion of the service.
- 2.8 Car Parks – Net additional income has improved by a further £15,000 during the past month. This appears to be due to increased use across the Borough, possibly reflecting an improvement in the local economy.
- 2.9 Rent Allowances – final 2014/15 Discretionary Housing Payments (DHP) subsidy income will be £29,000 lower than budgeted due to the Government DWP clawing back £29,000 of subsidy they overpaid the Council in 2013/14. 2014/15 and previous years budgets have, in error, omitted the DHP expenditure budget of £24,000. This £24,000 overspend in 2014/15 is therefore due to a lack of budget rather than exceptional expenditure.
- 2.10 Since the previous report, inflation has now been allocated for all the major contracts. As a result, a further saving of £20,000 is reported as not being required.
- 2.11 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.
- 2.12 The 2014/15 General Fund revenue budget was set to self-balance without the need to draw upon the General Fund balance. Projected movements in 2014/15 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.

Forecast General Fund Balance movement	
	£'000
Balance 1 April 2014	(3,361)
Increased by the forecast outturn variation on budget	(608)
Reduced by Approvals:	
Revenue carry forward from 2013/14	139
Planning Enforcement - executive 3 June 2014	40
Transfer to Revenue Reserve Fund	590
Forecast balance 31 March 2015	(3,200)

2.13 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.

3 **General Fund Capital**

3.1 General Fund Capital programme is on track with no significant variances on major schemes. 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	5,628	5,406	(73)	(77)	See 3.2 below
Customer, Office & IT	770	664	(106)	(36)	See 3.3 below
Environment	396	396	0	0	
Finance	8	2	(6)	0	
Housing	498	440	(58)	0	
Planning	20	20	0	0	
Policy & Governance	101	74	(27)	0	
Special Projects	969	969	0	0	
Urgent schemes budget	45	45	0	0	See 3.4 below
Total programme	8,435	8,016	(270)	(113)	

3.2 Within this line there are two changes:

- The Phillips Memorial Project has been undertaking improvements to the memorial cloisters and park in Godalming over the past four years and has a further two years remaining. Following a review on progress through the project the scheme has evolved therefore a saving of £140k of Waverley funding has now come to light.
- Following the 2 December 2014 Executive approval of the Broadwater Conveniences project this has been funded from overall capital programme savings, therefore reducing the saving contribution made in Community Services.

3.3 Civica Contact Manager is a system currently used by Environmental Services to provide customer contact information as a call is taken to help provide good customer service. It was intended to implement this in additional services across the council to manage customer contacts in a joined up way and help staff provide good customer service however the system is no longer going to be implemented as widely as initially hoped.

3.4 The Executive Director has authorised expenditure of £9,500 to replace the main water supply to the Council Offices following a leak and the requirement for urgent works being identified on 5 December 2014.

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 2 December 2014.

Housing Revenue Account	Current Budget £'000	Last Report £'000	Forecast Variance on budget to year end		
			This Report £'000	Change £'000	
Repairs and Maintenance					
Responsive repairs and voids	2372				
Cyclical Maintenance	1605				
Bellwin shortfall of Storm Damage		39	39	0	
Supervision and Management					
General (4.4)	4,489	40	40	0	Staff & Insurance
Special	545	-	-	-	
Rents rates taxes and other charges					
Waverley Families	95	-	-	-	
'Back-Funded' pension contributions	550	-	-	-	
Interest receivable (4.5)	(135)	20	0	(20)	Additional investment interest offsets contribution to Fraud Initiative
Rent rebate subsidy (4.6)	300	(150)	(150)	0	Mid year calculation
Interest on HRA debt	5,877	-	-	-	
Capital charges					
Housing capital programme (4.7)	5,913	(19)	(840)	(821)	Estimated slippage into next year and transfer to Rolston House

New Affordable Homes Programmes	3,534				
Stock Remodelling (4.9)	3,534	-	310	310	Towards Rolston House
Income					
Gross rents (4.10)	(28,256)	90	110	20	£95k decant loss, £15k additional void loss
Garage rents	(304)	10	10	0	
Other Income	(119)	21	21	0	Solar panel income
(Surplus)/Deficit for the year	0	51	(460)	(511)	

- 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. 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 £40k is comprised of £30k underachievement on the vacancy target and £10k overspend on building insurance (premium increase due to claim value last year)
- 4.5 Interest receivable is estimated to increase by approximately £20k due to the increasing HRA balances due to longer than expected lead in times for Capital expenditure.
- 4.6 Rent rebate subsidy (repayment of housing benefit above Government targets) actual mid year calculation is below previously estimated figure. This may change at year end when final calculations are made.
- 4.7 HRA Capital Programme detailed monitoring report is attached at [Annexe 3](#). There is currently £530k estimated work to be rescheduled and reviewed.
- 4.8 The New Affordable Homes Programme detailed approved budget, latest anticipated costs and expenditure to date are shown at [\(Exempt\) Annexe 4](#).
- 4.9 The latest position for Stock Remodelling is shown at [Annexe 5](#). The final phase of remodelling work at Rolston House is now in progress. Some minor works have been removed from the project to avoid budget overrun and these will be addressed in a subsequent year when separate budget approval has been sought. A virement of £310k requested to transfer previously agreed funds from general housing capital funds for Rolston.
- 4.10 Rental Income is reduced due to the number of decant (£95k) and additional void loss on long term void properties (£15k). Decants are when a tenant is moved into another property to allow major repairs to take place on their assigned property. They continue to pay their normal rent but the temporary

property is free of charge. This year the number of decant properties in use has been around 17 each month (several for the displaced Wey Court tenants). The additional void loss is over and above the rent loss allowance reflected in the anticipated income and reflects the increasing number of voids requiring substantial structural work. This loss of income is currently under investigation and detailed analysis of the situation will be reported to the Executive on 3 February as part of the next Budget Management report.

- 4.11 Due to complexities arising from the procurement process, the Sheltered Housing Lighting scheme allocation of £500,000 within the HRA Capital Programme will slip from 2014/15 to early in 2015/16 and a recommendation to action this is included.

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 gives approval to

1. the virement request from additional Planning income to cover additional agricultural consultant's costs of £20,000 within Development Control appeals; and
2. slippage of £500,000 for Sheltered Housing Lighting within the HRA Capital Programme from 2014/15 to 2015/16.

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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