

WAVERLEY BOROUGH COUNCIL

EXECUTIVE – 28 NOVEMBER 2017

Title:

BUDGET MANAGEMENT REPORT AND MID YEAR REVIEW

[Portfolio Holder: Cllr Ged Hall]

[Wards Affected: All]

Summary and purpose:

This report provides a mid-year 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:

Customer and Corporate Services

6. In addition to the previously reported one-off additional property income of £43,000, a further amount of £74,000 has been achieved from rent of council property for site offices. This is largely due to an extension in terms of the current arrangement. It is proposed to earmark £50,000 of this additional one-off income to the property income provision created by the Executive earlier in 2017 to recognise the additional void/impairment risk associated with expanding the council's property portfolio.

Environmental services

7. As previously reported the public conveniences budget included a £50,000 cost reduction for 2017/18 from the closure of the toilets in Crown Court, Godalming and High Street, Haslemere. It is estimated that the actual position in the year will fall short of target by £26,000.
8. A court ruling recently concluded that VAT is due on car park overpayments. A budget provision had been made for the full income from car park overpayments. Waverley must now account for VAT on this element of car park income, the impact is likely to be £40,000 in 2017/18. As the VAT element is no longer due to Waverley car park income will be reduced and will therefore be a first call on additional parking income achieved.
9. In previous years free parking from 3pm on Thursdays in December in the lead up to to Christmas has been provided to encourage residents into town centres to support local businesses. Following discussions with the Chambers of Commerce it has been agreed to rethink how Waverley can support businesses and it is proposed that free parking is not provided this year and the council supports other initiatives to encourage residents into town centres. It is expected that cancelling the free parking will generate £10,000 additional car park income. It is therefore requested that the car park income budget is increased by £10,000 and a new budget of £10,000 is approved to support local events. Delegation of authority to approve the allocation of the £10,000 funding is requested.

Finance

10. The level of Council Tax summons costs reimbursed is expected to be underachieved by £22,000. This is due to the careful management of the debt recovery process by revenue officers and less Council Tax Tax payees reaching the summons stage of the process.

11. The cost to the council of credit and debit card payments is increasing due to higher card processing fees and higher volumes of payments by these methods. This is expected to cause an overspend of £23,000.
12. The interest on investments has been positive to date. It is expected that the income budget will be exceeded by at least £20,000 in the year.

Planning

13. The delayed announcement from the Government confirming Waverley's ability to increase its planning fees by at least 20% is expected in December. The condition set by Government is that the additional revenue is spent on the planning service. An improvement plan has been developed following an external review and this report is also on this Executive Agenda. A delegation is sought to agree that the spending of additional planning income arising from the fee increase is spent supporting the improvement plan.

Policy and Governance

14. This year the Government introduced the Apprenticeship Levy, this is charged at 0.5% on the pay bill of employers with a pay bill over £3 million. The cost of the levy was budgeted at full establishment. Due to a projected underspend on staff costs overall a saving of £20,000 will be achieved this financial year.

Potential risks

15. The council's approach in preventing homelessness (and keeping occupancy in more expensive temporary accommodation to a minimum) is to help homelessness households secure affordable private rented accommodation. However, with the freezing of the local housing allowance rate, the Housing Options team have increasingly had to pay larger rent in advance payments to private landlords to encourage them to still let their properties to those reliant on housing benefit. The low local housing allowance amount, coupled with the additional statutory duties from April 2018 under the Homelessness Reduction Act 2017, is likely to result in increased costs to the council in preventing homelessness. One option to reduce the burden on the General Fund is to set aside a proportion of the Discretionary Housing Payment budget from the Government for use to pay rent deposits or rent in advance for eligible homeless applicants. This has the benefit of not only reducing the council's costs but also means homeless households do not owe Waverley money that results in difficulties in them securing social housing in the future and creates additional costs in debt collection.
16. Recruitment of building control surveyors has proved difficult and has impacted on achieving the budgeted income. The team should be fully staffed by December 2017 and it is expected that income levels, outlined in the business plan approved by councillors in July 2017, will be achieved in future.
17. The Consumer Prices Index (CPI) measure of inflation rose to 3.0 in September 2017. The CPI increase since setting the budget will add pressure to maintain cost within the 2017/18 budget.

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 spent within budget this year.

Customer and Corporate Services

19. The replacement of the property database system will generate a saving of £20,000. This is due to an upgrade of the current system being the favoured way forward. It is therefore requested that the £20,000 saving is vired to the Channel Shift Customer Services Project to enable a successful project to be carried out.
20. The spend on desktop and server upgrades has been lower than expected this financial year as this budget is demand led. A saving of £12,000 is anticipated. It is requested that the £12,000 saving is vired to the planning scanning project to ensure completion of the works underway.

Community Services

21. Cases of oak processionary moths have been found across the borough and will require treatment. However, due to the lifecycle of moths, works cannot be carried out until the nesting season in Spring. A saving of £25,000 on the Control and Management of Oak Processionary Moth and Ash Dieback project is anticipated.
22. The anticipated repairs works at Aarons Hill Skate Park are not as extensive as expected when budgets were set. A saving of £15,000 looks likely to be achieved on the Aarons Hill Skate park project.
23. A review of security measures in Waverley's parks and recreation grounds is underway in the light of recent incursions. It is likely that some works will be deliverable in the 2017/18 year and it is proposed to vire the two capital savings identified in paragraphs 21 and 22 above to set up a new budget of £40,000 for these works.
24. The council has agreed £50,000 of the S106 money from a large housing development in Dunsfold will contribute to the Dunsfold Parish Council play area improvement scheme. Given the time lag in receiving the money and the parish council's desire to complete the project before spring/summer 2018, it is requested that Executive approves a short term bridging loan to the value of £50,000 to Dunsfold Parish Council subject to an appropriate signed legal agreement.

Housing Revenue Account (HRA)

25. 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 are some areas to note, as detailed below.

26. The asbestos budget in revenue allows for surveys on properties in advance of major works being undertaken. A reduced spend is expected due to a reduced kitchen and bathroom programme this financial year. Therefore an underspend of £200,000 is expected.
27. The Government has not made progress on introducing the high value asset levy resulting in an underspend of £1million of the contingency included in the budget. On the basis that it is unlikely that this will impact this financial year, it is requested that the £1million be transferred to reserves for the uncertain impact of the introduction of Universal Credit.

HRA Capital

Core Capital

28. 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 are required as detailed below. This will continue to be monitored closely throughout the year.

29. Kitchens and bathrooms

Work on kitchens and bathrooms is demand led, currently the focus is on void properties. However, due to a lack of uptake a saving of £200,000 is expected to be achieved.

30. Windows and doors

Window and door works have been brought forward from 2018/19 and additional teams are being used by the contractor to carry out the accelerated works. Although the spend windows and doors is expected to reach £770,000 this is not to the level previously expected and a saving of £260,000 will be achieved.

Tenders have now been received for the works at Hillcroft and an additional budget is needed to enable the works to continue. A virement of £10,000, from savings on the core capital programme, is requested so the works can be carried out this financial year.

31. Roofing and associated works

A saving of £290,000 is forecast to be achieved this financial year on roofing projects. Procurement of contracts is underway, however due to lead in times the full budget will not be spent this financial year.

32. Aids and adaptations

This financial year this work stream has been under a lot of demand pressure. To date the full £200,000 budget has been committed and demand remains high. It is requested that a further budget of £100,000 budget is approved, to be vired from savings on the core capital programme.

33. Structural and damp works

An internal remodelling pilot scheme is underway which will spend £40,000 of the £140,000 budget. The remaining will not be spent this financial year and therefore it is requested that £100,000 is carried forward to continue works in 2018/19.

A saving of £20,000 is forecast on the energy initiatives project. Low levels of spend have been incurred as spend is reliant on demand. It is anticipated that demand will increase over the winter period but it is unlikely that the full budget will be used.

A further saving of £220,000 is forecast on the external wall finish and chimney rebuild project. There are a number of pointing jobs to be undertaken, however the full budget will not be spent as contracts for further works need to be let.

The garage repairs programme is underway, and tendering completed. To enable additional income generation it is requested a further budget of £20,000 is provided. This will increase the number of garage in an improved condition making them more lettable and additional rent generated. A virement of £20,000 from other core capital savings is requested.

34. Health and Safety works

Savings of £140,000 will be achieved; this is partially due to reduced demand for asbestos removal works which is a consequence of the reduced amount of kitchen and bathroom works this financial year.

35. Tree works

A higher than average amount of tree safety work has been identified throughout this year. In addition to this extra identified work it should be noted that tree work in gardens and back gardens in particular (often without any access other than through the properties) is extremely time consuming and complex and therefore much more expensive compared with tree work in areas with easier access in woodlands and parks.

As a consequence, the budget allocation for tree work on Housing sites (both HRA and capital) has been nearly fully spent it is estimated that together with work presently outstanding and further inspections due between now and March 2018, a minimum of £30,000 will be required to deal with essential and urgent safety work over this period. Therefore a virement from £30,000 from Core Capital savings is required.

36. Compliance works

Savings of £380,000 will be achieved on heating upgrades this financial year. This is a demand led budget where spend to date has been lower than expected. A provision for the winter months has been made however it is not expected that the full budget will be spent this year.

The electrical upgrade project has been taking place and spend of £180,000 incurred midway through the year. However the full budget will not be spent this financial year with savings of £220,000 expected.

Further savings will be achieved on the communal gas heating replacement budget. £370,000 is expected to be spent this financial year on one site, however a further site will not be delivered this year as it puts tenants at risk of no heating being provided in the winter months. Therefore a saving of £330,000 will be achieved.

Stock remodelling

37. The revised **HRA Stock Remodelling capital** programme budget for 2017/18 is **£2.7m**, including rescheduling from 2016/17. As previously reported a **saving of £50,000** will be achieved.

38. The project to convert former staff accommodation to lettable units is complete and final accounts have now been settled. A small saving of £14,500 has been achieved.

New build

39. 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.

40. Ockford Ridge Site A construction works are due to begin in 2018, site preparation works such as demolition due to be carried out before the end of this financial year which will not utilise the full approved budget before year end, therefore it is requested that £240,000 is rescheduled into 2018/19.

Recommendation

It is recommended that the Executive:

1. notes the latest position against the budget in 2017/18;
2. approves to earmark £50,000 of the one-off property income to the property income provision, as detailed in paragraph 6;
3. approves a budget of £10,000 for economic initiatives to help support local businesses, as detailed in paragraph 9 and authority be delegated to the Strategic Director for Front Line Services and the Portfolio Holder responsible for business support to agree how to allocate;

4. approves the spending of the additional planning income by an increase of 20% on planning fees in 2017/18 on delivering the improvement plan, as detailed in paragraph 13;
5. approves a virement of £20,000 from replacement of the property database system to some of the cost of the call management system, as detailed in paragraph 19;
6. approves a virement of £12,000 from desktop and server upgrades to the scanning of the planning files, as detailed in paragraph 20;
7. approves a virement for £40,000 from the Control and Management of Oak Processionary Moth and Ash Dieback and the repair works at Aarons Hill Skate Park to security measures in parks and recreation grounds, as detailed in paragraph 21;
8. approves a short term bridging loan to the value of £50,000 to Dunsfold Parish Council to enable the early completion of the play facilities project included in Waverley's Capital Programme, subject to a signed legal agreement, as detailed in paragraph 24;
9. approves a virement of £1 million from the contingency on the high value asset levy to a earmarked reserve for potential cost with the introduction of Universal Credit, as detailed in paragraph 27;
10. approves a virement of £10,000 for windows at Hillcroft, Haslemere from HRA core capital programme savings, as detailed in paragraph 30;
11. recommends to Council to approve a virement of £100,000 into Aids and Adaptations from HRA core capital programme savings, as detailed in paragraph 32;
12. recommends to Council to approve the rescheduling of £100,000 for Internal Remodelling works into 2018/19, as detailed in paragraph 33;
13. approves a virement of £20,000 into the garage repairs project from HRA core capital programme savings, as detailed in paragraph 33;
14. approves a virement of £30,000 from the Core Capital savings to Tree works, as detailed in paragraph 35; and
15. recommends to Council to approve the rescheduling of £240,000 for Ockford Ridge Site A into 2018/19, as detailed in paragraph 40.

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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