

**WAVERLEY BOROUGH COUNCIL**

**EXECUTIVE – 6 FEBRUARY 2018**

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**Title:**

**BUDGET MANAGEMENT REPORT**

**[Portfolio Holder: Cllr Ged Hall]**

**[Wards Affected: All]**

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**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.

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**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, projecting the potential year-end position after the impact of management actions.

**Legal Implications:**

There are no direct legal implications relating to this report.

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**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 forecast does not identify any material deviations from budget however there are some areas to note, as detailed below.
5. The significant variations arising since the previous report to note and monitor are given below:

## **Finance**

6. The interest on investments has continued to be positive to date. It is expected that the income budget will be exceeded by a further £20,000 in the year. This is partially due to the increase in base rate but also careful investment by officers through the year.
7. External audit costs are due to underspend by £20,000 against budget. Waverley have benefitted from a credit of £8,000 from the audit commission due to any surplus being returned to local authorities following the closure of the service. Additionally, the external audit budget was set prudently to cover estimated costs, however costs have come in lower due to the Public Sector Audit Appointments (PSAA) capping the fees payable.

## **Elections**

8. A risk of an unavoidable additional cost on updating the register of electors may be incurred this financial year. Waverley has experienced reduced funding from central government to deliver this statutory service, increases in postage costs, an increase in electorate and a large increase in registrations due to the June 2017 general election. Officers have submitted a justification led bid for additional funding from the Cabinet Office, however the outcome of this is not yet known and is unlikely to cover the full additional cost incurred due to restrictions on funding use.

## **Planning**

9. Within the Building Control service income levels to date have been lower than budgeted. The business plan has now been implemented by officers and income performance has started to improve, however it is expected that budget will not be achieved this financial year. Current estimates suggest income will be down on budget by £40,000.
10. Development Management income continued to be lower than expected this year and the current projected forecast is for an additional £20,000 underachievement of income. Therefore the total underachievement of income for the year is forecast to be £70,000. The 2018/19 Budget has been adjusted to reflect the lower expectation.
11. Statutory planning fee increases of 20% had been implemented from January 2018 and the additional income is only to fund improvement of the service.

## **Community**

12. Borough Hall income has not increased as hoped throughout the year. Current estimates suggest income may be underachieved by £10,000. Further work will be done by officers to try and increase the income achieved.
13. Income from recreation grounds is unlikely to be achieved this financial year by £25,000. This is made up of a number of items; underachievement of income from Surrey County Council, underachievement of rental income and reduced income from recreation ground charges.
14. Waverley Training Services have secured additional funding from The Education and Skills Funding Agency (ESFA) for the current academic year. The additional funding provides the opportunity for more increased delivery and therefore increased income.
15. Previously reported was the complexity of transferring the Edge Leisure Centre to Woolmer Hill School and that the £40,000 saving was unlikely to be achieved. However, there has since been further negotiations with the current management operator and new rates have been agreed and the updated position is that budget will be achieved.

## **Environment**

16. The recycling credit from Surrey County Council (SCC) is based on tonnage delivered and a rate which they determine. The tonnage delivered so far is below original estimates and SCC have reduced the rate payable on green waste tonnage by 20%. Therefore recycling credit is likely to be underachieved this financial year by up to £100,000.
17. Car park income overall is performing well, however current estimates suggest rental income is due to be £30,000 underachieved. This is due to expected rental incomes not being realised in year and contracted spaces not being taken up as in previous years.

## **Policy & Governance**

18. Land charges income is performing well to date and is looking to overachieve the budgeted income at year end.

## **Business Rate Pilot**

19. In the previous budget management report, the Executive agreed for Waverley to be party to a joint bid for Surrey to become a business rates pilot, to bring financial benefits to the County and enable Surrey to influence the Government's new national policy formation on how business rates are used to fund local government. Late in December the Local Government Minister announced that the Surrey bid had been successful. Delegated authority is now sought for the Chief Finance Officer, in consultation with the Leader and the Portfolio Holder for Finance, to agree the Government's required Memorandum of Understanding in order for the pilot to progress. It is expected that the terms

will be considered during February and agreed in March ahead of an April 1 2018 start date. All 12 Surrey Councils will need to agree to the terms.

### **General Fund Capital**

20. The **General Fund Capital** programme for 2017/18 is £7.8m, 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 & Corporate**

21. The project to provide a generator for business continuity purposes in Farnham is progressing. A budget of £30,000 is available however it is now expected that only £10,000 will be required as the current Pump House generator will be reused. This creates a forecast saving of £20,000. Additionally, there is a risk that delays on the Memorial Hall project will delay these works taking place until the new financial year.

### **Communities**

22. A Higher Level Stewardship (HLS) project to install fencing on the Lammas lands was scheduled to take place this financial year to enable grazing on the land. Due to the long time period to gain commons consent, this work will no longer take place this year as ground conditions will not allow for work to be carried out until the summer months. It is therefore requested that £16,000 be rescheduled into 2018/19.

23. A provision for new Careline equipment was made as part of the 2017/18 budget of £40,000. Currently it is not expected that the full budget will be required, therefore a saving of £20,000 is estimated.

24. A project at the Farnham Museum to repair the brick façade has been provided for this financial year, tenders have been sought however are more than the budget provided. It is requested that the remaining budget of £83,000 is rescheduled into 2018/19 to be added to the 2018/19 project to give sufficient budget to enable this work to be undertaken in the new financial year.

### **Environment**

25. A saving of £21,150 is due to be achieved on handheld devices for car parking. Initial plans were to provide the handheld devices, however as the current car parking contract is due to end in April 2018 it is unwise to purchase the devices should contractor requirements change. In addition it is intended to put the onus of providing the devices on to the contractor through the tendering process.

### **Housing Revenue Account (HRA)**

26. 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.

27. Dwelling rental income is expected to be underachieved by £125,000 mostly due to a delay in additional properties becoming available and a decrease in properties resulting from more tenants exercising their Right to Buy.
28. The cost of council tax is expected to be an underspend of £88,000. This mostly due to a decrease in the number of void properties over the past few years on the general HRA dwelling stock and sheltered units.
29. As mentioned previously, interest on investments has continued to be positive to date. It is expected that the income budget will be exceeded by a further £25,000 in the year. This is partially due to the increase in base rate but also careful investment by officers throughout the year.

## **HRA Capital**

### **Core Capital**

30. 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 reported previously there will be savings achieved against this budget. The position will continue to be monitored closely throughout the year.
31. Kitchens and bathrooms  
  
Work on kitchens and bathrooms are demand led; currently the focus is on void properties. Due to lack of update an expected saving of £200,000 has previously been reported. However, a saving of £260,000 is now expected to be achieved.
32. Aids and Adaptions  
  
This financial year this work stream has been under a lot of demand pressure and therefore previously a further budget of £100,000 has been approved. A large project has now been cancelled and a saving of £50,000 is expected to be achieved.
33. Health and Safety works  
  
This year's fire risk assessments of the communal areas have only identified minimal and low risk works. Therefore, the full budget is not required and £100,000 savings will be achieved.
34. Compliance works  
  
Previously reported was an expected saving of £220,000 on the electrical upgrade project. However, it is now expected that the full budget will be utilised this financial year.

## Stock remodelling

35. 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 £65,000** will be achieved.
36. The external refurbishment works on the **Ockford Ridge Phase 2** will not require the full budget for this financial year and a saving of £270,000 will be achieved. Also the £800,000 carried forward from 2016/17 will not be required. It is therefore requested that the **£270,000** saving from this year's budget be **rescheduled** into 2018/19 for the refurbishment of Ockford Ridge Phase 3.
37. The refurbishment on the Ockford Ridge Pilot scheme has now been completed and a saving of **£130,000** has been achieved.
38. The Ockford Ridge Phase 1 refurbishment scheme has been to tender and a saving of £100,000 is expected.
39. Surveys for the **community room** projects have commenced this year but the works will only be in 2018/19. It is requested that **£420,000** is **rescheduled** into 2018/19.
40. Works on the **Former Police Houses** development are now completed and a **saving of £8,000** has been achieved.

## New build

41. 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.
42. **Utility** surveys for **Ockford Ridge** have been commissioned and the works following the outcome from the surveys are not to commence in 2017/18. It is therefore requested that **£200,000** is **rescheduled** into 2018/19 as a utility contingency.
43. The demolition works on **Ockford Ridge Site A** is not expected to start before the end of 2017/18. It is therefore requested that **£100,000** is **rescheduled** into 2018/19.
44. Decanting of homes on **Ockford Ridge Site C** has started and will continue into future years. It is therefore requested that **£50,000** is **rescheduled** into 2018/19.

## Recommendation

It is recommended that the Executive:

1. notes the latest position against the budget in 2017/18;
2. agrees that delegated authority be given to the Chief Finance Officer in consultation with the Leader and the Portfolio Holder for Finance to agree the

Government's required Memorandum of Understanding in order for the business rate pilot to progress, as detailed in paragraph 19;

3. approves the rescheduling of £16,000 for the Lammas lands HLS project into 2018/19, as detailed in paragraph 22;
4. approves the rescheduling of £83,000 for Farnham Museum into 2018/19 as detailed in paragraph 24;
5. approves the rescheduling of £270,000 for external refurbishment works on the Ockford Ridge Phase 2 into 2018/19 for the refurbishment on Ockford Ridge Phase 3, as detailed in paragraph 36;
6. approves the rescheduling of £420,000 for works on the community rooms into 2018/19, as detailed in paragraph 37;
7. approves the rescheduling of £200,000 for utility works on Ockford Ridge into 2018/19, as detailed in paragraph 42;
8. approves the rescheduling of £100,000 for the demolition works on Ockford Ridge Site A into 2018/19, as detailed in paragraph 43; and
9. approves the rescheduling of £50,000 for Ockford Ridge Site C to 2018/19, as detailed in paragraph 44.

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### 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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### CONTACT OFFICERS:

<b>Name:</b>	Peter Vickers	<b>Telephone:</b>	01483 523539
		<b>E-mail:</b>	peter.vickers@waverley.gov.uk
<b>Name:</b>	Walter Stockdale	<b>Telephone:</b>	01483 523106
		<b>E-mail:</b>	walter.stockdale@waverley.gov.uk