

**WAVERLEY BOROUGH COUNCIL**

**EXECUTIVE – 3 MARCH 2015**

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**Title:**

**BUDGET MANAGEMENT REPORT**

**[Portfolio Holder: Cllr Julia Potts]**

**[Wards Affected: All]**

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**Note pursuant to Section 100B(5) of the Local Government Act 1972**

An annexe to this report contains exempt information by virtue of which the public is likely to be excluded during the item to which the report relates, as specified in Paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972, namely:-

Information relating to the financial or business affairs of any particular person (including the authority holding that information).

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**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.

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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.

**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.

**Legal Implications:**

There are no direct legal implications relating to this report.

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**1. Introduction**

- 1.1 Throughout 2014/15 all budgets are being monitored on a monthly basis with budget performance reported monthly.

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 £564,000, after allowing for all requested approvals. This is a £41,000 net reduction in the underspend from the position reported to the Executive on 3 February 2015. The reasons are detailed in the following paragraphs.

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 in February.

2.3 Current forecast outturn variance against budget:

|  | Variance on budget   |                      |                 |
|--|----------------------|----------------------|-----------------|
|  | Last Report<br>£'000 | This Report<br>£'000 | Change<br>£'000 |
| <b>Service Variations</b>  |                      |                      |                 |
| <b>Policy and Governance</b>                                       |                      |                      |                 |
| Land Charges – projected additional income                         | (220)                | (220)                | 0               |
| Legal  | (24)                 | (24)                 | 0               |
| <b>Planning</b>  |                      |                      |                 |
| Development Control – projected net additional income (see 2.4)    | (150)                | (100)                | 50              |
| <b>Community</b>   |                      |                      |                 |
| Waverley Training Services – net increased surplus                 | (15)                 | (15)                 | 0               |
| Careline- additional Income  | (69)                 | (69)                 | 0               |
| Tree safety (see 2.5)  | 0                    | 15                   | 15              |
| <b>Environment</b>   |                      |                      |                 |
| Car Parks – net additional income (see 2.6)                        | (123)                | (223)                | (100)           |
| Christmas Refuse Collections                                       | 10                   | 10                   | 0               |
| Additional Property numbers on Refuse/Recycling Contract (see 2.7) | 0                    | 38                   | 38              |
| <b>Finance</b>   |                      |                      |                 |
| Rent Allowances  | 53                   | 53                   | 0               |
| Audit Commission Rebates   | (17)                 | (17)                 | 0               |
| <b>Housing</b>   |                      |                      |                 |
| Homelessness (see 2.8)   | 0                    | 20                   | 20              |
| <b>Corporate budget</b>  |                      |                      |                 |
| Inflation provision not required                                   | (50)                 | (50)                 | 0               |
| <b>Security Measures – (see 2.10)</b>                              | <b>0</b>             | <b>18</b>            | <b>18</b>       |
| <b>Overspend/(underspend) against budget</b>                       | <b>(605)</b>         | <b>(564)</b>         | <b>41</b>       |

- 2.4 Planning Service - Planning income remains on course to be considerably higher than budgeted. However, a virement of £50,000 from this additional income is requested to cover the employment of staff to assist with the volume of applications.
- 2.5 Tree safety - The Tree Risk Management budgets are already fully spent, including amounts brought forward from 2013/14. However, additional safety work has been identified and the most appropriate time to deal with these works is before the bird nesting season commences at the end of March. Therefore, to address the safety issues identified it is felt necessary to increase this year's budget. There is an estimated cost of £25,000 to carry out this work; £10,000 of this has been identified within other Parks and Countryside Budgets, leaving a shortfall of £15,000. This additional budget requirement could be met from the overall revenue savings already reported
- 2.6 Car Parks – the Christmas period for car parks was exceptionally good, generating substantial additional income. Together with rental income from the use of the Wharf Site, additional income of some £223,000 is forecast, being £100,000 above that reported previously. Income from car parks can be affected by the weather. No adverse weather has been experienced so far this winter which has contributed to boyant car park income. This surplus could be affected if there is a spell of bad weather towards the end of the winter.
- 2.7 Refuse Contract – increased payments are made under the terms of the contract for Refuse and Recycling collection to take account of the additional properties to be serviced within the Borough during the past year. The increase for the current year has been determined at £38,000. 229 properties have been completed during the past year.
- 2.8 Homelessness – Although Waverley's homelessness figures are amongst the best in the Country, the budget in this area is still under pressure. This year, the rent deposit scheme has already dealt with a similar number of applications as in the whole of 2013/14. The current budget allocation has been used. Further costs for the remainder of the year, estimated at £20,000 could result in an overspend. Steps are being taken to minimise the demand on deposits for the remainder of this year. The contribution from the Single Homeless Fund could also meet some of these costs.
- 2.9 Staff Vacancy Savings - 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 overall the General Fund element of the target should be achieved after allowing for all virements.
- 2.10 National Security Alert – As a response to the current national security alert, the Executive Director has authorised urgent additional expenditure of £18,300 on taking measures to increase security at the Central Offices.
- 2.10 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.

| <b>Forecast General Fund Balance movement</b>         |                    |                    |               |
|---|--------------------|--------------------|---------------|
|   | <b>Last report</b> | <b>This report</b> | <b>Change</b> |
|   | <b>£'000</b>       | <b>£'000</b>       | <b>£'000</b>  |
| <b>Balance 1 April 2014</b>                           | <b>(3,361)</b>     | <b>(3,361)</b>     | <b>0</b>      |
| Increased by the forecast outturn variation on budget | (605)              | (557)              | 48            |
| <b><u>Reduced by Approvals:</u></b>                   |                    |                    |               |
| Revenue carry forward from 2013/14                    | 139                | 139                | 0             |
| Planning Enforcement - Executive 3 June 2014          | 40                 | 40                 | 0             |
| Transfer to Revenue Reserve Fund                      | 587                | 539                | (48)          |
| <b>Forecast balance 31 March 2015</b>                 | <b>(3,200)</b>     | <b>(3,200)</b>     | <b>0</b>      |

2.11 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.
- Council Tax is collected on behalf of Waverley, Surrey County Council, Surrey Police Authority and the Government. Business Rates is also collected on behalf of Waverley, Surrey County Council and the Government. Recovery of these revenues is usually around 99% with any losses in collection being shared between the preceptors. Monthly cash collection performance indicators show no overall concerns at this stage. The outturn position of Business Rates however, because of the effect of the General Fund levy, may appear as an income deficit in 2014/15 to be dealt with via the Equalisation Reserve.

### **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 [Annexe 1](#).

| General Fund Capital and Revenue Projects |                |                  |                     |                         |               |
|---|----------------|------------------|---------------------|-------------------------|---------------|
|   | Current Budget | Forecast Outturn | (Saving)/ Overspend | Change from Last report | Comment       |
| Service                                   | £'000          | £'000            | £'000               | £'000                   |               |
| Community                                 | 5,684          | 5,473            | (126)               | 7                       | See 3.2 below |
| Customer, Office & IT                     | 784            | 644              | (124)               | (20)                    | See 3.3 below |
| Environment                               | 397            | 361              | (31)                | (31)                    | See 3.4 below |
| Finance                                   | 8              | 2                | (6)                 | 0                       |               |
| Housing                                   | 498            | 410              | (88)                | (30)                    | See 3.5 below |
| Planning                                  | 20             | 20               | 0                   | 0                       |               |
| Policy & Governance                       | 101            | 74               | (27)                | 0                       |               |
| Special Projects                          | 969            | 969              | 0                   | 0                       |               |
| Urgent schemes budget                     | 6              | 6                | 0                   | 0                       |               |
| <b>Sub-Total programme</b>                | <b>8,460</b>   | <b>7,953</b>     | <b>(402)</b>        | <b>(75)</b>             |               |
| Reallocated Savings                       |                |                  | 63                  | 0                       |               |
| <b>Total programme</b>                    | <b>8,460</b>   | <b>7,953</b>     | <b>(339)</b>        | <b>(75)</b>             |               |

- 3.2 PSN compliance has now been achieved on our IT systems. This was achieved at a lower than expected cost, which has generated a £20,000 saving on budget.
- 3.3 Contaminated land works at two sites have come in at a lower cost than budgeted, therefore a £20,000 saving on contaminated land has been achieved. Similarly a £10,000 saving on air quality has been achieved due to a detailed assessment no longer being required.
- 3.4 A disabled facility grant of £10,000 has been repaid due to a resident leaving their home within the timeframe specified in the grants conditions. Moreover, due to the timelag in approved works being carried out by applicants a further £20,000 saving on DFG grants has been achieved in 2014/15 as work and therefore payments are unlikely to be carried out until the next financial year and can be accommodated within that budget.
- 3.5 Over the Christmas period a number of problems occurred at the Gostrey Day Centre including with the oven. Unfortunately after a number of repairs, the purchase of a new oven together with associated works was unavoidable. This has led to a £15,000 overspend on the Day Centres capital budget. A project justification form is shown a Annexe 2. Retrospective approval of this essential expenditure is sought, to be met from the overall underspend of some £300,000.
- 3.6 Additional staffing hours are required to deliver the Address Resolution Project, with full details provided at Annexe 3. CMT has agreed this in principle and approval is required to meet the cost of £5,000 from the reported underspend of £20,000 on the contaminated Land project, as reported at 3.3 above.

3.7 The Signage project commenced during 2014. The scheme has progressed well up to the amount of the original budget. Approval of an extra £20,000 is now requested to enable further works to be completed before the end of March. This can be met from the overall capital underspend. A justification statement is provided at Annexe 8.

#### 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 presented to the Executive on 6 January 2015.

| Housing Revenue Account                    | Current Budget<br>£'000 | Last Report<br>£'000 | Forecast Variance on budget to year end |                 |   |
|--|-------------------------|----------------------|---|-----------------|---|
|  |                         |                      | This Report<br>£'000                    | Change<br>£'000 |   |
| <b>Repairs and Maintenance</b>             |                         |                      |   |                 |   |
| Responsive repairs and voids               | 2688                    |                      |   |                 |   |
| Cyclical Maintenance                       | 1505                    |                      | (100)                                   | (100)           | Potential underspend                            |
| Bellwin shortfall of Storm Damage          |                         | 39                   | 39                                      | 0               |   |
| <b>Supervision and Management</b>          |                         |                      |   |                 |   |
| General (4.4)                              | 4,489                   | 20                   | 20                                      | 0               | Staff & Insurance                               |
| Special                                    | 545                     |                      |   |                 |   |
| <b>Rents rates taxes and other charges</b> |                         |                      |   |                 |   |
| Waverley Families                          | 95                      |                      |   |                 |   |
| 'Back-Funded' pension contributions        | 550                     |                      |   |                 |   |
| Interest receivable                        | (135)                   |                      |   |                 |   |
| Rent rebate subsidy (4.5)                  | 300                     | (150)                | (150)                                   | 0               | Mid-year calculation                            |
| Interest on HRA debt                       | 5,877                   |                      |   |                 |   |
| <b>Capital charges</b>                     |                         |                      |   |                 |   |
| Housing capital programme (4.6)            | 4837                    | (695)                | (340)                                   | 355             | Estimated slippage into next year and virements |
| New Affordable Homes Programmes            | 3,534                   |                      |   |                 |   |
| Stock Remodelling (4.8)                    | 3,844                   |                      |   |                 |   |
| <b>Income</b>                              |                         |                      |   |                 |   |
| Gross rents (4.9,4.10)                     | (28,256)                | 125                  | 125                                     | 0               | See 4.9   |
| Garage rents                               | (304)                   | 10                   | 10                                      | 0               |   |
| Other Income                               | (119)                   | 21                   | 21                                      | 0               | Solar panel income                              |
| <b>(Surplus)/Deficit for the year</b>      | <b>(550)</b>            | <b>(630)</b>         | <b>(375)</b>                            | <b>255</b>      |   |

- 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.

Following staff changes in the compliance team a small underspend is predicted in cyclical maintenance, this is due to new procedures and contracts being implemented. A minimal acceptable level of compliance is being maintained during this process, but there is a possibility it may affect expenditure next year due to the potential time scales involved. Detail of the expenditure to date is given in Annexe 4.

- 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 £20,000 is comprised of £10,000 underachievement on the vacancy target and £10,000 overspend on building insurance resulting from the premium increase due to claim value last year.
- 4.5 The 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.
- 4.6 The HRA Capital Programme detailed monitoring report is attached at Annexe 5. The current budget reflects the approved slippage of Sheltered Lighting into 2015-16. Decent Homes work overall is on track to be completed within budget, although there will be increased emphasis on Decent Homes Void works within this budget.
- 4.7 The New Affordable Homes Programme detailed approved budget, latest anticipated costs and expenditure to date are shown at (Exempt) Annexe 6. For a variety of reasons some schemes have already been rescheduled to, and included in, the 2015/16 Capital Programme as indicated by italics in the annexe. Approval is now sought to reschedule a further £4,965,850
- 4.8 The latest position for Stock Remodelling is shown at Annexe 7. All units at Rolston House are now complete and site ownership has been contractually relinquished. A retention has been retained for payment in 2015-16.
- 4.9 The projected rental income is £125,000 lower than the annual budget. The loss of income is due in particular to the unusually high number of decant properties due to a number of tenants at Wey Court and Clappers Meadow being displaced by flooding last winter. The major works to the properties have been completed and all the tenants have now been permanently rehoused.

- 4.10 Authorisation is required to carry out capital works to void properties where amounts exceed £5,000 for the 14 properties listed at (Exempt) Annexe 9.

## **5 Write-Offs**

- 5.1 The Director of Finance and Resources has approved the write-off of council tax and sundry debts below £5,000 totalling £25,483 (38 cases) and £10,458 (22 cases) respectively. These debts have been approved for write-off under the delegated authority. The Director of Finance and Resources can arrange for Members of the Executive to see more detail about any of the debts written off if they so wish.

## **6 Conclusion**

- 6.1 Generally service performance is stable against the budget. For both the General Fund and the The Housing Revenue Account a significant underspend continues to be projected. 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. a virement of £50,000 from additional Planning Income to cover temporary Staff required to assist with planning applications (detailed in paragraph 2.4);
2. £15,000 additional expenditure on Tree Safety Works to be met from the overall revenue underspend (detailed in paragraph 2.5);
3. £15,000 expenditure on replacement ovens at day centres to be met from the overall capital underspend (detailed in paragraph 3.5);
4. £5,000 expenditure on the Address Resolution Project to be met from the underspend on the Contaminated Land revenue project (detailed in paragraph 3.6);
5. £20,000 extra expenditure on the Signage Project to be met from the capital underspend (detailed in paragraph 3.7);
6. rescheduling of capital works totalling £4,965,850 within the HRA from 2014/15 to 2015/16, as detailed at paragraph 4.7; and
7. approval of works exceeding £5,000 to void properties within the HRA capital programme as listed at (Exempt) Annexe 9.

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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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