

WAVERLEY BOROUGH COUNCIL

EXECUTIVE – 1 SEPTEMBER 2015

Title:

BUDGET MANAGEMENT 2015/16

[Portfolio Holder: Cllr Wyatt Ramsdale]

[Wards Affected: All]

Summary and purpose:

This report provides a review of service delivery progress against the 2015/16 budget for the General Fund and the Housing Revenue Account for period to end of July.

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.

Resource/Value for Money implications:

This report reviews the budget management position to date for the General Fund, the Housing Revenue Account and Capital Programmes and reports on an exception basis. It reviews the progress of service delivery against budget, taking into account 2014/15 outturn implications where necessary, projecting the potential year-end position after impact of management actions.

Legal Implications:

There are no direct legal implications relating to this report.

Introduction

1. Throughout 2015/16 all budgets will be monitored on a monthly basis and performance against budget reported monthly. This budget management report is the first in-depth look at service performance and the financial position for 2015/16.
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 these will be reported throughout budget management as necessary.

General Fund

3. 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. The latest forecast is an underspend of £35,000, after allowing for all requested approvals. The reasons are detailed in the following paragraphs.

4. Current forecast outturn variance against budget:

	Variance against budget £'000
Service Variations	
Policy and Governance	
Land Charges Income (see 5.)	(75)
Environment	
Car Parks – income (see 6.)	(15)
Finance	
Council Tax and Business Rates summons costs income (see 7.)	25
Council Tax Support Hardship Relief (see 8.)	(50)
Rent Allowances and Rent Rebates (see 9.)	50
Housing	
Homelessness (see 10.)	30
Overspend/(underspend) against budget	(35)

5. Land Charges

This income is demand sensitive (house sale dependent), and income so far this year has been higher than budgeted.

6. Car Parks

A net underspend of £15,000 is reported for the Car Park service. This includes, based on performance to date, an improvement in income from season tickets and contract permits of £30,000, additional income from residential parking of £6,000 against a loss in income due to the delayed establishment of the car wash contract of £7,000, which is subject to a separate report to this Executive. This net additional income is partly offset by ticket machine maintenance costs of £14,000.

7. Council Tax and Business Rates Summons Costs income

Income from summons costs was below budget in 2014/15, although collection performance was extremely high at 99.1%. It is estimated that income achievement for 2015/16 will also be below budget, due to an improved economy with less Council tax payers and Business Rate payers being summonsed. A reduction in the number of summons is not necessarily

reflected in a reduction in arrears as summons are often substituted with people keeping up to date with payment plans.

8. Council Tax Support Hardship Relief

The underspent budget provision for transitional Council Tax Support Hardship Relief from 2013/14 and 2014/15 has been carried forward into 2015/16, however, it is not expected that this carry forward will be spent and a £50,000 underspend is estimated as a 2015/16 year end position. This budget provision was made to provide a robust fund to meet any future demands but the on-going need for it will be reviewed in the budget setting process.

9. Rent Allowances and Rent Rebates

Each year Waverley administers housing benefit of £36million which it receives from the Department for Work and Pensions (DWP). Inevitably there is always a level of overpayment of benefit due to changes in claimant circumstance. Waverley can recover overpayments from claimants and has, over the last few years, focused on maximising recovery. The £50,000 reported reflects an under achievement of income due to success in reducing overpayments and, therefore, the level of recovery income expected during the year.

10. Homelessness

Although Waverley's homelessness figures are among the best in the Country, the budget in this area is under pressure. This year, the rent deposit scheme has already dealt with an increased number of applications compared to 2014/15. However increased recovery rates on rent deposits is creating additional income. It is predicted that on current demand levels there is a potential overspend of £40,000. £10,000 has been identified within the Homelessness budget that can be used to reduce the overspend. Consideration will be given as to whether some of this can be met from other sources at the end of the financial year and the situation will be reviewed in the budget process.

11. Service changes and financial risks

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. Currently there is nothing to bring to the attention of the Executive.

12. Inflation Provision

A significant amount of service cost other than establishment are large contracts such as refuse and grounds maintenance. Budgeted contractual increases are predominantly based upon a March CPI index forecast at 0.5%. The increases will be drawn down during the year from the Inflation Provision.

Staffing Establishment

13. The staffing establishment is monitored closely, currently there is no significant overspend emerging but officers continue to review the situation.

Supplementary Estimates

14. The Executive Director approved a supplementary estimate of £36,000 to cover the planning appeal costs awarded to Cortium Sports Ltd at the Costs Assessments Hearing on Monday 27/07/2015. This was considered as an urgent approval to avoid incurring additional interest.

Use of Balances

15. No use of the General Fund working balance was planned within the 2015/16 Budget. Projected movements in 2015/16 are illustrated in the table below. In line with the Financial Strategy the General Fund balance will be maintained at £3.2million.

Forecast General Fund Balance Movement	
	This report
	£'000
Balance 1 April 2015	(3,290)
Increased by the forecast outturn variation on budget	(35)
<u>Reduced by Approvals:</u>	
Revenue carry forward from 2014/15	136
Supplementary Estimate	36
Transfer from Revenue Reserve Fund	(47)
Forecast balance 31 March 2016	(3,200)

General Fund Capital

16. General Fund Capital programme is on track with no significant variances on major schemes. The table below summarises the overall position.

	Current Budget	Forecast Outturn	(Saving)/ Overspend	Slippage	Comment
Service	£'000	£'000	£'000	£'000	
Community	3,129	2,129	0	1,000	The slippage relates to the Gostrey Day Centre project which is started but will span a number of years
Customer & Corporate	757	717	(40)		Mobile working solutions – there is not enough resource to carry out the project
Environment	425	425	0		
Other Projects	500	500	0		
Urgent schemes budget	147	147	0		
Total programme	4,958	3,918	(40)	1,000	

Housing Revenue Account (HRA)

17. The HRA forecast outturn to the year end against the approved budget is given in the table below. The table presents significant variances by service. The latest forecast shows a neutral position after allowing for all requested approvals. The reasons are detailed in the following paragraphs.

Housing Revenue Account	Variance Against budget
	£'000
Tenancy and Estates	
Legal fees (see 19.)	30 Potential costs for court case
Income and other	
Investment income (see 20.)	(30) Additional income
(Surplus)/Deficit for the year	0

18. Currently the HRA revenue account is not showing any major variations from budget. Void repairs, whilst slightly lower than 2014/15, will not produce a saving in the revenue budget this year as additional work is required. This is instead of installing new kitchens and bathrooms, therefore, giving a potential saving in capital.
19. There are two court cases progressing with a potential cost of £30,000. One is a confidential Anti-Social Behaviour (ASB) case and the other a dispute over an HRA property. This cost can be met from the additional investment income.
20. The Council's cash balances increasingly belong to the HRA. This, together with better rates achieved from longer investments, means that currently it is predicted that Investment Income will be £30,000 above budget.

HRA establishment

21. The HRA is carrying a significant number of vacant posts that are being covered by agency workers where necessary for service continuity. Several of these posts have now been appointed to and new post holders are expected to be in place during September. These costs are expected to be contained within the existing budget.

HRA Capital

22. A review of capital programmes is underway, including the projects carried forward for completion from 2014/15. The October Council will be requested to approve various budget re-alignments and rescheduling following a review of each scheme, including restating the cost base and allowing contingencies.
23. The door and window contract is due for renewal so it is planned to use a framework contract to complete the majority of the door and window programme.

24. Additional funding of boiler compliance work is required and it is requested that this be covered by the predicted underspend on doors and windows and drainage work (see column titled saving/(overspend) in the table below).
25. Sheltered lighting work is under way and due to be completed in the Autumn.
26. Some of the Structural budget is planned to be used on refurbishing the post war properties and a programme of work is being developed to start next year rather than adhoc properties having the work. This has led to a predicted underspend of £320,000 in the current year to be carried forward into 2016/17.
27. Following preliminary sheltered lift estimates, additional funding of £35,000 has been identified to enable the work to be completed.

**HRA Core Capital
2015/16**

Work Stream	Budget	2015-16 Expenditure	Budget Remaining	Rescheduled	Saving / (Overspend)
	£	£	£	£	£
Compliance Work	1,086,400	61,771	1,002,879		(215,400)
Damp proof / cavity wall	300,000	(4,927)	300,000		
DH External work	1,225,025	39,475	1,069,371		138,400
DH Internal work	4,060,100	466,655	1,978,705		
Disabled Adaptations	200,000	32,075	121,613		
Other Capital Work	471,600	30,823	428,670		77,000
Sheltered Lighting	550,000	0	107,649		
Structural work	800,000	8,933	791,067	320,000	
Grand Total	£8,693,125	£634,805	£5,799,954	£320,000	£0

Stock Remodelling

28. The progress on stock remodelling projects is given in the table below.

Stock Remodelling 2015/16

Work Stream	Budget	2015-16 Expenditure inc commitments	Budget Remaining	Rescheduled	Saving / (overspend)
	£	£	£	£	£
Scheme Design and Project Management	66,510	66,510	0		
Approved Schemes	88,500	40,266	48,234		
Potential Schemes	1,180,000	0	1,180,000		
Total	£1,335,010	£106,776	£1,228,234		

New Build

29. Good progress is now being made at Station Road. It is on schedule to complete in January 2016, and allocated funds spent by the year end.
30. Alternative options for the Wey Court site are still under consideration. As a result, planning permission has yet to be achieved in the current financial year and approval will be sought to reschedule most of the approved budget of £3,948,400 into 2016/17.

**New Homes
2015/16**

Work Stream	Budget	2015/16 Expenditure inc commitments	Budget Remaining	Reschedule	Saving / (overspend)
	£	£	£	£	£
Project management	350,920	350,920	0		
Pre development Expenditure Committed schemes	83,500	16,576	66,924		
Proposed schemes	6,275,109	3,782,209	2,492,899		
Land and asset purchase	4,670,400	1,200	4,669,200	3,000,000	
	4,935,809	3,213,970	1,721,839		
Total	£16,315,738	£7,364,875	£8,950,862	£3,000,000	

Conclusion

31. Service performance is in line with the budget.

Recommendation

It is recommended that the Executive:

1. approves a virement of £10,000 from Contracted services to Rent related expenses in Homelessness as detailed in paragraph 10;
2. approves a virement of £30,000 from the additional investment income to cover predicted Legal fees detailed in paragraph 19;
3. recommends to the Council that virements between the capital projects of £83,600 (doors), £54,800 (windows) and £77,000 (drainage) to communal boiler and heating work be approved, as detailed in the table at paragraph 27;
4. approves the carry forward of £320,000 from the structural budget into 2016/17, as detailed in paragraph 27; and
5. approves a virement of £35,000 for capital works to lifts from work arising in year (a project change) as detailed in paragraph 27.

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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