

WAVERLEY BOROUGH COUNCIL

EXECUTIVE – 04 NOVEMBER 2014

Title:

BUDGET MANAGEMENT REPORT

[Portfolio Holder: Cllr Julia Potts]

[Wards Affected: All]

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

Annexes to this report contain 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 the revised Part 1 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).

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 into 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 management will be assisted in identification, evaluation and mitigation of significant risks and reporting 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 £368,000, after allowing for all virement request commitments, a net £54,000 decrease in the underspend from the position reported to the Executive on 30 September 2014. This change results from spending all the additional Development Control income on associated costs as described in more detail in paragraph 2.4.

2.2 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 30 September 2014.

2.3 Current forecast outturn variance against budget:

	Variance on budget		
	Last Report	This Report	Change
	£'000	£'000	£'000
Service Variations			
Policy and Governance			
Land Charges – projected additional income	(240)	(240)	0
Planning			
Development Control – projected additional income (see 2.4)	(54)	0	54
Community			
Waverley Training Services – projected increased surplus	(30)	(30)	0

	Variance on budget		
	Last Report £'000	This Report £'000	Change £'000
Service Variations			
Environment			
Car Parks – net additional income	(68)	(68)	0
Corporate budget			
Inflation provision not required	(30)	(30)	0
Overspend/(underspend) against budget	(422)	(368)	54

- 2.4 Development Control – income is still increasing with an additional £50,000 being reported this month, taking total additional income to £150,000. However, the increase has resulted in additional budget pressures on legal and consultancy fees. A virement is requested of £15,000 to cover legal and £15,000 to cover consultancy. The balance of £120,000 is requested to be used to cover the full commitment of the planning lawyer, detailed in 2.5, and the cost of an Environmental Health Officer as detailed in 2.6 below.
- 2.5 The Executive was advised at its meeting on 2 September 2014 that the increase in planning activity was placing the Planning and Legal team under pressure. As a consequence, it was agreed at that meeting that a planning lawyer should be employed on a one year fixed term contract (with a temporary agency lawyer being appointed in the interim), and that this should be funded from the additional planning income at a cost of £46,000.
- 2.6 The Environmental Health (Environmental Protection) team also works very closely with the Planning Team, primarily in its role as a statutory consultee. This small team covers a broad range of responsibilities including air quality, contaminated land, and environmental nuisance. The recent upturn in planning applications has placed a significant burden on the team, demand has increased significantly in the last 18 months, more than doubling in some areas of the team's work. A significant number of recent planning applications have been in Air Quality Management Areas and/or on brownfield sites requiring some degree of remediation and, despite putting in place steps to streamline processes, the team currently does not have sufficient capacity to manage the demand. It is therefore recommended that a suitably experienced Environmental Health Officer be recruited on a two-year fixed term contract and that, in the interim, temporary agency cover be brought in for up to three months to deal with the high volume of planning consultations. A virement is therefore sought to use some of the additional planning income as funding for the total estimated cost of £74,000 for the fixed-term contract.
- 2.7 The Council Tax Support Scheme, which replaced council tax benefit and is in its second year, has been reviewed. A range of assistance was introduced by Waverley to assist claimants and these schemes are actively promoted. A hardship fund was created to support claimants and the qualifying criteria revised to encourage take up, Discretionary Housing Payments are also available, and Waverley's "Don't Lose Your Home" officer and the Family Support team are proactively supporting households that are most affected by

welfare reforms. Experience shows that the current Council Tax Support Scheme is successful as the number of claimants has reduced gradually and the take up of discretionary support is low. It is, therefore, recommended that the current scheme remains unchanged for 2015/16.

- 2.8 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.
- 2.9 The 2014/15 General Fund revenue budget was set to self-balance without the need to draw upon the General Fund balance. However, the balance will be increased this year by the forecast underspend and reduced by any supplementary estimate approvals in year and service expenditure carried forward from last year approved at the end of 2013/14. These are illustrated in the table below. The excess of balance beyond £3.2million will be transferred to the Revenue Reserve Fund at the year end.

Forecast General Fund Balance movement	
	£'000
Balance 1 April 2014	(3,361)
Increased by the forecast outturn variation on budget	(368)
<u>Reduced by Approvals:</u>	
Revenue carry forward from 2013/14	139
Planning Enforcement - executive 3 June 2014	40
Forecast balance 31 March 2015	(3,550)

- 2.10 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 budget variances or slippage on major schemes. The Detailed schedule of projects is shown at Annexe 1. Two bids against the Provision for Urgent Schemes are detailed at Annexe 1 and are recommended for approval.

General Fund Capital and Revenue Projects					
	Current Budget	Forecast Outturn	This report (Saving)/ Overspend	Last report (Saving)/ Overspend	Comment
Service	£'000	£'000	£'000	£'000	
Community	5,474	5,474	0	0	
Customer, Office & IT	746	746	0	0	
Environment	368	368	0	0	
Finance	8	8	0	0	
Housing	498	440	(58)	(58)	Additional DFG grant received
Planning	13	13	0	0	
Policy & Governance	101	101	0	0	
Special Projects	969	969	0	0	
Urgent schemes budget	93	93	0	0	
Total programme	8,270	8,212	(58)	(58)	

A project justification form is included as part of Annexe 1, advocating allocating £15,000 from the Provision for urgent schemes to provide a new heating system at the Museum of Farnham.

A project justification form is included as part of Annexe 1, advocating allocating £1,800 from the Provision for Urgent Schemes to carry out a Ceiling Inspection at the Borough Hall.

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 30 September 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	2,272	-	100	100	Virement requested
Cyclical Maintenance	1,705	-	(100)	(100)	Virement requested
Bellwin shortfall of Storm Damage			39	39	
Supervision and Management					
General	4,489	-	40	40	Staff & Insurance
Special	545	-	-	-	
Rents rates taxes and other charges					
Waverley Families	95	-	-	-	
'Back-Funded' pension contributions	550	-	-	-	
Interest receivable	(135)	(20)	-	20	Vired to Fraud Initiative
Rent rebate subsidy	300	-	(150)	(150)	Mid year calculation
Interest on HRA debt	5,877	-	-	-	
Capital charges					
Housing capital programme	5,913	-	(19)	(19)	Rescheduled Community room refurbishment due to review
Stock Improvement	3,534	-	-	-	
New Build funding	3,534	-	-	-	
Income					
Gross rents	(28,256)	90	90	-	
Garage rents	(304)	-	10	10	
Other Income	(119)	-	10	10	
(Surplus)/Deficit for the year	0	70	20	(50)	

- 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 exceed the budget provision by £100k which will be met from cyclical budget (external decorations). The apportionment of budget between responsive and cyclical will be reviewed as part of the Star chamber process. 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. There is a vacancy savings target of £50k for the HRA to achieve by the year end.

A small saving of £20,000 is now expected to be achieved. Interviews for substantive posts began in September 2014.

- 4.5 The annual renewal for property insurance is £10,000 over the budgeted figure. The premium has increased due to flood damage claims.
- 4.6 Rents, rates, taxes and other charges are predominately pre-determined costs. The potential Rent rebate subsidy repayment has had a mid year review and is now expected to be £150,000 less, this is due to a change in Government calculations.
- 4.7 HRA Capital Programme detailed monitoring report is attached at Annexe 3. A list of additional properties has been attached at (Exempt) Annexe 6 for approval for decent homes kitchen and bathroom work following a number of refusals from tenants to the original list. The refusals are in the process of being followed up and investigated.
- 4.8 The New Affordable Homes Programme detailed approved budget, latest anticipated costs and expenditure to date are shown at Annexe 4. Construction work at Badgers Close and Warren/Perrior Road is to schedule and work at Station Road was on site by 1 October 2014. Full planning approval has now been granted for Phase 1 of the Ockford Ridge redevelopment and following the tender process an Employer's Agent will be appointed.
- 4.9 The revised budget position shown at Annexe 5 for Rolston House remodelling includes virement of £310,000 from the core HRA Capital Programme as approved by the Executive on 8 July 2014. Good progress on the project continues to be made with 14 of the existing tenants now living in remodelled flats.

5. Bellwin Settlement of Storm Damage Costs

Waverley has now been notified by the Government of the reimbursement of costs resulting from the Storms during last winter. Despite previous reassurances about reimbursing all costs, there are significant costs that the Government is not covering. These mostly relate to the HRA. A further £39,000 is now required to cover the total shortfall and this is included in the table at paragraph 4.2. The net cost of the storm damage to the HRA is £89,000, after allowing for insurance settlements and receipt of the Bellwin grant. In December 2013 a supplementary estimate of £50,000 was approved to be met from the HRA working balance in anticipation of the storm costs.

6. Conclusion

- 6.1 Generally service performance is stable against the budget. For the General Fund the underspend continues in a favourable direction.
- 6.2 The Housing Revenue Account continues to be monitored closely.
- 6.3 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:

1. approves the virement requests from the additional planning income to cover additional legal fees £15,000 and consultants costs £15,000 within Development control as detailed in paragraph 2.4; and a dedicated Environmental Health Officer on a two-year fixed-term contract at the appropriate grade at an estimated cost of £10,000 in the current financial year;
2. approves the Council Tax Support Scheme remaining unchanged for 2015/16 as detailed in 2.6;
3. approves the allocation of £15,000 from the Provision for Urgent Schemes to provide a new Heating System at the Museum, of Farnham;
4. approves the allocation of £1,800 from the provision for Urgent Schemes to carry out a Ceiling Inspection at the Borough Hall;
5. approves a further supplementary estimate of £39,000 to cover the balance of storm damage costs relating to the HRA, to be charged to the HRA working balance as detailed in paragraph 5;
6. approves the virement of £100,000 from HRA cyclical maintenance budget to the HRA responsive repairs budget; and
7. approves the list of additional properties for decent homes work as detailed in 4.7 and (Exempt) Annexe 6.

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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