

APPENDIX A.1

WAVERLEY BOROUGH COUNCIL

COUNCIL MEETING – 15 FEBRUARY 2011

REPORT OF THE EXECUTIVE – 25 JANUARY 2011

BUDGET MONITORING - DECEMBER 2010

General Fund

1. This report is based on the scheduled formal Budget Monitoring during early December of the position as at 30 November. This was due to be reported to the meeting of the Executive on 11 January 2011, which was subsequently cancelled. The key figures have therefore been updated to reflect the position as at 31 December 2010.
2. The monitoring position as at the end of December shows a potential overall underspend of £426,580 from the approved 2010-11 Budget. This is a further improvement of some £150,000 for the two months period from the position reported to the end of October. This underspend should be seen in the context of one-off restructuring costs of £270,000 and supplementary estimates of £82,400 incurred during the year. There is also a risk that further snowfall towards the end of the winter could significantly reduce the underspend. The estimated financial impact of the heavy snowfall during December is £30,000 (£25,000 income and £5,000 expenditure) and this is taken into account in the latest projections. Car park income alone may be reduced by more than £10,000 per day by exceptionally heavy snowfall, although to some extent this tends to be recovered during the following days.

Budget Variances

3. The projected variations from the Budget on a month-by-month basis are detailed in the schedule at Annexe 1.

The main changes since October are:

- Leisure Centres – estimated energy saving for 2010-11 £100,000
- Local Development Framework – saving £30,000
- Waste Recycling – extra £21,000 from sales of paper
- Car Park income – a net reduction of £15,000 because of the snow
- Investment income – a further £30,000 is reported
- Land Charges – an increase of £15,000
- Property services – fees payable of £13,000

Inflation

4. The Budget includes an Inflation Provision of £255,000. The Council's contracts have been increased in line with the March RPI of 4.4% plus 1% (ie 5.4%). The amount allowed in the inflation provision was based on 2.5% RPI.

Additionally, there has been a higher-than-expected increase in Business Rates on Car Parks, although Business Rates on the Offices are lower. Overall, this results in a shortfall of £149,000 in the Inflation Provision compared with allocations required to date.

5. The calculation of excess energy cost inflation is £97,000 less than provided for in the 2009/10 Accounts. Energy prices have remained similar for the current year and therefore further significant savings in the region of £100,000 have been included in the projections.

Housing and Planning Delivery Grant (HPDG)

6. In June the Coalition Government abolished the HPDG with immediate effect. Waverley had included the sum of £58,000 within the 2010-11 Budget and this will not now be received.

Income

7. Overall Car Park Income is forecast to be £95,000 above budget. This is mainly due to enforcement performance, which has increased markedly during the last nine months. This latest forecast is lower than at the end of October, but does take account of an estimated £25,000 reduction in income following the heavy snowfall during December. The underlying trend of Car Park income is strong. However, if the rest of the winter were to be exceptionally harsh, the forecast level would not be achieved.
8. Planning income was strong during the Summer months, with July being particularly high. It is still forecast that the budgeted level of £600,000 will be exceeded by £130,000 at the year-end, although there was a marked decline in income during December.

Interest

9. In recent months several investments have been made at relatively favourable terms. It is forecast that by the year-end the Investment Income budget of £270,000 will be exceeded by £90,000.

Staff Vacancy Target Reductions

10. The General Fund Staff Vacancy Target for 2010-11 is £200,000. At the end of December very good progress has been made. Any saving in excess of the target will be used to contribute towards the one-off costs of the management streamlining thereby reducing the use of the Revenue Reserves.

11. **Supplementary Estimates**

	£	
Godalming Key Site Appeal	£73,500	Executive 5 th October 2010
Godalming Key Site Appeal no longer required	-£73,500	
Downside planning enforcement	£25,000	Executive 13 th April 2010
Tanyards Farm planning enforcement	£57,400	Executive 7 th July 2009
Total	£82,400	

Use of Balances

12. The Budget for 2010-11 does not provide for a contribution from the General Fund working balance. Revenue Carry Forwards from 2009-10 amount to £139,880, of which £104,880 is to be met from the General Fund Balance as at 1st April 2010 and £35,000 from the Revenue Reserve Fund.

Housing Revenue Account

13. The December monitoring position shows a potential underspend of £18,168. This is based on projecting the likely rents and charges income from the current 39 weeks to the full year position as well as taking account of other known or likely changes.
14. The projected variations from the Budget on a month-by-month basis are detailed in the schedule at Annexe 2.
15. In the original HRA budget £35,000 was allowed for the revenue impact of upgrading the Orchard Housing Management System. This upgrade will not now be procured until 2011-12 and approval is sought to carry this budget forward.

Capital Programme

General Fund

16. The detailed monitoring report for the General Fund Capital Programme to the end of December is attached at Annexe 3.
17. The final payment of £50,000 for the Microsoft Office Upgrade is being made at the end of 2010/11 to enable the project to be completed this year. This has been allocated from the provision for emergency schemes.

Housing Revenue Account

18. Current indications are that overall the Capital Programme could be underspent by some £250K. However, newly arising demand in the final quarter of the year will probably ensure that it is fully spent.

Revenues Cash Collection

National Non-Domestic Rates

19. The net cash collected to 31st December 2010 was £28,897,836, with the net collectable debit at 31st December 2010 being £34,634,858. The collection rate is 87.3% compared with 87.7% last year.

Council Tax

20. The net cash collected to 31st December 2010 was £69,439,201, with the net collectable debit at 31st December 2010 being £80,080,357. The collection rate is 88.4% compared with 88.2% last year.

Streamlining Waverley's Senior Management

21. The Council has approved proposals for restructuring Waverley's senior management. These measures will deliver significant savings, but do involve some one-off costs in the current year. If a forecast underspend is achieved at the year-end, it would be appropriate to use it to contribute to the streamlining one-off costs, thereby reducing the call on balances. The one-off costs are around £270,000.

Leisure Strategy Financing Proposals

22. *The Executive considered an Addendum to the Budget Monitoring Report, tabled at the meeting on 25th January, detailing revised proposals for the financing of the Leisure Strategy. These proposals avoid prudential borrowing and provide net savings of £160,000 in 2011/2012 and £310,000 from 2013/2014 onwards. The Addendum is attached at Annexe 4.*

Conclusion

23. The monitoring position at the end of December shows a continued improvement on the position reported to the Executive previously. Although Waverley's income has improved, economic growth remains uncertain and so the position will be kept under careful review.
24. Budget monitoring to the end of December continues to provide a measure of reassurance that the 2010-11 Budget, which was set at a time of particular economic uncertainty, is realistic and robust. There is therefore, no need for the Executive to authorise further measures at this stage, beyond those already being taken, to ensure that expenditure remains within the approved Budget for the year.
25. The Executive RESOLVED that
1. the position as at 31 December 2010 be noted;
 2. the allocation of the remaining £28,000 balance of the budget for urgent schemes arising in 2010/11 be delegated to the Deputy Chief Executive in conjunction with the Finance and other relevant Portfolio Holders;

3. the General Fund and HRA Budgets continue to be monitored closely during the year;
 4. the neutral effect on the Housing Revenue Account of the financing proposal set out below (Rec no. 1) be noted;
 5. an additional £50,000 capital provision be made to enable the Microsoft Office Upgrade project to be completed this year, allocated from the emergency schemes budget in the Capital Programme; and
 6. the Executive increase the approved capital budget for the Hale Institute project from £75,000 to £90,000 with the additional £15,000 being allocated from the emergency schemes budget in the Capital Programme.
26. The Executive now

RECOMMENDS that

1. **the revised capital financing proposal for the Leisure Strategy be approved, including:**
 - **an additional £1.2 million from the Revenue Reserve Fund**
 - **a contribution of £455,000 from the Capital Fund**
 - **the use of £1,912,000 of General Fund Capital Receipts**
 - **the conversion of the internal loan to the HRA to external borrowing**
 - **the resultant use of £3,238,000 of General Fund Capital Receipts;**
2. **the transfer of the funding committed to the completion of the Leisure Strategy identified above to separate earmarked Leisure Strategy Funds.**