

APPENDIX C

WAVERLEY BOROUGH COUNCIL

EXECUTIVE – 3 MARCH 2009

Title:

BUDGET MONITORING JANUARY 2009

**[Portfolio Holder: Councillor Mike Band]
[Wards Affected: All]**

Summary and purpose:

This report provides details of the expenditure and income position to the end of January 2009 compared with the budget for the General Fund and the Housing Revenue Account. It also gives an update on the Capital Programme for the General Fund and Housing Revenue Account.

How this report relates to the Council's Corporate Priorities:

The monitoring of the Council's Budgets ensures there is financial control over the services that contribute to the Corporate Priorities.

Equality and Diversity Implications:

There are no direct equality and diversity implications relating to this report.

Resource/Value for Money implications:

This report shows the budget monitoring position to the end of January 2009 for the General Fund and the Housing Revenue Account. It monitors the progress of revenue expenditure and income and projects the likely year-end position. The position on capital expenditure is also given.

Legal Implications:

There are no direct legal implications relating to this report.

General Fund

1. As at the end of January the likely year-end position is projected to be an underspend of £163,790. This is a significant improvement on the November monitoring report, which identified a small underspend of £1,040. The Corporate Management Team intend taking action, as detailed in the report, to maintain this situation.
2. Previously, in order to contain expenditure at the year-end within the authorised use of balances, the Executive agreed that the following Action Plan be followed:

- Planning Appeal work to be done in-house, with the exception of any major sites and any specialist evidence
 - Freeze 2 posts in the Corporate Services and Planning Department immediately, saving £19,000 in 2008-09
 - Add £61,000 to the vacancy factor in 2008-09
 - Review 2007-08 carry forwards
 - Not allow carry forwards to 2009-10
 - Produce monthly Budget exception reports to the Executive in addition to the normal Budget Monitoring Reports where appropriate
3. The December exception report to CMT showed no overall change, with those areas of increased overspend being met by the Staff Savings target being exceeded.

4. Budget Variances

The main movements to date are:

- additional expenditure on processing major planning applications
- a significant increase in Audit Fees for grant claims and subsidy claims
- a loss in planning income
- a significant loss in Land Charges income
- losses in income in other areas (Building Control, Car Parks)

offset in part by:

- additional investment interest
- reduced costs in some services where there is a shortfall in income
- a projected saving on the cost of Concessionary Fares compared with the budget for 2008-09
- savings on the Homelessness budget
- savings on the Local Development Framework

5. The projected variations from the Budget are shown in more detail in the table at Annexe 1.

Income

6. The overall reduction in income has risen to some £800,000 in 2008-09, exceeding 10% of budgeted income. This projection will continue to be monitored closely, although there is little the Council can do to raise income levels for demand-led services in a period of economic downturn.

Interest

7. The projected additional interest earned from investments is £300,000. This has been generated from higher opening balances and investments made at favourable interest rates. It is a reduction in additional interest to budgeted due to the reductions in the Base Rate from 5% during the first half of the year to 4.5% in October, 3% in November and 2% in December and compares with previously reported figures as follows:

- £400,000 September monitoring
 - £320,000 October Exception Report
 - £280,000 November monitoring)
- Security of investments remains paramount.

Inflation Provision

8. The Budget includes an Inflation Provision of £500,000. This covers all of the known major cost increases. To date some £279,000 of the provision has been allocated and, taking account of other known calls on this provision, at this stage it estimated that £500,000 will be sufficient to meet all inflationary demands in the year, with the possible exception of the claim for additional energy costs at the leisure centres. The Pay Settlement, effective from 1st January 2009 will be determined at formal arbitration.

Indicative figures are:

Balance Available	£221,000
Pay Settlement – employers 1 st Offer (0.5%)	£15,000
-employers 2 nd offer (from 1 st July)	Nil
Leisure Centre Energy Inflation (estimate for 8/9)	£200,000

Target Reductions

9. The table below shows the target reduction included in the Budget for 2008-09 together with the level of achievement to date.

Target	£	Status
Staffing savings target - General Fund	323,000	Based on the amount actually achieved to 31 st January, together with identified savings for the remainder of the year, the increased target will be exceeded.
Additional staffing savings target	61,000	

Supplementary Estimates

10. The approved Supplementary Estimates are shown below:-

Service	Amount	
	£	
Don't lose your home!	20,000	Executive 7 th October 2008
DIScass	5,000	Executive 2 nd September 2008
Dunsfold Park Appeal	150,000	Executive 2 nd December 2008
	£175,000	

Use of Balances

11. The Budget for 2008-09 includes a contribution of £250,000 from the General Fund working balance; to this £186,530 carry forward from 2007-08 unspent budgets at the end of the year has been added, together with the supplementary estimates, gives a maximum approved amount of £611,530. However, the Planning contingency budgets are unlikely to now be required. Items identified in the Action Plan reported to Executive on the 4th November 2008 will be executed to restrict the use of balances to the amount authorised.

	£
Budgeted Use of Working Balance	250,000
Revenue Carry Forward from 2007-08 (Maximum)	186,530
Supplementary Estimates	175,000
Authorised use of Working Balance	£611,530

Risk Assessment

12. Other inflationary factors that may impact on the overall outturn are the significant increases in electricity and gas prices.
13. Leisure Centres – the contract provides for probable significantly increased energy costs for this year as described above, together with possible future increased maintenance costs may arise as a result of the additional responsibility for maintenance of the centres built into the new contract. A substantial claim under the contract has been received from D.C. Leisure relating to 2008-09 onwards and this is currently being considered.
14. Income from Fees and Charges – the projections modelled at Budget Monitoring assume that the downturn in income experienced so far will continue, but not increase. With budgeted income from fees and charges of £7.5million, even a small variation could have a noticeable impact on the budget and could significantly increase the potential overspend.

VAT Refund

15. Officers have been pursuing a claim in respect of backdating the refund of the VAT previously paid on car park penalty charges relating to the years from 1976. This has now been resolved and the Council has received a total payment of £385,000, which includes interest. This will represent a one-off contribution to the General Fund Working Balance in 2008/09.

Housing Revenue Account

16. The major variations to the budget are identified at Annexe 2. A net underspend of £3,000 has been forecast. This is before vacancy savings and redundancy/compensation costs which are to be met from balances. It is assumed that vacancy savings, which are budgeted at £100,000, will be achieved by year-end.

Use of Balances

17. The Budget for 2008-09 includes a contribution of £231,570 to the Housing Revenue Account working balance. The forecast underspend will increase the contribution to balances at the year-end as follows:

	£
Budgeted contribution to Working Balance	231,570
Projected Underspend	3,000
Projected Contribution to Working Balance	£234,570

Capital Programme

General Fund

18. The detailed monitoring report for the General Fund Capital Programme is attached at Annexe 3.
19. Previous monitoring report identified savings within the 2008-09 Programme and the Executive has approved the addition various new schemes totalling £198,325 financed from these savings. This approach ensures an appropriate use of the Council's resources in delivering its priorities.
20. As reported previously, major expenditure on Waverley's leisure centres as part of the leisure strategy was originally included in the 2006-07 Capital Programme. £2.35million was subsequently provisionally re-scheduled to the 2007-08 Programme. The new leisure management contract has now been signed to include delivery of the capital works by DC Leisure. The majority of the expenditure will not be incurred until 2010-11 and the Programme will be adjusted to reflect this.
21. The Farnham Park SPA Project is on target, with the capital works planned to span three years. The 2008-09 Capital Programme of £300,000 provided for the possibility of early completion of the scheme, but £185,000 will not be required until 2009-10 as originally intended.
22. S106 Income and Tariff Income – The Council has agreed a new policy for Tariff income. To date no income has been received from this source, although some tariffs will be payable soon on recent applications.

Housing Revenue Account

23. The Executive has agreed that the savings on the original double-glazing project should be invested in an extended programme. This additional work is just starting but the bulk of the work will be carried out in 2009-10 requiring the saving of some £500k to be slipped into that year.

24. Previously planned roofing work does not now need to go ahead. The balance of this year's budget will be applied to some necessary flat roofing work. As this is only just starting there is likely to be slippage required at the year end.
25. There has been difficulty with the fire safety upgrades programme, relating to common parts in flat blocks, due to protracted problems over access and with leaseholders. This has delayed the programme more than anticipated and again slippage is likely to be requested at the year end.

Revenues Cash Collection

National Non-Domestic Rates

26. The net cash collected in the financial year to 31st January 2009 was £31,873,621. When compared with a net collectable debit at 31st January 2009 of £33,857,541, this represents a collection rate of 94.1% compared to 95.8% last year, which was an exceptional year.

Council Tax

27. The net cash collected in the financial year to 31st January 2009 was £72,328,484. When compared with a net collectable debit at 31st January 2009 of £75,185,907, this represents a collection rate of 96.2% compared to 96.1% last year.

Conclusion

28. This Budget Monitoring Report shows that the credit crunch and resulting economic downturn is continuing to have a significant impact on Waverley. However, the action being taken to reduce expenditure is so far achieving success, particularly in reducing staffing costs, with the current forecast showing an underspend expected at year-end which will reduce the use of balances below the approved amount

Recommendation

It is recommended that the position as at 31 January 2009 be noted and that the Budget continue to be monitored closely during the remainder of 2008/09.

Background Papers (DCEx)

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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