

WAVERLEY BOROUGH COUNCIL

EXECUTIVE – 2 NOVEMBER 2010

Title:

BUDGET MONITORING SEPTEMBER 2010

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

Summary and purpose:

This report provides details of the expenditure and income position to the end of September 2010 compared with budget for the General Fund and the Housing Revenue Account. Together with projections to the year-end, this provides an important indication to the likely outturn position. 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 September 2010 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. The monitoring position as at the end of September shows a potential overall underspend of £234,140 from the approved 2010-11 Budget. If supplementary estimates totalling £155,900 are covered from this the underspend reduces to £78,240. This compares favourably with the position reported to the end of July that forecast an underspend of £117,700.

Budget Variances

2. The projected variations from the Budget are detailed in the schedule at Annexe 1.

The main changes are:

- Energy savings from the Council Offices due partly new the new boiler and the IT virtualisation project amounting to some £28,000
- Car Park income increased to £100,000 above budget
- Industrial Sites income – new income and backdated rent amounting £27,000
- Land Charges – additional unforeseen income £100,000

Inflation

3. 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 £137,000 in the Inflation Provision compared with allocations required to date.

The current calculation of excess energy cost inflation is £97,000 less than provided resulting in a one-off underspend. If energy prices remain similar for 10/11 further significant savings are likely.

Housing and Planning Delivery Grant (HPDG)

4. 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

5. Overall Car Park Income is forecast to be £100,000 above budget. This is mainly due to enforcement performance, which has increased markedly during the last six months.
6. Planning income has been particularly strong during the Summer months, with July being particularly high. It is forecast that the budgeted level of £600,000 will be exceeded by £130,000 at the year-end.

Interest

7. 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 £50,000.

Staff Vacancy Target Reductions

8. The General Fund Staff Vacancy Target for 2010-11 is £250,000. At the end of September 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.

Supplementary Estimates

	£	
Godalming Key Site Appeal	£73,500	Executive 5 th October 2010
Downside planning enforcement	£25,000	Executive 13 th April 2010
Tanyards Farm planning enforcement	£57,400	Executive 7 th July 2009
Total	£155,900	

Use of Balances

10. 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

11. The monitoring position as at the end of September shows a potential overall underspend of £4,561 from the approved 2010-11 Budget.

Budget Variances

12. The projected variations from the budget are shown at Annexe 1. The most significant relate to
- Continuing improvement of services to tenants following on from the work started last year as a result of the Audit Commission inspection. Additional costs relate to the new tenancy agreement, introducing a texting service that improves contacts with tenants and the introduction of the Civica document management system. Savings elsewhere will fund these improvements for tenants.
 - An increase in benefits take up has resulted in rent rebates higher than originally estimated. At the mid-year point it is anticipated that this will increase the HRA contribution for rent rebate subsidy limitation.
 - Payment of interest to general fund on HRA capital financing requirement. The rate on which this calculation is based is now estimated to average only .65% for the year rather than the 1.5% on which the original estimate was based.

Staff Vacancy Target Reductions

13. The HRA target for vacancy savings in 2010-11 is £81,000. At the end of September this has been more than achieved. However, this was necessary in order to fund additional staff costs as agreed with the Deputy Chief Executive, in particular consultancy costs, staff costs associated with the implementation of the Civica system.

Inflation

14. The budget includes an inflation provision of £75,000 that allows for 3% inflation on the basic responsive repairs contract. Negotiations around the schedule of rates are ongoing with the maintenance contractor and this may result in some or all of the provision not being required.

Working Balance

15. The 2010-11 HRA budget does not allow for any contribution to/from balances. The working balance remains some £10k short of the recommended level and any small underspend at the year-end would help to achieve the required £1,250,000.

Capital Programme

General Fund

16. The detailed monitoring report for the General Fund Capital Programme is attached at [Annexe 2](#).

Housing Revenue Account

17. It is expected that the Capital Programme set for the year will be largely spent. Heating upgrade and rewiring programmes are almost fully committed. The main kitchen replacement contract is currently being re-tendered and as this delays carrying out works in the current year it is proposed to divert some of the kitchens budget to major voids work as the budget is under particular pressure. Although numbers of voids are low, many of those that are becoming empty are proving to have major structural problems that need to be addressed before they can be re-let.

Revenues Cash Collection

National Non-Domestic Rates

18. The net cash collected to 30th September 2010 was £20,101,831, with the net collectable debit at 30th September 2010 being £35,101,447. The collection rate is 60.1% compared with 60.0% last year.

Council Tax

19. The net cash collected to 30th September 2010 was £47,169,789, with the net collectable debit at 30th September 2010 being £80,131,377. The collection rate is 59.9%, which is the same as last year.

Streamlining Waverley's Senior Management

20. 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 could be appropriate to use it to contribute to the streamlining one-off costs, thereby reducing the call on balances. Latest estimates are that the one-off costs should be around £270,000, within the total approved level of £350,000.

Conclusion

21. The monitoring position at the end of September shows a continued improvement on the position reported to the Executive previously. With the recent improvements in the economy, Waverley's income has improved. However, economic growth remains uncertain and the Government's detailed spending review, to be announced in October, may have an adverse impact on our financial position later in the year, so the position will be kept under careful review.
22. Budget monitoring to the end of September 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.
23. If the underspend against the approved Budget is used to finance the one-off restructuring costs, the monitoring position may be regarded as broadly neutral at this stage.
24. The Budget will be closely monitored and the position at the end of each month will continue to be reported to the Executive on an exception basis.

Recommendation

It is recommended that:

1. the position as at 30th September 2010 be noted and that no immediate action is required at this stage;
2. the Budget continue to be monitored closely during the remainder of 2010-11.

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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