

WAVERLEY BOROUGH COUNCIL

EXECUTIVE – 29 MARCH 2011

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**Title:**

**BUDGET MONITORING - FEBRUARY 2011**

**[Portfolio Holder: Councillor Mike Band]**

**[Wards Affected: All]**

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**Summary and purpose:**

This report provides details of the expenditure and income position to the end of February 2011 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.

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**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 updates the budget monitoring position to the end of February 2011 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.

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**General Fund**

1. The monitoring position as at the end of February takes account of the alternative financing decisions on Waverley's Leisure Centre Strategy agreed by Council on 15<sup>th</sup> February 2011, which improves the revenue position by £200,000, taking the potential overall underspend to £815,000 compared with the approved 2010-11 Budget. Overall, this gives a further improvement of some £388,000 from the position reported to the end of December. Given the level and certainty of the underspend, Council approval is sought at this stage to a range of high priority and/or urgent schemes which utilise part of this underspend.

## **Budget Variances**

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

The main changes since December are:

- Borrowing costs saving – budget of £200,000 not now required
- Investment income – a further £20,000 is reported
- Building Control – under recovery of income of £10,000
- Audit fees – rebate from the Audit Commission saving £10,000
- Health care – saving of £40,000 following market testing
- Staff Savings – further staff savings of £100,000
- Car Park income – improvement of £70,000 since December snowfall

## **Borrowing Costs**

3. On 15<sup>th</sup> February Council approved revised arrangements for the financing of the Leisure Centre Strategy. The use of capital receipts and revenue reserves avoids the need to undertake prudential borrowing. Therefore, the prudential borrowing costs of £200,000 budgeted for the current year will no longer be required.

## **Inflation**

4. The Budget includes an Inflation Provision of £255,000. The Council's contracts have been increased in line with the March 2010 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 £151,000 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 £165,000 above budget. This is mainly due to enforcement performance, which has increased markedly during the past year.

8. Planning income was strong during the Summer months, with July being particularly high. It is now forecast that the budgeted level of £600,000 will be exceeded by around £90,000 at the year-end, although there has been a marked decline in income since November.

### **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 £120,000.

### **Staff Vacancy Target Reductions**

10. The General Fund Staff Vacancy Target for 2010-11 is £200,000. At the end of January excellent progress has been made. The saving will be sufficient to cover the one-off costs of the management streamlining in full and contribute at least a further £100,000 beyond the original target.

### **Supplementary Estimates**

	£	
Downside planning enforcement	£25,000	Executive 13 <sup>th</sup> April 2010
Tanyards Farm planning enforcement	£57,400	Executive 7 <sup>th</sup> July 2009
Total	£82,400	

### **Use of Balances**

11. 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 1<sup>st</sup> April 2010 and £35,000 from the Revenue Reserve Fund.

### **Carry Forward Underspend - Democratic Representation**

12. Work is currently underway to prepare the new user-friendly extranet for Councillors ready for launch before the elections in May. This will replace the current 'Memberzone' and become the primary source of information for Councillors. Following consultation with Councillors, one of the most important features requested for the site is an up-to-date searchable staff telephone directory, similar to the version on Backstage that is used by staff. Our website providers, Jadu, have quoted £2,000 plus VAT for the 4 days work needed to produce this. This is a one-off project.
13. During 2010/2011, there has been an underspend to date of £5,700 to the Member Training budget. It is usual that in election year, this budget is increased slightly to accommodate the potential training demands of the new intake of Councillors. It is therefore proposed that this underspend be carried forward to fund the addition of the staff directory to the Councillor extranet at a total cost of £2,000, and the remaining underspend of £3,700 be used to enhance the Member Training budget for 2011/12.

### **Housing Revenue Account**

14. The February monitoring position shows a potential underspend in the region of £67,000. This is based on projecting the likely rents and charges income from the current 48 weeks to the full year position as well as taking account of other known or likely changes.
15. The projected variations from the Budget on a month-by-month basis are detailed in the schedule at Annexe 2. Virement is requested in some cases where there are compensating under/over spends.

### **Staff Vacancy Target Reductions**

16. The Housing Revenue Account Target for 2010 -11 is £81,000. At the end of February this had been exceeded and some of the surplus is being used to fund previously agreed additional posts.

### **Carry Forward Underspend – Estate Management**

17. Extra parking at Upfold Close has been planned for some time when resources became available. Budget was earmarked in 2010-11 to carry out this work but although the project has been costed, planning permission now needs to be acquired so the work will not be carried out before the end of March.
18. As the community safety/estate management budget has been reduced in 2011-12 it is requested to carry forward £20,000 of the 2010-11 budget in order to complete this project.

### **Capital Programme**

#### **General Fund**

19. The detailed monitoring report for the General Fund Capital Programme to the end of February is attached at Annexe 3.

### **Housing Revenue Account**

20. As reported to the Capital Project Monitoring Group, indications are that overall the Capital Programme will be underspent by between £200k/£300k. It is proposed to re-direct this amount at doing further heating upgrade work. The budgeted heating upgrade programme for 2010/11 is already completed. However, there is more work to be done in this area and officers are confident that good value for money is being received from the current contractor and that he could take on and complete additional work before the end of March, effectively accelerating heating works from 2011/12 to 2010/2011.

## **Revenues Cash Collection**

### **National Non-Domestic Rates**

21. The net cash collected to 28<sup>th</sup> February 2011 was £32,051,265, with the net collectable debit at 28<sup>th</sup> February 2011 being £34,174,452. The collection rate is 97.5% compared with 97.3% last year.

### **Council Tax**

22. The net cash collected to 28<sup>th</sup> February 2011 was £77,530,719, with the net collectable debit at 28<sup>th</sup> February 2011 being £80,114,517. The collection rate is 98.7% compared with 98.1% last year.

### **Streamlining Waverley's Senior Management**

23. The Council has approved proposals for restructuring Waverley's senior management. These measures will deliver significant savings, but involve one-off costs in the current year. The forecast underspend on staff vacancy savings will be used to finance the streamlining one-off costs, thereby reducing the call on balances. The one-off costs are around £270,000.

## **Conclusion**

24. The monitoring position at the end of February shows a continued improvement on the position reported to the Executive previously. The 2010-11 Budget, which was set at a time of particular economic uncertainty, was robust and this is demonstrated by the monitoring figures.
25. Hence, a significant underspend is forecast at the year-end. This is after allowing for the one-off restructuring costs and the supplementary estimates approved during the year. A large extent of the underspend arises from the part-year effect in the current year of Foresight and Star Chamber savings totalling some £2m for the 2011/12 Budget.

## **Recommendation**

It is recommended that the position as at 28 February 2011 be noted and that the Council approves

1. that the £20,000 underspend on the HRA Estates management budget, earmarked for a car parking improvement scheme, be carried forward to be spent on this scheme in 2011-12;
2. that the underspend of £5,700 on the Member Training budget be carried forward to fund the addition of the staff directory to the Councillor extranet at a total cost of £2,000, and the remaining underspend of £3,700 be used to enhance the Member Training budget for 2011/12;
3. that the following high priority spending proposals are approved, to be funded from the 2010/2011 General Fund revenue underspend, with the balance of

the underspend being earmarked within the General Fund working balance for future invest to save projects:

- Disabled Facilities Grants potential additional demand	£150,000
- Grants to community organisations – potential future adjustments following the in-depth review	£43,000
- Freedom parade	£10,000
- Central Offices Roof Repairs	£85,000
- Migration of e-mail and other facilities to Microsoft	£55,000
- Provision for future restructuring costs	£140,000

and

4. that the approved minimum level of General Fund balance set out in the Financial Strategy be increased from £3million to £3.1million to provide for additional emerging legislative uncertainties.

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#### 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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