

WAVERLEY BOROUGH COUNCIL

EXECUTIVE – 4 OCTOBER 2011

Title:

MID-YEAR BUDGET REVIEW 2011-12

[Portfolio Holder: Cllr Mike Band]

[Wards Affected: All]

Summary and purpose:

This report provides a projection of total General Fund and Housing Revenue Account expenditure and income in 2011/12 compared to the Budget. The projection is based on the position to the end of August 2011 and provides an important mid-year Budget review. The report also updates Members on the key Financial Strategy issues and the latest developments in the review of local government funding.

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 latest position to the end of August 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.

Legal Implications:

There are no direct legal implications relating to this report.

Introduction

1. This report summarises the estimated position for 2011/12 based on the latest projections. The Finance Seminar was held for all councillors on 14 September which set out the key strategy issues for the medium term including financial pressures and opportunities going forward.

General Fund

2. The monitoring position for service income and expenditure as at the end of August shows a modest £70,000 underspend. The latest monitoring of the achievement of the Star Chamber and Foresight savings agreed by the

Council and incorporated in the 2011/12 budget shows that officers have delivered almost all the savings target totalling £2.1million. The budget includes a £250,000 allowance for non-delivery/partial delivery of these savings targets in the year. The latest projection indicates that £239,000 of this allowance will not need to be drawn down in the year.

Budget Variances

3. The projected variations from the General Fund revenue Budget are detailed in the schedule at Annexe 1.

Inflation

4. The Budget includes an Inflation Provision of £255,000. The Council's contracts have been increased in line with the agreed indexation arrangements at 1 April 2011. The amount allowed in the inflation provision was based on these figures and CMT has authorised the allocation to services of the appropriate amounts from this provision. The balance of the provision remaining is £137,000, which is considered adequate to meet anticipated requirements during the year, including utilities increases.

New Homes Bonus

5. Waverley will receive £311,000 grant from the Government in the current year under the New Homes Bonus scheme. This is not included in the Budget and will be credited to the General Fund Revenue account in the first instance.

Income Highlights

6. Based on current income levels and if favourable market conditions continue, land charges income is set to exceed budgeted levels.
7. Overall, Car Park Income is forecast to be £40,000 above budget. This is due to good enforcement performance.
8. There has been an upward trend in the number of Planning Applications received in the first half of 2011 and the total number is significantly higher than last year. However, nearly all these have been householder applications, with very few larger applications. Consequently, planning income is significantly below budget for the first four months of the year. Projections on a proportionate basis indicate a shortfall of £140,000 for the year. However, experience has shown that planning income is extremely unpredictable and the position could improve with receipt of several larger applications.
9. There is currently a significant shortfall in Building Control income, representing an under-recovery of costs of around 15%. However, the proposed increase in charges will improve this position and the Executive has asked for an undated business plan to achieve a break-even position.

Interest

10. 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 £350,000 will be exceeded by £40,000.

Staff Vacancy Target Reductions

11. The General Fund Staff Vacancy Target for 2011-12 is £200,000, plus £30,000 for savings on Agency Staff and £26,000 for savings recognising the contribution of Apprentices. At the end of August, it is estimated that all the required savings have or will be identified and indeed the target should be exceeded by £50,000. The projections show the target being exceeded by this amount at the year-end, including the funding of the new Elections post as agreed by the Executive in July.

Balances

12. The Budget for 2011-12 does not provide for a contribution from the General Fund working balance. Revenue Carry Forwards from 2010-11 amount to £29,260.

13. The outturn position for 2010/11 was positive, with £800,000 being returned to the General Fund Balance. In July the Council agreed that the 2010/11 underspend should be earmarked within the working balance for the following high-priority spending proposals:

• 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
• Future invest to save projects	£317,000

14. The Council also agreed 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 legislative uncertainties.

Summary of General Fund position

15. Overall, a positive position is emerging in 2011/12 with a projected available budget surplus of £700,000 identified which includes the New Homes Bonus (£311,000), the Star Chamber contingency (£239,000) and other savings and additional income (£150,000). This position gives the Council a one-off

investment opportunity and the Executive has identified high-priority spending proposals to recommend to Council for approval, as set out at Annexe 2. Members may wish to finance the initial purchase of the wheeled bins for the new recycling service in this year from this saving. In which case, the saving could be 'topped up' from the earmarked invest to save budget identified above.

16. Any ongoing effect of these savings will be identified in the Medium Term Financial Strategy and included in future years' budget proposals.

Housing Revenue Account

17. The HRA staff savings target of £70,000 has already been exceeded by a significant amount. The new post of Treasury Management Officer to support the new HRA self-financing regime was approved at Council on 19 July will be funded from the additional vacancy savings in 2011/2012.
18. However, at this stage a shortfall of £113,300 is forecast on service budgets. The budget for home loss and related payments is coming under considerable pressure due to the high level of void activity in the first quarter and from tenants at various sites accepting alternative accommodation following formal decommissioning of several sites. With many tenants still to be re-housed, it is estimated that expenditure from this budget will remain high in the remainder of the year and the budget could be overspent by as much as £70k. A virement of £30k is being sought from the responsive repairs budget to fund some of the decant costs. Housing management staff will continue to stringently assess the entitlement of each individual case to compensation and other financial support.
19. The projected variations from the HRA Budget are detailed in the schedule at Annexe 3.

Capital Programme

20. The total Capital programme in 2011/12 is £12.1million. Detailed monitoring reports are considered by the Executive throughout the year showing progress against each scheme/project. Also officers work closely with the Finance Portfolio Holder to ensure that spending is on track and to identify and respond to any issues or opportunities arising.
21. The latest monitoring position indicates that on both the General Fund and Housing Revenue Account, good progress is being made to deliver the approved Capital Programme and there is no action that the Executive needs to take at this stage. The largest scheme on the General Fund in 2011/12 is the construction of the new leisure centre at Godalming and work is well underway on this project. On housing projects, many areas of decent homes work are subject to the letting of new contracts and therefore major programmes of work will not be in place until the final quarter of the year.

22. The 2011/2012 Capital Programme includes a budget of £185,000 for urgent schemes arising in the year. The Capital Monitoring Group has identified three projects for capital works that need to be undertaken this year that could be funded from this budget and the Executive is requested to recommend approval to Council. A summary of the schemes is below and full details are included in the Project Justification Forms attached at Annexe 4:
- Specific essential maintenance and plant replacements at the Farnham, Cranleigh and Haslemere leisure centres - £48,000
 - Budget to meet contractual repairs and replacements across all four leisure centres throughout the remainder of the financial year to ensure that the facilities are fully operational and continue to meet the required health and safety standards - £20,000
 - Installation of a photovoltaic system above the Borough Hall roof at the Bury for electricity generation - £30,000.

Medium Term Financial Strategy

23. Waverley's Medium Term Financial Strategy has been revised to take account of Waverley's latest financial position and the emerging financial pressures and opportunities in the coming years. The document covering the period 2012/13 to 2015/16 is included at Annexe 5. The annual Finance Seminar presents the key issues to Councillors ahead of the budget setting process.
24. The following are the key financial strategy issues arising from the Finance Seminar held on the 14 September:
- £5.5million saving in last 4-years' Budgets including £2.6m staff costs
 - Further reduction in Government grant in 2012/13 and uncertainty about level in future years due to review of grant system and benefits framework
 - Budget shortfall £1.2m in 2012/13 >£4m over next 4-years
 - Some savings identified already from contracts and additional income
 - New housing self-financing framework requires Waverley to take on £189million debt in March 2012
 - £12m housing repairs backlog identified

Update on the Local Government Resource Review

25. In July 2011 the Government published two key consultation papers that underpin its Local Government Resource Review:
- Localising support for council tax in England
 - Proposals for business rates retention – a further 8 technical consultation papers were published on the 19th August covering a range of complex associated issues
26. The first paper sets out the Government's plans, under the Local Government Finance Bill, to localise what is currently referred to as council tax benefit with effect from 1st April 2013. This change would have significant implications for Waverley. The Council currently spends £7million on council tax benefits and the Government has announced that 10% of the overall funding will be reduced immediately and that some claimant groups will be protected from

any reductions. Officers are currently researching the implications and preparing a response to the 45 questions to meet the submission date of 14 October. This is a very technical area and we are still awaiting the publication of guidance on how the grants and funding will work under this system.

27. The business rates papers concern the future of Waverley's government grant funding, focussing on the local retention of business rates. Officers are currently preparing a response to the 96 questions to meet the submission date of 24 October.
28. Given the amount of detailed work involved in assessing the impact on Waverley and producing a comprehensive response to these consultation papers, the Executive is requested to delegate the task of submitting the response to the Chief Executive and Deputy Chief Executive in conjunction with the Leader and Finance Portfolio Holder.

Conclusion

29. Monitoring of approved budgets at the end of August shows that service expenditure is within the approved Budget. It is particularly reassuring that the Star Chamber and Foresight savings, totalling more than £2m are being delivered in full. During the remainder of the year, further improvement seems likely, particularly in staff costs where the target has already been exceeded. The mid-year Budget review provides a measure of reassurance that the 2011-12 Budget, which was set in the light of a significant reduction in government grant and at a time of continuing economic uncertainty, is realistic and robust.
30. 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. In fact, the projected budget surplus for the year, which includes the New Homes Bonus, has created an opportunity for the Council to identify one-off high priority spending proposals in the current year.
31. The Budget will continue to be closely monitored and the position at the end of each month will be reported to the Executive on an exception basis.

Recommendation

It is recommended that the Executive:

1. notes the mid-year budget projection and acknowledges that no immediate action is required at this stage;
2. notes the updated Medium Term Financial Strategy included at Annexe 5;
3. notes the update on the Local Government Resource Review and delegates authority to the Chief Executive and Deputy Chief Executive, in conjunction with the Leader and Finance Portfolio Holder, to prepare and send Waverley's response to the consultation documents;

4. agrees high-priority spending proposals to utilise the projected one-off revenue budget surplus in 2011/12 and recommends these to the Council for approval, as set out in Annexe 2;
5. recommends to the Council that funding be allocated from the urgent schemes provision included in the 2011/12 Capital Programme for the three capital schemes outlined in paragraph 22; and
6. continues to monitor the Budget closely during the remainder of 2011-12.

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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