

## WAVERLEY BOROUGH COUNCIL

### EXECUTIVE

4 SEPTEMBER 2012

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#### Title:

#### **BUDGET MONITORING – JULY 2012**

**[Portfolio Holder: Councillor Band]**

**[Wards Affected: All]**

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#### Summary and purpose:

This report provides details of the expenditure and income position as at July 2012 compared with the budget for the General Fund and the Housing Revenue Account. It also gives details of expenditure and progress of 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. Savings identified can be redirected towards Corporate Priorities or action can be taken to rectify overspends.

#### 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 July 2012 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. A small saving against the General fund Revenue budget is reported at this stage. 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 July shows a forecast underspend of approximately £200,000 from the 2012/13 approved budget. This figure includes additional savings that should be achieved from the early opening of the new Godalming Leisure Centre. It also allows £25,000 of the overall underspend to be used for net additional Waste Recycling Mobilisation costs, as detailed later in this report.

## Budget Variances

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

### Inflation

3. The Inflation provision is £250,000. The current call on the provision is £150,300, which includes the agreed cost items on the Environment contracts and Waverley's Business Rates. The inflation on the Grounds Maintenance contract is yet to be finalised, although should be well within the sum available.

4. Godalming Leisure Centre

Under the terms of the agreement negotiated with DC Leisure no management fee is payable for the running of the new Leisure Centre. The new Centre has been completed and opened ahead of schedule and as a result the estimated savings for 2012/13 are £48,000 greater than budget.

### Income

4. Planning

A ministerial announcement was made increasing planning fees by 15% from October 2012. This should increase Waverley's Planning income by £100,000 in a full year. However, this is unlikely to happen before the end of the year. The current position indicates that the budgeted income of £700,000 will be achieved.

5. Waste Recycling

The recycling rate of around 65% is higher than expected. As a result of these increased volumes an extra £120,000 recycling credit will be received.

However, the new contract price is inclusive of Bank Holiday collections and the budget was based on this figure. In order to avoid complications over the Easter weekend, the new contract did not commence until mid-April. Therefore the Easter Bank holiday collections were carried out under the terms of the previous contract. An additional payment was also required for the Jubilee Bank Holiday. The total of these additional payments was £21,000. Although the increased volumes result in an extra £120,000 recycling credit being received, they also incur the payment of approximately £10,000 for the agreed Materials Recycling Facility (MRF) handling charge of the recycled materials. Minor savings of £3,000 have been found within the budget, to reduce the additional contract costs to £28,000, which it is proposed are met from the additional income as virement within service.

There are also significant additional costs associated with the new Recycling system implementation and the phasing of the new contract. Costs for the remaining payments for Temporary Staff / Advertising & Promotion amount to £30,000. Additional Collection costs have been incurred amounting to £37,000 comprising £12,000 for special collections of the disused boxes and £25,000 for additional collections from 'missed' properties. Additional Storage, Distribution and associated costs amount to £18,000. The decision was taken to leave the previous

arrangements for the collection of materials from bring-sites in place until July 2012 instead of changing from 1 April as budgeted, the additional costs incurred being some £32,000. The projected costs are £25,000 greater than the additional income currently projected. Therefore the Executive is requested to approve this amount as a virement from the overall General Fund projected underspend.

Corporate Management Team has initiated action for the management of projects and monitoring of project costs in future, including:

- clearer approval of project budget;
- project meetings, to include finance officer and regular review of project budget; and
- any additional costs to have documented approvals in line with Financial Regulations.

In addition to the above figures, a budget transfer of £67,000 is required to match the expenditure now charged to Refuse Collection (instead of Waste Recycling) as part of the integral weekly food waste collection service.

A table showing the various movements in the Refuse/Recycling budgets is attached to Annexe 1.

#### 6. Car Parks

At this stage of the year there is a £20,000 shortfall from the budgeted figure.

Interest

7. Additional interest of £140,000 is reported, being the additional interest due on the General Fund loan to the Housing Revenue Account (HRA) for HRA self financing. A further £60,000 interest should arise from higher cash balances, although this will be credited to the HRA (see Annexe 2).

#### 8. Staff Vacancy Target Reductions

The General Fund Staff Vacancy Target for 2012-13 is £200,000, plus £30,000 for savings on Agency Staff and £26,000 for savings recognising the contribution of Apprentices. Staff monitoring to the end of July shows the target is well on course to being achieved by the end of the year, with £230,000 (nearly 90%) already identified.

#### 9. Staff 'Thank You' Payment

The Executive on the 7 February 2012 recommended a one-off 'thank you' payment of £450 be made to staff in the July payroll. The cost of this payment totalled £163,350, of which £121,590 related to the General fund and is to be met from the Revenue Reserve Fund and £41,760 related to the Housing Revenue Account and is to come out of the Housing Revenue Account balance.

#### 10. Building Control

The target for the Building Control service is to achieve a break-even position. Income was very strong during April and May, declined during June and was very

weak for July. Unfortunately, a shortfall of £20,000 is currently projected for the year. The Building Control Manager resigned at the beginning of July and proposals are being finalised to deliver some staff savings in order to approach the break-even position as budgeted.

11. Supplementary Estimates

	£	
Employment tribunal	20,000	Executive 29 May 2012

The case against the Council has now been withdrawn with the final legal fees being £11,188.

12. Approvals Required

Service	£		Approval required by:
Human Resources staffing - virement	13,350	Tidying up of budget to reflect reduced contracted time with SCC now being covered by part-time post becoming full-time	Executive
Waste Recycling – Virement to be met from overall General Fund underspend £25,000 (see 5. above)	25,000	Formally adjust budget for missed/additional collections commissioned	Executive
Waste Recycling – Virement within Service(see 5. above)	12,000	Formally adjust budget for collection costs of disused boxes	Executive
Waste Recycling – Virement within service (see 5. above)	30,000	Formally adjust budget to reflect Temporary Staff and other Promotion costs.	Executive
Waste Recycling- Virement within Service(see 5. Above)	18,000	Formally adjust budget to reflect additional Storage, Distribution and associated costs.	Executive
Waste Recycling – virement within service (see 5. above)	32,000	Formally adjust budget to accommodate the decision to leave the collection from bring-sites unchanged until July 2012.	Executive
Waste Recycling – virement within service (see 5. above)	28,000	Contract costs incurred after budget set for Bank Holiday collections and MRF handling charge for increased tonnages	Executive
Waste Recycling / Refuse Collection virement	67,000	Formal adjustment of budgets to reflect collection of food waste as part of Refuse rounds as well as Recycling rounds.	Executive and Council

### Use of Balances

13. The Budget for 2012-13 does not provide for a contribution from the General Fund working balance. Revenue Carry Forwards from 2011-12 total £49,400 to be met from the General Fund Balance as at 1 April 2012. The Supplementary Estimate in paragraph 11 was agreed by the Executive on 29 May. The Staff 'thank you' payment detailed in paragraph 9 was approved to be met from the Revenue Reserve Fund.

### **Housing Revenue Account (HRA)**

14. Due to lower than expected PWLB interest rates the financing cost of the self-financing scheme is considerably less than predicted (£1,942,000). This will be transferred equally to the Stock Improvement and New Build funds in accordance with the use of surpluses agreed in the HRA Business Plan. The Interest included in the final Business Plan allows for the interest payable to the General Fund (see 7 above).
15. The projected main variations from the HRA Budget are detailed in the schedule at annexe 2. The overall projected underspend is £1,884,000.

### Staff Vacancy Target Reductions

16. The HRA Staff Vacancy Target for 2012-13 is £70,000, plus a share of the cost of apprentices increasing it to £76,000. Staff monitoring to the end of July shows that over 1/3 of the target is already achieved. The implementation of the Housing restructure will impact on the savings from August and will aid the achievement of the target by the end of the year.

### **Capital Programme**

#### General Fund

17. The detailed monitoring report for the General Fund Capital Programme is attached at Annexe 3.

The monitoring position as at the end of July shows a forecast saving of £216,000 from the 2012/2013 approved budget and there is forecast slippage of £253,000. The Godalming Leisure Centre has been completed and opened ahead of schedule so a large portion of the budget will be spent in the coming months.

18. The Capital project monitoring group and the CMT recommend that the following projects be approved as additions to the Capital Programme. Justification Statements, showing full details are shown as part of Annexe 3:
  - (i) Legal Services Case Management and Time Recording System £15,520 (Funded by an allocation from the Emergency Funding Provision)  
The phasing-out of Lotus Notes has created a need for a replacement case management and time recording and system for the Legal Services team. A new system will help ensure deadlines are met, risks are identified early and efficient legal support is provided.

- (ii) Enhance M3 Licensing System – online modules £6,700.  
(Funded by an allocation from the Emergency Funding Provision)  
Changes in licensing legislation now requires licensing registers to be made available online, this is currently carried out through a time consuming manual process, making it difficult to comply with the legislation. The new modules to the existing system will update the online registers automatically, therefore saving officer time, and will also allow members of the public to make online representations and search for existing current licenses.
- (iii) Memorial Hall: essential modifications to the high level heater £4,600  
(Funded by an allocation from the Emergency Funding Provision)  
The high level heater has been working intermittently for the last two years, causing a number of complaints from hirers, and has recently been disconnected as it has been condemned as unsafe. By enlarging the heating vent will rectify the problem, ensuring the memorial hall can be kept warm and therefore help the council achieve the budgeted hire income of £36,000.
- (iv) Planning: Civica Replacement for Comino System £6,500  
(To be met by a transfer from the balance of Planning Delivery Grant)  
The Comino Interactive system is no longer supported and is to be switched off, creating an un-integrated system which has led to a long process for officers to view planning documents. The replacement system will allow a web view of the documents from the mapping system, saving officer time and allowing the public to view these documents in planning reception and, in the future, over the internet.

#### Housing Revenue Account (Capital)

19. The monitoring report is attached at Annexe 4. Work is continuing on implementing the Programme. A comprehensive report, with updated scheme detail will be presented to the meeting of the Executive on 4 October.

#### **Revenues Cash Collection**

##### National Non-Domestic Rates

20. The collection rate to 31 July 2012 is 41.8%, compared with 40.0% last year.

##### Council Tax

21. The collection rate to 31 July 2012 is 40.5%, compared with 40.4% last year.

#### **Conclusion**

At this stage of the year, the General Fund position is sound and the HRA positive. The Budget will continue to be monitored closely, with the next Executive meeting on the 2 October 2012 considering the full mid-year Budget review. Initial indications are that this should be favourable, as most of the additional income is ongoing, but much of the extra expenditure will be for 2012-13 only.

## **Recommendation**

It is recommended that the Executive:

1. notes the position as at 31 July 2012;
2. approves the virements listed in paragraph 12;
3. approves the amendments and additions to the General Fund Capital Programme detailed in paragraph 18;
4. recommends that Council approve the virement of £67,000 from Waste Recycling to Refuse Collection to reflect the final food waste collection arrangements; and,
5. endorses the action taken in relation to future project management and project cost monitoring as stated in paragraph 5.

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### **Background Papers** ( Deputy Chief Executive )

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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