

# APPENDIX C

## WAVERLEY BOROUGH COUNCIL

EXECUTIVE – 2 OCTOBER 2012

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**Title:**

**MID-YEAR BUDGET REVIEW 2012-13**

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

**[Wards Affected: All]**

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**Summary and purpose:**

This report provides a projection of total General Fund and Housing Revenue Account expenditure and income in 2012/13 compared with the Budget. The projection is based on the position to the end of August 2012 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.

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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 August 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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**Introduction**

1. This report summarises the estimated position for 2012/13 based on the latest projections. The Finance Seminar was held for all councillors on the 11<sup>th</sup> 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 as at the end of August shows a forecast underspend of approximately £260,000 from the 2012/13 approved budget. This figure is an improvement on the position of £200,000 reported for the June/July Budget Monitoring. However, this report proposes various actions that will reduce the balance of underspend to just under £198,000.

### Budget Variances

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

### Inflation

4. 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 and some other areas is yet to be finalised, although should be well within the sum available.

5. 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.

6. Supporting People (SP)

The income to this account will be some £50,000 less than was assumed in the approved budget in February. Meetings with the Surrey County Council (SCC) contract officer were held in February but it was not until much later that the final amount was confirmed. This loss of funding is partly offset by the early closure of Wey Court House and the consequent reduction in staffing costs that will be charged to the SP Account. There is also an ongoing review of SP services to establish the way forward in the likelihood of further funding reductions which will report to the Executive in due course.

### Income

7. Planning

Earlier in the year, a ministerial announcement was made increasing planning fees by 15%, subject to a procedural timeframe. This should increase Waverley's Planning income by £100,000 in a full year. However, this may not happen before the end of the year, although a November date is currently being suggested. The position for the current year is that the income should be close to the budgeted figure of £700,000, although recent trends are weaker, raising the possibility of a small shortfall of around £15,000, or worse if income continues to decline. If the fee increase does come into effect before April this shortfall could be reduced.

Subsequent to the announcement of a 15% increase in fees the Government announced on 6<sup>th</sup> September a temporary relaxation in Planning rules for a three-year period. Officers are currently assessing the potential impact of this on Waverley, although the details that will form the basis of consultation have yet to be published. At this stage it would be prudent to make a provision against the potential impact in the form of earmarking £30,000 of the overall projected underspend to cover potential future loss.

#### 8. 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, there are also significant additional costs associated with the new Recycling system implementation and the phasing of the new contract. These costs are £25,000 greater than the additional income currently projected. Therefore the Executive has approved this amount as a supplementary estimate covered by the overall General Fund projected underspend.

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

#### 9. Car Parks

At this stage of the year there is a £15,000 shortfall from the budgeted figure. This is an improvement of £5,000 from the position reported as at the end of July.

#### 10. Land Charges

Based on the pattern for the first five months of the year, additional income of £180,000 is projected. This is an improvement of £100,000 from the position reported previously. However, this may not be sustained into 2013/14 and the requirement to break-even on this service is also a consideration.

Interest

11. 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.

#### 12. 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. The target was increased to £259,100 by the Executive in September to cover the recruitment of a Countryside Apprentice.

CMT will manage the process during the year and expect the target to be achieved by the year end.

13. Staff 'Thank You' Payment

The Executive on 7 February 2012 agreed that 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.

14. Building Control

The target for the Building Control service is to achieve a break-even position. Income was very strong during April and May, but declined during June and has been very weak for July and August. Currently, a shortfall in income of at least £50,000 is projected for the year. An action plan is in place to achieve a break-even position as budgeted. The Building Control Manager resigned at the beginning of July and various proposals, including secondment to a vacant surveyor post within the HRA and early retirement, are being finalised. Staff savings are monitored and reported as part of the overall Staff savings target as covered at paragraph 12.

15. 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.

16. Air Quality Monitoring / Sustainability Posts

A report on this is included at Agenda Item 19. Briefly, additional staffing is requested and it is proposed to cover the additional costs of £10,000 arising in the current year by virement from the overall underspend.

17. Weyhill Car Park, Haslemere

At the meeting on 4<sup>th</sup> September the Executive agreed to the recommendation from the Community Overview and Scrutiny Committee that a six week pre-application consultation with local traders, residents and the Town Council should be carried out before moving on to the second stage.

It is estimated that this process is likely to cost approximately £1,500 as follows:

	Estimated cost
Pre-application half-page advertisement in Surrey Advertiser and Haslemere Herald	£750
Production of on-site notices for pre-application consultation	£20
Pre-application letters sent to approximately 30 organisations/ residents/ businesses	£10
Formal Notification of application and statutory consultation period in Surrey Advertiser and Haslemere Herald	£700
Production of on-site notices advising of application and statutory consultation period.	£20

Clearly, should the application generate sufficient opposition to warrant a Public Inquiry, a further sum (potentially as much as £20,000) would need to be made available in due course. Given the position it would be prudent to earmark £20,000 of the underspend in the event this expenditure is required before the end of the financial year

It is recommended that the Executive allocates a one-off sum of £1,500 in the current financial year to finance the submission of an application for the refurbishment of Weyhill Car Park under S38 of the Commons Act 2006, and notes the potential for further costs should the consultation process lead to a public inquiry, with £20,000 being earmarked for this as stated above, subject to decisions taken at Agenda Item 17.

#### Use of Balances

18. 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<sup>st</sup> April 2012. The Supplementary Estimate in paragraph 11 was agreed by the Executive on 29<sup>th</sup> May. The Staff 'thank you' payment detailed in paragraph 13 was approved to be met from the Revenue Reserve Fund.

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

19. The projected main variances from the Budget as at the end of August are detailed in the schedule at Annexe 2. The large projected underspend results from the actual level of capital financing costs as detailed below and is in line with the HRA Business Plan. On 26 March 2012 the self-financing deal was finalised that enabled Waverley to effectively 'buy itself out' of the HRA subsidy system. The amount of debt needed to achieve this was borrowed at very favourable rates, principally from the Public Works Loans Board (PWLB), resulting in much lower debt charges than those in the HRA 2012-13 budget approved in February 2012. Achieving these lower interest rates means that there is an estimated additional £1.9m more than estimated in February to contribute towards new affordable homes and stock remodelling as reflected in the HRA Business Plan

### Housing Restructure

20. The Council approved the proposed staffing restructure on 17<sup>th</sup> July 2012. The restructure aims to provide a service that is better equipped to provide accessible and highly responsive services to local people as well as being able to respond to the impending raft of legislative change. The restructured service will also be charged with starting to deliver a 30-year investment strategy resourced from the surpluses generated as a result of self financing. This will include the provision of new affordable homes as well as substantial investment in, and remodelling of, the existing stock

### HRA Staff Vacancy Target Reductions

21. There is a vacancy savings target of £77,640 for the HRA. Although some £36,000 has been achieved by the end of August for staff vacancies, the overall position for the year is under severe pressure. In order to maintain the service level during the transitional period to the new structure, a number of vacancies are being covered by agency staff and temporary contracts. The HRA is funding the cost of 3 staff members in the Waverley Families project pilot and in addition the cost of backfilling these posts in the HRA team.
22. In approving the housing restructure the Council resolved that the one-off costs of £106,000 be met from the 2012-13 salary budget. It is currently estimated that this, in combination with the factors mentioned above, could result in an overspend of some £90,000 on the staff budget. The Executive will receive a detailed mitigation plan to be considered at its November meeting.

### Contract Management and Capital Spend

23. The maintenance service has been under severe pressure with several new contractors and contracts to be implemented from the beginning of this financial year. Teething troubles with both the contractors and their systems together with the lack of a permanent maintenance manager for much of this time has resulted in a much lower level of spend to date than is usual. However, a new permanent Property Services manager is now in post and good progress is being made in overcoming the slow start and working toward spending the 2012-13 budgets.
24. A separate report giving a detailed update on the Capital Programme is on this agenda.

### Income

25. Rents and Service Charges  
Indications at this stage are that there will be a shortfall in rent and service charges income of some £90,000. This is partly as a result of the earlier than anticipated closure of Wey Court sheltered housing unit. At the time of rent setting the income from a number of units was included in the estimates as, at that time, final closure was not expected before March 2013. In addition, void rent is projected to be some £30k higher than allowed for in the budget.

26. As a result of not making monthly payments of negative subsidy, the HRA will have higher balances in the short/medium term until the large re-investment programmes are starting to be implemented. Investment income is therefore projected to be some £60,000 more than the original estimate.

### Capital Programme

#### General Fund

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

The capital monitoring position as at the end of August shows a forecast saving of £205,000 from the approved budget and there is forecast slippage of £253,000.

### **Revenues Cash Collection**

#### National Non-Domestic Rates

28. The collection rate to 31<sup>st</sup> August 2012 is 51.5%, compared with 49.0% last year.

#### Council Tax

29. The collection rate to 31<sup>st</sup> August 2012 is 50.0%, compared with 49.9% last year.

### **Business rates**

30. The Government are introducing a new Business Rates funding regime in 2013/14 which will mean that some of the Business Rates collected will be retained by local councils. The rules will transfer risk to councils and enable Waverley to keep some of income from any growth in business rates in the Borough but it will suffer part of the loss if income declines. This is a very complex subject and the Government are currently consulting on the detail matters.
31. One option for councils is to set up a business rates 'pool' which, for Surrey, would mean all districts and boroughs pooling with Surrey County Council. One advantage of pooling is to enable Waverley to retain a greater proportion of income from growth than it would otherwise have done. There are also some potential risk sharing advantages. Currently all of the Surrey councils have indicated their initial support for pooling. However, as more detail is provided by the Government and more analysis undertaken by officers of the best option for Waverley, this position may change. This report requests a delegation to enable officers, in conjunction with the finance portfolio holder, to respond quickly and to take action if necessary to ensure that the best position is taken for Waverley.

## **Medium Term Financial Strategy**

32. 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 2013/14 to 2016/17 is included at Annexe 4. The annual Finance Seminar presents the key issues to Councillors ahead of the budget setting process.
33. The following are the key financial strategy issues arising from the Finance Seminar held on the 11 September:
- £7.5million saving in last 5-years' Budgets including £3m 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 estimated £440,000 2013/14; £1.9m over next 4-years
  - Some future savings identified already
  - £12m housing repairs backlog
34. For the HRA there is a much more positive position with self-financing as resources are now in place from rents and grants to meet decent homes backlog repairs by 2014 and to invest significant sums for new affordable homes and to improve existing council house stock.

## **Conclusion**

35. Monitoring of approved budgets at the end of August shows that service expenditure is comfortably within the approved Budget. It is particularly reassuring that the Star Chamber and Foresight savings are being delivered in full. The mid-year Budget Review provides a measure of reassurance that the 2012-13 Budget, which was set at a time of continuing economic uncertainty, is realistic and robust.
36. There is, therefore, no need for the Executive to instigate further measures at this stage, beyond those already being taken, to ensure that expenditure remains within the approved Budget for the year.
37. 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. note the mid-year Budget projection and acknowledge that no immediate action is required at this stage;
2. note the updated Medium Term Financial Strategy included at Annexe 4;
3. agree virement of £10,000 of the overall underspend to cover the proposed additional staffing costs in the current year for Air quality Monitoring and Sustainability, subject to decisions taken at Agenda Item 19;



4. allocate a one-off sum of £1,500 in the current financial year to finance the submission of an application for the refurbishment of Weyhill Car Park under S38 of the Commons Act 2006, and earmarks £20,000 of the overall underspend in recognition of the potential for further costs should the consultation process lead to a public inquiry, subject to decisions taken at Agenda Item 17;
5. earmark £30,000 of the underspend against potential loss of Planning Fee income;
6. agree to delegate authority regarding the pooling of Business Rates to the Deputy Chief Executive in conjunction with the Finance Portfolio Holder; and
7. continue to monitor the Budget closely during the remainder of 2012/13.

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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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