

APPENDIX A.1

WAVERLEY BOROUGH COUNCIL

COUNCIL MEETING - 24 FEBRUARY 2009

REPORT OF THE EXECUTIVE – 10 FEBRUARY 2009

FINANCIAL STRATEGY 2009/10 – 2011/12

DRAFT GENERAL FUND REVENUE ESTIMATES 2009/10

Introduction

1. Following the Member Finance Seminar held in October, the Executive considered a report setting out the budget headlines at its meeting in December.
2. The Executive considered the draft 2009/2010 General Fund Revenue Estimates on 6 January 2009 and 10 February 2009. This report has been updated to reflect the Recommendations made by the Executive on 10 February.
3. This report contains the following Annexes:
 - Annexe 1 – Budget Summary and detailed Service Estimate pages
 - Annexe 2 – List of Variations
 - Annexe 3 – Star Chamber Proposals
 - Annexe 4 – List of changes to the staff establishment
 - Annexe 5 – Schedule of Fees and Charges
 - Annexe 6 – General Fund Balance
 - Annexe 7 – Revenue Reserve Fund
 - Annexe 8 – Schedule of Balances
 - Annexe 9 – Forward Budget Projections
 - Annexe 10 – Collection Fund
 - Annexe 11 – Council Tax
 - Annexe 12 – Special Expense (Council only)

Budget Summary and Detailed Service Estimates

4. The latest Budget position is shown on the Budget Summary at Annexe 1.

The Budget Summary and detailed Service Estimates have been updated to include the full recommendations of the Executive and include the assumptions detailed in the following paragraph. The figures shown are therefore after implementing those Star Chamber reductions recommended by the Executive. The individual grants proposed to be paid under the Community Partnership Scheme have been shown on the appropriate Service Estimates, although these are subject to confirmation by Council when considering the separate report on this matter at Executive Minute No. 172.

The departmental grouping of responsibilities and allocations for 2009-10 reflect the new management structure.

Budget Assumptions

5. The following main assumptions have been built into the draft budget:
 - Revenue Contributions to Capital totalling £1.6m continuing in line with recent years (There is scope for this to be reconsidered following consideration of the Capital Programme, Appendix B.2, however there is also scope to increase spending on other capital schemes, such as the works currently being considered at East Street).
 - Inflation calculations are based on an estimate of RPI of 1.5% and 3% for CPI related costs
 - Investment Interest is based on an average rate of 1.5% being achieved during 2009-10
 - Provision for a staff pay increase of 0.5%
 - The Staff Savings Vacancy Factor is included at £250,000 as recommended by the Corporate Management Team. It should be noted that this will need to be achieved in addition to considerable staffing reductions as detailed on the Star Chamber List.
 - General Fund Balance to be maintained above £1.25m.

Budget Strategy

6. Council policy is to eliminate the reliance on balances within a four-year period. The 2007/2008 Budget included the use of a total £600,000 from balances: £150,000 from the Revenue Reserve Fund and £450,000 from the General Fund Working Balance. The use of balances within the 2008/2009 Budget was reduced to £250,000 - less than half the previous level. The draft Budget for 2009/10 allows for this figure being further reduced to £70,000. This use of balances virtually achieves the Council's aim of reducing the reliance on balances, two years ahead of target.

Budget variations

7. Growth items are identified as variations to the base estimates. The aim was that no growth items be submitted unless savings can be identified elsewhere. However, a limited number of variation items are attached at Annexe 2, some of which arise as a result of new capital bids. These have been considered as part of the Star Chamber process, with allowance for the cost made against the Star Chamber List. In addition to these variations, there are also areas where budget variances, which may be reductions as well as increases, have arisen. These may result from such matters as contractual commitments, changed levels of use, changes to staff allocations, or updated asset charges.

Equal Pay Review

8. Waverley has undertaken an Equal Pay audit during 2008/09, which is included elsewhere on the Agenda. The resulting recommendation has resulted in a major project reviewing Waverley's pay/grading structure with a possible re evaluation of all posts. This project cannot be covered from within existing HR staffing without dropping other important HR activities and altering

timeframes. (The HR team is to reduce its staffing following the Star Chamber process by 1.1 staff). The alternative would be for the work to be undertaken externally. In terms of speed of completion and credibility with staffside this would be the favoured option with costs in the region of £50,000. It is suggested that, subject to Council approval, the one-off cost this Review should be met from the Revenue Reserve. Any future costs arising from the review would be a revenue cost.

Credit Union

9. The Deputy Chief Executive is currently preparing a report to evaluate whether it is worth Waverley signing up to a feasibility study with neighbouring councils to establish a Credit Union. A report will be presented to the Executive in March 2009 explaining the purpose of the study and whether Waverley wishes to commit to the project. The cost would be £15,000 for the initial project with no commitment to go further until a satisfactory business case has been established. Depending on the outcome of the feasibility study it is estimated that it would take approximately two years to establish a credit union. It is suggested that, subject to Council approval, the one-off cost of the feasibility should be met from the Revenue Reserve should the Executive support the project in March.

Star Chamber Proposals

10. The Star Chamber process has resulted in a list of potential reductions to expenditure and increases to income as shown at Annexe 3. This schedule was considered by each of the Overview and Scrutiny Committees in January and Members' comments are included later in this report for **Council** to consider. Those Star Chamber items recommended by the Executive for acceptance have been incorporated within the detailed budget pages at Annexe 1.
11. The Star Chamber proposals include a number of changes where specific Council approval is required and these are reflected in the recommendations included in this report. In summary, these items are:
 - Increasing payment choice arising from the closure of the cash offices and the provision of a new over the counter payment service using other outlets in the Borough with effect from 1st November 2009 (1st April 2010 previously approved).
 - The closure of Waverley's offices on Saturdays with effect from 1st November 2009.
 - Changes to the establishment to approve the deletion of posts proposed in the Star Chamber savings lists (detailed at Annexe 4).
 - Annual contribution to the insurance reserve of £35,000. Through good risk management measures, Waverley's claims history has reduced dramatically in the past two years. Officers have secured annual savings of £71,000 by reviewing excesses. Based on past claims history, a contribution from the revenue account to the uninsured losses provision of £35,000 is prudent, subject to annual review. Waverley will pay for an increased excess in the event of a

claim now and will fund it from this provision. The net saving is £36,000 p.a. of which £25,000 accrues to the General Fund.

Fees and Charges

12. As well as examining expenditure in detail, the Star Chamber also undertook a comprehensive review of fees and charges. Various proposals for increased income were made with appropriate amounts included on the Star Chamber list. Schedules of the proposed fees and charges from 1st April 2009 are included at Annexe 4.

The new schedule of fees and charges assumes increases based on:

- 3%, mainly on recreation charges. This equates to the current CPI rate at 3.1%.
- Revised prices for 1st April 2009 reflecting VAT rates of 15%, where applicable and 17½% from 1st January 2010, or as amended by the Government.
- Increases above CPI as proposed by the Star Chamber, e.g. for pest control, special refuse and licensing services.
- The assumption that where larger increases are imposed from 1st April 2009, they will not be further increased when the VAT rate increases.
- Wherever possible rounded prices have been proposed.
- As the Council does not charge VAT on car parking there are no changes to the original schedule for these charges.

Revenue Support Grant Settlement

13. The final Revenue Support Grant Settlement has now been confirmed and for Waverley the position is unchanged.

The details of the Settlement are:

- The headline increase in Waverley's Grant for 2009/10 is 0.5%, being £31,000.
- Council Tax capping remains – The Government expects average increases this year to be substantially below 5%. (The overall national increase in council tax in 2008/09 was 3.9%).

Concessionary Fares Grant

14. A specific grant of £262,000 is being paid to Waverley in 2008/2009 to cover the cost of the scheme moving to a nationwide basis from 1st April 2008. The latest available information is that this grant will increase to £268,650 in 2009/10 and this amount has been included within the draft Budget. There is still uncertainty regarding the likely cost to Waverley in 2009/10. It is therefore considered prudent to budget at the increased 2008/09 Budget level.

Planning and Housing Delivery Grant

15. The previous Planning Delivery Grant scheme was replaced by a revised Planning and Housing Delivery Grant scheme in 2008/09. A significant reduction in grant was expected for 2008/09, with a figure of £50,000 included

in the Budget in respect of the revenue element of the grant. A slightly higher figure has been actually been received in the current year. A grant of £70,000 has been allowed for within the Development Control revenue estimates for 2009/10. It is anticipated that the grant should continue at this level for future years.

Housing Benefit Administration Grant

16. The Government has recently announced that it will pay all Councils additional grant in 2009-10 to cover the increased benefit administration anticipated in the forthcoming year arising from the economic downturn. Waverley is due to receive an additional £49,000. It is proposed that this be included within the draft Estimates, together with an equivalent provision for expenditure.

Area Based Grant – Climate Change

17. As part of the Area Based Grant scheme, the Government has awarded Waverley a three-year grant of £22,500 p.a. in recognition of the issues surrounding Climate Change. The grant covers the current year, next year and 2010-11. Although the grant is not ring-fenced, it is considered prudent to assume the budget position is cost-neutral at this stage, whilst officers examine the detailed requirements of the scheme.

Local Public Sector Agreement Grant

18. No money has yet been received under this scheme. However, officers expect that Waverley will be awarded funding during the forthcoming year, rewarding past performance. Members will be kept updated on developments.

Pay Settlement

19. The Employer's negotiating team originally made an offer of 0.5% from 1st January 2009, which would have cost £60,000 on the General Fund and this is the amount included on the Budget Summary. Subsequently the Employer's team offered 1% from 1st July 2009 with a pay review in June 2009. Both offers were rejected by staffside. This matter has now been referred to the Advisory, Conciliation and Arbitration Service (ACAS) for formal arbitration.

Forward Budget Projections

20. At the Finance Seminar, Members received Budget projections covering the period of the Financial Strategy. These have been updated in line with the draft Budget proposals and Budget assumptions listed at paragraph 5 and are shown at Annexe 9.

Observations from Overview and Scrutiny Committees and Licensing Committee

Corporate Overview and Scrutiny Committee

21. The Committee considered the draft revenue estimates, the list of variations, list of Star Chamber proposals and the schedule of fees and charges, and

RESOLVED to pass the following observations to the Executive:

- a. The Committee recognised that the Star Chamber was a difficult and painful process, and commended officers for their efforts to enable the Council to maintain its direction of travel towards a balanced budget.
- b. Committee members were concerned that they had not all been given adequate background information as to the service implications of some of the proposed savings identified in the Star Chamber; or where savings had been identified through alternative funding for services (e.g. Exercise & Mobility, web-casting).
- c. The Committee was disappointed to see the proposed saving of £5,600 in the Compensatory Grants. This was a significant sum for Parish Councils, which were also feeling the strain of reduced investment income, and there was a perception that Parish Councils were being forced to take some of Waverley's burden as there was no cap on the increase allowed in their Precepts.
- d. The Committee understood the Portfolio Holder was conducting a review of the web-casting service, and looked forward to receiving the findings; including how the service might be provided more economically.

Community Overview and Scrutiny Committee

22. The Committee had no particular observations to make.

Environment & Leisure Overview and Scrutiny Committee

23. ELOS agree to the following observations being forwarded to the Executive:

- e. The Committee would like to be reassured that the freezing of posts, particularly in Planning and Planning Enforcement, will not impact on service delivery.
- f. The Committee would like a list on the general impact of the proposals on Council Tax. Members would have preferred a range of reductions to cover all possible Council Tax options and outcomes for the Council's budget given the level of uncertainty for next year.
- g. The Committee thanked officers for managing the difficult process of finding a range of both small and significant savings under their areas of responsibility.
- h. The Committee was concerned that inflation figures could affect major contract costs significantly over the next few months.
- i. It was felt that the budget focused too much on balancing the books and the Council should look more carefully at possibilities for increasing charging. For example, charging different rates in car parks depending on the environmental impact of vehicles the people drove.

Planning

- j. There was concern about the cut in funding for Contaminated Land advice albeit, Members noted that it was only the external consultants that were being cut and the in-house team would remain and would continue to provide advice to residents.

- k. The Committee asked for assurance about delivering the LDF still being possible after the proposed reduction in funding to the consultants budget. Members were advised that officers did feel that this would not cause problem with delivering the LDF.

Environment

- l. The Committee was concerned about the significant cut in funding for seasonal sweeping (leaf collection) and the proposal to reduce sweeping in areas where there was flooding and build up of leaves. It was noted that there were particular issues in Haslemere and Shottermill. Members were encouraged to report any problems with leaves within their wards and areas where sweeping was not so critical.
- m. Street cleaning was a particular issue with residents, and there had been significant improvements over the last few years (particularly in Cranleigh) and Members were concerned that performance might drop with a loss in funding.
- n. The Committee was worried about the proposal to close public toilets on the cricket green in Cranleigh particularly as they had only been upgraded recently. It was noted that management of the toilets had been offered to the Parish Council but declined.
- o. The Committee felt that the Council should consider recovering the full costs for the collection of Green waste from service users.
- p. The Committee noted the reduction in funding for advertising/promotion and would like reassurance that, even with this reduction, communication with residents would continue to be improved.
- q. The Committee were advised that the savings achieved through clinical waste collection changes would not affect the clinical waste collection service.

Leisure

- r. The Committee noted that there could be an impact on DC Leisure by reducing funding by £25,000 on the leisure contract.

Building Control, Engineering and Car parking

- s. The Committee raised concern that there could be an impact on on-street parking enforcement by losing staff in this area. In Cranleigh, in particular, there was an issue of on-street parking, and there was a feeling that a reduction in staffing on this service would make this situation worse. Councillors were assured that the reduction in staff would affect administration only and not officers on the ground dealing with enforcing on-street parking.

Environmental Health

- t. The Committee was concerned about the impact on the reduction in funding on the Dog Warden Service, which is to be combined with Pest Control.

Fees and Charges

- u. No significant comments, other than the previously mentioned Green Waste Service, were made on the proposed Fees and Charges except that the Committee welcomed the proposal for no general increase in Car Park charges.

Licensing and Regulatory Committee

- 24. The Committee approved the introduction of additional fees and charges beyond the original Star Chamber proposals and requested that the resultant income, estimated at £2,000, be retained within the Licensing Budget to assist with implementation of the Star Chamber administrative reductions during 2009-10.
- 25. The committee approved its Revenue Estimates and Fees and Charges as amended by the Star Chamber List and adjusted to take account of the above resolution.

Local Government Act 2003 – Financial Administration

- 26. The Local Government Act 2003 formally introduced a number of specific sections covering:
 - v. Budget calculations: report on robustness of estimates;
 - w. Adequacy of reserves, and
 - x. Budget monitoring.
- 27. The sections were introduced to ensure sound financial management across all local authorities. Waverley Borough Council's budget has always complied with best financial management practice. Prudent allowance has always been made for risk and uncertainties in budgets. Budgets are monitored by officers on a monthly basis and reported to Members on a bi-monthly basis although in the current period of economic downturn, this is supplemented by monthly exception reports. The Council's financial management practices scored highly in the Council's Comprehensive Performance Assessment and the Council continues to receive good Annual Audit Letters.

The Robustness of the Estimates

- 28.
 - a. Full account has been taken of potential costs and adequate provision has been made. A prudent assessment of income has been undertaken and only income that has a high level of certainty of being received is included within the Council's budgets.
 - b. The Council's Financial Strategy, together with information presented at the Annual Finance Seminar and subsequent reports demonstrates the financial challenges to Waverley Borough Council in the future.
 - c. The key strategy issues for the General Fund from the Financial Strategy 2008/09 – 2011/12, which remain valid, include:

- d. Government Formula Grant likely to be at 'floor' in future settlements and well below inflation
 - e. Further budget pressures and Government Legislation; and
 - f. Additional cost of the Leisure Strategy
 - g. Possible further developments in waste management
 - h. Spending on public services in an affluent area
 - i. In addition to the detailed scrutiny by officers of the budget the Council has:
 - I. Critically examined Budget Variations
 - II. Continued the Star Chamber process to examine the budget in detail and advise on potential reductions; and
 - III. Achieved further reductions to the budgeted use of balances.
29. The 2009/10 budget process has created a huge challenge to Waverley. Savings targets of around £2m have been virtually unheard of in district/borough councils until now. The fact that the Council is able to consider savings of the order of £1.6m is testament to a lot of detailed difficult work undertaken by Members and Officers. However, Members are advised that a similar budget achievement could not be repeated in future years and alternative approaches will be required if the economic downturn continues for another budget.
30. Paragraph 16 highlights the latest position on pay, whereby 0.5% has been allowed in the Budget. If ACAS agree a pay award in excess of this, the Council will need to agree a supplementary estimate in the first instance; with a subsequent review of services including examination of staffing.
31. In view of the level of awareness amongst Members and the action taken to produce the Council's Budget in 2009/10, the Deputy Chief Executive is satisfied with the robustness of the estimates presented.

Adequacy of Reserves

- 32.
- a. The Council maintains a number of reserves, which are detailed in the Financial Strategy. The Council aims to maintain a prudent level of balances to support revenue spending and finance unforeseen events. The two major reserves for General Fund purposes are the General Fund balance and the Revenue Reserve Fund.
 - b. It is the view of the Deputy Chief Executive that both the General Fund and Revenue Reserve Fund should be at least £1.25 million. The Financial Strategy explains the purpose of each fund. The General Fund balance supports fluctuations in the Council's normal business, e.g.: unexpected change in inflation or interest rates, higher than anticipated expenditure or loss of income and spending on unforeseen events. The Revenue Reserve is used to finance capital expenditure and one-off costs. It is essential that adequate balances are available to meet these and unforeseen costs, particularly in the current economic climate.
 - c. Both the General Fund and the Revenue Reserve Fund balances are currently in a healthy position. However, with recent sudden and major reductions in income and interest, and with known uncertainties

identified in future years, as detailed in the finance seminar, a financial cushion above the minimum balances is vital at this time.

- d. The General Fund Working Balance is shown at Annexe 6. The detailed movement in the Revenue Reserve Fund for the next four years is shown at Annexe 7. It is the view of the Deputy Chief Executive that maintaining a minimum level of £1.25 million on each fund satisfies the adequacy requirements of the Local Government Act 2003.
- e. In the light of the identified future significant pressures, the levels of combined balances as detailed in this report are considered prudent, but not excessive.

Budget Monitoring

33.

- f. It is the Deputy Chief Executive's view that the arrangements for budget monitoring, referred to above, satisfy the requirements of the Local Government Act 2003.
- g. The Budget Monitoring position at 30th November 2008 shows that the 2008/2009 actual results on the General Fund will come in very near to the budget level overall. The ongoing impact of the budget variances included in the budget monitoring statement has been taken into account in the 2009/2010 Budget proposals where appropriate.

Assessment of Key Risks

34. The main key risks affecting Waverley's budget in the next few years, which have previously been raised at the Financial Seminar and in The Financial Strategy are:

- h. Continuing levels of fee income
- i. Failure to ensure adequate levels of balances to meet known and unforeseen pressures in the future
- j. Further interest rate reductions
- k. Concessionary Fares funding
- l. Superannuation funding costs

Council Tax Capping

35. The Government has stated its intention to use capping powers again in 2009/10, if increases are above their criteria. Previous year's criteria will not necessarily be repeated. So far the Minister has stated that increases should be substantially below 5%. In 2008/2009 the national average council tax increase was 3.9%. On this basis, and taking into account the Government statement, it is Corporate Management Team's view that 3.8% will be deemed acceptable. An increase of 3.8% in Waverley's council tax would allow the Council to continue reducing its dependency on balances and deliver a balanced and sustainable budget.

36. Corporate Management Team's aim is to avoid council tax capping and avoid the potential expense of re-billing (currently estimated at £100,000) and having considered carefully the Government's Statement on capping for 2009/2010

the view is that a 3.8% council tax increase would meet the spirit of the 'substantially below 5% statement'.

37. If Waverley's increase in Government grant had matched the local authority average grant increase in excess of 4% instead of the 0.5% that was actually awarded, it would have been possible to propose a much lower increase in council tax.

Council Tax Levels

38. An exemplification showing the effect of the 2009/10 Revenue Support Grant Settlement for Waverley and the impact of the recommended average 3.8% increase in Council Tax at Band D is attached at Annexe 10.
39. Members are advised that a variation in council tax of 0.1% equates to £8,200.

Special Expense

40. Annexe 12 shows effect, in 2009/10, of the decision taken by Council on 12th October 1999 to levy a special expense from 1st April 2000 in respect of cemeteries costs. It should be noted that for 2009/10 the Special Expense will be zero as the net cost of the Cemetery maintenance is negligible.

Collection Fund

41. The Collection Fund Revenue Account brings together all of the precepts from the relevant local authorities, including Waverley's demand net of Revenue Support Grant and redistributed National Non-Domestic Rates (NNDR), together with the contribution to the NNDR pool (net of irrecoverables) in respect of business rates collected by the Council as agent of the Government. The income to the Collection Fund Account relates to that amount of Council Tax that is required, together with income from business rates, to balance the Account. Any surplus or deficit on the Collection Fund at the end of each year has to be shared between Surrey County Council, the Surrey Police Authority and Waverley in proportion to their precepts for that year. The estimated Collection Fund for 2009/10 is attached at Annexe 10.
42. As shown at Annexe 10, present indications are that there is likely to be a surplus of some £450,000 as at 31st March 2009, which has to be shared with the major precepting authorities. Waverley's share of this will be approximately £60,000, which is approximately £20,000 more than the amount available last year. These amounts are taken into account in the Council Tax calculation at Annexe 11.

Council Tax Base

43. Waverley council tax base for 2009/2010 was approved by the Executive in December and is 0.5% higher than the previous year. This will generate approximately £40,000 additional council tax income. The net increase including the movement in the surplus on the Collection Fund is therefore £60,000.

44. There is a risk with the medium-term economic outlook that the growth of Waverley's council tax base could become restricted, with a resultant reduction of the Collection Fund surplus, which could present a pressure on future council tax setting. It is therefore considered prudent to provide a level of mitigation for this risk. Whilst the precise amount is unclear, it is proposed that £25,000 be transferred into Reserves in 2009/10.

Conclusion

45. Given the volatility of the economy it is proposed that officers conduct a formal review of the General Fund Budget during July 2009 for reporting to the September Executive, with exception reports to earlier meetings.
46. The Executive considers that an increase of 3.8% in Waverley's element of council tax represents the appropriate balance between avoiding Capping and delivering the required level of service to the public and reducing the use of balances.

The Executive

RECOMMENDS that the Council approve

- 1. a 3.8% increase for Waverley's element of Council Tax for 2009/10 to Council;**
- 2. the Variation List of Growth Items as shown at Annexe 2;**
- 3. an additional budget of £55,000 in 2009/10 to cover the one-off costs of the Star Chamber proposals, to be funded from the Revenue Reserve Fund;**
- 4. the additional one-off budget of £50,000 in 2009/10 to implement the review necessary following the equal pay audit, to be funded from the Revenue Reserve Fund;**
- 5. the additional one-off budget of £15,000 in 2009/10 to consider establishing a credit union in Waverley, subject to a detailed business case being approved by Members, to be funded from the Revenue Reserve Fund;**
- 6. the List of Star Chamber Reductions as shown at Annexe 3; as amended by the following:**
 - (i) Provide £11,000 for the Exercise and Mobility post to provide the time to generate increased income to achieve a net saving of £11,000 (i.e. 50% of Star Chamber target saving P232);**
 - (ii) Provide a Local Business Support budget of £20,000 in 2009/10 during the economic downturn;**
 - (iii) Provide additional support of £10,000 within the Waverley Community Partnership (WCP) scheme with increased grant allocations as shown in Annexe 1 to Executive Minute No 172;**
 - (iv) Retention of the part-time Democratic Services post included in the Democratic Services overall staffing reduction £10,500 (P230);**

- (v) Provide for the establishment of a Environmental Health Training Post for a six-month period to support the Environmental Health service £15,500;
- 6a. that officers establish terms and conditions on how the Local Business Support budget should be operated in 2009/10, and to present them to the 31 March Executive;
- 7. the schedule of fees and charges as shown at Annexe 5;
- 8. the resultant General Fund Budget for 2009/10 as shown at Annexe 1;
- 9. to bring forward the target implementation date for the changes to the cash collection service approved in December 2008 from 1st April 2010 to the 1st November 2009;
- 10. the closure of Waverley's offices on Saturdays with effect from 1st November 2009;
- 11. the Changes to the establishment to approve the deletion of posts proposed in the Star Chamber savings lists (detailed at Annexe 4);
- 12. an annual contribution to the insurance reserve of £35,000, subject to review;
- 13. the contribution of £25,000 to the appropriate Reserve, as detailed in paragraph 43;
- 14. that the Financial Strategy be updated to take account of the decisions taken; and
- 15. a formal review of the General Fund Revenue Budget is carried out during July 2009 and reported to the September meeting of the Executive.