

Chairman of the Executive
Budget Speech – Council 16th February 2010

Madam Mayor, we have before us a complex set of recommendations related to the budget. My aim is to highlight the main issues and to put in context the key recommendations. Mike Band will continue the presentation and deal with the issues in more detail.

This is the third budget of this administration, and incidentally will be my last as Leader. For the General Fund budget, we set out at the beginning of this administration, as promised in our manifesto, to reduce the increases of previous years to as near as possible to inflation and to achieve, for the first time since Council Tax was invented in 1993 a budget that did not rely upon the use of balances to make up the shortfall between expenditure and income.

Following three years of extremely hard work by Officers spearheaded by Mary Orton and Paul Wenham, careful oversight by Members led by Mike Band and strong political guidance, this budget achieves both these aims. The headline recommendation is a Waverley Council Tax increase of 2.4 percent, the lowest equal in 15 years and in line with the RPI announced last month – indeed it is well below the RPI announced today of 3.7% – only the second time in 15 years that an increase has been at or below inflation as announced in January. It is the first time ever in the era of council tax that a Waverley balanced budget without the use of balances has been achieved. Mr Micawber would, at last, be proud of us.

It is also achieved at a time when our income from investments is at an all-time low and other areas of our business have been adversely affected by recession (car park income, planning fees are examples). Additionally, our Government grant was increased by a princely 0.5 percent - the equal lowest increase in the country, although an increase shared with many similar shire districts.

But it is not simply the increase that is important, it is the absolute level of Waverley's council tax. This increase of less than £4 a year (actually about 7p a week) for a band D home brings Waverley's council tax to £161.91p. This is the fourth lowest for a Surrey district, with one district at over £200 and three more at over £190. Waverley's share of the total council tax bill will remain at less than 11%, the balance being taken by Surrey County Council, the Police Authority and Town and Parish Councils. The exact percentage will of course depend upon what a town or parish precept is in any particular area.

We would, of course have liked this to be lower and no doubt there will be the usual cracked record from the opposition exhorting us to spend our savings on reducing the level. This should be robustly resisted. We have a healthy level of savings, but we have future uses for those savings – not least to keep the borrowing that has been agreed to finance our ambitious leisure centre refurbishment and rebuild programme, including a new Leisure centre for

Godalming, at the lowest level possible. We also face uncertain times ahead with an unsustainable national public sector annual deficit, caused by imprudent borrowing and no savings in the good times.

But the budget is not all about cuts, although I am sure Mike Band will mention the extremely good work in that area. We have very much taken into account the research that was undertaken into what were our residents' priorities. As a result we have, for example:-

- Given extra support for young people through increased investment in playgrounds
- Given extra grant for day centres
- Maintained full support for the CAB
- Extended "Don't lose your homes and business" for another year
- Given extra grant to Hoppa for vehicle replacement
- Introduced a budget for the first tranche of food waste collection
- Made a contribution to the Surrey Save Potential Credit Union
- Continued our support for local businesses, for example by paying the majority of our bills to them within 10 days. Indeed we received a prestigious award from the Surrey Federation of Small Businesses.

We have also not increased mainstream car parking charges (although we have reviewed certain specific car parks) for the second year running to ensure that our town centres remain viable and competitive. We are now, following their proposed increases generally only just over half the level of one of our Northern neighbours. We have introduced charges on Bank Holidays (except Christmas Day), but not in the evenings or on Sundays. I put this up front (it is expected to raise about £30,000 a year, less than a 1 percent increase) because I do not want it to be said that this was only in the small print.

That is all I want to say on the General Fund Budget, and Mike Band will refer to the recommendations on this subject, both revenue and capital.

I will now move on to the Housing Revenue Account. The headline recommendation is for a rent increase of 3.1 percent in line with the Government's guideline. The balances in the HRA account, which is legally quite separate from the general fund and thus in no way can or is supported by the council tax payer, are at rock bottom, we are taxed at 53 percent with a record £12.6 million of rent going to central government – just as was forecast when stock transfer was recommended nine years ago and opposed by Liberal Democrats - and we have no alternative but to make this recommendation.

Naturally we would like the increase to be lower, but then we will have to do less for our tenants – for example not re-introduce the decorating scheme. Another cracked record will no doubt come out making the populist proposal that we reduce the increase, in some way linking this to the Council Tax increase. Not only is there absolutely no logic or intellectual argument for this, but it would need a reduction in services supported by the budget, which no doubt the proponents of the reduction will point out, and define specifically what they would like us to stop doing.

We have, despite the very difficult financial position done really good things in housing – amongst other things undertaking significant double glazing, including the imminent work on all tenants' homes at Ockford Ridge, where we followed up the wishes of the tenants, and by overall reducing the number of homes not meeting the decent homes standard. By March 31st we will have addressed all of the Audit Commissions recommendations from their inspection.

Madam Mayor, those are the headlines, and you will note that I support completely the recommendations, and urge members to do likewise. There are likely to be the familiar calls to tweak this or reduce that, but our budget has been set in a comprehensive manner; it holds together well and must be viewed as a whole, not as individual bits.

Looking forward, there remain considerable challenges ahead for this year and the years to follow. First and foremost there will be the question of resources from government – would that this discredited government had followed Waverley's policy. Whichever party wins there will be tough decisions ahead. We therefore need to continue to review how we work, with shared services an important opportunity to reduce costs. But that comes with new ways of working, and our new Strategic Director, Jon Poore, is consulting widely as to the way forward.

Additionally, we will shortly be assessed for our Equalities score. The Local Development Framework advances in accordance with the agreed timetable, and we need to take a close look into how we best shape our cooperation and partnership with other agencies in the Borough through the Local Strategic Partnership.

In housing the future financial outlook is very challenging, the government now seem unlikely to make any serious offer to allow us to use our tenants' rents for their benefit before the next election and meantime we continue to be taxed at 53%. Even if they do, the portents are not encouraging – they seem determined to redistribute the existing debt of councils who spent profligately in the 1960s, to debt-free councils such as ours. A figure of £180 million debt has been estimated for Waverley, but we have to wait and see.

Thus, although we have achieved much in past three years, there remains work to be done. I know that this administration will rise to the challenge.

On a lighter note last year I made some promises of things we would not do. I am pleased to say we have met all those promises, but, although chips can be had in the canteen, we also received a "good egg" award for using free range eggs and were commended for our use of local produce and healthy eating options. Just occasionally I have to admit that our use of apostrophes is not yet perfect. We will work on that.

Finally, Madam Mayor, I should like to pay tribute to the work of all our staff this past year. I have witnessed considerable dedication in many areas and there is a real feeling that staff are here fully committed to improve the lives of our residents. And this is against the background that the poor economic circumstances has not permitted any across the board increase this year. On behalf of all Members I thank our staff for their work over the past year.

Those of you who did not fall into a coma at paragraph one, will have noted that I referred to this being my final budget speech as leader. That is because I have decided to retire, at the age of 70, from the Leadership at the May Council meeting. I look forward to serving under the new Leader, who will be selected by this administration from amongst our very capable and dedicated Conservative Members.

The past five years as Conservative group Leader, and three as Council Leader have been a great privilege for me, and I look back with pride at the achievements of this Council. These have been made possible by the dedicated work by Officers so ably led by Mary Orton and the support of, and often courageous decisions taken by, Members. I thank all those Members who have been Members of the Executive over the past three years. Their hard work, and grasp of their portfolio subjects has been very impressive and an essential component of the success of this administration. Mike Band has been a tower of strength as Deputy Leader whose wise guidance does not confine itself to the budget you now see before you. Thank you all.

Madam Mayor, for both the general fund and the Housing Revenue Account and for both capital and revenue, there are many detailed recommendations, which in due course we will go through in detail. I commend all these to the Council.

Portfolio Holder for Finance
Budget Speech 2010 – 16 Feb

Thank you Madam Mayor.

1.Introduction

Our Leader has, in his inimitable way, already covered the highlights of the Budget, but perhaps it would be helpful if I explained in more detail, some of the key factors which have led to these Proposals.

You have before you, a detailed Report - in 6 Sections: **One more than last year**

A.1- Budget Monitoring 2009-10

A.2 & A.3 General Fund Revenue & Capex

A.4 & A.5.HRA Revenue & Capex

A.6 - Council Tax Setting - a report detailing the actual amounts of Council Tax to be paid in our various Wards.

2.Budget Monitoring

I make no apologies for introducing the current year's latest **Budget Monitoring** report into the debate because it rightly is the **starting point** for next year's Budget.

As anticipated at this time last year, it has been difficult to predict how our revenue streams would perform – the severe downturn in the first half of the year, leading us to make further cost savings of around £480k in case these conditions persisted.

As it happens we have seen some limited economic recovery, so some of the provisions we made in September are no longer required and we have taken advantage of this together with our **Capital Monitoring** to enable £150K of **new projects** to be introduced during the last part of the current year.

I would **particularly draw** your attention to the proposed **£20k** Upgrade of **Careline** equipment & **£32K** support for **Haslemere Hall Roof**.

3.General Fund

Moving on to next year's Budget

On the **General Fund**, as Richard Gates has already explained, the recommendation is to **increase Council Tax by 2.4%**.

This against a background where, as last year, the **economic outlook** makes it very difficult to predict the **level of income** we will generate from Council activities.

Will the economy continue to improve slowly as we have seen over the last few months or will it fall back into double dip recession aggravated by rising inflation?

How can we compensate for the **loss of income** particularly investment income – 2007-08 =£1.7m+, 2009-10 = £650K, next year less than £300K.

We have based these proposals on the economy showing little further growth during the coming year and the report sets out the detailed Budget assumptions in Annexe 2 (P47).

Again as in this last year, we will review the situation in mid-year & if necessary make adjustments.

In the meantime through the Star Chamber process, we have found – or rather our **Heads of Service** have – a **further £1million** of savings on top of the **£2.6 million** already chieved over the **past 2 years**.

This has enabled us to at least **maintain current levels of support for existing key community organisations** as well as providing **over £260K for growth**, particularly of the services which we provide –

- making a start on **Food Waste Collection**.
- Increased grant to Hoppa
- Starting a new **Waverley Training Services** base in Godalming

Are just some examples and this is in spite of only receiving £30K increase in grant from Central government. A 0.5% increase when they claim that nationally they have increased grants to local authorities by 4%.

Another fundamental part of our strategy has been to move as quickly as possible to a position where our **revenue expenditure** is **balanced** by our income.

We **inherited** a revenue budget which relied on reserves & balance to the tune of **£600k** and although we had set ourselves the target of **eliminating** this within **4 years** - we will **now achieve it in three**, with no contribution being required from Reserves & Balances in these proposals.

It would seem that others at National & International level now aspire to what Waverley will have **already achieved**.

A **General Fund Capital** programme amounting to **£5.14m**, sees work continuing on the **re-furbishment of Farnham Leisure Centre**, the **start on the new Godalming Leisure Centre** and on a wide range of other projects.

New financial regulations mean that a significant portion of what has previously been treated as Capital expenditure must now be re-classified as revenue and so **Annexe 13 Analysis of General Fund Capital Schemes** – (p255-258) now shows both the source of funding & those items which will be now accounted for as revenue.

Where our capital programme is focused on Waverley's facilities it is driven by **spend to save**. Much of the current year's capital investment has led directly to budgeted Star Chamber revenue savings. And next years spend is targeted at making a significant contribution to revenue savings in 2011-12 .

If you look at the future projections of the General Fund – Annexe 9 (P241) you will see that we could need to find further savings in 2011-12 of between £1-2m, so as projects come forward for sanction we will be looking closely to ensure that they do make a significant contribution to this.

4.HRA

Turning to the **Housing Revenue Account** , I will be brief as our Leader has already said much & no doubt Councillor Webster will in due course say more.

In spite of vigorous representation, we remain faced with a **Negative Subsidy** amounting to **53%** of rental income - **£12.57m next year** .

You will no doubt recall the Government rent Guideline fiasco last year which caused us to have to re-bill all our tenants. This year draft **Government Guidelines** **recommend applying a 3.1% increase** and although this is disappointingly high, we feel that with the pressures on us to improve the standard of our housing stock & the knowledge that any lower rent increase

would still result in us paying 53% negative subsidy, it would be appropriate to recommend such an increase.

On the HRA Capital programme, members are already aware that our ability to make significant progress in **up-grading** our homes is severely **limited** by the funds available and this continues to be the situation for the immediate future.

5. Thanks

Madam Mayor – My comments cannot do justice to the huge amount of information contained in these Reports and I believe that we owe our thanks to all those who have contributed, particularly the Heads of Service who have clearly demonstrated that they are up for the challenge and to Paul Wenham and his team who have compiled this report.

I would also like to thank the O&S Committees & their sub-committees for the considerable amount of time which they also have devoted to reviewing the proposals & for their comments & recommendations.

6.Recommendations

Madam Mayor, -This report contains a total of 24 recommendations

- 1 Budget Monitoring,**
- 16 General Fund** and a further
- 7 Housing Revenue Account –**

I commend them all to Members -Thank you

