

## BUDGET SPEECH BY THE DEPUTY LEADER OF THE COUNCIL

Thank you Madam Mayor.

As our leader has already said, the circumstances surrounding the Budget Report this year are even more challenging than usual, with the current economic situation, the government grant reductions, and the future changes to the HRA. So I beg your indulgence if I take a little longer than usual to take members through the report and its recommendations

### 1. Introduction

You have before you a detailed Budget Report - in 6 Sections:

1 Budget Monitoring 2010-11

2 & 3 General Fund Revenue & Cap 2011-12

4 & 5 HRA Revenue & Cap 2011-12

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

They cover more than 260 pages so members have before them a summary paper which brings together all the report's recommendations.

2. Budget Monitoring is rightly 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 2009-10 year, leading us to be cautious in setting the budget for 2010-11.

As it happens we have seen some limited economic recovery with revenue streams performing better than predicted. So we have taken advantage of this to fund over £350k of additional expenditure including re-structuring costs, planning enforcement, additional capital projects and community schemes.

We have also proposed a change to the financing arrangements for our Leisure Centre Capital projects by reversing a £3.2 million loan made over 10 years ago to the HRA.

This will have no impact on HRA finance but will instead enable us to fund all of the new Godalming Leisure Centre from our own resources. Members may recall that at the time of the Godalming centre construction contract award, it was anticipated that borrowing £6.3 million would be required.

By using our own resources, we will save £160k next year and £210k in 2012-13. The overall effect on balances is shown in Annexe 8 where it can be seen that after maintaining the minimum General Fund Balance of £3m at 31 March 2011, the remaining Revenue Reserves amount to £2.25m and are available to fund future spend to save opportunities.

Members will also note that, as planned, we are on course to achieve a balanced budget this year – one year earlier than originally planned.

### 3.General Fund

Moving on to next year's Budget for the General Fund, as our Leader has already explained, the recommendation is for a 0% increase Council Tax.

This means that Waverley's Council tax remains unchanged at £161.91 for a band D property. Remarkably good value particularly when seen against a background of continuing high rates of inflation - RPI last month +4.8% -and a government grant reduction of 18.2%.

These proposals are only possible because of further cost savings amounting to over £2million which have resulted from a combination of the Foresight Programme and the Star Chamber review process. Members can now see the benefits of having agreed, in December 2009, to invest in the Foresight programme. The ability to make progressive savings in a planned manner over a number of years has - and will continue – to enable changes to be introduced with minimum disruption and once again no compulsory staff redundancies are envisaged in delivering these savings.

A General Fund Capital programme amounting to £5.77 million – a slight increase over the current year – is supported by £1.2 million of revenue funding and sees work continuing on the new Godalming Leisure Centre and on a wide range of other projects. Where our capital programme is focused on Waverley's facilities it is driven by spend-to-save.

I should make it clear, that in spite of our grant reduction, next year's General Fund Revenue Budget is based on improving not reducing the services which we deliver.

For example, we will continue to deliver our Leisure programme. We will continue to look at finding ways of improving our waste collection and recycling service, we will continue to improve our street cleaning, we will continue to support "Don't Lose your Home or Business."

Inevitably with such a poor grant settlement there will be some who are disappointed. At the beginning of the current budget year we did warn our community organisations that they should not expect Waverley to be able to maintain the current level of grant support and indicated that it could fall by 10%. In the event we have managed to limit our overall cut in grants to just 6.7% - and not the 18.2% cut imposed upon us. We will be carrying out an in depth review of all our grants and David Munro will probably wish to say more on this in due course.

We do plan, as in the last two years, to carry out a full mid year review of the budget that may give us some more flexibility but I can make no promises.

Madam Mayor, it is interesting to look back to the beginning of this administration's cost reduction programme in the 2008-09 budget and realise just how far we have come - by the end of the 2011-12 budget year, General Fund savings of over £4.9 million will have been achieved – a 27% saving over base cost. If our programme is continued as planned, these savings will increase to 32% of base cost by the end of 2012-13

Madam Mayor – I look forward to the day when our coalition government ministers can demonstrate that their departments have achieved comparable savings.

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

In spite of vigorous representation, we remain faced with a Negative Subsidy amounting to 51% of rental income - £12.83m next year- the highest in the South East.

This year Government Guidelines recommend a 7% rent increase for Waverley – nationally 6.8% - and although this is disappointingly high, we feel that with the pressures on us to improve the standard of our housing stock, particularly as we have applied for a £10.34 million grant from the Homes and Community Agency (HCA), we must reluctantly recommend such an increase.

We have discussed this with our Tenants' Panel and they confirm that their priority is to see Decent Homes Standard achieved as quickly as possible and support our approach.

We also need to recognise that some 61% of our tenants receive housing benefit and so would be protected. Any lower rent increase would still result in us paying the negative subsidy.

Although not under the Budget Report, we are including proposals to have PV panels installed on our properties where they prove to be suitable. Tenants of such properties will benefit from the electricity generated possibly up to £125 per year and the “roof rental” which we will receive would be put to property improvements, with those tenants whose properties not benefiting from PV panel installation having priority. We will come to the details of these proposals later in this evening's agenda.

Members are probably aware that after next year, the negative housing subsidy is to be replaced with debt - £189million is the current proposal – so the HRA will be no better off.

We are still making strong representation that this an extremely inequitable settlement for Waverley but the best that we can hope for is that we might receive some mitigation through the award of the HCA grant referred to earlier

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 deeply dependant on the outcome of the HCA grant award.

## 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 and their sub-committees for the considerable amount of time which they also have devoted to reviewing the proposals and for their comments and recommendations.

## 6. Recommendations

Madam Mayor, this report contains a total of 30 recommendations  
2 in Budget Monitoring,  
15 in the General Fund, a further  
13 in the HRA and  
1 on Council Tax Setting

I commend them all to Members. Thank you.