



# Waverley

•BOROUGH COUNCIL•

## **FINANCIAL STRATEGY**

**UPDATE – JULY 2008**

2008/09 – 2010/11

# **FINANCIAL STRATEGY**

## **2008/09 – 2010/11**

### **WAVERLEY BOROUGH COUNCIL**

#### **INTRODUCTION**

Waverley's Medium-Term Financial Strategy is well established and embodied in the workings of the Council. The annual Members' Finance Seminar and the budget process updates the Council's 3-year strategy which is composed of many elements relating to different aspects of Council business. The Financial Strategy is driven by the Corporate Plan and it links Waverley's other key corporate strategies including information management, customer service, workforce plan, asset management and risk management.

#### **Purpose**

The Purpose of this Strategy is to:

- define the aims of the Council in financial terms;
- demonstrate how sufficient resources will be available to meet the Council's objectives and priorities, particularly in the delivery of value for money;
- identify actions necessary to address the financial pressures;
- inform the Council's strategic planning and policy making;
- set the parameters for budget setting; and
- demonstrate stewardship of community resources.

#### **Timeframe**

The elements of the Financial Strategy relate to current and future years. This document considers the period of Waverley's Corporate Plan to 2010/11 and builds on the budget decisions agreed by the Council in February 2008. The impact of the outturn position in 2007-08 is also included in the Strategy.

#### **Audience**

This Strategy is primarily for the benefit of Members and officers in the first instance but it also has a wider audience of interested parties including local residents, Local Strategic Partners, Registered Social Landlords, the Audit Commission etc. The Strategy is widely communicated and included on Waverley's website. Members discuss the issues in detail at the annual finance seminar and develop the Strategy throughout the budget-setting process.

## **SUMMARY – FINANCIAL STRATEGY KEY ISSUES AND OPPORTUNITIES**

### General Fund:

- How to eliminate the dependency on reserves by 2010/2011
- Focusing resources on Corporate Plan objectives and priorities and LAA targets
- Further external budget pressures and Government legislation
- How to achieve additional income from grants and charging
- Spending on public services in an area with a diverse population and geography
- Future Government grant settlements and meeting challenging efficiency targets
- Restriction on council tax levels through capping and gearing effect
- Funding the Capital Programme in the longer-term
- Achieving social inclusion and providing accessible, affordable services for the Borough's most vulnerable residents
- Rising inflation and energy costs and dependency on investment interest.

### Housing Revenue Account:

- Funding Decent Homes works
- Achieving cost savings to balance to HRA in future years
- Future rent levels
- Responding to the changing needs in the sheltered housing service
- Maintaining service levels as Housing Subsidy paid to the Government increases

### Capital Programme:

- Delivering the Leisure Centre Strategy
- Funding Decent Homes works
- Improvements and maintenance of assets
- Providing Affordable Housing
- Delivering planned programmes and utilising new funding sources

## **SUMMARY – FINANCIAL STRATEGY KEY POLICIES**

Reserves and Balances will be held to support unforeseen costs, in particular:

- The General Fund balance will be maintained at a prudent level of at least £1million;
- The Housing Revenue Account balance will be maintained at a prudent level of at least £1 million;
- The Revenue Reserve will be used to support the General Fund Capital Programme and one-off items of revenue and capital expenditure;
- The Revenue Reserve Fund will contribute a base figure of £1.6 million each year to capital, subject to an annual review;
- The Insurance Reserve will be retained at a level that is sufficient to meet any potential claims from MMI.

Other key policies include:

- Continue to identify savings and efficiency gains in budgets in the light of the underlying budget deficit and Waverley's Efficiency Strategy;
- Use Prudential Borrowing only when projects generate income and when there is a strong business case;
- Housing capital receipts will continue to be spent on housing capital schemes with the first £500k available each year (after pooling) to be spent on decent homes works.

## **KEY ACTIONS**

- Continue the 'Star Chamber' reviews to ensure budgets deliver good value for money and are aligned to Corporate Plan priorities
- Ensure new funding opportunities are secured to deliver priority services and projects
- Model and monitor sensitivities on key budget areas eg. Inflation, interest etc.
- Submit a robust case to the Government's review of the housing subsidy system
- Rigorously test all capital proposals for relevance and deliverability.
- Clearly link the Financial Strategy to other key reviews including asset utilisation, customer and information management, workforce planning and procurement.
- Develop system for delivering projects using planning infrastructure tariff funds.

## REVENUE – GENERAL FUND

### Budget Strategy

In setting each year's General Fund Revenue Budget, Waverley aims to achieve the following objectives:

- allocate resources to the key Corporate Plan objectives and priorities
- eliminate any surplus budgets
- maximise income
- ensure priority areas are adequately resourced including contractual commitments
- budgets which support Waverley's medium-term aims
- review the adequacy of budgets for maintenance of assets
- review spending on non-priority areas
- achieve the efficiency target requirements

Whilst in general, an incremental approach is adopted in setting the revenue budget, it is important that the necessity and level of every budget is considered against Waverley's corporate objectives. It is not proposed to undertake a comprehensive zero-based budget process, however, the 'Star Chamber' process approach will continue to be used to set future budgets to:

- Identify and review discretionary expenditure to seek to create opportunities for switching this resource to other priorities.
- Review controllable budgets to identify potential savings, efficiency gains or income-earning opportunities, taking account of past years spending patterns.
- Identify each year, known or possible significant budget variations for the 3 years following the budget setting year from service plans. Appendix 1 identifies the estimated major variations, over and above the approved 2008/09 Budget, for the period 2008-09 to 2010-11. These include the recurring variations identified in the 2007-08 outturn.
- Consider the sensitivity of budget figures, particularly income, and any risks and opportunities that impact on the figures.

### Use of Balances

We aim to maintain a prudent level of balances to support revenue spending and finance unforeseen events. As part of the 2008/09 Financial Strategy preparations, balances were reviewed to ensure that they were adequate and that dependency on balances is kept within sustainable limits. The Deputy Chief Executive reported to the Council on the adequacy of financial reserves in February 2008 as a part of the budget setting process. The prudent level of General Fund balance in the medium-term is shown in Appendix 1. This level has been set with regard to the Council's needs and it takes account of known risks and opportunities. Analysis of the impact of variations in key factors is modelled and used to inform the Strategy.

The balance at 31<sup>st</sup> March 2008 is greater than the previous projected level and above the approved prudent level. This increase has arisen as an overall result of managed underspends, efficiency gains and improved income in many areas. Therefore the benefits of improved cashflow and the consequent interest earned outweigh the limited impact on service provision.

## Council Tax Levels

Waverley's General Fund budget is funded approximately 43% from Government grant and 57% from council tax. Therefore, in broad terms any percentage increase in net General Fund expenditure above inflationary levels will result in high council tax increases. As Waverley is protected by the current 'floor' mechanism in the government grant settlement formula, it is now known that we will only receive 0.5% increase in grant for the foreseeable future.

In the medium-term, the main areas affecting council tax levels are:

- the cost of new government requirements and priority services
- the dependency of balances to support the revenue budget
- the continued revenue funding of the capital programme
- the ability to continue to identify cost savings from the base budget
- the cost of pensions
- the sustainability of income levels
- the rising inflation levels, particularly energy and fuel costs
- the potential to borrow to fund capital investment
- the Government's council tax capping criteria

Waverley must continue to set its council tax increase at a level which avoids capping. In each of the last two years, a number of Councils were capped with potentially significant costs and cashflow implications.

## Budget Issues

### Key Strategy Issues for the General Fund:

- How to eliminate the dependency on reserves by 2010/2011
- Focusing resources on Corporate Plan objectives and priorities and LAA targets
- Further external budget pressures and Government legislation
- How to achieve additional income from grants and charging
- Spending on public services in an area with a diverse population and geography
- Future Government grant settlements and meeting challenging efficiency targets
- Restriction on council tax levels through capping and gearing effect
- Funding the Capital Programme in the longer-term
- Achieving social inclusion and providing accessible, affordable services for the Borough's most vulnerable residents
- Rising inflation and energy costs and dependency on investment interest.

The underlying deficit on the General Fund was reduced from £600,000 in 2007/08 to £250,000 in 2008/09. This gap is currently being met by contributions from the General Fund Balance. This is not a sustainable position in the long term and it is a key corporate priority to achieve a balanced budget by 2011.

In terms of superannuation, the recent formal revaluation as at April 2007 impacted on the 2008/2009 Budget, increasing costs by £150,000pa. The Government has introduced an updated statutory scheme from 1<sup>st</sup> April 2008, which aims to keep costs under control and make the scheme attractive to new employees. The revaluation will assess the fund's performance and assess future liabilities to determine contribution rates.

Maintaining the Council's capital assets with an inadequate resource base, continues to be a major pressure which can affect the revenue budget either through increased running costs, reduced income from assets and demands to continue with a significant revenue contribution to pay for capital expenditure.

### **Efficiency Target**

Waverley is required to identify a cash-releasing efficiency saving of 3% per annum from 2008/09 to 2010/11 and the Council is developing its plan of how to achieve this target over the period. Waverley exceeded its target for the previous 3-year period, mainly through successful procurement, particularly in the environmental services tenders. However, these savings cannot be counted again towards the new target so it will be increasingly difficult to meet the target from an already lean budget.

In the last two years the Council has achieved its staff budget savings target through careful management of vacancies. In addition the senior management restructure in January delivered major savings and this will be reviewed later in 2008. However, a further £300,000 target is included in the 2008/09 Budget and officers do not consider that further staff reductions will be achievable without impacting on services.

### **Key Partnerships**

The Council remains committed to the Waverley Sponsored Organisation Scheme (SOS) which continues to provide a significant level of revenue funding, currently £0.6m, to a large number of charitable and voluntary organisations in the borough.

- The application and assessment criteria for the SOS is reviewed each year to ensure that the scheme continues to support corporate objectives and priorities
- The effectiveness of the annual funding applications are also reviewed

Waverley Borough Council is a key partner in the Waverley Local Strategic Partnership. This partnership is concerned with areas where joint working across a number of public bodies and agencies can improve and join-up services to local people and deliver Waverley's and the wider LAA targets.

The Council plays a key role in the Safer Waverley Partnership (SWP), working with the Police and other organisations to provide a safe environment for the Borough's residents and visitors, a key priority for Waverley. The SWP will spend around £150,000 in 2008-09 with

Waverley contributing £15,000 and officer time. The core funding transferred from GOSE to Surrey County Council in 2007-08 and the overall funding agreed has reduced in 2008/2009.

### **Collection Fund**

Waverley's Collection Fund accounts for all the transactions relating to the collection of Council Tax and Business Rates, the payment of precepts to Surrey County Council, Surrey Police and the Towns and Parish Councils and the payment of Business Rates over to Central Government.

Waverley has an excellent track record of achieving high collection rates on both Council Tax and Business Rates in recent years. Good cashflow is critical to Waverley's business and it remains a key financial strategy aim to continue to push for high collection rates using efficient systems of collection.

### **Unforeseen Events**

Waverley will continue to use its balances and reserves to support unforeseen non-operational events subject to the necessary approvals as required by the Financial Regulations and Waverley's Constitution.

### **Funds and Reserves**

Waverley holds a number of funds and reserves for a range of specific and general purposes. Unless otherwise approved, these amounts must be used for their intended purpose and support Waverley's key objectives. The following provides more detail on the key General Fund reserves and funds.

**Revenue Reserve Fund** – this is a well-established reserve that is used mainly for supporting the capital programme and one-off items of revenue and capital expenditure. Its prime funding is from an annual contribution from the General Fund representing repayments of capital advances. Appendix 5 shows the Revenue Reserve Fund current balance and projections for the next 4 years.

**Insurance Reserve** – At the 1<sup>st</sup> April 2008 the Insurance Reserve stands at £320k. Council policy is to keep an amount which is considered to be sufficient to meet any possible future claims from the Municipal Mutual agreement in this reserve.

**Insurance Fund Reserve** – Council policy is to keep an amount in this reserve which is considered to be sufficient to cover potential claims arising from previous staff-related self-insurance.



### General Fund Revenue Reserves

	<b>Balance 1/4/08 £,000</b>
Revenue Reserve Fund	6,191
Capital Fund	426
Insurance Reserve	320
Insurance Fund Reserve	273
Renewals Fund	101
General Fund Working Balance	2,821
	<hr/>
	£10,132
	<hr/> <hr/>

### **Equality Impact Assessment**

Waverley's Medium Term Financial Strategy aims to ensure that the Council can deliver its services and target its resources on priority areas. These priorities were developed having regard to the Council's approved Equality and Diversity policy. This Strategy recognises Waverley's diverse population and its unique geography and is intended to have a positive impact on the most disadvantaged and vulnerable citizens by focusing resources on providing affordable and accessible services throughout the Borough.

## **HOUSING REVENUE ACCOUNT (HRA)**

The HRA is the Council's landlord account and contains only the costs and income from managing and maintaining the Council's dwelling stock. There are currently 4,900 properties.

### **HRA Revenue Budget**

Statute requires the Council to avoid a deficit on each year's budget. The Council must therefore estimate as accurately as possible the total level of income it will need to raise from rents having regard to the estimated cost of managing and maintaining the properties each year, taking account of the payment of subsidy to the Government and likely income from charges for services and facilities.

There is still pressure for the Council to meet the Government's decent homes standard although by a slightly later deadline of 2012. However, as the Council does not have the capital resources available to implement a major programme of works and improvements, there is likely to be increased need for unplanned day-to-day repairs.

### **HRA Savings**

Significant savings have had to be made in the 2008/09 budget in order to fund the anticipated level of negative subsidy. A significant sum has been cut from the cyclical maintenance budget and further major savings have been achieved by implementing changes to the delivery of the sheltered housing service following lengthy review. In addition, wide ranging smaller savings will be made in all parts of the landlord service to deliver over £900,000 of reductions. As a result, Waverley has increased average rents by 4.4% in line with Government guidelines. Without service reductions and savings, Waverley would have had to levy an average rent increase close to 10%.

A further staff budget savings target of £100,000 has been included in the 2008/2009 HRA budget.

### **Rent Restructuring**

This is the Government's approach to the calculation of social rents introduced from April 2002. The aim of the policy is that social rents on similar houses in the same area should be the same, regardless of who is the landlord. The key to achieving the policy objectives is a common formula for both local authority landlords and Registered Social Landlords (RSLs). The formula reflects

- Relative property values
- Local earnings
- Property size

Whilst the Government originally wanted the restructuring process to be complete by 2012, pending the outcome of its review of the subsidy system it has extended the original deadline

by five years. It is also concerned to limit changes in rent levels in any one year by applying a cap of inflation plus 0.5% plus £2 with an additional requirement that average rent increases in 2008/09 should not exceed 4.4%. For 2008/09 Waverley's Members agreed that rents should increase by the Government guideline rate of 4.4%.

Waverley has introduced the principles of rent restructuring to its rent setting process since 2002 and calculated target rents for each of its properties. However, the requirement to set a balanced budget for the HRA means that there are conflicting pressures between the Government's policy aim of restricting annual rent increases and the level of service provision to tenants.

Waverley's policy in the next two years is to continue with the rent restructuring process until convergence is achieved.

### **Government Housing Subsidy**

For the foreseeable future, Waverley will be paying a significant amount in housing subsidy to the Government from the HRA equivalent to the surplus of income over expenditure based on a notional HRA. The calculation is based on a series of Government assumptions about the level of rents Waverley will charge, the amount it will spend on management and maintenance of the stock etc. This calculation produces a notional surplus that was previously used to offset the cost of rent rebates with subsidy being paid on any balance. Negative Housing Subsidy, that reduces the amount available to support the council housing service, now totals £10.8m p.a.

The Government is reviewing the housing subsidy system and Waverley is leading a group of other local authorities in the production of a submission making the case for a fundamental reform of the current subsidy system.

### **Supporting People**

In 2003/04, the Government introduced its Supporting People (SP) regime. This replaced a number of funding streams with a single SP grant used to pay for the provision of housing-related support services such as those provided for tenants of Waverley's sheltered accommodation. Initially Waverley received some £0.8m SP grant thus freeing up an equivalent amount within the HRA that was previously used to fund these support services. In each year £300,000 of this was required to fund the cost of those tenants receiving support services who are not in receipt of Housing Benefit. The balance was used to fund Decent Homes repairs. The SP funding is now gradually reducing due to Government constraints and, following review of Waverley's services, a 25% reduction in SP funding is being imposed in the three years commencing 2006/07. The agreed contract payments for 2008/09 have incorporated a further reduction in addition to the balance of the 25% reduction but these prices should now be fixed for three years.

The Financial Strategy will be revised as more information about future SP funding is available. As the Government expects authorities to set rents with regard to rent restructuring, it has not expected rent levels to reduce as a result of the introduction of the SP funding. The total amount of SP funding is cash limited and, as reviews are carried out, there are potentially serious implications for all support providers for some of the less popular housing schemes or those that are perceived as being costly to run.

## Pressures/Constraints

### Key Strategy Issues for Housing Revenue Account:

- Funding Decent Homes works
- Priorities v Non Priorities
- Future rent levels
- Meeting increasing Negative Subsidy payments to the Government
- Rent Restructuring
- Withdrawal of Supporting People Funding
- Identifying savings on the revenue account to help manage all of the above

## Use of Balances

A prudent level of working balance is maintained to support revenue expenditure for unforeseen items or to meet fluctuations in income. Given the current level of HRA balances at just under £1m, it is not an option to use balances to keep rent levels down. The balances are shown in Appendix 3 together with a summary of the main pressures facing the Housing Revenue Account.

## Decent Homes Standard

A major Government policy initiative is the introduction of the Decent Homes Standard and the requirement laid upon all local authorities and housing associations to bring the stock they own up to the Government's 'decent' standard by 2010.

One of the Council's key strategic housing aims, recognised in the Housing Strategy update, is investment in the existing housing stock to meet the Decent Homes Standard. Waverley's HRA Business Plan also recognises the importance of the Decent Homes Standard and details how the extent of its 'non-decent' property is being quantified.

The financial regulations applied to Waverley, with negative housing subsidy of £10.8m not available to council housing, and capital receipt pooling whereby 75% of capital receipts are similarly not available to improve housing services, means that the Decent Homes Standard cannot be achieved.

This position has been recognised by the Council and the Government Office of the South East.

The Council nevertheless is working to maximise opportunities to secure extra resources and optimise the benefits from its spending.

## CAPITAL FINANCING

### Prudential Borrowing

It is current policy to borrow only when a Capital Scheme generates sufficient reserve saving to meet the borrowing costs. Currently Prudential Borrowing has been approved to finance the Weyhill Car Park scheme and up to £5million to part-fund the leisure capital improvement programme. Both schemes are expected to generate significant income to partly-offset the borrowing costs.

Whilst either Prudential Borrowing or further use of the Revenue Reserve Fund could fund future capital requirements, avoiding further use of the Revenue Reserve Fund will tend to maximise flexibility because it can be used for both revenue and capital purposes, whereas Prudential Borrowing may only be undertaken for capital purposes. The Revenue Reserve Fund is also a finite resource.

### Capital Receipt Pooling

From 1<sup>st</sup> April 2004, the Government's new pooling regime took effect which requires Waverley to pay a proportion of its housing capital receipts to the Government. 75% of right to buy receipts and 50% of other receipts are pooled.

### Revenue Contributions

Waverley can finance its capital expenditure directly from its revenue accounts, or from reserves or earmarked funds, which also technically count as revenue contributions. In addition the Council is required to charge a specified sum known as the Major Repairs Allowance (MRA) to its Housing Revenue Account for the purpose of financing major housing repairs.

Waverley operates the following revenue funds within its General Fund:

- Revenue Reserve Fund
- Capital Fund
- Vehicle Renewals Fund

### Revenue Reserve Fund

It is Council policy to credit interest on the balance of the Revenue Reserve Fund to the General Fund. Interest on usable housing capital receipts continues to be credited to the Revenue Reserve. The balance at 1/4/08 is £6 million and Appendix 5 shows the projection over the next 4 years.

The General Fund revenue budget depends on the Revenue Reserve Fund to help meet the underlying deficit of expenditure over income. It is estimated that this draw on the fund will reduce the balance to just over £3 million by the end of 2010/11.

### Capital Fund

The Capital Fund has been set up solely to finance capital expenditure, but otherwise operates on the same basis as the Revenue Reserve Fund. The Capital Fund is of a much smaller scale at around £0.4 million.

## **Vehicle Renewals Fund**

The purpose of the Vehicles Renewals Fund is to finance the replacement of Waverley's small fleet of vehicles on a planned basis. Contributions are charged to the General Fund and paid into the Fund to even the impact of the cost of new vehicles in any one year's accounts. Purchases of vehicles are financed from the Fund. As most of Waverley's services are provided by contractors, the vehicle fleet now consists of just 6 vehicles.

## **Capital Receipts**

Waverley has a property portfolio and capital receipts arising from this are an important element of financing of Waverley's capital expenditure.

The main source of capital receipts is right-to-buy sales of properties within the HRA. These continue to fall steeply and in 2007/08 were only £1.7m, 75% of which has to be paid to the Government. Capital receipts also arise from sales of land and access rights within both the General Fund and the HRA. Appendix 4 shows the projected capital receipts balances over the next 4 years.

Ring Fencing does not apply to capital receipts, so Waverley could use the capital receipts arising from right-to-buy sales to finance any General Fund schemes. However, Council policy is for these receipts to be used for Housing purposes; with the first £500k available each year (after pooling) to be spent on decent homes.

Currently, an average of £500,000 pa of General Fund receipts are allocated for financing the General Fund Capital Programme. However, from time-to-time major capital receipts arise from Waverley's Property Strategy and these provide an opportunity to supplement the Capital Programme.

## CAPITAL EXPENDITURE

### Capital Strategy & Asset Management Plan

Waverley's Capital Strategy covers all aspects of Waverley's capital expenditure and provides a high-level four-year plan of the Council's investment priorities.

The Asset Management Plan has been developed to ensure that the Council takes a corporate and strategic approach to managing its corporate assets. It is designed to link asset management to continuing and improving service delivery.

Both the Capital Strategy and Asset Management Plan recognise the key role of capital investment in achieving delivery of Waverley's corporate and service objectives, and seek to ensure that optimum benefit is obtained for the residents of the Borough from the limited available capital resources.

### Existing v New

A considerable proportion of Waverley's Capital Programme represents expenditure on existing assets. There are major increasing demands for this sum to be increased. In the case of the HRA The Major Repairs Allowance is in the region of £3 million pa. In contrast, the Capital Programme also includes new schemes representing high-profile growth in service delivery. The Council has to balance the resources available between these varying demands.

The Council's Executive prioritises capital schemes after receiving advice from officers and Overview Committees. The following criteria are used in the prioritisation process:

- The extent to which a particular scheme achieves the Council's key corporate objectives.
- Investment to improve service delivery, especially to achieve improvement plans following Service Reviews.
- Investment required to maintain current service provision.
- Investment that will lead to cost savings or income generation.
- The level of community support for particular proposals.

The Council has agreed that priority be given to health and safety schemes and those which reduce the impact on the General Fund revenue account in future years. The full list as agreed by Council in priority order is:

Priority	Category
1	Health & Safety
2	Disabled Facilities Grants
3	Disabled Discrimination Act works
4	Schemes that deliver the Leisure Strategy
5	Maintaining Income Stream or reduce revenue costs
6	Maintaining Council Assets
7	Maintaining Services
8	Implementing initiatives to improve customer service
9	Farnham Maltings Grant
10	Partnership funding and other Service Developments*

\*Officers will continue to seek additional sources of funding.

## Pressures/Constraints

### Key Strategy issues for the capital programme:

- Delivering the Leisure Centre Strategy
- Funding Decent Homes works
- Improvements and maintenance of assets
- Providing Affordable Housing
- Delivering planned programmes and utilising new funding sources

Appendix 4 identifies the key pressures on the capital programme.

Capital resources remain extremely limited whilst proposed capital schemes greatly exceed the available resources for the Strategy period. Officers through the Asset Management Group are currently assessing capital schemes in order to feed them into the budget process in the autumn.

## General Fund

Waverley's General Fund Capital Programme includes schemes designed to deliver the service priorities for all of the Council's services, other than HRA and affordable homes. These are set out in detail within the appropriate service strategies and summarised within the Capital Strategy under the headings of:

- Corporate Services
- Information Technology
- Leisure Services
- Planning & Building Control
- Property & Development Services
- Environmental Services

The General Fund Capital Programme is based on existing and expected funds although currently capital bids exceed available resources. It is regarded as a base-level Programme, which may be supplemented should additional resources be generated through the Council's property strategy or through partnership funding opportunities.

## Housing

The Housing Services' requirement for capital resources attempts to strike a balance between the Council's roles as:

- Strategic Housing Authority for the whole of the Waverley area;
- landlord for nearly 5,000 dwellings;



- housing enabler in the Waverley area and partner to Registered Social Landlords through providing Social Housing Grant; and
- partner to private-sector landlords and homeowners through providing House Renovation Grants.

The outcome of the stock transfer ballot has had a major impact on Waverley's capital programme in the future. Previously the housing Capital Programme was based on the Council's Housing Strategy Statement and Housing Investment Programme. These documents have been developed in consultation with tenants and a wide range of partners in the statutory and voluntary sector including the Government Office for the South East and the Housing Corporation. Following the tenants' decision to remain with Waverley as their landlord, due to limited resources, a new approach had to be taken.

In approving the 2008/09 Capital Programme, the Council agreed to continue the following priority order for HRA capital expenditure:

- Health and Safety Works
  - Heating upgrades
  - Re-wiring
  - Asbestos removal
  - Tree, risk management
- Disabled Adaptations
- Homeless Hostels
- Other decent homes work

To respond to the pressures on the HRA Capital Programme, further work will be undertaken in the future which may include:

- the sale of parcels of land on housing estates
- the trickle transfer of void properties that the Council cannot afford to repair
- one-off sales of dwellings unsuitable for general needs housing and/or costly to repair

<b>Developers' Contributions</b>
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Waverley receives contributions from developers to compensate for the 'strain' on public services and infrastructure when a large-scale development is agreed through the planning process. These amounts are generally for specific purposes, such as the provision of affordable housing, children's play facilities or highways improvements. Waverley has approved the implementation of a planning infrastructure tariff which will require large and small developments to contribute towards improving public services. This new source of funds could potentially bring significant addition funds to the Council in future years but the timing and value is uncertain and the fund will be received when the developer starts on site rather than at the point that planning permission is given.

These tariffs have clearly identified elements, some of which relate to the services of other public bodies. Waverley will develop a process for identifying and delivering projects and initiatives that help deliver key priority areas, having regard to any restrictions on the use of the funds and the geographical source of the payments. Officers will work with other funding bodies and community organisations to lever in more funds to maximise the value achieved.

## INVESTMENTS

### Treasury Management Policy

The Council's Treasury Management Policy and Investment Strategy follow best practice and are reviewed annually. These policies determine how Waverley's investments and cashflow are managed and they define approved investment limits for the year which are based firstly on risk minimisation and secondly on maximisation of return.

### What the investments are used for

Waverley's investments are held for two main reasons. Firstly, they are used to provide cash flow for Waverley's short-term needs, eg. Precept payments. Secondly, they represent the cash behind Waverley's funds, reserves and balances such as the capital receipts. As these reserves are used to fund expenditure, the level of investments will reduce. The total investments held at 31 March 2008 is around £31million, of which approximately £23 million represents the revenue and capital balances and reserves and the remainder of some £8 million is used to manage the day-to-day cash flow.

### Forecasts

Currently, nearly all of Waverley's investments are held for period of less than one year. As approximately £23 million of the investments represent capital and revenue reserves, a longer-term view could be taken on this proportion, taking into account the projected draw on these funds.

**ESTIMATED MAJOR VARIATIONS TO GENERAL FUND REVENUE BUDGET**

	New Legislation Y/N	2008/2009 £'000s	2009/2010 £'000s	2010/2011 £'000s
Additional planning costs	N	100	100	100
Revenue cost of leisure centres	N	-	60	60
Leisure Centre Maintenance	N	?	?	?
2008/2009 Budget monitoring position	N	-106	-106	-106
Inflation			400	800
Other service improvements/pressures			200	400
<b>Total</b> (to be met from savings /council tax)		-6	654	1,054

The list will be developed during the year

**GENERAL FUND REVENUE BALANCE**

	Actual 2007/2008 £'000s	2008/2009 £'000s	2009/2010 £'000s	2010/2011 £'000s
Estimated balance at start of year	2,765	2,821	2,385	2,135
Less – Revenue carry forward		186		
Net movement in the year	56			
Less – Contribution to Revenue		250	250	
Estimated balance at end of year	2,821	2,385	2,135	2,135

## COUNCIL TAX

**Council Tax Increases**

	2003-04 %	2004-05 %	2005-06 %	2006-07 %	2007-08 %	2008-09 %
Waverley						
- Inflation	3.0	3.0				
- Legislation	6.0	3.2				
Sub-total	9.0	6.2	4.9	2.4	2.7	4.4
Surrey CC	17.9	4.4	3.5	5.0	4.4	4.8
Surrey Police	40.1	8.9	4.9	5.8	4.9	9.7
Parishes (average)	9.0	2.4	4.5	7.8	2.1	4.4
<b>Overall Increase</b>	<b>18.9</b>	<b>5.1</b>	<b>3.9</b>	<b>4.9</b>	<b>4.2</b>	<b>5.4</b>

**Funding of General Fund Revenue Budget 2008-09**

	£m	%
Redistributed NNDR	5.3	36
Revenue Support Grant	0.7	5
Balances	0.3	2
Council Tax	8.2	57
<b>Total</b>	<b>14.5</b>	<b>100</b>

**ESTIMATED MAJOR VARIATIONS IN HRA BUDGET**

	2008/2009 £'000s	2009/2010 £'000s	2010/2011 £'000s
Increased housing subsidy payment to the Government	900	1,800	2,700
Reduced supporting people funding	50	50	50
<b>Total</b>	<b>950</b>	<b>1,850</b>	<b>2,750</b>

The list will be developed during the 2009/10 budget process

**HOUSING REVENUE ACCOUNT BALANCE**

	Actual 2007/2008 £'000s	2008/2009 £'000s	2009/2010 £'000s	2010/2011 £'000s
Balance at start of year	1,327	925	1,157	1,077
Net amount to / (from) balance	(402)	232	(80)	(77)
<b>Balance at end of year</b>	<b>925</b>	<b>1,157</b>	<b>1,077</b>	<b>1,000</b>

### ESTIMATED MAJOR PRESSURES ON THE CAPITAL PROGRAMME

Existing assets
Information technology
Implementing Electronic Govt.
Community Partnership Fund
Affordable Housing
Decent Homes
Leisure provision in Godalming
Improvements in other leisure facilities – Farnham leisure centre, play areas etc.

The list will be developed during the year and quantified

### ESTIMATED CAPITAL RECEIPTS

	Actual 2007/2008 £'000s	2008/2009 £'000s	2009/2010 £'000s	2010/2011 £'000s
General Fund balance at start of year	1,192	1,147	847	347
Usable receipts in year	180	100	100	100
Less financing of capital programme	225	400	600	300
<b>General Fund - Balance at end of year</b>	<b>1147</b>	<b>847</b>	<b>347</b>	<b>147</b>
HRA Balance at start of year *	12,745	10,357	5,561	3,692
Usable receipts in year	2,237	500	500	500
Less financing of capital programme	4,625	5,296	2,369	1,219
<b>HRA - Balance at end of year</b>	<b>10,357</b>	<b>5,561</b>	<b>3,692</b>	<b>2,973</b>
<b>Overall Total</b>	<b>11,504</b>	<b>6,408</b>	<b>4,039</b>	<b>3,120</b>

Notes: 1) \* £2.3m earmarked for affordable homes

2) No estimate is included for the East Street development capital receipt

## Appendix 5

### GENERAL FUND REVENUE RESERVE FUND

	Actual 2007/2008 £'000s	2008/2009 £'000s	2009/2010 £'000s	2010/2011 £'000s
Balance at start of year	6,027	6,191	4,541	3,091
Add – net contributions to fund	1,584	1,600	1,600	1,600
Add – interest on Capital Receipts	691	300	100	100
Business Incentive Grant received	97	?	0	0
Less – funding of revenue expenditure	150	0	0	0
Less – funding of capital expenditure	2,058	3,550	3,150	1,650
<b>Balance at end of year</b>	<b>6,191</b>	<b>4,541</b>	<b>3,091</b>	<b>3,141</b>

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