

# APPENDIX B.2

## WAVERLEY BOROUGH COUNCIL

### EXECUTIVE – 2 FEBRUARY 2010

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**Title:**

**FINANCIAL STRATEGY 2010/11 – 2012/13  
DRAFT GENERAL FUND REVENUE ESTIMATES 2010/11**

[Portfolio Holder for Finance: Cllr M H W Band]  
[Wards Affected: All]

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**Summary and purpose:**

This report advises the Executive of the latest position regarding the General Fund Revenue Estimates. The report contains observations from the Overview and Scrutiny Committees. The Executive is requested to make recommendations to Council regarding Waverley's Budget and its element of the Council Tax for 2010/2011.

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**How this report relates to the Council's Corporate Priorities:**

The Council could not deliver its corporate objectives without a robust Budget-setting process in place.

**Equality and Diversity implications:**

The Budget-setting process has implications for all services, therefore it is essential to consider any equality and diversity impact of the decisions taken. A separate equality impact assessment has been undertaken on the Budget proposals, shown at Appendix B.7. Heads of service have also completed equality impact assessments as part of their budget and service plan preparation.

**Resource/Value for Money Implications:**

The setting of the Budget and Council Tax levels for the year ahead are major decisions that directly impact on the Council's ability to deliver its objectives. The service planning process informs the budget and seeks to ensure that good value for money is provided in Waverley's services.

**Legal implications:**

The Chief Finance Officer is required by law to report on the robustness of the estimates, the adequacy of reserves and the Budget Monitoring arrangements in place.

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## **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 received an update on the Budget position on 5<sup>th</sup> January.
3. This report contains the following Annexes:
  - Annexe 1 – Budget Overview
  - Annexe 2 – List of Budget Assumptions
  - Annexe 3 – Star Chamber Proposals
  - Annexe 4 – Budget Summary and detailed Service Estimate pages
  - Annexe 5 – Schedule of Changes to 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 Position**

4. The latest Budget position is shown at Annexe 1. This summarises changes from the position projected at the Finance Seminar in October to the final position, after taking account of the Budget Strategy.

## **Budget Assumptions**

5. Various assumptions have been made in compiling the draft Estimates and these are summarised at Annexe 2.

## **Inflation**

6. The inflation figures to the end of December as announced on 19<sup>th</sup> January show a significant increase in inflation. In particular, the Retail Price Index (RPI) increased from 0.3% to 2.4%. A further increase seems likely in view of the increase in VAT from 1<sup>st</sup> January 2010 from 15% to 17.5%. Members are reminded that the Council's contracts are indexed to RPI plus 1% in line with the March index each year. The Government's preferred measure on inflation, the Consumer Price Index now stands at 2.9%. In view of these figures the Inflation Provision within the draft 2010-11 Budget has been increased by £105,000, which provides for contract inflation at 3.5% and other inflation at 2.5%. Details are included on the assumption sheet at Annexe 2.

Whilst inflation rates could exceed these amounts in the coming year, it is reasonable to expect that higher increases in inflation will be roughly offset by future increases in interest rates.

## **Star Chamber Proposals**

7. 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 the Executive to consider. The Star Chamber items have not yet been incorporated within the detailed Budget sheets
8. An Equality Impact Assessment has been carried out on the Star Chamber proposals and a separate report is included at Appendix B.7.
9. 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.

Some proposals will require a separate future report before they are progressed.

10. The detailed Estimate sheets are shown at Annexe 4, for consideration by the Executive. The Estimates are currently presented in the same format as last year. However, before the new Budget Book is published, officers will be working with Members to present the information in a new format, which will highlight the costs of Waverley's services. At this stage the detailed sheets do not reflect the Star Chamber List, but the sheets presented to Council will be updated in line with the recommendations endorsed by the Executive.
11. The draft Budget allows for the full-year effect of the ongoing items reported during Budget Monitoring, the most significant of which are detailed in the Budget Monitoring report also presented to this Executive at Appendix B.5. Some figures have been updated to reflect new information given in the latest report, in particular the higher Development Control income partially offset by increased costs. The overall net improvement is around £90,000.
12. The following Estimate sheets will be updated significantly before presentation to Council to reflect major changes agreed during the Budget process:
  - Home Improvement Agency – to reflect the transfer of staff to Guildford B.C.
  - Borough Hall – to reflect the transfer to Godalming T.C
  - Land Charges – to take account of new legislation and increased volumes.

These changes involve major revisions to staff and central allocations, which will impact on many service areas. Therefore the sheets can only be updated when the allocations are revised to take account of the Star Chamber List.

## **Community Partnership**

13. Applications for grants under the Community Partnership for 2010/2011 are the subject of a separate report on this agenda. At this stage, the detailed estimates for 2010/2011 relating to each organisation have been left blank. However, a global figure based on the total Community Partnership budget for the current year has been included within each portfolio summary in order to show the overall

budget situation. The grants recommended by the Executive will be included within the individual Estimate sheets presented to Council.

### **Statutory Services**

14. Each budget page contains an indication of whether the service provided is statutory, discretionary, or a mixture of the two. There are some statutory services where the level of service provided is greater than that required by law. This analysis will assist Members in giving consideration to the resources allocated to the various services. There will of course be other factors, such as the Council's approved aims and objectives, public demand and corporate priorities.

### **Budget Consultation**

15. Earlier in the year, the Executive agreed to carry out a detailed budget consultation exercise to help inform the 2010/11 Budget process and Members undertook to take into account residents views about spending priorities. This exercise was completed in October and asked a representative sample of the Borough's population about potential spending decisions across a wide range of services and functions. The Town and Parish Councils were also invited to complete the exercise. The Budget reports considered by the Overview and Scrutiny committees in January highlighted the links between the budget consultation results and the draft Budget proposals. There is a separate report on this item at Appendix B.6.

### **Budget variations**

16. Growth items are identified on the front page of the Star Chamber list. 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.

### **Credit Union**

17. In February 2009 Council approved as an addition to the 2009/10 Budget the sum of £15,000, to cover the one-off cost of a feasibility study into setting up a Credit Union with neighbouring councils, with this cost to be met from the Revenue Reserve Fund.

Members and officers have continued to work with SurreySave, the potential Credit Union. Subject to a satisfactory business case being produced, SurreySave are expected to make an application to the Financial Services Authority (FSA) in 2010. If this happens, it is proposed that Waverley's General Fund will support the Credit Union's administration cost in 2010/1011 with £15,000 and the Housing Revenue Account with £5,000. A progress report will be presented to the Executive before the payments are made. It is likely that this support will be required for three years.

### **Fees and Charges**

18. Some proposals for increased income were made with appropriate amounts included on the Star Chamber list. Details of the proposed fees and charges from 1st April 2010 are included at Annexe 5.

### **Revenue Support Grant Settlement**

19. Waverley's provisional Revenue Support Grant Settlement for 2010/2011 has been confirmed, giving just an extra 0.5%, or £30,000 increase in grant.

### **Concessionary Fares Grant**

20. It is anticipated that Waverley will receive a specific grant of £276,000 for this service in 2010/2011. This has yet to be confirmed following the Government's recent consultation exercise. The pre-Budget Report announced that this service would be transferred to the Surrey County Council from 2011/2012. The mechanics for doing so have still to be decided with uncertain financial consequences for local councils.

### **Housing and Planning Delivery Grant**

21. The Government has recently announced that the revenue element of the Housing and Planning Delivery Grant allocated to Waverley in the current year will be £58,000, which is less than the budgeted figure of £70,000. The figure of £58,000 has been included within the Estimates for 2010/11, although the actual figure will not be announced until later in the year.

### **Housing Benefit Administration Grant**

22. The Government has recently announced that it will pay all Councils additional grant in 2010-11 to cover the increased benefit administration anticipated in the forthcoming year arising from the economic downturn. Waverley is due to receive an additional £37,000. This is included within the draft Estimates, together with an equivalent provision for expenditure in order that the service can provide an effective response to the increased demand in the current economic climate.

### **Pay Settlement**

23. The estimates reflect that no pay award has been made for the year beginning 1<sup>st</sup> January 2010.

### **Forward Budget Projections – Medium Term Financial Strategy**

24. 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 Annexe 2 and are shown at Annexe 9.

The main pressures arise directly from the recession and the state of the UK's public finances. It is likely that this will impact on local authorities through their Government grants.

Currently, Waverley receives £6 million in Formula grant made up as follows:

	£000
Redistributed Business Rates	5,292
Revenue Support Grant (RSG)	769
	<hr/>
	6,061

Whilst the level of future grants will not be known until the Comprehensive Spending Review (CSR) 2010 is agreed, financial and political commentators have indicated that public spending is likely to be reduced by about 12%. Such a reduction could result in a £727,000 grant loss to Waverley. This is broadly similar to the grant Waverley receives above the Government's notional 'floor', £786,000. For modelling purposes, a potential grant loss of this scale has therefore been included in Annexe 9, together with other potential changes which will/could impact on Waverley's future budgets. The projections will be developed as more information becomes available.

## **Observations from Overview and Scrutiny Committees and Licensing Committee**

### **Corporate Overview and Scrutiny Committee**

25. The Committee considered the draft Revenue Estimates and list of Star Chamber proposals, and RESOLVED to pass the following observations to the Executive:

Members discussed the following items on the Star Chamber Findings – List of Reductions, and Officers provided points of clarification:

- i. Haslemere and Cranleigh Initiatives – this was an extension for a further year following the conclusion of the original 3-year project that had been funded from a one-off resource. **Members requested that the programme be re-evaluated.**
- ii. Hoppa – members welcomed the increased grant.
- iii. Don't lose your home or business initiative – this was initially approved as a one-off payment. The initiative had been a great success and further funding would secure it for a further year. Officers would monitor for justification for its continuation and will report on current caseloads and outcomes as part of the next performance report.
- iv. Surrey Credit Union - £15,000 was the set up cost and members would be informed of its progress and potential additional costs at each key stage of the process.
- v. Food Waste – this was a stand-alone initial phase that could indicate its success and expectations from Waverley residents. If implemented borough-wide it could be an integrated service with other waste/recycling collections.

- vi. Reduce use of Consultants for Appeals – senior planners would undertake the smaller appeals, but specialist/technical advice would still be sought for large appeals.
- vii. LDF – members were concerned that any savings shouldn't compromise the LDF. Officers were confident that this would not be the case.
- viii. Licensing Enforcement – **the Licensing Committee had already voiced concerns over this saving and had requested that it be reviewed after three months.**
- ix. Senior Solicitor post saving from partnership working – members welcomed the work being undertaken to look at further partnership working.
- x. Target Savings on External Audit – members welcomed the saving identified though improved working by officers and internal audit.
- xi. Interest on Capital Receipts to remain in General Fund – the saving had been achieved from the appropriation of interest on investments.
- xii. Obtain corporate sponsorship for Mayor's Volunteers Garden Party – members were assured that the Garden Party would still go ahead if additional sponsorship could not be achieved.
- xiii. Meals on Wheels additional contribution from SCC – members were delighted that an additional £10k had been obtained from SCC and hoped that the contract would be re-evaluated for the coming year.
- xiv. Cease production of 'Making Waves Online' – members were assured that audio transcripts would still be available on line and the Waverley website would clearly indicate how it was accessed.
- xv. Customer Services Relations Manager (Growth bid) - **Members requested an explanation of the role of the Customer Services Relations Manager.**
- xvi. Telephones Main System – investment in a new system would result in the saving identified.
- xvii. Postage – Cleanmail savings – savings resulting from weekly councillor postings and discount from using the Post Office Cleanmail service.
- xviii. Saving on two contract cars – **members requested that savings made by staff using the pool cars against their own vehicles should be identified in next year's budget.**
- xix. Public Conveniences – transfer to Cranleigh Parish Council – **Cranleigh Parish Council had not given final agreement to the transfer.**

**The Committee RESOLVED:**

1. **That the detailed General Fund Budget papers for 2010/2011 at Annexes 4,5,6,7,8 and 9 to Appendix B be noted with no observations to the Executive;**
2. **That the list of Growth Items at Annexe 1 to Appendix B be noted and any observations identified in bold passed to the Executive; and**
3. **That the list of Budget reductions, as suggested by the Star Chamber, at Annexe 1 to Appendix B be noted and any observations identified in bold passed to the Executive.**

### **Community Overview and Scrutiny Committee**

The Committee considered the draft Revenue Estimates and list of Star Chamber proposals, and RESOLVED to pass the following observations to the Executive regarding the General Fund Budget:

- (i) In the Star Chamber notes, the 'hired and contracted service' or the Farmers markets had a self-financing account and their effect on the budget had been neutral so far. However, in 2010/11 it had been proposed that Waverley Borough Council would undertake the administration for these events and would receive £6,000 income as a result.
- (ii) The term 'levering in resources' in the Budget papers referred to an increase in investment from tourism South East who had appointed a member of staff whose work on Tourism development included the Waverley area. This was an important section of the local economy. The language used in this instance in the budget papers was approved.
- (iii) The meeting heard that Central Communications recharges were down this year following a staff reduction for combining services which resulted from the Council's review of this service.
- (iv) The Chief Executive, Mrs. Orton welcomed the challenges put forward by the Community Overview and Scrutiny Committee. She commented that the costs of running services were being constantly monitored and new ways of making savings sought. She agreed that the feedback from the meeting of the Performance sub-Committee had been most useful to the process of Budget scrutiny.

### **Environment and Leisure Overview and Scrutiny Committee**

#### **General Observations on the General Fund Revenue Estimates:**

1. The Committee thanked the Performance Sub-Committee, and non-Members of the Sub-Committee, for attending the meeting and having detailed discussions on the budget papers prior to ELOS. Members agreed that this arrangement should take place again next year as it



was very helpful to go through the budget in detail prior to the main Committee.

2. There was concern expressed by Members about the layout of the budget papers. Officers advised Members that they would be working on a more detailed and clear presentation on the budget in future.
3. Members were advised that the vacancy factor was included within the calculations for the budget and that some element would be achieved through natural turnover. Where there was a need to achieve this target to balance the budget, the Corporate Management Team would try and keep some non-key posts open to achieve these savings.
4. The Committee found the budget misleading where one-off costs were listed as a saving although they were being met from revenue reserve fund. Members questioned whether this was actually still a saving.
5. There was concern that making so many efficiencies would begin to affect the Councils overall performance specifically staff response times to queries from both Councillors but also members of the public.

### **Recommendation 1**

The Committee considered the detailed General Fund Budget papers for 2010/2011 and RESOLVED that the following observations be forwarded for consideration by the Executive:

#### Planning Services

1. Members were concerned about the restriction on the budget for use of consultants as part of the LDF process and whether this would impact the timetable. Members requested that the latest process and activity timetable be circulated following the meeting.
2. There was concern expressed by Members about the cooperation from Surrey County Council (hereafter referred to as SCC) and their involvement in providing specialist advice for the LDF in light of SCC's indicated £190 million budget savings. Members were assured that there was £6,000 left in this year's budget for transport advice from SCC and officers would be meeting with them w/c 18 January 2010 to confirm their ability to deliver this work.
3. The Committee was assured that the savings proposed, specifically from the loss of two monitoring positions, would not affect performance.
4. Members were concerned that there should be no cut-backs imposed on the Planning Enforcement department which would otherwise adversely affect their performance to date.

#### Leisure Services

1. There was concern from some Members regarding the amount of funding going to Farnham Museum compared to other Museums as well as the continual on-going costs of running the museum. Members were advised that the Museum was looking at its staffing arrangements and performance would be looked at carefully by the Performance Sub-Committee.

### **Environmental Health Services**

1. There was concern about the transfer of public conveniences from Waverley to Cranleigh Parish Council and considering Cranleigh did not have the budget to fund this, whether the Council would achieve the proposed saving. Members were also concerned about this saving being proposed without Cranleigh Parish Council being first consulted and transfer agreement elicited.

### **Building Control**

1. The Committee noted that the Council was purchasing an additional low emissions pool car. Although some Members supported the Council's efforts, Members were concerned that the Council may not be doing enough to encourage the ownership and usage of low carbon cars by its residents. For example, the Council could give incentives for those who used such vehicles with an extra hours free parking. Members felt that the Council should be identifying and evaluating mechanisms to assist uptake and usage of such cars.
2. The Committee noted a question from Councillor Lovell about his concern that the income from car parking across the Borough had reduced. Officers advised Members that income had fallen for a number of reasons, specifically because of the recession and, most recently, the adverse weather. Consequently, the ambitious target this year had not been met and the target next year had also been reduced and was now more realistic. Enforcement of car parking had improved since a new contractor was in place.
3. The Committee raised the need to protect income streams across all relevant Council services.

### **Recommendation 2**

The Committee considered the list of growth items for services within its remit and RESOLVED that the following observations be forwarded for consideration by the Executive:

1. Members were concerned by the new Food Waste service being a significant growth item and needed reassurance that going ahead with this new service was the right decision for the Council. The Head of Environmental Services advised Members that SCC had been flexible with the capital costs, which they funded, and the Council would be allowed to use some of this funding to support the revenue costs of the scheme. Members agreed that this should go forward until further information had been sought on delivering this new service, noting that there were concerns about the overall costs.
2. The Committee noted that the Council would only be carrying out one round as a pilot next year and noted that they were over 2 years away from delivering an integrated service. Members were positive about providing the service and long term, felt that the Council should investigate funding to cover further rounds although, noting, to cover all urban areas would have significant costs.
3. There was disappointment from Members that Haslemere and Cranleigh Initiatives had not received matched funding compared to the previous year for continued support from the Council and as expected

by the Parish Councils. There was also concern over the lack of communication between the Council and the proposals for supporting these town and parish Initiatives. The Committee felt that these initiatives should be receiving £7,500 and not just £5,000 as proposed and that this funding should be sought if possible.

4. The Committee was concerned that rural areas were not being treated on an equal basis and would like to see a more equal allocation and distribution of monies to such rural areas.
5. A Member sought clarification on the calculation of the Depreciation charges and was reassurance was given from officers.

### Recommendation 3

The Committee considered the list of growth items for services within its remit and RESOLVED that the following observations be forwarded for consideration by the Executive:

1. There was concern from Members about the revised arrangements for dealing with the out of hours' Noise standby arrangements and whether this service, in light of the proposed saving, would continue to be effective. Officers assured Members that the service would still be delivered but would be a 'Targeted' rather than a responsive service. Members were also assured that there would not be a reduction in service but was just a different way of delivering it.
2. Members asked for more information about the reduction in the advertising budget within planning and what specific impact would result. Members were advised that this was for public notices in the paper and reflected the reduction in planning applications. It was now also being coordinated by Communications who could negotiate reduced costs on its behalf.
3. Members noted the BVPI sub committee concerns regarding the proposed reduction in the Statutory Dog service provision.

### **Licensing and Regulatory Committee**

26. The Committee will consider its Revenue Estimates and Fees and Charges as amended by the Star Chamber List at its meeting on 10<sup>th</sup> February; the January meeting having been cancelled. The recommendations of the Committee will be included in the Budget report to Council

### **Local Government Act 2003 – Financial Administration**

27. The Local Government Act 2003 formally introduced a number of specific sections covering:

- a. Budget calculations: report on robustness of estimates;
- b. Adequacy of reserves, and
- c. Budget monitoring.

28. 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 throughout the recession, 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**

29. 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. 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. The key strategy issues for the General Fund from the Financial Strategy 2009/10 – 2012/13, which remain valid, include:

- Government Formula Grant likely to be, at best, at 'floor' in future settlements, and potentially subject to significant change.
- Further budget pressures and Government Legislation; and
- Additional cost of the Leisure Strategy.
- Possible further developments in waste management
- Spending on public services in an affluent area

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. Eliminated the budgeted use of balances, except for one-off items

30. The 2010/11 budget process has once again created a huge challenge to Waverley. The fact that the Council is able to consider savings in excess of £1m for the third consecutive year is testament to a lot of detailed difficult work undertaken by Members and Officers.

31. In view of the level of awareness amongst Members and the action taken to produce the Council's Budget in 2010/11, the Deputy Chief Executive is satisfied with the robustness of the estimates presented.

### **Adequacy of Reserves**

32. 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.

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. It is the view of the Deputy Chief Executive that the General Fund balance should be at least £2.5 million.

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. Specifically, the Revenue Reserve could be used to reduce the amount of prudential borrowing required from implementing the Leisure Centre programme, and it could be used as bridging finance for land purchases at East Street and development works at Riverside, Farnham or potentially to reduce the revenue impact of the 2010 pension revaluation.

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 £2.5 million on the General Fund Working Balance satisfies the adequacy requirements of the Local Government Act 2003.

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, a schedule of balances is included at Annexe 8.

### **Budget Monitoring**

33. 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. The Budget Monitoring position at 31st December 2009 shows that the 2009/2010 actual results on the General Fund will come in very near to the budget level overall. This demonstrates the success of action taken by the Executive in September to achieve reductions in response to the significant shortfall in income resulting from the recession. The ongoing impact of the budget variances included in the budget monitoring statement has been taken into account in the 2010/2011 Budget proposals where these seem likely to continue.

### **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:

- The level of Government Grant
- Superannuation funding costs
- Continuing levels of fee income

- Failure to ensure adequate levels of balances to meet known and unforeseen pressures in the future
- Concessionary Fares funding transfer to Surrey County Council

### **Council Tax Capping**

- 35 The Government has stated its intention to use capping powers again in 2010/11, 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 below the national average council tax increase of 3.0% for 2009/2010. On this basis, and taking into account the Government statement, it is Corporate Management Team's view that the 2.4% council tax increase proposed in this Budget will avoid capping criteria. An increase of 2.4% in Waverley's council tax would allow the Council to eliminate 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 £55,000) and having considered carefully the Government's Statement on capping for 2010/2011 the view is that a 2.4% council tax increase would meet the spirit of the Government's statement.
- 37 If Waverley's increase in Government grant had matched the local authority average grant increase 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 2010/11 Revenue Support Grant Settlement for Waverley and the impact of the recommended average 2.4% increase in Council Tax at Band D is attached at Annexe 11.
- 39 Members are advised that a variation in council tax of 0.1% equates to £86,000.

### **Special Expense**

- 40 The Annexe presented to Council will show the effect, in 2010/11, of the decision taken by Council on 12<sup>th</sup> October 1999 to levy a special expense from 1<sup>st</sup> April 2000 in respect of cemeteries costs. The figures to be reported to Council will accord with the Executive's recommendation regarding council tax levels. It should be noted that for 2010/11 the Special Expense will be zero as the net cost of the Cemetery maintenance remains 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 2010/11 is attached at Annexe 10.

- 42 As shown at Annexe 10, present indications are that there is likely to be a surplus of some £600,000 as at 31<sup>st</sup> March 2010, which has to be shared with the major precepting authorities. Waverley's share of this will be approximately £80,000, 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. The Waverley council tax base for 2010/2011 was approved by the Executive in December and is 0.6% higher than the previous year. This will generate approximately £50,000 additional council tax income. The net increase including the movement in the surplus on the Collection Fund is therefore £70,000.

### **Conclusion**

44. Given the current economic situation it is proposed that officers conduct a formal review of the General Fund Budget again during July 2010 for reporting to the September Executive, with exception reports to earlier meetings.
45. The Corporate Management Team considers that an increase of 2.4% 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.
46. The Budget proposals, including the summary and detailed estimate sheets to be presented to Council will be based on the recommendations made by the Executive.

### **Recommendation to Council**

The Executive recommends to Council:

1. A 2.4% increase for Waverley's element of Council Tax for 2010/11 ;
2. To approve the List of Star Chamber Growth Items as shown at Annexe 3;
3. To approve the List of Star Chamber Reductions as shown at Annexe 3;
4. To approve the changes to Fees and Charges as shown at Annexe 5;
5. To approve the contribution from the Revenue Reserve Fund to cover the cost of the Local Development Framework Inquiry Costs up to £30,000;
6. To approve the General Fund Budget for 2010/11 which includes the above changes;

7. To agree that the Financial Strategy be updated to take account of the decisions taken, and to take account of the three year projection shown in Annexe 9; and
8. That a formal review of the General Fund Revenue Budget is carried out during July 2010 and reported to the September meeting of the Executive.

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Background Papers (DCE)

Provisional Local Government Finance Settlement 2010/11; Financial Strategy 2009/10 – 2012/13; Finance Seminar slides; Revenue Budget 2009/10.

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Comms/exec/2009-10/020210/033 gf rev final