

APPENDIX E

WAVERLEY BOROUGH COUNCIL

EXECUTIVE - 29 JUNE 2010

Title:

INTERIM BUDGET UPDATE

**[Portfolio Holder: Cllr Mike Band]
[Wards Affected: All]**

Summary and purpose:

This report provides an update on the Council's financial position in the light of the outturn figures and recent announcements from the new coalition ahead of the formal mid-year review of the budget in September.

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

Sound financial management with robust budget monitoring helps the Council deliver its corporate priorities.

Equality and Diversity Implications:

The Council's budget allows financial resources to support the Council's Equality and Diversity objectives.

Resource/Value for Money implications:

The Council's budgets and the importance of good value for money are essential to deliver the Council's services and priorities. Where there is any known or likely risk to Waverley's approved budget and wider financial plans, the Council must consider mitigating action to ensure that a prudent position is maintained overall.

Legal Implications:

The Chief Finance Officer is required by law to report on the robustness of budgets, the adequacy of reserves and the budget monitoring arrangements in place.

Impact of Outturn Position

1. The detailed outturn report is included elsewhere on this agenda. The position at 31st March 2010 is positive and reflects the good work in the year to control costs and accurately project income levels. The contribution to the General Fund ensures that the balance at £3.15m is above the prudent minimum level whereas the Housing Revenue account Balance at £1.24m is only just at the prudent minimum balance. Within the General Fund balances are some additional

performance grants which will allow some flexibility to fund key one-off projects. The Revenue Reserve Fund balance is slightly above the projected level at £5.2m, partly due to the rescheduling of the capital programme. The changing financial landscape, outlined in this report, makes it an appropriate time to review the agreed financing proposals for future years' capital programmes. This will be addressed in the detailed budget review report in September.

The National Picture

2. On 24th May, the Government announced £6.2bn of cuts to be made across the public sector in 2010/2011. Local Government is required to find £1.16bn, or 19%, of this total. At the time of dispatching this report, the detail of how these cuts may affect Waverley is not known. However, the Government has confirmed that Formula Grant will not be reduced. In Waverley's case, Formula Grant amounts to £6m in the current year and is made up of the Council's share of business rates and revenue support grant. In addition, Waverley receives around £1.28m in other grants. Of this, £670k relates to housing benefit administration grant with £281k for concessionary fares; the latter we are advised will not be affected this year. Based on the Government's initial indications, it is anticipated that any grant reductions will not have a significant impact on Waverley in 2010/11.
3. In the previous week, the Government announced 'The Coalition: our programme for government'. This included a number of key actions that will impact on Waverley's finances including:
 - A freeze on Council Tax in 2011/12
 - Seeking to freeze council tax in 2012/13, in partnership with local authorities
 - A review of local government finance
 - A review of the unfair Housing Revenue Account
4. The Government has also announced that it will present its emergency budget on the 22nd June 2010. Members will be advised of the key issues arising from the emergency budget in an addendum to this report, to be circulated before 29th June Executive meeting. Whilst some detail may emerge on 22nd June, it is more likely that most of the detail will emerge in the autumn when the Comprehensive Spending Review (CSR) is published.

Current Year Pressures

5. As well as continuing pressure on income levels and interest receipts, the March RPI inflation figure, which determines the annual uplifts on many of Waverley's main contracts, increased dramatically to 4.4%. This will cost an additional £115,000 per annum on the main contracts and despite some slight improvement in income, £35,000, the latest budget monitoring statement is showing a net funding shortfall in the current year of £80,000. Officers will continue to work with Members to ensure that robust budget monitoring is undertaken with prompt action taken if major issues arise.

6. In the coming year there will inevitably be difficulties for other public sector partners who, whilst responding to spending pressures and grant cuts, look to provide services in different ways. This could impact on district and borough councils through extra service demands and/or requests for greater financial support. Given the constraints on Waverley's budget, it is critical that the pressures associated with, for example: the supporting people programme, youth services, adult social services and health partnership grants are resisted.

Foresight Programme

7. In the current year the Strategic Director is managing 12 projects with officer teams to identify service improvements through more streamlined working, cost savings and partnership working. In the coming budget round, the Council will be looking for the projects to deliver savings to help close the budget gap. The process will complement the Star Chamber process and might lead to invest to save opportunities.

Mid-year Review

8. A detailed review of the 2010/11 budget position and the Medium Term Financial Strategy will be reported to the Executive in September ahead of the Finance Seminar on 22nd September. The 3-year General Fund projection that was presented to Members with the budget-setting report in February has been revised to take account of known changes. The latest version is included at Annexe 1 and demonstrates the likely financial challenges ahead. This will be reviewed as the outcome of the emergency budget and any other issues become clearer in the coming months and presented with the mid-year budget review in September.
9. Clearly the pressures set out in this report will impact on the pay review in this and future years. A meeting of the JNC Panel is scheduled for July to review the 2010/11 position. The Government's announcements about public sector pay awards and future council tax increases as well as the latest RPI figures reduce significantly the capacity of Waverley to absorb additional cost in future budgets.

Next Steps

10. To respond to the potential impact of the issues identified in this report, Corporate Management Team have proposed the following range of actions to take ahead of the budget setting process:
 - Write to partnership organisations to alert them to the pressure on Waverley's budget and the potential that the Council might be compelled to reduce grants in future years
 - Notify parish councils of Waverley's financial pressures and the potential that the Council might be compelled to reduce compensatory grants in future years
 - Study the detail of the Chancellor's emergency budget and brief Members and staff
 - Meet with Staffside to discuss the financial position and the potential impact on future years' pay negotiations

- Report potential Foresight savings to Members in the September Budget review report
- Bring forward the Finance Seminar to 22nd September 2010
- Prepare for the 2010 Star Chamber process with the Executive agreeing broad parameters and guidance, the timetable, process and savings targets

Recommendation

The Executive is asked to:

1. Consider the interim budget update set out in the report and ask officers to prepare the mid-year Budget Review for the September meeting of the Executive;
2. Request that officers analyse the detail of the Chancellor's emergency budget and its impact on Waverley and report to Members as soon as possible; and
3. Endorse the proposed actions included at paragraph 10.

Background Papers

There are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to this report.

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