

APPENDIX AA

WAVERLEY BOROUGH COUNCIL

EXECUTIVE - 14 FEBRUARY 2011

Title:

FINANCIAL STRATEGY 2011/2012 – 2014/2015 GENERAL FUND BUDGET 2011/2012

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

Summary and purpose:

This report updates the Executive on developments regarding the General Fund Budget position for 2011/12 since its meeting on 25th January 2011. Information is provided on the details of the Final Local Government Finance Settlement 2011/2012 and current position of negotiations with the Council's Environmental Services Contractor.

The Executive is requested to make additional recommendations to Council regarding Waverley's Budget.

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

The Council could not deliver the Corporate Priorities without a robust Budget setting process in place.

Equality and Diversity Implications:

An Equality Impact Assessment on the Budget proposals has been carried out and was considered by the Executive on 25th January 2011.

Resource/Value for Money implications:

All decisions made with regard to the Budget will impact on Waverley's resources.

Legal implications:

There are no direct legal implications as a result of the recommendations of this report.

Introduction

1. At the meeting on 25th January, the Executive agreed recommendations to Council based on a Council Tax Freeze and a balanced Budget. Since the meeting the Government has announced the Final Local Government Finance Settlement. Good progress has also been made in negotiations with the Council's Environment contractor, resulting in the offer detailed in this report.

Additionally, the issue of a £250 pay award for low-paid staff raised at the JNC has been addressed.

Local Government Finance Settlement

2. Waverley's Final Local Government Finance Settlement was announced on 30th January 2011. The Government announced that, following strong representations from Waverley and other councils, additional resources had been added to the total available to be allocated. Waverley's Grant for 2011/2012 has increased by £29,000 from the figures announced in the Provisional Settlement.
3. The details of the Final Settlement are:
 - The headline decrease in Waverley's Formula Grant for 2011/12 is £864,000 being 16.2% (or 18.2% including the additional loss from Concessionary Fares)
 - The grant is being reduced by £107,000 more than the money Waverley spent on the Concessionary Fares scheme before the transfer to the County; of which £25,000 relates to the non-statutory 9am-9.30am element not even funded from grant
 - The Grant is also being reduced by £43,000 for technical adjustments to the Grant beyond the headline decrease (mainly relating to private drainage)
 - The Council will also lose £69,000 in Housing Benefit Administration Grant

The total cash decrease is now just under £1.1m.

4. The Final Settlement details announced on 30th January showed an unexpected further loss of grant for 2012/2013 £49,000 below the Provisional Settlement. However, revised figures were issued on 7th February that reinstated £44,000 of this loss. Therefore, for 2012/2013 the provisional figures are similar to those announced in December, with a reduction of approximately £640,000 from the 2011/2012 figures. However the grant loss for the first two years of the Comprehensive Spending Review period is still in excess of 30% when the Coalition Government announced average grant losses of 26% across the whole Comprehensive Spending Review period of four years.

Environment Contract Negotiations

5. The Council's main environmental contracts provide for the contract prices paid by Waverley to be varied on 1st April each year in line with the change in RPI plus 1% as at 31st March. The Current December RPI is 4.8% and this is widely expected to rise further by the end of March as a result of the increase in the rate of VAT to 20% from 4th January 2011. The final Budget figures contain an assumption that RPI will be 6% at the end of March, which would result in an increase of 7% to the contract prices for 2011/12. This would produce a shortfall of £160,000 arising from the unexpected increase in contract inflation since the original assumption of 3% RPI at the commencement of the Budget process at the Finance Seminar. Agreement

was reached with the Council's Grounds Maintenance contractor earlier in the Budget process and this is included on the Star Chamber list, effectively reducing the shortfall to £120,000.

6. Following meetings with officers, the Environmental Services contractor (Veolia) has put forward a proposal to vary the uplift on 1st April 2011 on the following basis:
 - The increase on 1st April 2011 be restricted to 4% inclusive of the 1% extra to RPI
 - If RPI is 4% or higher at 31st March, the 1% extra will be foregone on a permanent basis
 - Any difference between 4% and the actual RPI at 31st March 2011 be deferred until the April 2012 contract uplift
 - The 4% uplift on 1st April 2011 be guaranteed by the Council
7. This offer achieves in full the remaining savings target of £120,000 on contract inflation required to achieve a balanced Budget. If inflation is in line with the Budget assumptions, the Council will save 3% of the increase that would be contractually due from 1st April 2011. If RPI were to increase beyond 6% the savings would be even higher. Although some of the entitlement will be deferred until the April 2012 review, it should be noted that payments would be for a part-year only, with the contract ending in October 2012.
8. The contractor is incurring increasingly high fuel costs and, as part of the agreement, proposes that the 4% uplift be paid by the Council on 1st April 2011 even if RPI were to fall below 3%. This requires the formal agreement of the Council and the Executive is requested to put forward this Recommendation. In practice it is very unlikely that inflation would fall to this level, or indeed at all, by the end of March, but the increase of 4% will provide the contractor with an element of certainty.

Pay Award - 1 January 2011

9. Waverley applied a pay freeze from 1st January 2010. In June 2010, the Coalition Government subsequently announced a two-year headline pay freeze across the public sector. However, the Government stated that low-paid employees earning below £21,000 could receive increases of £250 per year within the terms of its pay policy. The small improvement in the Final Local Government Finance Settlement does mean that the Council can accommodate a pay award of £250 for staff earning below £21,000. For the 2011/2012 Budget this would apply to staff on pay scale 10,11 and 12. An additional £250 would be paid to full-time employees with part-time staff and apprentices receiving a pro-rata increase. The total cost would be £17,000; with £15,000 falling on the General Fund and £2,000 on the HRA.

Council Tax Capping

10. The secretary of state announced his council tax capping principles for 2011/12 on 10th February 2011. He is expecting councils to increase their council tax by no more than 3.5% compared with 2010/11, with budget requirements being no greater than 92.5% of the 2010/11 requirement. This statement supports the approach taken by this council. The statement from the

secretary of state also confirmed that the council tax freeze grant will be payable if there was no increase in Band D council tax.

Conclusion

11. The figures from the Final Local Government Finance Settlement have been included in the relevant Budget pages and Annexes despatch to all Councillors on 4th February; after implementing the £250 pay award, £14,000 will remain available and can provisionally be included in the street cleaning/refuse budget for additional bad weather arrangements in the year. The agreement with the Environmental Services contractor delivers the contract inflation target (as shown on page 59 of the Budget report) in full thus removing an element of uncertainty from the Budget. The cost of the pay award for low-paid staff would be met from the Inflation Provision. Therefore, the recommendations below have no impact on the overall Budget position.

Recommendation

The Executive recommends to Council:

- (a) That the uplift to the contract prices with Veolia Environmental Services be agreed at 4% on 1st April 2011; and
- (b) That a £250 p.a. pay award be agreed for all full-time staff earning below £21,000 p.a. on 1st January 2011, with part-time staff receiving an increase proportionate to the hours employed.

Background Papers

Final Local Government Finance Settlement 2011/12; Letter from Veolia Environmental Services dated 27th January 2011.

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