

# APPENDIX B

## WAVERLEY BOROUGH COUNCIL

### EXECUTIVE - 29 NOVEMBER 2011

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#### Title:

**GENERAL FUND BUDGET ISSUES 2012/2013**

[Wards Affected: All]

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#### Summary and purpose:

This report outlines the Executive's proposed approach to be taken to the 2012/2013 Budget. Members are reminded of the extent of the likely budget shortfall and the need to achieve savings as indicated within the Financial Strategy. Members are invited to comment on issues that fall within the remit of this Committee to help balance the Budget in the coming months.

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#### 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. This is the first opportunity for this committee to comment on the Budget implications for the Corporate Priorities for the services within its remit.

#### Equality and Diversity Implications:

There are no direct equality and diversity implications as a result of the recommendations of this report.

#### 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.

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#### Introduction

1. The report outlines the financial background to producing the Council's four-year Financial Strategy and outlines the proposed approach to be taken to the 2012-2013 Budget. It includes key financial and topical issues; reporting dates to Members; a forecast of the expected Budget position; and details of the proposed 'Star Chamber' process to examine budgets closely in order to identify potential savings.

#### General Fund Background

2. Over the past few years Waverley has faced significant financial pressures resulting from in particular:

- Impact of recession causing extra demand combined with reduced income levels
  - Significant reductions in Government grant
  - Interest income reduced from over £2m to £350k budgeted for the current year
3. The Council has responded to these challenges and already delivered considerable achievements:
- £5.5m savings achieved over 4 years, including staff reductions of £2.6m
  - Balanced Budget achieved one year early with use of balances eliminated
  - External recognition
  - Pay frozen from January 2010
  - Senior Management Streamlining
  - Foresight programme commenced
  - New Godalming Leisure Centre underway
  - Budget Consultation responded to
  - Food Waste Collection extended

### **Issues and Risks for 2012-13 Budget and beyond**

4. The Government has confirmed that a further 14% reduction will be applied to Waverley's grant in 2012/13 on top of the 16.7% reduction in 2011/12. The Government is reviewing the entire local government funding system which presents risks going forward. The Government has also announced fundamental reforms to benefits which creates financial uncertainty for Waverley in the future, particularly around the arrangements for council tax benefit.

### **Council Tax Increase**

5. At the Finance Seminar it was assumed that up to a 2.5% increase in Council Tax may be necessary in 2012/13. With the recent announcement of a further year's Council Tax Freeze Grant for 2012/13, holding council tax at this year's level will generate Government grant of around £230,000, but the overall effect of this relative to other reductions will not be known for some time. Unlike the 2011/12 grant, the 2012/13 grant is only for one year so it will present a pressure in 2013/14 and prevent Waverley from getting the increase into the base budget. It will either require equivalent savings or a larger council tax increase to be considered for 2013/14, although capping could restrict the ability to maintain the base budget beyond 2012/13.

### **Inflation**

6. Inflation continues to be a major variable in the Council's Budget. Whilst the Council negotiated contracts away from industrial indices, which tended to be very expensive, the current indexation of RPI+1% has still represented the largest element of the inflation provision in recent years. An average annual figure of 4.5% for RPI has been assumed for Budget projections. (The current level is 5.6%, although this is expected to drop significantly). The recent renegotiation of the waste contract will reduce the inflation burden in future years by pegging annual uplifts to CPI. Additionally, the contractor has agreed

to forego any increase that would have been payable on 1<sup>st</sup> April 2012, thus reducing the budget shortfall to the levels projected below.

### **Increases in Fees and Charges**

7. Where Waverley has discretion over fees and charges these will be reviewed as part of the budget process, however the working assumption is that fees and charges will be increased by no more than the Retail Price Index, (for which an average 4.5% has been assumed).

### **Projected Shortfall**

8. The latest medium-term budget projections presented to Members in the finance seminar are summarised below. These figures fall in the mid-range of the best and worst estimates. As the table shows,

	2012/13	2013/14	2014/15	2015/16
	£'000	£'000	£'000	£'000
Inflation	250	520	790	1,060
Triennial pension review			100	100
New Homes Bonus		-310	-310	-310
Supporting people grant	250	500	500	500
Potential Govt. grant reduction	640	1,200	1,800	2,400
Benefit grants	100	300	300	300
Council tax freeze grant re2011/12				220
<b>Cumulative Savings Required</b>	<b>1,240</b>	<b>2,210</b>	<b>3,180</b>	<b>4,270</b>

9. There is already a range of initiatives in place to help close the budget gap in 2012/13 including savings from the waste contract, increased income from planning fees and car parking which, together, amount to £1million. However, it is clear that Waverley needs to continue to identify savings and efficiencies over the next four years, particularly as these figures make no allowance for service growth or staff pay award. This sets the context as we move into the Budget-setting process.

### **Potential Savings**

10. Various measures will be taken to deliver the required level of savings including:
- Foresight Savings including procurement
  - Star Chamber examination of services and budgets
  - Members challenge throughout the committee process
  - Invest to save opportunities
  - Reduce overall budget for grants to voluntary organisations/compensatory grants etc (by approximately 12%)

## **Star Chamber Process**

11. For the past three years, the Star Chamber process has proved very successful at examining budgets in detail and identifying options to achieve savings and scrutinising growth areas.
12. During November, 'Star Chamber' sessions will again take place with the Chief Executive, Finance Portfolio Holder, and Heads of Service to examine operational and staffing budgets in detail.
13. The aims will be:-
  - a. Challenge the budgets for robustness;;
  - b. Identify options for savings;
  - c. Identify opportunities for Investing to Save;
  - d. Identify opportunities for external income;
  - e. Make a case for any growth.
14. As part of the process Service Managers will be asked to:-
  - a. Complete a savings pro forma, and
  - b. Present benchmarking data to support their budgets

## **Budget Timetable**

15. The dates for reporting to Members during the 2012-2013 budget process are:
  - The Finance Seminar was held on 14th September 2011.
  - Budget paper to Overview & Scrutiny outlining overall position with growth pressures and opportunities for savings.

Community	7 <sup>th</sup> November 2011
Corporate	15 <sup>th</sup> November 2011
  - Budget paper to Executive on 29<sup>th</sup> November 2011.
  - Presentation to Executive Briefing on 'Star Chamber' findings Mid December.
  - Budget update to Executive January 2012.
  - Overview & Scrutiny Committees detailed Budget consideration preceded by meetings of the performance sub-committees.

Community	16 <sup>th</sup> January 2012
Corporate	24 <sup>th</sup> January 2012
  - February 7<sup>th</sup> Executive recommends Budget, council tax and council house rents.
  - February 21<sup>st</sup> – Council agrees Budget.

## **Service Priorities**

16. The detailed draft Revenue Estimates for all services will be presented to the Overview & Scrutiny Committees for consideration in January. The current net direct expenditure on the major service areas is given below, together with an indication of whether the service is statutory or discretionary. At their November meetings the O&S Committees were invited to identify areas where expenditure should receive especially close scrutiny (Budget Book page numbers are included in brackets).

### **Community O&S**

Day Centres	£283,360	Discretionary (p124)
Citizens Advice	£212,000	Discretionary (p82)
Welfare Grants	£86,340	Discretionary (p128)
Community Transport Initiative	£115,770	Discretionary (p131)
Homelessness	£182,180	Statutory (p155)
Renovation Grants administration	£73,490	Statutory/Discretionary (p158)
Planning	£1,218,420	Mainly Statutory (p50&51)
Refuse Collection	£1,598,460	Statutory (p141)
Waste Recycling	£865,890	Mainly Statutory (p143)
Street Cleaning	£914,710	Statutory (P140)
Conveniences	£102,480	Discretionary (p139)
Arts Activities	£109,070	Discretionary (p101)
Museums	£132,710	Discretionary (p102&104)
Sports Promotion	£65,590	Discretionary (p107)
Leisure Centres	£244,890	Discretionary (p109-p113)
Recreational Open Space	£1,084,550	Discretionary (p116)
Countryside	£428,150	Discretionary (p118)
Community Safety	£49,430	Statutory (p122)
Environmental Health Services	£552,870	Mainly Statutory (p147&148)
Emergency Services	£50,140	Statutory (p149)
Sustainability & Climate Change	£25,750	Statutory/Discretionary (p62)
Flood Risk Management	£60,430	Statutory/Discretionary (p53)

### **Corporate O&S**

Democratic Representation	£611,840	Statutory/Discretionary(p32)
Corporate Management	£636,749	Statutory/Discretionary(p44)
Council Tax and Business Rates	£117,710	Statutory(p87&89)
Register of Electors	£76,050	Statutory(p34)
Emergency Services	£50,140	Mainly Statutory(p149)
Property Administration	£123,880	Discretionary(p63)
Housing Benefits	£66,860	Statutory(p85-89)
Car Parks - Expenditure	£1,176,370	Discretionary(p144)
Income	£3,565,700	

## **Comments from Community O&S**

17. At its meeting on 7 November, the Committee made the following observations to the Executive:-

Members found it very difficult to identify discretionary services that would not detrimentally affect Waverley residents. Members considered that it would be helpful if the public were consulted to identify areas where they considered

cuts might be made, and whether they would be willing to contribute to services by way of increased precept if responsibility for some services was devolved to Town or Parish Councils.

Members also considered it would be helpful to undertake impact assessments in order to take a more holistic approach in determining how cuts in one area might affect other services. Members were advised that impact assessments were undertaken as part of the Star Chamber process and the committee requested that these be shared with the committee.

The Committee identified Recreational Open Space and Countryside as two areas where discretionary spending might be reduced; and Day Centres, Citizens Advice, Welfare Grants and Community Transport Initiative as high priority services where expenditure should only be reduced as a last resort.

### **Comments from Corporate O&S**

18. At its meeting on 15 November, the Committee made the following observations to the Executive:-

The Committee encouraged the Executive to explore all opportunities for assets transfers to town and parish councils. This should include the transfer of freehold, where appropriate. Members recognised that Waverley and parish councils might have different views on the financial case for asset transfers; transferring assets to parish councils was unlikely to result in any reduction in Waverley's Council Tax rate, and more likely would result in an increase in parish council precept.

Continued effort should be made to explore opportunities to share services with other councils in order to make savings. Members acknowledged that there had to be a sound business justification for entering into shared service arrangements, and no resultant drop in the standard of service received. It was noted that sharing services might mean Waverley providing services to other councils in order to reduce management costs and overheads.

### **Recommendation**

The Executive is invited to take the observations from the Overview and Scrutiny Committees into account during the forthcoming budget-setting process.

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### **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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