

ITEM 9 - APPENDIX D

WAVERLEY BOROUGH COUNCIL
EXECUTIVE
7 JANUARY 2014

Title:

BUDGET UPDATE 2014/2015

[Portfolio Holder: Cllr Mike Band]

[Wards Affected: All wards]

Summary and purpose:

This report outlines the proposed approach to be taken to the 2014/2015 budget. Members have been invited to comment on issues that fall within the remit of the Overview and Scrutiny Committees to help balance the General Fund Budget in the coming months. These comments are now reported to the Executive. The Housing Revenue Account now operates under the self-financing regime and is in a strong financial position going forward and this is explained in more detail in the report

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:

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.

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 2014/2015 Budget. It includes key financial and topical issues, an update on the latest Budget position and details of the outcome of the '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. The Council has responded to these challenges and already delivered considerable savings now exceeding £8 million pa achieved over past five years. On 1 October 2013, the Executive agreed the updated Medium-Term Financial Strategy, which includes budget projections showing savings required over the next four years.

Issues and Risks for 2014/2015 Budget and beyond

3. The Government has indicated that a further reduction will be applied to Waverley's grant in 2014/2015 and future years on top of the substantial reductions already made. Current indications are that Waverley's overall Government Grant will be reduced by 12% in 2014/2015.

Government Grant Settlement

4. This year, details of the Government Settlement for 2014/2015 are not expected to be announced until 19 December 2013. Therefore details will be reported to the Executive as soon as they are available for consideration on 7 January 2014.

Council Tax Increase

5. The headline shortfall figures are before taking into account any council tax increase or alternatively council tax freeze grant for 2014/2015. Waverley's Council Tax has been held at £161.91 since 2010/2011. Decisions regarding the council tax for 2014/2015 will be taken by Council in February 2014.

Inflation

6. The Council has negotiated contracts away from the previous indices of Retail Price Index (RPI) +1%, which tended to be very expensive, to an indexation matching Consumer Price Index (CPI). An average annual figure of 2.8% for CPI has been assumed for Budget projections.

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 in line with the Consumer Price Index (for which an average 2.8% has been assumed).

Star Chamber Proposals for Reductions

8. 'Star Chamber' sessions have again taken place with the Deputy Chief Executive, Finance and Service Portfolio Holders and Heads of Service to examine operational and staffing budgets in detail.
9. Good progress has been made on the Star Chamber proposals for budget reductions and full details will be reported to the Overview and Scrutiny committees in January, together with proposals for Growth.

Service Priorities

10. The detailed draft Revenue Estimates for 2014/2015 for all services will be presented to all Committees for consideration in January. At their November meetings, the Overview and Scrutiny Committees were asked to identify areas where expenditure should receive especially close scrutiny. These comments are reported to the Executive below.

Comments from Overview and Scrutiny Committees

11. The Community Overview and Scrutiny Committee resolved that:
 - Subject to clarification of the split between statutory and discretionary spending, the Committee agreed that spending should be reduced in the area of Sustainability and Climate Change;
 - Members felt that discretionary spending in the area of Sports Promotion and Recreational Open Space could be reduced; and
 - Members felt that discretionary spending on Museums and Arts Activities should be protected where possible.
12. The Corporate Overview and Scrutiny Committee resolved to note the indicative budget position for 2014/2015, the potential budget shortfall in the medium-term, and the areas of discretionary spending within the Committee's remit. The Committee agreed that it was important to ensure that the Democratic Representation budget represented good value for money and that a high priority should be put on progressing towards paperless committee meetings in order to reduce expenditure on printing committee papers.

Housing Revenue Account (HRA) Background

13. Self-financing of the HRA is now well established. The backlog of decent homes work will be cleared by the end of the 2013/2014 financial year (partly funded by Government grant) and it is expected that the first new builds for many years will start on site in March 2014.
14. There continues to be significant internal change with a number of senior posts remaining to be filled. A priority in 2014/2015 will be to appoint to these posts and create some stability within the landlord service that can take the service forward to the benefit of current and future tenants and the wider community in Waverley. A separate report on proposals to restructure the Housing service will be considered by Members in February 2014.

HRA Issues and Risks for 2014/15 Budget and beyond

15. Waverley has a viable 30-year Business Plan in place for delivering the landlord service. Priorities going forward are:
 - Continue to improve contract management
 - Achieve a full and stable staffing establishment to take the landlord service forward
 - Build the in-house development team

- Deliver new affordable homes through the Housing Delivery Board and the Development Team
- Continue to invest in the existing stock through other capital work and major stock remodelling if appropriate
- Prepare for dealing with legislative change, especially in the area of welfare benefit change

Rent Setting

16. As part of the 2013/2014 budget process the Council agreed a set of rent-setting principles that support Waverley's Business Plan objectives but still align with the Government's social rent policy.
17. Having regard to these principles the budget for 2014/2015 has been drafted around a rent increase of 3.7% (September 2013 RPI plus ½%) with an addition of up to £2/week for those properties still below their historic target rent.
18. As part of the budget process each year it is essential to update the Business Plan so that it always contains the latest known information and gives an indication of the amounts available to invest in new affordable homes and stock remodelling.
19. There are some significant additional costs in 2014/2015, relating mainly to increased recharges from Democratic Services of £150,000 reflecting current activity levels for the housing service, and an increase in the cost of backfunded pension contributions £107,000. These are offset by a combination of extra income (additional investment income of £65,000) and savings from ongoing costs. Despite these changes the contributions to the New Affordable Homes and Stock Improvement Reserves are maintained at the original Business Plan level.
20. Self-financing has resulted in good opportunities for Waverley's landlord service to significantly improve affordable housing provision in the Borough. It is important to take advantage of this but always ensure that service provision remains cost effective, well managed and appropriately targeted.

Conclusion

At this stage in the budget process good progress has been made with the estimated shortfall reducing to some £60,000, after allowing for the expected reduction in Government Grant and taking account of recommended Star Chamber Reductions and Growth Items.

Recommendation

That the Executive:-

1. Endorses the approach taken to budget preparation for 2014/2015;
2. Notes the initial observations of the Overview and Scrutiny Committees;

3. Asks the Overview and Scrutiny Committees to consider the detailed Budget proposals within their remit at their January meetings and to Make observations to the Executive; and
4. Gives final consideration to Budget proposals at the meeting on 4 February 2014.

Background Papers

Waverley's Financial Strategy 2013/2014–2017/2018 and Waverley's Budget 2013/2014.

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