

To: All Members of the Executive
(Other Members for Information)

When calling please ask for:

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Date: 23 December 2019

Dear Councillors

EXECUTIVE - 7 JANUARY 2020

I refer to the agenda for the Executive, on Tuesday, 7 January 2020 and now enclose the following item which was marked *To Follow* in your agenda papers:

7. BUDGET 2020/21 UPDATE (Pages 3 - 8)

[Portfolio Holder: Councillor Mark Merryweather]

[Wards Affected: All Wards]

This report outlines the latest position on the 2020/2021 Budget and requests the Budget Strategy Working Group and the Value For money Overview and Scrutiny Committee to consider the budget proposals ahead of the final budget setting decision in February.

Recommendation

In light of the significant budget shortfall, the Executive is asked to:

1. Continue to work with officers to identify options to balance the budget; and
2. Ask the Joint Overview and Scrutiny Committee to consider the detailed budget proposals at their January meeting and to make any suggestions to the Executive to prioritise options to balance budget.

Yours sincerely

Fiona Cameron
Democratic Services Manager & Deputy Monitoring Officer

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WAVERLEY BOROUGH COUNCIL

EXECUTIVE

7 JANUARY 2020

Title:

BUDGET 2020/21 UPDATE

Portfolio Holder: Cllr Mark Merryweather, Portfolio Holder for Finance, Assets and Commercial

Head of Service: Peter Vickers, Head of Finance and Property

Key decision: No

Access: Public

1. Purpose and summary

- 1.1 This report outlines the latest position on the 2020/2021 Budget and requests the Budget Strategy Working Group and the Value For money Overview and Scrutiny Committee to consider the budget proposals ahead of the final budget setting decision in February.

2. Recommendation(s)

In light of the significant budget shortfall, the Executive is asked to:

1. Continue to work with officers to identify options to balance the budget; and
2. Ask the Joint Overview and Scrutiny Committee to consider the detailed budget proposals at their January meeting and to make any suggestions to the Executive to prioritise options to balance budget.

3. Reason for the recommendation(s)

The Budget is a major decision for the Council and setting a balanced budget is a statutory requirement. Scrutiny of the financial plan and budget proposals demonstrate transparency and good governance

4. Background

General Fund Background

- 4.1 All Member briefings were held in November which set out the key aims of the Medium Term Financial Plan (MTFP) and gave highlights of the latest position for the General Fund and Housing Revenue Account (HRA) budgets. The briefings also covered the main issues and risks for the next four years and a strategy for

balancing the budget. It has been known for a number of years that significant savings will be required over the next four years in view of (i) projected future funding reductions from HM Government and Surrey County Council plus (ii) the ongoing structural deficit arising from inflation on costs exceeding additional revenue allowable from council tax increases and other commercial initiatives. In [2017-2018 the Council commissioned the Budget Strategy Working Group to help identify these savings over the medium term. In the meantime, Waverley's emerging climate change emergency action plan will need sufficient resources (both financial and non-financial, either new or restructured) to deliver its aims and this will need to be factored into the budget proposals.

Government Finance Settlement

- 4.2 Waverley currently retains £2m of the £38m business rates collected as its core funding. This main element of this amount, approximately £1.8m, is derived from a Government formula which determines each Council's safety net position against its 'baseline need' for funding. The second element, approximately £0.2m, is based on the total Rateable Value (RV) of business premises in the Borough which is affected by physical properties and the RV assessed by the Government's Valuation Office, which can fluctuate according to appeals from rate payers. The Government announced in the autumn that it was delaying to 2021/22, its review of business rate funding for local authorities and its 'relative needs' calculation. Waverley's MTFP forecasts significant reductions in grant over the next four years.
- 4.3 In 2016/17 the Government informed a number of councils, including Waverley, that they would have grant clawed back to address the Government's overall funding shortfall. This became known as 'negative RSG' and for Waverley this would have been £900k pa. Since this announcement, the Government has decided each year to fund this shortfall itself rather than impose it on the named councils, however the threat still exists and it is expected that this will be addressed as part of the main review of business rate funding in 2021/22.
- 4.4 The Government announced the 2020/21 local government finance settlement for consultation late on 20th December 2019. The headlines are as follows:
- No negative grant
 - Indicative core retained business rates for Waverley at same level of £1.8m
 - New homes bonus £861k as expected but still £300k less than current year
 - Council Tax increase limit for WBC £5 band D or up to 2%, whichever is the higher
 - no limit on council tax increases for town and parish councils
 - SCC council tax increase limit up to 2% plus up to a further 2% for adult social care costs

New Homes Bonus

- 4.5 The Government has announced that it will pay NHB in 2020/21 and continue to honour the legacy payments for the previous four years, however the future of NHB is under review as it is funded nationally from business rate revenues. In the

consultation funding settlement, the Government has confirmed that Waverley's NHB will be £861k in 2020/21, down from £1,160k in 2019/20. The Council does not currently rely on New Homes Bonus to support ongoing service provision and, instead, uses this funding to pay for income generating capital spend, principally to investment property acquisitions. This position is under review and the detailed budget proposals and revised MTFP presented to Executive and Council in February will set out the future plans for utilising this funding.

Council Tax Increase

- 4.6 Each year the Government sets a limit for year-on-year council tax increases, beyond which a council would have to hold a referendum. Last year Waverley increased its council tax by the maximum allowed amount of 2.99%. The consultation finance settlement confirms that borough councils will be able to have a council tax increase of up to 2% or £5 at band D, whichever is the higher. In Waverley's case, £5 is higher and would equate to an increase of 2.7%. In terms of additional council tax income, 2% would generate £202k pa and £5 would raise £277k pa. Decisions regarding the council tax for 2020/21 will be taken by Council in February.

General Fund – Latest Position

- 4.7 In November, Members were advised that the Council would need to identify £4.9m of cost savings and/or additional income in order to balance its budget in the 4-year medium term plan period 2020/21 to 2023/24. The latest projection shows that £1.8m of savings or additional income needs to be identified in the 2020/21 budget.
- 4.8 A detailed review of all budgets has been completed to ensure expenditure incurred is necessary and income budgets are maximised in line with risk. The services have been challenged to identify initiatives to address the deficit over a three-year period with realistic implementation timescales. The latest position is a budget shortfall of £568k before any council tax increase. A detailed explanation of the year-on-year budget changes plus a range of proposals to address this shortfall will be presented to the VFM O&S Committee on 20 January 2020.

Housing Revenue Account budget

- 4.9 The Council has a robust 30-year Business Plan in place for delivering the landlord service. This includes ambitious capital programmes to maintain current housing stock and to build new, high quality affordable homes for local people. For the past 4-years Waverley has been forced by Government to apply a rent reductions each year of 1%. From 2020/21 rent increases are allowable again and Members will be presented with a recommended rent increase in line with Government guidelines.
- 4.10 Over the course of the year, a detailed review of the business plan has been completed and a summary will be presented to the Housing Overview and Scrutiny Committee in January, before approval by the Executive and Council in February.

5. Relationship to the Corporate Strategy and Service Plan(s)

- 5.1 Having a robust, sustainable budget is essential to deliver all aspects of the Corporate Plan

6. Implications of decision(s)

6.1 Resource (Finance, procurement, staffing, IT)

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

6.2 Risk management

There are no risks directly arising from the recommendation above, however the budget strategy does carry significant risks and these are set out in the MTFP which will be considered by scrutiny in January and the Executive and Council in February.

6.3 Legal

There are no direct legal implications as a result of the recommendations of this report. The Council is required to set a balance General Fund and HRA budget.

6.4 Equality, diversity and inclusion

There are no direct equality, diversity or inclusion implications in this report. Equality impact assessments of the detailed budget proposals will be carried out to ensure service delivery meets the requirements of the Public Sector Equality Duty under the Equality Act 2010.

6.5 Climate emergency declaration

There are no direct implications arising from this report but reference is made to the need for the main budget proposals to address the resource requirement for the emerging climate change action plan.

7. Consultation and engagement

- 7.1 The report requests the VFM O&S Committee and the Budget Strategy Working Group to consider the detailed budget proposals. In addition, the Council recently undertook a public consultation exercise to gauge residents' views about the relative spending priorities. This exercise was to help inform the development of the Medium Term Financial Plan.

8. Other options considered

- 8.1 Not applicable to this report

9. Governance journey

- 9.1 The detailed budget proposals and revised MTFP will be reported to VFM O&S in January ahead of consideration by Executive and Council in February.
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Background Papers

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

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Agreed and signed off by: Graeme Clark
Legal Services: n/a
Head of Finance: Author
Strategic Director: 23 December 2019
Portfolio Holder: 23 December 2019

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