

WAVERLEY BOROUGH COUNCIL

EXECUTIVE - 05/01/2016

Title:

BUDGET UPDATE 2016/17

**[Portfolio Holder: Cllr Wyatt Ramsdale]
[Wards Affected: All]**

Summary and purpose:

This report outlines the latest position on the 2016/2017 Budget and requests the Joint Overview and Scrutiny Committee to consider the budget proposals ahead of the final budget setting decision in February.

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.

Financial 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 latest budget position for 2016/2017. It includes key financial and topical issues and an update on the Spending Review and Autumn Statement issued on 25 November 2015.

General Fund Background

2. The Annual Finance Seminar was held on 5 October 2015 for all members of the Council. The seminar set out the key aims of the Finance Strategy and gave highlights of the current position for the General Fund. It also presented the issues and risks for the next four years and a strategy for balancing the budget. Significant savings will be required over the next four years in view of ongoing Government Grant reductions.

Revenue Support Grant Settlement

3. The Government has now confirmed the Revenue Support Grant will be phased out over the next two years. The Finance Settlement announced on 17 December 2015 that Waverley's grant will be reduced by 52% in 2016/17. The Council's Finance Strategy took account of a 30% reduction in its savings plan but the announcement has created a major shortfall in Waverley's budget.

Business Rates

4. By the end of this Parliament, nationally-set business rates will be abolished allowing local authorities to set their own rates, but the system of top-ups and tariffs will be retained. Consultation will take place next year considering options to transfer additional responsibilities. Full details are not expected until January 2016 when the impact upon Waverley will be assessed, although the finance settlement indicates that Waverley will not receive any additional funds in the next four years.

New Homes Bonus

5. The Government is going to consult on reforms to the New Homes Bonus and potentially reduce the length of payments from 6 to 4 years. The Finance settlement published in December confirmed that the New Homes Bonus will continue in the foreseeable future although it will be top-sliced by Government from 2018/19 onwards to pay for the Better Care Fund. The Council does not currently rely on New Homes Bonus to support service provision, however, any reduction will impact directly on the Council's invest to save funding.

Council Tax Increase

6. The Government has not confirmed if it will offer local authorities who don't increase their council tax an additional grant. The headline budget figures that will be submitted to the Joint Overview and Scrutiny Committee in January show the position before taking into account any council tax increase. Waverley's Council Tax has been held at £161.91 since 2010/11. Decisions regarding the council tax for 2016/17 will be taken by Council in February 2016.

General Fund - Latest Position

7. In September, Members were advised that the Council would need to identify £1m of cost savings and/or additional income in order to balance its budget in 2015/16. This savings target was largely the result of the anticipated significant cut in government grant which has now been confirmed. Despite this significant challenge, Members are keen to protect front line services and maintain the overall amount of support provided to community organisations in the Borough.
8. Various measures have been taken to help balance next year's budget and these will continue until the budget is agreed in February:
 - Foresight efficiency projects
 - 'Star Chamber' examination of services and budgets
 - Members challenge throughout the committee process – see initial comments from Overview and Scrutiny Committees below
 - Invest to save opportunities – spending on projects that deliver and revenue saving or income
 - Revise income estimates in line with current projections.
9. The latest position is that a draft budget is being prepared which contains a range of savings, growth proposals and capital projects and this will be presented in detail to the Joint Overview and Scrutiny Committee in January before approval by the Executive and Council in February. There is a significant shortfall currently.

Housing Revenue Account budget

10. The Council has a robust 30-year Business Plan in place for delivering the landlord service. However, there are a few big issues that put this position at risk. They are summarised as:

- Government changes will lose Waverley more than £300million
- Rent reductions 1% per year for four years from 2016/17
- Sale of high value voids
- Welfare reform

11. There is insufficient detail on the Government's proposals to enable an accurate assessment of the impact of the proposed changes on the range of assumptions incorporated into the business plan in time to be included in this report. All budget proposals will be presented in detail to the Joint Overview and Scrutiny Committee in January before approval by the Executive and Council in February.

Recommendation

The Executive is asked to:

1. endorse the approach taken to the budget preparation for 2016/2017;
2. note the significant shortfall on the budget arising from the cut in Government grant and the imposed 1% rent reduction on affordable housing; and
3. ask the Joint Overview and Scrutiny Committee to consider the detailed Budget proposals at their January meeting in the light of the budget shortfall and to make any suggestions to the Executive to prioritise budgets.

Background Papers

Waverley's Financial Strategy 2015/2016–2019/2020
Waverley's Budget 2015/2016.

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