

**WAVERLEY BOROUGH COUNCIL**  
**JOINT OVERVIEW AND SCRUTINY COMMITTEE**  
**18 JANUARY 2016**

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**Title:**

**FINANCIAL STRATEGY 2016/17 – 2019/20**  
**DRAFT GENERAL FUND BUDGET 2016/17**

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

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**Summary and purpose:**

This report outlines the draft General Fund Budget position for 2016/17. The Joint Committee is reminded of the need to achieve savings throughout the four-year period covered by the Financial Strategy. Information is provided on the details of the provisional Local Government Finance Settlement 2016/17 and the Council's financial position following this and taking account of savings and other recommendations of the 'Star Chamber' process and further proposals following analysis of the Settlement.

The Joint Committee is requested to make observations to the Executive regarding Waverley's draft Budget and the savings and growth proposals, and to make suggestions as to how the current budget shortfall can be addressed.

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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.

**Equality and Diversity Implications:**

An Equality Impact Assessment will be carried out to ensure there are no adverse equality implications.

**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. This report outlines the draft General Fund budget for 2016/17. It includes key financial and topical issues, reporting dates to Members, a forecast of the expected Budget position and details of the 'Star Chamber' process to examine budgets closely in order to identify potential savings.

2. This report contains the following Annexes:

- Annexe 1 – Budget Summary
- Annexe 2 – Government Grants
- Annexe 3 – Savings and Growth Proposals
- Annexe 4 – Detailed General Fund Estimates (separate booklet)
- Annexe 5 – Fees and Charges (separate booklet)

### **General Fund Background**

3. 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 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.

### **Provisional Local Government Finance Settlement**

4. A further reduction has been applied to Waverley's grant in 2016/17 on top of the very substantial reductions already made. Details of the impact of the provisional Settlement on Waverley are shown at Annexe 2. The overall Revenue Support Grant reduction is £814,000, (52% from 15/16 amount of £1,574,000) with other reductions to Government Grants of £224,000.

### **New Homes Bonus**

5. The Finance Seminar reported that there is considerable uncertainty about the future level of payments to be made under the new Homes Bonus. The Government has now announced that it is going to consult on reforms to the New Homes Bonus potentially reducing the length of payments from six to four years. The Financial Strategy currently provides for continuing Waverley's policy of New Homes Bonus being earmarked within the Revenue Reserve Fund, to be used for 'Invest-to-Save' schemes, so that the Council does not rely on the New Homes Bonus to support ongoing service provision therefore should the payments cease or reduce there would be no impact on services. However, any reduction would impact directly on the Council's invest to save funding.

### **Council Tax Increase / Freeze Grant**

6. The Government has confirmed it will not offer local authorities who don't increase their council tax an additional grant in 16/17. The draft Budget figures show the position before taking into account any council tax increase for 2016/17. Waverley's council tax has been held at £161.91 since 2010/11. The final decision regarding the council tax for 2016/17 will be taken by Council in February 2016.

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

7. Fees and charges have been reviewed as part of the budget process. Some fees and charges are statutory but for those determined by Waverley some increases are proposed for 2016/17 where appropriate. Details of the proposed changes to fees and charges from 1 April 2016 are included at Annexe 5. The Council has already

approved some increases to car park charges so this is not a matter for further consideration at this stage.

### **Inflation**

8. The Council's main contracts are indexed to the Consumer Price Index (CPI). An inflationary amount has been assumed for General Fund Budget projections in line with the Government's longer term projections.

### **Pay Award**

9. The cost of any pay award from 1 April 2016 will form part of the Budget proposals to Council on 16 February 2016. No allowance has been included in the draft budget at this stage.

### **'Star Chamber' Proposals**

10. 'Star Chamber' sessions have again taken place with Portfolio Holders and Heads of Service to examine operational and staffing budgets in detail. The Star Chamber proposals for cost savings and additional income are set out in Annexe 3. These items are subject to consideration by Members.
11. For the 2016/17 Budget, if approved, the Star Chamber proposed reductions will deliver savings of £384,300. The Star Chamber also considered proposals for improving or extending services and these are referred to as growth items. The proposed growth items are also detailed in Annexe 3 and amount to £323,000. These savings and growth items are subject to consideration by this Committee.

### **Revenue Contribution to Capital**

12. The core funding for the General Fund Capital Programme is from Revenue Contributions via the Revenue Reserve Fund.
13. The Budget proposals include a Contribution to Capital from the Revenue Budget of £1.1 million and, as detailed in paragraph 5; the New Homes Bonus of £2.2million is currently identified to be earmarked in the Invest to Save Fund.

### **Draft Revenue Budget 2016/17**

14. The General Fund Summary is shown at Annexe 1. Members will see from this summary that there is still a shortfall of £230k to find to balance the budget. Following the Star Chamber process in November, good progress had been made to close the budget shortfall. However, the government grant settlement was more severe than expected which has resulted in an increased shortfall being the current position.
15. Details of the impact of government grants on Waverley in 2016/17 are shown at Annexe 2.
16. Star Chamber savings proposals and growth items at Annexe 3. These have not yet been incorporated within the detailed budget sheets. The Joint Overview and Scrutiny Committee is asked to consider the Star Chamber proposals, particularly the growth items, with a view to reducing the shortfall.

17. The detailed estimates for all services are provided at Annexe 4.
18. Budget variances, which may be reductions as well as increases, resulting from such matters as contractual commitments, projected additional income including from car parks, changed levels of use, lower starting salaries for new members of staff, other changes to staff allocations, or updated asset charges have been built into the estimates.
19. Applications for grants under the Community Partnership Scheme for 2016/17 are the subject of a separate report to the Community Overview and Scrutiny Committee. At this stage despite Waverley's significant government grant reduction, the detailed estimates for 2016/17 show no change in the overall level of grant allocations.

### **Statutory Services**

20. Each budget page contains an indication of whether the service provided is statutory, discretionary, or a mixture of the two. There are some statutory services where the level of service provided is greater than that required by law. This analysis may assist Members in giving consideration to the resources allocated to the various services. There will of course be other factors, such as the Council's approved aims and objectives, public demand and corporate priorities.

### **Support Costs**

21. Support costs and other central overheads are the costs of central functions that are necessary to support the delivery of front line services and projects and to discharge Waverley's statutory duties and governance requirements. These functions include internal professional services, such as legal and accountancy and direct service related costs, such as IT, postage, payments, offices etc. Central budgets are treated in the same way as front line service costs in the accounts except that accounting rules require Waverley to recharge the full costs of central and support costs to services and projects on an appropriate basis. Waverley's central and support costs are subject to scrutiny by the 'Star Chamber' process
22. For services of a trading nature, including Land Charges, Careline, Waverley Training Services, Building Control and Car Parks, a notional apportionment of the corporate overheads that Waverley bears but does not allocate to services is shown to give an indication of the position if all costs were allocated. .

### **Conclusion**

23. Comments made at the Joint Overview and Scrutiny Committee will be reported to the Executive on 2 February 2016. The final Budget proposals will be presented to Council on 16 February 2016 based on the recommendations made by the Executive.

### **Recommendation**

It is recommended that the Committee gives consideration to the service areas within its remit and passes observations to the Executive regarding:

1. the detailed Budget papers for 2016/17;

2. the list of Budget savings proposals included at Annexe 3;
3. potential Growth Items included at Annexe 3; and
4. proposed Fees and Charges.

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### Background Papers

Provisional Local Government Finance Settlement 2016/17; Financial Strategy 2016/17 – 2018/19; Revenue Budget 2015/16.

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