

# Council Budgets

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2008-2009

number one for  
service and value



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**SECTION 1**  
**GENERAL INFORMATION ON COUNCIL FINANCE**

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This section gives outlines of the Council's finances and financial procedures, the financial calendar, treasury policy, and employee numbers, together with brief information about the Finance Department and the Council's accounts. Further information on the Council's final accounts is published each year in the Annual Report, available in September.

## THE FINANCIAL CALENDAR, BUDGETS AND INTERACTION WITH THE COUNCIL'S BUSINESS PLANNING PROCESS

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The Council's services are subject to four, largely separate, budget frameworks which are detailed in later sections of this book. These are the general revenue budgets, the Dedicated Schools Budget, the Council housing budgets, and the general capital budgets. These budget frameworks are driven by the Council's key service objectives as set out in the Corporate Business Plan (CBP).

The Executive, under the scrutiny of the Corporate Resources Committee, deals with the development and review of financial policies and procedures, and the allocation of financial resources to services within the broad limits defined by the budgets adopted by the Council shortly before each financial year (running from 1st April to 31st March). Net expenditure is planned from the start of the year to be contained within budgets, and monitored during the year by budget holders and senior managers. The service managers are generally expected to seek to finance any additional spending requirements from savings made elsewhere and also to eliminate any overspendings. If they are unable to comply with these requirements, any requests for additional resources (known as "budget variations") must be approved by the Executive. To give flexibility for minor departures from budget, the Director of Finance is authorised to make compensating adjustments between budgets in consultation with the relevant service director. Committees and the Executive are advised by the Director of Finance, or his representatives, on financial matters including the budgetary position.

The timing of the main events in the yearly financial cycle is indicated below, though some variations may occur. Key non-financial elements of the business planning process are shown in italics for completeness.

MARCH/APRIL	Council decides council tax and general revenue budget framework and treasury management policy Council tax and non-domestic rate bills despatched <i>Key issues and CPA priorities agreed</i>
JUNE	Previous year outturn reports to Committees Annual reports on treasury management, council tax and business rates collection <i>CBP agreed</i>
OCTOBER	Capital programme review, revenue budget reviews commence
NOVEMBER	Charges reviews
DECEMBER	Local authority grant proposals for next year announced by Government
JANUARY	Revenue budget reviews completed and development budget completed Council housing rent and Housing Revenue Account business plan review Additions to general capital programme decided by Executive Council tax-base and collection fund surplus/deficit calculated
FEBRUARY	Council decides Housing Revenue Account business plan and reviews rents Precepts and levies announced by other local government bodies Council decides general capital budget framework
MARCH	Council decides council tax and general revenue budget framework and treasury management policy Council tax and Non-domestic rate bills despatched

Expenditure. The Council's revenue expenditure includes those costs associated with the day to day running of services. This includes the salaries and wages of employees, premises costs, transport, supplies and services, payments to contractors, central, technical and departmental support, and a range of other expenses particular to each service. It also includes asset rents for the use of Council property, and financing charges on capital spending.

Income. Government grants form a large part of the Council's revenue income. Specific grants relate to particular services, for example, housing benefits subsidy or education standards fund grant. Income is due from other local authorities in respect of pupils with special needs from their area. Rents received on housing properties are considered annually as part of the review of the income and expenditure on the statutory ring-fenced Housing Revenue Account. The budget for this account is reviewed in January/February each year and rents adjusted for the following year in the light of this and other factors (see Section 4). Fees and charges for services, where the Council has discretion, are generally reviewed in November/December. Interest received on the Council's balances held during the year (such as unused capital receipts) and interest on Council mortgages are also shown as revenue income.

Financing of Net Revenue Expenditure. The Council receives Formula Grant as general Government support towards its budget requirement. The budget requirement, less the Formula Grant, with the Council's share of any surplus or deficit on the previous year's Collection Fund, produces the Council's net requirement to be met from the council tax.

Collection Fund. The fund administered by a billing authority into which council taxes and business rates are paid, and from which payments are made to the General Funds of the Council and Greater London Authority and to the national business rate pool.

### INCREMENTAL BUDGET CONSTRUCTION

The Council operates an incremental approach to budget construction: the budget used originally to set the last council tax forms the base for revising that budget and for setting budgets for the following three years, adjusted by changes for inflation and the effects of approved growth. Zero-based, Best Value and other reviews of budgets are undertaken, but their results are always expressed in terms of the net change to the current budget (a "budget variation"), for the purposes of constructing future budgets.

#### **Inflation**

- (a) Salaries and wages budgets are increased in line with pay awards when approved. Most awards are effective from April each year, so the amount added to the budget is generally similar for both the revised budget and subsequent years' budgets.
- (b) Budgets for service contracts are increased by the contractual inflation allowance and are usually effective from the anniversary date of the contract. Where this date is after 1st April, the amount added for the revised budget will only be for a part-year. The addition for subsequent years will, however, be the full year effect of the increase.
- (c) Most other running cost budgets are increased, for the revised budget, by the standard percentage considered appropriate when the council tax was set. This ensures that additions to detailed budgets are consistent with the general policy. Budget managers are required to stay within overall budgets, balancing those areas where inflation costs exceed the general rate with those where they are less. For the subsequent years' budgets, however, additions for inflation, for the twelve months to November of the revised budget year, reflect the measured changes in prices during this period.
- (d) Some running cost budgets are not increased for inflation. Asset rentals (the charge for using Council premises) are only reviewed every five years. Capital financing budgets are based on annuity rates which are only reviewed when long-term rates appear to have settled at a significantly different level.
- (e) Budgets for charges are increased to reflect the reviews of charges made each year. In addition there are other income budgets which are not included in the charges report. Budgets for charges increased by statute or under delegated authorities (e.g. linked to the increase in costs) are adjusted accordingly. Government grant budgets are already at outturn prices in the original budgets.

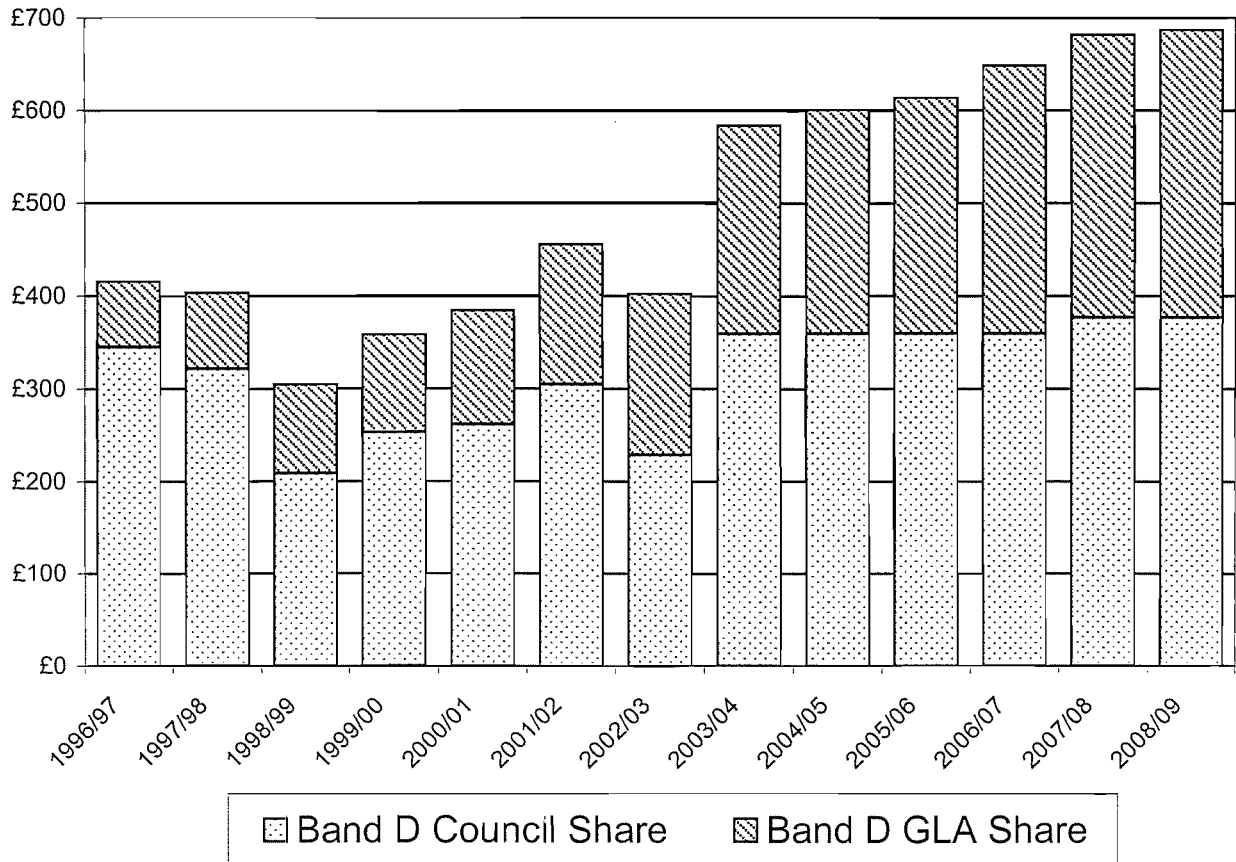
#### **Developments**

- (a) Budget variations. Whenever a report to Committee has financial implications, the Director of Finance advises either (i) that the additional cost can be met or saving retained within the budget, or (ii) that a request should be made to the Executive for a "budget variation". If a budget variation is approved, it is shown among the developments.

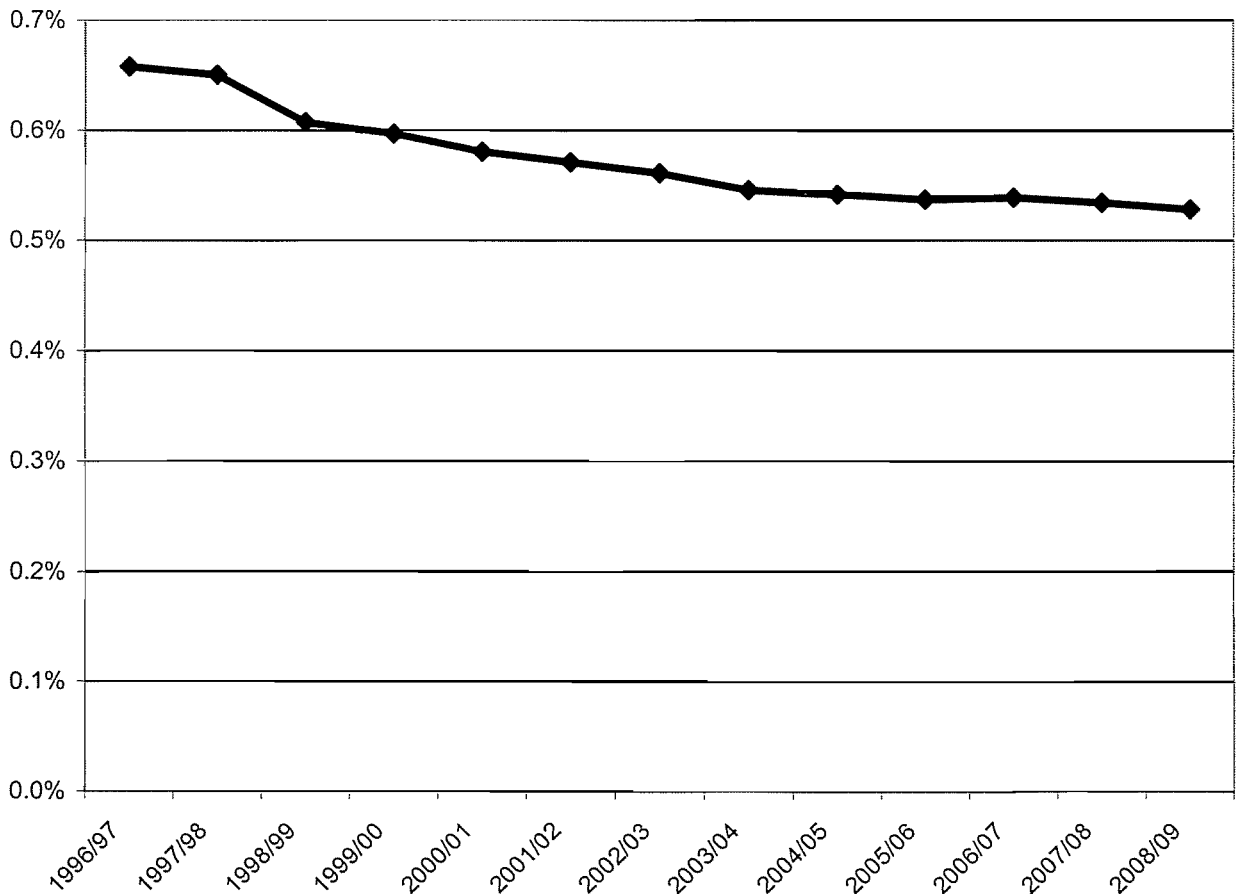
- (b) Revenue effects of the capital programme. Budgets for the financing costs of capital schemes are adjusted each year to reflect the latest approved programme for capital spending, including additions to the capital programme approved by the Executive. There are differing effects in each year depending when the capital expenditure is planned. Capital financing charges start in the year following the capital expenditure. When these are completed, budgets are reduced by the amount of capital financing charges ending.
- (c) Transfers within/between committee. Budget managers, with the approval of the Director of Finance, can move (“vire”) budgets between service heads to reflect latest spending patterns or changes in spending priority. The overall effect of virement is, of course, nil. There are also occasionally transfers between committee budgets - particularly where budgets exist for the recharge of costs from one committee to another.
- (d) External changes. Adjustments are included to reflect changes in Government funding, and changes in volume where services are almost wholly demand-led (e.g. housing benefits).
- (e) Accounting changes and other technical adjustments. Occasionally new accounting codes of practice for local authorities come into force, necessitating changes to the structure of accounts and hence also budgets.



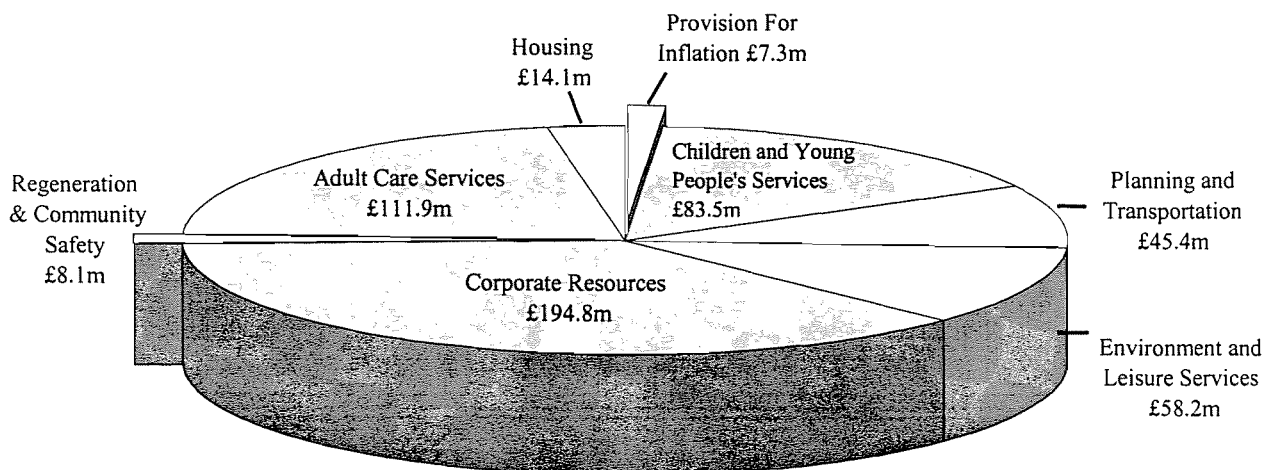
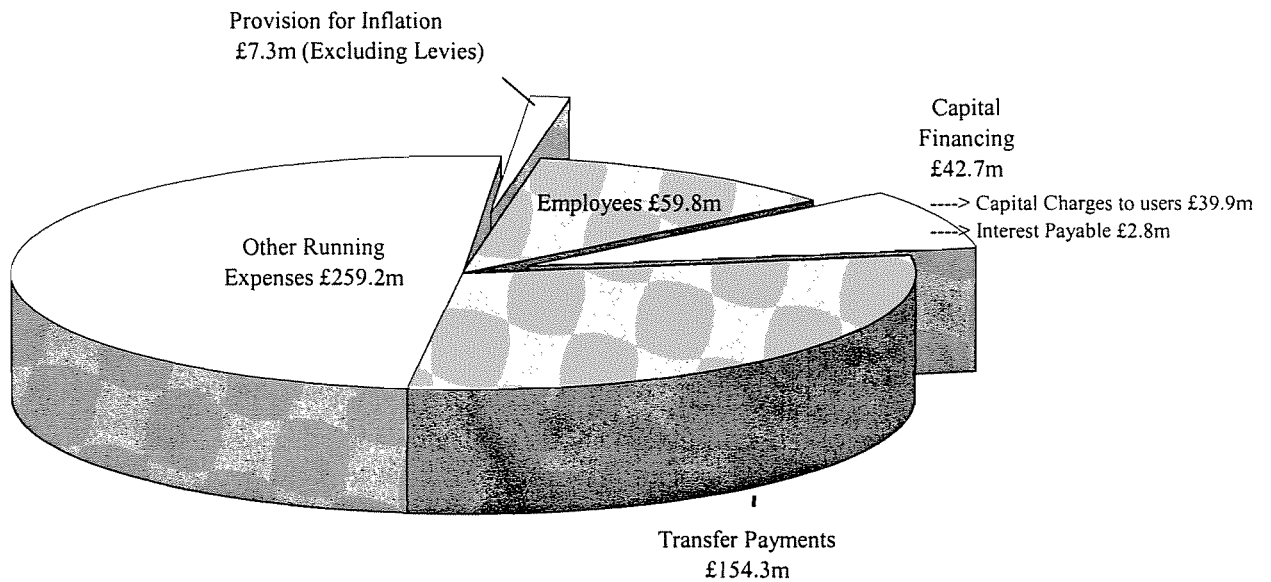
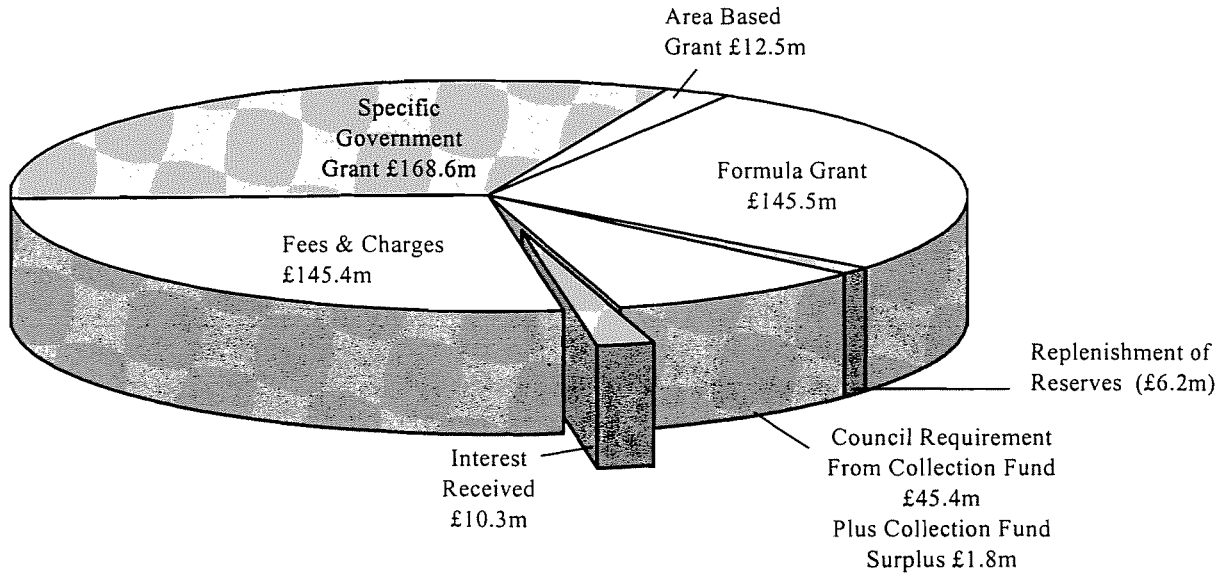
## WANDSWORTH'S AVERAGE BAND D COUNCIL TAX



## WANDSWORTH'S DWINDLING PERCENTAGE SHARE OF THE TOTAL NATIONAL FORMULA GRANT



# THE COUNCIL'S GENERAL REVENUE INCOME AND EXPENDITURE 2008/09 TOTAL £523.3m



## CAPITAL FINANCE

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Capital finance is treated separately from revenue finance for most purposes, because it is subject to different legislation. Capital finance generally involves a long-term asset of some kind, such as land or a building. For Council housing, however, distinctions between capital and revenue finance are less significant: much housing investment is financed from revenue, and the boundary between maintenance and investment is not clear-cut.

75% of dwelling receipts and 50% of receipts from housing land are required to be paid over to the Government. An exemption for receipts other than right-to-buy disposals is allowed if they are earmarked to finance the cost of “the provision of affordable housing”. All other capital receipts can be used in full to finance capital expenditure; pending this they are invested, yielding interest for the general revenue budget.

Local authorities are required to manage their affairs so that at any time their borrowing does not exceed their affordable borrowing limit, as defined in Part 1 of the Local Government Act 2003. This limit is determined by the authority itself to reflect the maximum amount that a local authority decides that it can afford to borrow. As this Council has usable investments, the limit has been set to allow no new borrowing, except for the possibility of an education “spend-to-save” scheme that requires borrowing, so that costs may be passed on to schools in accordance with the Government’s school funding regulations.

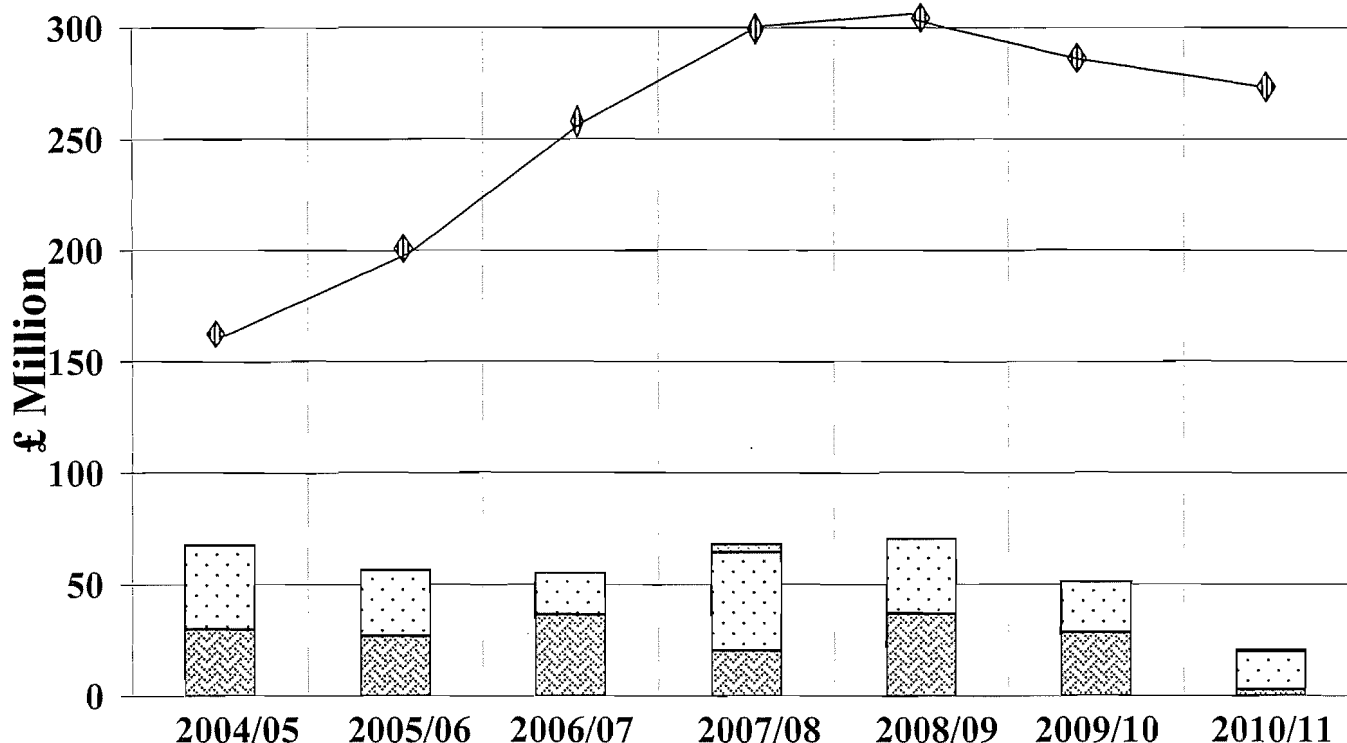
The scope for capital expenditure not charged to a revenue account in any year for this Council is largely determined by the availability of usable investments, and grants and reimbursements.

Any service using a capital asset has to bear economic charges in its revenue account for the use of that asset.

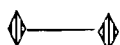
The Council's capital programme, detailed in Section 5 of this book, is prepared for the current year and the two subsequent years, and operates within the Council's Capital Strategy summarised below:-

- (a) Asset Management: make maximum beneficial use of assets; maintain and refurbish economically having regard to all relevant costs and income over the asset life cycle; identify and seek to minimise under-use; and dispose of surplus assets promptly to best advantage (including non-financial benefits where applicable).
- (b) Financial Resources: maximise grants and reimbursements, provided that the associated conditions are consistent with Council objectives and requirements.
- (c) Resource Planning: programmed capital expenditure to be kept well within expected financial resources; council housing schemes to be financed within the Housing Revenue Account, including ringfenced grants and revenue contributions, and usable capital receipts for the "provision of affordable housing"; other schemes to be financed by relevant grants and reimbursements, and usable capital receipts.
- (d) Scheme Appraisal: outline schemes to be costed and appraised in relation to service delivery needs, and for economy, efficiency and effectiveness having regard to asset life and the intended period of use, and taking account of all associated requirements including annual net costs; users', neighbours' and other stakeholders' views to be ascertained and weighed as appropriate; independent review of appraisal to be conducted by Property Audit Team; alternatives of influencing provision by others, or negotiating joint provisions, to be considered wherever applicable.
- (e) Prioritisation: consider most potential additions to the council housing programme and to the general capital programme at the same time so that relative priorities may be weighed and proposals that cross service boundaries may be more readily handled; involve leading members; give higher priority where there is a time-limited opportunity to invest in a particular advantageous manner.
- (f) Procurement: maintain and observe codes of practice to ensure probity and economy in procurement of assets and related works and services; have regard to the nature of potential supplier markets, and to possible changes in those markets and in service needs, when deciding whether and how to combine the procurement of an asset with related ongoing services.
- (g) Programme Control and Review: maintain appropriate procedures for identifying, reporting and authorising changes in timing and costs, with defined thresholds for member involvement; allow managers' virement of cost reductions, but only within limits that safeguard members' interest in policy changes and in reallocation of significant sums; review programme as a whole at least annually, and report to the Corporate Resources Overview and Scrutiny Committee, and the Executive with appropriate performance measures.

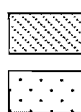
### Investments & Capital Payments Financing



**Investments at 31st March:**



**Capital Payments (housing and general) financed by:**



Revenue  
Grants and Reimbursements



Realisation of Investments

Due to high levels of capital receipts, particularly between 2004/05 and 2006/07, investment continued to rise. Capital receipts are expected to fall from 2007/08. However, investment levels are expected to maintain their current level during 2008/09 and decrease from 2009/10.

Due to the high level of investments no borrowing is envisaged for 2008/09 and later years.

The most significant capital grants are Government grants for education schemes and the Major Repairs Allowance, which is Government support for council housing.

STRATEGY FOR 2008/09

The following table shows the outlook for investment and debt levels for the period 2007/08 to 2010/11, taking into account estimates of major cash flow movements.

	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>
	£'m	£'m	£'m	£'m
Estimated investments 1 <sup>st</sup> April	254.9	300.0	304.1	290.5
Estimated debt 1 <sup>st</sup> April	-8.1	-7.0	-6.4	-6.3
Deposit facilities for other bodies and funds	-1.6	-1.7	-1.3	-1.2
<u>Net investments 1<sup>st</sup> April</u>	<u>245.2</u>	<u>291.3</u>	<u>296.4</u>	<u>-283.0</u>
<b>Deduct</b>				
Capital payments – general	-37.2	-32.5	-20.2	-3.3
Capital payments – HRA	-30.8	-38.0	-31.1	-16.3
Payment of capital receipts to Government	-7.5	-3.7	-3.8	-0.9
Reduction in net creditors	-	-	-5.9	-2.3
<u>Add</u>				
Capital receipts	38.1	33.4	32.9	1.5
Capital grants	44.1	33.6	22.8	17.1
Movement in funds, reserves & provisions	32.6	11.2	-9.1	-5.7
Revenue provisions for capital and credit liabilities	1.0	1.0	1.0	1.0
Increase in net creditors	5.8	0.1	-	-
In-Year net investment movement	<u>46.1</u>	<u>5.1</u>	<u>-13.4</u>	<u>-8.9</u>
<b>Net investments 31<sup>st</sup> March</b>	<u>291.3</u>	<u>296.4</u>	<u>283.0</u>	<u>274.1</u>
Estimated investments 31 <sup>st</sup> March	300.0	304.1	290.5	281.5
Estimated debt 31 <sup>st</sup> March	-7.0	-6.4	-6.3	-6.2
Deposit facilities for other bodies	-1.7	-1.3	-1.2	-1.2
Repayment of debt	1.1	0.6	0.1	0.1
Change in use of deposit facilities	-0.1	0.4	0.1	-

## TREASURY MANAGEMENT

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The Council is expected to begin the year with investments of around £300 million, and repayments of long-term debt of £0.6 million falling due over the next year from April 2008 will have a negligible impact on the level of investments. The estimated movements for the following two years based upon current cash flows show that investments are likely to remain at significant levels, and new long-term borrowing will not be required within this timescale, unless it is taken up specifically for an education “spend-to-save” scheme, which requires borrowing so that costs may be passed on to schools in accordance with the Government’s school funding regulations. This would require the approval of the Schools Forum.

Affordable Borrowing Limit and Operational Boundary for 2008/09 The Council has to set an affordable borrowing limit and operational boundary for 2008/09 under Section 3 of Part 1 of the Local Government Act 2003. This limit refers only to gross borrowing, ignoring investments, and it is intended that it reflect the maximum amount that a local authority decides that it can afford to borrow. As the Council has net investments, and is unlikely to have a new gross borrowing requirement, unless for an education “spend-to-save” scheme, the limit in Wandsworth reflects the existing outstanding debt, including deposit facilities offered to other bodies and external funds, such as Western Riverside Waste Authority, the North East Surrey Crematorium Board, and the Pension Fund. The affordable borrowing limit and operational boundary is, therefore, £12 million, reflecting the estimated position at 1st April 2008 (£9 million) and allowing for the possibility of borrowing for an education “spend-to-save” scheme, and short-term fluctuations in cash flows, particularly in relation to the Pension Fund.

### SCOPE OF CORPORATE TREASURY MANAGEMENT

Treasury management activities are defined as the ‘management of the Council’s cash flows, banking, money market and capital market transactions, the effective control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks, supporting the achievement of the Council’s business and service objectives.’

All cash, bank balances, financial assets, borrowings and credit arrangements held or made by any person in the course of their employment by the Council fall within the scope of Corporate Treasury Management, apart from items specifically excepted for this purpose by the Executive. The current exceptions are:

- (i) Funds held as cash and as bank balances, and managed by officers of the Education and Youth Services for the purposes of school journey grants, voluntary funds, and encashment of wages.
- (ii) Funds held as cash and as bank balances and managed by officers of Social Services Care Establishments for small items of expenditure and on behalf of residents.
- (iii) Funds held in bank accounts for school disbursements and managed by officers in schools that have exercised their right to use different bankers from the Council.
- (iv) Pension Fund investments and balances under the control of investment managers appointed by the Finance Sub-Committee of the General Purposes Committee.

### ADMINISTRATION

- (a) The Director of Finance’s responsibilities for Treasury Management are prescribed in the Council’s Financial Regulations. Corporate Treasury Management is part of the statutory responsibility of the Director of Finance under Section 151 of the Local Government Act 1972, and no other Council or school employee is authorised to borrow or make credit arrangements on behalf of the Council.
- (b) Subject to (c) below, the Director of Finance has delegated authority in relation to Treasury Management as follows:
  - (i) To invest any surplus balances of the Council’s funds other than the Pension Fund and to sell investments for the purpose of reinvestment or to meet the needs of a particular fund.
  - (ii) To administer the Council’s external debt within the ambit of any policy as to borrowing which the Council may have from time to time determined, and specifically
    - (a) to raise, repay, renew and otherwise vary the terms of the loans; and
    - (b) to enter into any collateral agreements necessary to facilitate effective debt management.



## TREASURY MANAGEMENT

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- (iii) To negotiate and enter into leasing agreements in order to finance the acquisition of vehicles, plant and equipment and to enter into any collateral agreements necessary to facilitate an effective leasing policy.
  
- (c) The Director of Finance shall submit for the approval of the full Council by 31st March of each year, a Treasury Policy Statement defining the overall arrangements and strategy for the ensuing financial year, and a report on the exercise of his delegated authority by 30th September in the following financial year. Such statements and reports will have regard to good professional practice and relevant codes such as the CIPFA Guide to Treasury Management in the Public Services. The Policy Statement will distinguish between general strategy, which will be followed without exception, and strategy specific to the circumstances foreseen for the coming year, from which the Director may depart if changed circumstances so require provided that the departure be reported to the next meeting of the Corporate Resources Overview and Scrutiny Committee, and the Council.
  
- (d) Day-to-day Treasury Management responsibilities shall be handled by the Treasury Management Group of the Finance Department, in accordance with a Treasury Systems Document reviewed annually by the Director. The Treasury Systems Document will contain details of the Council's Treasury Management Practices, including how the Council will manage and control the relevant activities.
  
- (e) Treasury Management activities and issues shall be reviewed at a monthly Financial Planning meeting within the Finance Department chaired by the Director, and attended by the Heads of Treasury, Corporate Finance, Service Finance and Audit. This meeting makes strategic decisions relating to items such as structure of investments and timing of long-term borrowing. The Director of Finance or, in his absence, either the Head of Treasury, Head of Corporate Finance, or Head of Service Finance may authorise changes in strategy previously defined at a monthly meeting if circumstances require.

## GENERAL STRATEGY

- (a) Corporate Treasury Management will be conducted in a manner that regards the successful identification, monitoring, and control of risk as of prime importance, and accordingly the analysis and reporting of treasury management will include a substantial focus on the risk implications, and employ suitable performance measurement techniques within the context of effective risk management.

(b) Investment

- (i) Cash Balances. The Council shall not borrow in order to make financial investments. Investment of the Council's surplus cash balances shall be for up to 364 days through brokers in the sterling money market. Around 65% of the portfolio will be invested for 3 months or less (with a weighting towards the shorter end), and the remaining balance of around 35% will be invested for periods of between 3 months and 364 days.
- (ii) Investments shall be placed with institutions in accordance with the following criteria:-
- up to £40 million with institutions with a Fitch credit rating of at least F1+ short-term, AA long-term, and a stable outlook, where generally no more than £20 million is placed for periods longer than 3 months;
  - up to £20 million with UK local authorities,
  - up to £10 million with institutions with a Fitch credit rating of at least F1 short-term, A+ long-term, and a stable outlook; and
  - up to £5 million with Building Societies with a Fitch credit rating of at least F1 short-term, A long-term and stable, or with an institution with a negative outlook but otherwise satisfying the criteria for £10 million or £40 million investments.

The credit ratings shall be reviewed on a monthly basis.

- (iii) The only exceptions are investments directly through the Government's Debt Management Account Deposit Facility (DMADF) or, if the Director of Finance authorises, investment directly through commercial money market funds i.e. investments are placed in loans to companies with high credit ratings.
- (iv) Enhanced Pension Fund. In accordance with general accounting standards (SSAP24) the Council has established an Enhanced Pension Fund, to cover the enhanced pension liabilities that fall outside the various statutory pension funds for Council employees. Funds have been passed to the Council's Pension Fund investment managers for investment on the Council's behalf. The funds may be invested by them in either UK gilt-edged securities, or in cash deposits that meet the criteria for the Council's other investments.
- (c) No credit arrangements shall be undertaken except
- leases of land and buildings approved by the Executive or under powers delegated to the Borough Valuer and Estates Surveyor or another officer, and
  - finance leases for vehicles, plant, and equipment on terms more favourable than realisation of investments.
- (d) Generally, at least 90%, and always at least 80%, of the Council's borrowing will be taken in the form of loans raised for a period in excess of one year and, if practicable, with an average original period of at least six years and with no more than 15% of the long-term portfolio maturing in any one year. Long-term loans shall be taken up through either brokers in the sterling money market or the Public Works Loan Board (PWLB).

## **PENSION FUND AND ENHANCED PENSION FUND**

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The Pension Fund is administered by the Council in accordance with regulations made under the Superannuation Act 1972. All employees except teachers can be members of the Fund, normally contributing 6% of pay. Pensions and lump sum payments are based upon final salary and are index-linked.

The Council's minimum contribution (employer's rate) is determined by actuarial valuation every three years. The statutory valuation as at 31st March 2007, certified an unchanged employer's rate of 19% applicable from 1st April 2008.

At 31st December 2007 the Pension Fund was valued at £729.4 million. It is invested in UK and overseas shares and bonds. All of the investments are managed externally.

The Government operates a notional pension fund for teachers. The employers' contribution to this fund remains at 14.1%.

The Enhanced Pension Fund, which represents around 0.9% of the main fund, was established in 1997/98 to meet liabilities arising from awards of added years of service to employees outside the Pension Fund. It can only be invested in Government bonds and cash.

## TRADING ACCOUNTS AND SERVICE LEVEL AGREEMENTS

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When the Council exposes the provision of its services to competitive tendering, and an in-house bid by its own labour force is awarded the 'contract', then these activities are treated as 'trading' operations. The charge to the 'client' service is not the actual cost but the charge which would be appropriate if the labour force had obtained the work on the same footing as a private contractor. This charge is then treated as income to a trading account, which also bears the actual costs, to determine whether the labour-force is commercially viable.

A trading account surplus at the end of the year can be carried forward to meet future deficits, or it may be credited to the General Fund for the more immediate benefit of taxpayers, or if housing related credited to the Housing Revenue Account. Deficits may be similarly treated.

Reports showing financial results are presented to the relevant Overview and Scrutiny Committee on each trading account. In practice, some caution is necessary in drawing conclusions on competitiveness merely from these financial results.

Other activities, while not being put out to tender, are also subject to the discipline of trading accounts. The heightened management awareness associated with the need to demonstrate achievement of both financial and service delivery targets within these disciplines is generally recognised as beneficial. The term Service Level Agreement (SLA) is usually applied to these arrangements when the activity has not been subject to competitive tender.

Charges for SLA's are designed to maintain a break-even situation taking one year with another; in the interest of properly accounting for costs in the year of account, deficits carried forward are limited to 2.5% of gross expenditure and surpluses to 5%. Deficits or surpluses within these parameters are expected to be reflected in charges for the subsequent year; excess deficits or surpluses are fully reported to the responsible Committee, and reflected in adjusted charges in the year of account.

The present extent of trading accounts and SLA's in each Department is shown on the next page, together with an indication of the gross budget included within such arrangements.

## TRADING ACCOUNTS AND SERVICE LEVEL AGREEMENTS

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	2008/09 ANNUAL VALUE <u>£'000</u>
<u>ADMINISTRATION DEPARTMENT</u>	
Telecommunications	1,090
Training Centre	360
Graphics	299
Quickprint	422
	<u>2,171</u>
 <u>ADULT SOCIAL SERVICES DEPARTMENT</u>	
<i>Providers</i>	
Home Care	3,164
Meals on Wheels and Frozen Meals	277
PLD Hostels & OST	955
PLD Day Care	4,583
Atheldene – Eld/PD	164
Adult Placement Service	67
 <i>Support Services</i>	
Central Support Services	1,658
Departmental Support Services	8,154
	<u>19,022</u>
 <u>CHILDREN'S SERVICES DEPARTMENT</u>	
<i>Children and Families</i>	
Adoption and Fostering	4,095
Children's Centres	790
Family Resource Centres	1,650
 <i>Schools</i>	
Schools IT Support	444
Personnel Services	294
Learning Resources	138
Curriculum and Professional Development	42
Schools Financial Management	164
Music Support	91
Contracts	237
Performance and Standards	110
PC Training and Development	108
Literacy Support	347
	<u>8,510</u>

## TRADING ACCOUNTS AND SERVICE LEVEL AGREEMENTS

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	2008/09 ANNUAL VALUE <u>£'000</u>
<u>FINANCE DEPARTMENT</u>	
Income Collection Service	799
Audit	1,145
Housing Contract Services: Rent Collection	1,104
Accounting Services	418
Payroll	583
	<u>4,049</u>
<u>HOUSING DEPARTMENT</u>	
Housing Contract Services: general management and maintenance	11,290
	<u>11,290</u>
<u>LEISURE AND AMENITY SERVICES DEPARTMENT</u>	
Tree Maintenance Administration	286
	<u>286</u>
<u>TECHNICAL SERVICES DEPARTMENT</u>	
Engineering Consultancy and Highway Maintenance	7,100
Design Service	2,800
Building Maintenance	9,500
Transport Management Services	2,800
Social Services Transport	1,200
Education Transport	1,600
	<u>25,000</u>
TOTAL	<u><u>70,328</u></u>

## AUDIT

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External Audit. PricewaterhouseCoopers have been appointed by the Audit Commission as the Council's external auditor from the 1st April 2008, although KPMG will carry out the audit of accounts and Use of Resources Assessment for 2007/08. The auditor covers the financial aspects of corporate governance, the Council's accounts and performance management (including Comprehensive Performance Assessment and the Corporate Business Plan), and reports via the Audit Commission to the Audit Committee. When the accounts have been prepared, usually about July, they are advertised as open to inspection by anyone interested. Any elector can make objections to the auditor about any items in the accounts.

Internal Audit. The Council has a statutory obligation to maintain an adequate and effective system of internal audit of the accounting records and internal control systems, with a corresponding right of access at all times to documents, information and explanations needed. The Finance Department's Internal Audit Service is concerned to ensure that systems and procedures at all levels operate to safeguard the Council's interests and maximise economy, efficiency and effectiveness. The Section maintains a capacity for special investigations and, along with its contractor, works to a programme of reviews in all departments of the Council.

The Director of Finance is under a duty to report to the Council and the external auditor if it appears that any proposal would incur unlawful expenditure or cause a loss or deficiency.

The Head of Audit reports at least annually to the Directors, the Directors' Board and the Audit Committee, and has the prime responsibility for advising this Committee regarding the Annual Governance Statement for publication with the Council's accounts.

The Head of Audit is the initial contact for staff, Members and third parties to report suspicions of fraud, corruption or financial irregularity, and is the Council's Money Laundering Reporting Officer.

The table below shows the employee budgets for 2008/09 by department, compared with the previous year:

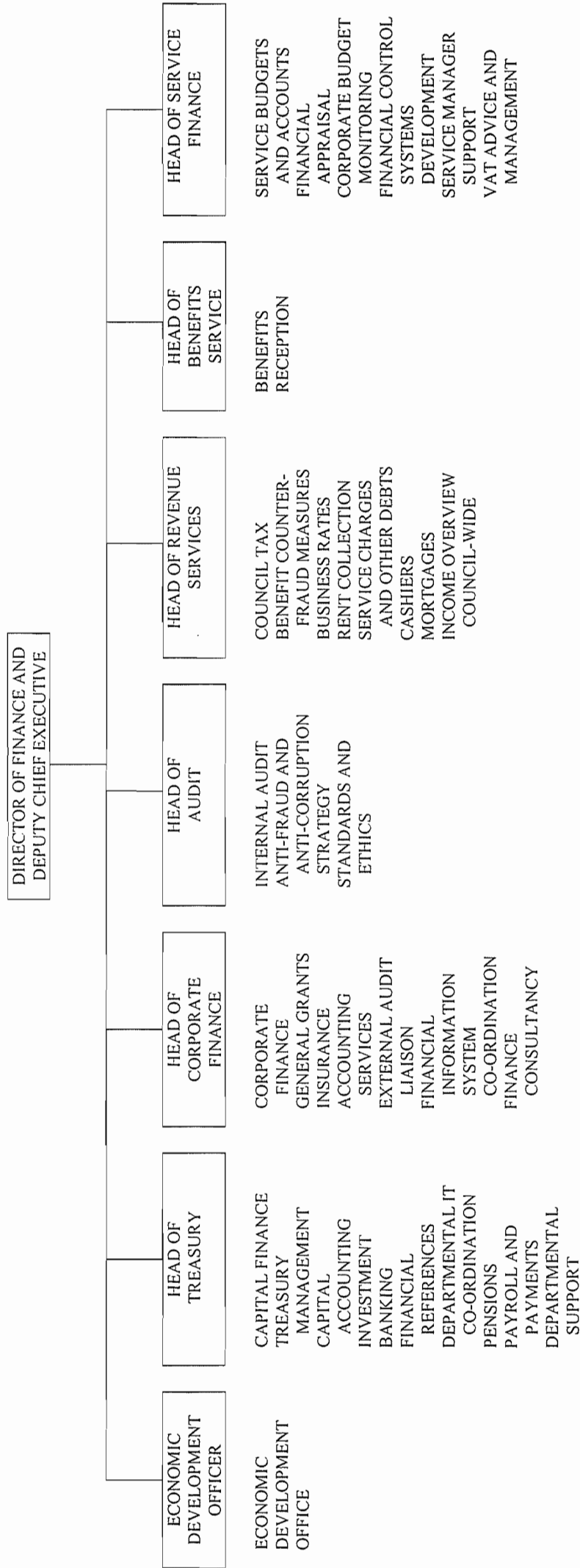
<u>DEPARTMENT</u>	<u>2007/08</u> £'000	<u>2008/09</u> £'000
Administration	13,392	13,754
Adult Social Services	19,475	20,457
Children's Services	162,409	167,222
Finance	15,369	15,117
Housing	17,573	18,198
Leisure and Amenity Services	13,286	13,481
Technical Services	27,486	28,363
	<u>268,990</u>	<u>276,592</u>

The table below shows an estimate of the number of employees (full-time equivalents and including employees of foundation and voluntary-aided schools, and agency and sessional staff) for 2008/09 by department compared with the previous year.

<u>Staff Numbers</u>	<u>2007/08</u>	<u>2008/09</u>
Administration	272	279
Adult Social Services	529	509
Children's Services	4,692	4,711
Finance	380	377
Housing	448	450
Leisure and Amenity Services	347	347
Technical Services	790	790
	<u>7,458</u>	<u>7,463</u>



# THE FINANCE DEPARTMENT



The senior managers of the department are:

	Location	Telephone
Director of Finance and Deputy Chief Executive	TH 27	020-8871 8300
Economic Development Officer	THE 1	020-8871 6202
Head of Treasury	TH 20	020-8871 6402
Acting Head of Treasury	TH 70	020-8871 6510
Head of Corporate Finance	TH 217	020-8871 6406
Head of Audit	TH 65	020-8871 6450
Head of Revenue Services	THE 2	020-8871 6895
Head of Benefits Service	THE 1	020-8871 7061
Head of Service Finance	TH 212b	020-8871 6498

**Agency and Contracted Services** - services provided by an external supplier, such as a private contractor or public authority.

**Balances** - the accumulated surplus of income over expenditure, which can be used to finance future expenditure.

**Billing authority** - a local authority empowered to set and collect council taxes, and manage the Collection Fund on behalf of itself and precepting authorities in its area. London Boroughs and the City of London are billing authorities.

**Budget requirement** - an amount calculated, in advance of each year, by each billing authority, and by each major precepting authority. It is broadly the authority's estimated net revenue expenditure after allowing for movement in General Fund reserves.

**Capital expenditure** - the definition extends to:

- the acquisition, reclamation, enhancement or laying out of land, exclusive of roads, buildings and other structures;
- the acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures;
- the acquisition, installation or replacement of movable or immovable plant, machinery and apparatus and vehicles and vessels;
- the making of advances, grants or other financial assistance to any person towards expenditure incurred or to be incurred by him on matters mentioned in the three categories above or in the acquisition of investments;
- the acquisition of share or loan capital in any body corporate, excluding pension fund investments.

**Capital Financing Costs** – include asset rents charged for the use of operational property, and annuities charged for capital expenditure that does not produce new operational property.

**Capital receipts** - sums received from the sale of assets where expenditure on those assets would be expenditure of a capital nature.

## GLOSSARY OF LOCAL AUTHORITY FINANCE

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**Capping** - the Secretary of State has the power to 'cap' the local authority budgets that he considers to be excessive, requiring them to be reduced and council tax bills to be re-issued for correspondingly lower amounts.

**Collection Fund** - the fund administered by a billing authority into which council taxes and business rates are paid, and from which payments are made to the General Funds of charging and precepting authorities and to the national business rate pool.

**Council tax** - the local taxes on property, set by the charging authority and the precepting authorities in order to collect sufficient revenue to meet their demand on the Collection Fund. It is based on the value of the property. The Valuation Office Agency assesses the properties in each district and assigns each property to one of eight valuation bands, A to H. The tax is calculated on the basis of the weighted number of properties, equated to Band D. Tax levels for dwellings in other bands are then set relative to the Band D amount.

**Council tax benefit** - financial help given to taxpayers whose income falls below prescribed amounts. The cost is substantially covered by specific government grant.

**Dedicated Schools Budget (DSB)** – consists of the delegated schools budgets and the central spending by the Council in support of schools. This budget is ring-fenced and wholly funded by grant.

**Demand on the Collection Fund** - the amount calculated by a billing authority to be transferable from its Collection Fund to its General Fund. Apart from any surplus or deficit in the Collection Fund, the amount is calculated as the authority's budget requirement less Government general grants.

**Formula Grant** – Government grant to local authorities, applicable to the General Fund as a whole and not to any specific service. Legally it consists of Revenue Support Grant and a population-related share of a national pool of non-domestic rates, but this anachronism has no real significance. Formula Grant comprises a Relative Needs Amount, a (negative) relative Resource Amount, a Central Allocation, and a Damping Amount, but subject to rules that limit the change from the previous year's Formula Grant.

**General Fund** - the fund within which most transactions of a local authority take place. Although strictly it includes the Housing Revenue Account and the DSB, it commonly refers only to items outside that Account. Other funds held by a local authority may include a Collection Fund, Superannuation Fund and trust funds held for charitable purposes.

**Housing benefit** - financial help given to local authority or private tenants whose income falls below prescribed amounts.

**Housing Revenue Account (HRA)** - a local authority statutory account, legally within the General Fund but commonly regarded as distinct, covering current income and expenditure relating to its own housing stock.

**Indirect Employee Expenses** – includes costs incurred for staff training and for recruitment.

**Major precepting authority** - the Greater London Authority makes a precept on the Collection Fund, as county councils do elsewhere.

**Non-domestic rates (NDR)** - are a national tax on businesses, according to the rental value of the properties they occupy. Prior to 1990/91, rate poundages were set by local authorities and so varied from authority to authority, but since 1 April 1990, a single national poundage has been set by the Government and the proceeds collected by all local authorities are pooled nationally.

**Precept** - represents the amount required from the Collection Fund to finance the expenditure of a major precepting authority.

**Premises Costs** – includes repair and maintenance of fixed plant, maintenance of grounds, fuel, light, cleaning, water, fixtures and fittings, rent and rates, and premises-related insurance.

**Provisions** - amounts set aside generally as estimates of liabilities or losses already incurred but whose exact amount will be determined in the future e.g. bad debts.

**Reserves** – Revenue account reserves can be amounts for general contingencies and to provide working balances, or they can be earmarked to specific future expenditure.

**Revenue Expenditure** - in a general sense, expenditure on recurring items including the running of services, interest, and annual debt repayments.

## GLOSSARY OF LOCAL AUTHORITY FINANCE

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**Settlement** - "Local Government Finance Settlement" is the annual determination made in a Local Government Finance Report by affirmative resolution of the House of Commons for the following year's provision for local authority expenditure, the amount of Formula Grant and other central government support for that expenditure, how that support will be distributed, and the support for certain other local government bodies.

**Special grants** - these are grants paid by the Government for very specific and usually temporary purposes e.g. Special Transitional Grant for Community Care.

**Specific grants** - these are grants paid by various Government departments for use on specific services, such as Education Standards Fund grants, housing benefit subsidies.

**Supplies and Services** – includes equipment, furniture, materials, clothing, uniforms, laundry, printing, stationery, telephones, postage, computers, advertising (other than for recruitment), and grants to voluntary bodies.

**Trading services** - local authority services that are, or are generally intended to be, financed mainly from charges levied on the users of the service.

**Transfer Payments** – payments to individuals for which the authority does not receive any direct goods or services, e.g. housing benefits.

**Use of Transport** – includes repair and maintenance of vehicles and moveable plant, fuel, oil, tyres, licences, transport insurance, hire of vehicles and moveable plant, and employee car allowances.

**SECTION 2**  
**COUNCIL'S REVENUE BUDGET AND COUNCIL TAX**

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This section sets out how the 2008/09 revenue budget, council tax, and budget framework were developed from the previous year's budget. It is based on reports considered by the Corporate Resources Overview and Scrutiny Committee on the 16th January 2008 and 5th March 2008, and by the Council on the 10th March 2008. The section contains appendices summarising the budgetary effect of developments and of repricing from November 2006 to 2007, levies from other public bodies, special reserves, and the council tax base.

## COUNCIL NET EXPENDITURE

### Service Revenue Budgets

1. In January 2008, the Executive approved the service revenue budgets, which showed the effects of providing for current programmes, policies and developments as detailed in Appendix A.
2. In doing so, the Executive also approved the detailed changes to take account of inflation between November 2006 and November 2007. Major pay settlements included the national single status pay award of 2.475% from April 2007, and the teachers' award of 2.5% from September 2007. Budgets for contracted services were increased by the retail price index or other specified repricing basis from the relevant review date. Other running costs were cash limited in 2007/08 to the 2.7% allowed for when deciding the Council's budget, but for 2008/09 the inflation adjustments reflect the actual change in prices between November 2006 and November 2007. The effects of inflation to November 2007 amounted to £5.9 million in 2007/08 and £6.8 million in a full year, as summarised in Appendix A.

### 2007/08 Service Budgets

3. The revised budgets for 2007/08 total £172.543 million, a decrease of £5.1 million on the original budget (including provision of £7.8 million for inflation) approved in March 2007. This decrease is largely due to increased interest received on reserve balances (£4.1 million), Planning and Delivery grant (£0.5 million), prior year Local Authority Business Growth Incentives (LABGI) grant adjustment (£0.5 million) and savings from the homelessness and asylum seekers review (£0.1 million). These decreases were partially offset by lower eligibility criteria savings within Community Care Services (£0.4 million) and increased annual audit and inspection fees (£0.1 million).

### Future Service Budgets

4. The Executive agreed in March to make an allowance of £7.27 million for inflation from November 2007 prices through to 2008/09 outturn. This provides for 2.5% for pay for most staff from due dates, and 2.7% as a general allowance on running costs except where there are special circumstances. Most significantly there is a large value of contracts where annual contract costs are inflated in line with the retail price index (excluding mortgage interest), and where the increase is due in the early part of the year. In these cases, a higher inflation rate has been provided reflecting the current higher inflation rates. The main items within the inflation allowance are as follows: -

	<u>£m</u>
Pay awards	1.35
Running expenses	6.18
Charges reviews/interest receivable	-0.26

An allowance of 2.5% has been provided for pay awards in 2009/10 and 2010/11. The allowance for inflation on general running costs is 2.7%. The resulting totals for year-on-year inflation for 2009/10 and 2010/11 are £9.67 million and £9.53 million respectively.

5. The Executive also made provision for the £21.7 million levies and charges from other public bodies, as listed in Appendix C, requiring increased budget provision of £1.66 million, although there were some reductions. The increase is chiefly due to above inflation increases for Western Riverside Waste Authority (WRWA) and the London Pensions Fund Authority (LPFA). The WRWA increase of £1.85 million (22.5%) results from continuing increases in landfill tax and reduced access to existing landfill facilities. A further £1.83 million (18.2%) and £1.60 million (13.5%) have been forecast for 2009/10 and 2010/11 respectively, due in part to further costs from the landfill allowance trading scheme (LATS), after which it is anticipated that the proposed Energy from Waste plant currently being commissioned will be in operation, reducing landfill tax and LATS costs. The element of the LPFA levy for former employees of the Greater London Council (GLC) has risen by 43% (£0.15 million) to £0.51 million. The levy is raised to meet expenditure on premature retirement compensation for former GLC employees which has increased significantly from a higher incidence of settled and anticipated asbestosis claims following the enactment of the Compensation Act 2006.
  
6. This produced total 2008/09 service budgets of £186.475 million shown analysed by Committee and by income and expenditure categories in Appendix B. It is £8.8 million more than the equivalent figure for 2007/08. The transfer of specific grants from committee budgets to a non-service specific ring-fenced grant (Area Based Grant – see paragraph 7 below) is cost neutral. The net effect of inflation (£6.2 million) is the single largest budget increase. (£5.8 million) was transferred from specific grants within services to Formula Grant, and (£0.3 million) Waste Performance and Efficiency grant transferred to a central London agency for distribution. Budget increases approved during the year included setting up a Connexions careers service budget (£1.2 million), expenditure budgets to reflect Local Public Sector Agreement grants received in previous years (£0.4 million). There was also an increase in the cost of levies (£1.7 million), as outlined in paragraph 5 above. These budget increases were partially offset by interest savings (£1.8 million), revised charges for services and a review of parking income (£1.4 million), and a review of the costs of homelessness and asylum seekers (£0.5 million). Further budget savings accrued from the revised configuration for the Wandsworth library service (£0.6 million), the contracts for the management of leisure centres (£0.5 million), transport for people with learning disabilities (£0.3 million), and nursing homes (£0.2 million). Further budget reductions followed the implementation of the integrated children’s centres (£0.5 million) and a review of eligibility criteria for Care Services (£0.6 million). With further inflation and with extra costs generated largely by the capital programme, the projected service budgets for 2009/10 and 2010/11 are £194.658 million and £203.273 million, as shown in Appendix A.

#### **Area Based Grant**

7. For 2008/09 the Government have merged a number of existing specific grants into a new Area Based Grant (ABG). ABG is a non-ringfenced grant with no conditions on use imposed as part of the grant determination ensuring full local control over how funding can be used. The Government has determined Wandsworth’s ABG to be £12.501 million in 2008/09, £24.526 million in 2009/10, and £24.383 million in 2010/11. The increases in both 2009/10 and 2010/11 reflect the transfer to ABG of Supporting People grant of £11.177 million in those years.



## GENERAL FUND RESERVES

8. The calculation of the Council's requirements has to include the amount of financial reserves which it will be appropriate to raise or use in the financial year. The Council has no need for reserves for two of the purposes which it is obliged to consider: to cover deficits remaining from any earlier financial year (as there are none), and to cover 2009/10 expenditure to be incurred before revenues for that year are available (as this can be met within the Council's temporary borrowing limit).

### Special Reserves

9. The special reserves are those appropriate for meeting future expenditure in performing the Council's functions. The existing and proposed special reserves are shown in Appendix E, although those relating to the Housing Revenue Account and schools are not directly relevant.

- (a) Finite Services Fund. Provision has been made in the Finite Services Fund to pre-finance fully the cost of certain schemes of limited duration. The Fund has specific provision to finance the Council's obligations to contribute towards the anticipated costs in preparation for the Olympics in 2012, the preparatory costs of the Building Schools for the Future programme, and utilisation of Local Public Service Agreement (LPSA) grant. The use of the Fund over the next three years is anticipated to be as follows:

	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>
	£m	£m	£m	£m
Olympic preparation	0.026	0.015	0.017	0.018
LPSA	0.101	0.404	0.040	-
Building Schools for the Future	-	0.500	1.500	-

- (b) Renewals Fund. The former Policy and Resources Committee at its meeting on 1st March 2001 approved the financing of the implementation of parking schemes from the Renewals Fund, repayable over a five year period with the last repayment falling in 2008/09. Resources were also approved to be set aside last year specifically for the ICT infrastructure project, the maintenance backlog on operational properties and the new centre at Roehampton. The Fund also provides resources for short-term "loans" for building and plant maintenance, investment in IT schemes, and allows monies for replacement of vehicles and equipment to be saved in advance. It is now proposed that funds are set aside for further contributions towards the maintenance backlog on operational properties in both 2008/09 and 2009/10 (£2.0 million), the implementation of additional parking zones in 2008/09 (£0.3 million), and Building Schools for the Future programme in 2008/09 (£0.5 million). Estimated drawings from the Fund in 2008/09 amount to £2.0 million, but these are partly offset by repayments of £0.051 million in respect of drawings in 2003/04.

## General Reserves

10. At its meeting on 3rd March the Executive agreed the development of a package of transport improvement measures for central Wandsworth, and the broad approach to the negotiation of developer contributions towards the implementation of the schemes. Whilst it is anticipated that cost of the substantial infrastructure work required will be chiefly funded by Transport for London, supplemented by developer contributions, it is proposed that £6.0 million now be set aside to the Renewals Fund in 2007/08 as a potential resource for pump priming these initiatives. The need to maintain sufficient office accommodation for staff will come into focus in 2009 with the expiry of the current lease on one of the Council's main operational properties. Whilst a range of alternative sources of supply are currently being pursued, the final solution may include the outright purchase of suitable premises, which would impact on the current limited capital resources available. It is therefore proposed that £7.0 million now be set aside from revenue to the Renewals Fund in 2007/08 as a potential contribution towards any additional non-budgeted capital costs that may arise from securing replacement operational properties.
11. The general reserves at 31st March 2008, on the basis of previous reports and the current outlook for 2007/08, were then estimated as:

	<u>£m</u>	<u>£m</u>
General Fund balance 1st April 2007		14.758
<u>PLUS</u>		
Additional net contributions to the Renewals Fund		
Original	-4.511	
Revised	<u>-17.511</u>	
		-13.000
<u>PLUS</u>		
Reduction in net transfer from the Finite Services Fund		
Original	0.474	
Revised	<u>0.373</u>	
		0.101
Planned contribution to general reserves		0.201
Reduction in Committee budgets 2007/08		
Original	177.681	
Revised	<u>172.543</u>	
		5.138
Estimated General Fund balance 31st March 2008		<u><u>7.198</u></u>

12. The Council must make an appropriate prudent allowance for contingencies for the forthcoming year. The Council considered that it would be prudent to retain a general reserve for contingencies of all kinds of about £10 million, the same as last year. The range of uncertainties in the next financial year is indicated by the items shown in Appendix D. With the General Fund balance estimated to be £7.198 million at 31st March 2008, a further contribution of £2.802 million is required.

## BUDGET REQUIREMENT

13. The budget requirement is essentially the Council's net expenditure less any drawing on general reserves. The recommended budget requirement is, therefore, calculated as follows:

	<u>2008/09</u> £m	<u>2009/10</u> £m	<u>2010/11</u> £m
Council's Net Expenditure (para.6)	186.475	194.658	203.273
Contribution to General Reserves (para.12)	2.802	-	-
Contribution to Renewals Fund (para. 9)	2.851	2.000	-
Financing from (-)/to (+) Finite Services Fund (para.9)	0.581	-1.557	-0.018
 Council's Budget Requirement	 <u>192.709</u>	 <u>195.101</u>	 <u>203.255</u>

The statutory form of calculation by the Council is shown in Appendix G, part d (i) to (iii) with details in Appendix F.

Section 25 of the Local Government Act 2003 requires that when a local authority is making its budget calculations, the Director of Finance must report to it on the robustness of the estimates made for the purposes of the calculations, and the adequacy of the proposed financial reserves. The Director of Finance considers that the estimates are sufficiently robust for the purposes of the calculations and that the proposed financial reserves are adequate.

## LOCAL AUTHORITY GRANT SETTLEMENT

### Formula Grant

14. The Local Government Finance Settlement for 2008/09, and provisional settlements for 2009/10 and 2010/11 were approved by Parliament on 24th January. This is the first three-year settlement announced by the Government. The previous multi-year settlement covering just two years to the end of the 2004 Spending Review. Once again the settlement included very heavy damping to the calculation of Formula Grant. As in previous years the cost of the “floor” increase would be paid for by applying a scaling factor to reduce grant for all authorities above the floor. For Wandsworth, and other authorities with education and social services responsibilities, the floor is a 2.0% increase in 2008/09 (compared with 2.7% in 2007/08), with all grant entitlements above the floor being scaled down by 67%. Wandsworth is again at the floor with a grant of £145.535 million for 2008/09, £2.854 million (2.0%) higher than the 2007/08 settlement, using the Government’s calculation of a like-for-like basis. This compares with average increases of 3.5% nationally and 2.3% for the London area. The Council is benefiting by £51.4 million from damping arrangements and can expect to remain on the grant floor for many years. Indeed, calculations carried out by London Councils indicate that if the minimum floor increase of 1.5% continues beyond 2010/11, Wandsworth will remain at the grant floor for a further 58 years. The provisional settlements for 2009/10 and 2010/11 are £148.011 million and £150.204 million, representing minimal floor increases of 1.8% and 1.5% respectively. The average increase nationally and for the London area for 2009/10 are 2.8% and 2.1% respectively, with equivalent increases in 2010/11 being 2.6% and 2.0% respectively.

## CALCULATION OF COUNCIL TAX AMOUNTS

### Collection Fund

15. The tax requirements of the Council are aggregated with those of the precepting authorities within the Collection Fund. The Council’s part represents its budget requirement less its share of Formula Grant, and any Collection Fund surplus or deficit. It is estimated that the Collection Fund will have a surplus of £3.188 million at 31st March 2008. Of this amount £1.766 million will be credited to the Council’s General Fund in 2008/09. The remainder is passed to the Greater London Authority.

### Wandsworth Council Share

16. After taking account of Formula Grant, the amount that this Council needs to raise from council tax for its own purposes is as follows:

	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>
	£m	£m	£m	£m
Budget requirement (para.13)	182.867	192.709	195.101	203.255
Less: Collection Fund surplus (para.15)	-1.171	-1.766	-	-
	181.696	190.943	195.101	203.255
Less: Formula Grant (para.14)	-136.911	-145.535	-148.011	-150.204
Wandsworth Council tax needs	44.785	45.408	47.090	53.051

### **Council Tax Bases**

17. In order to translate the Council's demand upon the Collection Fund into household tax amounts, it is necessary to relate it to the appropriate tax bases. The Council tax bases are now calculated annually by the Director of Finance following delegation of the determination by the Council at its meeting on 4th February 2004. These tax bases were calculated making a number of assumptions:

- (a) Existing properties - Valuation list as at November 2007
- (b) New, converted and demolished property - no effect on the tax base
- (c) Exempt property - Property currently exempt plus those under review
- (d) Appeals - number outstanding at 30th November 2007, 50% successful
- (e) Disabled bandings reduction - Reduction currently granted
- (f) Discounts - Based on those granted at 30th November 2007 plus an allowance for reviews
- (g) Collection rate - 95%, as in previous years

The main statistics for the calculation are shown in Appendix H. Based on these assumptions, the council tax bases for 2008/09 amount to 120,365 for the borough as a whole, and 26,389 for the Conservators' levy area. The corresponding numbers for 2007/08 were 118,714 and 26,334 respectively.

### **Special Expenses**

18. The Council is required to treat as a special expense the levy of the Wimbledon and Putney Commons Conservators, and formally resolved to do so for successive financial years at its meeting on 10th March 1993. For 2008/09 this levy amounts to £615,308.04. As a special expense it must be charged only to taxpayers within the Conservators' area, who will therefore have tax amounts £23.31 higher than elsewhere in the Borough at band D (applying the 26,389 taxbase figure for the Conservators' area and after allowing for roundings in calculations), with proportionate differences in other bands. The Conservators' total levies, including those parts of their area in other boroughs, have risen by 3.9% from £858,062 to £891,939.

### **Basic Amounts of Tax for 2008/09**

19. The Council has to calculate first an average band D tax element (dividing the tax needs shown in paragraph 16 by the 120,365 taxbase figure), and then separate amounts for the majority of the Borough (excluding the special expenses) and for the Conservators' levy area. The statutory form of statement is shown in Appendix G part d(v) to (viii) and the amounts are:

	<b>Average</b>	<b>Majority</b>	<b>Conservators' Area</b>
	£	£	£
For 2008/09	377.25	372.14	395.45
For 2007/08	377.25	372.28	394.68

20. Having calculated band D amounts, the Council has to calculate for each part of its area the amounts of tax for valuation bands other than D. The calculation is made by applying the statutory proportion for each band to the relevant band D amount. The amounts are shown in Appendix G part (d)(ix).

### **Budget Capping**

21. In a speech made on 27th November, the Minister for Local Government stated: “ Of course it is for local authorities, not central government, that set council tax. But keeping council tax under control remains a high priority for Government. We expect the average council tax increase next year to be substantially below 5 per cent. We will not hesitate to use our capping powers if we find that council tax payers are in line for excessive increases.” No further guidance has been provided on what was meant by “substantially below 5 per cent”. The recommendations of this report entail an increase of 5.4% in the budget requirement and no increase in the average band D amount in 2008/09. Capping is therefore not expected to apply to Wandsworth in 2008/09, but there are risks for subsequent years as discussed in paragraph 28 below.

### **Greater London Authority**

22. As well as GLA core services, the GLA has responsibility for four functional bodies: Transport for London (TfL), the London Development Agency (LDA), the Metropolitan Police Authority (MPA) and the London Fire and Emergency Planning Authority (LFEPA). The GLA has set a consolidated budget requirement for its core activities and its functional bodies for 2008/09 of £3,148.6 million:

	<u>2007/08</u>	<u>2008/09</u>	<u>Increase</u>	<u>Increase</u>
	£m	£m	£m	%
Metropolitan Police Authority	2,532.7	2,595.0	62.3	2.5
Greater London Authority	125.6	136.5	10.9	8.7
Transport for London	12.0	12.0	-	-
London Development Agency	-	-	-	-
London Fire and Emergency Planning Authority	391.5	405.1	13.6	3.5
Total GLA Group	<u>3,061.8</u>	<u>3,148.6</u>	<u>86.8</u>	<u>2.8</u>

23. The total GLA budget has increased by £86.8 million chiefly due to increases in police budgets. The police budget includes growth for the Integrated Borough Operations, and the Borough Partnerships initiatives. The band D amount included to support the cost of the 2012 Olympic and Paralympic Games remains at £20.

24. After general government grants, GLA band D precept amounts are:

	<u>2007/08</u> Band D Amounts £	<u>2008/09</u> Band D Amounts £	<u>Increase</u> £	<u>Increase</u> %
Metropolitan Police Authority	223.60	227.02	3.42	1.5
Other Services	80.28	82.80	2.52	3.1
Total GLA	<u>303.88</u>	<u>309.82</u>	<u>5.94</u>	<u>2.0</u>

25. This year's GLA precept increase of 2.0% brings the cumulative increase to 152% over the past eight years. Further annual increases of 4.0% are assumed for the budget framework.

### **COUNCIL TAX AMOUNTS FOR 2008/09**

26. Combining this Council's tax amount with that of the GLA produces total band D amounts as follows:

	<b>Average</b> £	<b>Majority</b> £	<b>Conservators' Area</b> £
Wandsworth Council	377.25	372.14	395.45
Greater London Authority	309.82	309.82	309.82
Band D total	<u>687.07</u>	<u>681.96</u>	<u>705.27</u>

The amounts for all valuation bands are shown in Appendix G part (f). In 2007/08 this Council set the lowest tax amounts in the country for each band. The amounts for 2008/09 remain the lowest in the country.

### **Council Tax Bills**

27. The consequential bills for each valuation band, and the increases compared with 2007/08, are shown in Appendix I. After taking account of discounts, exemptions and the distribution of properties over valuation bands, the average bill for all dwellings in the Borough is estimated to be around £649.

## **GENERAL REVENUE BUDGET FRAMEWORK**

### **28. Future Years and Budget Framework**

The budget, inflation allowances, and grant assumptions described earlier, imply that the average band D tax amounts for the Council would be £391 in 2009/10 and £441 in 2010/11. These represent increases of 3.7% and 12.7% in 2009/10 and 2010/11, compared with the preceding year. If Government capping criteria required increases of no more than 4%, the budget requirement would have to be reduced by £3.938 million in 2010/11. With the assumed GLA precept increases, the total average band D amount would rise to £713 in 2009/10 and £776 in 2010/11. The budget framework showing these amounts is given in Appendix J. In accordance with the Council's constitution, the Council should be recommended to adopt the framework in Appendix J on the basis that the Executive may then approve budget variations within the overriding restrictions that unearmarked reserves should not be forecast to fall below £5 million in 2008/09, nor the council tax band D forecast for the next two years rise by more than a further £41.54.



## APPENDIX A

### SUMMARY OF SERVICE BUDGETS

	<u>2007/08 REVISED BUDGET</u>				<u>2008/09 BUDGET</u>		
	<u>2007/08</u>	<u>INFLATION</u>	<u>DEVEL-</u>	<u>TOTAL</u>	<u>INFLATION</u>	<u>DEVEL-</u>	<u>TOTAL</u>
	<u>ORIGINAL</u>						
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Salaries	52,139	1,287	2,597	56,023	1,427	2,884	56,450
Wages	1,762	48	139	1,949	51	115	1,928
Indirect Employee Expenses	1,389	48	1,227	2,664	55	-66	1,378
Premises							
- Asset Rentals	17,595	-	100	17,695	-	-112	17,483
- Other	8,642	173	31	8,846	221	-328	8,535
Use of Transport	4,047	136	8	4,191	143	-189	4,001
Concessionary Fares	7,714	7	-1	7,720	6	-362	7,358
Supplies and Services							
- Grants to Voluntary Bodies	6,640	162	396	7,198	269	-3	6,906
- Economic Development	312	8	188	508	11	293	616
- Other	20,455	294	-462	20,287	415	930	21,800
Agency and Contracted Services							
- Precepts, Levies and Charges	11,527	-	-	11,527	-	2,040	13,567
- Other	136,423	3,012	3,006	142,441	3,322	-1,508	138,237
Transfer Payments - Hsg Benefits etc.	144,487	79	3,996	148,562	65	9,778	154,330
Central and Technical Support	38,952	1,029	552	40,533	1,131	680	40,763
Capital Financing							
- Capital Charges to Users	39,224	-	-5	39,219	-	702	39,926
- Other	2,679	-	356	3,035	-	95	2,774
<b>GROSS EXPENDITURE</b>	<b>493,987</b>	<b>6,283</b>	<b>12,128</b>	<b>512,398</b>	<b>7,116</b>	<b>14,949</b>	<b>516,052</b>
Government Grants	-173,698	-	-8,797	-182,495	-	5,102	-168,596
Rents	-22,986	-	43	-22,943	-	310	-22,676
Fees, Charges and Other Income	-77,389	-372	-3,131	-80,892	-366	-3,162	-80,917
Capital Charges to Services	-41,620	-	440	-41,180	-	-217	-41,837
Interest Received	-8,457	-	-3,888	-12,345	-	-1,861	-10,318
<b>INCOME</b>	<b>-324,150</b>	<b>-372</b>	<b>-15,333</b>	<b>-339,855</b>	<b>-366</b>	<b>172</b>	<b>-324,344</b>
<b>NET EXPENDITURE</b>	<b>169,837</b>	<b>5,911</b>	<b>-3,205</b>	<b>172,543</b>	<b>6,750</b>	<b>15,121</b>	<b>191,708</b>
<b>REVENUE EXPENDITURE BY SERVICE</b>							
Adult Care Services	68,606	2,361	958	71,925	2,360	7,548	78,514
Children and Young People's Services	62,125	1,545	-660	63,010	2,161	8,466	72,752
Corporate Resources	-36,224	436	-3,614	-39,402	453	-872	-36,643
Environment and Leisure	44,491	937	210	45,638	955	873	46,319
Housing	11,608	74	-217	11,465	79	-306	11,381
Planning and Transportation	14,099	435	74	14,608	590	-532	14,157
Regeneration and Community Safety	5,132	123	44	5,299	152	-56	5,228
<b>NET EXPENDITURE</b>	<b>169,837</b>	<b>5,911</b>	<b>-3,205</b>	<b>172,543</b>	<b>6,750</b>	<b>15,121</b>	<b>191,708</b>

## SUMMARY OF SERVICE BUDGETS

	<u>2007/08</u> £'000	<u>2008/09</u> £'000	<u>2009/10</u> £'000	<u>2010/11</u> £'000
2007/08 ORIGINAL BUDGET at November 2006 price levels	169,837	169,837	169,837	169,837
INFLATION TO NOVEMBER 2007	5,911	6,750	6,750	6,750
2007/08 ORIGINAL BUDGET REPRICED	<u>175,748</u>	<u>176,587</u>	<u>176,587</u>	<u>176,587</u>
 DEVELOPMENTS				
Adult Care Services	1,471	8,061	18,527	18,327
Children and Young People's Services	-660	8,466	9,425	8,214
Corporate Resources	-3,614	-872	2,679	2,812
Environment and Leisure	210	873	354	361
Housing	-217	-306	-813	-741
Planning and Transportation	74	-532	-4,004	-3,800
Regeneration and Community Safety	44	-56	3	-59
	<u>-2,692</u>	<u>15,634</u>	<u>26,171</u>	<u>25,114</u>
Part of Developments included in Original Budget	513	513	513	513
NET EFFECT OF DEVELOPMENTS	<u>-3,205</u>	<u>15,121</u>	<u>25,658</u>	<u>24,601</u>
NET EXPENDITURE with inflation to November 2007	<u>172,543</u>	<u>191,708</u>	<u>202,245</u>	<u>201,188</u>
 ANALYSIS BY SERVICE				
Adult Care Services	71,925	78,514	88,980	88,780
Children and Young People's Services	63,010	72,752	73,711	72,500
Corporate Resources	-39,402	-36,643	-33,092	-32,959
Environment and Leisure	45,638	46,319	45,800	45,807
Housing	11,465	11,381	10,874	10,946
Planning and Transportation	14,608	14,157	10,685	10,889
Regeneration and Community Safety	5,299	5,228	5,287	5,225
NET EXPENDITURE with inflation to November 2007	<u>172,543</u>	<u>191,708</u>	<u>202,245</u>	<u>201,188</u>
Area Based Grant	-	-12,501	-24,526	-24,383
Inflation to outturn	-	7,268	16,939	26,468
NET EXPENDITURE with inflation to outturn	<u>172,543</u>	<u>186,475</u>	<u>194,658</u>	<u>203,273</u>

**APPENDIX B**

ANALYSIS OF SERVICE BUDGETS 2008/09

£'000	ADULT CARE SERVICES		CHILDREN & YOUNG PEOPLES SERVICES		CORPORATE RESOURCES		ENVIRONMENT & LEISURE		HOUSING		PLANNING & TRANSPORT		REGENERATION & COMMUNITY SAFETY		GENERAL FUND TOTAL		DEDICATED SCHOOLS BUDGET		HOUSING REVENUE ACCOUNT		TOTAL	
<b>EXPENDITURE - at November 2007 prices for General Fund</b>																						
Salaries	9,243	20,809	2,931	12,638	2,513	6,087	2,229	56,450	144,943	7,859	209,252											
Wages	-	1,204	-	670	-	54	-	1,928	1,526	-	3,454											
Indirect Employee Expenses	435	758	11	72	23	66	13	1,378	2,103	394	3,875											
Premises																						
- Asset Rentals	805	11,905	776	3,817	-	-	-	180	11,481	-	28,964											
- Other	316	1,002	269	4,913	262	1,560	213	8,535	12,515	65,424	86,474											
Use of Transport	473	2,957	14	368	49	111	29	4,001	721	60	4,782											
Concessionary Fares	-	-	-	-	-	7,358	-	-	-	-	7,358											
Supplies and Services																						
- Grants to Voluntary Bodies	3,907	1,007	1,752	240	-	-	-	-	3,924	-	10,830											
- Economic Development	-	-	-	-	-	-	-	616	-	-	616											
- Other	1,915	12,115	1,573	2,284	185	3,055	673	21,800	10,525	1,656	33,981											
Agency and Contracted Services																						
- Precepts, Levies and Charges	-	1,361	507	11,065	-	634	-	-	-	-	13,567											
- Other	87,512	13,341	7,252	15,024	3,043	10,381	1,684	138,237	9,582	13,973	161,792											
Transfer Payments																						
- Housing Benefits etc	-	2,057	150,195	-	2,078	-	-	-	-	-	154,330											
Central & Technical Support	7,095	14,095	9,177	4,527	1,001	4,031	837	40,763	2,056	5,438	48,257											
Capital Financing Charges																						
- Capital Charges to Users	206	847	17,563	2,634	4,987	12,089	1,600	39,926	-	3,648	43,574											
- Interest	-	-	2,774	-	-	-	-	2,774	-	-	2,774											
- Leasing Charges	-	-	-	-	-	-	-	-	-	-	22											
<b>TOTAL</b>	<b>111,907</b>	<b>83,458</b>	<b>194,794</b>	<b>58,252</b>	<b>14,141</b>	<b>45,426</b>	<b>8,074</b>	<b>516,052</b>	<b>200,027</b>	<b>120,458</b>	<b>836,537</b>											

ANALYSIS OF SERVICE BUDGETS 2008/09 (Continued)

£'000	ADULT CARE SERVICES	CHILDREN & YOUNG PEOPLE'S SERVICES	CORPORATE RESOURCES	ENVIRONMENT & LEISURE	HOUSING	PLANNING & TRANSPORT	REGENERATION & COMMUNITY SAFETY	GENERAL FUND TOTAL	DEDICATED SCHOOLS BUDGET	HOUSING REVENUE ACCOUNT	TOTAL
<b>INCOME - at November 2007 prices for General Fund</b>											
Government Grants	11,928	6,989	145,556	515	1,377	357	1,874	168,596	169,255	-	337,851
Education for Other Authorities	-	910	-	-	-	-	-	910	11,839	-	12,749
Rents	359	-	22,144	173	-	-	-	22,676	-	97,059	119,735
Fees/Charges & Other Income	21,106	2,807	11,582	11,245	1,383	30,912	972	80,007	18,933	16,227	115,167
Capital Charges to Services	-	-	41,837	-	-	-	-	41,837	-	-	41,837
Interest Received	-	-	10,318	-	-	-	-	10,318	-	7,172	17,490
<b>TOTAL</b>	<b>33,393</b>	<b>10,706</b>	<b>231,437</b>	<b>11,933</b>	<b>2,760</b>	<b>31,269</b>	<b>2,846</b>	<b>324,344</b>	<b>200,027</b>	<b>120,458</b>	<b>644,829</b>
<b>NET EXPENDITURE</b>	<b>78,514</b>	<b>72,752</b>	<b>(36,643)</b>	<b>46,319</b>	<b>11,381</b>	<b>14,157</b>	<b>5,228</b>	<b>191,708</b>	<b>-</b>	<b>-</b>	<b>191,708</b>
Area Based Grant								-12,501			
General Fund inflation from November 2007 to end of 2008/09								7,268			
<b>Net Committee Budgets</b>								<b>186,475</b>			

## APPENDIX C

### SUMMARY OF LEVIES AND CHARGES

	<u>Existing</u> <u>Budget</u> £'000	<u>Additional</u> <u>Requirement</u> £'000	<u>2008/09</u> <u>Budget</u> £'000
Western Riverside Waste Authority	8,224	1,854	10,078
London Councils			
- Concessionary Fares	7,504	-362	7,142
- London Lorry Ban	13	9	22
- London Borough Grants Committee	993	-14	979
TFL - Traffic Technology	351	11	362 *
Environment Agency – Flood Defence	218	25	243
London Pensions Fund Authority			
- Greater London	355	152	507
- Inner London	1,405	-45	1,360
Lee Valley Regional Park Authority	360	7	367
Port of London Authority - river debris clearance	5	-	5
Wimbledon and Putney Commons Conservators	590	25	615
TOTAL	<hr/> 20,018	<hr/> 1,662	<hr/> 21,680

\*Estimate – awaiting final figures

**EXAMPLES OF CONTINGENCIES WHICH COULD INCREASE  
GENERAL FUND EXPENDITURE**

- (a) Changes in application of legislation and the conditions for Government specific grants (e.g. for value added tax, Supporting People and housing benefit).
- (b) Potential continuing impact of the Single Status Pay Agreement.
- (c) Reorganisations, budget reductions, and competition procedures giving rise to unbudgeted severance and enhanced pension costs.
- (d) The application of higher than anticipated inflation indices to contracted out services, where increases are contractually based on the inflation index for specified calendar months.
- (e) Retendering of service contracts at higher costs due to factors such as the Working Time Directive, the statutory minimum wage, and less competitive markets.
- (f) Difficulties in recovering arrears, requiring additional provision to be made for doubtful debts.
- (g) Other unforeseen demands, and opportunities for service improvements in line with the Council's general policies, which could not be accommodated within approved budgets.
- (h) Shortfalls in capital receipts, adding to the net interest borne by the General Fund.
- (i) Interest rate reductions, producing additional costs of approximately £0.75 million for every ½ per cent reduction in interest rates.
- (j) Costs resulting from the insolvency roll-out of MMI, the Council's former insurer.
- (k) Cost of a local disaster not covered by Government grant under the Bellwin Scheme.
- (l) Additional commitments arising from specific grants already consolidated into the budget.
- (m) Transfer of responsibilities from health authorities to local authorities.
- (n) Potential impact of Stamp Duty Land Tax.
- (o) Risk of breaching the housing benefit subsidy overpayment threshold.
- (p) Loss of land charges income following introduction of new regulations.

## APPENDIX E

### SPECIAL RESERVES

All these reserves are legally part of the Council's General Fund, though earmarked for specific purposes. The reserves, their purposes, and the expected change in their balances, under existing policies are summarised below:

	Balance 1st April 2007 £'000	Budgeted Change 2007/08 £'000	Budgeted Change 2008/09 £'000	Balance 1st April 2009 £'000
1. <u>Renewals Fund</u>				
Net Use - Parking		211	51	
Net Use - Other		-2,140	-2,025	
Increase in Fund		17,300	2,800	
	19,516	15,371	826	35,713
2. <u>Finite Services Fund</u>				
Use of Fund		373	581	
	635	373	581	1,589
3. <u>Specific Grant Reserve</u>	4,400	-	-	4,400
4. <u>Housing Revenue Account/ Housing Repairs Account</u>	109,870	24,011	5,019	138,900

The Housing Revenue Account and Housing Repairs Account balances provide the resources for the annual revenue and long term housing major works programme, and a cushion against future reductions in government resourcing. There are statutory restrictions on transfers from these accounts, so these reserves are not available for other purposes.

	Balance 1st April 2007 <hr/> £'000	Budgeted Change 2007/08 <hr/> £'000	Budgeted Change 2008/09 <hr/> £'000	Balance 1st April 2009 <hr/> £'000
5. <u>School Balances</u>	12,877	-	-	12,877

Schools generally have statutory rights to carry forward unspent balances of delegated budgets so these are not available for any other purposes.

6. <u>Pensions Reserve</u>	-116,938	-	-	-116,938
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This reserve reflects the Council's estimated net Pension Fund liabilities.

TOTALS	<hr/> 30,360	39,755	6,426	<hr/> 76,541
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## APPENDIX F

### ELEMENTS OF THE BUDGET REQUIREMENT CALCULATION

	<u>£000</u>	<u>See Note</u>
(a) The expenditure the Council estimates it will incur in the year in performing its functions and will charge to a revenue account for the year;	758,173	1
(b) Such allowance as the Council estimates will be appropriate for contingencies in relation to expenditure to be charged to a revenue account for the year;	10,000	
(c) The financial reserves which the Council estimates it will be appropriate to raise in the year for meeting its estimated future expenditure	NIL	
(d) Such financial reserves as are sufficient to meet so much of the amount estimated by the Council to be a revenue account deficit for any earlier financial year as has not already been provided for; and	NIL	
(e) Any amounts which it estimates will be transferred from its General Fund to its Collection Fund pursuant to a direction under sub-section(5) of section 98 of the Local Government Finance Act 1988 and charged to a revenue account for the year, other than any amounts which it estimates will be so transferred,	NIL	
<u>either -</u>		
(i) pursuant to a direction under that sub-section relating to the difference between amounts in respect of community charges credited and charged to a revenue account for any earlier financial year, or		
(ii) pursuant to the direction under that sub-section which is contained in the Collection Fund (Council Tax Benefit (England) Directions 2001).		
SUB-TOTAL	<u>768,173</u>	
<u>LESS</u>		
(a) The sums which it estimates will be payable for the year into its General Fund and in respect of which amounts will be credited to a revenue account for the year, other than sums which it estimates will be so payable in respect of redistributed non-domestic rates, revenue support grant, additional grant or relevant special grant	574,164	1

	<u>£000</u>	<u>See Note</u>
(b) Any amounts which it estimates will be transferred from its Collection Fund to its General Fund pursuant to a direction under sub-section(4) of section 98 of the Local Government Finance Act 1988 and credited to a revenue account for the year other than any amounts which it estimates will be so transferred pursuant to a direction under that sub-section relating to the difference between amounts in respect of community charges credited and charged to a revenue account for any earlier financial year; and	528	
(c) The amount of the financial reserves which the Authority estimates that it will use in order to provide for the expenditure items (a), (b) and (e) above	772	2
SUB-TOTAL	<u>575,464</u>	
DIFFERENCE (BUDGET REQUIREMENT)	<u>192,709</u>	

Note 1

	<u>Expenditure</u> £'000	<u>Income</u> £'000
Gross Expenditure/Income as in Appendix B	836,537	657,330
less internal recharges	-82,964	-82,964
plus inflation to end of 2008/09	7,594	326
less credit from Collection Fund shown separately	-	-528
less contributions to special reserves within Gross Expenditure	-2,994	-
	<u>758,173</u>	<u>574,164</u>

Note 2

	£'000
General reserves available (para.11)	7,198
Less drawings from special reserves (Appendix E)	-6,426
	<u>772</u>

## APPENDIX G

### COUNCIL TAX DECISION

- (a) That the revised revenue estimates for the year 2007/08 referred to in Paper No.08-124 and the revenue estimates for 2008/09 as summarised in Appendix B of this paper be approved;
- (b) That the details of the budget requirement for the year 2008/09, as set out in Appendix F of this paper, be approved;
- (c) That it be noted that the following amounts for the year 2008/09 have been calculated in accordance with the delegation made by the Council on 4th February 2004 and with regulations made under Section 33(5) and 34(4) of the Local Government Finance Act 1992:
- (i) 120,365 being the amount calculated by the Council, in accordance with regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992, as its council tax base for the year; and
  - (ii) 26,389 being the amount calculated by the Council, in accordance with Regulation 6 of the Regulations, as the amount of its council tax base for the year for dwellings in the Wimbledon and Putney Commons Conservators' Levy Area;
- (d) That it be noted in accordance with Section 25 of the Local Government Act 2003 that the Director of Finance has reported that the estimates are sufficiently robust for the purposes of the calculations and that the proposed financial reserves are adequate, and the following amounts be now calculated by the Council for the year 2008/09 in accordance with Sections 32 to 36 of the Local Government Finance Act 1992:
- (i) £768,172,670 being the aggregate of the amounts which the Council estimates for the items set out in Section 32(2)(a) to (e) of the Act;
  - (ii) £575,464,000 being the aggregate of the amounts which the Council estimates for the items set out in Section 32(3)(a) to (c) of the Act;
  - (iii) £192,708,670 being the amount by which the aggregate at d(i) above exceeds the aggregate at (d)(ii) above, calculated by the Council in accordance with Section 32(4) of the Act as its budget requirement for the year;

- (iv) £147,301,062 being the aggregate of the sums which the Council estimates will be payable for the year into its General Fund in respect of redistributed non-domestic rates, revenue support grant, additional grant or relevant special grant increased by the amount of the sums which the Council estimates will be transferred in the year from its Collection Fund to its General Fund in accordance with Section 97(3) of the Local Government Finance Act 1988 and any sums relating to the difference between amounts in respect of community charges credited and charged to the revenue account for any earlier financial year, and any sums pursuant to the direction that is contained in the Collection Fund (Council Tax Benefit) (England) Directions 2001;
- (v) £377.2493 being the amount at (d)(iii) above less the amount at (d)(iv) above, all divided by the amount at (c)(i) above, calculated by the Council in accordance with Section 33(1) of the Act as the basic amount of its council tax for the year;
- (vi) £615,308.04 being the aggregate amount of all special items referred to in Section 34(1) of the Act, namely the levy of the Wimbledon and Putney Commons Conservators;
- (vii) £372.1373 being the amount at (d)(v) above less the result given by dividing the amount at (d)(vi) above by the amount at (c)(i) above, calculated by the Council in accordance with Section 34(2) of the Act as the basic amount of its council tax for the year for dwellings in those parts of its area to which no special item relates;
- (viii) £395.4541 being the amount given by adding to the amount at (d)(vii) above the amount of the special item at (d)(vi) above divided by the amount at (c)(ii) above, calculated by the Council in accordance with Section 34(3) of the Act as the basic amount of its council tax for the year for dwellings in that part of its area to which the special item relates; and

(ix)	<b>Wimbledon and Putney Commons Conservators' Levy Area</b>	<b>All other parts of the Council's Area</b>
<u>Valuation Bands</u>	£	£
A	263.6361	248.0915
B	307.5754	289.4401
C	351.5148	330.7887
D	395.4541	372.1373
E	483.3328	454.8345
F	571.2115	537.5317
G	659.0902	620.2288
H	790.9082	744.2746

being the amounts given by multiplying the amounts at (d)(vii) and (d)(viii) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation Band D, calculated by the Council in accordance with Section 36(1) of the Act as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands;

- (e) That it be noted that for the year 2008/09 the Greater London Authority has stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:

<u>Valuation Bands</u>	<b>Greater London Authority</b> £
A	206.55
B	240.97
C	275.40
D	309.82
E	378.67
F	447.52
G	516.37
H	619.64

- (f) That having calculated the aggregate in each case of the amounts at (d)(ix) and (e) above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of council tax for the year 2008/09 for each of the categories of dwellings shown below:

<u>Valuation Bands</u>	<b>Wimbledon and Putney Commons Conservators' Levy Area</b> £	<b>All other parts of the Council's Area</b> £
A	470.19	454.64
B	548.55	530.41
C	626.91	606.19
D	705.27	681.96
E	862.00	833.50
F	1,018.73	985.05
G	1,175.46	1,136.60
H	1,410.55	1,363.91

**IMPACT OF EACH ADDITIONAL £1 MILLION COUNCIL TAX**

<u>Circumstances/Band</u>	<u>Major Part</u>	<u>No. of Dwellings W &amp; PCC Levy Area</u>	<u>Borough</u>	<u>Increase per Household Before Benefit</u> £
<b>2 + Adults</b>				
A	1,478	1,084	2,562	<b>5.54</b>
B	3,403	1,641	5,044	<b>6.46</b>
C	14,688	4,152	18,840	<b>7.39</b>
D	14,509	3,829	18,338	<b>8.31</b>
E	10,155	2,535	12,690	<b>10.16</b>
F	8,417	1,608	10,025	<b>12.00</b>
G	6,919	2,323	9,242	<b>13.85</b>
H	910	968	1,878	<b>16.62</b>
	(60,479)	(18,140)	(78,619)	
<b>1 Adult</b>				
A	2,026	1,334	3,360	<b>4.16</b>
B	5,051	1,658	6,709	<b>4.85</b>
C	13,360	2,386	15,746	<b>5.54</b>
D	9,538	1,842	11,380	<b>6.23</b>
E	5,261	1,105	6,366	<b>7.62</b>
F	2,501	644	3,145	<b>9.00</b>
G	1,716	524	2,240	<b>10.39</b>
H	271	61	332	<b>12.47</b>
	(39,724)	(9,554)	(49,278)	
<b>Chargeable Empty/Second Home</b>				
A	104	34	138	<b>4.16</b>
B	107	51	158	<b>4.85</b>
C	517	106	623	<b>5.54</b>
D	378	123	501	<b>6.23</b>
E	224	104	328	<b>7.62</b>
F	201	57	258	<b>9.00</b>
G	172	42	214	<b>10.39</b>
H	41	51	92	<b>12.47</b>
	(1,744)	(568)	(2,312)	
Exempt A-H	1,702	479	2,181	<b>NIL</b>
<b>TOTALS</b>	<b>103,649</b>	<b>28,741</b>	<b>132,390</b>	

## APPENDIX I

### COUNCIL TAX BILLS 2008/09

<u>Band</u>	<u>No. Of Households</u>	<u>Council Tax</u> £	<u>Change</u> £
2+ Adults Major Part of the Borough			
A	1,478	454.64	3.86
B	3,403	530.41	4.51
C	14,688	606.19	5.16
D	14,509	681.96	5.80
E	10,155	833.50	7.08
F	8,417	985.05	8.37
G	6,919	1,136.60	9.67
H	910	1,363.91	11.59
2+ Adults W & PCC Part			
A	1,084	470.19	4.48
B	1,641	548.55	5.23
C	4,152	626.91	5.96
D	3,829	705.27	6.71
E	2,535	862.00	8.20
F	1,608	1,018.73	9.70
G	2,323	1,175.46	11.19
H	968	1,410.55	13.43
1 Adult Major Part of the Borough			
A	2,026	340.98	2.90
B	5,051	397.81	3.39
C	13,360	454.64	3.87
D	9,538	511.47	4.35
E	5,261	625.12	5.31
F	2,501	738.79	6.28
G	1,716	852.45	7.25
H	271	1,022.93	8.69

<u>Band</u>	<u>No. Of Households</u>	<u>Council Tax</u> £	<u>Change</u> £
1 Adult W & PCC Part			
A	1,334	352.64	3.36
B	1,658	411.41	3.92
C	2,386	470.18	4.47
D	1,842	528.95	5.03
E	1,105	646.50	6.15
F	644	764.05	7.28
G	524	881.59	8.39
H	61	1,057.91	10.07

Chargeable Empty/Second Home  
Major Part of the Borough

A	104	340.98	2.90
B	107	397.81	3.39
C	517	454.64	3.87
D	378	511.47	4.35
E	224	625.12	5.31
F	201	738.79	6.28
G	172	852.45	7.25
H	41	1,022.93	8.69

Chargeable Empty/Second Home  
W & PCC Part

A	34	352.64	3.36
B	51	411.41	3.92
C	106	470.18	4.47
D	123	528.95	5.03
E	104	646.50	6.15
F	57	764.05	7.28
G	42	881.59	8.39
H	51	1,057.91	10.07



## APPENDIX J

### GENERAL REVENUE BUDGET FRAMEWORK

	<u>2007/08</u> <u>Revised</u> £m	<u>2008/09</u> £m	<u>2009/10</u> £m	<u>2010/11</u> £m
Committee Budgets at 2007 prices				
Adult Care Services	71.925	78.514	88.980	88.780
Children and Young People's Services	63.010	72.752	73.711	72.500
Corporate Resources	-39.402	-36.643	-33.092	-32.959
Environment and Leisure	45.638	46.319	45.800	45.807
Housing	11.465	11.381	10.874	10.946
Planning and Transportation	14.608	14.157	10.685	10.889
Regeneration and Community Safety	5.299	5.228	5.287	5.225
Area Based Grant	-	-12.501	-24.526	-24.383
Total	172.543	179.207	177.719	176.805
Inflation to outturn prices	-	7.268	16.939	26.468
Contributions to (+)/drawings from (-) General, Renewals and Finite Services Funds	13.126	6.234	0.443	-0.018
Budget Requirement	185.669	192.709	195.101	203.255
Less:				
Collection Fund surplus	-1.171	-1.766	-	-
Formula Grant	-136.911	-145.535	-148.011	-150.204
Tax Needs	47.587	45.408	47.090	53.051
Band D Council Tax	£	£	£	£
Wandsworth Council	377.25	377.25	391.22	440.75
Greater London Authority	303.88	309.82	322.21	335.10
Total	681.13	687.07	713.43	775.85
Increase in Wandsworth council tax		0.0%	3.7%	12.7%
Budget changes needed in future years to maintain Wandsworth council tax increases to 4%			<u>£ millions</u> -0.134	<u>£ millions</u> 3.938

**SECTION 3**  
**DEDICATED SCHOOLS BUDGET**

---

From April 2006 the Department for Children, Schools and Families introduced a new system for funding delegated school budgets. Schools receive budgets for 2008/09 and indicative budgets for 2009/10 and 2010/11. The Council receives funding for schools in the form of a direct grant – the Dedicated Schools Grant (DSG), Standards Fund Grant and grant from the Learning and Skills Council (LSC). The grants also cover central spending by the Council in support of schools. The schools delegated budgets and central budgets together form the Dedicated Schools Budget (DSB).

## **DEDICATED SCHOOLS BUDGET**

### **MINIMUM FUNDING GUARANTEE**

1. Local authorities are required by law to provide schools with a Guaranteed Funding Level (GFL) based on the Minimum Funding Guarantee (MFG) increase on each school's previous year's budget.
2. The calculation of the MFG provides a 2.1% increase per pupil for all schools for 2008/09, 2009/10 and 2010/11.
3. The MFG calculated in accordance with the methodology set out by the DCSF is compared against the Fair Funding allocation derived using the Council's local Fair Funding Formula, and a budget that has been increased to reflect the Council's total DSG. Each school then receives the higher of these two budgets. The vast majority of schools in the Borough will receive an increase above the MFG.

### **CENTRALLY RETAINED BUDGETS IN THE DEDICATED SCHOOL BUDGET**

4. The overall Dedicated Schools Budget (DSB) is defined by regulations and contains items of expenditure which do not form part of the Individual Schools Budget. Details of cost changes and developments in the DSB are set out in Appendix A.
5. There is provision in the regulations which ensures local authorities do not increase their spending on centrally funded items (such as Special Education Needs (SEN) and excluded pupils) by a greater percentage than their spending on schools. In exceptional circumstances, local authorities may seek their Schools Forum agreement to any increase above their central expenditure limit.
6. For 2007/08, the Council's central expenditure exceeded the allowed limit because of the way the 2006/07 DSG carry forward had to be treated in the calculation of the Central Expenditure Limit (CEL). The Wandsworth Schools Forum (WSF) agreed that the Council could increase its 2007/08 CEL by £58,000 to accommodate the carry forward.
7. Regulations allow for retirement and redundancy costs for school staff to be charged to the DSG where a future saving to the DSG can be demonstrated. As there are a number of cases each year of early retirement or redundancy which produce a saving in schools budgets the WSF have agreed that the budget of £300,000 for 2007/08 for these costs should increase to £400,000 for 2008/09 to 2010/11 and the cost of early retirement and redundancies be provided within the DSG.
8. Provision has been made within the DSB for pre-contract costs of £350,000 in 2008/09 for Secondary schools Building Schools for the Future (BSF) and £50,000 for Primary capital programme. A £400,000 contribution to BSF will continue for 2009/10.
9. For 2008/09, after allowing for the above severance and pre-contract costs the Council's central expenditure will still remain within the CEL.

## DEDICATED SCHOOLS BUDGET

### POST-16 FUNDING

10. School budgets for schools with sixth forms will include the funding delivered by the post-16 funding arrangements administered by the Learning and Skills Council (LSC). During 2008/09 the LSC will be introducing its new funding methodology, to be used for school sixth forms and other 16-18 provision. For inclusion in the DSB, only provisional allocations of this funding are available. Final allocations of grant will be included in the DSB during 2008/09 along with further adjustments to individual school budgets.

### SIZE OF THE SCHOOLS BUDGET AND ESTIMATED DSG

11. The Council's estimated DSG of £140.974 million for 2008/09 requires the Council to increase the Schools Budget by £6.552 million (an increase of 4.9%). This estimate is based on the actual January 2008 pupil numbers of 27,396, and the DSG funding of £5,146 per pupil. The DSG will be finalised by the DCSF by 31st May 2008 following verification of the Council's pupil number returns.
12. The 2008/09 Schools Budget in Appendix A totalling £154.759 million is net of individual specific grants such as Standards Fund. The remaining budget is financed as follows:

	<u>£'million</u>
Dedicated Schools Grant (DSG)	140.974
LSC 6th Form Grant	13.785
Schools Budget	<u>154.759</u>

### THE BUDGET FRAMEWORK FOR DEDICATED SCHOOLS BUDGET

13. On the introduction of the new system for funding the Education Service from April 2006, the requirements of the Local Government Act 2000 and related regulations need to be applied. The Dedicated Schools Budget is 100% funded by grant whilst the Children's Services General Fund budgets are funded from the totality of the Council's income, including Revenue Support Grant, Area Based Grant, Council Tax and charges. Elements of the DSB funded from the same sources as the General Fund are included under the Education and Early Years Services.
14. With the Executive determining budget variations, with the involvement of the Children's Services Overview and Scrutiny Committee, referrals to Council would only be needed in extreme circumstances. The Council's adopted rule of reporting to Committee if the forecast in-year overspend exceeds £500,000 on General Fund budgets, will still apply. A departure from the budget, requiring clearance by the Council, is defined as arising when forecast net overspends implied a call of more than 50% upon unearmarked reserves (i.e. more than £5 million currently based on a general contingency of £10 million), or an equivalent change in the council tax forecast for future years.

## **DEDICATED SCHOOLS BUDGET**

15. Under the Act, the Council has to approve the budget including allocations to the different services, and a clear framework has to be established for reasonable virements by the Executive within appropriate limits beyond which full Council approval is required. These provisions are included within the Council's Constitution. The Council's standing orders and financial regulations include provision to allow the Executive to reallocate monies within the budget. These provisions allow for situations where the Executive needs to make an urgent decision, which would otherwise be contrary to the budget without reference to the full Council.
  
16. The Council's Scheme for Financing Schools, based on a model scheme developed by the DCSF under section 45-53 of the Schools Standards and Framework Act 1998 as amended by the Education Act 2002, defines the financial management standards required by schools and the respective responsibilities of Head Teachers and School Governors in managing schools budgets and approving virements between budgets.

## DEDICATED SCHOOLS BUDGET

2007/08

	<u>Expenditure</u> £'000	DCSF Dedicated Schools Grant £'000	LSC 6th Form Grant £'000	Net Budget £'000
2007/2008 ORIGINAL BUDGET at November 2006 price levels	135,194	-122,711	-12,483	-
INFLATION TO NOVEMBER 2007	-	-	-	-
2007/2008 ORIGINAL BUDGET REPRICED	135,194	-122,711	-12,483	-
DEVELOPMENTS				
Increase Expenditure to Match DSG/LSC Grant	12,762	-	-	12,612
LSC Cash Increase	-	-	-679	-679
Ernest Bevin Adjustment	-	-	58	58
DSG Cash Increase	-	-12,141	-	-11,991
	12,762	-12,141	-621	-
Part of Developments included in Original Budget	-	-	-	-
NET EFFECT OF DEVELOPMENTS	12,762	-12,141	-621	-
NET EXPENDITURE with inflation to November 2007	147,956	-134,852	-13,104	-

Note:

The 2007/08 Dedicated Schools Budget includes provision to utilise the underspend against Dedicated Schools Grant in 2006/07.

## DEDICATED SCHOOLS BUDGET

**2008/09**

	<u>Expenditure</u> £'000	DCSF Dedicated Schools <u>Grant</u> £'000	LSC 6th <u>Form Grant</u> £'000	Net <u>Budget</u> £'000
2007/2008 ORIGINAL BUDGET at November 2006 price levels	135,194	-122,711	-12,483	-
INFLATION TO NOVEMBER 2007	480	-	-	480
Outturn inflation	488	-	-	488
2007/2008 ORIGINAL BUDGET REPRICED	<u>136,162</u>	<u>-122,711</u>	<u>-12,483</u>	<u>968</u>
<b>DEVELOPMENTS</b>				
Increase in DSB	12,079	-	-	12,079
Inflation Realignment	-	-11,731	-679	-12,410
Asset Rental Adjustment	-32	-	-	-32
Recharge Adjustments	-12	-	-	-12
Corporate Recruitment Savings	-52	-	-	-52
Balancing DSB	18	-	-	18
Review of Parking Budget	2	-	-	2
Recharge Adjustments	15	-	-	15
Increase in Professional Centre Recharge	38	-	-	38
Increase in DSG	-	-454	-	-454
Increase in LSC 6th Form Expenditure	623	-	-	623
Increase in LSC 6th Form Funds	-	-	-623	-623
Contingency Adjustments	-49	-	-	-49
Budget Realignments	70	-	-	70
Increase in Severance Budget	85	-	-	85
Contribution to BSF	400	-	-	400
Recoupment Adjustments	-199	-	-	-199
DSG Adjustments	5,611	-6,078	-	-467
	<u>18,597</u>	<u>-18,263</u>	<u>-1,302</u>	<u>-968</u>
Part of Developments included in Original Budget	-	-	-	-
NET EFFECT OF DEVELOPMENTS	<u>18,597</u>	<u>-18,263</u>	<u>-1,302</u>	<u>-968</u>
NET EXPENDITURE	<u>154,759</u>	<u>-140,974</u>	<u>-13,785</u>	<u>-</u>
with inflation to November 2007				

**DEDICATED SCHOOLS BUDGET**

**2009/10**

	<u>Expenditure</u>	DCSF Dedicated Schools <u>Grant</u>	LSC 6th <u>Form Grant</u>	Net <u>Budget</u>
	£'000	£'000	£'000	£'000
2007/2008 ORIGINAL BUDGET	135,194	-122,711	-12,483	-
at November 2006 price levels				
INFLATION TO NOVEMBER 2007	480	-	-	480
Outturn inflation	488	-	-	488
2007/2008 ORIGINAL BUDGET REPRICED	136,162	-122,711	-12,483	968
 DEVELOPMENTS				
Increase in DSB	12,079	-	-	12,079
Inflation Realignment	-	-11,731	-679	-12,410
Asset Rental Adjustment	-32	-	-	-32
Recharge Adjustments	-12	-	-	-12
Corporate Recruitment Savings	-52	-	-	-52
Balancing DSB	18	-	-	18
Review of Parking Budget	2	-	-	2
Recharge Adjustments	15	-	-	15
Increase in Professional Centre Recharge	38	-	-	38
Increase in DSG	-	-454	-	-454
Increase in LSC 6th Form Expenditure	623	-	-	623
Increase in LSC 6th Form Funds	-	-	-623	-623
Contingency Adjustments	-49	-	-	-49
Budget Realignments	70	-	-	70
Increase in Severance Budget	85	-	-	85
Contribution to BSF	400	-	-	400
Recoupment Adjustments	-199	-	-	-199
DSG Estimated Grant 2008/09	5,611	-6,078	-	-467
DSG Estimated Grant 2009/10	6,301	-6,301	-	-
	24,898	-24,564	-1,302	-968
Part of Developments included in Original Budget	-	-	-	-
NET EFFECT OF DEVELOPMENTS	24,898	-24,564	-1,302	-968
NET EXPENDITURE	161,060	-147,275	-13,785	-
with inflation to November 2007	161,060	-147,275	-13,785	-



**DEDICATED SCHOOLS BUDGET**

**2010/11**

	<u>Expenditure</u> £'000	DCSF Dedicated Schools <u>Grant</u> £'000	LSC 6th <u>Form Grant</u> £'000	Net <u>Budget</u> £'000
2007/2008 ORIGINAL BUDGET at November 2006 price levels	135,194	-122,711	-12,483	-
INFLATION TO NOVEMBER 2007	480	-	-	480
Outturn inflation	488	-	-	488
2007/2008 ORIGINAL BUDGET REPRICED	<u>136,162</u>	<u>-122,711</u>	<u>-12,483</u>	<u>968</u>
<b>DEVELOPMENTS</b>				
Increase in DSB	12,079	-	-	12,079
Inflation Realignment	-	-11,731	-679	-12,410
Asset Rental Adjustment	-32	-	-	-32
Recharge Adjustments	-12	-	-	-12
Corporate Recruitment Savings	-52	-	-	-52
Balancing DSB	18	-	-	18
Review of Parking Budget	2	-	-	2
Recharge Adjustments	15	-	-	15
Increase in Professional Centre Recharge	38	-	-	38
Increase in DSG	-	-454	-	-454
Increase in LSC 6th Form Expenditure	623	-	-	623
Increase in LSC 6th Form Funds	-	-	-623	-623
Contingency Adjustments	-49	-	-	-49
Budget Realignments	70	-	-	70
Increase in Severance Budget	85	-	-	85
Recoupment Adjustments	-199	-	-	-199
DSG Estimated Grant 2008/09	5,611	-6,078	-	-467
DSG Estimated Grant 2009/10	6,301	-6,301	-	-
DSG Estimated Grant 2010/11	7,617	-7,217	-	400
	<u>32,115</u>	<u>-31,781</u>	<u>-1,302</u>	<u>-968</u>
Part of Developments included in Original Budget	-	-	-	-
<b>NET EFFECT OF DEVELOPMENTS</b>	<u>32,115</u>	<u>-31,781</u>	<u>-1,302</u>	<u>-968</u>
<b>NET EXPENDITURE</b>	<u>168,277</u>	<u>-154,492</u>	<u>-13,785</u>	<u>-</u>
with inflation to November 2007				

**SECTION 4**  
**COUNCIL HOUSING BUDGETS**

---

Under Part VI of the Local Government and Housing Act 1989, each Local Authority is required to keep a Housing Revenue Account (HRA), for income and expenditure relating to council housing, in accordance with proper practices and detailed directions by the Secretary of State. The Act also requires that:

- (a) During January or February each year, the Council must formulate proposals for expenditure and income for its housing for the following year, which will ensure, on the best assumptions that can be made at that time, that the HRA for that year does not show a debit balance;
- (b) These proposals must be implemented and monitored to ensure that the HRA will not show a debit balance;
- (c) Within a month of formulating its proposals, a statement must be prepared, showing these proposals and the estimated HRA income and expenditure. This statement must be made available for public inspection until the end of the year following the year to which the statement relates.

The following pages record how the Executive met the requirement outlined in (a) above at their meeting on 21st January 2008. The requirement for monitoring, described in (b) is delegated to the Director of Housing. The requirement to make available the statement referred to in (c) above is met by including it as Appendix A within these pages, which are then available for reference in public libraries in the borough.

## COUNCIL HOUSING

### REVIEW OF HOUSING REVENUE ACCOUNT AND BUSINESS PLAN

1. The Government issued on 15th January 2008 determinations regarding the level of HRA subsidy that the authority will receive in 2008/09. Although rent rebate housing benefit and associated subsidy are now accounted for within the General Fund, the HRA continues to bear the cost of rent rebate subsidy limitation. The housing subsidy element, calculated as in previous years using notional credits and debits, continues to be a negative amount and, after receipt of the Major Repairs Allowance, results in a net payment to Government of their assumed net rent surplus on the HRA. The main features of the calculation of credit and debit items in this notional HRA are as follows:-

(a) Notional Gross Income from Rents. The Council's average weekly 'guideline rent' for 2007/08 was £84.43 and has been uprated by 4.4%, representing 3.9% inflation plus a 0.5% assumed real-terms increase. The uprated figure was further increased by 1/9th of the difference between this uprated guideline rent and an assumed 'formula rent' for 2008/09. This reflects the Government's decision to defer by five years from 2011/12 to 2016/17 its target date by which all rents for local authority social housing should converge to a common 'formula rent'. Further explanation of the 'formula rent' is also given in paragraph 16. The resulting 'guideline rent' for 2008/09 is £89.49 representing an increase of £5.06 per week or 6.0% over 2007/08. Without the deferral of the convergence date the increase would have been £6.82 per week. The subsidy damping of individual property rent increases has generally been adjusted for by the application of caps and limits in guideline rents. In 2006/7 and 2007/8 this was temporarily calculated as a separate subsidy component called Rental Constraint Allowance, which gave the Council nothing and has now ceased. The adjustment to guideline rents is set to return, but is paid a year in arrears and now explicitly excludes authorities who have made local additions to rents since rent restructuring was introduced so no damping reduction is anticipated under the new arrangements.

(b) Notional Allowances for Management and Maintenance. Nationally the management and maintenance allowances per dwelling have increased by 2.75% for inflation and by 0.2% for rebasing which compensates for the effect of rent restructuring on the aggregate level of resources nationally, an overall increase of 2.95%. Transitional protection has been continued in cash terms without inflation uplift for 2008/09, but with no guarantee of continuing protection beyond next year. There is a separate addition to the Management Allowance of £4 per dwelling, worth £69,000, for producing energy performance certificates. The Council's total weekly management and maintenance allowances per dwelling are therefore increased in 2008/09 by £4.00 to £2,432.62. After allowing for stock reduction the cash value of these allowances is reduced by £136,000 (0.3%) compared with 2007/08. The previous mechanism introduced to ensure authorities subject to cash protection at least received the 'rebasing' offset against rent restructuring has been dropped this year and would have been worth £59,000. The value of inflation and rebasing lost as a result of cash rather than real terms protection is £1.2 million. However, the continuation of even this level of protection for a further year is an improvement of £4.7 million on what had been anticipated in the HRA financial framework for next year.

Behind the protected level the underlying entitlement to maintenance allowance has been further eroded by around £50 per dwelling worth £860,000 a year, due partly to new regional weightings and partly to data, including a decline in tenancy turnover reducing the need for works on vacation. This has significance for the projection of the HRA business plan beyond the expiry of protection now assumed in 2009/10.

(c) Loan Charges and Interest Earned. Previously, major works were funded by credit approvals from central government which set the limit of a local authority's long term borrowing and the Secretary of State determined the level of HRA credit approvals admissible for subsidy. In 2001/02 the Government introduced the Major Repairs Allowance to fund the long run refurbishment of stock. Since then subsidised borrowing allocations have been prioritised towards remedial decency works, regeneration and new-build, and the decisions on this have now passed to the Mayor for London. Under the prudential borrowing regime, a local authority is free to make its own borrowing decisions according to what it can afford. The Executive decided in March 2004 (Paper No.04-232) not to undertake borrowing but to apply instead non-RTB housing receipts and HRA reserves including the annual Major Repairs Allowance to finance the HRA capital programme. However, central government support for borrowing through HRA subsidy continues to be given on the basis of the historical amount of supported capital expenditure approved by Government, although no new allocation has been received since 2005/06. The subsidised level of debt is therefore £106 million while the HRA in reality has little debt. This compensates for the interest foregone on divestment of reserves, but with the inverse effect of producing an advantage for the HRA when interest rates are higher.

(d) Major Repairs Allowance. The Government introduced an annual formula-based allowance for major repairs in 2001/02 based on its estimate of the long run cost to maintain different property "archetypes" of age and build, which assume the property starts in good condition. The Council's aggregate figure for 2008/09 is £15.023 million. This is a reduction of £432,000 (2.8%) on the figure for 2007/08 uplifted for inflation and taking account of stock level decreases. This has arisen because the Government has both revisited the basic cost weightings of individual property archetypes using new sample data and has also applied regional building cost index weightings that have worked against London.

2. The net result of these factors is that negative subsidy is increased from £10.8 million in 2007/08 to £15.2 million in 2008/09, although due to the extension of management and maintenance protection and reduction in guideline rent increase this is less than the £20.6 million projected in the updated business plan reported to the Committee in November (Paper No. 07-1011). In future years the gain from the extension of transitional protection is lost and the deterioration in Major Repairs Allowance (£0.4 million) and Maintenance Allowance (£0.9 million) are ongoing, requiring a strategy to restore viability in the later years of the plan.

## COUNCIL HOUSING

3. The maximum average rent eligible for rent rebate subsidy (the 'limit rent') was £89.44 in 2007/08. In parallel with the guideline rent the 'limit rent' is uplifted first by 4.4% representing 3.9% assumed inflation plus a 0.5% assumed real-terms increase. The uplifted figure is further increased by 1/9th of the difference between this uprated 'limit rent' and the assumed 'formula rent' referred to in paragraph 1(a) above. The resulting 'limit rent' for 2008/09 is £94.15 representing an increase of £4.71 or 5.3% over 2007/08. The difference of £0.35 in the increase in the guideline rent not covered by increase in the 'limit rent' will add £320,000 to HRA costs in 2008/09. From 2006/07, the cost of rent rebate housing benefit is now fully charged to the General Fund, however the cost of subsidy limitation (£6.694 million in 2007/08) is paid over by the HRA to the General Fund to make good the shortfall in housing benefit subsidy against actual housing benefits granted.

### **HRA Estimates and Business Plan**

4. HRA Estimates and Business Plan. The table below sets out the estimated position on the HRA, including the Housing Major Repairs Reserve, from 2007/08 to 2010/11, reflecting current policies, the Government's latest subsidy determinations and the approved capital programme before additions as presented to the Housing Overview and Scrutiny Committee in January. The estimates allow for the actual level of inflation in the current year. The 2008/09 estimates reflect estimated outturn prices for that year assuming inflation on pay of 2.5%. Inflation on running costs is assumed at 2.7% and the average interest rate to be 5.75%. The additional cost of anticipated inflation during 2008/09 is estimated to be £1.674 million. The financial effect of a 1% variation in the level of pay and prices in 2008/09 is estimated to be £620,150. Future years' estimates of the HRA and Housing Major Repairs Reserve are at outturn prices. Average rent increases to match those in Government guideline rents are assumed for 2009/10 and 2010/11, reflecting the HRA business plan, but no increase is yet included for 2008/09.

## COUNCIL HOUSING

	<u>Original</u> <u>Budget</u> <u>2007/08</u> £'000	<u>Revised</u> <u>Budget</u> <u>2007/08</u> £'000	<u>Budget</u> <u>2008/09</u> £'000	<u>Budget</u> <u>2009/10</u> £'000	<u>Budget</u> <u>2010/11</u> £'000
Total reserves at beginning of year	101,739	109,870	133,881	138,900	142,721
<b><u>EXPENDITURE</u></b>					
<b><u>REVENUE</u></b>					
Supervision, Management and Maintenance					
Repairs & Maintenance	24,829	24,575	24,173	24,498	25,105
General Management	29,686	30,040	30,270	31,118	31,989
Special Services	9,310	9,054	9,605	9,845	10,091
Rent Rebates	6,462	6,417	3,796	6,208	6,351
Capital Financing Costs	3,544	3,901	3,638	3,493	3,231
Other Expenses	978	978	979	1,012	1,047
HRA Subsidy Payable	26,420	25,922	30,240	38,680	41,878
<b><u>CAPITAL</u></b>					
Repairs and Improvements	34,463	29,230	33,097	19,008	2,468
Portable Discounts	900	1,288	1,000	450	-
Purchase of Properties	50	50	50	50	-
Housing Fleet Renewal	231	231	-	-	-
	<u>136,873</u>	<u>131,686</u>	<u>136,848</u>	<u>134,362</u>	<u>122,160</u>
<b><u>INCOME</u></b>					
<b><u>REVENUE</u></b>					
Gross Rents – Dwellings	89,661	89,778	89,778	93,152	96,670
Gross Rents – Non-Dwellings	3,189	3,342	3,267	3,349	3,433
Mortgage Interest	66	209	53	41	32
Leaseholder Service Charges	10,488	11,710	11,387	11,686	11,991
Other Income	9,602	11,102	11,785	11,822	11,054
<b><u>CAPITAL</u></b>					
Government Major Repairs Allowance	15,133	15,133	15,023	15,350	15,702
Capital Receipts	5,847	20,205	8,340	1,500	1,500
Leaseholder Major Works Charges	2,370	4,219	2,234	1,283	167
	<u>136,356</u>	<u>155,697</u>	<u>141,867</u>	<u>138,183</u>	<u>140,549</u>
Total reserves at end of year	101,222	133,881	138,900	142,721	161,110

## COUNCIL HOUSING

5. The table shows that reserves before decisions on rents and additions to the capital programme would rise to £161 million at 31st March 2011, on the assumptions outlined in paragraph 4 above. The 30-year HRA business plan reported previously in November 2007 (Paper No. 07-1011) provides an overview of HRA trends for the coming years, though it involves a raft of assumptions that could give different results if varied. Adjusting for the loss in the subsidy determination the Major Repairs Reserve is reduced over 30 years by £13 million, although this is compensated for by continuing higher levels of capital receipts from miscellaneous site sales to leave £175 million, equivalent to £63 million in present value terms.
6. The HRA, through the reduction of £0.9 million in subsidy Maintenance Allowance, would be down £60 million on the surplus of £15 million after 30 years projected in November. However, £0.4 million of the allowance reduction reflects reduced tenancy turnover that can be expected to either return to past levels or to be reflected in some compensating reduction in actual expenditure. The current projection assumes that turnover, and therefore the allowance, will return to recent levels but the Director of Housing will need to monitor the position in case ongoing budget reduction is more appropriate. On this basis the HRA imbalance after 30 years is reduced to a potential £16 million deficit by the end of the plan if all other assumptions remain the same.
7. To return the HRA to a breakeven position at the end of 30 years would require revenue expenditure reduction or income increase of £0.3 million. To put this in context a local addition to rents of £1.26 per week above the subsidy guideline increase of £5.06, i.e. at the same £6.32 raised in 2007/08, would generate £361,000 if the shortfall were to be met entirely from rents, given that the 68% of tenants in benefit would make no net contribution. Alternatively, expenditure reduction could be sought although the indicated deficit is so small in relation to the uncertainties in the plan that decision on this could be left until the next formal review of the business plan in November 2008. The position shown graphically at Appendix C, assumes guideline rent increases from 2008/09 onwards and takes into account the recent HRA subsidy announcements, updated cash flows on capital programme schemes and the additions to the capital programme approved by the Executive.

## PROPOSALS FOR EXPENDITURE

### **Management and Maintenance**

8. The annual notional allowances for HRA subsidy purposes in 2008/09 are equivalent to £2,433 per dwelling. Without the transitional protection expected to end in 2009/10 the allowances are just £2,079 per dwelling. The estimates in paragraph 4 above show actual management and maintenance unit costs of £3,050 after adjusting for service charges. The difference is equivalent to £10.661 million. Expenditure and notional allowances at broadly these levels have been anticipated in the HRA business plan and it is not proposed to vary these budgets now, although this is one element that must be kept under review to ensure the long-run viability of the business plan.

**Major Works**

9. The HRA estimates have been based on the current cash flows for the approved capital programme approved on 17th January 2008. On existing policies, the finance for the HRA capital programme comes from:
- (a) Government grants, especially the formula-based Major Repairs Allowance (MRA), introduced in 2001/02, at a sum of £15.023 million for 2008/09 (compared to £15.133 million in 2007/08);
  - (b) usable non-right-to-buy housing capital receipts applied to affordable housing, estimated at £8.3 million for 2008/09 (compared to £20.2 million in 2007/08, which includes the financial effects of the current annual sales policy); and
  - (c) the HRA and Housing Major Repairs Reserve mentioned in paragraphs 5 and 6 above, insofar as these are available.
10. In accordance with the HRA business plan, the Director of Housing proposed additions to the capital programme. The resulting capital programme is shown in summary and detail in Appendix D. The additional cost to the HRA, net of amounts which should be charged to leaseholders, is estimated at £21.202 million in 2009/10 and 2010/11. The total additional amount which would be chargeable to leaseholders is £4.670 million. The actual amount recharged to leaseholders in their service charge bills is subject to consultation and will depend on the incidence of spending on these major works on different housing properties.

**PROPOSALS FOR INCOME**

**Duty to Review Rents**

11. Section 24 of the Housing Act 1985 empowers the Council to "make such reasonable charges as they may determine for the tenancy or occupation of their houses", and requires the Council to "from time to time review rents and make such changes, either of rents generally or of particular rents, as circumstances may require". In so doing, Members should of course bring to bear their own knowledge and experience of the Borough and of needs of Council tenants, and may properly consider other information on such matters as current Government rent policy, inflation on prices and income, the eligibility of tenants for housing benefit, and private sector rents.

**Non-Dwelling Property Charges**

12. The proposed non-dwelling property charge increases also considered by the January meeting, representing a 3% inflation uplift, have been reflected in the increased income levels for 2008/09.

**Rent levels**

13. The current average weekly rent, excluding tenant service charges, for the 17,278 dwellings is £99.89. The rent level assumed in the notional HRA for subsidy purposes is £89.49. Average rents in other London boroughs currently range from £68.16 to £93.72 but are expected to increase generally in April. The Rent Officer currently sets, for housing benefit purposes, Local Housing Allowances for the level of rent allowance payments to be made to tenants in the private rented sector. In Wandsworth these currently range from £90 for a bedsit to £480 for 4+ bedrooms, unchanged on a year ago. The average weekly rent in the private sector (excluding homelessness provision) upon which housing benefit has been assessed has increased from £154.91 in December 2006 to £162.12 in December 2007. The increase of 4.65% equates to an average increase of £4.64 per dwelling/week in council dwelling rents.



## COUNCIL HOUSING

### Rent increases

14. Each 10 pence average rent increase is estimated to yield £89,640 additional rent in 2008/09 but give rise to additional rebate entitlement of £60,950 producing net income of £28,690. Around 68% of tenants are entitled to rebate and will be fully compensated for any rent increase. The increase in rent nationally which has been assumed for the purpose of HRA subsidy is 4.4%. In Wandsworth this would imply an increase of £3.65 per dwelling/week. Negative subsidy is further increased by an assumption of progressive annual convergence of the subsidy guideline rent with the formula rent. Originally this transition was phased over ten years to 2011/12. In the draft Determination with the intention of reducing upward pressure on rents this convergence point has been put back five years to 2016/17. The effect is to reduce the addition for assumed convergence with formula rent to £1.41 compared with £3.17 prior to the extension. The combined subsidy loss for both inflation and convergence is £5.06 per dwelling/week. To restore the previous year's relationship between rents and prices would require a rent increase of £4.24 per dwelling/week (4.2%) and to restore that between rents and earnings would require an increase of £4.21 per dwelling/week (4.2%). The Council noted both the improvement for a single year of the extension of management and maintenance allowance protection and the longer run damage caused by failure to uplift expenditure allowances. The arguments for a rent increase at least in line with the subsidy guideline rent increase, for which an equivalent amount of negative subsidy will be lost, are compelling. The determination covers only a single year rather than the two-year settlement promised, and Ministers consider this a holding position while they address the long term future of the housing subsidy system. The Director of Housing will need to continue to identify efficiencies wherever possible and to ensure that expenditure budgets reflect any reduction in underlying service volumes. An average rent increase of £5.06 was therefore considered appropriate taking all relevant matters into account.

### Rent Distribution

15. Previously, legislation required the Council "to have regard to the principle that the rents of houses of any class or description should bear broadly the same proportion to private sector rents as the rents of houses of any other class or description". This legislation has been repealed by the Local Government Act 2003, but has still not been replaced with any mandatory instruction on rent setting. Accordingly, the Council's rents policy remains that rents are set in the same proportion to the open market rental value of each dwelling, currently based on a full valuation carried out during 2004. The table below shows a comparison of 2008/09 rents including the effect of damping, with the last open market rental valuation distribution across property bed size:-

#### AVERAGE RENTS AS INDEX NUMBERS IN RELATION TO 2-BEDROOM AVERAGE

	<u>Index Numbers for Council Rents 2008/09</u>	<u>Index Numbers for full implementation - Private Rents 2004</u>
1 Bedroom	80.97	83.04
2 Bedroom	100.00	100.00
3 Bedroom	132.95	129.97
4+ Bedroom	154.70	166.12

16. Members have been informed previously of a Government policy statement published in December 2000 envisaging convergence of rent structures for all social housing landlords originally over a ten-year period but now extended by a further five years to 2016/17 and reflected in a corresponding adjustment to HRA subsidy. The basis of rent restructuring advocated by the Government involves setting rents for every dwelling according to a standard formula – the ‘formula rent’ - so that:

- 30% of each property’s rent is based on its value relative to the national average;
- 70% is based on average earnings in the local county relative to the national average;
- a bedroom factor is applied so that smaller properties have lower rents;
- rent ‘caps’ limit the maximum weekly rent, ranging from £102 for a bedsit to £120 for a four-bedroom or £132 for a six-bedroom or larger property; and
- there are rent ‘limits’ to ensure that no tenant’s rent changes by more than £2 per week above inflation plus 0.5%.

The former ODPM originally deferred decisions on an interim review of rent restructuring which recognised that the policy was “causing excessive compression of the rent differences between properties of different sizes” although Ministers subsequently implemented the review proposals in full from 2006/07 onwards, with some increase in ‘rent caps’ for larger properties. The 2007/08 formula rent of £96.45 has been uplifted by 0.5% in real terms and then inflated by 3.9% to produce a target formula rent in 2008/09 of £100.69. The Rental Constraint Allowance introduced as a temporary mechanism in 2006/07 to compensate authorities for the impact of implementing caps and limits, and which replaced the adjustment previously made to the guideline rent increase, has now been rescinded. A return to caps and limits adjustment of guideline rent has been indicated in the Subsidy Determination but this is normally calculated and paid a year in arrears. The proposed method of calculation now excludes authorities who have made local additions to rents since rent restructuring began and consequently no benefit of damping of guideline rent increases is anticipated in the future.

17. The Government's preferred 'formula rent' approach would reduce the rent differentials between properties of varying sizes reversing the effect of Section 162 of the 1989 Act described above and until the statutory position changes the Government policy statement must be disregarded. The repeal of the previous legislation by the 2003 Act has not been replaced by any statutory basis for adopting 'formula rents'. Given the adverse redistributive effects of the "formula rent" the Executive have agreed that the existing basis of open market rental values continues unless specifically directed by legislation to adopt an alternative methodology.

18. For existing tenants, the effect of the rent increase in 2007/08 was limited to a maximum increase of 8% for any existing tenant. Rent levels were subject to no decreases except where necessary to achieve a transfer that substantially reduces under-occupation of a larger property or where there would be different rents for almost identical properties in the same location as a result of changes in valuation from time to time and the rate at which the rents of such properties move towards the valuation rent. In such limited circumstances it has been agreed that the Director of Finance, in conjunction with the Director of Housing, be authorised to harmonise rents at the lower level. Where the maximum percentage increase has been applied, the higher valuation rent is brought into effect on any change of tenancy following vacation. The Executive agreed in January 2008 (Paper No 08-107) the continuation of a maximum of 8% rent increase. The table below summarises the effects of the average £5.06 increase, allowing individual increases up to a limit of 8%. Around 2.5% of tenants would have no increase, and the burden of increases would be biased towards larger properties, but there would be very few increases above £12 a week. The 68% of tenants in receipt of Housing Benefit will be fully compensated for the increase while they remain in benefit. This includes most of those in the highest bandings of increase.

## COUNCIL HOUSING

Summary of distribution of Rent Increases  
with average of £5.06 per week, no decreases  
and a maximum increase of 8%

<u>Bedrooms</u>	<u>Average Increase</u>		<u>Total Dwellings</u>
	<u>£</u>	<u>%</u>	
Bedsit	2.38	4.1	1,074
1	3.72	4.8	4,536
2	4.72	4.9	6,477
3	6.79	5.3	4,225
4	9.45	6.6	1,006
5+	12.02	6.6	73
Total	5.06	5.1	17,391

### SERVICE CHARGES

19. Individual service charges for tenants were introduced from 2004/05 on an equivalent calculation for leaseholders, but restricted to charges for cleaning in blocks, communal electricity in blocks and the hire of paladins. The service charges are deemed to be a notional element of the rent, which will continue to be calculated in the usual way. The total rent paid by tenants is unaffected, as is individual tenants' eligibility for housing benefit. The identification of service charges will, however, generate additional subsidy from the Government, estimated to be £380,000 in 2008/09.

### HRA BUDGET FRAMEWORK

20. The table in paragraph 4 covers the number of years that the Council considered appropriate for the HRA budget framework, when adopting the current constitution in September 2001, but rolls it forward for another year. Appendix B within these pages sets out a framework that reflects the proposals approved by the Housing Overview and Scrutiny Committee on 17th January 2008 and all subsequent budget variations approved by the Executive. The 30-year HRA business plan provides an overview of HRA trends for the coming years and the latest forecast of reserves is shown graphically at Appendix C. The plan involves a raft of assumptions that could give different results if varied but currently assumes guideline rent increases and takes into account latest estimates of revenue spend and capital spending in line with the stock condition survey. The framework shown at Appendix B, and the HRA business plan similarly updated (Appendix C), demonstrates that the Council is in a strong position to finance future expenditure plans and to achieve and maintain the decent homes standard, with Major Repairs Reserves of £162 million, equivalent to £58 million in present value terms, uncommitted after 30 years. However, all of this is restricted to capital expenditure within the major repairs reserve and the position for HRA revenue expenditure remains finely balanced.

**DECISIONS MADE**

21. Having considered the foregoing information the Executive recommended and the Council subsequently approved:

- a) that the capital programme additions be adopted;
- b) that the Director of Housing be authorised to serve notices upon tenants of HRA dwellings to change rents with effect from Monday 7th April 2008, making an average increase of £5.06 per dwelling/week, but subject to no decreases and a maximum limit on increases of 8% for existing tenants, and otherwise distributed in accordance with the latest valuations;
- c) that the estimates shown in Appendix B to the report for the HRA for the financial years 2007-11 be adopted as the HRA budget framework, subject to any variations subsequently approved by the Executive within the overriding restriction that the HRA reserves shown for 31st March 2011 should not be forecast by the Director of Finance to reduce by more than £10 million.

These decisions are reflected in the statutory statement of the Council's Housing Revenue Account proposals, shown as Appendix A to this section.

## COUNCIL HOUSING

### APPENDIX A

#### HOUSING REVENUE ACCOUNT ESTIMATES FOR 2008/09

Under s.76(8) of the Local Government and Housing Act 1989, the Council is required to prepare a statement of its proposals for the Housing Revenue Account for each year. The proposals for 2008/09 were contained within papers considered by the Executive on 21st January 2008, subsequently endorsed by the Council on 30th January 2008 and shown in the proceeding pages of this book. As a result of those decisions, the estimates for the Housing Revenue Account for the year 2008/09 are as follows:

	<u>£'000</u>
<b><u>INCOME</u></b>	
Gross Rents - Dwellings	93,992
- Non-Dwellings	3,267
Charges for services and facilities	15,231
	<hr/> 112,490 <hr/>
<b><u>EXPENDITURE</u></b>	
Repairs and Maintenance	24,173
Supervision and Management	38,948
Other charges	117
Rent Rebates	6,767
Increase provision for bad or doubtful debts	902
HRA Subsidy Payable	15,217
Depreciation of fixed assets	
- on dwellings	14,598
- on equity share dwellings	219
- on other assets	206
	<hr/> 101,147 <hr/>
<b>Net Cost of HRA Services as Included in the Income and Expenditure Account</b>	<b>(11,343)</b>
HRA services share of corporate and democratic core	1,185
<b>Net cost of HRA Services</b>	<b>(10,158)</b>

£'000**HRA share of the operating income and expenditure included in the Income and Expenditure Account**

Interest payable and similar charges	2,638
Interest and investment income	(7,969)
Pensions interest cost and expected return on pension assets	(471)

**(Surplus)/deficit for the year on HRA services** (15,960)

**(Surplus)/deficit for year on the HRA Income and Expenditure Account** (15,960)

**Additional items required by statute and non-statutory proper practices to be taken into account in determining the movement in the Housing Revenue Account balance**

HRA share of contributions to/from the Pensions Reserve	213
HRA share of the Minimum Revenue Provision	1,000

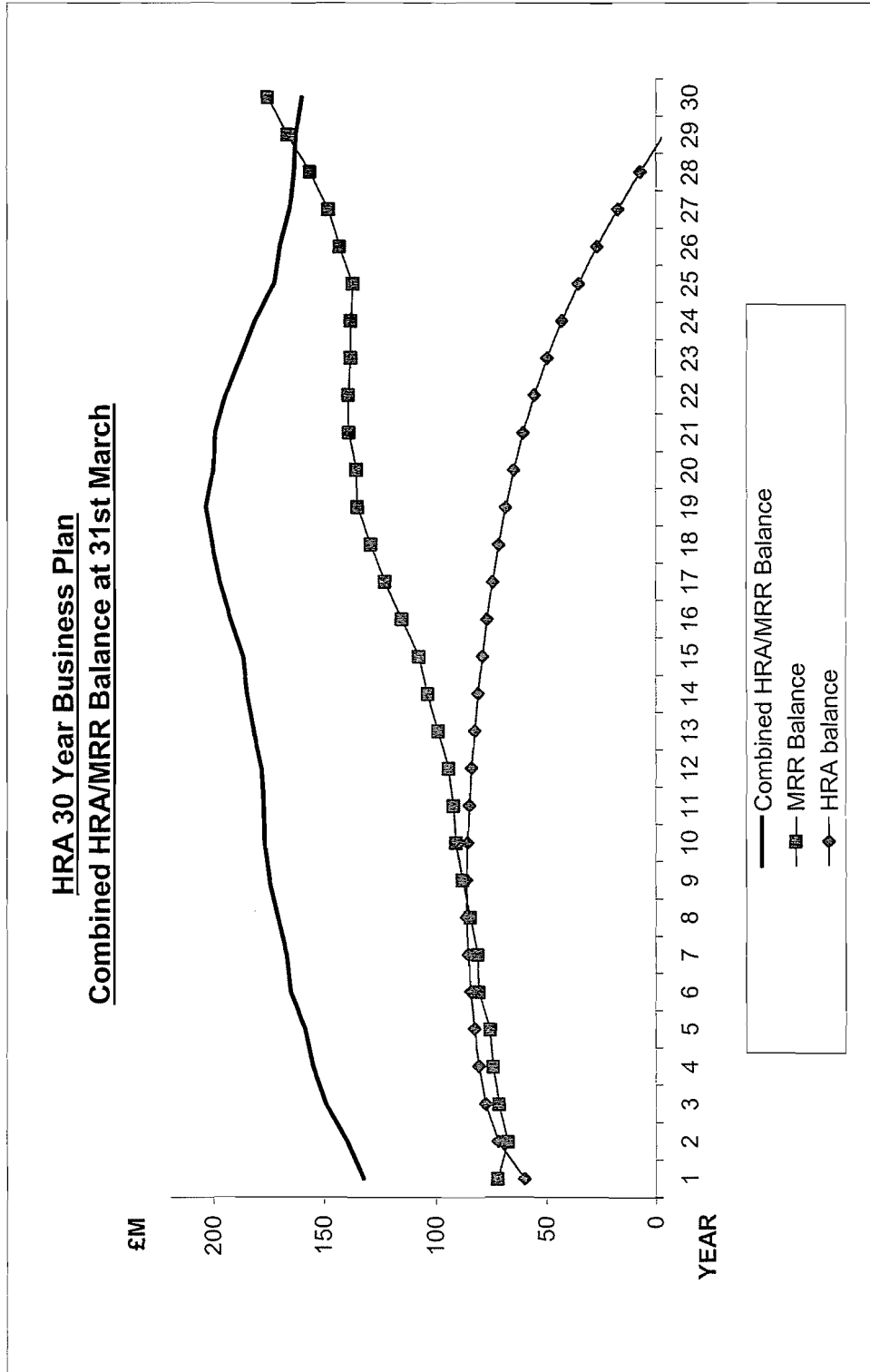
**(Increase)/decrease in the Housing Revenue Account Balance** (14,747)

# COUNCIL HOUSING

## APPENDIX B

### COUNCIL HOUSING BUDGET FRAMEWORK

	<u>Original</u> <u>Budget</u> <u>2007/08</u> £'000	<u>Revised</u> <u>Budget</u> <u>2007/08</u> £'000	<u>Budget</u> <u>2008/09</u> £'000	<u>Budget</u> <u>2009/10</u> £'000	<u>Budget</u> <u>2010/11</u> £'000
<b><u>EXPENDITURE</u></b>					
<b><u>REVENUE</u></b>					
Supervision, Management and Maintenance					
Repairs & Maintenance	24,829	24,575	24,173	24,498	25,105
General Management	29,686	30,040	30,270	31,118	31,989
Special Services	9,310	9,054	9,605	9,845	10,091
Rent Rebates	6,462	6,417	6,767	7,044	7,346
Capital Financing Costs	3,544	3,901	3,638	3,493	3,231
Other Expenses	978	978	1,019	1,054	1,090
HRA Subsidy Payable	26,420	25,922	30,240	38,680	41,878
	(101,229)	(100,887)	(105,712)	(115,732)	(120,730)
<b><u>CAPITAL</u></b>					
Repairs and Improvements	34,463	29,230	33,097	30,580	16,268
Portable Discounts	900	1,288	1,000	450	-
Purchase of Properties	50	50	50	50	-
Housing Fleet Renewal	231	231	-	-	-
Roehampton Regeneration Project & Wider Non-derogation Lease Issues	-	897	2,692	-	-
IT Infrastructure Project	-	258	-	-	-
	(37,644)	(31,954)	(36,839)	(31,080)	(16,268)
	136,873	132,841	142,551	146,812	136,998
<b><u>INCOME</u></b>					
<b><u>REVENUE</u></b>					
Gross Rents – Dwellings	89,661	89,778	93,992	97,529	101,218
Gross Rents – Non-Dwellings	3,189	3,342	3,267	3,349	3,433
Mortgage Interest	66	209	53	41	32
Leaseholder Service Charges	10,488	11,710	11,387	11,686	11,991
Other Income	9,602	11,061	11,760	11,540	10,361
	(113,006)	(116,099)	(120,459)	(124,145)	(127,035)
<b><u>CAPITAL</u></b>					
Government Major Repairs Allowance	15,133	15,133	15,023	15,350	15,702
Capital Receipts	5,847	20,205	8,340	1,500	1,500
Leaseholder Major Works Charges	2,370	4,219	2,234	2,579	1,372
	(23,350)	(39,557)	(25,597)	(19,429)	(18,574)
	136,356	155,657	146,056	143,574	145,609
Surplus(+)/Deficit(-)					
Revenue	+11,777	+15,212	+14,747	+8,413	+6,305
Capital	-14,294	+7,603	-11,242	-11,651	+2,306
Total reserves at beginning of year	101,739	109,870	132,686	136,191	132,953
Total reserves at end of year	101,222	132,686	136,191	132,953	141,564





# COUNCIL HOUSING

## APPENDIX D

### CAPITAL PROGRAMME

	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>
	£'000	£'000	£'000
<u>SUMMARY</u>			
REPAIRS AND IMPROVEMENTS TO DWELLINGS			
Major Refurbishment of Estates	13,648	16,503	14,682
Re-Lifting	1,483	1,410	1,072
Re-Wiring	630	972	570
Heating Improvements	1,909	2,009	2,812
Heating Repairs	3,160	988	2,400
Special Repairs	1,060	1,451	1,450
Sheltered Housing	3,090	4,415	1,687
Adaptations for the Disabled	950	950	950
Entrycall/CCTV	1,374	937	1,165
Environmental Schemes/Estate Improvements	100	100	100
Hidden Homes	1,826	3,362	3,692
	<hr/>	<hr/>	<hr/>
	29,230	33,097	30,580
PORTABLE DISCOUNTS	1,288	1,000	450
PURCHASE OF PROPERTIES	50	50	50
HOUSING FLEET RENEWAL	231	-	-
ROEHAMPTON REGENERATION PROJECT AND WIDER NON-DEROGATION LEASE ISSUES	897	2,692	-
I.T. INFRASTRUCTURE PROJECT	258	-	-
	<hr/>	<hr/>	<hr/>
TOTAL	31,954	36,839	31,080

**SECTION 5**  
**GENERAL CAPITAL BUDGETS**

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This section includes the review of the financing of the Council's General Capital Programme 2007/08 to 2009/10, approved by the Executive on 10th March 2008.

Capital Financial Controllers:

Adult Care Services:	Steve Jordan Tel: 020-8871 6506
Children and Young People's Services:	Brian Skelton Tel: 020-8871 8041
Corporate Resources:	Katherine Burston Tel: 020-8871 6499
Environment and Leisure:	Mike Farrell Tel: 020-8871 8032
Housing:	Fenella Merry Tel: 020-8871 6502
Planning and Transportation:	Dennis Berridge Tel: 020-8871 6505
Regeneration and Community Safety:	Dennis Berridge Tel: 020-8871 6505
Treasury Management/Capital Accountant:	John Steer Tel: 020-8871 7589

## **CAPITAL RESOURCES (GENERAL)**

### **Financing the Programme**

1. The Council's ability to finance capital spending is restricted only by its own view on affordability, subject to the Government's possible imposition of limits on local authority borrowing for macro-economic reasons.
2. The potential sources of finance for the Council's capital expenditure are: -
  - (a) grants and reimbursements earmarked for particular schemes or services, and obtained only on condition that a corresponding addition is made to the programme;
  - (b) Government capital grants not earmarked for particular schemes or services;
  - (c) realisation of investments of usable capital receipts and reserves;
  - (d) borrowing; and
  - (e) contributions from Council revenue accounts.
3. Not all of these resources are currently relevant, however. Borrowing is financially disadvantageous compared with the alternative of investment realisation, as long as the Council has substantial investments available for this purpose - except in the limited circumstances of 'spend-to-save' schemes in schools. Moreover, the Government has the powers to impose a national limit on local authorities' borrowing, and has not yet confirmed its intentions, even for 2008/09. So borrowing could not be relied upon to finance a medium-term capital programme, currently. Contributions from Council revenue accounts are rarely available because of the impact on council tax, although £3.6 million is being financed from the Renewals Fund in the current year.
4. Currently then, the major sources of finance for the Council's capital expenditure are grants and realisation of investments. These are discussed in more detail below.

## **Capital Grants**

5. There currently appears to be no prospect of the Government issuing wholly unearmarked grants, and grants continue to be earmarked for particular schemes or services, although some Children's Services grants are described as "within the Single Capital Pot." The Council is receiving £3.5 million from the Department for Children, Schools and Families through the Single Capital Pot in 2007/08, but such amounts are not expected in later years.
6. Grants and reimbursements expected to support the programme over the three years exceed £46.0 million. The most significant are Government grants for education schemes totalling around £26.7 million. Other major sources of funds are Transport for London grant of £9.2 million, and renovation grants of £4.6 million.

## **Realisation of Investments**

7. The amount of the Council's investments at any time reflects daily variations in routine cashflows as well as capital spending, debt redemption, and new capital receipts. The overall outlook for investments is reviewed in the context of the treasury management policy (see pages 11 to 15). The Council's Treasury Management Strategy for 2008/09 shows total investments expected to be around £300 million by 31st March. But these relate almost entirely to current liabilities and to General Fund reserves for contingencies and specific purposes. The only investments available specifically for financing the general capital programme are those arising from the capital receipts, which are neither payable to the Government nor used within the Housing Revenue Account.
8. The Council had usable capital receipts in hand amounting to £39.0 million at the start of 2007/08. Forecast capital receipts include the estimates of sales of Council dwellings, based on existing policies, of 70 in 2007/08, 60 in 2008/09 and 50 in 2009/10, and the sale of hidden homes to Notting Hill Trust Housing Association in 2007/08 and 2008/09. Also included are estimates relating to sales of sites already identified as surplus, amounting to £16.9 million in 2007/08, £10.8 million in 2008/09, and £20.1 million in 2009/10. The estimates for total receipts are shown in the table in the General Capital Budget Framework on the next page.
9. Regulations require part of housing capital receipts to be paid to the Government: 75% for dwelling sales and 50% for other sales of HRA assets, such as land. The Council takes full advantage, however, of the exemption for receipts other than proceeds from Right-to-Buy disposals that are earmarked to finance the cost of "the provision of affordable housing". The estimates for receipts paid to the Government and used for affordable housing are also shown in the table in the General Capital Budget Framework.

## GENERAL CAPITAL BUDGET FRAMEWORK

10. The table below compares the estimated capital grants and receipts with the capital payments to be financed. The £39.0 million usable receipts at the start of 2007/08 after increasing to £43.9 million by the end of 2007/08, will decrease to £36.2 million at the end of 2008/09 and then fall to £31.0 million by the end of 2009/10.

	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>
	£'m	£'m	£'m
<b>Usable Capital Receipts at start of year</b>	39.0	43.9	36.2
Add: Grants and reimbursements	24.8	16.4	4.8
Add: Renewals Fund	3.6	-	-
Add: New capital receipts	38.1	33.4	32.9
Less: Capital receipts paid to Government	- 5.0	- 4.3	- 3.6
Less: Capital receipts for affordable housing	- 19.4	- 20.7	- 19.1
Less: Total General Capital Payments (after slippage)	- 37.2	- 32.5	- 20.2
<b>Usable Capital Receipts at end of year</b>	<u>43.9</u>	<u>36.2</u>	<u>31.0</u>

11. The table in paragraph 10 forms part of the revised general (non-HRA) capital budget framework adoption by the Council. In view of the adverse trend signalled in paragraph 10, the overall pressures on council tax in the next few years and the £2.8 million net financing requirement for this programme in 2010/11, it is proposed that the discretion be limited to a net figure of about £5 million, i.e. the forecast usable capital receipts at 31st March 2010 must not fall below £26.0 million. The additional full year annual impact of such a reduction would be equivalent to about £3.74 on band D council tax.

## **Revenue Effects**

12. Capital payments have no revenue effect to the extent that they are financed by capital grant, provided that the grant is not significantly delayed. Payments financed by the realisation of investments entail loss of interest on those investments. While the Council is expected to remain at the formula Grant “floor” for the foreseeable future, the Government support for capital spending through the Formula Grant system offers no benefit.
  
13. The revenue effects of the revised General Capital Programme shown in the table in paragraph 10 have a full annual impact of £2.78 million, equivalent to £23.10 band D council tax.

## SUMMARY OF GENERAL CAPITAL PROGRAMME 2007/08 - 2009/10

	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>
	£'000	£'000	£'000
<u>ADULT CARE SERVICES</u>			
Adult Care Services	771	579	523
	<u>771</u>	<u>579</u>	<u>523</u>

## CHILDREN AND YOUNG PEOPLE'S SERVICES

Secondary Education	2,905	3,148	1,425
Primary Education	2,080	2,941	2,169
Special Schools and Other Schemes	5,884	4,442	3,572
Integrated Children's Centre Programme	5,116	793	-
Other Education Funded Schemes	4,242	4,483	1,366
Integrated Youth Services	404	30	490
Playgrounds	289	1,300	492
Play Services	100	335	13
Children's Specialist Services	642	212	6
Support Services	106	-	-
	<u>21,768</u>	<u>17,684</u>	<u>9,533</u>

## CORPORATE RESOURCES

Administrative Buildings	1,086	178	474
IT Services	2,011	-	-
Property Services	126	1,610	25
	<u>3,223</u>	<u>1,788</u>	<u>499</u>

## ENVIRONMENT AND LEISURE

Leisure Centres and Sports Services	1,786	857	158
Libraries, Museum and Arts	37	2,653	2,942
Parks and Open Spaces	232	219	133
Bereavement Services	48	83	10
Environmental Services	482	-	-
	<u>2,585</u>	<u>3,812</u>	<u>3,243</u>

**SUMMARY OF GENERAL CAPITAL PROGRAMME 2007/08 - 2009/10**

	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>
	£'000	£'000	£'000
<u>HOUSING</u>			
Loans to Leaseholders	50	50	50
Renovation Grants	2,593	1,644	1,200
	<u>2,643</u>	<u>1,694</u>	<u>1,250</u>
 <u>PLANNING AND TRANSPORTATION</u>			
Highways Services	7,024	5,317	3,515
Planning Services	172	140	140
	<u>7,196</u>	<u>5,457</u>	<u>3,655</u>
 <u>REGENERATION AND COMMUNITY SAFETY</u>			
Economic Development Programme	521	734	460
Crime Reduction Strategy	420	290	53
Safer and Stronger Communities	88	-	-
	<u>1,029</u>	<u>1,024</u>	<u>513</u>
 TOTAL CAPITAL PROGRAMME	 <u>39,215</u>	 <u>32,038</u>	 <u>19,216</u>



This booklet gives details of the council's budgets.  
If you have difficulty understanding it in English, please contact:  
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