



COUNCIL BUDGETS

2009 2010



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SECTION 1
GENERAL INFORMATION ON COUNCIL FINANCE

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

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>
SEPTEMBER	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, 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.

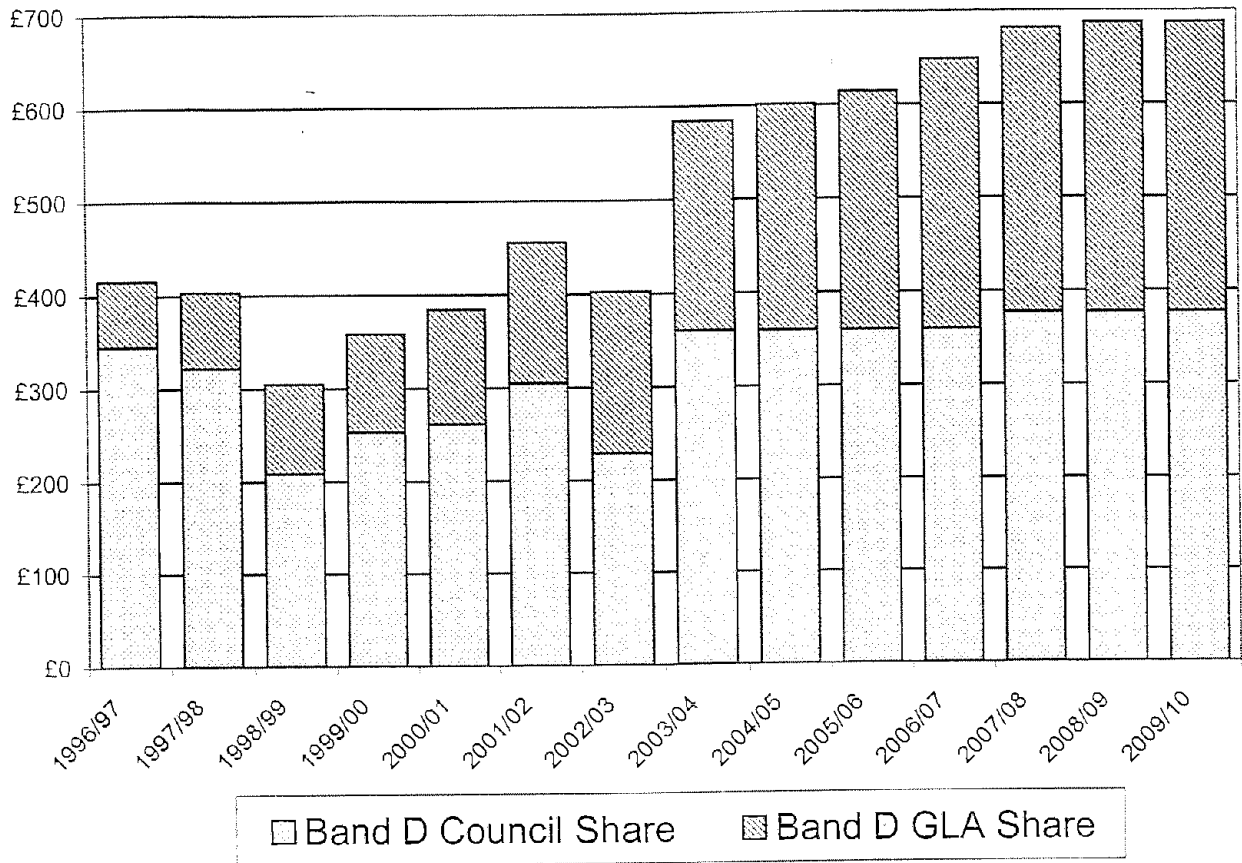
Inflation

- (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. Charges are reviewed in line with the Council's charging policy which is to maximise charges for specific services so as to minimise any indirect subsidy from the council tax payer, seeking wherever possible to recover the cost of the service provision as a minimum. 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.

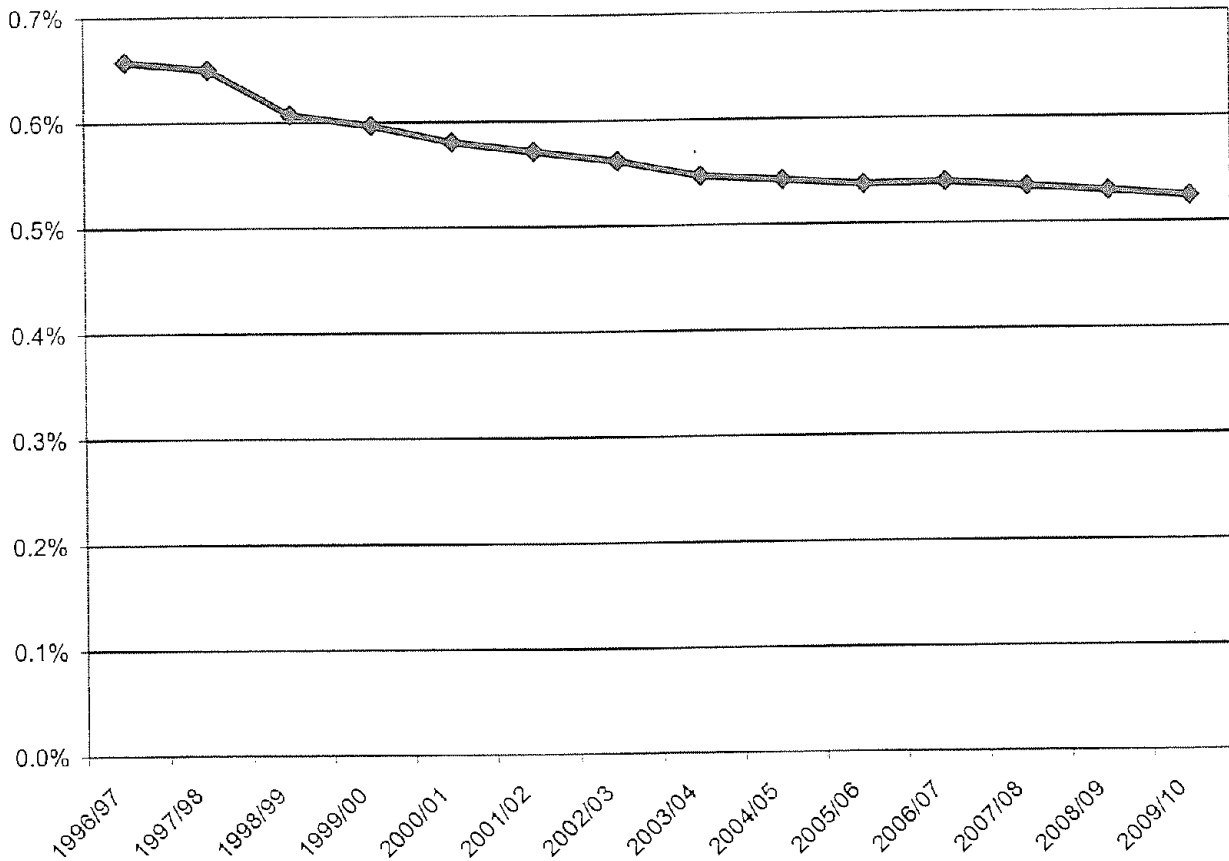
Developments

- (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.

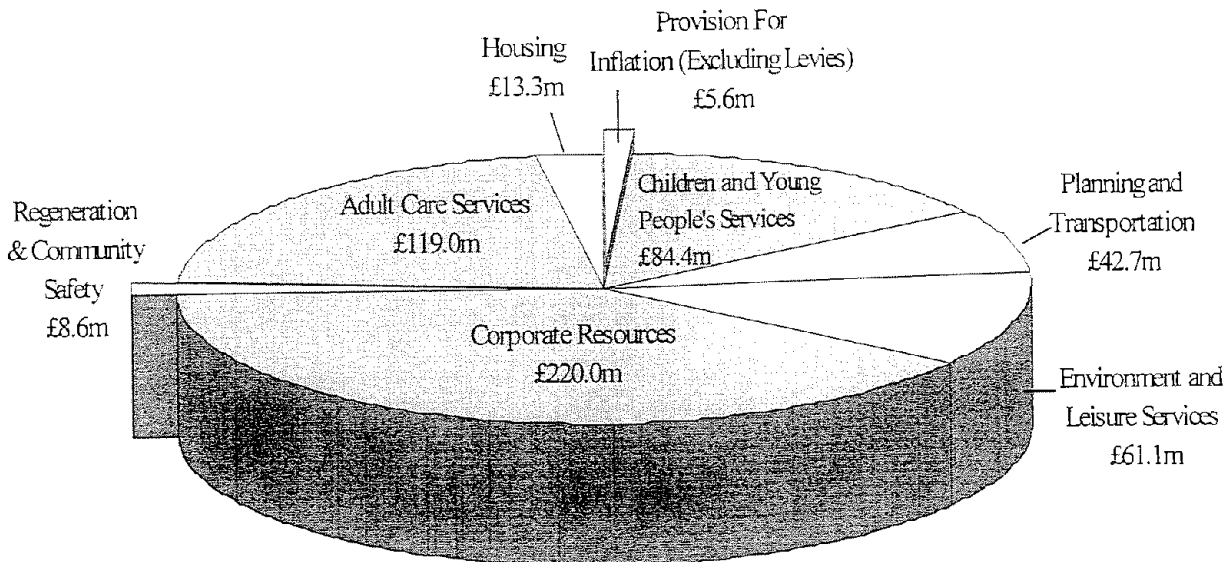
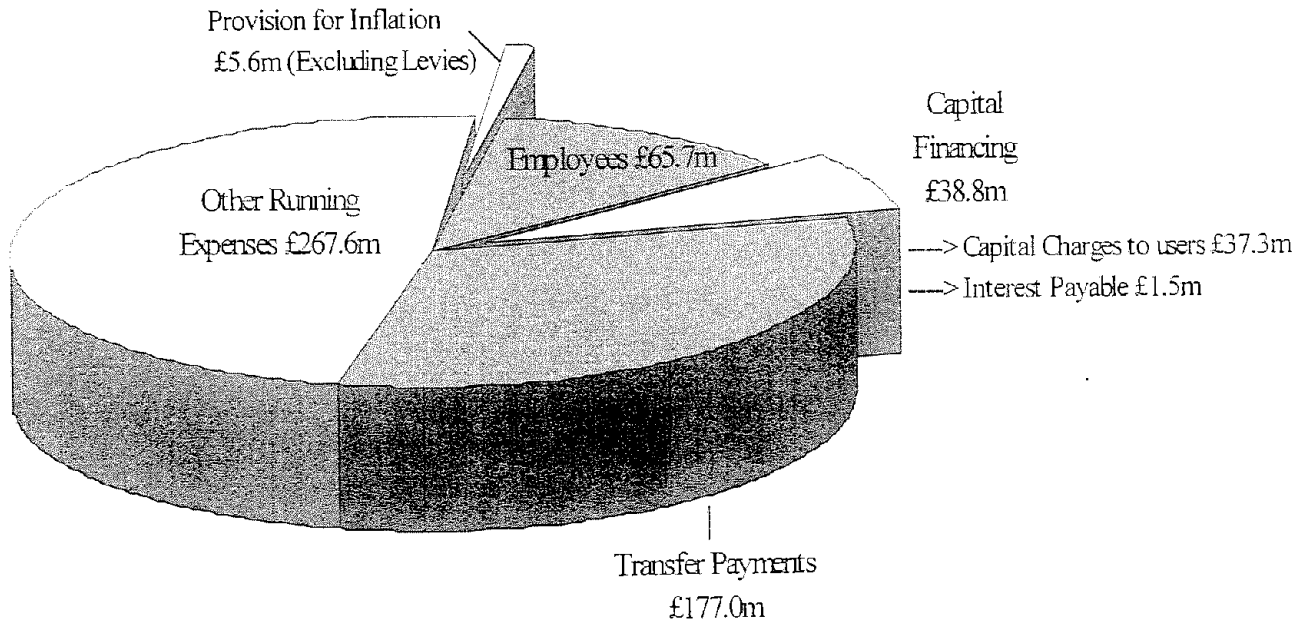
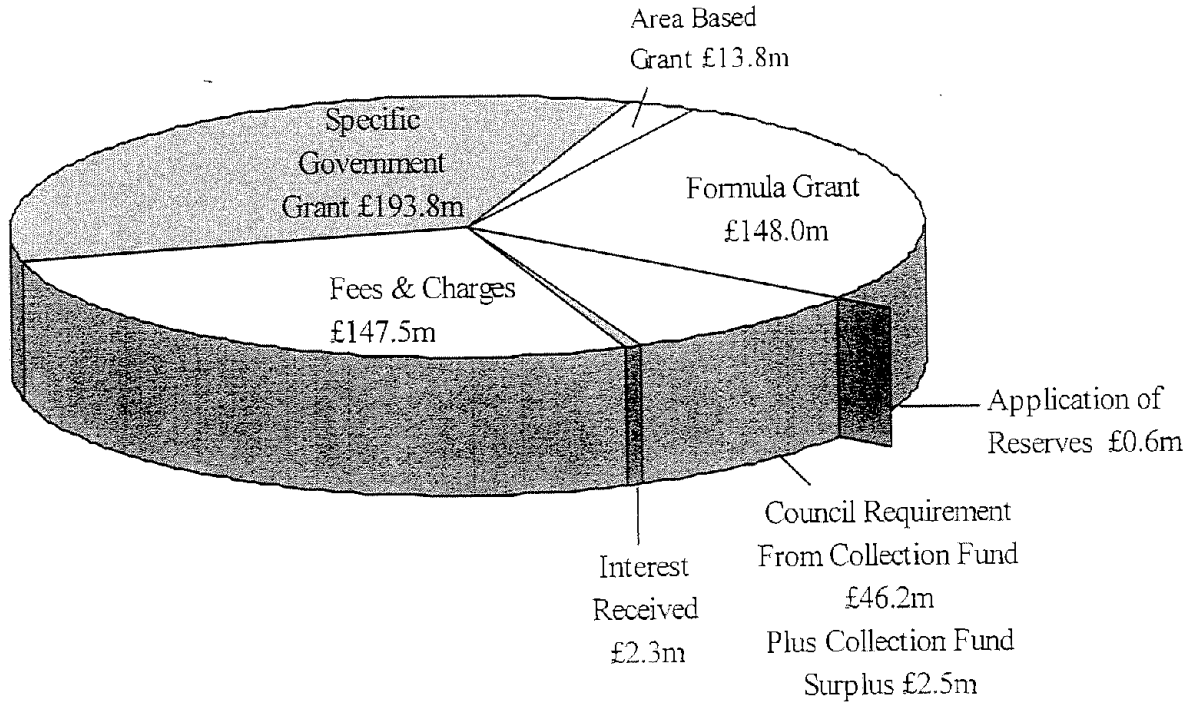
WANDSWORTH'S AVERAGE BAND D COUNCIL TAX



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



THE COUNCIL'S GENERAL REVENUE INCOME AND EXPENDITURE 2009/10 TOTAL £554.7m



CAPITAL FINANCE

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.

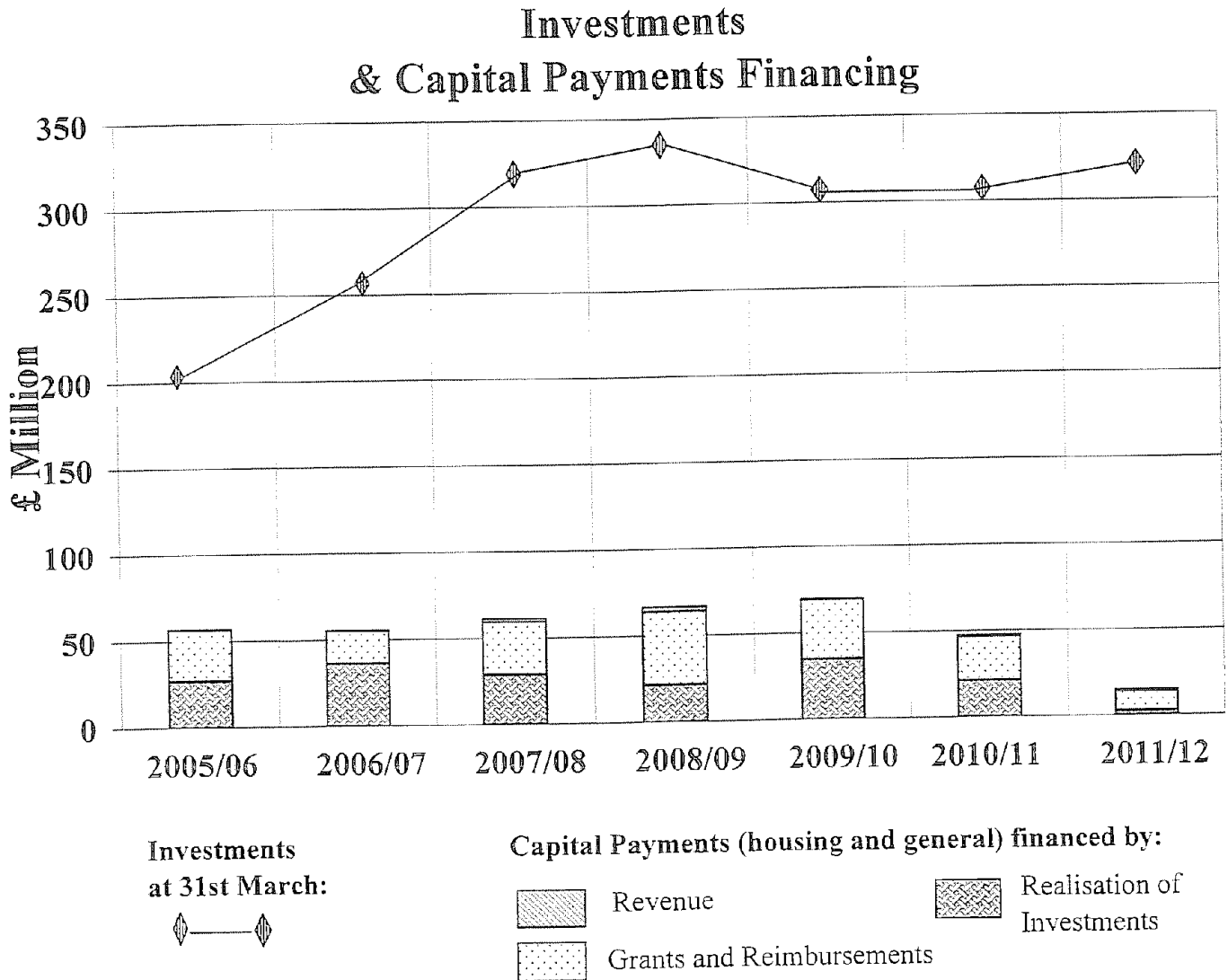
Local authorities are required to manage their affairs so that at any time their borrowing does not exceed their affordable borrowing limit, as defined in Part 1 of the Local Government Act 2003. This limit is determined by the authority itself to reflect the maximum amount that a local authority decides 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. There could also be a potential borrowing requirement for major repairs to estates and new build housing outside of the HRA subsidy and pooling system under new proposals by the Department for Communities and Local Government and currently subject to consultation.

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 including sustainability 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 sustainability 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.
- (h) Sustainability: adopt sustainability and energy efficiency proposals and cost effective, having regard to Council policies such as the Sustainable communities Strategy, the Environment Policy and the Energy Code of Practice; seek to reduce energy consumption and carbon emissions in line with Council targets; and increase the use of materials from sustainable sources where costs effective.



Due to high levels of capital receipts, particularly between 2004/05 and 2007/08, investment continued to rise. Capital receipts are expected to fall from 2008/09 but based on current cash flows, investments are expected to remain at similar levels.

Due to the high level of investments no borrowing is envisaged for 2009/10 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 2009/10

The following table shows the outlook for investment and debt levels for the period 2008/09 to 2011/12, taking into account estimates of major cash flow movements.

	<u>2008/09</u> £'m	<u>2009/10</u> £'m	<u>2010/11</u> £'m	<u>2011/12</u> £'m
Estimated investments 1 st April	318.0	330.0	309.3	310.9
Estimated debt 1 st April	-7.0	-6.4	-6.3	-6.2
Deposit facilities for other bodies and funds	-3.5	-2.5	-1.7	-1.5
<u>Net investments 1st April</u>	<u>307.5</u>	<u>321.1</u>	<u>301.3</u>	<u>-303.2</u>
Deduct				
Capital payments – general	-35.4	-31.6	-16.0	-1.7
Capital payments – HRA	-31.2	-36.6	-30.9	-12.9
Payment of capital receipts to Government	-1.3	-0.7	-0.7	-0.2
Reduction in net creditors	-	-	-	-8.2
<u>Add</u>				
Capital receipts	18.0	15.5	17.7	1.5
Capital grants	40.4	27.9	24.1	19.7
Movement in funds, reserves & provisions	9.0	-1.1	4.8	10.1
Revenue provisions for capital and credit liabilities	3.5	4.7	2.9	1.6
Increase in net creditors	10.6	2.1	-	-
In-Year net investment movement	<u>13.6</u>	<u>-19.8</u>	<u>1.9</u>	<u>9.9</u>
Net investments 31st March	<u>321.1</u>	<u>301.3</u>	<u>303.2</u>	<u>313.1</u>
Estimated investments 31 st March	330.0	309.3	310.9	320.8
Estimated debt 31 st March	-6.4	-6.3	-6.2	-6.2
Deposit facilities for other bodies	-2.5	-1.7	-1.5	-1.5
Repayment of debt	0.6	0.1	0.1	-
Change in use of deposit facilities	1.0	0.8	0.2	-

The Council is expected to begin the year with investments of £330 million, and repayments of long-term debt of £0.1 million falling due over the next year from April 2009 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 similar levels. The possibility of prematurely redeeming the Council's external debt has been explored, but it is not cost effective to do so, because of the premium that would be incurred. Neither is it cost effective for the Council to borrow, despite historically low interest rates, partly due to equivalently low investment rates, but primarily because the Council would lose the benefit of being able to have a "prudent" minimum revenue provision of nil. New long-term borrowing will therefore 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. There could also be a potential borrowing requirement for major repairs to estates and new build housing outside of the HRA subsidy and pooling systems under new proposals by the DCLG and currently subject to consultation.

Affordable Borrowing Limit and Operational Boundary The Council has to set an affordable borrowing limit and operational boundary for 2009/10 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. A limit of £11 million is therefore proposed for the affordable borrowing limit and operational boundary, 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.

TREASURY MANAGEMENT

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.
 - (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, Audit and Pension Payments and Support. 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 Corporate Finance, or Head of Service Finance may authorise changes in strategy previously defined at a monthly meeting if circumstances require.

TREASURY MANAGEMENT

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.
- (ii) Investment of the Council's surplus cash balances (other than the exceptions listed under longer term investments) shall be for up to 364 days through brokers in the sterling money market, or directly through the Government's Debt Management Account Deposit Facility (DMADF). Around 65% of the portfolio should be invested for 3 months or less (with a weighting towards the shorter end), and the remaining balance of around 35% should be invested for periods of between 3 months and 364 days.
- (iii) 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 short-term outlook that is not negative, where generally no more than £20 million is placed for periods longer than 3 months;
 - up to £40 million with institutions with a Fitch credit rating of at least F1+ short-term which are under UK state ownership and a short-term outlook that is not negative;
 - up to £30 million with institutions with a Fitch credit rating of at least F1+ short-term, and a short-term outlook that is not negative, where the institution is one of the named institutions eligible for the Government credit guarantee scheme, and with no investments being 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 short-term outlook that is not negative; and
 - up to £5 million with Building Societies with a Fitch credit rating of at least F1 short-term, A long-term and short-term outlook that is not negative, or with an institution with a negative short-term outlook but otherwise satisfying the criteria for £10 million or £40 million investments.

The credit ratings shall be reviewed on a monthly basis.

The above investment criteria shall be regarded as maximum levels and due regard shall be had to market conditions. Restrictions on the above limits may be placed from time to time on a temporary basis by the Director of Finance or in his absence the Head of Corporate Finance or the Head of Service Finance. Any such temporary restrictions applied shall be reported to the Corporate Resources Overview and Scrutiny Committee at the annual review of the Treasury Policy Statement.

- (iv) Longer Term Investments - The only exceptions are, if the Director of Finance authorises, investments that may be for longer than 364 days: -
 - a) investment directly through commercial money market funds i.e. investments are placed in loans to companies with high credit ratings;
 - b) Investments with those UK financial Institutions eligible for the Government Credit Guarantee Scheme introduced on 13th October 2008, but only with those guaranteed eligible financial instruments: and
 - c) Investments in UK gilt-edged securities.

- (v) 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).

- (e) Longer Term Investment Strategy The amount that can prudently be invested for longer than 364 days must relate to forecasts of investments, taking into account net spending needs, and allowing for adequate reserves and contingencies. The forecasts shown in the Strategy for 2009/10 indicate that investments are expected to remain around the £300 million level over the next three years, so a prudent limit for the maximum amount to be invested for longer than 364 days is £220 million. Investments will not be for longer than two years.

PENSION FUND AND ENHANCED PENSION FUND

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 contributing a percentage of pay at a tiered rate ranging from 5.5% to 7.5% depending on salary level. 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 and remaining the same in 2009/10.

At 31st December 2008 the Pension Fund was valued at £596.1 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 1.0% 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

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

	2009/10 ANNUAL VALUE <hr/> £'000
<u>ADMINISTRATION DEPARTMENT</u>	
Telecommunications	1,114
Training Centre	373
Graphics	305
Quickprint	438
	<hr/> 2,230 <hr/>
<u>ADULT SOCIAL SERVICES DEPARTMENT</u>	
<i>Providers</i>	
Home Care	3,613
Meals on Wheels and Frozen Meals	290
PLD Hostels & OST	905
PLD Day Care	4,771
Atheldene – Eld/PD	168
Adult Placement Service	69
<i>Support Services</i>	
Central Support Services	1,739
Departmental Support Services	8,426
	<hr/> 19,981 <hr/>
<u>CHILDREN'S SERVICES DEPARTMENT</u>	
<i>Children and Families</i>	
Adoption and Fostering	3,664
Children's Centres	16
Family Resource Centres	1,755
Schools IT Support	456
Personnel Services	302
Learning Resources	242
Curriculum and Professional Development	50
Schools Financial Management	284
Music Support	91
Contracts	243
Performance and Standards	142
PC Training and Development	134
Literacy Support	355
	<hr/> 7,734 <hr/>

TRADING ACCOUNTS AND SERVICE LEVEL AGREEMENTS

	2009/10 ANNUAL VALUE <hr style="width: 100%; border: 0.5px solid black; margin: 0;"/> £'000
 <u>FINANCE DEPARTMENT</u>	
Income Collection Service	820
Audit	1,252
Housing Contract Services: Rent Collection	1,173
Accounting Services	587
Payroll	598
	<hr style="width: 100%; border: 0.5px solid black; margin: 0;"/> 4,430
 <u>HOUSING DEPARTMENT</u>	
Housing Contract Services: general management and maintenance	11,586
	<hr style="width: 100%; border: 0.5px solid black; margin: 0;"/> 11,586
 <u>LEISURE AND AMENITY SERVICES DEPARTMENT</u>	
Tree Maintenance Administration	294
	<hr style="width: 100%; border: 0.5px solid black; margin: 0;"/> 294
 <u>TECHNICAL SERVICES DEPARTMENT</u>	
Engineering Consultancy and Highway Maintenance	8,200
Design Service	2,900
Building Maintenance	9,100
Transport Management Services	3,000
Social Services Transport	1,300
Education Transport	1,900
	<hr style="width: 100%; border: 0.5px solid black; margin: 0;"/> 26,400
 TOTAL	 <hr style="width: 100%; border: 0.5px solid black; margin: 0;"/> 72,655

AUDIT

External Audit. PricewaterhouseCoopers have been appointed by the Audit Commission as the Council's external auditor from the 1st April 2008. The auditor covers the financial aspects of corporate governance, the Council's accounts and performance management (including Comprehensive Area 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 both financial and non-financial systems and procedures at all levels operate to safeguard the Council's interests, maximise economy, efficiency and effectiveness and contribute to the achievement of the Council's objectives. 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 a member of the Procurement Advisory Group that considers all procurement with a total value in excess of £100,000.

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.

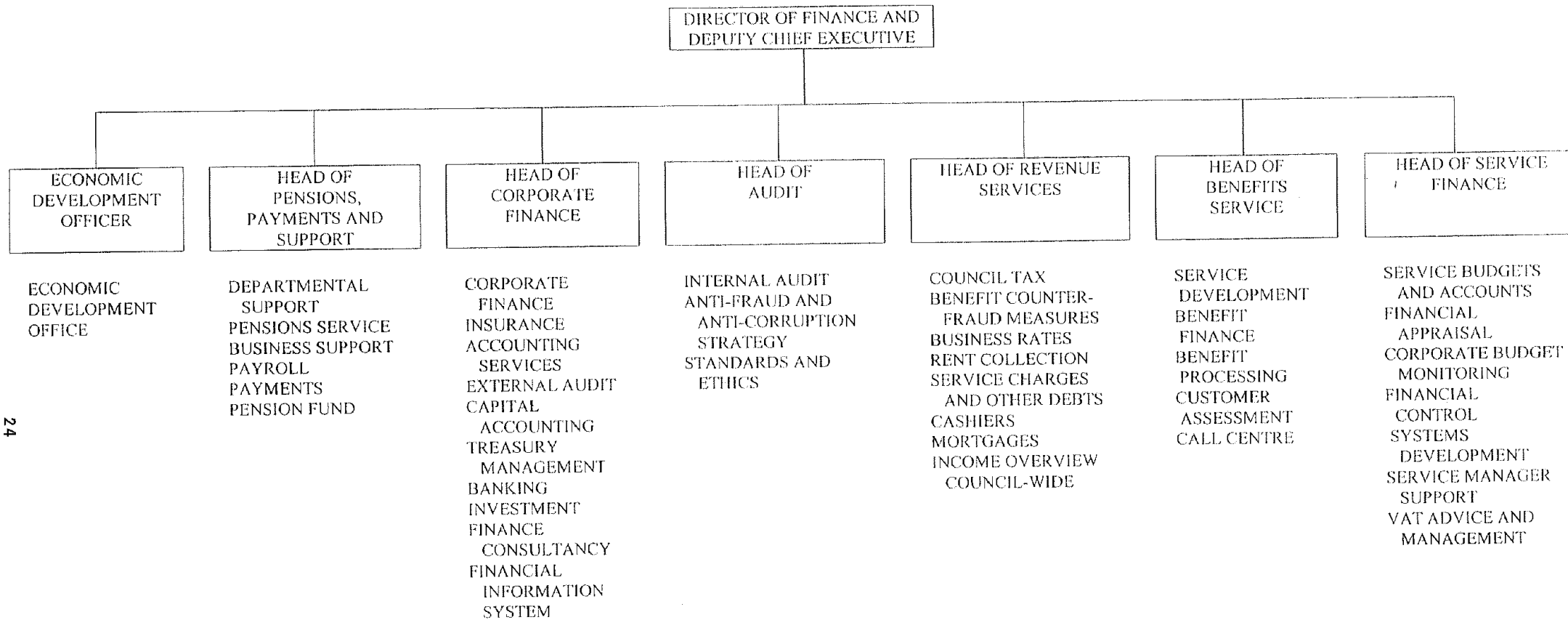
The table below shows the employee budgets for 2009/10 by department, compared with the previous year:

	<u>2008/09</u>	<u>2009/10</u>
	£'000	£'000
<u>DEPARTMENT</u>		
Administration	13,754	13,554
Adult Social Services	20,457	21,451
Children's Services	167,222	177,676
Finance	15,117	15,482
Housing	18,198	18,566
Leisure and Amenity Services	13,481	13,416
Technical Services	28,363	28,037
	<u>276,592</u>	<u>288,182</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 2009/10 by department compared with the previous year.

	<u>2008/09</u>	<u>2009/10</u>
<u>Staff Numbers</u>		
Administration	279	288
Adult Social Services	509	505
Children's Services	4,711	4,774
Finance	377	385
Housing	450	454
Leisure and Amenity Services	347	364
Technical Services	790	780
	<u>7,463</u>	<u>7,550</u>

THE FINANCE DEPARTMENT



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The senior managers of the department are:

		<u>Location</u>	<u>Telephone</u>
Director of Finance and Deputy Chief Executive	Chris Buss	TH 27	020-8871 8300
Economic Development Officer	Mike Brook	THE 1	020-8871 6202
Head of Pensions, Payments and Support	Robert Claxton	TH 20	020-8871 6402
Head of Corporate Finance	Ernie Jarvis	TH 217	020-8871 6406
Head of Audit	Phil Read	TH 65	020-8871 6450
Head of Revenue Services	Kevin Legg	THE 2	020-8871 6895
Head of Benefits Service	Kristina Burman	THE 1	020-8871 7061
Head of Service Finance	Ken Florey	TH 212b	020-8871 6498

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

Area Based Grant - Government grant to local authorities that was previously a series of specific grants. This grant may be spent by the council on any general fund service.

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.

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 (sometimes known as rent allowances) given to local authority, housing associations 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 otherwise known as "business rates", 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

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

This section sets out how the 2009/10 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 14th January 2009 and 4th March 2009, and by the Council on the 10th March 2009. The section contains appendices summarising the budgetary effect of developments and of repricing from November 2007 to 2008, levies from other public bodies, special reserves, and the council tax base.

COUNCIL NET REVENUE EXPENDITURE

Service Revenue Budgets

1. In January 2009, the Executive approved the service revenue budgets, which showed the effects of providing for current programmes, policies and developments as detailed in the cream-coloured pages of this book.
2. In doing so, the Executive also approved the detailed changes to take account of inflation between November 2007 and November 2008. Major pay settlements included the national single status pay award of 2.45% from April 2008, subject to an arbitration result not expected until early 2009 and the teachers' award of 2.45% from September 2008. 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 2008/09 to the 2.7% allowed for when deciding the Council's budget, but for 2009/10 the inflation adjustments reflect the actual change in prices between November 2007 and November 2008. The effects of inflation to November 2008 amounted to £7.5 million in 2008/09 and £9.2 million in a full year, as summarised in Appendix A.

2008/09 Service Budgets

3. The revised budgets for 2008/09 total £201.247 million (excluding Area Based Grant), an increase of £2.3 million on the original budget (including provision of £7.3 million for inflation) approved in March 2008. This increase included the reduced income levels from Land Charges as a result of the housing market downturn and the introduction of HIPs (£0.8 million), the cost of data security and payment cards (£0.3 million), staffing costs of transforming adult social care (£0.5 million), expenditure budgets for the Drug Action, Preventing Violent Extremism, Safer Stronger Communities, Child Matters and Teenage Pregnancy strategies and Local Involvement Network fully funded by Area Based Grant (£1.2 million), Wandsworth Short Term Assessment and Reablement Team (START) (£0.4 million). Adult Care Services required additional budget of £0.7 million, partly offset by the reduction within Children and Young People's Services of £0.3 million. Other reductions included savings arising from departmental staffing reviews (£0.1 million), increased interest on reserves (£1.6 million) (one year only), and savings from the homelessness and asylum seekers review (£0.2 million).

Future Service Budgets

4. The Executive agreed in March to make an allowance of £5.59 million for inflation from November 2008 prices through to 2009/10 outturn. This provides for 2.0% for pay for most staff from due dates, and 1.5% 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 (RPIX), 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. It should be noted that the current forecasts of RPIX published by HM Treasury for 2009 ranges between an increase of 2.8% and a decrease of 3%. A prudent estimate has, therefore, been used. The main items within the inflation allowance are as follows: -

	<u>£m</u>
Pay awards	1.23
Running expenses	4.54
Charges reviews/interest receivable	-0.18

An allowance of 2.0% has been provided for pay awards in 2010/11 and 2011/12. The allowance for inflation on general running costs is 1.5%. This broadly equates to the current median forecast for RPIX for 2010 published by HM Treasury of 1.8%. The resulting totals for year-on-year inflation for 2010/11 and 2011/12 are £10.11 million and £9.89 million respectively.

5. The Executive also made provision for the £21.4 million levies and charges from other public bodies, as listed in Appendix C, requiring reduced budget provision of £0.36 million, although there were some increases. The net reduction is chiefly due to a reduction in the cost of the Concessionary Fares scheme offset by an above inflation increase for Western Riverside Waste Authority (WRWA). The charge for the Concessionary Fares scheme has reduced by £1.1 million (16.1%) reflecting a one-off substantial rebate in 2009/10 following an overestimate of the impact of non-London eligible residents travel on the TfL bus network introduced in 2008/09. Further, above inflation increases of £1.6 million (26.7%) and £0.6 million (8.7%) are forecast for 2010/11 and 2011/12 respectively, reflecting the fall-out of the rebate given in 2009/10 and anticipated growth in use of the concession. The WRWA increase of £0.75 million (7.4%) results from continuing increases in landfill tax. A further £2.16 million (19.7%) and £1.90 million (14.1%) have been forecast for 2010/11 and 2011/12 respectively, reflecting continuing increases in landfill tax and the initial costs of providing the local Materials Recycling Facility and the Energy from Waste Plant at Belvedere.

6. This produced total 2009/10 service budgets of £197.351 million shown analysed by Committee and by income and expenditure categories in Appendix B. It is £10.9 million more than the equivalent figure for 2008/09. The single largest increase is for the net effect of inflation, excluding levies at £9.2 million. Budget increases approved during the year included the loss of interest received on investments following reductions in interest rates (£4.8 million), the shortfall in income from land charges (£1.4 million), the Wandsworth Community Fund (£1.0 million), Adult Social Services continuing pressures (£0.4 million), Drug Action Team (£0.2 million), data security (£0.3 million), and the Preventative Strategy for Older People (£0.2 million). Additional budget increases were also approved for Transforming Adult Social Care (£0.4 million), the Mental Health Accommodation Review (£0.2 million) and for highway maintenance (£0.5 million). These budget increases were partly offset by the reduction in homelessness and asylum seeker costs (£0.7 million), changes to specific and area based grants (£2.7 million), increased income following the parking service policy review (£0.7 million), Environment and Leisure, Adult Care Services and Planning and Transportation review of charges (£0.9 million) and departmental staffing reviews (£0.4 million). Budget reductions were also achieved within the Children's Services department (£0.9 million), Leisure Centres and Community Centres (£0.2 million), Adult Care Services through action on high cost services (£0.2 million), the effects of the NHS continuing Healthcare Framework (£0.3 million), Extra Care housing (£0.2 million), the de-registration of care home (£0.1 million), and the expansion of Telecare services (£0.1 million). A reduction in the cost of levies (£0.36 million) is outlined in paragraph 5 above. With further inflation and with extra costs generated largely by the capital programme, the projected service budgets for 2010/11 and 2011/12 are £202.269 million and £211.467 million, as shown in Appendix A.

Area Based Grant

7. In 2008/09 the Government 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 originally determined that Wandsworth's ABG in 2008/09 would be £12.501 million which has now increased to £12.920 million. The Government has further determined Wandsworth's ABG to be £13.762 million in 2009/10 and £24.816 million in 2010/11. The increase in 2010/11 chiefly reflects the transfer to ABG of Supporting People grant of £11.177 million in that year. Although no allocations of ABG for 2011/12 have been announced, it has been assumed for budgeting purposes that the grant continues at the same level as 2010/11.

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 2010/11 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>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>
	£m	£m	£m	£m
Olympic preparation	0.017	0.019	0.020	0.017
LPSA	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. Approval has also previously been given for resources to be set aside for the ICT infrastructure project, the maintenance backlog on operational properties, Building Schools for the Future 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. Estimated drawings from the Fund in 2009/10 amount to £2.3 million.

General Reserves

10. The general reserves at 31st March 2009, on the basis of previous reports and the current outlook for 2008/09, were then estimated as:

	<u>£m</u>	<u>£m</u>
General Fund balance 1st April 2008		10.976
<u>PLUS</u>		
Reduction in net transfer from the Finite Services Fund		
Original	0.581	
Revised	<u>0.579</u>	0.002
Increase in contribution from the Insurance Reserve		
Original	-	
Revised	<u>0.605</u>	0.605
Planned contribution to general reserves		2.802
Return of unused creditor provision		0.430
Increase in Committee budgets 2008/09		
Original	186.475	
Revised	<u>188.327</u>	-1.852
Estimated General Fund balance 31st March 2009		<u><u>12.963</u></u>

11. 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 £12.5million. This is an increase of £2.5 million from last year chiefly reflecting the significant budgetary pressures facing Adult Care Services, the general recession affecting Council income streams, and a contingency for use of government grants already consolidated into the budget. 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 £12.963 million at 31st March 2009, £0.463 million is available to reduce the budget requirement for 2009/10.

BUDGET REQUIREMENT

12. 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>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>
	£m	£m	£m	£m
Council's Net Expenditure (para.6)	186.475	197.351	202.269	211.467
Contribution from General Reserves (para.11)	2.802	-0.463	-	-
Contribution to Renewals Fund (para. 9)	2.851	2.000	-	-
Contribution from Insurance Reserve (para.10)	-	-0.605	-0.605	-0.605
Financing from (-)/to (+) Finite Services Fund (para.9)	0.581	-1.559	-0.020	-0.017
Council's Budget Requirement	<u>192.709</u>	<u>196.724</u>	<u>201.644</u>	<u>210.845</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

13. The Local Government Finance Settlement for 2009/10, and a provisional settlement for 2010/11 were laid before Parliament on 21st January, and subsequently approved on 4th February. This is the second year of a three-year settlement announced by the Government last year coinciding with the 2007 Comprehensive Spending Review. The settlement for 2009/10 is in line with the provisional settlement announced last year and includes 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 1.75% increase in 2009/10 (compared with 2.0% in 2008/09), with all grant entitlements above the floor being scaled down by 73%. Wandsworth is again at the floor with a grant of £148.011 million for 2009/10, £2.546 million (1.75%) higher than the 2008/09 settlement, using the Government's calculation on a like-for-like basis. This compares with average increases of 2.84% nationally and 2.11% for the London area. The Council is benefiting by £51.6 million from damping arrangements and can expect to remain on the grant floor for many years. The provisional settlement for 2010/11 is £150.204 million, representing a minimal floor increase of 1.5%. The average increases nationally and for the London area for 2010/11 are 2.6% and 2.0% respectively. No indication has yet been given for grant levels in 2011/12. For budgetary purposes it is assumed that grant levels remain constant between 2010/11 and 2011/12.

CALCULATION OF COUNCIL TAX AMOUNTS

Collection Fund

14. 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 £4.621 million at 31st March 2009. Of this amount £2.537 million will be credited to the Council's General Fund in 2009/10. The remainder is passed to the Greater London Authority.

Wandsworth Council Share

15. 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>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>
	£m	£m	£m	£m
Budget requirement (para.12)	192.709	196.724	201.644	210.845
Less: Collection Fund surplus (para.14)	-1.766	-2.537	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	190.943	194.187	201.644	210.845
Less: Formula Grant (para.13)	-145.535	-148.011	-150.204	-150.204
	<hr/>	<hr/>	<hr/>	<hr/>
Wandsworth Council tax needs	45.408	46.176	51.440	60.641

Council Tax Bases

16. 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 2008 |
| (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 2008, 50% successful |
| (e) Disabled bandings reduction | - Reduction currently granted |
| (f) Discounts | - Based on those granted at 30th November 2008 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 2009/10 amount to 122,401 for the borough as a whole and 26,462 for the Wimbledon and Putney Commons Conservators' (WPCC) area. The corresponding figures for 2008/09 were 120,365 and 26,389 respectively. Growth of 2,000 properties per annum has been assumed for future years.

Special Expenses

17. 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 2009/10 this levy amounts to £643,637.43. As a special expense it must be charged only to taxpayers within the Conservators' area, who will therefore have tax amounts £24.32 higher than elsewhere in the Borough at band D (applying the 26,462 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 5.0% from £891,939 to £936,536.

Basic Amounts of Tax for 2009/10

18. The Council has to calculate first an average band D tax element (dividing the tax needs shown in paragraph 15 by the 122,401 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:

	Average	Majority	Conservators' Area
	£	£	£
For 2009/10	377.25	371.99	396.31
For 2008/09	377.25	372.14	395.45

19. 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

20. In a letter to all local authority leaders dated 9th December 2009, the Minister for Local Government stated: "The Government expects the average council tax increase in England to be substantially below 5% in 2009/10 and we will not hesitate to use our capping powers as necessary to protect council taxpayers from excessive increases, including requiring authorities to re-bill if that proves necessary." 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 2.1% in the budget requirement and no increase in the average band D amount in 2009/10. Capping is, therefore, not expected to apply to Wandsworth in 2009/10, but there are risks for subsequent years as discussed in paragraph 27 below.

Greater London Authority

21. 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 2009/10 of £3,203.8 million:

	2008/09	2009/10	Increase (+)/ Decrease (-)	Increase (+)/ Decrease (-)
	£m	£m	£m	%
Metropolitan Police Authority	2,595.0	2,640.3	45.3	1.7
Greater London Authority	136.5	135.3	-1.2	-0.9
Transport for London	12.0	12.0	-	-
London Development Agency	-	-	-	-
London Fire and Emergency Planning Authority	405.1	416.2	11.1	2.7
Total GLA Group	3,148.6	3,203.8	55.2	1.8

22. Across the GLA, although inflation has been largely offset by efficiency savings, the total budget has increased by £55.2 million, chiefly in police budgets, representing net growth in existing services, and service improvements. The band D amount included to support the cost of the 2012 Olympic and Paralympic Games remains at £20.
23. After general Government grants, and the use of Collection Fund surpluses and reserves, the GLA band D precept amounts are:

	<u>2008/09</u>	<u>2009/10</u>	Increase (+)/	Increase (+)/
	Band D	Band D	Decrease (-)	Decrease (-)
	Amounts	Amounts	£	%
	£	£		
Metropolitan Police Authority	227.02	224.34	-2.68	-1.18
Other Services	82.80	85.48	+2.68	+3.20
Total GLA	309.82	309.82	+0.00	+0.00

24. Whilst there is no increase in this year's GLA precept, the cumulative increase has been 152% over the past nine years. Further annual increases of 2.0% are assumed for the budget framework.

COUNCIL TAX AMOUNTS FOR 2009/10

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

	Average	Majority	Conservators' Area
	£	£	£
Wandsworth Council	377.25	371.99	396.31
Greater London Authority	309.82	309.82	309.82
Band D total	687.07	681.81	706.13

The amounts for all valuation bands are shown in Appendix G part (f). In 2008/09 this Council set the lowest tax amounts in the country for each band. The amounts for 2009/10 should remain the lowest in the country.

Council Tax Bills

26. The consequential bills for each valuation band, and the increases compared with 2008/09, 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 £651.

GENERAL REVENUE BUDGET FRAMEWORK

27. **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 £730 in 2010/11 and £802 in 2011/12. These represent increases of 9.6% and 16.0% in 2010/11 and 2011/12, 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 £9.065 million in 2011/12. With the assumed GLA precept increases, the total average band D amount would rise to £730 in 2010/11 and £802 in 2011/12. 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 2009/10, nor the council tax band D forecast for the next two years rise by more than a further £40.85

APPENDIX A

SUMMARY OF SERVICE BUDGETS

	2008/09 REVISED BUDGET				2009/10 BUDGET		
	2008/09	INFLATION TO NOV. '08 £'000	DEVEL- OPMENTS £'000	TOTAL £'000	INFLATION TO NOV. '08 £'000	DEVEL- OPMENTS £'000	TOTAL £'000
	ORIGINAL BUDGET £'000						
Salaries	57,341	1,524	5,875	64,740	1,434	3,692	62,467
Wages	2,082	53	10	2,145	51	-31	2,102
Indirect Employee Expenses	1,390	29	373	1,792	34	-244	1,180
Premises							
- Asset Rentals	17,829	-	-1,219	16,610	-	-2,296	15,533
- Other	8,647	741	-73	9,315	984	106	9,737
Use of Transport	4,051	117	132	4,300	106	41	4,198
Concessionary Fares	7,358	6	-	7,364	7	-1,105	6,260
Supplies and Services							
- Grants to Voluntary Bodies	6,767	161	-183	6,745	158	893	7,818
- Economic Development	529	14	25	568	23	50	602
- Other	24,044	579	644	25,267	579	-509	24,114
Agency and Contracted Services							
- Precepts, Levies and Charges	13,566	-	47	13,613	-	793	14,359
- Other	140,891	3,797	-4,685	140,003	4,583	-7,160	138,314
Transfer Payments - Hsg Benefits etc.	167,470	64	3,507	171,041	81	9,441	176,992
Central and Technical Support	41,656	942	4,558	47,156	1,887	3,068	46,611
Capital Financing							
- Capital Charges to Users	40,065	-	-711	39,354	-	-2,756	37,309
- Other	2,651	-	-251	2,400	-	-1,164	1,487
GROSS EXPENDITURE	536,337	8,027	8,049	552,413	9,927	2,819	549,083
Government Grants	-182,185	-36	-8,297	-190,518	-2	-11,624	-193,811
Rents	-2,142	-	5	-2,137	-	311	-1,831
Fees, Charges and Other Income	-110,158	-502	3,125	-107,535	-733	4,296	-106,595
Capital Charges to Services	-41,146	-	115	-41,031	-	2,091	-39,055
Interest Received	-8,998	-	-947	-9,945	-	6,732	-2,266
INCOME	-344,629	-538	-5,999	-351,166	-735	1,806	-343,558
NET EXPENDITURE	191,708	7,489	2,050	201,247	9,192	4,625	205,525
REVENUE EXPENDITURE BY SERVICE							
Adult Care Services	78,514	2,641	1,314	82,469	3,094	-257	81,351
Children and Young People's Services	72,752	1,705	-1,099	73,358	2,257	-1,977	73,032
Corporate Resources	-36,643	464	760	-35,419	803	12,604	-23,236
Environment and Leisure	46,319	1,858	-9	48,168	1,946	-592	47,673
Housing	11,381	88	380	11,849	106	-743	10,744
Planning and Transportation	14,157	638	286	15,081	852	-4,585	10,424
Regeneration and Community Safety	5,228	95	418	5,741	134	175	5,537
NET EXPENDITURE	191,708	7,489	2,050	201,247	9,192	4,625	205,525

SUMMARY OF SERVICE BUDGETS

	<u>2008/09</u> £'000	<u>2009/10</u> £'000	<u>2010/11</u> £'000	<u>2011/12</u> £'000
2008/09 ORIGINAL BUDGET at November 2007 price levels	191,708	191,708	191,708	191,708
INFLATION TO NOVEMBER 2008	7,489	9,192	9,192	9,192
2008/09 ORIGINAL BUDGET REPRICED	<u>199,197</u>	<u>200,900</u>	<u>200,900</u>	<u>200,900</u>
DEVELOPMENTS				
Adult Care Services	1,314	-257	8,399	8,310
Children and Young People's Services	-1,099	-1,977	-2,452	-2,863
Corporate Resources	829	12,673	11,241	12,623
Environment and Leisure	33	-550	-560	-599
Housing	527	-596	-1,161	-1,893
Planning and Transportation	516	-4,355	-4,684	-5,395
Regeneration and Community Safety	523	280	299	206
	<u>2,643</u>	<u>5,218</u>	<u>11,082</u>	<u>10,389</u>
Part of Developments included in Original Budget	593	593	593	593
NET EFFECT OF DEVELOPMENTS	<u>2,050</u>	<u>4,625</u>	<u>10,489</u>	<u>9,796</u>
NET EXPENDITURE with inflation to November 2008	<u>201,247</u>	<u>205,525</u>	<u>211,389</u>	<u>210,696</u>
ANALYSIS BY SERVICE				
Adult Care Services	82,469	81,351	90,007	89,918
Children and Young People's Services	73,358	73,032	72,557	72,146
Corporate Resources	-35,419	-23,236	-24,668	-23,286
Environment and Leisure	48,168	47,673	47,663	47,624
Housing	11,849	10,744	10,179	9,447
Planning and Transportation	15,081	10,424	10,095	9,384
Regeneration and Community Safety	5,741	5,537	5,556	5,463
NET EXPENDITURE with inflation to November 2008	<u>201,247</u>	<u>205,525</u>	<u>211,389</u>	<u>210,696</u>
Area Based Grant	-12,920	-13,762	-24,816	-24,816
Inflation to outturn	-	5,588	15,696	25,587
NET EXPENDITURE with inflation to outturn	<u>188,327</u>	<u>197,351</u>	<u>202,269</u>	<u>211,467</u>

ANALYSIS OF SERVICE BUDGETS 2009/10

£'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	
EXPENDITURE - at November 2008 prices for General Fund																				
Salaries	9,853	21,816	6,542	12,642	2,621	6,587	2,406	152,766	8,015	62,467	152,766	8,015	223,248							
Wages	-	1,359	-	688	-	55	-	1,526	-	2,102	1,526	-	3,628							
Indirect Employee Expenses	450	512	31	76	21	69	21	2,176		1,180	2,176	271	3,627							
Premises	805	10,371	360	3,817	-	-	180	15,533		15,533	-	-	15,533							
- Asset Rentals	536	1,408	234	5,653	269	1,591	46	9,737		9,737	12,514	63,140	85,391							
- Other	459	3,166	19	357	46	117	34	4,198		4,198	717	73	4,988							
Use of Transport	-	-	-	-	-	6,260	-	6,260		6,260	-	-	6,260							
Concessionary Fares	-	-	-	-	-	-	-	-		-	-	-	-							
Supplies and Services	4,007	962	2,581	216	52	-	-	7,818		7,818	4,084	-	11,902							
- Grants to Voluntary Bodies	-	-	-	-	-	-	-	602		602	-	-	602							
- Economic Development	2,578	12,207	2,355	2,331	141	3,335	1,167	24,114		24,114	9,904	1,304	35,322							
- Other	-	-	-	-	-	-	-	-		-	-	-	-							
Agency and Contracted Services	-	-	-	-	-	-	-	-		-	-	-	-							
- Precepts, Levies and Charges	92,719	1,376	580	11,761	-	642	-	14,359		14,359	-	-	14,359							
- Other	-	12,081	2,369	16,388	2,260	10,805	1,692	138,314		138,314	9,422	15,064	162,800							
Transfer Payments	-	-	-	-	-	-	-	-		-	-	-	-							
- Housing Benefits etc	7,408	1,921	173,126	4,579	1,945	-	-	176,992		176,992	666	28,818	206,476							
Central & Technical Support	-	15,377	13,026	4,579	1,052	4,300	869	46,611		46,611	2,113	5,918	54,642							
Capital Financing Charges	206	1,876	17,312	2,534	4,881	8,904	1,596	37,309		37,309	-	2,540	39,849							
- Capital Charges to Users	-	-	1,487	-	-	-	-	1,487		1,487	-	-	1,487							
- Interest	-	-	-	-	-	-	-	-		-	-	-	-							
- Leasing Charges	-	-	-	-	-	-	-	-		-	-	-	-							
TOTAL	119,021	84,432	220,022	61,042	13,288	42,665	8,613	549,083	195,888	125,165	870,136									

ANALYSIS OF SERVICE BUDGETS 2009/10 (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
INCOME - at November 2008 prices for General Fund											
Government Grants	12,749	7,452	169,122	459	1,438	141	2,450	193,811	177,880	-	371,691
Education for Other Authorities	-	879	-	-	-	-	-	879	12,705	-	13,584
Rents	359	-	1,308	164	-	-	-	1,831	-	101,556	103,387
Fees/Charges & Other Income	24,562	3,069	31,507	12,746	1,106	32,100	626	105,716	5,303	20,756	131,775
Capital Charges to Services	-	-	39,055	-	-	-	-	39,055	-	-	39,055
Interest Received	-	-	2,266	-	-	-	-	2,266	-	2,853	5,119
TOTAL	37,670	11,400	243,258	13,369	2,544	32,241	3,076	343,558	195,888	125,165	664,611
NET EXPENDITURE	81,351	73,032	(23,236)	47,673	10,744	10,424	5,537	205,525	-	-	205,525
Area Based Grant								-13,762			
General Fund inflation from November 2008 to end of 2009/10								5,588			
Net Committee Budgets								197,351			

APPENDIX C

SUMMARY OF LEVIES AND CHARGES

	<u>Existing</u> <u>Budget</u> £'000	<u>Additional</u> <u>Requirement</u> £'000	<u>2009/10</u> <u>Budget</u> £'000
Western Riverside Waste Authority	10,078	659	10,737
London Councils			
- Concessionary Fares	7,142	-1,105	6,037
- London Lorry Ban	22	-3	19
- London Borough Grants Committee	979	3	982
TFL - Traffic Technology	362	9	371 *
Environment Agency – Flood Defence	243	2	245
London Pensions Fund Authority			
- Greater London	507	-11	496
- Inner London	1,360	16	1,376
- Deficit	47	37	84 *
Lee Valley Regional Park Authority	367	9	376
Port of London Authority - river debris clearance	5	-	5
Wimbledon and Putney Commons Conservators	616	28	644
TOTAL	21,728	-356	21,372

*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) Reorganisations, budget reductions, and competition procedures giving rise to unbudgeted severance and enhanced pension costs.
- (c) Increase in inflation above the levels anticipated when setting the budget.
- (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) Utilisation of specific grants or area based grants already consolidated into the budget.
- (i) Budgetary pressures facing Adult Care Services, especially for people with learning disabilities arising from changes in local demographics.
- (j) Shortfalls in capital receipts, adding to the net interest borne by the General Fund.
- (k) Interest rate reductions, producing additional costs of approximately £0.8 million for every ½ per cent reduction in interest rates.
- (l) Cost of a local disaster not covered by Government grant under the Bellwin Scheme.
- (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) Reduction in income streams due to the current economic recession.

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 2008 £'000	Budgeted Change 2008/09 £'000	Budgeted Change 2009/10 £'000	Balance 1st April 2010 £'000
1. <u>Renewals Fund</u>				
Net Use - Parking		51	-	
Net Use - Other		-8,992	-2,304	
Increase in Fund		2,800	2,000	
	37,042	-6,141	-304	30,597

This fund is for "loans" to services with unusually large requirements for building refurbishment, energy conservation schemes, computer software and vehicle and plant replacements. The planned expenditure is chiefly for securing replacement operational property following the expiry of the lease on one of the main operational properties. The additional contributions are to fund the maintenance backlog on operational properties, Building Schools for the Future, and additional parking zones.

2. <u>Finite Services Fund</u>				
Use of Fund	1,029	579	-1,559	49
	1,029	579	-1,559	49

This reserve provides for some pre-financing of identified costs of limited duration, now chiefly the Building Schools for the Future programme.

3. <u>Specific Grant Reserve</u>	4,400	-	-	4,400
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This reserve is for potential over-estimates or losses of specific Government grants for General Fund services, such as housing and council tax benefits.

4. <u>Housing Revenue Account/ Housing Repairs Account</u>	132,208	13,368	-4,362	141,214
----------------------------------------------------------------	---------	--------	--------	---------

The Housing Revenue Account and Housing Repairs Reserve 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 2008 <hr/> £'000	Budgeted Change 2008/09 <hr/> £'000	Budgeted Change 2009/10 <hr/> £'000	Balance 1st April 2010 <hr/> £'000
5. <u>School Balances</u>	16,697	-	-	16,697

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

6. <u>Insurance Reserve</u>	9,161	-839	-839	7,483
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This reserve was established to meet certain non-specific liability and property claims where the Council does not insure externally. A recent external review determined that the reserve exceeds the Council's requirements. The surplus is being returned to the General Fund and Housing Revenue Account over a period of years, reflecting due caution given the volatility of potential claims.

7. <u>Pensions Reserve</u>	-25,690	-	-	-25,690
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This reserve reflects the Council's estimated net Pension Fund liabilities.

TOTALS	<hr/> 174,847	6,967	-7,064	<hr/> 174,750
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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;	809,606	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;	12,500	
(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>822,106</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	604,827	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	20,027	2
SUB-TOTAL	<u>625,382</u>	
DIFFERENCE (BUDGET REQUIREMENT)	<u>196,724</u>	

Note 1

	<u>Expenditure</u> £'000	<u>Income</u> £'000
Gross Expenditure/Income as in Appendix B	870,136	678,373
less internal recharges	-73,239	-73,239
plus inflation to end of 2009/10	5,809	221
less credit from Collection Fund shown separately	-	-528
less contributions to special reserves within Gross Expenditure	6,900	-
	<u>809,606</u>	<u>604,827</u>

Note 2

	£'000
General reserves available (para.10)	12,963
Less drawings from special reserves (Appendix E)	7,064
	<u>20,027</u>

APPENDIX G

COUNCIL TAX DECISION

- (a) That the revised revenue estimates for the year 2008/09 referred to in Paper No.09-65 and the revenue estimates for 2009/10 as summarised in Appendix B of this paper be approved;
- (b) That the details of the budget requirement for the year 2009/10, as set out in Appendix F of this paper, be approved;
- (c) That it be noted that the following amounts for the year 2009/10 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) 122,401 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) 26,462 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 2009/10 in accordance with Sections 32 to 36 of the Local Government Finance Act 1992:
- (i) £822,105,807 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) £625,381,795 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) £196,724,012 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) £150,548,234 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) £377.2500 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) £643,637.43 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) £371.9916 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) £396.3147 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)	Wimbledon and Putney Commons Conservators' Levy Area		All other parts of the Council's Area
	<u>Valuation Bands</u>	£	£
	A	264.2098	247.9944
	B	308.2448	289.3268
	C	352.2797	330.6592
	D	396.3147	371.9916
	E	484.3846	454.6564
	F	572.4546	537.3212
	G	660.5245	619.9860
	H	792.6294	743.9832

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 2009/10 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>	Greater London Authority £
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 2009/10 for each of the categories of dwellings shown below:

<u>Valuation Bands</u>	Wimbledon and Putney Commons Conservators' Levy Area £	All other parts of the Council's Area £
A	470.76	454.54
B	549.21	530.30
C	627.68	606.06
D	706.13	681.81
E	863.05	833.33
F	1,019.97	984.84
G	1,176.89	1,136.36
H	1,412.27	1,363.62

IMPACT OF EACH ADDITIONAL £1 MILLION COUNCIL TAX

<u>Circumstances/Band</u>	<u>Major Part</u>	<u>No. of Dwellings W & PCC Levy Area</u>	<u>Borough</u>	<u>Increase per Household Before Benefit</u> £
2 + Adults				
A	1,330	1,274	2,604	5.45
B	3,334	1,859	5,193	6.35
C	16,041	4,167	20,208	7.26
D	15,804	3,827	19,631	8.17
E	10,889	2,549	13,438	9.99
F	8,589	1,582	10,171	11.80
G	7,247	2,331	9,578	13.62
H	944	971	1,915	16.34
	(64,178)	(18,560)	(82,738)	
1 Adult				
A	2,175	1,127	3,302	4.09
B	5,173	1,447	6,620	4.76
C	12,200	2,372	14,572	5.45
D	8,561	1,857	10,418	6.13
E	4,717	1,141	5,858	7.49
F	2,483	652	3,135	8.85
G	1,485	497	1,982	10.22
H	265	50	315	12.26
	(37,059)	(9,143)	(46,202)	
Chargeable Empty/Second Home				
A	122	34	156	4.09
B	121	39	160	4.76
C	466	131	597	5.45
D	442	125	567	6.13
E	291	91	382	7.49
F	225	63	288	8.85
G	162	46	208	10.22
H	60	44	104	12.26
	(1,889)	(573)	(2,462)	
Exempt A-H	1,723	486	2,209	NIL
TOTALS	104,849	28,762	133,611	

APPENDIX I

COUNCIL TAX BILLS 2009/10

<u>Band</u>	<u>No. Of Households</u>	<u>Council Tax</u> £	<u>Change</u> £
2+ Adults Major Part of the Borough			
A	1,330	454.54	-0.10
B	3,334	530.30	-0.11
C	16,041	606.06	-0.13
D	15,804	681.81	-0.15
E	10,889	833.33	-0.17
F	8,589	984.84	-0.21
G	7,247	1,136.36	-0.24
H	944	1,363.62	-0.29
2+ Adults W & PCC Part			
A	1,274	470.76	0.57
B	1,859	549.21	0.66
C	4,167	627.68	0.77
D	3,827	706.13	0.86
E	2,549	863.05	1.05
F	1,582	1,019.97	1.24
G	2,331	1,176.89	1.43
H	971	1,412.27	1.72
1 Adult Major Part of the Borough			
A	2,175	340.90	-0.08
B	5,173	397.72	-0.09
C	12,200	454.54	-0.10
D	8,561	511.36	-0.11
E	4,717	625.00	-0.12
F	2,483	738.63	-0.16
G	1,485	852.27	-0.18
H	265	1,022.71	-0.22

<u>Band</u>	<u>No. Of Households</u>	<u>Council Tax</u> £	<u>Change</u> £
1 Adult W & PCC Part			
A	1,127	353.07	0.43
B	1,447	411.91	0.50
C	2,372	470.76	0.58
D	1,857	529.60	0.65
E	1,141	647.29	0.79
F	652	764.98	0.93
G	497	882.67	1.08
H	50	1,059.20	1.29

Chargeable Empty/Second Home
Major Part of the Borough

A	122	340.90	-0.08
B	121	397.72	-0.09
C	466	454.54	-0.10
D	442	511.36	-0.11
E	291	625.00	-0.12
F	225	738.63	-0.16
G	162	852.27	-0.18
H	60	1,022.71	-0.22

Chargeable Empty/Second Home
W & PCC Part

A	34	353.07	0.43
B	39	411.91	0.50
C	131	470.76	0.58
D	125	529.60	0.65
E	91	647.29	0.79
F	63	764.98	0.93
G	46	882.67	1.08
H	44	1,059.20	1.29

APPENDIX J

GENERAL REVENUE BUDGET FRAMEWORK

	<u>2008/09</u> <u>Revised</u> £m	<u>2009/10</u> £m	<u>2010/11</u> £m	<u>2011/12</u> £m
Committee Budgets at 2008 prices				
Adult Care Services	82.469	81.351	90.007	89.918
Children and Young People's Services	73.358	73.032	72.557	72.146
Corporate Resources	-35.419	-23.236	-24.668	-23.286
Environment and Leisure	48.168	47.673	47.663	47.624
Housing	11.849	10.744	10.179	9.447
Planning and Transportation	15.081	10.424	10.095	9.384
Regeneration and Community Safety	5.741	5.537	5.556	5.463
Area Based Grant	-12.920	-13.762	-24.816	-24.816
Total	188.327	191.763	186.573	185.880
Inflation to outturn prices	-	5.588	15.696	25.587
Contributions to (+)/drawings from (-) General, Renewals and Finite Services Funds	4.382	-0.627	-0.625	-0.622
Budget Requirement	192.709	196.724	201.644	210.845
Less:				
Collection Fund surplus	-1.766	-2.537	-	-
Formula Grant	-145.535	-148.011	-150.204	-150.204
Tax Needs	45.408	46.176	51.440	60.641
Band D Council Tax	£	£	£	£
Wandsworth Council	377.25	377.25	413.50	479.75
Greater London Authority	309.82	309.82	316.02	322.34
Total	687.07	687.07	729.52	802.09
Increase in Wandsworth council tax		0.0%	9.6%	16.0%
			<u>£ millions</u>	<u>£ millions</u>
Budget changes needed in future years to maintain Wandsworth council tax increases to 4%			2.632	9.065

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 2009/10 and indicative budgets for 2010/11 and 2011/12. 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. The MFG for 2011/12 is yet to be announced by the DCSF.
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 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 2008/09, the Council's central expenditure exceeded the allowed limit because of a LSC grant clawback of £142,000, increased LPFA employers' contribution of £561,000, an overestimation of pupil numbers resulting in £400,000 of DSG being clawed back and a reduction in recoupment income of £275,000. The Schools Forum have agreed to increase the limit to accommodate this overspend.
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 £400,000 for 2009/10 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. The Schools Forum have agreed, in principle, to further funding from the DSG for 2010/11.
9. A further factor is the introduction of Area Based Grants. Central expenditure will have increased within the Dedicated Schools Budget due to the grant income being held centrally whereas in previous years the expenditure and income were within the DSB.

For 2009/10, after allowing for the above the Council's central expenditure will still remain within the CEL.

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 introduced its new funding methodology, to be used for school sixth forms and other 16-18 provision. This methodology will continue in 2009/10. For inclusion in the DSB, only provisional allocations of this funding are available. Final allocations of grant will be included in the DSB during 2009/10 along with further adjustments to individual school budgets.

SIZE OF THE SCHOOLS BUDGET AND ESTIMATED DSG

11. The Council's estimated DSG of £145.523 million for 2009/10 requires the Council to increase the Schools Budget by £4.610 million (an increase of 3.3%). This estimate is based on the actual January 2009 pupil numbers of 27,164, and the DSG funding of £5,376 per pupil. The DSG will be finalised by the DCSF by 31st May 2009 following verification of the Council's pupil number returns.
12. The 2009/10 Schools Budget in Appendix A totalling £160.467 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)	145.523
LSC 6th Form Grant	14.944
Schools Budget	160.467

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 Childrens 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

2008/09

	<u>Expenditure</u> £'000	DCSF Dedicated Schools Grant £'000	LSC 6th Form Grant £'000	Net Budget £'000
2008/2009 ORIGINAL BUDGET at November 2007 price levels	154,759	-140,974	-13,785	-
INFLATION TO NOVEMBER 2008	-	-	-	-
2008/2009 ORIGINAL BUDGET REPRICED	154,759	-140,974	-13,785	-
DEVELOPMENTS				
DSG Adjustments	1,303	-484	-	819
Asset Rent Realignment	-812	-	-	-812
Capital Financing	-7	-	-	-7
	484	-484	-	-
Part of Developments included in Original Budget	-	-	-	-
NET EFFECT OF DEVELOPMENTS	484	-484	-	-
NET EXPENDITURE with inflation to November 2008	155,243	-141,458	-13,785	-

DEDICATED SCHOOLS BUDGET

2009/10

	<u>Expenditure</u> £'000	DCSF Dedicated Schools <u>Grant</u> £'000	<u>LSC 6th Form Grant</u> £'000	<u>Net Budget</u> £'000
2008/2009 ORIGINAL BUDGET at November 2007 price levels	154,759	-140,974	-13,785	-
INFLATION TO NOVEMBER 2008	-	-	-	-
2008/2009 ORIGINAL BUDGET REPRICED	154,759	-140,974	-13,785	-
DEVELOPMENTS				
Increase in DSB	6,441	-	-	6,441
Central Support Service Review	-2	-	-	-2
Pupil Number Adjustment	-	-481	-	-481
Asset Rent Adjustment	-1,512	-	-	-1,512
Children's Fund Grant Realignments	-25	-	-	-25
Recharge Adjustment	-9	-	-	-9
Capital Financing	815	-	-	815
Increase in grant for 2009/10	-	-4,068	-1,159	-5,227
	5,708	-4,549	-1,159	-
Part of Developments included in Original Budget	-	-	-	-
NET EFFECT OF DEVELOPMENTS	5,708	-4,549	-1,159	-
NET EXPENDITURE with inflation to November 2008	160,467	-145,523	-14,944	-

DEDICATED SCHOOLS BUDGET

2010/11

	<u>Expenditure</u> £'000	DCSF Dedicated Schools <u>Grant</u> £'000	<u>LSC 6th Form Grant</u> £'000	<u>Net Budget</u> £'000
2008/2009 ORIGINAL BUDGET at November 2007 price levels	154,759	-140,974	-13,785	-
INFLATION TO NOVEMBER 2008	-	-	-	-
2008/2009 ORIGINAL BUDGET REPRICED	154,759	-140,974	-13,785	-
DEVELOPMENTS				
Increase in DSB	6,441	-4,068	-1,159	1,214
Central Support Service Review	-2	-	-	-2
Pupil Number Adjustment	-	-481	-	-481
Asset Rent Adjustment	-1,512	-	-	-1,512
Children's Fund Grant Realignments	-25	-	-	-25
Recharge Adjustment	-9	-	-	-9
Capital Financing	815	-	-	815
Increase in grant for 2010/11	12,367	-12,367	-	-
	18,075	-16,916	-1,159	-
Part of Developments included in Original Budget	-	-	-	-
NET EFFECT OF DEVELOPMENTS	18,075	-16,916	-1,159	-
NET EXPENDITURE with inflation to November 2008	172,834	-157,890	-14,944	-

DEDICATED SCHOOLS BUDGET

2011/12

	<u>Expenditure</u> £'000	DCSF Dedicated Schools <u>Grant</u> £'000	<u>LSC 6th Form Grant</u> £'000	<u>Net Budget</u> £'000
2008/2009 ORIGINAL BUDGET at November 2007 price levels	154,759	-140,974	-13,785	-
INFLATION TO NOVEMBER 2008	-	-	-	-
2008/2009 ORIGINAL BUDGET REPRICED	154,759	-140,974	-13,785	-
DEVELOPMENTS				
Increase in DSB	18,808	-16,435	-1,159	1,214
Central Support Service Review	-2	-	-	-2
Pupil Number Adjustment	-	-481	-	-481
Asset Rent Adjustment	-1,512	-	-	-1,512
Children's Fund Grant Realignments	-25	-	-	-25
Recharge Adjustment	-9	-	-	-9
Capital Financing	815	-	-	815
	18,075	-16,916	-1,159	-
Part of Developments included in Original Budget	-	-	-	-
NET EFFECT OF DEVELOPMENTS	18,075	-16,916	-1,159	-
NET EXPENDITURE with inflation to November 2008	172,834	-157,890	-14,944	-

**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 2nd February 2009. 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 18th December 2008 determinations regarding the level of HRA subsidy that the authority will receive in 2009/10 and indicative proposals for 2010/11. 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 2008/09 was £89.49. For 2009/10 the Government has fixed the guideline increase at its tolerance level for affordability (6.2%) and allowed the number of steps to achieve convergence with formula rent to extend as the balancing factor. The guideline rent has therefore been increased by 6.2%, representing 5% inflation plus a 0.5% assumed real-terms increase. The uprated figure was further increased by 1/15th of the difference between this uprated guideline rent and an assumed 'formula rent' for 2009/10. On this basis the convergence date by which all rents for social housing should converge to a common 'formula rent' would not be achieved until 2023/24, compared with the original ten year target of 2011/12. Further explanation of the 'formula rent' is also given in paragraph 14. The resulting 'guideline rent' for 2009/10 is £95.14 representing an increase of £5.65 per week or 6.2% over 2008/09. Without the deferral of the convergence date the increase would have been £6.33 per week.

The Government has pre-announced an indicative guideline rent increase of 6.1% to follow in 2010/11. If, under recession, inflation is lower then this would create more headroom for convergence and bring the date forward again from 2023/24. Whilst a guideline rent increase is simply matched by an increase in negative subsidy there is nevertheless a collateral effect on the HRA of moving the convergence date about. This occurs because another mechanism known as the 'limit rent', which protects the Department for Work and Pensions from contributing to local rent additions, is also converging towards the formula rent. Because the limit rent began with some leeway and is currently £4.58 above the guideline rent this is a concession that will be whittled away when convergence is complete. The longer convergence takes the longer this advantage is enjoyed. The deferral by seven years to 2023/24 would add around £15 million to end reserves, the equivalent of a £1 offset in rent increase now. However, the volatility of the convergence date and the Government's clear intention to bring it forward as early as possible means that a rent offset for this now is not a sustainable option.

(b) Notional Allowances for Management and Maintenance. Nationally the management and maintenance allowances per dwelling have increased by 2.75% for inflation and by 0.1% for rebasing which compensates for the effect of rent restructuring on the aggregate level of resources nationally, an overall increase of 2.85%. Transitional protection has been continued in cash terms for a further two years but without inflation uplift, and with no guarantee of continuing protection beyond 2010/11. 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 have together, after allowing for stock reduction, reduced by £107,000 (0.3%) compared with 2008/09. Whilst the loss of the inflation uplift of 2.85% in 2009/10 available to other local

authorities is worth £1.2 million a year the extension of the cash protection is nevertheless an improvement of £8.7 million on what was previously anticipated to be lost in the HRA financial framework in the next two years.

Whilst the HRA is protected in 2009/10 and 2010/11 to the same management and maintenance unit allowances as the last three years there is some increase in the lower underlying entitlement in the Determination worth around £53 per dwelling or £908,000 a year. This is to compensate for higher regional building cost inflation in London and will be passed on to expenditure budgets within the business plan from 2011/12 so the overall effect is neutral.

(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-right to buy 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. In the interests of stability, the Determination has deferred changes to base costs of the archetypes, but a regional factor reflecting relative building cost inflation in London has been allowed through. The Council's major repairs allowance for 2009/10 is therefore £15.872 million, which is £538,000 more than the inflated amount that had been expected in the November business plan. Again, as this reflects increased costs, it has been passed through to the major works programme within the business plan.

2. The net result of these factors is that negative subsidy is increased from £15 million in 2008/09 to £21.9 million in 2009/10, which due to a reduction in subsidy received for the repayment of notional debt resulting from lower interest rates referred to in paragraph 1(c) is £1.4 million higher than the £20.5 million projected in the updated business plan reported to the committee in November.

COUNCIL HOUSING

3. The maximum average rent eligible for rent rebate subsidy (the 'limit rent') was £94.15 in 2008/09. In parallel with the guideline rent the 'limit rent' is uplifted first by 5.5% representing 5% assumed inflation plus a 0.5% assumed real-terms increase. The uplifted figure is further increased by 1/15th 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 2009/10 is £99.72 representing an increase of £5.57 or 5.9% over 2008/09. The difference of £0.08 in the increase in the guideline rent not covered by increase in the 'limit rent' will add £73,000 to HRA costs in 2009/10. From 2006/07, the cost of rent rebate housing benefit is now fully charged to the General Fund, however the cost of subsidy limitation (£6.941 million in 2008/09) 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 2008/09 to 2011/12, 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 2009/10 estimates reflect estimated outturn prices for that year assuming inflation on pay of 2%. Inflation on running costs is assumed at 2% and the average interest rate to be 2.07%. The additional cost of anticipated inflation during 2009/10 is estimated to be £1.3 million. The financial effect of a 1% variation in the level of pay and prices in 2009/10 is estimated to be £667,930. 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 2010/11 and 2011/12, reflecting the HRA business plan, but no increase is yet included for 2009/10.

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	<u>Original</u> <u>Budget</u> <u>2008/09</u> £'000	<u>Revised</u> <u>Budget</u> <u>2008/09</u> £'000	<u>Budget</u> <u>2009/10</u> £'000	<u>Budget</u> <u>2010/11</u> £'000	<u>Budget</u> <u>2011/12</u> £'000
Total reserves at beginning of year	132,686	132,208	145,576	139,577	154,518
<u>EXPENDITURE</u>					
<u>REVENUE</u>					
Supervision, Management and Maintenance					
Repairs & Maintenance	24,173	24,795	25,718	26,381	27,350
General Management	30,270	30,394	31,572	32,440	33,354
Special Services	9,605	11,644	13,287	13,658	14,043
Rent Rebates	6,767	6,941	3,693	3,775	3,854
Capital Financing Costs	3,638	3,399	2,488	2,452	2,416
Other Expenses	1,019	701	742	796	819
HRA Subsidy Payable	30,240	30,049	37,734	40,708	46,101
<u>CAPITAL</u>					
Repairs and Improvements	33,097	30,155	32,847	16,971	480
Purchase of Properties	50	50	50	50	-
Portable Discounts	1,000	1,000	450	-	-
IT Infrastructure Project	-	60	-	-	-
Roehampton Regeneration Project & Wider Non-Derogation Leases	2,692	300	3,272	-	-
	142,551	139,488	151,853	137,231	128,417
<u>INCOME</u>					
<u>REVENUE</u>					
Gross Rents – Dwellings	93,992	93,592	93,592	98,864	102,153
Gross Rents – Non-Dwellings	3,267	3,232	3,311	3,394	3,479
Mortgage Interest	53	53	38	29	22
Leaseholder Service Charges	11,387	12,225	12,401	12,716	13,039
Other Income	11,760	13,970	10,892	10,919	11,441
<u>CAPITAL</u>					
Government Major Repairs Allowance	15,023	15,023	15,872	16,245	16,632
Capital Receipts	8,340	11,162	6,935	7,000	1,500
Leaseholder Major Works Charges	2,234	3,365	2,579	2,771	2,954
	146,056	152,622	145,620	151,938	151,220
Appropriation from Insurance Reserve	-	234	234	234	234
Total reserves at end of year	136,191	145,576	139,577	154,518	177,555

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5. The table shows that reserves before decisions on rents and additions to the capital programme would rise to £178 million at 31st March 2012, on the assumptions outlined in paragraph 4 above. The 30-year HRA business plan reported previously in November 2008 (Paper No. 08-917) provides an overview of HRA trends for the coming years, though it involves a raft of assumptions that could give different results if varied. That business plan shows that planned HRA expenditure would remain affordable over the remaining term of the 30-year plan with reserves now estimated at £94 million, equivalent to £34 million in present value terms, uncommitted after 30 years based on the recommendations in this report. However, virtually all of this is restricted to capital expenditure within the Major Repairs Reserve. The position shown graphically at Appendix C assumes guideline increases from 2009/10 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, including a long-run draw down of the Major Repairs Reserve of £3 million per annum, which can be accommodated without taking the HRA revenue projection into deficit.

PROPOSALS FOR EXPENDITURE

Management and Maintenance

6. The annual notional allowances for HRA subsidy purposes in 2009/10 are equivalent to £2,433 per dwelling. Without the transitional protection expected to end in 2010/11 the allowances are just £2,205 per dwelling. The estimates in paragraph 4 above show actual management and maintenance unit costs of £3,120 after adjusting for service charges. The difference is equivalent to £12 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

7. The HRA estimates have been based on the current cash flows for the approved capital programme approved by the Executive on 2nd February 2009. On existing policies, the finance for the HRA capital programme comes from:
 - (a) Government grants, especially the formula-based major repairs allowance introduced in 2001/02, at a sum of £15.872 million for 2009/10 (compared to £15.023 million in 2008/09);
 - (b) usable non-right-to-buy housing capital receipts applied to affordable housing, estimated at £6.9 million for 2009/10 (compared to £11.162 million in 2008/09, which includes the financial effects of the current annual sales policy); and
 - (c) the HRA and Housing Major Repairs Reserve mentioned in paragraphs 4 and 5 above, insofar as these are available.
8. 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 £22.438 million in 2010/11 and 2011/12. The total additional amount which would be chargeable to leaseholders is £3.929 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

9. 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

10. The proposed non-dwelling property charge increases also considered by the January meeting, representing 5% inflation uplift, have been reflected in the increased income levels for 2009/10.

Rent levels

11. The current average weekly rent, excluding tenant service charges, for the 17,348 dwellings is £105.21. The rent level assumed in the notional HRA for subsidy purposes is £89.49. Average rents in other London boroughs currently range from £66.07 to £93.75 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 £100 for a bedsit to £485 for 4+ bedrooms. The average weekly rent in the private sector upon which housing benefit (including homelessness provision) has been assessed has reduced from £161.79 in December 2007 to £159.30 in December 2008, largely resulting from a reduction in the rents paid by those working age claimants in receipt of Income Support/Job Seekers Allowance, but is still significantly higher than the average rent charged to Council tenants.

Rent increases

12. Each 10 pence average rent increase is estimated to yield £91,090 additional rent in 2009/10 but give rise to additional rebate entitlement of £61,940 producing net income of £29,150. 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 5.5%. In Wandsworth this would imply an increase of £5.79 per dwelling/week. Normally, the guideline rent increase is set to cover inflation plus an annual half percent real terms increase, together with an equal step towards the Government's higher formula rent target. This last stage varies for each authority so the percentage guideline rent increase is similarly variable. This year, however, the Government has fixed the guideline increase at its tolerance level for affordability (6.2%) and allowed the number of steps to achieve convergence with the formula rent to extend as the balancing factor. On this basis convergence would not be achieved until 2023/24, compared with the original ten-year target of 2011/12. The effect is to reduce the addition for assumed convergence with formula rent to £0.79 compared with £3.93 prior to the extension. The combined subsidy loss for both inflation and convergence is £5.65 per dwelling/week. To restore the previous year's relationship between rents and prices would require a rent increase of £4.43 per dwelling/week (4.21%) and to restore that between rents and earnings would require an

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increase of £3.36 per dwelling/week (3.19%). The Council noted both the improvement for two years 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 sets the parameters for both 2009/10 and 2010/11 subsidy, 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 £5.65 was therefore considered appropriate taking all relevant matters into account.

Rent Distribution

13. 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 how full implementation of the latest valuations would move the pattern of council rents closer to that of private rents:-

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

	<u>Index Numbers for Council Rents 2008/09</u>	<u>Index Numbers for Council Rents 2009/10</u>	<u>Index Numbers for full implementation - Private Rents 2004</u>
1 Bedroom	80.97	81.36	83.04
2 Bedroom	100.00	100.00	100.00
3 Bedroom	132.95	131.58	129.97
4+ Bedroom	154.70	155.04	166.12

14. 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 to 2023/24 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 £85 for a bedsit to £100 for a four-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 2008/09 formula rent of £100.69 has been uplifted by 0.5% in real terms and then inflated by 5% to produce a target formula rent in 2009/10 of £106.14.

15. Members have previously been advised that 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 that 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 should continue unless the Council is specifically directed by legislation to adopt an alternative methodology.
16. For existing tenants, the effect of the rent increase in 2008/09 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 February 2009 (Paper No. 09-132) the continuation of a maximum 8% rent increase. The table below summarises the effects of the average £5.65 increase, allowing individual increases up to a limit of 8%. Around 1% 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 £14 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.

Summary of distribution of Rent Increases
with average of £5.65 per week, no decreases
and a maximum increase of 8%

<u>Bedrooms</u>	<u>Average Increase</u>		<u>Total Dwellings</u>
	£	%	
Bedsit	2.77	4.4	1,055
1	4.16	4.9	4,541
2	5.26	5.1	6,462
3	7.40	5.4	4,214
4	10.05	6.4	1,002
5+	12.84	6.5	74
Total	5.65	5.3	17,348

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SERVICE CHARGES

17. 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. The identification of service charges will, however, generate additional subsidy from the Government, estimated to be £263,350 in 2009/10.

HEATING AND HOT WATER ACCOUNT

18. The Heating and Hot Water (HHW) account is a ring-fenced, self-financing account within the HRA covering communal heating systems. The charges, which apply to residents who live within blocks served by a communal heating system, do not qualify for housing benefit and an increasing number of accounts have fallen into arrears with tenants possibly facing eviction, highlighting issues around fuel poverty. Last year charges were held at existing levels, taking advantage of a dip in energy costs, and were last increased by 6.8% from April 2007. On latest forecasts the HHW account in 2008/09 is expected to have an in-year deficit of £859,000 (resulting largely from higher than anticipated fuel increases) exhausting the whole of the 2007/08 surplus of £730,000, leaving a deficit of £129,000 to be taken into account when setting charges for next year. On current projections and existing energy contract prices the account would incur an end of year deficit of £1.6 million, requiring an increase in charges of 57.23% to balance the account in 2009/10. The Committee recommended the stripping out of the maintenance element of the charge and charging this directly back into the HRA, as happens with individual systems, meaning tenants are directly liable for payments for the fuel element only. The effect of limiting recoveries to covering energy costs mitigated the increase needed to balance the account in 2009/10 to 15.64% and, with leaseholders continuing to contribute to heating repairs and maintenance costs through a separate weekly charge, would commit around £750,000 of existing HRA budgets identified by the Director of Housing as currently uncommitted. The revised charging arrangements still, however, expose the HHW account to the volatilities of current energy prices.

HRA BUDGET FRAMEWORK

19. 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 22nd January 2009 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 £88 million, equivalent to £32 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

20. 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 6th April 2009, making an average increase of £5.65 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) an increase of 15.64% in communal heating and hot water charges with effect from Monday 6th April 2009;
- d) that the estimates shown in Appendix B to the report for the HRA for the financial years 2008/09 to 2011/12 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 2012 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.

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APPENDIX A

HOUSING REVENUE ACCOUNT ESTIMATES FOR 2009/10

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 2009/10 were contained within papers considered by the Executive on 2nd February 2009, subsequently endorsed by the Council on 4th February 2009 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 2009/10 are as follows:

	<u>£'000</u>
<u>INCOME</u>	
Gross Rents - Dwellings	98,507
- Non-Dwellings	3,311
Charges for services and facilities	16,219
	<hr/> 118,037 <hr/>
<u>EXPENDITURE</u>	
Repairs and Maintenance	24,809
Supervision and Management	39,699
Other charges	159
Rent Rebates	6,956
Increase provision for bad or doubtful debts	614
HRA Subsidy Payable	21,862
Depreciation of fixed assets	
- on dwellings	15,398
- on equity share dwellings	219
- on other assets	255
	<hr/> 109,971 <hr/>
Net Cost of HRA Services as Included in the Income and Expenditure Account	(8,066)
HRA services share of corporate and democratic core	1,214
Net cost of HRA Services	(6,852)

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

Interest payable and similar charges	1,487
Interest and investment income	(2,853)
Pensions interest cost and expected return on pension assets	(763)
(Surplus)/deficit for the year on HRA services	(8,981)

(Surplus)/deficit for year on the HRA Income and Expenditure Account **(8,981)**

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

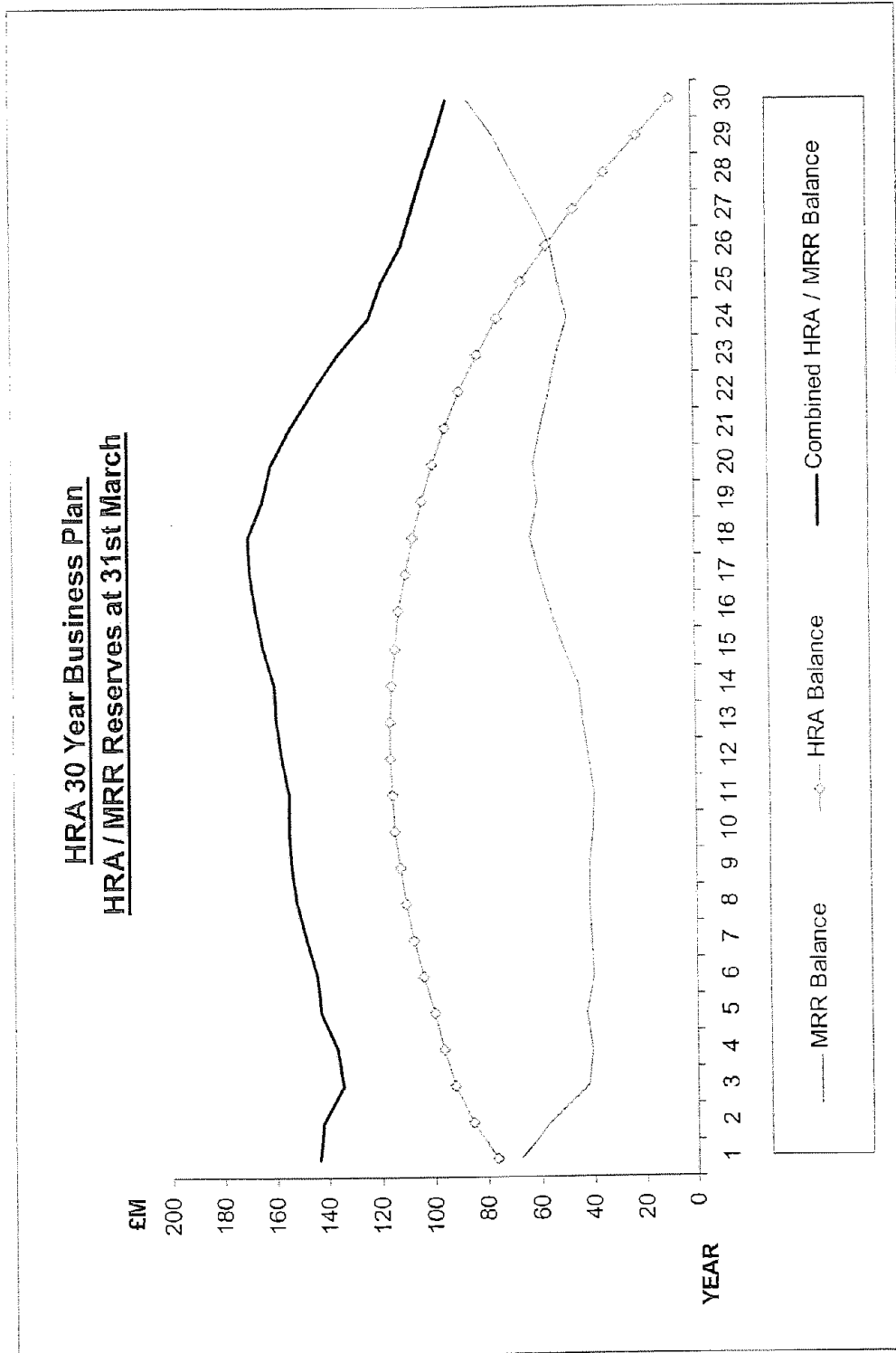
HRA share of contributions to/from the Pensions Reserve	1,344
HRA share of the Minimum Revenue Provision	1,000
HRA share of Insurance Provision	(234)
(Increase)/decrease in the Housing Revenue Account Balance	(6,871)
Housing Revenue Account balance b/fwd	(77,785)
Housing Revenue Account balance c/fwd	(84,656)

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APPENDIX B

COUNCIL HOUSING BUDGET FRAMEWORK

	<u>Original</u> <u>Budget</u> <u>2008/09</u> £'000	<u>Revised</u> <u>Budget</u> <u>2008/09</u> £'000	<u>Budget</u> <u>2009/10</u> £'000	<u>Budget</u> <u>2010/11</u> £'000	<u>Budget</u> <u>2011/12</u> £'000
<u>EXPENDITURE</u>					
<u>REVENUE</u>					
Supervision, Management and Maintenance					
Repairs & Maintenance	24,173	24,795	25,718	26,381	27,350
General Management	30,270	30,394	31,572	32,440	33,354
Special Services	9,605	11,644	13,287	13,658	14,043
Rent Rebates	6,767	6,941	6,956	7,005	7,123
Capital Financing Costs	3,638	3,399	2,488	2,452	2,416
Other Expenses	1,019	701	773	827	850
HRA Subsidy Payable	30,240	30,049	37,734	40,708	46,101
	(105,712)	(107,923)	(118,528)	(123,471)	(131,237)
<u>CAPITAL</u>					
Repairs and Improvements	33,097	30,155	32,847	29,903	12,915
Purchase of Properties	50	50	50	50	-
Portable Discounts	1,000	1,000	450	1,000	-
IT Infrastructure	-	60	-	-	-
Roehampton Regeneration Project & Wider Non-Derogation Leases	2,692	300	3,272	-	-
	(36,839)	(31,565)	(36,619)	(30,953)	(12,915)
	142,551	139,488	155,147	154,424	144,152
<u>INCOME</u>					
<u>REVENUE</u>					
Gross Rents – Dwellings	93,992	93,592	98,507	103,906	107,190
Gross Rents – Non-Dwellings	3,267	3,232	3,311	3,394	3,479
Mortgage Interest	53	53	38	29	22
Leaseholder Service Charges	11,387	12,225	12,401	12,716	13,039
Other Income	11,760	13,970	10,908	10,841	11,091
	(120,459)	(123,072)	(125,165)	(130,886)	(134,821)
<u>CAPITAL</u>					
Government Major Repairs Allowance	15,023	15,023	15,872	16,245	16,632
Capital Receipts	8,340	11,162	6,935	7,000	1,500
Leaseholder Major Works Charges	2,234	3,365	2,579	2,771	2,954
	(25,597)	(29,550)	(25,386)	(26,016)	(21,086)
	146,056	152,622	150,551	156,902	155,907
Surplus(+)/Deficit(-)					
Revenue	+14,747	+15,149	+6,637	+7,415	+3,584
Capital	-11,242	-2,015	-11,233	-4,937	+8,171
Total reserves at beginning of year	132,686	132,208	145,576	141,214	143,926
Appropriation from Insurance Reserve	-	234	234	234	234
Total reserves at end of year	136,191	145,576	141,214	143,926	155,915



COUNCIL HOUSING

APPENDIX D

CAPITAL PROGRAMME

	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>
	£'000	£'000	£'000
<u>SUMMARY</u>			
REPAIRS AND IMPROVEMENTS TO DWELLINGS			
Major Refurbishment of Estates	13,153	16,531	10,419
Re-Lifting	905	735	2,981
Re-Wiring	570	984	1,024
Heating Improvements	2,454	2,709	1,193
Heating Repairs	1,767	1,535	3,536
Special Repairs	1,640	1,348	1,207
Sheltered Housing	4,947	2,885	397
Adaptations for the Disabled	950	950	1,050
Entrycall/CCTV	457	1,755	2,423
Environmental Schemes/Estate Improvements	100	100	300
Hidden Homes	3,212	3,315	5,373
	<hr/>	<hr/>	<hr/>
	30,155	32,847	29,903
PORTABLE DISCOUNTS	1,000	450	1,000
PURCHASE OF PROPERTIES	50	50	50
ROEHAMPTON REGENERATION PROJECT AND WIDER NON-DEROGATION LEASE ISSUES	300	3,272	-
I.T. INFRASTRUCTURE PROJECT	60	-	-
TOTAL	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	31,565	36,619	30,953

**SECTION 5
GENERAL CAPITAL BUDGETS**

This section includes the review of the financing of the Council's General Capital Programme 2008/09 to 2010/11, approved by the Executive on 10th March 2009.

Capital Financial Controllers:

Adult Care Services:	Nick Fidler (Acting) Tel: 020-8871 6506
Children and Young People's Services:	Matthew Rowe Tel: 020-8871 8041
Corporate Resources:	Katherine Burston Tel: 020-8871 6499
Environment and Leisure:	Brian Skelton 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 2009/10. 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 £2.5 million is being financed from the Renewals Fund in 2008/09.
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. Capital grants are often given for specific projects but, occasionally, grants are unearmarked as "Supported Capital Expenditure (Capital) Single Capital Pot". However, 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.
6. Grants and reimbursements expected to support the programme over the three years exceed £38.0 million. The most significant are Government grants for education schemes totalling around £22.8 million. Other major sources of funds are Transport for London grant of £7.5 million, and renovation grants of £2.5 million and lottery funding £1.5 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 17). The Council's Treasury Management Strategy for 2009/10 shows total investments expected to be around £330 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 and three specific elements within the renewals fund totalling £20 million which are set aside to finance capital projects.
8. The Council had usable capital receipts in hand amounting to £42.1 million at the start of 2008/09. Forecast capital receipts include the estimates of sales of Council dwellings, based on existing policies, of 20 in 2008/09, 15 in 2009/10 and 15 in 2010/11, and the sale of hidden homes to Notting Hill Trust Housing Association in 2008/09 and 2009/10. Also included are estimates relating to sales of sites already identified as surplus, amounting to £8.8 million in 2008/09, £9.0 million in 2009/10, and £13.9 million in 2010/11. 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 £42.1 million usable receipts at the start of 2008/09 after decreasing to £37.7 million by the end of 2008/09, will decrease further to £18.0 million at the end of 2009/10 and then fall to £13.9 million by the end of 2010/11.

	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>
	£'m	£'m	£'m
Usable Capital Receipts at start of year	42.1	37.7	18.0
Add: Grants and reimbursements	22.1	10.7	5.2
Add: Renewals Fund	2.5	0.2	0.6
Add: New capital receipts	18.0	15.5	17.7
Less: Capital receipts paid to Government	- 0.8	- 0.7	- 0.8
Less: Capital receipts for affordable housing	- 10.9	- 12.5	- 10.6
Less: Total General Capital Payments (after slippage)	- 35.3	- 32.9	- 16.2
Usable Capital Receipts at end of year	<u>37.7</u>	<u>18.0</u>	<u>13.9</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 £1.0 million net financing requirement for this programme in 2011/12, it is proposed that the discretion be limited to a net figure of about £3.9 million, i.e. the forecast usable capital receipts at 31st March 2011 must not fall below £10.0 million. The additional full year annual impact of such a reduction would be equivalent to about £2.78 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 £4.08 million, equivalent to £33.32 band D council tax.

SUMMARY OF GENERAL CAPITAL PROGRAMME 2008/09 - 2010/11

	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>
	£'000	£'000	£'000
<u>ADULT CARE SERVICES</u>			
Adult Care Services	467	1,111	225
	<hr/>	<hr/>	<hr/>
	467	1,111	225

CHILDREN AND YOUNG PEOPLE'S SERVICES

Secondary Education	2,338	947	898
Primary Education	3,037	3,941	1,473
Special Schools and Other Schemes	3,601	3,854	1,473
Integrated Children's Centre Programme	1,935	2,029	146
Other Education Funded Schemes	5,957	3,758	3,900
Integrated Youth Services	239	617	194
Playgrounds	1,025	1,076	755
Play Services	442	25	-
Children's Specialist Services	299	196	-
Support Services	53	-	-
	<hr/>	<hr/>	<hr/>
	18,926	16,443	8,839

CORPORATE RESOURCES

Administrative Buildings	536	791	1,713
IT Services	643	-	-
Property Services	1,637	25	25
	<hr/>	<hr/>	<hr/>
	2,816	816	1,738

ENVIRONMENT AND LEISURE

Leisure Centres and Sports Services	257	72	-
Libraries and Heritage Services	1,985	3,394	176
Parks and Open Spaces	291	802	-
Bereavement Services	103	10	-
Environmental Services	497	10	-
	<hr/>	<hr/>	<hr/>
	3,133	4,288	176

SUMMARY OF GENERAL CAPITAL PROGRAMME 2008/09 - 2010/11

	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>
	£'000	£'000	£'000
<u>HOUSING</u>			
Loans to Leaseholders	50	50	50
Renovation Grants	2,723	1,240	1,070
	<u>2,773</u>	<u>1,290</u>	<u>1,120</u>
<u>PLANNING AND TRANSPORTATION</u>			
Highways Services	7,476	7,056	2,950
Planning Services	194	140	140
	<u>7,670</u>	<u>7,196</u>	<u>3,090</u>
<u>REGENERATION AND COMMUNITY SAFETY</u>			
Economic Development Programme	540	662	466
Community Safety	509	83	30
	<u>1,049</u>	<u>745</u>	<u>496</u>
TOTAL CAPITAL PROGRAMME	<u>36,834</u>	<u>31,889</u>	<u>15,684</u>

This booklet gives details of the council's budgets.
If you have difficulty understanding it in English, please contact:
Wandsworth Interpreting Service: (020) 8672 1043/3649

English

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Arabic

এই পুস্তিকায় কাউন্সিলের বাজেট সম্পর্কে বিস্তারিত তথ্য দেওয়া হয়েছে।
যদি ইংরেজিতে এটি বুঝতে আপনার সমস্যা হয়, তাহলে অনুগ্রহ করে এই নম্বরে যোগাযোগ করুনঃ
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Bengali

本手冊編列了理事會之詳細預算。
如果你看不懂英文版，請聯繫：
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Chinese

Cette brochure donne les détails du budget du conseil municipal.
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French

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Gujarati

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Polish

Este folheto fornece-lhe detalhes sobre os orçamentos da câmara.
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Portuguese

Buug-yarahani wuxuu ku siinayaa faahfaahinta miisaaniyadaha golaha.
Hadday kugu adag tahay inaad ku fahamto Ingriis fadlan la xiriir:
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Somali

Este libro proporciona detalles sobre los presupuestos del municipio.
Si tiene dificultad para entenderlo en inglés favor contactar a:
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Spanish

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Tamil

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