Councillor Merryweather, Portfolio Holder for Finance, Assets and Commercial

Budget speech to the Council meeting on 22 February 2022

"The General Fund is our core financial resource for everything we do except our social "council" housing, which is resourced in our HRA to be discussed next. Our proposed 2022/23 General Fund budget is shown at Annexe 2 to the report, and while this presents "net" values for our non-housing service costs, it's important to recall that our "gross" General Fund cost base before income from fees and charges is around £35m annually.

The upward financial **pressures** we face remain daunting at, net, £1.7m extra in 2022/23 and £14.8m cumulatively for the four years ending March 2026. Just as the income we lost due to Covid starts to recover, we now find ourselves instead facing the malign threat of inflation which, including the Health & Social Care Levy, increases our General Fund cost base by £1.1m in 2022/23 and £9.2m cumulatively for the four years ending March 2026.

- There is profound uncertainty as to the severity and duration of the inflation risk we face, with actual rates accelerating faster than forecast and updated forecasts tracking both higher and for longer.
- If the effective overall inflation rate we experience were to exceed what we've assumed even by only 1% just for 2022/23 alone, we estimate the impact would be at least around £100k which would of course compound to £1m over the 4 years ending March 2026.
- For that reason and provided our current year 2021/22 out-turn is on or close to current forecasts, we will be proposing that half of the unused £2m Covid contingency reserve that we earmarked in 2020/21 be retained and repurposed as a broader inflation and economic risk reserve until such time as the economic uncertainty abates.

Next. While the decline in the share of Waverley's Business' Rates we're actually allowed to keep will pause temporarily – at only 5% - in 2022/23, we're still on notice that the downward trajectory will return from 2023 and that our share will fall to zero by 2026, a cumulative impact of £3.9m for the four years ending March 2026.

However, for 2022/23 only, the impact of the financial pressures I've described should be partly **mitigated** by an additional one-off, and unexpected, increase in New Homes Bonus of £0.6m, and by a smaller, one-off services grant intended, amongst other things, to offset at least some of our costs of the Health and Social Care Levy for this one year.

Turning next to the **measures** needed to offset these financial pressures. For us, these comprise both cost efficiencies and income generation, amounting to £0.4m and £1.27m respectively in 2022/23, and which are itemised in the table at §7.2 and Annexe 1 to the report: but to summarise:

- First - While the Business Transformation and Commercial strategies continue to deliver, our old Property Investment strategy had to be curtailed as a result of changes to Public Works Loan Board rules. So, while we're replacing that with a new Asset Investment Strategy, we'll also continue to look elsewhere to replace the benefits of that specific measure, and beyond the ongoing collaboration with Guildford; and

- Second - We expect that the pricing and other strategic changes that we're already implementing across all our car parks will improve the utilisation of all available spaces and increase revenue yields, bearing in mind both that there is a maximum amount of income that we're actually allowed to generate from our car parks and that we need to fund a significant backlog in car park repairs, maintenance and improvements.

Nevertheless, we're still faced with the need to recommend an increase in Council Tax of £5 for our Band D equivalents. While this is the lowest increase of all those affecting our residents AND we're forecasting increases to be lower still in subsequent years, we still recognise that for 2022/23 the rise is a burden on all of our residents, and so in order to mitigate its impact on our most vulnerable we're recommending also:

- That the Council's existing Council Tax Support Scheme be continued at the current levels which, just for Waverley's share, is worth about £630k to our residents annually;
- That an additional £40k council tax hardship fund be extended to help those council taxpayers most financially affected by the pandemic;
- That there be no "blanket" increase in fees and charges and that price rises be limited only to those identified in Annexe 4. This means, for example, that our 1,600 subscribers to Careline at least will not have to cope with a price increase for that too in 2022/23, and
- The funding pot for the Thriving Communities Fund, which replaced our community organisation SLAs, is not only retained at £687k but has been supplemented with an additional £49k to help organisations that need to transition. I must emphasise that it is only the total size of this pot that is being approved here, and that the individual allocations from the fund are not within the scope of this budget as you will have seen from separate communications on this matter.

In addition to preserving our services, in Annexe 5 the budget also identifies the proposed funding for priority capital spending needed for major one-off repairs, upgrades and replacements of just our own General Fund assets (like our sports pavilions, and projects identified in our climate change action plan). While we seek to fund these wherever possible from other sources like developer infrastructure contributions and capital receipts, these funding sources are becoming increasingly fragmented and competitive, to the point where we need a full-time bid funding officer. Even before Covid we needed also to contribute funds from revenue to capital and this tracked at over £1m per year, even as the projects backlog increased. Covid funding pressures made the situation worse and the revenue contribution had to be cut, but the level of unavoidable demands are such that it is essential that we do some catching up in 2022/23, even if that's only for one the year before funding forces us back yet again.

So, while we're presenting a balanced budget for 2022/23, the MTFP through to 2025/26 the still shows financial pressures accelerating faster than compensating measures identified to date, and our budget strategy remains to identify further sustainable measures to balance future budgets and protect our ability to deliver effectively and efficiently the services we're committed to for our residents.

I'm grateful to colleagues - either in the group briefings or in private - for your constructive comments and observations on the draft GF Budget and MTFP, and in proposing that the Executive makes the recommendations I'm mindful that for this Council at least Covid is not over, and other financial shocks may have only just begun, but throughout all this the commitment and professionalism of our officers across the Council remains steadfast and for that we're all grateful."