

# Waverley Borough Council

**Report to:** Resources O&S / Executive/Council

**Date:** 15 January 2024/6 February 2024/20 February 2024

**Ward(s) affected:** All

**Report of Director:** Transformation & Governance

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**Report Status:** Open

**Key Decision:** Yes

## General Fund Budget 2024/25

### 1. Executive Summary

This report sets out the draft General Fund Budget for 2024/25 and Medium-Term Financial Plan (MTFP) ending 2027/28. The MTFP sets out the key work streams for the Council to focus on over this period which, collectively, aim to address the significant budget shortfall accumulating over the MTFP time horizon and beyond.

## 2. Recommendation to Executive/ Committee/ Council

The Executive/ Committee is asked to recommend that the Council:

- i. agree a 2.99% increase in Waverley's Band D Council Tax Charge for 2024/25 with resultant increases to the other council tax bands;
- ii. agree to continue the Council's existing Council Tax Support Scheme at the current levels;
- iii. agree (a) to a general inflationary increase to Fees and Charges for 2024/25 except for car parking charges and some limited other exceptions as proposed in Annexe 4.1, (b) agree the increase to car parking charges as proposed in Annexe 4.2, and (c) agree the specific other increases to the fees and charges as proposed in Annexe 4.3;
- iv. approve a general inflationary increase of 4.5% to the weekly charge for all garages from 1 April 2024;
- v. approve the General Fund Budget for 2024/25 as summarised in Annexe 2, incorporating the baseline net service cost variations detailed at Annexe 1 and Annexe 3;
- vi. approve the General Fund Capital Programme as detailed in Annexe 5; and,
- vii. approve the reserve movements as set out in Annexe 6 and to agree a delegation to the S151 officer to agree draw down from the reserves if the use is in line with the approved purpose.

## 3. Reason(s) for Recommendation:

- 3.1 The General Fund Budget is a major decision for the Council and setting a balanced budget is a statutory requirement. Scrutiny of these

MTFP and Budget proposals demonstrate transparency and good governance. The impacts of macroeconomic conditions and government policies are reflected in this budget proposal:

- on the demand side, the cost-of-living crisis is increasing residents' demands for our services while affecting their ability to pay for them;
- supply side cost inflation is driving up the costs of maintaining our existing services "as is". The higher costs for supplies, labour and capital also affect the delivery of new investment projects, including those that have revenue benefits;
- structural conditions in the skilled labour market affect our ability to retain and recruit permanent staff at any price, and
- government control and regulation over our funding streams – be they direct or indirect – continue to limit our ability to take measures to address or our core structural deficit.

While the council has managed to respond to these challenges in recent years, the latest MTFP for the years ending 2027/28 continues to project future financial pressures. The council is taking action to ensure sufficient funding is in place to deliver and maintain services for 2024/25 but this report explains the conditions and uncertainties that threaten its ability to continue to do so for the following years.

#### **4. Exemption from publication**

4.1 Not Applicable

#### **5. Purpose of Report**

5.1 The MTFP is the Council's key financial planning document which takes account of all the various currently known factors and influences that may impact on the Council's General Fund for the forthcoming financial years up to and including 2027/28. These factors are both within and beyond the Council's control and include; general macro-economic conditions, Government funding plans and restrictions, current expenditure patterns, inflation, planned changes to service delivery, changing demand for services, and changes affecting our

sources of independent income etc. The MTFP also includes the identification of the risks that the Council has identified that it faces.

- 5.2 The MTFP looks forward over the next four years to anticipate the spending pressures faced by the Council. In light of the changing economic picture, planning now to meet expected and known changes in the future provides greater opportunity to mitigate the impact.

## **6. Strategic Priorities**

- 6.1 Having a robust, sustainable budget is essential to deliver all aspects of the Corporate Plan. A new Corporate Strategy was approved by Council in December 2020 and the MTFP set out in this report is at the heart of its delivery.

## **7. Background**

### **Waverley's Medium Term Financial Plan 2024-25 – 2027/28 (MTFP)**

- 7.1 The Medium-Term Financial Plan (MTFP) is Waverley's key financial planning document which takes account of all the currently known various factors and influences that may impact on Waverley for the next few years. These factors include economic conditions, Government funding and restrictions, current expenditure patterns, inflation, planned changes to service delivery, changing demand for services, sources of income etc. It also includes the identification of the risks faced by Waverley. The draft 2024/25 budget is set in the context of the latest MTFP.
- 7.2 The MTFP includes a forward look over the next four years to anticipate the spending pressures faced by Waverley. Planning now to meet known changes in the future provides greater opportunity to mitigate the impact. Good preparation will mean that Waverley has sufficient funds to meet unexpected costs and that limited financial resources are targeted to Waverley's residents' highest priorities.
- 7.3 The purpose of the Medium-Term Financial Plan is to:

- Ensure the Council is in a position to deliver core services for residents
- Provide a framework for managing resources in the medium term to deliver the corporate plan.
- Demonstrate that sufficient resources will be available to meet Waverley's objectives and priorities, particularly in the delivery of value for money.
- Look ahead to the longer term to protect and help plan sustainable services within an extremely challenging external economic and funding environment.
- Strengthen Waverley's financial resilience and manage volatility and risk, including maintaining an adequate level of reserves.
- Anticipate financial pressures and identify potential ways to balance Waverley's budget including through efficiency measures.

7.4 The Council's MTFP ending 2027/28 has been updated to include the latest General Fund assumptions and projections, including for the reserves earmarked for specific purposes that may have to be drawn upon to meet the MTFP budget shortfall. This report sets out the ongoing material financial pressures, risks and uncertainty which remain on a significant scale. The report discusses the strategies for addressing the financial challenges to protect vital services and put the council in a more sustainable financial position, but also highlights the residual budget shortfall projected over the next four years.

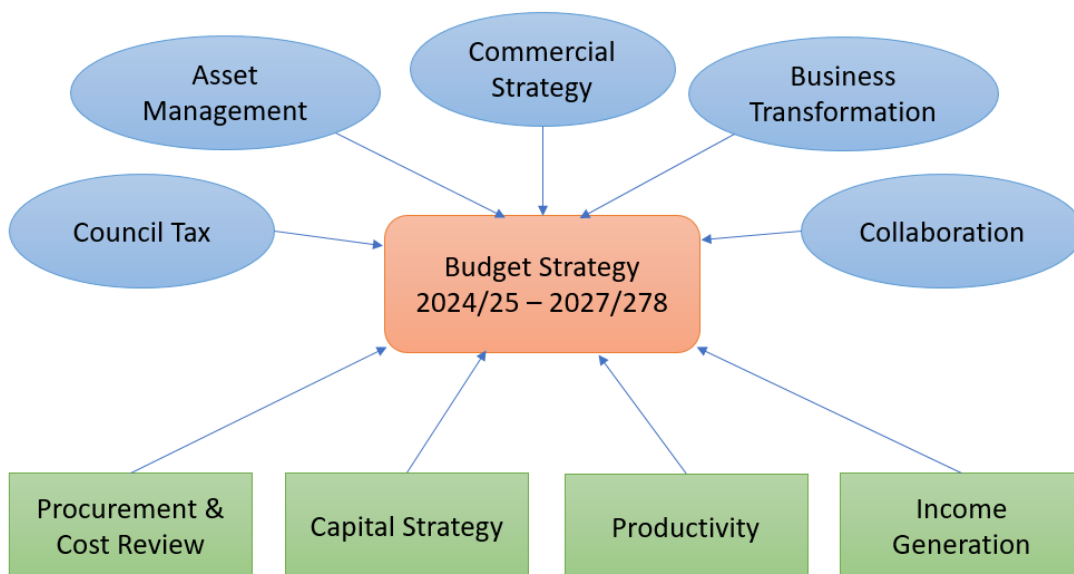
7.5 The updated MTFP projection is included in Annexe 1 which details the revised projections and assumptions for the four-year period. The changes from the balanced 2023/24 position (approved in February 2023) are based on a review of the ongoing impact of issues identified in previous budget reports, and new emerging issues and cost pressures. As described below, the latest MTFP projections show an estimated total cumulative gross budget shortfall, before compensating measures, over the four-year period of £15.2million. As described further below, currently a cumulative total of £13.1million

of compensating measures over the same 4-year period have been identified.

7.6 The budget and MTFP projections are being prepared with a range of assumptions made in very uncertain economic conditions, including inflation and the absence of a funding settlement from the government for 2025/26 and beyond. Therefore, the figures are subject to change, particularly regarding the timing and extent of recovery of income streams such as car parking impacted by the pandemic, the cost-of-living crisis and now the evolution of the High Street. The February 2023 MTFP included some challenging targets supported by a range of strategies and it is crucial that these continue to be fully supported and remain the central focal point for addressing the budget shortfall. More details on the assumptions are set out later in the report.

## 8. Budget Strategy

8.1 The framework for Waverley’s strategy for addressing the budget shortfall is illustrated below. The themes in squares relate to ongoing actions, the ovals indicate the principal measures identified in the strategy.



8.2 Our ability to take measures to fund increased costs and replace lost income is heavily regulated and under pressure. Examples include our property investment strategy, which was curtailed by changes to Public Works Loan Board financing criteria, and until recently historically low interest rates which have reduced our interest income from funds on deposit. Interest rates are currently higher, and assumptions have been updated, with the growth in income supporting the MTFP in the short term. We continually look for new opportunities, including collaboration with others and the use of technology, to improve our productivity. Details of the expected benefit of the strategic measures, projected over the 4-year MTFP period, are provided in [Annexe 1](#).

## **9. Budget Pressures**

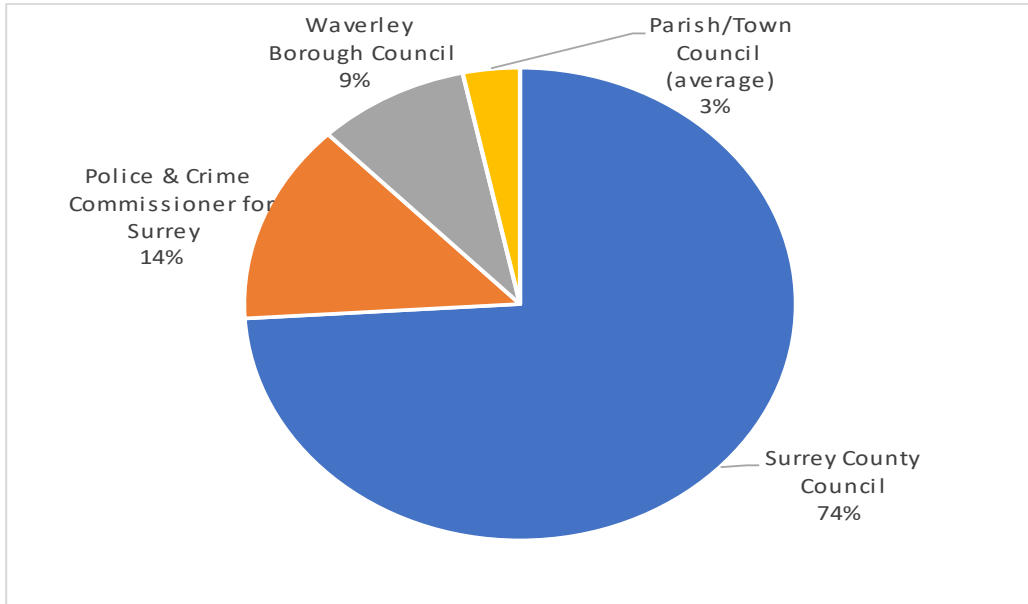
9.1 As the impacts of Covid on the Council's income and expenditure recede, the demands on our services; high levels of inflation; labour market constraints and government regulation have become equally severe threats on top of the forecast loss of our share of central government funding. Further details are provided in [Annexe 1](#).

## **10. Funding for Waverley's Services**

10.1 As well as collecting council tax to support its own budget, by law Waverley must collect council tax for Surrey County Council, Surrey Police and all town and parish councils in the Borough and this money is paid over to those organisations as a precept. The Government restricts the amount that council tax can be increased each year, and this is explained in more detail later in this report.

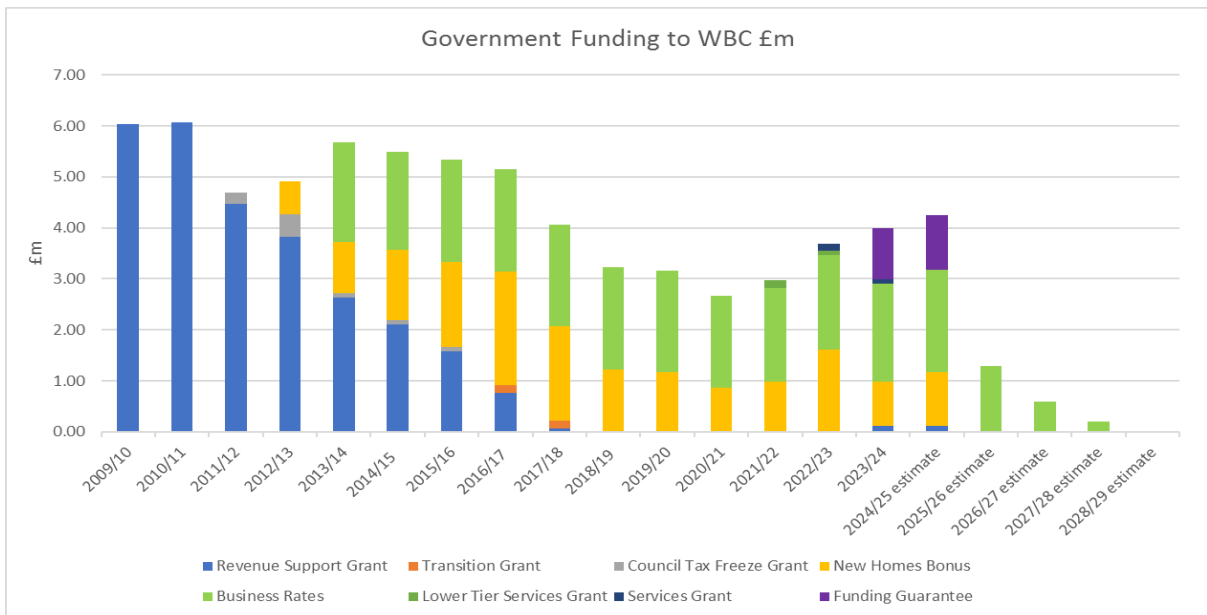
10.2 In addition, Waverley collects business rates from non-domestic premises in the Borough. The Government set the rateable value and rates chargeable for all business premises. Most of this money is paid to the Government with a relatively small amount being retained by Waverley and Surrey County Council.

10.3 The total band D council tax charge in 2023/24 is £2,262.78 split as follows:



10.4 The amount of council tax that will be paid out to each of the precepting bodies, including Waverley, Surrey County Council, Surrey Police and the parish and town councils, is fixed for the financial year. Any variation in actual council tax collected compared to precepts paid out will result in an adjustment to the precept in the following year.

10.5 There has been a reduction in our direct government funding over the years from £6m in 2010/11.





This has been compounded by severe government-directed limits on our ability to raise replacement funds from other sources including Council Tax and other independent means, which, together, adversely affects our ability to contain our structural deficit.

- 10.6 Waverley's MTFP forecasts significant reductions in Government funding over the next four years based on previous announcements and guidance from the Government itself pending the Fair Funding Review. This review has been delayed for several years and it was announced in December 2022 that the review is delayed until after financial year 2024/25. This delay has been reflected in the reprofiling of the expected reduction in Business Rate Retained Income in the MTFP and this relieved cost pressure in 2023/24 and into 2024/25 (see [Annexe 1](#)). Officers have taken a cautious view of the impact of these reviews on Waverley's budget given our previous experience of redistribution formula. District and borough councils across Southern England would tell a similar tale, and further lobbying is being undertaken with local Members of Parliament and the Local Government Association on this issue, as the Government prepares its delayed 'Fair Funding Review' and its proposed new policies on devolution. The 'Fair Funding Review' is forecast to sit alongside the next government spending review. While any reduction in Retained Business Rates would be a recurring annual impact, the MTFP proposes to initially offset the impact of reducing retained business rate income using the business rates equalisation reserve which was established in part to temporarily mitigate this eventuality while permanent measures are investigated. The uncertainty of these delays impact on the Councils ability to plan.
- 10.7 Waverley currently budgets to retain £1.9m of the £31m (around 6%) business rate collected as its baseline funding for General Fund services. This baseline funding is derived from a government formula which determines each Council's "relative needs' and has been guaranteed until the completion of the Fair Funding review.
- 10.8 Waverley's budget is typical in that we face a 'structural deficit' arising from service cost inflation exceeding the additional income from council tax which is limited by Government controls. Before other

factors are accounted for, the Council is not able to “stand still” financially due to the Government’s restriction on council tax increases. In 2024/25 this is 2.99% equating to a maximum of £351k additional council tax income. As Government funding has fallen away and the government has restricted Waverley’s sources of other income, the Council has reluctantly become increasingly reliant upon council tax funding and independent income including fees and charges.

10.9 In 2016/17 the Government informed several councils, including Waverley, that they would have Revenue Support Grant (RSG) clawed back to address the Government’s overall funding shortfall. This became known as ‘negative RSG’ and for Waverley this would have been £800k pa. Since this announcement, the Government has decided each year to fund this shortfall itself rather than impose it on the named councils. However, the threat remains, and it was specifically referred to in the December 2023 Finance Policy Statement (see below). It is expected that this will be addressed as part of the main review of business rate funding and Fair Funding Review in coming years.

10.10 In recent years the government has been pairing back on the calculation for New Homes Bonus, including the reduction of years for legacy payments. The finance policy statement received in December 2023 confirmed that the government has delayed its review of the New Homes Bonus by another year. Whilst this temporary reprieve in funding reduction is welcome and has enabled the inclusion in the 2024/25 draft budget of a range of short-term additional items, we are forecasting to suffer a significant reduction in 2025/26 and subsequent years.

10.11 The Government announced the 2024/25 Local Government finance settlement for consultation late in December 2023. The headlines are as follows:

- No negative grant
- Revenue Support Grant of £121k

- Retained business rates for Waverley at safety net level of £2.0m
- New homes bonus £1.0m but no guarantee of payment in future years
- Council Tax increase limit for Borough Councils of £5 band D or up to 2.99%, whichever is the higher (a £5 increase is equivalent to a 2.5% increase for Waverley Borough Council)
- No limit on council tax increases for town and parish councils
- Surrey County Council council tax increase limit up to 4.99% (including the 2% for adult social care costs).
- One-off service grant of £13k which will be the final year.
- One-off Funding Guarantee grant of £1.1m to support an inflationary increase in Core Spending Power for one year.

## **12. General Fund Budget 2024/25**

12.1 A summary of the draft budget for 2024/25 is set out in Annexe 2 and the changes from the 2023/24 base budget are summarised in the MTFP in Annexe 1 with further detail of variations for certain key items presented in Annexe 3 including unavoidable budget adjustments.

12.2 The budget has been prepared on an “as-is” basis from the known 2023/24 baseline, then adjusted for known variations and measures including inflation.

12.3 The General Fund Budget Summary at Annexe 2 shows a balanced budget in 2024/25. There are no proposed cuts to services included in the draft 2024/25 General Fund budget. This budget is balanced after allowing for the maximum allowable council tax increase of 2.99% and the estimated savings measures that will be delivered from the property, business transformation, commercial programmes and collaboration programmes.

12.4 The budget strategy outlined in paragraph 8.1 identifies a series of other measures being taken to address the financial challenges and

help protect funding for front line services. The estimated savings proposals are included in Annexe 1 and Notes D-H thereto and include:

- Collaboration with Guildford Borough Council and other productivity gains
- Ongoing delivery of Asset Management Income, as far as the law and government policy allow
- Ongoing cost control and close monitoring of expenditure
- Further opportunities for commercialism and income generation, as far as the law and Government policy allow

The Business Transformation programme is now under review in light of the new council structure and the Business Transformation team are working on further collaboration projects. Projects will be brought forward to members and included in future MTFP forecasts to support future years forecast budget gaps once there is more clarity.

12.5 There are a number of growth proposals, some one-year only, and others recurring, all as set out in Annexe 1 Note C.

Key items to note are:

- Local Plan Part 1 Review and Update – there is a statutory requirement to review the local plan part 1 within 5 years of its adoption, following this review an update to the LPP1 may be required. Costs of this project were identified in the February 2023 Budget at circa £850k over the three years 2023/24-2025/26. The net saving position reflected in Note C shows the provision made in the 2024/25 financial year and following reductions later in the MTFP.
- IT & Digital team – creation of 3 additional posts in the IT team to support new laptop roll out (subject to approval) and digital developers
- Projects Team – creation of two new capital project managers and make the Project Officer post permanent to give sufficient capacity for projects
- Legal Team – As per report approved at Council in December 2023

- Planning Appeals – To increase the current planning appeals budget which has historically been insufficient.

12.6 In July 2021, Waverley Borough Council and Guildford Borough Council agreed to a long-term collaboration and approved the first stages of appointing a joint Chief Executive and a joint senior management team. This has now taken place and further collaboration opportunities will be identified over the coming period with an aim to achieve further efficiencies. In total, the collaboration report from July 2021 identified a potential opportunity for each council to save in the region of £700,000 from the collaboration over and above what would be achievable individually. These savings have been reflected in the MTFP at Annexe 1 and will be monitored through the normal quarterly reports to Overview and Scrutiny and Executive over the coming years. There are likely to be further one-off costs, that could include redundancy costs, and these would be subject to a separate approval process, supported by a business case identifying the additional benefits to be generated. An invest to save reserve was provided in 2022/23 which would be utilised if required for these one-off costs.

Two such provisional growth items have been identified in Annexe 1, Note H which are included subject to business case and separate approval by Council under a separate report:

- Business Transformation & Collaboration – new roles including an Enterprise Portfolio Manager, Officer and two Business Analyst posts to support collaboration and Business Transformation
- Collaboration – £100k for revenue costs including feasibility and consultancy support for collaboration projects.

### **13. Inflation**

13.1 There remains uncertainty regarding inflation on the MTFP, and this is a sizeable pressure on the General Fund budget. Despite the partial and temporary mitigation in the current year with improved interest income, the impact of inflation will have further negative impact in

future years as inflation compounds, and current forecasts for inflation remain higher than usually anticipated. Bank of England forecasts suggest inflation was expected to fall from mid-2023, as previous increases in energy prices dropped out of the annual comparison. It was then expected to decline to some way below the 2% target in years two and three of the projection. This MTFP assumes the 2% target rate will be returned to in two years' time. Officers have built increased inflation forecasts into the MTFP in the short term, with 4.5%-5% in 2024/25 and 2.5% in 2025/26 however these rates remain unknown with more uncertainty than is usual.

13.2 The inflation figure included in the MTFP at Annexe 1, with detail provided in Note I also includes all contractual increases resulting from non-inflation related increases such as pay grade incremental progression and the refuse and recycling contractual increase resulting from growth in the property base. Inflationary increases on income streams such as fees and charges are included as part of the commercial strategy target. The Council's main contracts are indexed to the Consumer Price Index (CPI).

13.3 In terms of the staff pay award for 2024/25, which is also applied to Councillors' allowances, the Joint Negotiating Committee (JNC) has not yet agreed the pay claim submitted by the Union in December. An indicative amount for pay inflation, as well as other inflation commitments, are incorporated within the draft balanced budget. If the matter is resolved before the Executive meeting in February, the budget will be revised and, in recommending the draft Budget to Council, the Executive would be approving the pay award.

## **14. Income**

### **14.1 Car Parks**

In terms of Waverley's car park budgets, pre-pandemic income from car parks was budgeted at £5.1m. The impact of Covid-19 had a sudden and significant usage impact on the pre-pandemic income level. Waverley's income fell short of this budget by almost £2m in 2020/21 and has been recovering, however it appears the recovery has begun to plateau. In 2021, the Council approved a new car park

pricing strategy that was based on the individual characteristics of, and demands on, Waverley’s car parks which allows specific site rates to be increased or decreased to respond to the market as appropriate. As car park usage rebounded and considering the sustained financial pressures generally, the council approved revised car park tariffs, which took effect from 1 November 2021. The baseline budget in light of these changes now sits at around £5.2m. This £5.2m of income is firstly spent directly on the running costs of the car parking services, which includes maintenance. The budgeted revenue surplus for 2024/25 is £3.9m. Proposed capital projects on car parking for 2024/25 total £384k, of which £250k is already funded from the service. The remaining surplus can also be spent in subsidising other eligible expenditure. A breakdown of eligible net expenditure which can be subsidised by any remaining surplus is tabled below.

<b>Service Area</b>	<b>£'000</b>
Recycling	2,060
Refuse	2,204
Street Cleaning	1,441
Recreational Open Space	1,211
Countryside	409

Over two years on from the November 2021 car park fees and charges review, increases have not been applied to our car park fees & charges despite high inflation rates and increasing costs of maintaining the sites. Therefore, a proposal to increase fees by 15% to reflect the inflationary position since 2021 is included in this draft budget, please see [Annexe 4.2](#) for details.

Further to this, the Brightwells development site is due to open in 2024/25. This is anticipated to create an evening economy in Farnham. Further to this, there is known development in other areas

which will create evening economies. Therefore, it is proposed to pilot an evening car parking charge in specific central car parks to support the costs of additional use.

Implementation of Sunday car park charging has been considered during the budget process. Other local authorities in surrounding areas charge a nominal value, for parking on a Sunday. However, this is not proposed at this stage to support residents who may be choosing to visit their high streets on a Sunday due to affordability concerns.

The car parking strategy will be updated during 2024/25 to inform future plans for car parks, their charges and a wider consideration of an integrated and sustainable transport policy for the borough.

## **14.2 Leisure Centres**

The new contract for the leisure centre management contract started in July 2023. A two-year reduction on the management fee at the beginning of the contract was agreed for mobilisation and to allow the new contractor to invest in the leisure centres and this work has started across the sites. Following the initial two years, the management fee will improve beyond the previous contractual position. This is before the planned capital improvements which will help to improve the revenue position further still.

There is an identified risk regarding energy prices and the new contract contains energy benchmarking to support the leisure provider if increases are unsustainable as was seen in 2022. However, to mitigate this risk the MTFP risk reserve can be utilised.

## **14.3 Waverley Training Services**

Two years ago, Waverley Training Services changed its delivery model, from sub-contracting through other training providers to direct delivery as a result of requirements from the Education and Skills Funding Agency (ESFA). Transitional funding was provided which has eased the movement away from this delivery model and to



a model where Waverley Training Services directly provides all training.

However, due to skilled labour market constraints, recruitment of key trainers needed to deliver the training has been incredibly difficult over the last two years and budgeted income levels have not been achieved. This budget proposal reduces the income target in 2024/25 to align with the timeline for recruitment and provide time for the service to rebuild learner numbers following the pandemic, with a view to recover income over the predicted period.

#### **14.4 Other income**

Additional income targets are built into the budget for 2024/25 and the MTFP. These fall into the Commercial and Asset Management income schedules for which the detail is provided in Annexe 1 Note E and Note G respectively.

#### **15. Fees and Charges other than car parking**

15.1 Fees and charges have been reviewed as part of the budget process. Some Council fees and charges are statutory but for those that can be determined by the Council general inflationary increases are proposed for 2024/25 where appropriate, with some exceptions. Details of the proposed fees and charges from 1 April 2024 are included at Annexe 4.1.

15.2 In addition to this, a review of break-even services and their charges has been undertaken in 2023/24 to ensure appropriate recovery of costs continues to be achieved. To support this review, benchmarking with other local authorities has also been undertaken to ensure Waverley's charges are comparable with others. The proposals can be seen in detail at Annexe 4.3. In summary, proposals for these services are as follows:

- Licensing – a full review of the hackney carriage and private hire vehicle charges cost recovery has been undertaken. Comparison with Transport for London (TfL) and other authorities has been carried out. Following minimal increases since the beginning of the

pandemic, and in light of high rates of inflation, the council is now under recovering the cost of the service. Charges are required to break even, and the in-depth review has identified that some charges need to be frozen, while others need large increases. To mitigate the impact on licensees, a spread of these increases over the coming years is proposed. A commitment to model a discount for Electric Vehicles for 25/26 and future years is proposed to consider the financial and climate change impact. The 2024/25 fee changes are proposed in Annexe 4.3, however they are subject to consultation and consideration by the Licensing & Regulatory committee of the consultation responses.

- Land Charges – to ensure the service delivers at a break-even level it is proposed fees are held at the same fees as in 2023/24 following a review of costs.
- Building Control – a review has been undertaken in year. A number of costs have increased in year due to additional qualification requirements. However, to ensure a break-even position is held, a 4.5% increase has been applied to Building control fees in line with the corporate assumption.

15.3 The commercial strategy highlights the need to review existing income sources to generate additional revenue.

15.4 Reviews of fees and charges will continue during 2024/25 to reflect members' desire to consider opportunities to distinguish between for-profit and not-for-profit customers in the charges. Changes will be applied mid-year where appropriate, subject to the required approval process.

## **16. General Fund Reserves within the scope of the MTFP**

16.1 A summary of the relevant General Fund reserves is included in Annexe 6. This table builds on the latest monitoring position and takes account of the Council approvals in the 2023/24 budget. Whilst there is still uncertainty predicted in future years, the reserves are stable, and the agreed budget strategy set out in paragraph 8.1 continues to be effective.

16.2 The business rate equalisation reserve was established by the Council several years ago when the Government changed the overall local Government funding system and transferred a number of business rate risks to local councils. This provision was set up to provide future 'smoothing' of the impact to the annual General Fund revenue budget including:

- the risks of Government cutting the retained business rate funding to Waverley
- declining rateable values reducing retained funding
- significant appeals reducing retained funding

16.3 The Council has agreed that £1.8m of the reserves be included in the MTFP as a draw down against the projected reduction in business rate retained income following the forthcoming Government financial reforms. This is in line with the intended purpose and would only be actioned to the extent of any year-on-year reduction which is currently included in the MTFP as £700k in 2025/26 and 2026/27, then a further £400k in 2027/28. This reflects a scenario of all current retained business rate income being removed but no negative RSG impact being imposed on Waverley, as referred to earlier in the report. Clearly there is uncertainty in this position, and it will be reviewed when the Government make further announcements, and the use of reserves to mitigate the loss is unsustainable and permanent measures will need to be found.

16.4 The future financial resilience of the Council is dependent upon the availability of reserves to manage financial shocks such as we have seen with the pandemic and macro-economic crisis. Ideally, the use of reserves should be limited as far as possible to mitigating the temporary impact of these shocks, net of any Government assistance and investing in permanent measures. It is important to therefore ensure sustainable resolutions are found wherever possible and if necessary or take appropriate temporary measures such as a vacancy freeze to limit the need to call upon reserves, which should always be a last resort.

## **17 Council Tax Support Scheme**

17.1 The Council Tax Support Scheme, which replaced council tax benefit on 1st April 2013, is reviewed annually. A range of assistance was introduced by Waverley to assist claimants and these schemes are actively promoted. A hardship fund was created to support claimants and the qualifying criteria revised to encourage take up. In 2023/24 an additional government grant for Council Tax Support Fund was available with both mandatory and discretionary elements to support council taxpayers, which funded not only the legacy support but more besides. The continuation of the this 2023/24 support has not been confirmed for 2024/25, and so it is proposed to revert to the legacy self-funded council tax hardship fund through a budget growth request for 2024/25. In addition to this Discretionary Housing Payments are also available. Waverley officers are proactively supporting households that are most affected by welfare reforms. Experience shows that the take up of discretionary support is low and the Council Tax Scheme remains successful in supporting council taxpayers. It is, therefore, recommended that the current scheme remains unchanged for 2024/25.

## **18. General Fund Capital**

18.1 Each year, the Council reviews its Capital Programme<sup>1</sup> and agrees the budgets to be included within the Budget for the year ahead and how they will be funded. The overall parameters for the Capital Programme are set out within the Council's Financial Plan. Each scheme put forward by Executive Heads of Service were tested against criteria including revenue generation, carbon reduction and fit with corporate priorities.

The increasing limitations on revenue and capital funding have put pressures on the Council's ability to repair and maintain its existing

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<sup>1</sup> For this purpose the capital budget may include one-off spends that do not qualify for funding from the Council's capital reserves but may qualify in whole or part for funding from other external parties.

General Fund estate which is deteriorating accordingly. Recent year's budgets have been unavoidably below historic trends and insufficient.

- 18.2 The draft 2024/25 Capital Programme amounts to £4.7 million as shown at Annexe 5 to this report of which £0.6m is funded from the General Fund revenue contribution referred to earlier, leaving a balance of £0.3m of the proposed £0.9m contribution available to meet backlog and unforeseen pressures. There is a range of projects that are being funded from external sources, including from SCC's Empty homes funding and the UK Shared Prosperity Fund that are not included on this schedule as they already have approved funding.
- 18.3 Property maintenance requirements in 2024/25 are identified to outweigh the current budget provision for maintenance. Recent revenue contributions to the Property Maintenance Fund have been £200k, with £100k balances forecast to be available at the start of 2024/25. Identified potential costs are over £1.2m, leaving a potential shortfall of £0.9m which is the proposed one-off increase for 2024/25. Given the current and future budget shortfalls, projects that have been put forward by Executive Heads of Service will be subject to further consideration by the Project Coordination Group. This consideration will include the strength of the business case, the availability of external funding and opportunities to reduce or defer cost to reduce the draw on the revenue budget in 2024/25. Additional revenue contribution to capital has been included in the budget proposals to ensure sufficient resource is available.
- 18.4 Since 2020/21 the baseline "as-is" budget has included £100k annually to support the delivery of the Climate Change action plan. In 2020/21 an amount of £200k was also approved as a one-off "pump prime" fund, to support the delivery of expected climate change action plan projects. Any project and initiative costs beyond the identified funds will be requested individually and CIL (community infrastructure levy) and external funding will be secured wherever possible.

## 19. Local Government Act 2003 – Financial

19.1 The Local Government Act 2003 formally introduced a number of specific matters that the S151 Officer must comment on in the budget setting report. These are:

- Budget calculations
- Report on robustness of estimates
- Adequacy of reserves
- Budget monitoring

The sections were introduced to ensure sound financial management across all local authorities. Waverley's budget has always complied with good financial management practice. Prudent allowance is made for risk and uncertainties in budgets. Budgets are monitored by officers and reported to Members quarterly supplemented by monthly exception reports. Waverley's financial management continues to receive favourable comments from its external auditors.

## **20 The Robustness of the Estimates**

20.1 The 2024/25 budget has been prepared following a period of unprecedented uncertainty and risk due to the impact of the pandemic and global economic crisis on the council and its finances. Whilst these conditions continue, it is becoming possible to budget with more certainty in some key areas as recovery develops. A prudent assessment of income has been undertaken and provision has been made within Waverley's budgets to allow for the rate of inflation and general uncertainty. Waverley's Financial Plan, together with information presented to members during the year demonstrates the financial challenges to Waverley in the future including the risks associated with the current economic situation.

20.2 The key Financial Plan issues for the General Fund include:

- Ongoing uncertainty and impact of the pandemic and global economic crisis on Waverley's services and finances. The most material impact will be in income areas such as car parks, and in the operation of the leisure centres.
- Increased risk from changes in business rate income due to declining rateable value, increased appeal risk and the Government's Fair

Funding review delayed until after 2024/25 – impact on annual budget mitigated by the business rate equalisation reserve. This reserve has been assessed against the risks and no further contribution has been made in 2024/25. Further adjustments may be possible in future years, but the outcome of the Government’s Fair Funding review will need to be assessed first, particularly in relation to Waverley’s exposure to appeal risk.

- Keeping the dependency on current and new income from investment property in proportion to the overall budget and providing sufficiently for void periods and costs.
- Future of Government funding including New Homes Bonus
- Uncertainty in inflation and interest rates.
- Impact of Surrey County Council’s financial challenges on Waverley

20.3 In view of the level of awareness amongst Members and the action taken to produce Waverley’s draft Budget for 2024/25, the Section 151 Officer is satisfied with the robustness of the estimates presented. The Section 151 Officer is confident that overall, the Budget is prudent especially in view of the track record of achievement of substantial budgeted savings over the past years, but the risks noted in this report must be acknowledged and increased monitoring during the year will be implemented. The MTFP sets out a multi-pronged strategy to address the financial challenges and these work streams are progressing well with confidence in their delivery of savings although the impact of the pandemic is also recognised, and provision made to reflect the uncertainty going forward.

## **21. Adequacy of Reserves**

21.1 The General Fund balance supports fluctuations in normal business, e.g., unexpected changes in inflation or interest rates, higher than anticipated expenditure or loss of income, and spending on unforeseen events. The Revenue Reserve is used to finance capital expenditure and one-off costs and the property fund is to finance property investment opportunities. It is essential that adequate balances are available to meet these and unforeseen costs.

- 21.2 Projections for the General Fund Working Balance and other reserves for the four-year period are shown on Annexe 6. It is the view of the Section 151 Officer that a level of £3.2m on the General Fund Working Balance, satisfies the adequacy requirements of the Local Government Act 2003.
- 21.3 The main risks to reserves in 2024/25 are the ongoing impacts of the economic environment on revenue budgets, commercial property voids and meeting the costs of defending the Council in any planning appeals or Judicial Review proceedings. If these costs exceed the available funding, the Council will need to divert some of the funding from other reserves. Contributions to the property reserve, MTFP risk contingency reserve, property maintenance fund, invest to save reserve and the business rates reserve have been assessed in the light of the estimated risk and adjusted accordingly.
- 21.4 In the light of the identified future significant pressures, the levels of combined balances as detailed in this report are considered adequate.

## **22. Budget monitoring**

- 22.1 It is the view of Waverley's Section 151 Officer that the arrangements for budget monitoring, referred to above, satisfy the requirements of the Local Government Act 2003. Budget Monitoring against the budget in 2023/24 shows that the Council has delivered the savings assumed and these currently look to be achieved by year end, with major expenditure items including pay and contract spend being on track. The latest quarter 3 monitoring summary statement will be reported to the Overview and Scrutiny committees as part of the performance management report.
- 22.2 Overall, the arrangements in place are sound but, with the uncertainty about the ongoing impact of the national economic position alongside savings being put forward by Executive Heads of Service in the current 2023/24 budget and the draft budget for 2024/25 and the reliance on achieving income targets, close monitoring will be essential to head off any potential adverse budget variations. The mitigating provisions put in place in the draft 2024/25 are sound measures to address the current level of uncertainty.



## **23. Consultations**

23.1 The Resources Overview and Scrutiny Committee will scrutinise the General Fund budget proposals at its meeting on 15 January 2024.

## **24. Key Risks**

24.1 There are a range of risks associated with the delivery of the MTFP and achievement of the various saving/efficiency programmes in place to address the budget shortfall, these are particularly important to identify given the uncertainty in the estimates and local economy caused by the pandemic. The key risks are set out in the report, a summary of the MTFP risks is included below:

Achieving savings targets:

- the uncertainty in the estimates and local economy caused by the pandemic
- investment in commercial property needed, with new borrowing restrictions in place. Government policy change has affected the Council's ability to undertake prudent 'yield' investments
- Major change programmes underway including the collaboration with Guildford Borough Council.

We do not have significant non earmarked reserves:

- Limited ability to fund change in the Corporate plan, zero carbon, structural deficit
- One off adverse impacts such as costs awarded against the Council at planning appeals and judicial reviews

Adequacy of provisions:

- Business rates – under the current retention system we carry some of the cost of appeals, including backdated refunds, plus reducing total

rateable value in the Borough, for example the impact of permitted development on commercial premises

- Impact of Government's business rate funding review and Fair Funding review is likely to reduced retained business rates and increase risk
- Housing benefit overpayment recovery – will be limited in future due to Universal Credit
- Investment property voids – Property income is an important revenue stream for which provision for void loss is made in the budget to mitigate the impact of voids

Funding:

- Negative Revenue Support Grant still on the agenda – decision deferred regarding Fair Funding Review
- Removal of New Homes Bonus in future years
- Reducing Homelessness Grant

Further constraints on income:

- Reliance on Council Tax increase, Planning and Building Control income – affected by Government policy, economy and local political decision making
- The unknown economic impact on inflation and interest rates

## **25. Financial Implications**

25.1 All decisions made with regard to the budget will impact on the Council's resources.

## **26. Legal Implications**

- 26.1 The Local Government Finance Act 1992 stipulates that the Council must set an amount of council tax payable for the financial year 2024/25 by 11 March 2024. Before calculating the level of council tax payable, the Council must consult representatives of non-domestic ratepayers in its area.
- 26.2 There are statutory requirements in relation to consultation with users of the services the Council provides, employees and employee representatives.
- 26.3 When considering decisions on the budget and the level of Council Tax, Members should have regard to the legal framework for such decisions.
- 26.4 It may not be set before all precepts have been issued and the decision cannot be delegated to a committee or to Officers. Before setting the level of the tax the Council must have agreed a balanced budget, differentiated by services, which is sufficient to meet estimated revenue expenditure, levies, contingencies, any deficit estimated to be brought forward from previous years, and any amounts required to be transferred between funds. The tax itself must be sufficient to cover the difference between the agreed budget less government grants, retained Business Rates and other grants credited to the consolidated revenue account, and any other expenditure which must be met from the Collection Fund, less any surplus (or plus any deficit) brought forward from previous years.
- 26.5 In reaching decisions on these matters, Members are bound by the general principles of administrative law and must not fetter their discretion. All relevant considerations must be taken into account and disregard irrelevant ones. Any decision made must be one that only a reasonable authority, properly directing itself, could have reached. Members must also balance the interests of service users against those who contribute to the Council's finances. The full

resources available to the Council must be deployed to their best advantage and Members must act prudently.

- 26.6 Among the relevant considerations, which Members must take into account in reaching their decisions, are the views of business ratepayers and the advice of officers. The duty to consult representatives of non-domestic ratepayers on the Council's expenditure plans which existed under previous legislation is repeated in Section 65 of the Local Government Finance Act 1992.
- 26.7 In considering the advice of officers, and the weight to be attached to that advice, Members must have regard to the personal duties placed upon the Executive Head of Finance, the Council's Section 151 Officer. The Council may take decisions which are at variance with his advice, providing there are reasonable grounds to do so. However, Members must take into consideration their exposure to a personal risk if they disregard clearly expressed advice, for example, as to the level of provision required for contingencies, bad debts and future liabilities.
- 26.8 The Council is required by the Local Government Act 1972 and by the Accounts and Audit Regulations 2015 to ensure that the Council's budgeting, financial management, and accounting practices meet relevant statutory and professional requirements. Furthermore Section 25 of the Local Government Act 2003 requires the Executive Head of Finance to report on the robustness of the budget estimates and the adequacy of reserves to which Members must have regard.
- 26.9 Members must also have regard to and be aware of the wider duties placed upon the Council by various statutes governing the conduct of its financial affairs. These include the distinction between revenue and capital expenditure, specified within the Local Government and Housing Act 1989. The Local Government Act 2003 requires that the prudential borrowing limits are set by the Council having regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code ("the code"). This sets out a framework for self-regulation of capital spending, in effect allowing Councils to invest in capital projects without any limit, so long as they are affordable, prudent and sustainable. To facilitate this arrangement the code

requires the Council to agree and monitor a number of prudential indicators.

26.10 Section 106 of the Local Government Finance Act 1992 makes it a criminal offence for any Member with arrears of Council Tax which have been outstanding for two months or more to attend any meeting of the Council or one of its committees at which a decision affecting the budget is to be made, unless the Member concerned declares at the outset of the meeting that he or she is in arrears, and will not be voting on the decision for that reason. The Member concerned must then abstain from voting. The application of Section 106 is very wide and there have been successful prosecutions under this legislation. It can include meetings held at any time during the year, not just the annual budget meeting, and it may include meetings of committees or sub-committees as well as Council meetings. Members should be aware that the responsibility for ensuring that they act within the law at all times rest solely with the individual Member concerned.

26.11 Having set a budget at the beginning of the year, the Council is also under a duty to monitor that budget during the course of the year and to take remedial action if at any time it appears likely that expenditure will exceed available resources. Members are aware of the duty of the Section 151 Officer under Section 114(3) of the Local Government Finance Act 1988 to report to the Council if it appears that this will happen, and of the impact of Section 115(6) which prohibits any new agreement which would incur expenditure from being entered into following the issuing of such a report and pending its consideration by the Council. The Members of the Council, having received a Section 114 report are obliged to take all reasonable practicable measures to bring the budget back into balance.

26.12 A Section 114 report is a serious matter which can destabilise an authority and can only be avoided by prudent budgeting and effective budgetary control. This adds emphasis to the need for an adequate contingency provision and a strong corporate commitment to holding chief officers accountable for containing expenditure within cash limits approved during the budget process.

- 26.13 It is the duty of the Executive Head of Finance as the Section 151 Officer to provide the relevant financial information, which is or ought to be available and advise on the financial prudence of options before Members, and Members must take account of such information and advice in reaching their decisions. The Council is however free to take decisions which are at variance with the advice of those officers, providing there are reasonable grounds to do so.
- 26.14 The Executive Head of Finance must consider whether in his view the Council has agreed a balanced budget which is capable of delivery taking all known factors into account. In the event that he considers this not to be the case, then he has a personal duty to indicate this by issuing the Council with a notice under Section 114 Local Government Finance Act 1988.
- 26.15 When considering the budget, Council must take into account the report of the Council's Section 151 Officer on the robustness of the estimates and the adequacy of the proposals for reserves. This is a statutory requirement under Section 25 of the Local Government Act 2003. The Council has a legal duty to set a lawfully balanced budget and approval of the budget is part of this process.

## **27. Human Resource Implications**

- 27.1 There are several post addition proposals within the proposed budget.
- 27.2 The budget includes a provision for a staff salary pay rise. The pay rise has not yet been agreed but it is anticipated the provision should be appropriate for the cost.

## **28. Equality and Diversity Implications**

- 28.1 There are no direct equality, diversity or inclusion implications in this report. Equality impact assessments of the detailed budget proposals will be carried out to ensure service delivery meets the requirements of the Public Sector Equality Duty under the Equality Act 2010.

## **29. Climate Change/Sustainability Implications**

29.1 There are no direct implications arising from this report. A number of projects in the Capital programme have positive climate change impacts. The budget includes £100k recurring budget for ongoing staffing costs and other resources and projects to support the climate change action plan.

## **30. Summary of Options**

30.1 Set out within the papers.

## **31. Background Papers**

31.1 There are no background papers, as defined by Section 100D (5) of the Local Government Act 1972).

## **32. Appendices**

32.1 This report contains the following Annexes:

Annexe 1 – draft Medium Term Financial Plan 2024/25 – 2027/28

Annexe 2 - draft General Fund Revenue Budget Summary 2024/25

Annexe 3 – statement of key variations by service line from the baseline 2023/24 budget

Annexe 4.1 – draft Fees & Charges for 2024/25

Annexe 4.2 – draft Car Parking Fees & Charges for 2024/25

Annexe 4.3 – draft Other Specific Fees & Charges for 2024/25

Annexe 5 – draft General Fund Capital Programme 2024/25

Annexe 6 – schedule of projected General Fund usable reserves and provisions 2024/25

Please ensure the following service areas have signed off your report.  
Please complete this box, and do not delete.

Service	Sign off date
Finance / S.151 Officer	14/12/23
Legal / Governance	
HR	n/a
Equalities	n/a
Lead Councillor	3/1/24
CMB	19/12/23
Executive Briefing/Liaison	4/1/24
Committee Services	