Councillor Mark Merryweather, Portfolio Holder for Finance, Assets and Property, Budget Speech, 20 February 2024

“There should be no question about the pressures facing Local Government funding, where since 2010 our real term spending power has fallen further and further behind cost inflation. This is a familiar experience to our residents whose income has similarly not kept pace with their mortgages, their rents, their energy costs, food and so on and even some taxes when we hear of the government's so-called fiscal headroom it's helpful to recall that what's actually meant by that is its inflation boosted tax receipts, which if its funding commitments were locked in the same way that say pensions are, would be predestined to maintaining the real term funding for the infrastructure investment and services that are vital to this country's economic stability let alone growth.

Likewise, the government chooses to control our own spending power either in managing down the funding that they grant us directly or limiting our ability to fund ourselves. It should be remembered that even the £1m in one off funding they've committed to in 2024/25 is less than 4% of the £28m that they take out of the Borough in business rates each and every year. Increasingly, since 2010 we've operated with a structural deficit where even in a 2% inflationary environment our costs inflated faster than our ability to increase funding which the current inflationary conditions have amplified several fold even once the rate of inflation has decelerated back to target levels, the structural deficit will remain but based on an altogether higher inflated cost base.

The report identifies additional growth in service cost pressures totalling £2.8m per annum from 2024/25 rising to £5.3m per annum by 2027/28 all on top of the cumulative pressures we've already faced in recent years. As you'd expect cost inflation is the primary driver and because it is a rate and not an activity driven increase we get no real term service value to that money. Inflation adds a further £1.6m per annum to our annual costs in 2024/25 rising to £4.3m per annum over the MTFP period. It's sobering to recall that this is on top of the £4.6m per annum already suffered since 2020/21 which in total means inflation will be costing us a sustained £8.9m per annum extra by 2027/28 compared to 2020/21 and that's just for the general fund revenue account.

Even though the rate of cost inflation is decelerating costs are still rising even if at a slower rate and they will not deflate back down, while we look forward to cost inflation returning to less unsustainable levels we can't be complacent, that deceleration has been unpredictable and even the Chancellor has reminded us that it doesn't fall in a straight line we also face other risks in the foreseeable future including the impact of the current recession and perhaps another tax rate cutting budget that risks instabilities like those triggered by the September 2022 mini budget for that reason, we mustn't succumb to wishful thinking but rather be prudent.

We haven't for now relaxed our assumption that inflation may persist at 4.5 to 5% for 2024/25, falling for 2025/26 before settling back at 2% from 2026/27. It may do better, and I hope for all our sakes it does but it would be irresponsible to count on it. We do, however, have activity-driven cost increases that reflect both activity increases and changes in the demands for our services. Net, these approximate £1m in 2024/25 and the report notes the cases where these are entirely unavoidable and also where they're not all permanent. While some are temporary, and others contingent.

But included in that permanent category is the funding for our council tax hardship fund which was temporarily funded from central government but now reverts back to us. In terms of the cost based measures we're taking to mitigate these pressures the report discusses the legacy cost strategies that have already delivered over £2.5m in annual cost savings and the further efficiencies and other measures we're recommending while some of these cost measures are close to exhaustion, others like the collaboration with Guildford still remain on target to deliver their expected recurring annual savings.

Turning now to our fees and charges and other income excluding council tax, so while 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. We're seeing some signs of lasting changes to our car parking usage which may also be attributable to the evolution of our high streets in 2021 the council approved a new car park pricing strategy that was based on the individual characteristics of and demands on Waverley car parks which allow 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 tariffs which took effect from November 2021 which we've strongly resisted reviewing again for over two years now, that is unsustainable and so we do now have to make the difficult decision to propose changes that include an inflationary rate increase and also a limited pilot of evening charges in specific central car parks. Although the nominal increase is presented as 15% we've actually rounded down more than up and the average practical rate increases is only about 13% or 10p for the initial hourly rate even with the pilot of evening charges our rates compare well against all of our neighbours and we will continue to resist the implementation of Sunday car parking charges unlike many of the authorities in surrounding areas.

I'm also pleased to note that the new contract for our leisure centres is also still on target to deliver more than £1m annually by 2026/27. As inflation falls, we are to expect the downward trajectory in our central government funding to go with it the delays in planned cuts to new homes bonus and what's left of our share of business rates are a greater threat than ever given the effects that inflation has had on our cost base. The pressures on our budget have also meant that we've been unable to adequately fund major repairs and maintenance largely as a result of the government's temporary one-off service grant support this year it is some consolation that we're able at least for this one year to improve the funding of our general fund capital programme and also top up the reserves that we maintain to invest in future savings and income generating measures.

With the additional benefit in 2024/25 of a further £2.8m in annual measures and initiatives to mitigate the financial pressures we face we're still able to recommend a balanced budget with a below inflation increase of 2.99% in Waverley's Band D council tax charge for 2024/25 in line with the government cap, but the budgetary pressures are relentless and we have much work to do to continue to balance our budgets through to 2027/28.

Finally, may I draw attention to the extraordinary work of our Officers who compile these extremely complex budgets in very short time scales that was especially so this year and I'd especially like to wish Rosie Plaistow well in her future career, and I know she's going to be missed by me, by the officers and the councillors.

I commend the budget”