

# **Guildford Borough Council**

Report to: Overview and Scrutiny Committee – Resources

Date: 2 December 2024

Ward(s) affected: All

Report of Strategic Director of Finance and Resources

Report Author: Richard Bates, Strategic Director of Finance & Resources

Email: richard.bates@guildford.gov.uk

Lead Executive Member: Richard Lucas

Email: richard.lucas@guildford.gov.uk

Status: Open

Key decision: No

## **Medium-Term Financial Plan Update**

### **1.0 Executive Summary**

- 1.1 This report provides an update on the MTFP process and assumptions following the Chancellor’s Autumn Statement.
- 1.2 The Statement has created significant uncertainty, particularly around changes in National Insurance and existing grant schemes.
- 1.3 A policy statement is expected from MHCLG in late November and the provisional Local Government Finance Settlement in mid-December. This will provide detail of the funding settlement for Guildford for 2025-26. Longer-term financial settlements are expected in future settlements from 2026-27 onwards.

### **2.0 Recommendation to the Committee**

That the Committee resolves to:

- 2.1 Note the progress on updating the MTFP position.

2.2 Provide comment / feedback on the report and highlight any areas of the budget for further consideration.

### **3.0 Reasons for Recommendations**

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

3.2 Scrutiny of the MTFP and Budget proposals demonstrate transparency and good governance.

### **4.0 Status of Report**

4.1 This report is 'open'.

### **5.0 Strategic Priorities**

5.1 The budget underpins the Council's strategic framework and delivery of the Corporate Plan

### **6.0 Background**

6.1 The budget and medium-term financial plan process for 2025-26 was commenced earlier this year, with reports presented to this committee on 11 July 2024 and 10 September 2024. This report provides an update following the Chancellor's Autumn Statement and on work completed since the previous update.

#### Corporate Priorities

6.2 The revised Corporate Plan was approved by Council on 23 July 2024.

6.3 Titled 'A Greener, Fairer, Thriving Guildford', the new Strategy has five core priorities which form the overarching focus for the Council over the next ten years.

These are:

- Priority 1: A more sustainable borough
- Priority 2: A more prosperous borough
- Priority 3: A more inclusive borough

- Priority 4: Decent and affordable homes
- Priority 5: A resilient and well-managed council

6.4 Throughout the budget process, these revised priorities are being taken into account. This will include both existing budget allocations and consideration of the growth bids received.

#### Chancellor's Autumn Statement and potential impact on the MTFP

6.5 The Autumn Statement was made to parliament on 30 October 2024 and detailed policy statements in the context of "Putting the public finances on a sustainable path by strengthening the fiscal framework, including announcing new fiscal rules, and taking difficult decisions on tax, welfare and spending."

6.6 The actual implications for local authorities will not be known until the provisional Local Government Finance Settlement is received in mid-December. A policy statement is expected from MHCLG in late November which will give some clarity on what to expect in the settlement.

6.7 The main announcements which will affect local government are:-

- Changes to Employers National Insurance
- £1.3bn of additional grant funding including £600m for Adult Social Care
- Funding being targeted towards deprivation
- Additional £233m funding for Homelessness
- Additional £86m for Disabled Facilities Grant
- A review of local authority funding and future multi-year settlements
- Continuation of UKSPF for a transitional year.

#### Employer's National Insurance (NI)

6.8 There are two key changes to employers NI. These are a change in the contribution rate from 13.8% to 15% and a reduction in the threshold at which NI is paid from £9,100 to £5,000. The reduction in threshold means that 15% NI will now be payable on an

additional £4,100 for every employee and above the threshold at the increased rate.

- 6.9 For Guildford Council, the additional cost equates to an average increase of £1,000 per employee which will mean a total increase of around £700,000.
- 6.10 This change is a key element of the tax changes within the Autumn budget, eventually raising an additional £25bn per annum. Within the calculations, there is a £4.7bn offsetting adjustment for protection of the public sector but it is currently unclear which elements of the public sector will be protected and how that will happen in practice.
- 6.11 A key risk for local government is that existing funding streams such as New Homes Bonus, Services Grant and Funding Guarantee are repurposed to meet the additional costs. Our MTFP currently assumes that these funding streams remain at a cash neutral position. Deprivation factors are likely to be key in any redistribution of grants.

#### Homelessness

- 6.12 The government is providing £233 million of additional spending in 2025-26 on homelessness, taking total spending to £1.0 billion in 2025-26. This is to help to prevent increases in the number of families in temporary accommodation and help to prevent rough sleeping. The allocations of this funding to individual councils has not yet been confirmed.
- 6.13 Additional winter allocations of £10m were also announced 6 November 2024 for Rough Sleeping but Guildford Council will not receive any of this allocation.

#### Fair Funding Review / Multi-year Settlements

- 6.14 The autumn budget paper contains some important statement on measures planned in relation to local government. These include “Reforming the approach to funding allocations within the Local Government Finance Settlement by redistributing funding to ensure

that it reflects an up- to-date assessment of need and local revenues.”

- 6.15 It is therefore likely that a new Fair Funding Review will be launched next year, to review future funding allocations. The previous review was not implemented but the main implications would have been a reset of the business rates baseline which would have led to a redistribution of funding away from those Councils who have benefited from significant business rates growth since the business rates retention scheme was introduced. There is also a stated desire to target funding to areas of deprivation.
- 6.16 Previous statements around the desire for multi-year settlements for local government have been repeated in the autumn budget. This change would be extremely beneficial in setting our funding assumptions across the MTFP period.

#### UKSPF

- 6.17 The Statement also contains a statement that UK Shared Prosperity Fund will continue at a reduced level for a transition year by providing £900 million for local authorities to invest in local growth, in advance of wider funding reforms.

#### Overall Impact on our Local Government / MTFP

- 6.17 The summary position in the autumn statement is that government will support local authority services through a real terms increase in core local government spending power of around 3.2%, including at least £600 million of new grant funding to support social care.
- 6.18 This however includes assumed increases in Council Tax and taxbase and also the grants which will be targeted at upper-tier authorities or towards deprived areas.
- 6.19 The impact on Guildford Council will be unclear until we receive the policy statement and finance settlement. At present, we are maintaining our planning assumptions that grants and business rates will remain in line with the current year’s allocations. The key new risk is whether the NI increase would have to be absorbed within that.

## Capital Programme Review

- 6.11 The capital programme was significantly reduced last year as part of the Financial Recovery Plan.
- 6.12 The impact of the capital programme feeds through into the capital financing costs with the MTFP so the programme needs to be regularly reviewed. This includes ensuring that commitments are still required, budgets are accurate and the timing of expenditure is correct.
- 6.13 Work has been carried out over the summer to bring this information up to date and also to bring the approved and provisional capital programmes together so that a single view can be seen of the overall capital commitments which the Council has agreed.
- 6.14 The single capital programme and updated cashflows mean that future borrowing commitments can now be planned and managed which will allow treasury management decisions to be made in the most efficient manner.
- 6.15 Some elements of the capital programme are also being revised to ensure that a 3 to 5 year plan of commitments can be planned and agreed. This includes Car parking maintenance, vehicle replacement, ICT, parks and countryside and playgrounds.
- 6.16 A number of new capital bids were received in the summer from budget holders. These will be properly considered once the funding for 2025-26 is received.
- 6.17 Full details of the revised capital programme will be brought for approval as part of the budget papers in February 2025, including proposals on which new bids are recommended to be included.

## Revenue Budget update

- 6.18 A series of 12 Budget Challenge sessions were run during September / October for each service area. This allowed existing budgets, growth bids and savings proposals to be reviewed in the context of the MTFP budget gap and the revised corporate plan.

- 6.19 The bids and savings ideas are currently being summarised and will need to be considered alongside other cost pressures once the funding settlement for 2025-26 is received.
- 6.20 Work is almost complete on reviewing options for increases in fees and charges where these are within the Council's control. These will be set out in full in the February budget report.
- 6.21 The pay award for 2025-26 has not yet been agreed. An initial pay claim submission has been received from Unison but this will need to be considered alongside the growth bids in the context of the finance settlement from government and the overall MTFP position.

#### Housing Revenue Account (HRA) Budget

- 6.21 The HRA budget is being reviewed and the HRA Business plan being fully updated.
- 6.22 This will take into account updated commitments including new build schemes such as Guildford Park Road.
- 6.23 There were several important announcements within the Chancellor's Autumn budget which impact the HRA.
- A consultation was announced on a new social housing rent policy, which proposes that social housing providers be allowed to increase rents by up to consumer price inflation (CPI) plus 1% annually for the period between 2026/27 and 2030/31.
  - Discounts on the Right to Buy scheme are being reduced which should help protect council housing stock and councils will now be able to keep all of the capital receipts generated by sales which will help to fund replacement stock.

## **7.0 Options**

- 7.1 In setting the budget for 2025-26, there will need to be consideration of numerous issues such as existing budgets, corporate priorities, growth bids, demand pressures and inflationary and pay pressures.

7.2 These will all need to be considered in the context of the finance settlement expected in mid-December.

## **8.0 Consultation**

8.1 The need for consultation on budget proposals will be considered in due course.

8.2 Early engagement and consultation with the Trade Unions has been established for this year's budget process. The first meeting was held with Unison representatives on 9 September 2024. Further meetings will be held once the funding position for 2025-26 becomes clearer.

## **9.0 Key Risks**

9.1 The risks associated with the 2024-25 budget were set out in the Section 25 report alongside the February budget report. At present, there are no major variations from these, but they will be monitored throughout the year.

## **10.0 Legal and Governance Implications**

10.1 The Council's legal duty to set a balanced budget is set out in section 31 of the Local Government Finance Act 1992, which provides that the Council must balance its expenditure with its revenue.

## **11.0 Financial Implications**

11.1 All decisions made with regard to the Council's budget will impact on the resources available for provision of the Council's services.

11.2 Decisions will be needed in due course on the options to deliver a balanced budget for 2025-26.

## **12.0 Human Resources Implications**

12.1 None at present but will need to be considered as budget options are developed.



### **13.0 Equality and Diversity Implications**

13.1 None at present but will need to be considered as budget options are developed.

### **14.0 Climate Change and Sustainability Implications**

14.1 None at present but will need to be considered as budget options are developed.

### **15.0 Background Papers**

Council 7 February 2024, 23 July 2024, 8 October 2024

MTFP update – Resources O&S – 11 July 2024, 10 September 2024

#### **Report clearance progress:**

Finance	Richard Bates	22/11/2024
Executive Briefing		20/11/2024
Legal	Claire Beesley	25/11/2024
Human Resources	Francesca Chapman	25/11/2024
Strategic Director	Richard Bates	22/11/2024