

Overview and Scrutiny Committee – 11 July 2024

Draft Minute 16 – Medium Term Financial Plan 2025/26

The Deputy Leader and Executive Member for Finance and Assets, Councillor Lewanski, introduced the Medium Term Financial Plan (MTFP) 2025/26.

There were two reports for this item:

- (i) The latest update to the Council's Medium Term Financial Plan and;
- (ii) The latest Capital Investment Strategy.

Together they set the scene for presentation of the revenue budget and capital programme proposals later this year.

This latest Medium Term Financial Plan for 2025/26 mentions that local government continues to face a challenging financial situation, with continued uncertainty about the local government funding regime. Many councils across the county are facing very difficult budget decisions with up to 51% saying that they may have to issue a S114 notice within the next 4 years.

This council is not in that position at present which is an advantage. The other advantage this council has is time to address the forecast budget gap, and so it is critical that we use this productively to prudently prepare our budget plans for 2025/26. Once again, this authority has made an early start in preparing the Medium Term Financial Plan and has also commenced work on the Service Planning process for next financial year. Continued work on the Council's Financial Sustainability Programme also progresses to deliver cost reductions and income generation initiatives wherever possible.

The MTFP report in this agenda pack sets out a detailed initial assessment of the key information that will be used for budget setting in 2025/26 onwards.

It includes a five year forecast for the budget gap that the Council will face, if action is not taken to reduce costs or increase income, or if additional government finance support is not forthcoming.

Work is now underway with officers to develop the detailed budget proposals for consideration by Executive in November and review by the O&S Scrutiny Panel.

A question had been submitted by a Member directly to officers on this item:

Page 110 "These changes were possible following the receipt of Royal Ascent for the Levelling up and Regeneration bill on 26 October 2023. "

This is in reference to the Council Tax Policy on the same page. The Royal Ascent put forward discretionary options on long term empty properties and dwellings occupied periodically (second homes).

The Royal Ascent enabled changes to the Council Tax Policy as bullet pointed on page 110 and approved by Council in February 2024.

This is a link that provided additional information regarding the bill [New laws to speed up planning, build homes and level up - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/new-laws-to-speed-up-planning-build-homes-and-level-up)

The Deputy Leader and Executive Member for Finance and Assets, Councillor Lewanski, invited Members to ask questions on the Medium Term Financial Plan

2025/26 provided in the agenda pack. In response, the following clarifications were provided:

Funding from Central Government

Members noted that the Department of Levelling Up, Housing and Communities had issued a policy paper response on Financial Distress in councils, estimating a funding gap of up to £4billion over the next two years. The Deputy Leader and Executive Member for Finance and Assets acknowledged that revenue support grant funding for this council finished in 2017 and any other grants from Central Government had remained the same for this authority for the last two years and that this was a concern. The Managing Director added that the Council was part of the Local Government Association, the District Councils Network and Surrey Chief Executives and was therefore networked to understand and influence discussions on Government funding. This Council has reserves and is therefore in a good position. There was no indication of a local government funding review in the near future. The Chief Finance Officer added that the Council had in-depth understanding of its budgets, however, changes would impact areas of these budgets and any unknown events would need to be addressed as they arose. A Member expressed concern that the new Government may claw back from local government reserves, although this was an unknown at this point in time.

User damage overspend

The Managing Director explained that drivers of Council trucks were skilled, however some areas in the borough were difficult to navigate and a degree of damage was inevitable. Driver training was in place and measures were in place to reduce damage. In response to whether there should be a budget for user damage, the Managing Director said that this could be discussed with the Head of Service but that it was unlikely.

Budget uncertainties and risks

The Chair noted that there was an extensive note on the service budget risks and asked for clarification on the dependence on outside funding to fund certain posts. In response, the Managing Director explained that certain posts within the Council attracted specific external or reserve based funding and that these posts would conclude if funding ceased. An example of such posts was Homelessness Prevention staff. These posts were reviewed regularly, and the Council could not assume to continue the activity of these posts if funding ended.

UK Shared Prosperity Fund

It was confirmed that the Council held and distributed UK Shared Prosperity Funding (UKSPF). A local partnership group, convened and administered by the Council, decided on funding allocation. Although the allocation of funding was not shown in this report, the Council held details on recipients.

RESOLVED that Overview and Scrutiny Committee:

Noted the Medium Term Financial Plan 2025/26 and made comments to the Executive.