

General Fund Budget and Council Tax Setting 2025/26

Meeting: Council

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Will the decision be open for call in (i.e. is it a key decision)? Yes No

Does the report contain confidential or exempt information? Yes No

1.0 Purpose of Report & Executive Summary

- 1.1 The report to Council on 27 February 2025 included the decisions required to agree a provisional budget for 2025/26, subject to the receipt of confirmation from the Ministry of Housing, Communities & Local Government (MHCLG) that Exceptional Financial Support would continue into 2025/26.
- 1.2 This report now provides Members with final 2025/26 General Fund budget proposals, following the receipt of confirmation from MHCLG that Exceptional Financial Support (EFS) will continue to be provided by Government to Woking Borough Council into 2025/26. The report also sets the level of Council Tax for 2025/26.
- 1.3 The ministerial letter confirming the EFS is appended to this report.
- 1.4 The final revenue budget proposals are unchanged overall from those reported to Full Council on 27 February 2025, and include:
 - i. An overall revenue budget for 2025/26 of £162.8m, compared with £190.3m for the previous year, that includes the servicing of overhanging debt of £2.1bn.
 - ii. A business-as-usual revenue budget for mainstream Council services of £23.6m compared with £22.6m for the previous year.
 - iii. A proposed Council tax for the Woking element of the tax of £298.11 (Band D), an increase of 2.99% on the previous year compared with a 10% increase in 2024/25.
 - iv. Exceptional Financial Support from central Government totalling £171.1m for 2025/26 compared with £192.9m for the previous year.

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- v. A total growth package of £2.4m for 2025/26.
- vi. A total savings package of £2.5m for 2025/26.
- vii. A General Fund revenue reserve maintained at £5m as was the case in 2024/25.

2.0 Recommendations

2.1 The Council is requested to:

RESOLVE THAT

- (i) Council considers and acknowledges the Section 151 Officer's s25 report on the robustness of the proposed budget and the adequacy of the Council's reserves, as set out in Appendix 4 to the report, including the factors which underpin the budget and specifically the need for exceptional financial support to balance the budget;**
- (ii) it be noted that the financial position has been based on the final Local Government Finance Settlement announced on 3 February 2025 together with any further announcements at that date;**
- (iii) it be noted that the net cost of services position includes previously agreed savings and pressures included in the 'Business as Usual Budget' approved by Council on 27 February 2025;**
- (iv) it be noted that Exceptional Financial Support (EFS) is required to balance the 2025/26 budget and that this has been granted by MHCLG, as per Appendices 2 and 8 to the report;**
- (vi) the Council's position on Reserves, recognising the unique situation the Council faces, be noted;**
- (vii) it be noted that work on the medium-term financial position will continue during 2025/26, with more savings likely to be required to Council services to address future budget gaps;**
- (viii) the full net cost of services requirement for 2025/26, including the impact of the historic borrowing position is £162.8m as per Table 3, be agreed;**
- (ix) the Council increases its share of Council Tax for a Band D household by £8.68 (2.99%), with other bands increased in line with the formula, be agreed;**
- (x) an amount of Council Tax be set for each valuation band in accordance with Section 30 of the Local Governance Finance**

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Act, 1992 as set out in the Council Tax Resolution in Appendix 6 to the report, be agreed; and

- (xi) quarterly updates on progress against the delivery of the Improvement and Recovery Plan including the budgeted savings on the revenue and capital monitoring position continue to be required.**

3.0 Introduction

- 3.1 This report provides Members with a final 2025/26 General Fund budget proposals, following the receipt of confirmation from MHCLG that Exceptional Financial Support (EFS) will continue to be provided by Government to Woking Borough Council into 2025/26. The report also sets the level of Council Tax for 2025/26.
- 3.2 The ministerial letter confirming the EFS is attached to the report at Appendix 8.
- 3.3 A further element of the report is the statutory section 25 (S25) statement by the Section 151 Officer on the robustness and legality of the Council's budget, which is highly dependent on the EFS package to be provided by Government.
- 3.4 Council Members are asked to note the S25 statement at Appendix 4, which sets out the considerations and assumptions that support the budget for 2025/26.
- 3.5 The Strategic Director of Finance (Section 151 Officer) has worked closely with Corporate Leadership Team, Executive Members and Commissioners throughout the budget setting process. The S25 statement and work set out in this report represent the agreed view of the budget position and issues.

4.0 Government Intervention and Strategic Context

- 4.1 On 25 May 2023, the Department for Levelling Up, Housing and Communities (since renamed to MHCLG) published the outcome of its non-statutory external assurance review into Woking Borough Council's (WBC) finances, investments and related governance. The Secretary of State considered the Council was failing to comply with its best value duty under the Local Government Act 1999. In particular, it highlighted the scale of financial and commercial risk due to the Council's legacy of disproportionate levels of debt at approximately £2.1 billion. The Government's intervention currently remains in place for up to five years.
- 4.2 A key part of the intervention is delivery of the Improvement and Recovery Plan (IRP). The plan, which was adopted by Council in August 2023, details the actions and delivery targets to deliver sustained improvements in financial management, governance and commerciality, organisational effectiveness and housing services. The plan includes a commitment to deliver a Medium-Term Financial Plan to work towards closing the 'business as usual' budget gap, reduce outstanding debts through asset rationalisation and commercial strategies, strengthen governance underpinning financial decision-making and agree financial support from government.
- 4.3 The IRP is underpinned by the MTFS which has the following strategic goals:

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- i. To provide a framework within which the Council is eventually able to achieve a series of balanced budgets in the medium term to support the delivery of the Improvement & Recovery Plan and against the backdrop of the Section 114 Notice and past events.
 - ii. By so doing to reach for and deliver where possible both financial stability and sustainability to do so in the short, medium and long term.
 - iii. To enable successive budgets to be balanced using a set of Guiding Principles that are commonly adopted across the Local Government Sector and to apply these rigorously. The Guiding Principles were approved by Council in July 2023 and are appended to the report as Appendix 1.
 - iv. To provide a budget and risk structure within which the IRP can be delivered successfully.
- 4.4 It is important that there remains a clear vision for the Council and how it will deliver for its residents, businesses and stakeholders. In November 2024, Executive agreed the refreshed Woking for All Strategy 2025 – 2028. The Council’s Vision and Mission statements included aims to become a financially sustainable Council that lives within its means, as follows:

Our vision

“A financially and environmentally sustainable council delivering services that residents value in every part of the borough.”

Mission statement

A trusted and transparent council that:

- Lives within its means.
- Focuses its energy on services that make a difference to people in the borough.
- Works in partnership with all communities to deliver positive outcomes.
- Continually engages with residents to design more efficient and effective services.
- Invests in talent to deliver for Woking’s future.

Improvement and Recovery Plan

The Woking for All Strategy is the Council’s corporate plan and is underpinned by and reflects the Improvement and Recovery Plan developed in response to Government intervention. The Strategy also takes account of the Council’s statutory and legal responsibilities.

- 4.5 The Council is working to deliver its Vision and Mission within the strategy, and the budget setting process is a key element to support WBC in becoming a financially and environmentally sustainable Council.

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5.0 The Council's Debt Position

- 5.1 On 7 June 2023, the then Section 151 Officer issued the Council with a Section 114 Notice. The notice was required because the Council's expenditure was likely to exceed the financial resources available, and therefore it could no longer balance its budget for the remainder of the financial year and subsequent years. The Council faces this extremely serious financial shortfall because of its historic investment strategy that has resulted in unaffordable borrowing, inadequate steps to repay that borrowing, and high values of irrecoverable loans. The loan impairments have been dealt with as part of the final accounts for 2023/24 and will continue to be reviewed.
- 5.2 Clearly, the size and scale of the historic debt at circa £2.1 billion prevents a balanced budget being set for 2025/26 without the continuation of support from Government. Detailed discussions on a solution to this for 2025/26 have been ongoing with Commissioners and the Strategic Director for Finance. However, to continue to access any support, the Council needs to show that it is, 'living within its means' and taking steps to meet a significant part of the deficit from its own resources. This includes both making savings on its service budgets and progressing the agreed Asset Rationalisation and Debt Reduction Plans, in a way that delivers the best returns for the public purse, allowing key services to be maintained and reducing the cost of debt servicing.
- 5.3 Work with Commissioners and Members has focussed on separating, as far as possible, how the historic debt is dealt with from the challenge of setting a "business as usual" (BAU) budget for the Council's services to its residents. This approach has resulted in the identification of service savings of £4.7m for 2025/26 to 2027/28, as approved at Full Council on 27 February 2025, which has narrowed (but not closed) the Council's BAU budget gap. Therefore, further savings are expected to be required in future years, although it is recognised that due to the scale of the modernisation and transformation required at WBC, closing the BAU budget gap is likely to take the life of the MTFP to achieve.
- 5.4 In addition, managing the Council's debt will require continued progression of the Asset Rationalisation and Debt Reduction Plans.

The Council's Deficit and Government Exceptional Financial Support (EFS)

- 5.5 Given the significance of debt-related costs, the Improvement and Recovery Plan work has included a detailed cashflow forecast and full reconciliation of the capital financing budget in accordance with proper accounting practice. As part of last year's budget setting process the following issues were addressed:
- The approach to Minimum Revenue Provision (MRP) i.e. the proper provision for the repayment of debt not previously followed by the Council.
 - The treatment of principal and interest repayments no longer fully recoverable from the companies following the suspension of the Revolving Credit Facility that the Council had operated with its two main subsidiaries Thameswey and Victoria Square Woking Limited.
- 5.6 An updated forecast for interest costs on borrowing, taking into account the additional borrowing agreed through the proposed Government support and the requirements

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to support the Capital Programme expected to be approved at Council on 27 February.

- 5.7 A separate report on this agenda includes the Capital Strategy, Treasury Management and Investment Strategies required by best practice. These reports reflect the adoption of proper accounting practice including the policy on Minimum Revenue Provision (MRP).
- 5.8 The total Government support package is summarised in the table below and is in line with the Council's request reported to Council on 27 February.

Table 1: Summary of Government Support for the Budget

	2023/24 Original* £m	2024/25 Original* £m	2025/26 £m	Total £m
Capitalisation Directive	235.2	95.6	74.6	405.4
MRP Deferrals	335.1	97.3	96.5	528.9
Total	570.3	192.9	171.1	934.3

*Figures represent the original EFS support agreed with Government in advance of each year. The table will be updated in future reports to include actual Exceptional Financial Support drawn down, once those year's accounts have been audited.

- 5.9 EFS support involves two mechanisms. The first is a Capitalisation Directive (CD) that allows some revenue costs in the budget to be capitalised and spread over several years, until funds from the Debt Reduction Plan including sales of capital assets become available to partially mitigate them and a permanent solution can be found. This approach is the standard one at all Councils in intervention with financial difficulties. The second element provides permission to continue to defer Minimum Revenue Provision ('MRP' – the principal repayment element of loans) costs that would otherwise be chargeable under statute, but that cannot be included in a CD as per MHCLG's rules. Instead, they must be deferred in accordance with MHCLG's latest statutory MRP guidance.
- 5.10 Woking Borough Council's EFS includes a Capitalisation Directive to cover the projected 2025/26 budget gap, which includes interest costs, commercial and intervention workstream costs and other risks totalling £74.6 million. It also requests permission to continue to defer MRP costs of £96.5 million in 2025/26, resulting in a total support request of £171.1 million.
- 5.11 While this is lower than previous EFS requests for 2023/24 (£570.3m) and 2024/25 (£192.9m), this is because 2023/24 had to include additional provision for accrued interest, impairment of loans made for revenue purposes, and backdated MRP for multiple years leading up to 2023/24, and 2024/25 included additional sums to replenish the Council's depleted revenue reserves.

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Table 2: Analysis of the Capitalisation Directive

	2023/24 and Prior Years	2024/25	2025/26
	£m	£m	£m
<u>Legacy issues</u>			
1.0 Repay borrowing for revenue	155.0	-	-
2.0 Correct legacy recharges to HRA	5.0	-	3.8
<u>Capital financing costs</u>			
3.0 Interest costs previously met by Revolving Credit Facility to Companies	44.0	46.0	-
4.0 VSWL & Sheerwater business case interest	2.0	5.2	-
<u>Revenue budget issues</u>			
5.0 Opening 2023/24 reserve deficit	19.7	-	-
6.0 Estimated 2023/24 overspend	8.7	-	-
7.0 Correct in year incorrect recharges to HRA	0.8	0.8	-
8.0 Budget gap 2024/25 and 2025/26*	-	11.6	67.0
9.0 Restate a general fund reserve	-	5.0	-
10.0 Reserve for grant clawback risks	-	7.0	-
11.0 Provision for Asset repair & maintenance	-	20.0	-
12.0 Management of Change Capacity	-	-	2.4
13.0 Contingency for remaining risks	-	-	1.0
14.0 Interest of Capitalisation Directive	-	-	0.4
Total	235.2	95.6	74.6

*For 2025/26, the Council's interest costs are included in the Council's overall budget gap, but are shown separately in the budget breakdown in section 6.

- 5.12 As a Capitalisation Directive involves further borrowing, the CD itself attracts additional interest and MRP costs in future years, it not permanent, solution to the overhanging debt issue but does provide a short-term reprieve.
- 5.13 Commissioners and Officers continue to work with Government in pursuit of a longer-term solution. However, the change in Government last year, and the new Government's Spending Review timescales mean that the issues are still under consideration by central government.
- 5.14 Every effort will be made to minimise the need for drawdown against the Capitalisation Directive. Government has made clear that the continuation of EFS remains conditional on the Council continuing to do everything it can locally to reduce

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its legacy debt (involving both the Asset Rationalisation and Debt Reduction plans), whilst protecting the best interests of the public purse, and continuing work to address the 'BAU' budget deficit into 2025/26 and over the medium term.

5.15 The Strategic Director of Finance (Section 151 Officer) has worked closely with Corporate Leadership Team, Executive Members and Commissioners throughout the budget setting process. The S25 statement and work set out in this report represent the agreed view of the budget position and issues.

6.0 Revenue Budget Position

6.1 The report to Council on 27 February set out a summary revenue budget position with a "business as usual" deficit of £2.8m, and a total deficit of £162.8m. **This overall position remains unchanged.**

6.2 However, work has been progressed during February (as reported to Full Council) to apportion between directorates the central provision of £1.415m that had been set-aside for the impact of the HRA recharge review. The outcome of this apportionment is now reflected in the directorate budgets in Table 3 below.

General Fund Summary	2024/25	2025/26		
	Total Current Budget*	Total Budget	Debt & Transformation Adjustments	BAU Budget
	£'000	£'000	£'000	£'000
Communities	7,376	7,369	0	7,369
Place	5,932	5,056	0	5,056
Corporate Resources	1,937	1,412	7,351	8,763
Finance	479	841	0	841
Reversal of depreciation charges	-3,947	-3,947	0	-3,947
Total Service Directorates	11,777	10,731	7,351	18,082
<u>Corporate Items</u>				
Management of Change costs	0	2,370	-2,370	0
Risk Contingency / Transfers to Reserves	32,000	500	0	500
Impact of lease surrender	-3,000	-3,000	0	-3,000
Pay Provision	82	772	0	772
Price Inflation Provision	0	759	0	759
Council Tax Hardship Scheme/Support	100	100	0	100
Reduction in recharges to HRA	428	0	0	0
Other Contingencies & Provisions	118	767	0	767
PFI Unitary Charge Equalisation	175	175	0	175
Total Corporate Items	29,903	2,443	-2,370	73
Net Cost of Services	41,680	13,174	4,981	18,155
<u>Financing Costs</u>				
Minimum Revenue Provision	105,402	104,168	-101,744	2,424
Interest Payable	64,063	67,489	-63,889	3,600
Interest Receivable*	-1,413	-1,198	813	-600
Net Financing Costs	168,052	170,459	-164,820	5,424
Amount to be met from External Funding	209,732	183,633	-159,839	23,580
<u>External Funding</u>				

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Business Rates	-4,284	-4,520	0	-4,520
Business Rates Surrey Pool	-330	-635	0	-635
Business Rates PY (Surplus)/Deficit	-699	-894	0	-894
Council Tax PY (Surplus)/Deficit	-126	6	0	6
Revenue Support Grant	-99	-138	0	-138
New Homes Bonus Grant	-25	-213	0	-213
Services Grant	-15	0	0	0
Compensation for Underindexing the NDR Multiplier	0	-447	0	-447
Minimum Funding Guarantee / Funding Floor Grant	-1,617	-978	0	-978
Domestic Abuse Safe Accommodation	0	-40	0	-40
Employer NI Funding Grant	0	-160	0	-160
Council Tax Income	-12,230	-12,783	0	-12,783
Total External Funding	-19,425	-20,802	0	-20,802
Deficit Funded by Exceptional Financial Support	190,307	162,831	-159,839	2,778

*Total Current Budget as reported to Executive in July 2024

- 6.3 The updated analysis of the gross and net spend of the Council is shown at Appendix 3.
- 6.4 Service budgets are inclusive of the changes previously agreed as part of the 2025/26 Budget and Fees and Charges Reports presented for approval at Council on 27 February 2025.
- 6.5 The 27 February reports that include the service savings schedule can be viewed on the [Council's website](#).
- 6.6 Appendix 7 shows the breakdown of gross and net spend for the Council's main divisions of service. Further work will continue into the new year to improve the Council's finance systems and budget monitoring to make the provision of financial information to Members and managers more meaningful and accessible.
- 6.7 The Council's total budget of £162.8m will be supported by Exceptional Financial Support (EFS) totalling £171.1m. A reconciliation between the EFS request and the General Fund budget deficit is shown in the following table:

Reconciliation GF Budget Deficit to EFS Request	2025/26
	£m
GF Budget Deficit February 2025	162.8
HRA Legacy Issues	3.8
Contingency for remaining risks	1.0
Management of Change Capacity	2.4
Interest on Capitalisation Directive	0.4
Reduction in budget deficit since January	0.7
Total EFS Request	171.1

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Corporate Items

- 6.8 Alongside the service budgets the following corporate provisions and items (shown in table 3 above) have been made:
- i. £772k provision to meet the costs of a potential staff pay award of up to 2.5%, pay progression for eligible employees This will be allocated to the service budgets once the actual pay award is confirmed during 2025/26.
 - ii. £759k provision to reflect 2% inflation on other expenditure budgets. This will be apportioned to services during 2025/26 based on an analysis of evidenced need.
 - iii. £767k provision, consisting of £549k to cover additional NI costs and statutory minimum wage increases, both direct (i.e. WBC staff) and indirect (i.e. costs passed on to the Council from contractors). The £218k balance represents a contingency brought forward from 2024/25 to mitigate the risk that Housing Benefit Subsidy awarded to the Council by the Department of Work & Pensions may not cover all Housing Benefits paid to claimants.
 - iv. A £500k contingency for unforeseen risks.
 - v. A £100k hardship budget – this is the allowance for the additional discretionary hardship support agreed in 2024/25 for residents, following the 10% council tax increase last year. Further details are set out later in the report.
 - vi. £175k Private Finance Initiative credits for the Council's (non-HRA) housing scheme with a local Housing Association.
 - vii. £2.37m management of change budget to provide capacity to enable the Council to manage delivery of the Improvement & Recovery Plan and to progress initial work on Local Government Reorganisation.
 - viii. £3m income annually from Victoria Gate receipt. This is the lease premium received by the Council in 2023/24 that is reflected in the general fund budget over a 4-year period until 2027/28. This will be used to support the Council's overall budget position.
- 6.9 The total interest payments for the Council's current debt and anticipated borrowing (either for refinancing, as part of the capitalisation directive or approved capital expenditure) have been included in the budget estimates. While actual costs may vary depending on the PWLB rates at the point borrowing is incurred, the gross estimated interest payable for 2025/26 is £67m, with £1.2m interest receivable on cash balances.

7.0 Management of Change and Flexible Use of Capital Receipts

- 7.1 While under government intervention and facing the prospect of Local Government reorganisation, the Council needs to ensure it has sufficient capacity to deliver on these transformational workstreams. As such, the 2025/26 budget includes a £2.37m budget to enable the Council to manage the following areas:
- i. Delivery of the Improvement & Recovery Plan and Government intervention programme.

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- ii. Progression of the Financial Recovery and Commercial workstreams, including the Asset Rationalisation and Debt Reduction Plans, and identification of further savings to assist with balancing the business-as-usual budget; and
- iii. Local Government Reorganisation following the Devolution White Paper in December 2024.

7.2 In addition, as part of the budget the Council can submit plans to MHCLG for Flexible Use of Capital Receipts (FCR) to enable it to fund eligible transformation costs that result in long term savings and efficiencies for the Council.

7.3 Alongside the Management of Change Budget, the proposed plans for FCR total £2.5m across 2025/26 and 2026/27, and were approved by Executive and Full Council in February. A breakdown of these budgets can be accessed in the budget report to Full Council on 27 February.

8.0 Reserves

8.1 Following the S114 notice in July 2023 and the subsequent correction of past accounting charges, the Council's usable reserves were effectively fully exhausted. As such, the 2023/24 and 2024/25 Exceptional Financial Support Package agreed with MHCLG included capacity to re-instate a prudent level of general and earmarked reserves, to help restore future financial resilience.

8.2 The reserves are set out in the table below. The earmarked reserves either restate previous reserves held that are deemed to be required, or cover new risks including the clawback costs and provision to correct incorrectly charged costs to the HRA.

TABLE 6: Summary of Estimated General Fund Reserve Balances

£m	General Fund Revenue Reserves
5.0	General Fund Reserve – the Guiding Principles set out in the MTFs indicated a need to maintain an unearmarked General Fund Reserve of 5% of revenue spend (c£1m). However, the Council is still in financial discovery mode and there may be further issues uncovered. Therefore a £5m reserve is held during this period, as supported by the 2024/25 Capitalisation Directive, to try to ensure risks can be mitigated without the need to request additional EFS.
Earmarked Revenue Reserves	
2.2	Grant Clawback Reserves: A balance of £2.2m remains in this reserve to address potential abortive cost or clawback risks on regeneration and s106 project costs.

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2.2	Government Grant Reserve: to hold ringfenced government grants totalling £2.2m at 31 March 2024 relating to Syrian, Afghan and Ukrainian refugee/re-settlement schemes.
3.0	PFI reserve: to meet liabilities arising from the Council's Housing (General Fund) PFI.
2.8	HS2 reserve: held by WBC as an administrative body, the funds are managed by Brookwood Cemetery for the maintenance of HS2 graves.
20.0	Asset Management and Maintenance Reserve: The 2024/25 Capitalisation Directive included £20m to create a sufficient sinking fund to meet potential liabilities associated with holding a large property portfolio, which may include repair & maintenance, income loss or other property-related costs.
6.2	HRA Legacy Risk Reserve: The 2023/24 Capitalisation Directive included £5m to ensure resources are available to correct historic and potentially unlawful transactions. There is c.£2.4m remaining in this provision. The 2025/26 CD includes a further provision of £3.8m next year to mitigate risk and act as a contingency until the HRA forensic review and associated legal advice are completed and reported back to Members accordingly.
3.2	Business Rate Equalisation Reserve: £3.2m to smooth volatility in business rates funding.
44.6	Total Earmarked Reserves

- 8.3 Earmarked reserves are ringfenced to enable the Council to manage specific risks. As the Council's reserves were re-instated only through Capitalisation Directives in the last year – they are effectively supported by borrowing, meaning their use would attract associated interest and MRP charges.
- 8.4 However, the reserves, in addition to confirming that funds for any s106 agreements or Community Infrastructure Levy (CIL) projects will be met in full, should reassure Members that adequate funds for known future liabilities have been assessed and provided for. Reserve balances at 31 March 2025 will be finalised as part of closing the financial year, and will be included in the 2024/25 Statement of Accounts submitted for audit.

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9.0 Final Local Authority Finance Settlement, Council Tax and Business Rate Income

- 9.1 On 3 February 2025, Government published the final settlement for 2025/26, confirming each Council's Core Spending Power for next year.
- 9.2 Core Spending Power ("CSP") is Government's measure of the resources available to Woking Council to fund General Fund service delivery. It sets out the money that has been made available through the local government finance settlement.
- 9.3 The CSP does not reflect the total actual resources the Council receives as the CSP includes Government's estimates [i.e. notional amounts] for Council Tax, and business rates. The Government's estimate for Council Tax is based on its assumptions of 0.4% growth in housing numbers, plus a 2.99% increase in the charge.
- 9.4 In effect, the CSP is a mechanism for Government to compare local authorities funding from one year to the next.
- 9.5 The table below sets out Woking Borough Council's 2025/26 final settlement as reported to Council in February:

Final Settlement for WBC	2024/25	2025/26		2024/25 to 2025/26 Variance	
	Final Settlement	Provisional Settlement	Final Settlement	£000	%
	£000	£000	£000		
Settlement Funding Assessment (SFA)					
Business Rates Baseline	2,327	2,357	2,357	30	1.3%
Revenue Support Grant (RSG)	99	138	138	39	39.8%
Subtotal SFA	2,426	2,495	2,495	69	2.9%
Other Grants					
Compensation for Under indexing the Business Rates Multiplier	430	447	447	17	4.0%
New Homes Bonus Grant	25	213	213	188	736.1%
Services Grant (ended)	15	0	0	-15	-100.0%
Existing service grants rolled into RSG	0	-38	-38	-38	New
Domestic Abuse Safe Accommodation	40	40	40	1	1.3%
Minimum Funding Guarantee (ended)	1,617	0	0	-1,617	-100.0%
Funding Floor Grant	0	978	978	978	New Grant
Employer NI Funding	0	TBC	160	160	New Grant
Subtotal Other Grants	2,127	1,641	1,801	-327	-15.4%
Subtotal Core Spending Power excluding Council Tax	4,554	4,136	4,296	-258	-9.2%
Council Tax	12,230	12,648	12,648	418	3.4%
Total Core Spending Power including Council Tax	16,784	16,784	16,944	160	1.0%

- 9.6 The settlement shows a 1.0% increase for WBC compared to 2024/25, which represents a real terms cut taking inflation into account (2.5% CPI in December

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2025) and it is below the average 6.8% increase in CSP seen nationally across the sector.

- 9.7 Allocated outside of the settlement, Government has confirmed that local authorities will benefit from a new income stream from 2025/26 through the introduction of its Extended Producer Responsibility scheme (aka Polluter Pays). The scheme requires producers of packaging to pay a new charge as a contribution towards the cost of waste collection and disposal. Based on current projections, the Council can anticipate a net favourable impact for WBC from the scheme of £747,000 in 2025/26, moderating to £533,000 per annum from 2026/27. This income is reported within Place Directorate (Waste Services).
- 9.8 Also allocated outside of the settlement, the Council is expecting to see an increase in Government Homelessness Prevention Grant funding, rising from £674,910 to £930,034 in 2025/26. This additional grant funding will support delivery of two of the savings proposals (Let's Rent and working with ThamesWey), alongside containing and managing any in-year homelessness demand pressures. In addition, the Council will continue to receive Rough Sleeping Prevention and Recovery Grant and Rough Sleeping Accommodation Programme funding in 2025/26 to support the team and associated activity in this area.

10.0 Business Rates and Council Tax

- 10.1 The Collection Fund is an account all authorities collecting Council Tax and Business Rates ("billing authorities") are required to maintain separately as it contains funds collected for both the billing authority itself and "precepting" authorities i.e. in Woking that is Surrey County Council and Surrey Police (which actually make up nearly 90% of the council tax raised).
- 10.2 The Council's Collection Fund position, including the taxbases for Council Tax and Business Rates, were reported to Full Council on 27 February.
- 10.3 For 2025/26, the Council Tax referendum limit is 3% for most lower-tier local authorities (i.e districts and boroughs) without social care responsibilities.
- 10.4 At some other Councils subject to Government intervention, tax increases above the cap have been agreed to help mitigate budget gaps for 2025/26, as was the case for Woking Borough Council in 2024/25 when Council Tax increased by 10% locally. For example, Bradford Metropolitan District Council has permission to increase by up to 10% in 2025/26, with Windsor & Maidenhead and Newham Councils both permitted increases of up to 9%.
- 10.5 Last year's 10% increase elevated the Woking Council Tax to the highest level in Surrey. As such, the local proposal for 2025/26 is to remain within the standard referendum limit by increasing Council Tax by 2.99%, providing an additional c.£366k per annum towards the running of essential services.
- 10.6 Woking Borough Council is the billing Authority for the borough area and is required to set a Council Tax that will cover not only its own requirements, but also those of the County Council and Police and Crime Commissioner.

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10.7 The following 2025/26 precept increases have been proposed by the respective organisation:

- Surrey County Council, 4.99% (2.99% General Council Tax, plus 2.0% Adult Social Care (ASC) Precept), and
- Surrey Police and Crime Commissioner, 4.33%

10.8 The level of Council Tax will vary between households throughout the borough and will depend upon which Band the property falls within.

10.9 Taking account of the above demands, the Council Tax at Band D for 2025/26 is as follows:

	£	% Share
Woking Borough Council	298.11	12.01%
Surrey County Council	1,846.35	74.39%
Surrey Police & Crime Commissioner	337.57	13.60%
Total Band D Charge	2,482.03	100.00%

10.10 Appendix 6 sets out the statutory calculation and recommendation of the 2025/26 Council Tax for Woking Borough Council, and precepts for Surrey County Council and Surrey Police and Crime Commissioner.

Hardship Scheme

10.11 For 2024/25, the Council approved a £100k budget to put in place mitigation measures for any hardship created by the prior year 10% tax increase. This was in addition to the existing Council Tax Support Scheme which covers 100% of council tax for the vulnerable or those on low incomes.

10.12 The £100k budget has been retained for 2025/26, in addition to the Council Tax Support Scheme, to assist residents with wider hardship issues than just Council Tax and provide links with debt advice partners in the Borough.

11.0 Current Year Costs and Impact on Budget Setting

11.1 Additional challenges arise from the forecast overspends across services of £1.6m in the current year 2024/25, as reported in the Quarter 3 monitoring report to Executive in February. Although the service overspends can be covered in the current year by the Council's favourable treasury management performance, work must continue into 2025/26 to mitigate service spending to contain it within the agreed budget envelope.

12.0 Medium Term Forecast

12.1 Beyond 2025/26, the Council's total budget forecast to 2027/28 has been updated to reflect the final settlement as shown in the following table:

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Forecast Total Budget	2025/26	2026/27	2027/28
	£m	£m	£m
Net Cost of Services	13.2	12.2	14.6
Financing Costs (Interest & MRP)	170.5	176.0	165.2
Subtotal	183.6	188.2	179.8
<u>External Funding</u>			
Council Tax	-12.8	-13.2	-13.6
Business Rates	-6.0	-3.9	-3.2
Unringfenced Grants	-2.0	-2.0	-2.1
Subtotal Funding	-20.8	-19.0	-18.8
Forecast Total Budget Deficit	162.8	169.2	161.0

12.2 The total budget deficit is projected to remain in a range of £161m to £169m over the next three years, although this will be significantly impacted and adjusted depending on progress of the Council's Asset Rationalisation and Debt Reduction Plans. For management purposes, the Council also presents the 'Business as Usual' (BAU) budget, which is a subset of the total budget. The BAU budget assumes:

- i. The Council incurs Minimum Revenue Provision (over 33 years) and interest (at 4.5%) costs on an assumed sustainable debt level of £80m, rather than on the actual debt pile of c.£2bn. This is for planning purposes and is distinct from the actual level of MRP that the Council is required to make in its Total Budget.
- ii. Net income from the commercial property estate owned directly by the Council totalling £7.35m is excluded from the BAU budget.
- iii. Non-recurring [beyond the intervention period] Management of Change costs totalling £2.37m are excluded from the BAU budget.

12.3 A medium-term forecast of the BAU budget is shown in the following table:

Forecast BAU Budget Envelope	2025/26	2026/27	2027/28
	£m	£m	£m
Net Cost of Services	18.2	17.7	22.2
Financing Costs (Interest & MRP)	5.4	5.8	6.2
Subtotal BAU Budget Envelope	23.6	23.5	28.4
<u>External Funding</u>			
Council Tax	-12.8	-13.2	-13.6
Business Rates	-6.0	-3.9	-3.2
Unringfenced Grants	-2.0	-2.0	-2.1
Subtotal Funding	-20.8	-19.0	-18.8
Forecast BAU Budget Deficit	2.8	4.5	9.6

12.4 Without further mitigating action, by 2026/27 and 2027/28 the BAU budget deficit is projected to widen to £4.5m and £9.6m respectively, mainly as cost inflation is expected to exceed increases in income, business rates funding is expected to

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reduce following the Government's Spending Review, and the £3m per annum Victoria Gate lease premium receipt is exhausted from 2027/28.

12.5 The key general assumptions used in the forecast are shown in the following table, followed by a sensitivity analysis:

Assumptions Used	Base £m	2025/26 Budget %	2026/27 Forecast %	2027/28 Forecast %
General Inflation - prices	34	2.0	2.0	2.0
Annual Pay Award	20	2.5	2.0	2.0
Fees and charges increased yield	14	Per Fees & Charges Report	2.0	2.0
Increase in Council Tax	13	2.99	2.99	2.99

12.6 The following table shows the estimated annual financial impact of varying the assumptions:

Sensitivity	+/- %	Estimated Impact 2025/26 £000
Price Inflation	1	335
Pay inflation	1	200
Fees & Charges	1	140
Interest on New/Re-financed Loans	1	4,150
Council Tax	1	130

12.7 A detailed report will be taken to Members following the first quarter of the new financial year to propose a planning framework for 2026/27's budget setting. This will also incorporate any actionable information that becomes available as Local Government Reorganisation progresses through its initial phase.

12.8 Budget monitoring will continue to be reported to the Council's Corporate Leadership Team (CLT) on a summarised monthly basis, with detailed quarterly reports reported through Executive.

13.0 Section 25 Statement

13.1 The s25 Statement is appended in full in Appendix 4. The Statement has been prepared in two parts, the first setting out the assessment made by Commissioners and the Strategic Director of Finance (s151 officer), which considers the overall financial position of the Council, the scale of the historic and 2025/26 deficit, alongside the request for Exceptional Financial Support to Government.

13.2 The second part of the statement focuses on the fiduciary and statutory considerations, that the Commissioners and S151 Officer must make in determining that the budget being set is reasonable and prudent. The Council is required by the Local Government Finance Act 1992 to make specific estimates of gross revenue expenditure and anticipated income leading to the calculation of the council tax requirement and the setting of the overall budget and council tax. The amount of the

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council tax requirement must be sufficient to meet the Council's legal and financial commitments, ensure the proper discharge of its statutory duties and lead to a balanced budget.

13.3 Section 25 of the Local Government Act 2003 requires that when a local authority is making its budget calculations, the Chief Finance Officer ('CFO' or S151 Officer) of the authority must report to the Council on:

- the robustness of the estimates made for the purposes of the calculations; and
- the adequacy of the proposed financial reserves.

13.4 The Council has a statutory duty to have regard to the CFO's report at Appendix 4 when making decisions about the budget.

14.0 Implications

Legal

14.1 The Council is obliged to meet its statutory duties and continue to make decisions in accordance with public law principles. The setting of a balanced budget by Full Council is a legal requirement.

14.2 This legal duty arises from the Local Government Act 2000, Local Authorities (Functions & Responsibilities) Regulations 2000 and the Local Government Finance Act 1992. This duty is both individually owned and collectively shared between all elected Members that make up the Council.

14.3 In deciding how to exercise its duty to set a lawful budget, the Council must have regard to the advice of the Chief Finance Officer and the Monitoring Officer. The Council must act in accordance with the Council's statutory duties, common law duties and administrative law principles.

14.4 Failure to set a budget would have significant financial, legal, and reputational impact on the Council.

Resources (including finance)

14.5 Resource and financial implications are set-out in the body of the report.

Risks and Mitigation

14.6 The key budgetary risks and mitigations are set-out in the Section 25 report at Appendix 4.

Consultation, Equality Impact Assessments

14.7 In considering the budget, the Council must also consider its ongoing duties under the Equality Act 2010 to have due regard to the need to eliminate discrimination and advance equality of opportunity between all irrespective of whether they fall into a protected category such as race, sex, religion, etc. Having due regard to these duties does not mean that the Council has an absolute obligation to eliminate discrimination but that it must consider how its decisions will contribute towards meeting the duties

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in the light of all other relevant circumstances such as economic and practical considerations.

- 14.8 The Council has sought to understand the equalities impacts of proposed service changes and any potential mitigations which can be offered as part of the budget report on service savings to 27 February Council. The only proposal requiring an Equality Impact Assessment (EqIA) in this report is the level of Council Tax which is attached as Appendix 5.

Environment and Climate Change

- 14.9 There are no direct implications arising from the contents of this report.

15.0 Supporting Documents

Appendices

- 15.1 Appendix 1 – Guiding Principles
- 15.2 Appendix 2 – Request for Exceptional Financial Support
- 15.3 Appendix 3 – Gross Expenditure and Income
- 15.4 Appendix 4 – Section 25 Statement and Risk Assessment
- 15.5 Appendix 5 – Equality Impact Assessment – Council Tax Increase
- 15.6 Appendix 6 – Council Tax Setting
- 15.7 Appendix 7 – Service Budgets
- 15.8 Appendix 8 – Ministerial Letter/Confirmation of EFS Support

Background Documents

- 15.9 Budget Reports - Executive and Full Council on 13 and 27 February 2025.
- 15.10 Medium Term Financial Strategy 2024/25 to 2028/29 Report - Executive, 11 July 2024.

Report Ends