

Overview and Scrutiny Committee – 7 December 2023

Draft Minute 49 – Observations on Budget Proposals 2024/25 - Budget Scrutiny Panel Report

Members received the report from the O&S Budget Scrutiny Panel which met on 29 November 2023 to consider the provisional Budget proposals for 2024/25 and to make recommendations to the Executive in line with the Council's budget and policy procedure rules.

Councillor Harrison, Chair of the Budget Scrutiny Panel, summarised the findings from the Panel to the Committee, which were set out in the report to the Committee as an addendum to the agenda pack, and in the recommendations set out in the minutes of the Budget Scrutiny Panel meeting. He drew attention to the following:

- The changes to the Local Council Tax Scheme would be financed by changes to Council tax premiums on empty properties.
- The financial settlement from Government was yet to be published and that the Overview and Scrutiny Committee would have an opportunity to view and comment on any consequential changes to the budget at the Overview and Scrutiny Committee meeting on 25 January 2024, prior to the Executive meeting on 1 February 2024.
- The budget is balanced, but there are uncertainties.
- Proposed savings were not expected to have a significant impact on the scope or quality of service delivery.
- There were concerns regarding inflation.
- The importance of Council's Commercial Strategy to address future budget gaps.

He thanked the Portfolio Holder, the Chief Finance Officer and the Finance team for their report and responses to the advance questions.

Pay award

The Managing Director informed the committee that formal notification had been received from both Trade Unions that the pay offer for 2024/25 had been accepted.

Local Government Finance Settlement

The Chief Finance Officer informed the committee that a Local Government Finance Policy Statement had been received earlier in the week which gave an indication about the parameters around next year's funding for local government and the indication was that there would not be any significant or severe reductions. However, it would not be known how the funding envelope would be shared between the different tiers and types of authorities until later in December.

Members made comments and asked questions on the following areas:

Empty homes

It was confirmed that there were approximately 300 empty and furnished second homes.

The Housing Department has started a 12 month pilot scheme to employ a part time officer to engage with social tenants that are interested in downsizing from family homes, freeing up homes for homeless families.

The officer would assist tenants with all aspects of their move. Six weeks into the project, there were thirty people interested in moving to more appropriate accommodation for them. As more tenants register their interest in moving, tenants can be matched with suitable homes in their own community. Following the one-year pilot project, consideration would be given to continuing to fund that role and potentially increase that resource.

Electric Vehicle charging points

It was confirmed that although there was no specific budget allocation for Electric Vehicle charging points in car parks. However, the Environmental Strategy had both capital and revenue allocations that could be used for schemes brought forward. Additionally, in-year approval of additional budget allocations was always possible for significant proposals.

Unlet commercial units

It was confirmed that terms were being discussed with tenants for the unlet units in The Rise and that unlet units at Wheatley Court were being marketed. Repurposing of vacant units for housing, was regularly considered across the property portfolio.

Housing benefit shortfall

It was confirmed that the shortfall in housing benefit had been an emerging theme over the last 2/3 years caused by a technical anomaly in housing benefit regulations, whereby the obligation to pay housing benefit on certain types of property, such as sheltered accommodation for those with complex needs, lies with the administering authority but has not been fully reimbursed by Government through the housing benefit subsidy. There has been an increasing gap between payments made and subsidies received which Government is aware of. Lobbying from local authorities is underway and a Parliamentary Select Committee has investigated the issue and recommended changes to the regulations.

The Chair identified a further recommendation to Executive on the budget proposals to be to work with other local authorities, and to lobby government, directly and through the Local Government Association. This was agreed by the committee.

Local housing allowance

It was confirmed that there was an issue regarding housing benefit being available only to fund accommodation linked to the Local Housing Allowance which has not increased in line with rents over recent years, resulting in a decreasing number of properties affordable for residents on low income for which they could claim housing benefit. This contributed to the number of families and households on low income having to present as homeless.

RESOLVED that in response to the Service and Financial Planning 2024/25 report and supporting documents to Executive on 16 November 2023, the following observations and Recommendations from the Budget Scrutiny Panel, and approved by the Overview and Scrutiny Committee on 7 December 2023, be submitted for consideration by the Executive, that:

- (i) The national and local policy context (Annex 1) and significant financial uncertainties at this stage in the budget-setting process were noted, along with the associated uncertainties and risks.
- (ii) The service proposals set out in this report which seek to respond to this context and deliver our corporate priorities, be noted.
- (iii) The draft service business plans for 2024/25 to 2026/27 be noted.
- (iv) The Panel tested the explanations in the Budget report for year on year changes in the revenue budget (savings, income and growth) in the context of the actual expenditure for the previous year and current year in respect to the services to be provided.
- (v) The Panel found the Budget proposals to be reasonable and in relation to the budget consultation and subject to the outstanding issues and risks commented on below, the Panel considered the following to be achievable, realistic, and based on sound financial practices:
 - a. Medium Term Financial Plan Forecasts and proposed actions to address the forecast Revenue Budget gap (Annex 2);
 - b. Service Revenue Budget growth proposals totalling £0.943 million, savings of (£1.719) million and additional income of (£0.540) million (Annex 3);
 - c. Continued funding support for Banstead Commons Conservators for a further three years (2024/25 to 2026/27);
 - d. Central Revenue Budget savings and growth proposals totalling (£0.376) million, and £1.75m provision for the 2024/25 pay award (Annex 3);
 - e. Agreement of a new 10 year Section 136 agreement with Horley Town Council;
 - f. Revenue Issues, Risks and Opportunities totalling £0.964 million, to be funded from earmarked Reserves as necessary;
 - g. Revenue Reserve Balances at 1 April 2023 of £35.474 million (Annex 6.1); and
 - h. A forecast balanced Revenue budget for 2024/25, subject to final confirmation of the outstanding items.
- (vi) The Capital Programme Growth proposals totalling £3.175 million (Annex 4) was reviewed. (This is revised down from the original £3.986 million)
- (vii) The Fees & Charges Policy (Annex 5) was noted.
- (viii) The Reserves Policy (Annex 6.2) was noted.
- (ix) The Panel supported the following changes to the Local Council Tax Support Scheme to be adopted from 2024/25:

- a. Removal of the maximum award of 90% Council Tax liability for 1,800 households and increasing the award to 100%;
 - b. Removal of the minimum requirement for a household to qualify for £5 per week before support is provided;
 - c. Expansion of support awards to cover full Council Tax liability for residents in Bands F to H;
- (x) The Panel supported the following changes Council Tax premiums on empty properties to be adopted from 2024/25:
- a. Removal of the empty homes discount of 28-days where a property becomes empty and unfurnished;
 - b. For empty and furnished second homes – charge 200% council tax after the first 12 months; and
 - c. For long-term empty properties – commence charging the 100% premium after 12 months.
- (xi) The Panel noted that the proposals at recommendation (x) would fund the proposals at recommendations at (ix)
- (xii) The Panel noted that assumptions and individual budgets were to be reconsidered following the December Government financial settlement announcement; consequently, the Panel did not draw a final conclusion on the overall Budget proposals for 2024/25. The Panel looks to receive an update on these items in January. Besides Government funding, the principal areas of uncertainty and risk are: homeless support/ temporary accommodation, housing benefit subsidy, recycle income/costs and the Government's proposals for resources and waste; the Harlequin/RAAC, and final confirmation of other grants received.
- (xiii) The changes made in the final Budget 2024/25 proposals to Executive on 1 February will also be an agenda item for discussion at Overview and Scrutiny Committee on 25 January 2024.
- (xiv) The Panel noted that the proposed savings were not expected to have a significant impact on service scope or quality.
- (xv) The Panel expressed concerns about general inflationary pressures in the UK economy – 10% in the previous year and currently 6%, well above the Bank of England 2% target, and suggested this may put further upward pressures on the cost of goods and services and the annual pay award.
- (xvi) The Panel noted that for several years, the Council has been pursuing its Commercial Strategy to help address budget gaps in future years, as Government funding is further reduced. It noted that additional income from The Rise is included in the revenue budget, with potential for further increases when all units are fully let. Furthermore, Government guidance and experience elsewhere means that the Council is cautious about further expansion of

commercial activity. The Panel noted that the Commercial Strategy was now more focussed on generating income through the Council's areas of strength, such as service provision, rather than investment in commercial assets. It was noted that outside of The Rise, there are not yet specific proposals for additional revenue in development for 2025/26 and beyond.

(xvii) The Panel noted that the use of earmarked reserves, to fund housing benefit shortfalls, could only be a one-off action and not a permanent solution.

(xviii) The Panel noted that in the Financial Accounts, a £1.1million provision has been made for credit loss with regard to the investment in Pathway for Care. This would be funded from the Commercial Risks and Volatility Reserve.

With the additional recommendation from Overview and Scrutiny Committee (xix) to work with other local authorities, and to lobby government, directly and through the Local Government Association on the problem of the shortfall of reimbursement of housing benefits.

The Committee thanked the Portfolio Holder and officers for the substantial work in preparing the Budget 2024/25 report and for the written responses to the 82 advance questions from Members.

RESOLVED that Overview & Scrutiny Committee approved the minutes of the Budget Scrutiny Panel meeting held on 29 November 2023.