

Housing Committee – 2024/25 Proposed General Fund Budget and Medium-Term Financial Strategy

Housing Committee Tuesday, 23 January 2024

Report of: James Devonshire – Head of Housing
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Purpose: For Decision

Publication status: Unrestricted

Wards affected: All

Executive summary:

The purpose of this report is to present the proposed General Fund Budget for 2024/25 and Medium-Term Financial Strategy (MTFS), including the General Fund Capital Programme for this Committee.

Members are asked to agree the recommendations below. These recommendations will be consolidated into the overall position, which will form part of the Council-wide budget setting process (to be ratified by Full Council on 8th February 2024).

This report supports the Council's priorities of: Building a better Council/
Creating the homes, infrastructure and environment we need / Supporting
economic recovery in Tandridge/ Becoming a greener, more sustainable District.

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Recommendations to Committee:

The approved Housing General Fund budget will form part of the Council-wide budget setting process (to be ratified by Full Council on 8th February 2024). This report focusses on the budgets for the General Fund, and recommends that Members:

- A. **Agree the Housing General Fund – Proposed Revenue Budget for 2024/25 of £0.678m**, as shown in **Appendix A**, taking account of pressures and savings allocated to the Committee and note that further allocations will be made to distribute an amount equal to increments and the agreed Council pay award, subject to approval by Strategy & Resources Committee and Full Council.
- B. **Agree the Committee’s Fees and Charges** for 2024/25 as shown in **Appendix C**.
- C. **Agree the Committee’s Capital Programme** for 2024/25 being the sum of £0.4m, as shown in **Appendix D**, subject to approval by Strategy & Resources Committee and Full Council.
- D. **Note the Subjective Revenue Budgets in Appendix B**, setting out movements from 2023/24 to 2024/25 and an estimated amount for 2025/26.

Reason for recommendation:

Section 151 of the Local Government Act 1972 requires all councils in England and Wales to make arrangements for the proper administration of their financial affairs. It is a legal obligation that the Council sets a balanced budget for 2024/25.

1. Introduction and Background

- 1.1 The Council’s proposed budget for 2024/25 has been collated through an extensive process over the past six months, beginning with a report to Strategy & Resources Committee on the 29th June 2023 which set out the timetable, process and key milestones. Throughout the process, the budget has been developed with an expectation that a savings target of £0.75m (with a range from £0.5m up to £1.4m) would be required to balance the Council’s overall budget.
- 1.2 The results of the budget process were captured in the Draft Budget 2024/25 and Future Tandridge Programme Update report that was presented to Strategy & Resources Committee on the 30th November 2023. The report set out a draft £0.6m savings plan for the Council overall, which at that point was sufficient to balance the budget along with itemised budget pressures and a high-level assessment of the impact of inflation.

- 1.3 The Draft Budget was presented with significant uncertainty on whether Government funding would be sufficient to allow the budget to remain balanced with the existing £0.6m savings plan. On the 18th December 2023, the Government released the provisional Local Government Finance Settlement, which set out funding for each Council. Although the final settlement is not expected until later in January 2024, it is highly unlikely that funding allocations will materially change. This Council's allocation was sufficient to balance the budget for 2024/25 based on the £0.6m savings set out in the Draft Budget. The budget will only remain balanced if the £0.6m savings plan is approved, so any proposed alteration to savings proposals would need to be met by approval of an amended target elsewhere.
- 1.4 The 2024/25 savings plan has been designed to deliver tactical savings whilst the Council finalises the implementation of key elements of the Future Tandridge Programme, including the Digital Programme, the renewed Grounds Maintenance services, key commissioning reviews (including Voids and Housing Repairs) and the People Plan. Savings have not been identified beyond 2024/25 as yet, but will be required to close the Medium-Term budget gap. A Transformation Programme Director resource is currently out to recruitment and their main focus will be to work with the Council to shape and deliver its future plans within available resources. Whilst the wider Council's corporate budget includes a modest contingency of £445k and a service capacity fund of £200k (more details of which will be presented to Strategy & Resources Committee), it is imperative that the savings are delivered or alternate measures identified where they cannot be. A robust governance approach through the Future Tandridge Programme continues to oversee delivery and manage these risks.
- 1.5 The overall budget has been drawn together on the following principles:
- A balanced revenue budget with the use of General Fund Reserves avoided in anything but unforeseen circumstances that cannot be met from contingencies or reduced spend elsewhere;
 - Maintaining and ideally building the contingency to provide further medium-term financial resilience and to mitigate risk;
 - Supporting and enabling the Council to fund the Future Tandridge Programme and associated improvements to its services;
 - Continuing to explore options to build resilience of General Fund Reserves;
 - Completing the Future Tandridge Programme within available resources, delivering services with appropriately set budgets;
 - Producing evidence-based savings plans which are owned/delivered, tracked, monitored and reported monthly; and
 - Ensuring that managers are accountable for their budgets.

1.6 The principles more specifically relating to setting sustainable medium-term budgets are:

- Developing multi-year plans, integrated with capital investment across the Council;
- Application of a budget envelope approach with a model to determine a consistent and transparent application of funding reductions to Committee budget envelopes, backed by formal reporting to Committee;
- Envelopes validated annually based on realistic assumptions;
- Evidence bases used to underpin savings proposals and investments;
- Assurance that all savings, pressures and growth are managed within budget envelopes to ensure accountability for implementation;
- Pay and contract inflation allocated to Service budgets to be managed within budget envelopes; and
- A corporate contingency held centrally to mitigate risk.

2. Housing Committee Overview

2.1 This section sets out an overview of the Committee's activities, but some are funded from the Housing Revenue Account, the budget for which is set out in a separate committee report.

2.2 The Committee is responsible for formulating and reviewing the Council's policies for the management including repair, maintenance, improvements, sale, acquisition, allocation and control of all the Council's housing stock. In addition, the Committee has the vital role of looking at the private sector housing conditions including standards of condition and the provision of a housing advisory service to prevent homelessness within the district.

2.3 As part of the FTP several key lines of enquiry were identified and have since been completed. Most prominent is ensuring appropriate use of Government Homelessness Prevention Grant to offset legitimate service expenditure. This action was completed in 2023/24 and with grant fund expenditure now under continuous review. A second action was the introduction of a new housing structure and ensuring compliance with new and upcoming legislation. A new staff structure has been in place since February 2023 with changes to some roles to ensure compliance with ever changing statutory regulation and increasing consumer standards. In addition to this, a Tenant and Leaseholder Engagement Strategy has been approved with actions continuing to be completed on both the Housing, and Homelessness and Rough Sleeping strategies. Processes for aids and adaptations in both Council owned and private sector housing have been streamlined and are now delivered through the Housing Improvement Agency Millbrook Care Ltd. Other actions such as review of IT systems within the service, income maximisation and the feasibility review of Meadowside Park are either in progress or due to commence in Q4 of 2023/24.

- 2.4 In addition to this work, a review of the delivery of responsive repairs and void maintenance in Council owned homes is currently underway. The aim of this review is to review the existing delivery model and consider alternative future delivery models. This is with the aim of improving value for money, performance and resident satisfaction. This project is scheduled to complete mid 2024/25.
- 2.5 Mindful of the Council's responsibilities in respect of climate change, work is commencing to ensure costings for future efficiencies through 'retrofitting' existing stock or demolition and redevelopment of stock that is uneconomical to maintain is being completed. This complements the move towards a future carbon zero position. Two bids for government grant funding have been unsuccessful, one a sole application and the second made via a Surrey consortium. An application for round three is now being drawn up with support of external consultants to support our bid.
- 2.6 Other activity in 2023/24 included the tendering of a new contract to deliver the Disabled Facilities Grants and adaptations to Council housing through a Home Improvement Agency. This again has been completed and a contract award has been made with a contract start date of 1 April 2024.
- 2.7 Ongoing resilience of the Council's Housing Service is vital to be able to support our ongoing programme to provide a direct supply of new Council owned homes. Construction materials and labour costs have risen significantly as the industry suffers from the cumulative effect of Covid-19, Brexit and the war in Ukraine. The housing programme is still subject to delay as a result of market conditions and a previous lack of resources within the development team. The original council house building programme commenced in 2015 and consisted of 142 units. There have been 86 completions to date including 10 buybacks. There are 4 remaining schemes onsite. Two are due to complete this year, and two in early 2024/25.
- 2.8 The need for affordable homes continues to grow in the district. The Council seeks to develop and extend the programme of Council house building in the next year alongside working with Housing Associations to improve the flow of supply. The buy-back programme has been a success, and a further extension of the scheme has been agreed. The continued supply of Council owned homes to meet the growing demand will require the Council to pursue opportunities for open market land purchase as well as developing on existing land. 'Buy backs' of Council properties are also progressing.

- 2.9 In addition to the current house building programme work is ongoing to complete on 7 purchases under the LAHF scheme before 30th November 2023. 6 purchases have completed with the final purchase due to complete by the end of the month. Officers are now in the process of securing 6 more properties under the LAHF round 2 following this Committee's approval in September. Two properties are already under offer with viewings ongoing.
- 2.10 The Council's Investment Partner application has been approved by Homes England along with £1.5m of grant funding to-date.
- 2.11 The Housing team carries out extensive support work for all residents of Tandridge not just Council tenants. Housing Needs are assessed, the Council's Housing and Homelessness strategies are being progressed, Disabled Facilities Grants are administered, and a handyperson service is provided via the Home Improvement Agency. Administration of Housing Benefit is brought to the Housing Committee. Much of the work is governed and dictated by legislation, with considerable statutory returns required throughout the year.
- 2.12 The Housing Department continues to seek opportunities for shared services with neighbouring authorities. 2023/24 saw the continuation of the Syrian Refugee, Afghan Relocation and Homes for Ukraine Schemes. Joint working between internal teams and partnership working with colleagues from neighbouring authorities has led to the success of the implementation and ongoing management of these schemes. This work will continue into and most likely beyond 2024/25. Joint working relationships have been established with Reigate and Banstead Borough Council in relation to fraud management within the housing service. This service allows investigation of housing register and homelessness applications, housing benefit fraud and the investigation of all Right to Buy applications.

3. Revenue Budget

- 3.1 **The proposed revenue budget for Housing General Fund totals £0.678m. Appendix B** details the subjective budgets from 2023/24 budget to Estimated Budget 2024/25 and 2025/26.
- 3.2 **Financial Savings of £35k / 5%** have been included in the proposed budget for this Committee. **Appendix A** itemises savings. The summary savings items are as follows:
- **£20k** – Better utilisation of Homes for Ukraine funding to meet the full costs of delivering the service.
 - **£15k** – Removal of the budget for Syrian refugees, which will not be required as the Government's scheme comes to an end in 2023/24.

- 3.3 No material financial pressures have been identified for the Committee although an amount equal to the annual pay rise and any increments will be allocated once approved. Homeless and Housing Benefit costs remain key risks, but in both cases the level of Government funding is volatile and difficult to predict. Whilst no allocations have been made in the current year's budget, this will need to be monitored closely as the year progresses and may present a financial risk to the Corporate contingency fund.
- 3.4 **Appendix A** is an extract from the MTFs for this Committee which details the pressures and savings identified and details the overall budget position for the Committee.
- 3.5 **Appendix B** shows the detailed budget for this Committee, taking account of the changes set out in this report.

4 Review of Fees and Charges

- 4.1 Charging for services forms a key part of the overall mechanism for financing local services. In simple terms income from fees and charges offsets the cost of the service. If income from charging does not fully offset costs, then the Council taxpayer must pay for the difference.
- 4.2 It is therefore important that charges are regularly reviewed and assessed to reflect the Council's corporate priorities and are increased annually to take account of inflation, demand and any other appropriate factors particular to individual charges. 2024/25 will be a challenging year with ongoing uncertainty relating to inflation and cost of living. This is exacerbated by the significant uncertainty with funding and policy from Central Government for 2025/26 and over the medium-term. The Spending Review and the provisional settlement has only provided us with surety for one year.
- 4.3 Fees and charges have been reviewed by service managers with support from Finance, taking into account factors such as the impact of increases on residents, anticipated demand, comparison with competitors and other Councils, previous levels of performance and inflation.
- 4.4 As a result, it is proposed fees and charges are uplifted according to the following broad principles, with full detail set out in **Appendix C**. Fees and charges were discussed with Members at an all-Member workshop on the 19th December 2023, with these proposals reflecting the discussion:
- Fees relating to licencing fall under the umbrella of services provided by the shared Environmental Health partnership, with Mole Valley District Council. As the cost of providing the service within Tandridge District is broadly the same as providing within Mole Valley District, efforts have been made to align charges where possible, or set them on a course to align over a two-to-three-year period.

- Meadowside Plot and Garage fees have been linked to the uplift on Housing Rents, which is capped at 7.7%. For consistency with the Housing Revenue Account, it is proposed that the uplift be set at 7.7%. A block of 12 garages is due to be demolished (changed to parking spaces) – whilst this will reduce some of the income increase, it was deemed more cost effective than maintaining or re-building.

4.5 Additional income generated by the uplifts is retained within the Committee until certainty on future activity levels and the impact of new charges is attained.

5 Capital Programme

5.1 The proposed Capital Programme for this Committee is shown at **Appendix D**. The programme covers a three-year period but will be reviewed and updated annually. The Appendix shows the current agreed programme, revisions to existing schemes and any new schemes added and the proposed programme after all revisions.

5.2 Included in the Appendix is a narrative description of each scheme.

6 Consultation

6.1 In the January 2024 Council newsletters, residents and business have been asked for their comments on the Draft Budget approved by Strategy & Resources Committee on the 30th November 2023. Any comments received will be incorporated into the final budget presented to Full Council on the 8th February 2024.

Key implications

7. Comments of the Chief Finance Officer

7.1 With no clarity over Government funding from 2025/26 onward, our working assumption is that financial resources will continue to be constrained. This places an onus on the Council to continue to consider issues of financial sustainability as a priority in order to ensure stable provision of services in the medium-term.

7.2 It is a legal obligation that the Council sets a balanced budget for 2024/25. This relies on the identification of sufficient savings to meet spending pressures and any income reductions. Drawing on already low General Fund reserves to cover a shortfall in savings is not a sustainable option and would only be used as an absolute last resort. The Council needs to build, rather than draw on reserves to safeguard its medium-term financial stability.

- 7.3 The Section 151 Officer confirms that the proposed 2024/25 Budget and MTFS is based on reasonable assumptions, taking into account all known material, financial and business issues and risks and is confident that if the principles and recommendations set out in this report are adopted that a balanced budget can be set for 2024/25.

8. Comments of the Head of Legal Services

- 8.1 Section 151 of the Local Government Act 1972 places a general duty on local authorities to make arrangements for 'the proper administration of their financial affairs'. The Local Government Act 2003 places a duty on the Council's Chief Finance Officer to advise on the robustness of the proposed budget and the adequacy of reserves.
- 8.2 The report updates Members with the MTFS for this Committee. This is a matter that informs the budget process, is consistent with sound financial management and the Council's obligation under section 151 of the Local Government Act 1972 for the Council to adopt and monitor a MTFS. Members have a duty to seek to ensure that the Council acts lawfully and produce a balanced budget. Members must not come to a decision which no reasonable authority could come to; balancing the nature, quality, and level of services which they consider should be provided against the costs of providing such services.
- 8.3 The report provides information about risks associated with the MTFS and the budget. This is, again, consistent with the Council's statutory obligation to make proper arrangements for the management of its financial affairs. It is also consistent with the Council's obligation under the Accounts and Audit Regulations 2015 to have a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk. The maintenance and consideration of information about risk, such as is provided in the report, is part of the way in which the Council fulfils this duty.
- 8.4 Section 28 of the Local Government Act 2003 imposes a duty on the Council to monitor its budgets throughout the financial year, using the same figures for reserves as were used in any original budget calculations. The Council must take necessary appropriate action to deal with any deterioration in the financial position revealed by the review.
- 8.5 The Council is a best value authority within the meaning of section 1 of the Local Government Act 1999. As such the Council is required under section 3 of the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness (the best value duty) which includes a duty to consult. Having a MTFS therefore contributes to achieving this legal duty.
- 8.6 The Council is required to obtain approval by Full Council of its MTFS.

9. Equality implications

- 9.1 The Council has specific responsibilities under the Equality Act 2010 and Public Sector Equality Duty. Part of this is to ensure that the potential effects of decisions on those protected by the equalities legislation are considered prior to any decision being made.
- 9.2 Section 149 of the Equality Act 2010, provides that a public authority must, in the exercise of its functions, have due regard to the need to:
- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the EA;
 - advance equality of opportunity between persons who share a relevant protected characteristic (as defined by the EA) and persons who do not share it;
 - foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 9.3 The three parts of the duty applies to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status apply to the first part of the duty.
- 9.4 Members should have due regard to the public-sector equality duty when making their decisions. The equalities duties are continuing duties they are not duties to secure a particular outcome.
- 9.5 Officers have reviewed proposed budget changes against the initial equalities screening and have nothing to report.

10. Climate Change implications

- 10.1 There are no direct impacts on environmental aspects in this budget report. Climate change implications will be assessed as part of any changes to Service provision through the business case process.

Appendices

- Appendix A – Summary of Savings
- Appendix B – Subjective Detailed Budget Analysis
- Appendix C – Proposed Fees and Charges
- Appendix D – Proposed Capital Programme
- Appendix E - Glossary

Background papers

Strategy and Resources Committee – 30th November 2023 – 2024/25 Draft Budget and Future Tandridge Programme Update

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