

Housing Committee - 2025/26 Proposed General Fund Budget and Medium-Term Financial Strategy

Housing Committee 23rd January 2025

Report of: Director of Resources

Purpose: For decision

Publication status: Unrestricted

Wards affected: All

Executive summary:

The purpose of this report is to present the proposed Budget for 2025/26 and Medium-Term Financial Strategy (MTFS), including the Capital Programme, for the General Fund aspects of this Committee.

The outcome 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 13th February 2025).

Fees and charges for 2025/26 are presented for approval by the Committee.

The content has been collated through a process commencing in June 2024, and is based on the Budget Principles approved by Full Council on the 17th October 2024.

This report supports the Council's priority of: Protecting and enhancing our environment./Delivering affordable housing for local people./Financial prudence and sustainability./Putting residents at the heart of what we do./A safe, healthy and caring community supporting those most in need./A thriving economy.

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Recommendation to Committee:

The approved Committee budget will form part of the Council-wide budget setting process (to be ratified by Full Council on 13th February 2025). This report focusses on the General Fund budgets for this Committee, and recommends that Members:

- A. **Agree the Committee's proposed General Fund revenue budget for 2025/26 of £0.750m** as shown in **Appendix A and Appendix B**, taking account of pressures and savings allocated to the Committee.
- B. **Agree the Committee's fees and charges** for 2025/26 as shown in **Appendix C**.
- C. **Agree that the plot fees for Meadowside be uplifted by February 2025 CPI**, in accordance with the legislative cap.
- D. **Agree the Committee's Capital Programme** for 2025/26 being the sum of £0.420m, as shown in **Appendix D**, subject to approval by Strategy & Resources Committee and Full Council.
- E. **Note the Subjective Revenue Budgets in Appendix B**, setting out movements from 2024/25 to 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. The Council has a legal obligation to set a balanced budget for 2025/26.

1. Introduction and background

- 1.1. The Council's proposed budget for 2025/26 has been collated through an extensive process over the past six months, beginning with a report to Strategy & Resources Committee on the 27th June 2024 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 £1m would be required to balance the Council's overall budget.
- 1.2. The results of the budget process were captured in the Draft Budget 2025/26 and Future Tandridge Programme Update report, presented to Strategy & Resources Committee on the 28th November 2024. The report set out a draft £0.8m savings plan (consisting of cost reductions and increased income) for the Council overall, which at that point was sufficient to balance the budget along with itemised budget pressures included estimated 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 £0.8m savings plan. On the 18th December 2024, 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 2025, it is highly unlikely that funding allocations will materially change. This Council's allocation was sufficient to balance the budget for 2025/26 based on the £0.8m savings set out in the Draft Budget. The budget will only remain balanced if the £0.8m savings plan is approved, so any proposed alteration to savings proposals would need to be met by approval of an amended target elsewhere.

2. Strategic content

- 2.1. The Council adopted a new Corporate Plan in July 2024, which sets out the vision and strategic priorities for the next four years. A corporate vision and plan can be used to articulate key priorities to a range of audiences, including residents, businesses and external stakeholders. They also support bids for external funding.

Our vision is:

Protecting the environment, delivering affordable housing, putting residents at the heart of what we do and encouraging economic growth.

Our priorities are:

1. Protecting and enhancing our environment.
2. Delivering affordable housing for local people.
3. Financial prudence and sustainability.
4. Putting residents at the heart of what we do.
5. A safe, healthy and caring community supporting those most in need.
6. A thriving economy.

3. Financial Context

- 3.1. In common with most of local government, the Council faces a significant financial challenge in 2025/26 and over the medium-term. Developing a robust Budget and Medium-Term Financial Strategy (MTFS), with an aligned savings plan, is critical to addressing this challenge and maintaining stable finances to underpin the delivery of Council priorities.
- 3.2. Three key financial messages served as context for the development of the 2025/26 budget and a four-year MTFS:

1 – The Council faces a financial challenge of £4m (30%) over the MTFS period

- A savings target of £1m per year on average, every year, will be needed to balance the MTFS.

- If no savings were made, funding would fall short of requirements by c£1m in 2025/26, £2m in 2026/27 and so on, with a gap of £4m per year after four years.
- The Council is legally required to set a balanced budget, and so savings are inevitable. The Council cannot rely on reserves or one-off funding to meet this challenge.
- If no action was taken, the Council's General Fund would be exhausted by the end of 2026/27.

2 – The challenge can be met, with strong financial resilience and a sound track record

- Financial resilience has been growing since 2021/22. Key elements of resilience are a £445k annual contingency, with £721k brought forward, and a £200k Service Capacity Fund. General Fund Reserves have been increased to £3.0m.
- The Council has delivered a savings plan averaging £1.1m per year for the last three years, demonstrating that a challenge of this magnitude can be met, and has been met before.

3 – Financially prudent and well-reasoned decision making is critical

- The Council has made a series of prudent financial decisions since 2021/22, which have grown resilience and redirected resources to front-line service delivery.
- All future decisions must be taken in the context of the financial position and move the Council closer to a balanced MTFS. Once Committee budget envelopes are established, any decision to commit further spend must be met by a proposal for funding it.
- Difficult decisions will be required, including a reduction in discretionary spend, increased fees and a full review of the services the Council can provide.

An MTFS gap of £4m will not be resolved immediately. A series of prudent decisions and steady progress towards identifying savings will be required. Closing the budget gap is not optional, and neither can one-off resources be relied upon to meet permanent spending challenges.

4. Committee overview

- 4.1. 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.
- 4.2. 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.

4.3. Key initiatives for 2025/ 26 are:

- Voids/Housing repairs:

The Voids & Housing Repairs project has continued and has followed the continuous improvement approach. A Project Initiation Document to identify scope, resources and begin writing system specifications was completed and a project team identified with regular project meetings taking place. Authority to procure a Voids contract was granted at the March 2024 meeting of the Housing Committee and a procurement partner identified. Full procurement and mobilisation of this contract is timetabled for April 2025.

- Cleaning of estates, depots, public conveniences and the Council Offices:

Authority to procure a contract was sought and approved during the March 2024 meeting of the Housing Committee. Consolidation of various contracts has been undertaken to procure a single contract to achieve value for money and ensure effective contract management in accordance with the Council's Corporate Contract Management guide. A new contract is expected to be effective from March 2025.

- Health and Safety Compliance:

An internal audit of Asset Management Health and Safety Compliance was undertaken earlier this year. The audit highlighted several high priorities in relation to the management of the Councils assets. Due to this, it has been recognised that an increase to the compliance budgets within the Housing Revenue Account is necessary. In addition to the audit, the budget increase has been made to ensure compliance the Consumer Standards as set out by the Regulator of Social Housing and within the Social Housing Regulation) Act 2023. Several contracts have been procured for electrical testing, asbestos removal, and the completion of water risk assessments. The increased HRA budget for 2025/26 will allow for the completion of a stock condition survey and Energy Performance Certificates for Council properties were required.

4.4. 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.

5. Budget principles

- 5.1. The Council has delivered savings of c£6m over the last 4 years (including 2024/25) and c£3.2m over the last 3 years under FTP1.
- 5.2. Whilst this demonstrates a strong track record in savings delivery, it is evident that it is becoming increasingly challenging to deliver the level of savings needed in ways that do not impact on front line services.
- 5.3. Within this context, work has been ongoing to develop a 2-year savings plan commencing 2025/26. The approach taken is underpinned by some key principles which are set out below.
- 5.4. These principles were approved by Full Council in October 2024 and will be used to guide Committee decision-making going forward.

Budget Principles

The following were agreed by Full Council in October as the principles on which the 2025/26 Budget will be based:

1. **Overall** - in identifying the savings needed to deliver a balanced budget, the overarching aim is to minimise the impact on services to residents.
2. **Revenue generation** – the Council will seek to maximise its income from fees and charges.
(The Council will also actively seek other opportunities for income generation).
3. **Fees and charges** – these will be set to reflect the true costs of providing the service, including both direct costs and a contribution to other costs. Any exceptions to this general principle should be explicitly agreed, along with the rationale for this being the case.
4. **Service pressures** – services are expected to manage and contain any routine 'in-year' pressures within their budget.
5. **Budget risk** – the Council will accept a higher level of risk in its budget-setting for individual service areas.
6. **Discretionary spend** – in any future scenario, significant savings in the discretionary areas of the Council budget will be needed to balance the budget & meet MTFS pressures.
7. **Discretionary spend** - where these reductions in discretionary spend impact on third party organisations, the Council will manage this reduction over a reasonable period and engage with stakeholders to work on ways to mitigate the impact as far as possible.
8. **Transformation** – the Council will need to be more ambitious and determined in areas such as Digital, Shared Services and Commercial developments to meet the medium-term financial, whilst accepting that these areas take more time to produce realisable savings.

9. **Assets** – leaseholder charges should reflect the true costs of providing assets (including both direct costs and a proportion of overheads). Where there is a gap currently, the level of subsidy will be shared for consideration by the Council with a view to recovering the full amount over a reasonable period of time. Any exceptions to this principle should be explicitly agreed, along with the rationale for this being the case.
10. **Community assets** – the Council will adopt a consistent ‘policy-led’ approach to making decisions on which community assets it will continue to support financially and make clear the level of any subsidy applied. Any exceptions to this principle should be explicitly agreed, along with the rationale for this being the case.
11. **Decision-making** - once the savings plan has been developed and considered by the Council, any proposal to reduce a saving will only be considered if an equivalent alternate saving is also proposed at the same time.

6. Revenue Budget Headlines

- 6.1. The Committee’s proposed budget includes the following movements from 2024/25:

2024/25 Budget	£736k
Budget Pressures	£22k (See Appendix A)
Savings	(£11k) (See Appendix A)
Adjusted Income	£3k (See Appendix A & C)
2025/26 Proposed Budget	£750k (See Appendix B)

- **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.
- **Appendix B** shows the detailed budget for this Committee, taking account of the changes set out in this report.
- **Appendix C** provides the full list of fees and charges for approval by the Committee.

7. Key Pressures

- Pressures for the Committee are limited to £22k to cover staffing costs including pay award, the government’s increase to employers’ national insurance and increments.

- The main cost within the Committee is Housing Benefit, at £18.6m, offset by £18.2m of Department of Work and Pensions (DWP) funding leaving a net cost of £0.4m. Whilst Housing Benefit costs and DWP funding remain volatile, it is assumed that the current budget, supported by a ringfenced reserve for Housing Benefit of £249k will be sufficient to manage this risk.

8. Key Savings

8.1. Savings planned for the Committee are:

- £9k increase to vacancy factor from 4% to 5%. This does not represent a target for recruiting managers to adhere to and efforts are being made corporately to improve the recruitment process. The increase reflects the prevailing vacancy factor and ensures that the budget is based on the reality of recruiting challenges. If vacancies are filled more quickly, a reduced saving would be managed through the Council's corporate contingency of £445k.
- £2k minor reduction in utilities budget to reflect over provision in previous years.

9. Key Income Generation Changes, including Fees and Charges

- 9.1. The Committee's 2025/26 budget proposes a reduction in income of £3k, related to a reduction in fees from Meadowside Garages where these have been demolished and replaced by parking spaces.

Review of Fees and Charges

- 9.2. Charging for certain services forms a key part of the overall mechanism for financing Council activity. Income from fees and charges offsets the cost of the service. If income from charging does not fully offset costs, then the Council Tax payer must pay for the difference.
- 9.3. 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. 2025/26 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 2026/27 and over the medium-term. The Spending Review and the provisional settlement has only provided the Council with surety for one year.
- 9.4. 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 3rd December 2024, 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, charges were aligned for 2024/25 and for 2025/26 a 3% uplift has been proposed, in line with the MVDC guideline increase.
 - The increases on Meadowside Plot fees are set using (and capped by) the CPI figure as calculated at the start of February each year. Meadowside Garage fees are calculated using September CPI+1% which is consistent with the Housing Revenue Account - for 2025/26, the proposed uplift for garages is set at 2.7%. A block of 12 Meadowside garages has been demolished during this financial year (changed to parking spaces), so a net reduction in the Meadowside income of £3k has been factored into the 2025/26 income figure.
- 9.5. 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.

10. Capital Programme

- 10.1. 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.
- 10.2. Included in the appendix is a narrative description of each scheme.

11. Consultation

- 11.1. In the January 2025 Council newsletters, residents and business will be asked for their comments on the Draft Budget approved by Strategy & Resources Committee on the 28th November 2024. Any comments received will be incorporated into the final budget presented to Full Council on the 13th February 2025.

Key implications

12. Comments of the Chief Finance Officer

- 12.1. With no clarity over Government funding from 2026/27 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.

- 12.2. It is a legal obligation that the Council sets a balanced budget for 2025/26. 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.
- 12.3. The Section 151 Officer confirms that the proposed 2025/26 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 2025/26.

13. Comments of the Head of Legal Services

- 13.1. 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.
- 13.2. 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.
- 13.3. 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.
- 13.4. 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.

- 13.5. 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.
- 13.6. The Council is required to obtain approval by Full Council of its MTFS.

14. Equality implications

- 14.1. 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.
- 14.2. 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.
- 14.3. 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.
- 14.4. 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.
- 14.5. Officers have reviewed proposed budget changes against the initial equalities screening and have nothing to report.

15. Climate Change implications

15.1. 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 Pressures and 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 – 28th November 2024 – 2025/26 Draft Budget and Future Tandridge Programme Update

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