

POLICY AND FINANCE COMMITTEE

8 February 2024 at 6.00 pm

Present: Councillors Stanley (Chair), Nash (Vice-Chair), Birch, Cooper, Greenway, Gunner, Oppler and Pendleton.

Councillors Goodheart, Northeast and Tandy were also present during the meeting.

620. COUNCIL REVENUE AND CAPITAL BUDGETS 2024/2025

The Chair confirmed that before inviting the Group Head of Finance and Section 151 Officer to present the budget report, he proposed to start with the recommendations that had been submitted for this Committee to consider from each of the service committees. Each of the recommendations had been set out in the supplement pack circulated to the meeting and uploaded to the web and emailed to Councillors on 7 February 2024. The Chair confirmed that he proposed to take these recommendations on block. The recommendations were as set out below and were from the:

- Environment Committee – 23 January 2024 – Minute 547 – Committee Revenue and Capital Budget 2024/25 - [Page 3 of the supplement pack].
- Housing & Wellbeing Committee – 25 January 2024 – Minute 559 – Committee General Fund Revenue and Capital Budgets and Housing Revenue Account budgets 2024/25 [Page 6 of the supplement pack]
- Planning Policy Committee – 30 January 2024 – Minute 573 – Committee Revenue and Capital Budgets 2024/25 [Page 8 of the supplement pack]
- Corporate Support Committee – 31 January 2024 – Minute 590 – Committee Revenue and Capital Budgets 2024/25 [Page 11 of the supplement pack]
- Economy Committee – 1 February 2024 – Minute 601 – Committee Revenue and Capital Budgets 2024/25 [Page 12 of the supplement pack].

Having had these recommendations proposed by Councillor Oppler and seconded by Councillor Nash, the Committee

RESOLVED – That

- (1) The Revenue budget for this Committee [the Environment Committee] be included in the overall General Fund budget when considering the overall budgets on 8 February 2024;

- (2) The General Fund Revenue Budget, HRA Revenue Budget and Committee Capital Programme for this Committee [the Housing & Wellbeing Committee] be included in the overall General Fund budget when considering the overall budgets on 8 February 2024;
- (3) The Revenue budget for this Committee [the Planning Policy Committee] be included in the overall General Fund budget when considering the overall budgets on 8 February 2024;
- (4) The Revenue Budget for this Committee [the Corporate Support Committee] be included in the overall General Fund budget when the Policy & Finance Committee considers the overall budget at its meeting on 8 February 2024; and
- (5) The Revenue Budget for this Committee [the Economy Committee] be included in the overall General Fund Budget when the Policy & Finance Committee considers the overall budgets at its meeting on 8 February 2024.

The Chair confirmed that he would now focus on the whole budget for 2024/25. Before inviting the Group Head of Finance and Section 151 to present the budget to the Committee, the recommendations were proposed by Councillor Birch and were then seconded by Councillor Oppler.

The Group Head of Finance and Section 151 Officer then presented the key elements of his report. Firstly, he confirmed that it was proposing that Arun's Band D Council Tax for 2024/25 be set at £208.39, which was an increase of 2.99% over 2023/204. Council was also being asked to approve increasing HRA rents and HRA garage rents by 7.7%. The Group Head of Finance and Section 151 Officer outlined that his report was also asking the Council to note the impact of the budget proposals on the HRA reserve balance and the Council's Usable Revenue Reserves.

Turning to the Local Government Finance Settlement, the results of this had been reported to the Special Meeting of the Policy & Finance Committee held on 8 January 2024. As part of the provisional settlement, the Council had received indication that it would receive an extra £250k in grant representing an 11% increase on the previous year's figures. The Secretary of State had also announced extra funding for local government to the tune of £600m, most of which would be directed to adult social care services, however, there was £100m coming to district councils which was estimated to represent around £150k extra for this Council from that announcement. The numbers were still subject to final confirmation by the Department for Levelling Up, Housing and Communities (DHLUHC), but it was now estimated that an additional £50k for Arun may be forthcoming, Therefore, the total extra funding anticipated to be

received, because of the most recent announcement, was £450k compared to the 2023/24 budget. The New Homes Bonus grant (NHB) totalled £1.37m for 2024/25 but it was emphasised that the Council would not receive this in 2025/26. As it had not been confirmed what this would be replaced with, this would make budget planning past 24/25 even more challenging. Business Rate Pools had been confirmed as part of the Local Government Finance Settlement and so the West Sussex Business Rates Pool would continue for 2024/25.

The Council Tax Referendum principles had not changed and remained at 3% or £5, with 3% being the higher figure for Arun District Council. This equated to an increase in the Band D Council Tax of £6.05, which was about 11 pence per week.

Returning to the additional grant money received, the report before Members outlined how the Council proposed to use the additional funding. The £150k had been set aside to deliver the financial strategy; the recruitment of a Chief Executive; and to fund the newly established Flood Forum. Any further additional funding would be added to this budget. The Council's net revenue budget requirement for 2024/25 was £33.1m, representing a reduction of approximately £400k from 2023/24, which was not a significant change. Of the £400k, £100k of that reduction related to the net cost of service committee budgets. The other £300k was due to additional investment income resulting from continued higher interest rates.

Looking ahead, it would be necessary to revisit the assumptions when updating the Medium-Term Financial Strategy in the earlier part of the 2024/25 financial year. The main changes had already been reported to Service Committees as part of the consultation process in preparing the budget. Much of the increases reported would be offset by savings embedded into budget proposals totalling approximately £1.5m. It was important to emphasise to Members that these could not be achieved without risk, but it was hopeful that they would be delivered. Each of the Service Committees would receive quarterly budget monitoring reports to keep Members fully briefed on progress. The impact of the 2024/25 budget proposals on the Council's usable Revenue meant that £3.5m would be used to fund the revenue budget. It was explained that this could be reduced if the Council could identify further savings in 2024/25 and work on this was progressing. The Group Head of Finance and Section 151 Officer then drew Members' attention back to its meeting held on 26 October 2023, when the Committee had considered its Financial Prospects report which had then estimated a figure of around £4.5m that would need to be taken from reserves. This figure had reduced considerably for 2024/25.

Members' attention was then drawn to the HRA budget as the reserve for this budget would fall to approximately £0.5m in 2023/24. Indications did show that the reserve level would increase to around £1m by the end of March 2025, which although an improvement would still be well below the Council's approved threshold of £2m. Work was taking place with the new Group Head of Housing to update the HRA Business Plan which might identify the need to review this level. Focusing on the 2024/25 budget, it was explained that to achieve the £1m reserve target, it was proposed to increase rents by 7.7%. It was accepted that these would be difficult decisions for Councillors to make and it was emphasised that this recommendation had not been chosen lightly. The financial position of the HRA had been regularly reported

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to Members throughout the year and so it should not come as a surprise that this action was required. The 6.7% increase in benefits announced by the Chancellor as part of his Autumn Statement, which would come into force from 1 April 2024, would hopefully help to cushion the impact of the increase on residents. The recommendation was one of financial necessity and it was recognised that this would cause difficulty for some. Voids levels were being targeted heavily to try and increase income for the Council.

Under the capital programme, no new schemes were proposed as part of the budget setting process and there would be significant project slippage as had been explained in detail as part of earlier agenda items. The delivery of the financial strategy would be partly dependent upon capital investment and affordability with the programme being kept under constant review.

Looking at the adequacy of reserves, they were forecast to fall to £17m by March 2025. Although this was not seen as a significant problem, it was clear that the Council could not sustain using its reserves year on year to balance the budget. The Group Head of Finance and Section 151 Officer stated that he wished to update the Committee on the budget consultation. In addition to undertaking the usual consultation through each of the Service Committees and with non-domestic rate payers, a wider public consultation process had been launched on the Council's web site. Although this had not achieved a great response, 58 in total, this was seen as something to build on for future years.

The Group Head of Finance and Section 151 Officer confirmed that The Local Government Act 2003 required him to report on the robustness of the estimates made for the purposes of calculating Council Tax and housing rent levels. He was also required to report on the adequacy of the Council's reserves. It was confirmed that he was satisfied that the estimates, as presented, were sufficiently robust. On the adequacy of reserves, he confirmed that he was content that the minimum level of balances should not fall lower than £10m in 2024/25 with the Council being well above that figure now, but this would have to be reviewed each year as a legal requirement.

The Chair then invited questions from Members. The Group Head of Finance and Section 151 Officer was thanked for his detailed work undertaken and especially given the difficult and challenging circumstances. Members were pleased that the Council had started a process of public consultation on the budget which needed to be enhanced. The proposed increase in rents for tenants was a difficult realisation to accept. It was hoped that the increase in benefits would assist in bridging this financial burden for many. It was pleasing that the Council had been able to achieve a reduction in the amount it was drawing down from reserves, especially when considering the extreme challenges that had been faced. At the same time, the need to safeguard reserves was critical. Arun's borrowing remained low and so it needed to consider borrowing opportunities for invest to save projects which would deliver budget savings.

The Committee

RECOMMEND TO THE SPECIAL MEETING OF THE COUNCIL ON 21 FEBRUARY 2024 – That

- (1) The General Fund budget as set out in Appendix 1 is approved;
- (2) Arun's Band D Council Tax for 2024/25 is set at £208.39, an increase of 2.99% over 2023/2024;
- (3) Arun's Council Tax Requirement for 2024/25, based on a Band D Council Tax of £208.39, is set at £13.451 million, plus parish precepts as demanded to be transferred to the General Fund in accordance with statutory requirements;
- (4) The HRA budget as set out in Appendix 2 is approved;
- (5) HRA rents be increased by 7.7% in accordance with the provisions of the rent standard;
- (6) HRA garage rents be increased by 7.7% to give an average rent of £15.60 per week (excluding VAT) and heating and water/sewerage charges be increased on a scheme-by-scheme basis, with the aim of balancing costs with income;
- (7) The Capital Programme as set out in Appendix 3 is approved.

The Council is requested to note:

- (8) That the Group Head of Finance, in consultation with the Leader of the Council has approved a tax base of 64,550 for 2024;
- (9) That the HRA balance to remain below the Council's set minimum level of £2 million for the 2024.25;
- (10) The impact of the proposed 2024/25 budget on the Council's Usable Revenue Reserves as set out in Appendix 4; and
- (11) The results and commentary of the public budget consultation process as summarised in Appendix 5.

(The meeting concluded at 7.23 pm)