

**Meeting of the Overview and Scrutiny Management Committee
Report on Proposed Amendments for the 2023/24 Budget**

Purpose of report

1. To report to the Overview and Scrutiny Management Committee the proposed amendments from Cllr Ian Thorn and Cllr Gavin Grant to the budget recommended to Cabinet on 31 January 2023 for the committee to appraise and raise any comments to Full Council.

Background

2. This meeting of the Overview and Scrutiny Management Committee provides an opportunity for non-executive councillors to question Cllr Ian Thorn and Cllr Gavin Grant, on the proposed amendments before the budget is considered by Full Council on 21 February 2023.
3. The Member proposal is amendment to the proposed Cabinet budget, as set out as follows:
 - To remove the saving included in the 2023/24 budget to cease the grant funding for both the Lunch Clubs of £0.060m and Friendship Clubs of £0.046m and to allocate this money to Area Boards to provide the support to Lunch and Friendship clubs in their areas.
4. The above proposal has the following impact on the 2023/24 base budget:

Proposal	Impact £m
Removal of the saving to cease grant funding of Lunch Clubs	0.060
Removal of the saving to cease grant funding of Friendship Clubs	0.046
Total pressure of proposals	0.106
Funding Proposal of Pressure for 2023/24	
2023/24 – Use of Collection Fund Surplus received in the year and reduce the contribution to the Collection Fund Volatility Reserve	0.106
Funding Proposal of Pressure for future years	

2024/25 – Increase in the assumption in growth in the council tax base from 1.2% to 1.25% which results in an additional £0.169m of basic council tax	0.106
2025/26 - Increase in the assumption in growth in the council tax base from 1.2% to 1.25% which results in an additional £0.353m of basic council tax	0.106

5. The proposal has the effect of reducing the amount of savings to be delivered in the 2023/24 financial year which results in a revenue pressure in every year of the MTFs, with proposals for funding this pressure set out in the table above.
6. The impact of the funding of the proposal has the effect of reducing the contribution to the Collection Fund Volatility Reserve by £0.106m in 2023/24, the balance of which will then be forecast to be £10.713m at the end of 2023/24 financial year. This reduces the reserves available to cover the General Fund risks to 135% at the end of 2023/24.
7. The proposal is to also increase the growth assumption on the increase in Council Tax Base in 2024/25 and 2025/26 from 1.2% to 1.25% for both 2024/25 and 2025/26, which is slightly lower than the average increase over the last 6 years (1.39%) and lower than the average over the last 2 years (1.49%) to support the funding of the amendment proposal in years 2024/25 and 2025/26. The balance of the increase in funding is proposed to be transferred to the Collection Fund Volatility Reserve in financial years 2024/25 and 2025/26.

S.151 Officer Comments

8. The proposal has been costed and this has been included in the figures above. This identifies that the amendment balances and therefore does not impact on the 2023/24 base budget proposed in the original paper to Cabinet and in doing so meets the financial test for an amendment to the budget to be considered by Full Council.
9. This is the second year impact of the decision that was made in last years budget to reduce the grants to luncheon and friendship clubs over the course of two financial years.
10. Although the amendment proposes the use of the collection fund surplus to fund an ongoing pressure in the first year, fundamentally the amendment is to then amend the assumptions over the increase in the council tax base, the number of new properties built, to fund the amendment going forward.
11. Before covering off the risk on amending the tax base growth assumption it should be noted that the change in assumption, if accepted and of course if it materialises, would see additional funding to the Council over and above that required to fund the amendment. It is proposed that this balance would be transferred to the collection fund volatility reserve, which would result in a greater balance on the fund than is currently estimated. Members should note though that other amendments also look

to draw from the same proposal and should therefore be mindful of any cumulative impact.

12. The key risk is the uplift in tax base growth. The 1.2% in the MTFS is my professional advice to the Council. The table below details out the actual taxbase growth over the last six years, with four out of the six years having seen higher growth while two years have been below the amendments 1.25% and the proposed MTFS assumption of 1.20%.

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
taxbase	182,705.43	186,013.00	187,935.69	187,517.35	189,964.37	193,142.94
Band D increase	4,900.35	3,307.57	1,922.69	- 418.34	2,447.02	3,178.57
% increase	2.76%	1.81%	1.03%	-0.22%	1.30%	1.67%

13. When setting an assumption on growth consideration should be given to the fact that any deficit arising on the collection fund must be made good in the following years budget. Therefore if the amendment was approved but the actual taxbase growth was as per the proposed budget of 1.2%, there would be a £0.169m pressure in 2024/25 as a result of this amendment that would have to be found from additional savings in that financial year.
14. Given the size of the collection fund it would not take much movement to have a considerable financial impact on the Councils finances. A 1% error on the collection fund equates to a £3.8m.
15. The assumption, in my professional judgement, reflects the reality of house building growth as the key determinant in tax base growth, while carefully balancing prudence in not overestimating the amount of growth and potentially exposing the Council to a future financial risk that then has to be immediately made good, potentially at the cost of service delivery.
16. In setting the assumption I also took into account the forecasts and commentary on the economy, in particular the impact of rising interest rates on the housing market, and more importantly house building. Whilst these vary a number of research studies were citing significant falls in the number of housing starts and completions during 2023.
17. Whilst a 0.05% increase in the tax base growth assumption maybe small in the overall context of the collection fund and the Councils budget, but it would go against my advice and should be considered against the context I have set out in my commentary above.

Monitoring Officer Comments

18. Subject to the views of the Chairman of the Council and subject to this proposal being moved in accordance with the Rules of Procedure in Part 4 of the Constitution, this is an appropriate amendment within the meaning of Rule 20.6. There are no other legal implications.

Head of Paid Service Comments

19. As Head of Paid Service, I can confirm that officers have provided independent advice. We are aware of the full details of the amendments, and they are policy amendments in nature. Officers' view is that commissioned provision outcomes are preferable to grant payments.

Conclusion

20. Overview and Scrutiny Management Committee are asked to consider the proposed amendments to the financial plan 2023/24 and inform Full Council on 21 February 2023.