POLICY COMMITTEE MEETING MINUTES - 13 DECEMBER 2023

Present: Councillor Brock (Chair);

Councillors Terry (Vice-Chair), Barnett-Ward, Emberson, Ennis, Gittings, Leng, McEwan, Rowland, Thompson and White

Apologies: Councillors Hoskin, Mitchell and Robinson

39. MINUTES

The Minutes of the meeting held on 30 October 2023 were agreed as a correct record and signed by the Chair.

40. ARTICLE 4 MODIFICATION

Further to Minute 35 of the meeting held on 23 September 2021 and Minute 33 of the meeting held on 31 October 2022 the Committee considered a report seeking modification of the Article 4 direction to remove certain permitted development rights that would result in new residential dwellings across the town centre, district and local centres, core employment areas and a number of other commercial areas.

The report explained that the Secretary of State had powers to modify or cancel an Article 4 direction at any point before or after it comes into force. The Secretary of State had used these powers to modify the direction on 10 October 2023 and the modification was expected to come into force on 3 November 2023. The following documents were attached to the report:

- Appendix 1: Equality Impact Assessment
- Appendix 2: Map summarising modification
- Appendix 3: Modification letter and notice

The report noted that the modification incorporated reductions as suggested by officers in a Supplementary Evidence document submitted to the Department for Levelling Up, Housing and Communities (DLUHC) in August 2022. This went into significant detail on the justification for each building or cluster of buildings being within the direction and resulted in a suggested significant reduction to the geographical coverage of the direction from 482 ha to 111 ha, a 77% reduction. A large proportion of this reduction was achieved by excluding areas where the permitted development right would not be able to be used in any case, in particular because the areas were not in a land use to which the permitted development right applies. However, it did also result in the removal of around 82,000 sqm of commercial floorspace from the direction that would potentially be available to convert to residential, where it was not possible to demonstrate wholly unacceptable adverse impacts to a sufficiently specific degree.

Following a request from the DLUHC, Officers had provided further Supplementary Evidence on 7 December 2022, which sought to further justify the inclusion of air quality and noise as justification for the extent of the direction. On 3 July 2023, the Minister of State for Housing and Planning, Rachel Maclean, wrote to the Chief Executive of Reading

Borough Council setting out the Minister's view on the proposed amended Article 4 direction. The conclusion was that the Minister was minded to modify or cancel the direction unless further sites were excluded, namely where they were justified only by noise and/or air quality issues. Removal of these areas would further reduce the Article 4 direction area by 11 ha, a 10% reduction on the already reduced proposed area of 111 ha. In terms of total commercial floorspace to be covered, the reduction was somewhat larger, so there would be a 22% reduction on floorspace covered by the already reduced direction. The areas that would be removed would be primarily office locations on the edge of the town centre, in particular those around the Inner Distribution Road, although there are some other smaller noise or air quality hotspots that would be affected.

On 10 October, the Chief Planner at DLUHC wrote to the Chief Executive of the Council to notify that the Secretary of State had formally modified the Article 4 direction. This letter included the formal modification notice and accompanying maps. The letter and notice were attached to the report as Appendix 3.

The report noted that the modification was in line with the Minister's expressed intentions and incorporated those reductions that had been suggested by officers in the Supplementary Evidence as well as further reductions to exclude areas of justified only by poor air quality and/or noise disturbance.

Therefore, the modified direction was much reduced from the direction as originally made having reduced from 482 ha to 100 ha. The modified direction came into effect when notifications had been made in line with regulations on 23 November 2023.

Resolved –

> **That the modification of the Article 4 direction relating to various permitted development rights that would result in new dwellings be noted.**

41. 2023/24 QUARTER 2 PERFORMANCE AND MONITORING REPORT

The Committee submitted a report setting out the projected revenue and capital outturn positions for 2023/24 for both the General Fund and the Housing Revenue Accounts as at the end of Quarter 2, as well as performance against the measures of success published in the Council's Corporate Plan. The following documents were attached to the report:

- Appendix 1 – Recovery Plan Quarter 2 (2023/24)
- Appendix 2 – Brighter Futures for Children (BFfC) Budget Monitoring Report Quarter 2 (2023/24)
- Appendix 3 – Savings Tracker Quarter 2 (2023/24)
- Appendix 4 – a. Capital Programme Tracker Quarter 2 (2023/24)
- Appendix 4 – b. Capital Programme Tracker Quarter 2 (2023/24 to 2025/26)
- Appendix 5 – Corporate Plan Performance Measures (Monthly & Quarterly) Quarter 2 (2023/24)
- Appendix 6 – Corporate Plan Projects and Initiatives Quarter 2 (2023/24)

The report stated that the General revenue outturn position at the end of Quarter 2 projected an adverse net variance of £3.685, consisting of £10.984m of net pressures within Service expenditure budgets. This variance was partially offset by a positive net variance of £7.299m across Corporate Budgets. The overall forecast variance was a net improvement of £0.120m from Quarter 1. The net improvement of £0.120m included £3.117m of identified recovery plan mitigations that each directorate was tasked with developing as part of the 2023/24 Quarter 1 Performance and Monitoring Report. These mitigations had been predominantly offset by £2.200m of increased pressures relating to Children's Services delivered by Brighter Futures for Children (BFfC) which was now forecasting an overall adverse net variance of £7.019m; £0.375m of increased pressures within Waste Disposal; and £0.422m of other net pressures across other council services. The £3.117m of identified recovery plan mitigations were set out individually in Appendix 1 to the report.

The report explained that the most significant movement from Quarter 1 related to Children's Services delivered by Brighter Futures for Children (BFfC) which was forecasting an overall adverse net variance of £7.019m; an increase of £1.190m from Quarter 1. The majority of the movement from Quarter 1 related to Childrens' placements.

The report also noted that the second most significant adverse movement since Quarter 1 was in Waste Disposal within Environmental & Commercial Services, which had seen £0.375m of increased pressures as a result of increased overall waste tonnage levels.

The report explained that the non-delivery of previously approved Medium Term Financial Strategy savings continued to be a concern with only 42% of these savings currently showing as on track or delivered. As has been previously reported, all budgeted contingencies had already been released and factored into the Corporate Budgets forecast.

The report also sought approval for amendments to the General Fund Capital Programme. The provisional General Fund Capital Programme outturn was now forecasting a positive net variance of £1.078m against a proposed revised budget of £67.090m in 2023/24. This variance related solely to the Delivery Fund. During this quarter, the Capital Programme Board had led a review of all Capital Programme schemes in respect of scheme deliverability with project managers and re-forecast spending plans with the aim of right sizing the budget to match individual scheme delivery profiles, and to address historic reprofiling/slippage issues.

The report noted that the Housing Revenue Account (HRA) was projecting a positive net variance of £0.457m as at the end of Quarter 2. Therefore, a drawdown from HRA Reserves was forecast of £2.042m rather than the originally budgeted £2.499m. The HRA Capital Programme was forecasting to spend to budget against a revised budget of £33.564m in 2023/24.

The report also set out performance against the measures of success published in the Council's Corporate Plan. Of the 26 Corporate Plan Performance Measures monitored monthly or quarterly, 58% had improved since Quarter 1 of 2023/24, whilst 38% had worsened.

Resolved

(1) That it be noted:

a) That the forecast General Fund revenue outturn position for Quarter 2 was an adverse net variance of £3.685m which was a net improvement of £0.120m from Quarter 1;
b) That the forecast General Fund revenue outturn position for Quarter 2 included £3.117m of Recovery Plan mitigations identified during the Quarter;
c) That £0.235m (3%) of previously approved Medium Term Financial Strategy savings had been delivered (blue) to date in this financial year, with a further £3.219m (39%) of savings on track to be delivered (green) by March 2024. £2.985m (37%) of savings were currently categorised as non-deliverable (red) and £1.679m (21%) categorised as at risk of delivery (amber);
d) That the General Fund Capital Programme was forecasting a positive net variance of £1.078m against the proposed revised budget of £67.090m;
e) That there was a total £4.595m Delivery Fund available for 2023/24 (inclusive of 2022/23 approved carry forwards). At Quarter 2, £3.753m of this funding had been allocated out to approved schemes;
f) That the Housing Revenue Account (HRA) was projecting a positive net variance of £0.457m as at the end of Quarter 2, which results in a forecast drawdown from HRA Reserves of £2.042m rather than the originally budgeted £2.499m;
g) That the HRA Capital Programme was forecasting to spend to budget against the proposed revised budget of £33.564m;
h) That the performance achieved against the Corporate Plan success measures was as set out in Section 12 and appendices 5 and 6;

(2) That the amendments to the General Fund Capital Programme (as set out in Section 8 and Appendix 4a and 4b to the report), which incorporated virements between schemes including transfers of budget into the Hexagon and Library LUF schemes and resulted in a revised Capital Programme budget of £67.090m for 2023/24, £93.811m for 2024/25 and £50.221m for 2025/26, be approved;

(3) That the amendments to the HRA Capital Programme (as set out in Section 11 and Appendix 4a and 4b of the report) resulting in a revised Capital Programme budget of £33.564m for 2023/24, £49.183m for 2024/25 and £67.802m for 2025/26, be approved;

(4) That the Scheme & Spend approval for the Local Authority Housing Fund scheme within the HRA Capital Programme as set out in Section 11 to the report be approved.

42. MEDIUM TERM FINANCIAL STRATEGY

The Committee considered a report providing an update on the development of the Council's Medium Term Financial Strategy (MTFS) 2024/25-2026/27 prior to consultation on the Council's proposed Budget. The following documents were attached to the report:

- Appendix 1 - Summary of the Proposed General Fund Budget 2024/25 to 2026/27
- Appendix 2 - Summary of General Fund Budget Changes 2024/25 to 2026/27
- Appendix 3 - Summary of HRA Budget 2024/25 to 2026/27
- Appendix 4 - General Fund Capital Programme 2024/25 to 2026/27
- Appendix 5 - HRA Capital Programme 2024/25 to 2026/27
- Appendix 6 - Flexible Capital Receipts Strategy
- Appendix 7 - Equality Impact Assessment

The report noted that Reading Borough Council remained financially stable, however it was not immune to national issues. The update on the development of the MTFS reflected the changing landscape in which Councils were now operating. The most significant impacts on the MTFS update included inflationary pressures across all service areas, in particular children's and adult social care, high-cost placements in children's services arising from increased complexity and market challenges, the cost of temporary accommodation arising from increased homelessness presentations and waste disposal.

The report also noted that at the time of writing the Provisional Local Government Finance Settlement had not been announced and so the funding figures in the report were subject to change, however it remained to be seen whether central government would address the financial pressures being felt across the local government sector by increasing the level of funding that councils received. The MTFS update only included cost pressures that were deemed to be unavoidable.

The report stated that there were significant pressures in the social care system and that the updated MTFS included an increase of £5.750m for Adult Social Care services in 2024/25 to address these pressures, including the commitment to fund care providers at a level that allowed them to pay staff the Living Wage Foundation rate rather than the lower national living wage rate set by central government. The proposed budget also included an increase in the Brighter Futures for Children (BFfC) contract sum for 2024/25 of £7.525m. This included inflationary increases and a significant growth pressure of £5.941m in respect of placements for Looked After Children due to increases in the costs as well as the age profile and complexity of need and associated costs. This had not yet been agreed and further negotiations on the level of the contract sum were being undertaken.

The report also explained that the MFTS update included an increase of £1.000m in the budget in respect of funding homelessness. This was due to rising private sector evictions and inflation pressures being seen in the cost of Emergency Accommodation. It was noted that the average nightly rate was £90 in April 2022 compared to £124 in October 2023. There had also been a reduction in the number of available properties to use. Also, an increase of £1.169m had been added to the waste disposal budget to address a combination of inflationary increases to the re3 waste disposal contract and rising costs due to changes in the make-up of waste being presented for disposal.

The report explained that the MTFS assumed a general Council Tax increase of 2.99% and an additional Adult Social Care precept of 2.00% across all years of the MTFS period 2024/25-2026/27. It was reported that no announcement had been made with respect to Council Tax referendum principles in the 2023 Autumn Statement. These assumptions would be reviewed in line with any announcements in the Provisional Local Government Finance Settlement. The Council would continue to provide additional support of £75 for residents in 2024/25 who were in receipt of Council Tax Support to further mitigate the increase in Council Tax in the current circumstances. The update also noted that the Business Rate reset originally assumed to happen in 2024/25 would not now take place until 2025/26 at the earliest. Realistically, given the lack of central government announcements and an impending general election, it was unlikely that the reset would be able to be implemented until 2026/27. However, until further announcements were made, given the forecast scale of the impact, it was considered prudent to assume that the reset would occur in 2025/26.

It was noted that there was currently much uncertainty around the future of the New Homes Bonus grant. However, the MTFS currently assumed that New Homes Bonus would continue for 2024/25 at the same level as 2023/24 at £1.453m. For 2025/26 and 2026/27, it had been assumed that the grant would cease but that the total amount of grant in the national system would remain and be re-distributed using the Settlement Funding Assessment (SFA) methodology, resulting in a reduced funding allocation of £0.613m. No announcements had been made with respect to the New Homes Bonus in the 2023 Autumn Statement. These assumptions would be reviewed following further announcements in the Provisional Local Government Finance Settlement.

Appendices 4 and 5 attached to the report set out the revenue budget including the cost of financing the Capital Programme. On 30 November 2021, the Department for Levelling Up, Housing & Communities had published a consultation about proposed changes to the capital framework for Minimum Revenue Provision (MRP). MRP was the amount that had to be set aside from the revenue budget for the financing of capital expenditure. The original consultation proposed that the changes become effective from April 2023 onwards. The outcome of the consultation was still outstanding and the MTFS update assumed that the changes would not be implemented.

The report explained that following that following a period of public consultation and the announcement of the Provisional Local Government Finance Settlement a further report would be submitted to the Committee on 19 February 2024 recommending approval of a balanced budget to Full Council in order that it could approve its budget, associated Council Tax level and precept for 2024/25 at its meeting on 27 February 2024.

Resolved

> **That the Medium Term Financial Strategy Update as set out in the body of the report and the associated appendices be noted, including:**
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> **a) the Council's General Fund Budget Requirement of £175.268m for 2024/25 and an assumed increase in the band D Council Tax for the Council of**

2.99% plus an additional 2.00% Adult Social Care precept, or £95.86 per annum representing a band D Council Tax of £2,016.88 per annum;

b) that the forecast budget gap of £4.107m in 2024/25 would need to be addressed in order to present a balanced budget to Council in February 2024;

c) the proposed service savings and efficiencies of £3.719m and additional income of £1.083m currently proposed in 2024/25 and set out in Appendix 2 to the report;

d) the overall savings currently proposed within the MTFS of £6.369m (of which changes to income, fees and charges is £1.417m);

e) the Housing Revenue Account budget for 2024/25 to 2026/27 as set out in Appendix 3 to the report;

f) the General Fund and Housing Revenue Account Capital Programmes as set out in Appendices 4 and 5 respectively;

g) the Strategy for the use of flexible capital receipts to deliver future transformation and ongoing savings as set out in Appendix 6.

(The meeting started at 6.30 pm and closed at 7.03 pm)