

## **Performance and Finance Scrutiny Committee**

**27 November 2023**

### **Comments and responses from the All Member Council Plan and Budget session held on 18 October 2023**

#### **Future budget pressures**

- Recognise that balancing the budget is becoming increasingly difficult. What plans are in place to manage this?

Response:- continue to look for budget efficiencies and reductions to close the budget gap. If necessary savings currently planned for 2025/26 may need to be brought forwards. Key priority is to maintain key statutory services. Plans will be brought to November scrutiny committees and the next all-member budget session planned in January. Information around the reductions and impact will be included for scrutiny committees. The results of the consultation exercise will be included in the item at the Performance and Finance Scrutiny Committee in January.

- Are previously agreed savings included within the budget assumptions and how will non-delivered savings be accounted for?

Response:- previously agreed savings which are unachieved in year, and are still assumed to be deliverable, are therefore carried forward. If savings cannot be delivered in the year then mitigations need to be found to ensure budget is balanced.

#### **Inflationary pressures**

- How is inflation calculated and could pressures increase if rates do not fall as quickly as estimated.

Response:- assumptions are based on information known to date, including a review of large contracts. Assumptions will be continually reviewed and up-dated as go through the budget setting process. Confident in the assumptions included, but the Autumn Statement in November and Finance Settlement in December will be key to setting the final budget.

An assumption for pay increase has been included at 4% for 2024/25.

#### **Reserves**

- Clarity sought around how much is planning to be taken from reserves in 2024/25

Response:- £3.1m will be taken from reserves. £5m to be taken from Highways Commuted Sums Reserve and Risk Reserves to fund the

additional maintenance investment. Use of reserves is only viable for one-off / time limited costs. Any use of the reserves within the 'reserves and uncertainties category' will need to be replenished over the medium term.

- There is a balance to be met between use of reserves and capital borrowing. Are interest rates and cost of borrowing considered when setting the Capital Programme?

Response:- Funding of the capital programme is always considered in a most cost effective way. This includes the balance between internal and external borrowing and looks at the current interest rates from investment income on balances and the cost of external borrowing. The current programme is being reviewed. Strong Treasury Management principles are in place at the Council to ensure best value is achieved from our resources.

### **Dedicated Schools Grant (DSG)**

- Concern raised over the statutory over-rides coming to an end, particularly in relation to the Dedicated Schools Grant (DSG) as this would put pressure on the future financial position of the Council.

Response:- Council is actively lobbying Government to identify a solution from 2025/26 in terms of the deficit and the ongoing in year overspend. This is a national issue affecting many Councils.

- Question around how the DSG deficit is funded and what impact there will be if the over-ride comes to an end.

Response:- the DSG deficit sits off balance sheet and is currently estimated to be over £60m by the end of 2023/24. The deficit has an impact on reducing investment income and SEND costs which are picked up through the General Fund – such as costs of educational psychologists and home to school transport. If no solution is found beyond 2025/26 reserves may not be sufficient to cover the deficit, therefore a Government solution is needed. Officers also explained that school funding is split into four blocks and that funds cannot be moved between the blocks to balance pressures. Currently it is the high needs block that is under pressure. The issue has arisen due to funding not reacting quickly enough to increasing demand for services. The school funding formula is based on figures from a number of years ago and does not accurately represent the current demands and needs in West Sussex.

### **Highways expenditure, commuted sums and developer contributions**

- What is the impact of developments on highway commuted sums and developer contributions.

Response:- the commuted sums reserve in relation to highways has increased. Opportunities are being considered to use this reserve for

current additional maintenance that is required. In relation to the Infrastructure Levy, a consultation exercise has been completed. The County Council submitted a response and is awaiting further details from Government.