

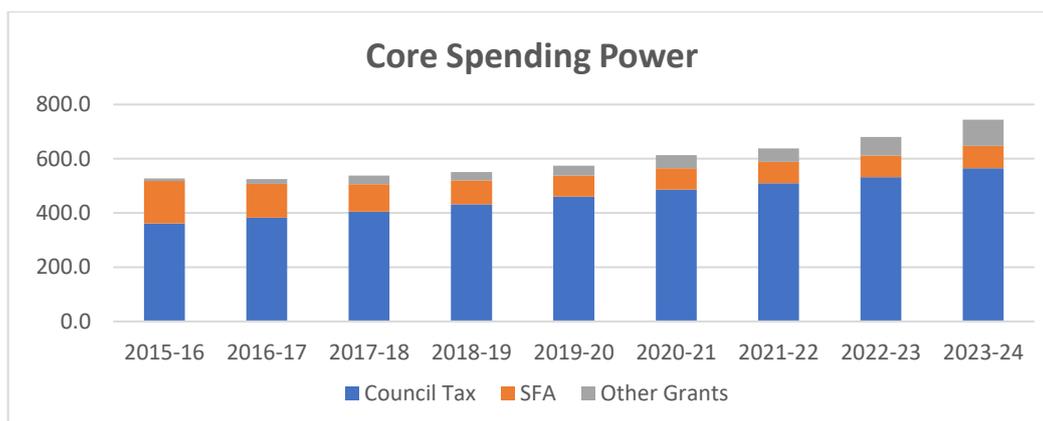
ANNEX 3: COUNTY COUNCIL SOURCES OF FUNDING 2024/25 ONWARDS

3.0 Government Funding

Local Government Finance Settlement

- 3.1 Over recent years there has been a move away from multi-year settlements and councils have relied on one-year settlements published in December which makes forward planning very difficult. In December 2022, the Government published a policy paper indicating expected funding for 2024/25 but uncertainty remains from 2025/26 onwards.
- 3.2 Core Spending Power is a measure calculated by Government on the level of resources available to local authorities to fund services, a combination of core Government Funding and Council Tax income. It is based on the assumption that the County Council will increase Council Tax by the maximum allowed, as well as an assumption about the growth in tax base. Levels since 2015/16 are shown in Figure 1.

Figure 1: Change in Core Spending Power



Note: increases in Other Grants is mainly attributed to social care funding for which there are additional responsibilities

- 3.3 In 2023/24, the funding from Government was £143m. This included business rates (£97m), Social Care Support Grant (£42m), New Homes Bonus Grant (£1m) and Services Grant (£3m). Planning assumptions for 2024/25 for these are:
- Business Rates to increase in line with the OBR forecast for CPI and maintained at the 2024/25 level for subsequent years.
 - Social Care Support Grant increased from £42m to £48m to reflect additional funding redistributed in 2024/25 following the delay to Social Care Reform until 2025. Much of the funding set aside for the reform is being made 'available to local authorities to help meet the current pressures in social care' with £1.3bn of additional funding in 2023/24 and a further £1.9bn in 2024/25. It is assumed that Social Care Reform implementation will need to increase government funding.
 - New Homes Bonus Grant will not continue beyond 2023/24.

- Services Grant will continue at the 2023/24 level for 2024/25 only.

Government Funding Reforms

- 3.4 The Government has previously committed to undertaking a reform of Local Government Funding to include an update of how funding is distributed according to need and a reset of the funding received through business rates (Business Rates Retention Scheme).
- 3.5 The reforms have been put on hold. In a finance policy statement in December 2022, the government confirmed it remained committed to improving local government finance but reforms would not be implemented in this spending review period ending in 2024/25.
- 3.6 Financial plans currently assume no financial impact from the funding reforms but it is likely there will be some reduction if as suggested, funding is moved away from the South East.

Service Specific Grants

- 3.7 The Council receives a number of service specific grants, e.g., Dedicated Schools Grant, Public Health Grant. For planning purposes, it is assumed that the level of specific grants will continue at the 2023/24 level of £944m and any changes within service specific grant funding will be managed within service budgets. A full list of the current grants is available at Appendix 4 of the [published 2023/24 budget book](#).
- 3.8 The additional grants specific to Adults Social Care (Adult Social Care Market Sustainability and Improvement Fund and the Adult Social Care Discharge Fund) for 2023/24 and 2024/25 assume that new service provision is in place to align with these grant levels. If the grants do not continue beyond 2024/25 it remains unclear whether the new responsibilities, that the County Council have been delivering in 2023/24 and 2024/25, will continue.

Business Rates

- 3.9 Business Rates are set nationally calculated by multiplying the rateable value (RV) of the property by the business rates multiplier. The RV of business premises is determined by the Valuation Office and annually the Government sets the multiplier which specifies the pence per pound paid in tax – for 2023/24 the multiplier was announced as 51.2p (49.9p for smaller businesses) and has remained at this level since 2020/21.
- 3.10 Currently, the businesses within West Sussex generate over £360m in business rates, of which 50% is retained locally. The current value of the Council's funding received through business rates, both retained locally and redistributed by government, is £97m.

Business Rates Pool

- 3.11 For several years, local authorities within West Sussex have operated a pool for business rate purposes. The arrangement enables an increased

proportion of business rates growth to be retained within West Sussex for investment in county wide initiatives that benefit the economy. The criteria and allocation of funds are determined by the Chief Executives Board and approved by the Leaders. The investment has contributed to several projects including supporting county-wide tourism development and work with partners to deliver support to business start-ups and micros. The Digital Partnership has focused on delivering gigabit capable connectivity to residential and business premises across the county.

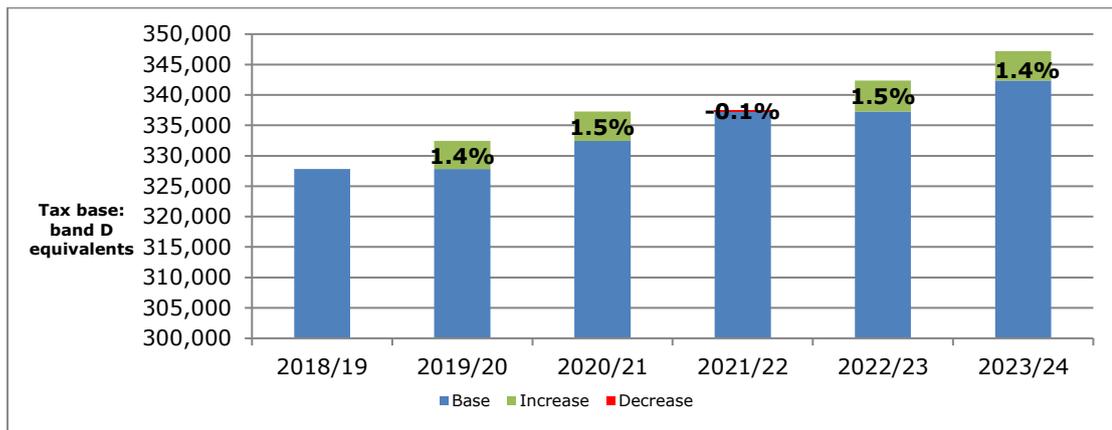
Council Tax

- 3.12 The income generated from the Council Tax is determined by the level of the tax and the number of properties paying the tax – the tax base. It currently accounts for 30% of the County Council’s income and for every 1% increase generates additional income of £5.7m.
- 3.13 The ability for councils to increase the amount charged to residents is subject to a limit set by Government each year and beyond which a referendum must be held. For 2023/24, the threshold for general expenditure is 3%. Financial plans assume that this level of increase remains for the current Spending Review period only, thereafter (2025/26 onwards) 1.99% has been assumed in financial plans.
- 3.14 In 2016/17, the Government gave authorities with Adult Social Care responsibilities, such as the County Council, additional flexibility to levy an additional precept on the council tax to fund Adult Social Care costs. For 2023/24, the maximum increase was set at 2%. It is unclear if the precept will remain in place beyond the current Spending Review period and therefore no assumption has been included for 2025/26 onwards.

Local Tax Base

- 3.15 The Council Tax base is the number of properties in Bands A to H in the County Council area expressed as an equivalent number of Band D units. This is provided by the Boroughs and Districts who are required to set the council tax base by the 31 January each year and report to government. Prior to this, the County Council makes an assumption of tax base growth based on historic trends and any known changes. For future planning, and in recognition of the current economic conditions and the potential for house building to slow down, as well as local issues such as water neutrality, a growth assumption of 1.2% has been applied for 2024/25 onwards. An illustration of tax base growth in recent years is shown in figure 2 below:

Figure 2: Change in the County Council's tax base



Collection Fund

- 3.16 The Collection Fund is a separate ringfenced account operated by the district and borough councils, who are the authorities responsible for collecting Council Tax and business rates. As the actual tax collected may be more or less than expected, any surplus or deficit is managed through the Collection Fund.
- 3.17 In 2022/23, following a review of the authority's reserves, a separate Business Rates and Collection Fund Smoothing Reserve was established. The balance as at 1st April 2023 is £9.8m. Any year end surpluses are added to this reserve which will be then used to manage any future deficits on the collection fund from 2023/24 onwards. At this stage there is no planned use of the reserve.

Fees and Charges

- 3.18 The Localism Act 2011 and Local Government Act set out the general legal framework regarding charging for services. As well as this, there are various other specific legal provisions and local policy objectives that determine which services are charged for and the level of the charge.
- 3.19 There are three broad categories of fees and charges:
- Statutory fees and charges – these are set by relevant national bodies, usually with a regulatory responsibility for the service which must be adhered to,
 - Cost recovery – a fee or charge levied to ensure the cost of the service provided is fully recovered,
 - Subsidised – where the County Council has decided to subsidise a service when setting the related fees and charges.
- 3.20 For planning purposes, it is assumed that discretionary fees and charges will increase in line with September RPI. Current fees and charges are published [here](#) and a schedule of the fees and charges for 2024/25 will be approved as part of the budget setting process in February 2024. The

exception to this is car parking fees which are set early Autumn each year with new charges taking effect from 2nd October.

- 3.21 Given the reliance on income to protect essential services and the financial challenges facing the County Council, during 2023/24, the Council will explore opportunities to review existing fees and charges to ensure that they are appropriate and are reflective of costs being incurred but also explore opportunities for new charges. This will also include considering how income is collected to ensure it is easier for customers to pay their bills and to reduce the County Council's levels of debt from income owed.

Investment Income

- 3.22 Income from investment of available cash balances can make a significant contribution to the Council's financial position and is directly impacted by macro-economic conditions. With interest rates remaining high during 2023/24, investment income is expected to exceed the current budget for the year. The latest forecasts by the Office for Budget Responsibility (OBR) forecast rates will start to decline again in early 2024 which will see investment income levels reduce to around 3% in the longer term. These lower levels have been assumed in financial plans from 2024/25 onwards.
- 3.23 The Council's Treasury Management Strategy provides the framework that the Council operates within to maximise these returns prudently and is reviewed annually as part of the budget setting process. The next iteration will be presented to full Council in February 2024. The mid-year review of performance against the 2023/24 strategy will be reported to the Performance and Finance Scrutiny Committee in December 2023.