

Report to Cabinet

30 January 2024

Council Plan and Revenue Budget 2024/25

Report by Director of Finance and Support Services and Director of Law and Assurance

Electoral division(s): All

Summary

The report in Appendix A sets out a balanced budget for 2024/25, Capital Strategy for 2024/25 to 2028/29 and Treasury Management Strategy Statement for 2024/25, all of which will provide the financial resources to deliver on the priorities set out in the Council Plan. Since the last update to Cabinet in October 2023, the Autumn Statement was announced on 22 November 2023 and the Provisional Local Government Finance Settlement on 18 December 2023. Lobbying has continued to highlight the need for Government to recognise the spending pressures the County Council is facing, particularly in relation to children's placement costs and home to school transport. However, the proposed budget has been set assuming there will be no significant changes when the final settlement is published in early February 2024.

The County Council is required to set a balanced budget for each financial year. Given limited new Government funding and the pressures of increasing demand and cost of services, balancing the budget for 2024/25 has been even more challenging this year.

The budget report is therefore prepared on the assumption the County Council agrees a 2.99% increase in general Council Tax and a 2.0% increase for the Adults' Social Care precept, budget reductions of £15.7m and the use of £3.6m of the budget management reserve to balance the budget. Although the report in Appendix A is largely focused on 2024/25, the County Council must plan across the medium term. The current Council Plan is expected to remain in place until 2025 but is reviewed annually and the financial position for the four years from 2025/26 is set out in Section 6 of the report. It shows a funding shortfall of at least between £58m and £190m depending on the level of Council Tax between 2025/26 and 2028/29.

Recommendation

Cabinet is asked to endorse the Council Plan and the County Council Budget for 2024/25, as set out in Appendix A. This includes the recommendations listed on page 5 and Annex 1, the updated Council Plan as set out in Annex 1 (Appendix 8), the Capital Strategy set out in Annex 2(a) and the Treasury Management Statement set out in Annex 2(b), for approval by County Council on 16 February 2024.

Proposal

1 Background and context

- 1.1 The ambitions and service priorities of the County Council are detailed in the Council Plan which covers what the Council will do and the specific targets that will be used to judge performance during the year. The revenue budget, capital programme and treasury management strategy statement provide the financial resources to support delivery. The Council Plan, Revenue Budget and Capital Programme are fully integrated through the business planning process which continues to focus on the four priority outcomes underpinned with a cross cutting theme of protecting our environment:
- Keeping people safe in vulnerable situations,
 - a sustainable and prosperous economy,
 - helping people and communities fulfil their potential and
 - making best use of resources.
- 1.2 The business planning process matches available resources with the delivery of priority outcomes so that there is a focus on setting a budget which will have the most beneficial effect for the people of West Sussex. A revised Council Plan is set out in Annex 1 (Appendix 8), reflecting the current context - the impact of cost-of-living pressures on residents, the continuing demand pressures that the County Council is facing, the long-term uncertainty around funding and reform, the investment the County Council is making in infrastructure and the work underway with partners to strengthen and grow the West Sussex economy.
- 1.3 The Key Performance Indicators (KPIs) and targets have also been reviewed and refreshed for 2024/25. This refresh included considering feedback from scrutiny committees through the 2023/24 quarterly Performance and Resources Reports (PRR) and through the consultation and engagement that took place in November and December 2023 as set out in Annex 1 (Appendix 9).
- 1.4 The 2024/25 revenue budget and Capital Programme support the council priorities set out in the Council Plan and balance spending pressures with the funding available from council tax, business rates, fees and charges and grants.

2 Proposal details

- 2.1 The financial impact of the Provisional Settlement has been reflected in the full budget report and reflects a balanced position assuming the Council agrees a 2.99% increase in Council Tax, a 2% Adults' Social Care precept and £3.6m use of reserves.
- 2.2 While the announcements in the Provisional Settlement showed Core Spending Power increasing by £49.6m, only £14.5m relates to government funding with the remainder being from Council Tax assuming the County Council will implement the maximum increase of 4.99%.
- 2.3 During 2024/25, the County Council is expected to spend £2,043.5m on day-to-day revenue services (including schools) and £131.6m through capital investment into roads, highways, schools, operational estate and IT and digital infrastructure. After taking account of grants, fees and charges and other contributions, net revenue expenditure of £761.4m is proposed for 2024/25, an increase of £52.6m (7.4%) compared with 2023/24.

- 2.4 There are significant pressures as a result of increased demand and cost of services, particularly in social care, home to school transport, general inflation and funding the National Living Wage. There is also increased investment in highways. The draft budget includes an additional £54.1m for service pressures and £27.8m for pay and price inflation to continue to meet the needs of residents. The budget has been prepared based on the latest information, trends and forecasts but there remain significant risks and uncertainties, particularly in relation to social care. As a result, corporate contingency has been increased to £22m, of which £10m has been set aside for social care.
- 2.5 On considering its financial position, the County Council will always look to the medium term and the next three to five years. Although the budget report is largely focussed on the budget for 2024/25, it is set within the context of a medium and longer term challenge. For 2025/26 to 2028/29 there remains a budget gap of between £58m to £190m depending on the level of Council Tax increase in these years. The assumptions underpinning this forecast remain under regular review.
- 2.6 The five-year forecast of reserve balances is included and they remain at a prudent level for managing the level of risk and uncertainties facing the County Council but do not provide a solution for balancing the budget from 2025/26 onwards. The forecast assumes the replenishment of the reserve used for balancing the 2024/25 budget (£3.6m), £3m for one-off pressures in 2024/25 and £3m of continued investment into highways and roads. Replenishment is essential for ensuring reserve balances remain at a level to manage future risks and maintain financial stability.
- 2.7 Before the end of the current financial year, work will start on developing a longer-term approach to balancing the budget. This will include continuing to lobby Government to recognise the demand pressures facing the County Council, but further reductions are likely to be required. Efficiencies will continue to be explored but it will also require a deeper structural approach that considers how services are provided and prioritised within the Council's limited financial resources.
- 2.8 The Dedicated Schools Grant for 2024/25 is £850.3m and full details are set out in Section 4 of Annex 1. The forecast deficit is £74m by March 2024, increasing to £154m by March 2025. This deficit relates to the high needs block and the high numbers of young people with Education Health and Social Care Plans. Although the accounting statutory override remains in place until 2026, the deficit is already impacting the County Council's general fund budget through increasing pressures on the home to school transport budget and loss of investment income of cash balances used to provide for the shortfall.

3 Consultation, engagement and advice

- 3.1 Consultation and engagement on the Council Plan priorities and draft budget proposals took place during November and December 2023 with Members, key stakeholders and the wider community, including an online public consultation. The full details, as set out in Appendix 9, will be considered by the Performance and Finance Scrutiny Committee on 24 January. Cabinet has considered the feedback to date and no changes to the Council Plan priorities or the 2024/25 budget proposals are considered necessary as a result.

- 3.2 Feedback from the Performance and Finance Scrutiny Committee on 24 January will be provided either as a verbal update or as a supplementary report to Cabinet at this meeting. All feedback will be considered by Cabinet in putting together the final draft budget for 2024/25. The final recommended budget will be presented to County Council on 16 February 2024.

4 Finance

- 4.1 The financial implications are set out throughout the report.

5 Risk implications and mitigations

- 5.1 The risk assessment implications and mitigations are set out in section five of Appendix A.

6 Policy alignment and compliance

- 6.1 The approach set out above is in alignment with Our Council Plan and delivers a balanced budget for 2024/25 in accordance with the County Council's statutory duty.
- 6.2 Further background and context are set out in the reports detailed to below including resource, equality, social value, sustainability and legal implications.

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Appendices

Appendix A – Revenue Budget 2024/25

Annex 1 - Budget Pack:

- Appendix 1 – Summary of Revenue Budget and Precept 2024/25
- Appendix 2 – Analysis of Changes
- Appendix 3 – Balancing the Budget
- Appendix 4 – Grants Towards Specific Services
- Appendix 5 – Reserves
- Appendix 6 – Detailed Portfolio Budgets
- Appendix 7 – Fees and Charges
- Appendix 8 – Our Council Plan and Amended KPIs
- Appendix 9 – Consultation and Engagement

Annex 2(a) - Capital Strategy 2024/25 to 2028/29

- Appendix A – Capital Programme Portfolio Pages
- Appendix B – MRP Statement 2024/25
- Appendix C – Illustrative External Debt
- Appendix D – Graphical illustration
- Appendix E – Flexible use of capital receipts 2023/24
- Appendix F – Flexible use of capital receipts 2024/25

Annex 2(b) – Treasury Management Strategy Statement 2024/25

- Appendix A – West Sussex County Council – Treasury Portfolio
- Appendix B – Economic and Interest Rate Forecast (Link Asset Services)

Annex 2(c) – Prudential Indicators 2024/25 to 2028/29

Annex 3 – Equality Impact Assessment

Annex 4 – Comments from the Performance and Finance Scrutiny Committee (To Follow)

Background Papers

None