

Chichester District Council

THE CABINET

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Budget Spending Plans 2024-25

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2. Executive Summary

The Financial Strategy was approved by Full Council on 28 November 2023, which included the key financial principles and the rolling 5 year Financial Model that underpins the Council's approach to financial planning for the medium term.

In preparing for the 2024-25 annual revenue budget any major variances identified in this current year, which are also expected to have an ongoing impact, have been reflected in the draft budget. These include an estimation of the ongoing impact of inflationary cost pressures, and any ongoing impact on the Council's discretionary income streams post the Covid pandemic. The draft budget also considers any service delivery changes, specific service cost pressures, and other funding pressures that are in line with the Council's key priorities. The key major variances against the 2023-24 budget are set out in appendix 1 of this report.

The draft budget assumes a 2.99% council tax rise and adheres to the Council's key financial principles.

Full Council will set the budget and council tax on 27 February 2024. This report concentrates on the proposed budget spending plans, which are a robust financial estimate of the resources required to deliver council services and reflects the provisional Local Government Finance Settlement for 2024-25.

3. Recommendations

3.1 That the Cabinet recommends to the Council:

- (a) That a net budget requirement of £17,469,500 for 2024-25 be approved.**
- (b) That Council Tax be increased by £5.41 from £181.07 to £186.48 for a Band D equivalent in 2024-25.**
- (c) That the New Homes Bonus (NHB) be treated as general revenue funding as set out in para 4.6 and 4.7.**
- (d) Should the final settlement differ from the draft settlement, an equivalent sum be either transferred to or from reserves.**
- (e) The capital programme, including the asset renewal programme (appendices 1c and 1d of the agenda report) be approved.**
- (f) The capital prudential indicators and the Minimum Revenue Provision (MRP) Policy (appendix 4 of the agenda report) be approved.**
- (g) That £1.11m is transferred from the General Fund Reserve to the Investment Risk Reserve to reduce the risk for the movements in fair value statutory override ending on 31 March 2025.**
- (h) That delegated authority be given to the Director of Growth and Place to spend the £150k allocated from the West Sussex Business Rate Pool for economic development purposes, following consultation with the Cabinet member for Economic Development and Place.**

3.2 That the Cabinet further notes:

- (a) The current estimated resources position set out in appendix 2 of the agenda report, and**
- (b) The budget variances included in the Draft Budget Spending Plan as set out in appendix 1b of the agenda report.**

4. Background

- 4.1** This report sets out the proposed annual budget for revenue spending for the forthcoming financial year 2024-25 and the updated rolling 5 year capital and asset replacement programmes. The detailed revenue budget builds upon the work undertaken for the Financial Strategy, which was considered by both the Cabinet and the Council at their respective meetings in November 2023. This included the return of the £8m set aside to support the revenue budget as part of the 2020 approved COVID Recovery Plan, which was approved to be returned to the General Fund Reserve.
- 4.2** In line with the Financial Strategy forecast officers have prepared a balanced budget for 2024-25 without the use of reserves. However, members are reminded that the Financial Strategy anticipates a deficit budget from 2026-27 and beyond, based on

the position statement prepared in November 2023. As previously reported the future forecasts are against the background of a great deal of uncertainty in terms of future government funding and major service changes for waste collection regimes, for which little detail has been received. Until the situation becomes clearer about future Government funding this remains an identified risk within the 5 year model forecast.

- 4.3 The final 2024-25 financial settlement from the Government has yet to be announced at the time of writing this report. The table below sets out the impact based on the provisional financial settlement (announced in mid-December) for the 2024-25 budget:

| | Provisional Settlement / Purpose | Impact | How Treated in the Draft Budget |
|-------------------------------|---|--|--|
| Council Tax | Shire Districts can increase their Council Tax by 2.99% or £5, whichever is greater. | For Chichester, a 2.99% increase equates to £303,800 whereas a £5 increase would equate to £280,800. | A 2.99% increase has been assumed in the budget i.e. £5.41. |
| Funding Guarantee Grant | Grant created to ensure that every authority has an increase in Core Spending Power of at least 3%. | The provisional settlement indicated grant of £433,300. (£402k lower than the Financial Strategy assumption). | This has been credited to the draft budget as a funding source. |
| Rural Services Delivery Grant | Unchanged from previous years', as grant awarded to compensate for higher costs for service delivery as a rural district. | The allocation contained in the provisional settlement is grant of £221,700. | This has been credited to the draft budget as a funding source. |
| Service Grant | This grant was originally introduced from 2022-23 to all authorities. | The allocation in the provisional settlement is grant of £14,300. (£77k lower than the Financial Strategy assumption). | This has been credited to the draft budget as a funding source. |
| New Homes Bonus (NHB) | The NHB grant is now only a one year grant with no legacy payments. | The allocation in the provisional settlement is £1,278,500. (£469k higher than the Financial Strategy assumption). | This has been credited to the draft budget as a funding source. See Paragraphs 4.5 to 4.7 for the reasons for this new approach. |

- 4.4 The preparation for the 2024-25 budget is very much the same as experienced for the previous years, due to the continued uncertainty of many factors, including the ongoing impact of inflationary costs pressures and the impact on discretionary income streams due to the economic and cost of living crisis. This has made the compilation of the annual budget challenging; however, officers have diligently produced a budget that is as accurate as could possibly be prepared, and where necessary income targets have been adjusted where appropriate as detailed in the supporting appendices of this report.
- 4.5 There were some unexpected consequences from changes in the Provisional Financial Settlement announced by Government on 18 December 2023. "Core Spending Power" is a term that the government have used for a few years now. It compares all of the various different government grants, including the New Homes Bonus, plus Council Tax income that a council receives each year. The government assumed that the Council would increase the council tax by the maximum amount (for 2024-25 which is 2.99%).
- 4.6 Within Core Spending Power (CSP) there were several differences to the assumptions in the Council's 5 year model forecasts. Most notably the Council has done rather better than anticipated with regards to the New Homes Bonus (NHB), a £468k increase over the current year's grant. However, the Government have in effect netted that off from the Funding Guarantee Grant (FGG) by a £271k reduction and from the Services Grant (SG) by a £77k reduction, also contained in the CSP. Clearly the FGG (which was introduced last year for the first time) is an adjustment grant to make sure that the Council's overall CSP hits the Government target i.e. 5% increase.
- 4.7 The net effect of gaining on NHB but losing out on other grants is of course neutral. However, the Council has not been using NHB to fund the revenue budget, as per our key financial principals. Instead, it has been passed straight through to reserves to fund one off costs for project expenditure due to the risk that this was not a permanent funding source. This approach has had to change for 2024-25 draft budget as the Government has now explicitly linked NHB with other revenue grants as part of the overall general funding of the Council, otherwise this would create a real cut in revenue funding which was not anticipated. This is clearly the intention of the Government and is how the vast majority of councils have treated NHB in the past, as the Council's previous approach was relatively unique.
- 4.8 The draft budget process is an all-inclusive process with the Divisional Managers and service budget managers working with the financial services team, under the leadership of the Strategic Leadership Team (SLT). The result is a budget that is as robust as it could possibly be in the current circumstances, ensuring financial resources match service delivery priorities.

5. Outcomes to be Achieved

- 5.1 A robust financial estimate of the resources needed to deliver council services in 2024-25.
- 5.2 To seek the Cabinet's approval on the draft spending plans and to make appropriate recommendations to the Council to determine the council tax at its meeting on 27 February 2024.

- 5.3 To meet the legal requirement to have a balanced budget, that is realistic and sustainable in the long term to protect valuable community services.

6. Proposal

Council Spending – Budget for 2024-25

- 6.1 The purpose of this report is to consider the draft budget spending plans ahead of the Council meeting on 28 February, when the council tax and budget will be set for the forthcoming financial year. The plans, if adopted, will set the spending parameters for services and officers for 2024-25. The proposal contained in the report have been supported by the Council's Budget Review Group.
- 6.2 The Council has a statutory duty to prepare a balanced annual revenue budget and it is also good financial management to do so within the context of its medium-term financial strategy. The dominating variables in achieving a balanced financial position for 2024-25 is the inflationary cost pressures as well as the cost of living crisis which is having a significant impact on demand in certain service areas in the council.
- 6.3 The revenue estimates for 2024-25 are shown in the Budget Summary Statement in appendix 1a. This statement provides for the net cost of each Cabinet portfolio and shows the calculation of the net budget requirement, the council tax requirement, and the proposed Band D council tax charge for 2024-25.
- 6.4 The draft spending plans are based on a council tax increase of 2.99% which equates to £5.41 per Band D property per year, or approximately 10 pence per week. This will generate an additional £273,600 per year for the Council. This will assist the authority to meet its long-term objective of protecting public services to its community. The council tax referendum principles for shire district councils are expected to be the higher of either 2.99% or £5 (which equates to an increase of 2.76%).
- 6.5 The draft budget requirement is calculated after deducting income arising from fees and charges; the remaining balance must be financed from council tax, retained business rates, other government grants, treasury investment returns and reserves. Currently the Council receives around £19.5m of income each year from fees and charges for services e.g. car parking, trade and green waste, estate rents, planning and building control fees. Changes in income targets set in the 2024-25 base budget are detailed in the variance analysis appendix 1b. The higher income targets reflect the price increase now allowed for planning application fees (£325k), increased investment income due to higher rates (£399k), and some recovery in other income streams previously impacted by the pandemic e.g. car parking income (£300k) and the leisure management contract (£419k). This helps underline how difficult it is to predict the more volatile discretionary income streams which play a significant part in supporting the Council's revenue budget.
- 6.6 The draft budget requirement includes several service cost pressures and service delivery changes identified during this budget cycle. Appendix 1c includes new corporate plan projects for 2024-25 amounting to £143,300 approved by Cabinet at its January meeting. These will have ongoing revenue costs of £28,000 and have

therefore been included in the base budget for 2024-25. The details of the schemes are detailed in the table below:

Projects under £100,000 Approved by Cabinet

| Project | One-off Costs | Ongoing Revenue Cost | ARP Cost | Notes |
|---|-----------------|----------------------|---------------|--|
| Westgate Leisure: Procurement Strategy and Exercise | £95,000 | £0 | £0 | |
| Housing Software Review | £60,000 | £17,000 | £0 | £60,000 to be funded from housing reserves |
| Housing Document Management System | £23,300 | £10,000 | £0 | |
| CCTV System at the CCS Depot | £25,000 | £1,000 | £2,500 | |
| Sub-Total | £203,300 | £28,000 | £2,500 | |
| Less existing funding | -£60,000 | £0 | £0 | |
| Total | £143,300 | £28,000 | £2,500 | |

6.7 The 2024-25 budget also includes the following recommendations from the Budget Review Group:

Service Prioritisation Growth Proposals for 2024-25

| | |
|---|----------------|
| <u>Items Funded from General Fund Reserve (2024-25 only)</u> | 2024-25 £ |
| • Supporting You | 210,000 |
| • Discretionary Housing Payments | 100,000 |
| • Growth and Sustainability Operational Budget | 100,000 |
| Total | 410,000 |
| <u>Ongoing Revenue Funded Items from 2024-25 Onwards</u> | |
| • Social Prescribing | 59,500 |
| • Biodiversity strategy and ongoing work | 35,000 |
| • Growth and Sustainability Officer | 58,800 |
| • Think Family Support Worker at Bourne Community College until August 2024 | 10,000 |
| | 163,300 |

6.8 Alongside the draft settlement, the Council has also been allocated £150k from the West Sussex Business Rates Pool to be spent on economic development in the district. It is requested that the Director of Growth and Place be delegated authority to

spend these funds following consultation with the Cabinet member for Economic Development and Place Portfolio.

- 6.9 The draft budget shows a balanced position for 2024-25. This is however based on the draft settlement. Should the final settlement differ then it is proposed that any change is dealt with by way of a transfer to, or from, reserves. Any difference between draft and final settlement is historically very minor. Officers hope to be able to provide a verbal update at the Cabinet meeting.
- 6.10 The Council holds £40m of long term multi bond investments whose capital values do fluctuate as they are market traded financial instruments. Currently the movements in fair value do not have to be reflected in the revenue budget due to an accounting statutory override which negates any impact. This override will end on 31 March 2025, when the Council will need to consider the forecast fair value change at the end of each financial year from 31 March 2026. To protect the financial risk this could pose the Council it is recommended that a further £1.11m is transferred from the General Fund Reserve to the Investment Risk reserve. The balance on the reserve will then stand at £4m to mitigate against the risk posed by the fair value movements and the impact on the revenue spending which will be covered by this earmarked reserve. At the last assessment this month of the fair value of the investments was £35.969m so a paper shortfall of £4.031m.
- 6.11 SLT and budget managers are required to adhere to robust proactive financial management principles to protect the Council's financial position, including monitoring both in year budgets and considering the medium-term financial strategy. This ensures that the Council can be proactive rather than reactive to securing the financial stability over the medium term.

Capital Programme and Asset Renewal Programme (ARP)

- 6.12 The current Capital Programme is set out in appendix 1c. This is based on schemes previously approved by the Cabinet or the Council.
- 6.13 Appendix 1d sets out the projects within the five-year Asset Renewal Programme. These are funded via contributions from the Council's revenue budget into a reserve set up for this purpose. This ensures the Council can fund its replacement assets on a recurring basis. The annual contribution to this fund now stands at £2.210m following a detailed review of the services' asset requirements as part of the budget process. Schemes will be approved in accordance with the Council's Constitution.
- 6.14 The anticipated spend on infrastructure projects is based on the Infrastructure Business Plan (IBP) recommended to Council by Cabinet in their January meeting; the detail of the plan is contained within appendix 1c. These projects will be subject to approval in accordance with the Community Infrastructure Levy (CIL) governance arrangements, and the adherence to the Council's Constitution.
- 6.15 Linked to the spending plans of the Council are the Capital Strategy and the Treasury Management and Investment Strategies. These strategies are to be considered elsewhere on this Cabinet agenda, following the recommendation to Cabinet by the Corporate Governance and Audit Committee at their January meeting.

Reserves

- 6.16 The current Resources Statement is detailed in appendix 2. This statement still indicates that the Capital Programme and Asset Renewal Programme remain funded from the Council's own resources. This statement should be read in conjunction with appendix 3 which sets out the different reserves held by the Council as at 31 March 2023, their purpose and the authorisation required to fund expenditure against those reserves.
- 6.17 The minimum level of reserves was agreed by Council in November 2023 and remains at £4m.

Capital Prudential Indicators and Minimum Revenue Provision (MRP) Policy

- 6.18 As part of the budget process the Council needs to ensure that all its revenue and capital expenditure and any borrowing are prudent and sustainable. This includes considering its arrangements for repaying any debt, through the Minimum Revenue Provision (MRP) policy. This is a statutory requirement even though the Council currently has no debt.
- 6.19 Appendix 4 sets out the statutory capital prudential indicators and the Council's MRP policy for the coming financial year and the Council's plans detailed in the Capital Strategy.

7. Alternatives Considered

- 7.1 The Council is legally obliged to set a balanced budget and can do so for this forthcoming year without the ongoing use of the General Fund Reserve. The level of council tax is a local determination, considering the government's criteria and expectation of tax increases before triggering a local referendum. The criteria announced as part of the provisional financial settlement in December 2023, was that council tax can be increased by the higher of 2.99% or £5; therefore, members could reduce the level of increase currently incorporated in the proposed budget for 2024-25. However, doing so foregoes additional income not only in 2024-25 but in all subsequent years as well. With anticipated deficits in years 3 to 5 of the 5 year model i.e., from 2026-27 onwards, this option is not recommended. The referenda criteria will be confirmed alongside the final settlement.
- 7.2 Members could choose to allocate additional resources in 2024-25. Any recurring expenditure would, however, worsen the already anticipated deficits in subsequent years. The agreed financial principles of the Council require compensating savings to be identified before additional expenditure or reductions in anticipated income are agreed.
- 7.3 The new Budget Review Group will be considering any further savings or new income generation ideas required over the coming two years to aid the balancing of the Council's budget within the medium term based on the latest 5 year model forecasts. Due to the forecast deficits, members need to bear this in mind when considering any new proposals or projects and must adhere to the key financial principles to protect the Council's financial resilience.

8. Resource and Legal Implications

- 8.1 The primary objective of this report is to determine the budget spending plans for 2024-25 against a background of inflationary cost pressures, the economic crisis and the cost of living crisis with the ever-tightening financial constraints on public services. The estimates represent robust financial projections for the provision of council services and adhere to the statutory obligation to set a balanced budget.
- 8.2 Section 25 of the Local Government Act 2003 requires the Section 151 Officer i.e. the Director of Corporate Services to report to members on the robustness of the estimates and the adequacy of reserves when considering the budget and council tax. This is so that members have authoritative advice available to them when making decisions on a budget that sets out estimates of what they plan to spend on each of the services. It is the view of the Director of Corporate Services that the processes followed are sound and well established, the resultant estimates are robust, and reserves are at an adequate level.
- 8.3 Regular monitoring reports are brought to members covering revenue budgets, the capital programme and asset replacement programme; along with updates to the Financial Strategy and plan including analysis of the resources and the affordability of the capital programme. The Director of Corporate Services having considered the risks associated with the Council's capital investment plans is of the view that they are affordable, having considered the measures that the authority has in place for mitigating against those risks. These measures include ensuring the adequacy of reserves to be held, regular monitoring of expenditure against the capital programme, and the expected resources available to fund those capital investment plans as detailed in the Capital Strategy.
- 8.4 The Director of Corporate Services is satisfied that the estimates used for Business Rates (the NNDR 1) are robust and prudent. This annual return is required by the end of January and therefore will have been submitted to government before the date of the Cabinet meeting. As in previous years this return is required by the Department of Levelling Up, Housing and Community (DLUHC) to be authorised by the Council's Section 151 Officer i.e., the Director of Corporate Services.

9. Consultation

- 9.1 Due to the significant impact of the current economic and cost of living challenges which continue to have an impact on the financial resilience of the Council, Cabinet have monthly meetings, including regular financial updates, with the Strategic Leadership Team.
- 9.2 The Budget Review Group meet monthly under the approved terms of reference to identify and consider the options/ideas that could be available to the Council to address the estimated funding gap over the medium term. The Budget Review Group considered the revenue and capital project proposals that are being recommended to Cabinet and full Council for this budget cycle. The capital proposals were considered by the Cabinet at their January meeting. The outcome and recommendations of the Budget Review Group will be considered at future Cabinet meetings as their work progresses.

- 9.3 In line with previous years, the revenue budget spending plans were considered by the Annual Budget Scrutiny Group set up jointly by the Overview and Scrutiny, and Corporate Governance and Audit Committees. This is a very useful debate in terms of testing the changes in the budget from 2023-24 to the draft budget for 2024-25.
- 9.4 The Draft Budget Spending Plan has been made available via the Council's website at [Annual budget: Chichester District Council](#) to encourage feedback on the budget and the balance of spending against taxation. This gives the opportunity for any interested party to state their opinion on priorities and resource allocation. Any comments received will be made available to members either at the Cabinet or the Council before the council tax and budget are set.

10. Community Impact and Corporate Risks

- 10.1 When services are proposed to be changed or reduced the community impact will have been minimised as far as possible. Any significant impact to the community will have been assessed as part of the Cabinet's decision process at that time. General service efficiencies which do not impact on the community are managed by the Council's management team in consultation with the Cabinet members. This report represents the culmination of those previous decisions and recommendations from Cabinet and those of the Budget Review Group.
- 10.2 The growth items included in the proposed budget take account of increased service delivery demands, service delivery changes and other budget pressures which are linked to the Council's key priorities.
- 10.3 The resources statement currently indicates a surplus of resource after considering all commitments. The statement excludes any forecast capital receipts that are not yet secured to help mitigate the risks associated with the proposed spending plans, and the potential liquidity risk (cash flow) which is also considered within the Treasury Management and Investment Strategies.
- 10.4 There continues to be a great deal of uncertainty which may impact the Council's financial stability in the medium term. This includes the impact on the economy due to inflationary costs pressures, along with world events and the current economic/cost of living crisis.
- 10.5 The ongoing delay of the local government funding review by the Government, a parliamentary election, changes in national policies and the ongoing cost of living crisis are all risks that need to be monitored closely as further detailed information is obtained and the financial model updated accordingly. Such that the forecasts contained in the Council's 5 year financial strategy model beyond 2024-25 is against the background of a lot of uncertainty.
- 10.6 The Council's own reliance on income generating services may be adversely affected by economic uncertainty which could impact the community that uses the council's discretionary services. The impact of this risk has been considered in the draft budget as the income targets for 2024-25 with realistic targets reflected in the proposed budget. Discretionary fees and charges have been amended for inflationary price increases in accordance with the Council's fees and charges policy.

However, where appropriate income targets reflect trends in the current year as explained in appendix 1(b).

10.7 Whilst not impacting the proposed budget for 2024-25 other potential future financial risks that could not be quantified have been declared in the Council's Financial Strategy. These will impact future spending plans but due to the lack of information officers are unable to quantify their impact e.g., the Government's policy to implement mandatory food waste collection from 1 April 2026. The revenue funding associated with this major service change has not yet been forthcoming.

11. Other Implications

| | Yes | No |
|---|-----|----|
| Crime and Disorder | | ✓ |
| Biodiversity and Climate Change Mitigation | | ✓ |
| Human Rights and Equality Impact | | ✓ |
| Safeguarding and Early Help | | ✓ |
| General Data Protection Regulations (GDPR) | | ✓ |
| Health and Wellbeing | | ✓ |
| Other | | ✓ |

12. Appendices

12.1 Appendix 1 - Draft Budget Spending Plan 2024-25
(Incorporating appendices 1a to 1d)

- Appendix 1a Draft Budget Summary Statement.
- Appendix 1b Analysis of major budget variations
- Appendix 1c Capital and Projects Programme 2024-25 to 2028-29
- Appendix 1d Asset Replacement Forecast 2024-25 to 2028-29

12.2 Appendix 2 - Capital Programme Resource Statement

12.3 Appendix 3 – Reserves Statement

12.4 Appendix 4 – Capital Prudential Indicators and MRP Policy

13. Background Papers

13.1 None