

Report to: Cabinet

Date: 1 February 2024

Title: General Fund Revenue Budget 2024/25 and Capital Programme

Report of: Homira Javadi, Director of Finance and Performance (Chief Finance Officer – S151 Officer)

Cabinet member: Councillor Zoe Nicholson, Leader of the Council and Cabinet Member for Finance, Assets and Community Wealth Building

Ward(s): All

Purpose of report: To agree the General Fund Budget 2023/24 and updated Medium Term Financial Strategy, together with the updated Capital Programme and Treasury Management position.

Decision type: Budget and Policy Framework

Officer recommendation(s): Members are asked to recommend the following proposals to Full Council:

- 1) The General Fund Budget 2024/25 (original) and projected MTFS as set out in Appendix 1.
- 2) The General Fund Budget 2023/24 (revised) as set out in Appendices 2 & 3.
- 3) An increase in the Council Tax for Lewes District Council of 2.99% resulting in a gross Band D charge (including Special Expenses) of £228.17 for 2024/25.
- 4) The revised General Fund & Housing Revenue Account Capital Programme 2024/25 as set out in Appendix 4.
- 5) The rates of Fees and Charges proposed within Appendix 5 to apply from 1 April 2024 and to implement changes to statutory fees and charges for services shown within Appendix 5 as and when notified by Government.
- 6) To note the Section 151 Officer's sign off as outlined in the report.

Reasons for recommendations: The Cabinet has to recommend to Full Council the setting of a revenue budget and associated Council Tax for the forthcoming financial year by law.

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1. OPENING REMARKS

- 1.1. This year's budget is set within the context of continuing financial challenges for the council. With the impact of the inflationary and cost-of-living pressures still keenly felt, this year will also see the impact of wider government policy on key areas such as the increase in homelessness and temporary accommodation placements as councils across the county look to protect the most vulnerable in our communities. Most councils have had to make difficult decisions, face reductions to their services and planned investments to achieve this.
- 1.2. Recent surveys suggest most councils will need to draw down on their reserves in 2024/25 to balance their budgets, and councils continue to warn that without increased government financial support many will be forced to make increasingly difficult decision to present balanced budgets. However even with such interventions it is increasingly likely that some councils may seek extraordinary government support to allow them to set balanced budgets in 2024/25.
- 1.3. We have also faced our share of the challenges such the increasing cost of goods and services, increase in cost of homelessness and temporary accommodation placements and the increased cost of financing capital investments funded by borrowing. However, we continue to maintain vital services, and have even managed to invest in new facilities.
- 1.4. We started our work on the budget early this year, and for the last five months every team across the organisation has been tasked with finding new ways to generate income or savings. I am pleased to say that after the hard work from every team across the council, a balanced financial plan has been achieved without making reductions to front-line services.
- 1.5. However, like all councils across the country there remain financial challenges over the medium term not only in terms of pressures on demand and finances but the uncertainty surrounding local government funding reforms.
- 1.6. The new financial plan, which takes us to March 2028, also includes £191.1m (GF of £74.7m and Housing Revenue Account £116.4m) of investment in capital programme during those four years.
- 1.7. This has been yet another extremely challenging budget to develop. However, despite the financial pressures, the council continues to invest in the district and its key frontline services.

2. INTRODUCTION

- 2.1. This report sets out the Council's Medium Term Financial Strategy (MTFS) and associated spending plans for the four years 2024/25 to 2027/28. The reports cover all aspects of the Council's expenditure:
 - a) General Fund revenue expenditure funded by the council taxpayer.

- b) Government grants and other sources of income
- c) the Council's Capital Programmes (General Fund and HRA) funded by capital receipts, revenue and borrowing.

2.2. The proposed Medium Term Financial Strategy is set out below:

	2023/24	2024/25	2025/26	2026/27	2027/28
Lewes District Council Summary MTFP 24/25 to 27/28	Base for 23/24	Proposed Budget	Net Budget	Net Budget	Net Budget
£000					
TOTAL FINANCING	(15,603)	(16,487)	(16,852)	(17,303)	(17,824)
NET EXPENDITURE	16,279	15,587	16,801	16,929	17,395
Net Capital Financing Costs (including Capital Finance Reserve transfers)	(779)	900	1,627	2,188	2,565
REVISED EXPENDITURE	15,500	16,487	18,428	19,117	19,960
Unfunded Emergency Accomodation	635	635	635	635	635
General Reserves Funding	(532)	(635)			
REVISED EXPENDITURE	15,603	16,487	19,063	19,752	20,595
BUDGET SHORTFALL	0	0	2,210	2,449	2,770

2.2.1. The budget is financially balanced in 2024/25 with the remaining three years to be balanced through a combination of the of use of reserves, additional future savings and efficiencies, to mitigate existing budget gaps.

2.2.2. Assumes a one-off New Homes Bonus contribution to the MTFs in 2024/25.

2.2.3. Assumes cost recovery or an uplift in discretionary fees and charges averaging 10% to be implemented in 2024/25.

2.2.4. Assumes a Council Tax increase of 2.99% for 2024/25, with increases of 2.00% applied throughout the remaining years of this MTFs. The rate of 2.99% has been confirmed in the Autumn Statement as the rate at which there is no requirement for a referendum.

2.2.5. Assumes an increase in council house rents of 7.7% in 2024/25 in line with government guidelines and confirmed by the Regulator of Social Housing (Consumer Prices Index (CPI) on 30th September 2023 + 1%).

3. ECONOMIC CONTEXT, PRIORITIES AND BUDGET SETTING STRATEGY

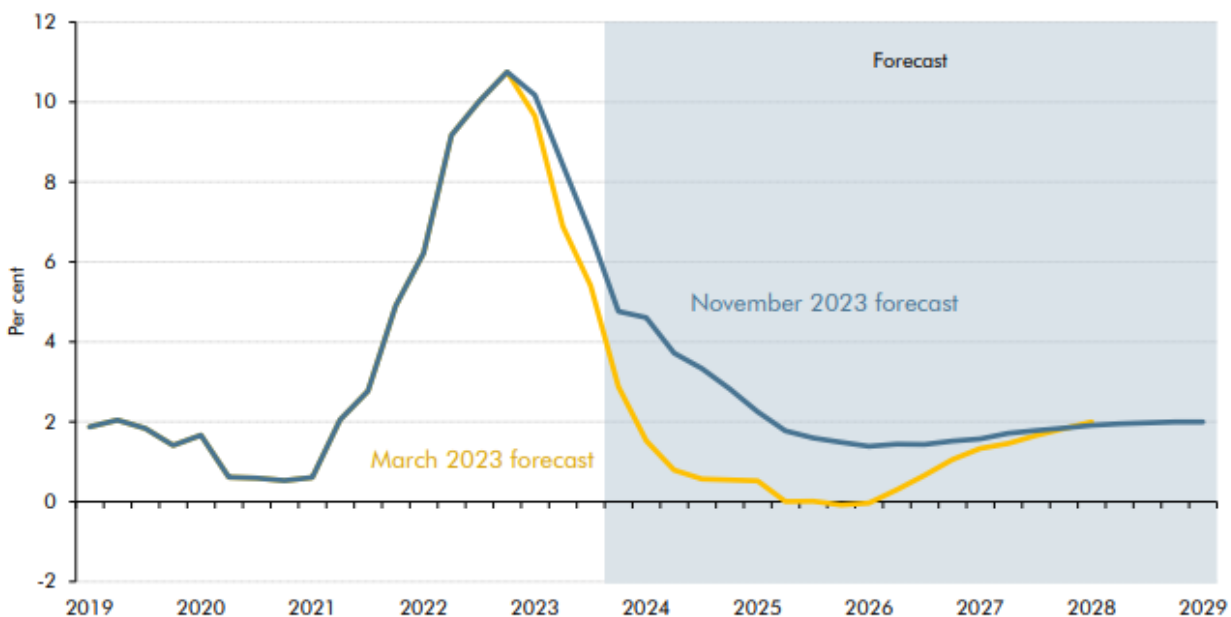
3.1. This report sets out the Council's financial plans for the period 2024/25 to 2027/28. The plans make assumptions about income from Government and grants, Council Tax and rents. The plans underpin service provision and the Council's vision, set out in the corporate plan, of "using our council resources wisely whilst respecting and following the principles of open governance, equality, open data and being a responsible employer."

3.2. The Council seeks to support and maintain services from income stream driven from fees and charges and financial returns from its trading activities.

Economic Context

- 3.3. The UK economy has performed better during 2023 than was widely expected at the beginning of the year. While the level of national Gross Domestic Product (GDP) has now surpassed pre-covid levels, GDP growth is expected to be at a slower pace over the short to medium term than in recent months.
- 3.4. The October 2023 CPI inflation rate has fallen to 4.6% from a peak of 11.1% in October 2022, still higher than the Bank of England target of 2%. It is expected that this measure will continue to fall during the next financial year and is expected to hit the bank of BoE inflation target of 2% by the end of the 2024/25, much faster than the previously expected.
- 3.5. As a result, it is expected that rates of interest will start to fall in the second half of 2024/25 again much earlier than anticipated, although still at levels much higher than in recent years.
- 3.6. However, the outlook for households and businesses over the next twelve months will continue to be challenging, further compounding the impact of the pressures felt due to the cost-of-living crisis over the previous twelve months.

Chart 1: UK Inflation Forecasts



Source: ONS, OBR

- 3.7. On the 14 December 2023 the Bank of England held the base rate at 5.25% for the fourth successive month. Link Asset Management, the Councils Treasury advisors, provide a forecast view of interest rate levels over a three-year period and is shown below:

Link Group Interest Rate View	08.01.24												
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	5.00	4.50	4.00	3.50	3.30	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.20	5.10	4.80	4.30	3.80	3.30	3.20	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.00	4.90	4.60	4.10	3.70	3.20	3.20	3.10	3.10	3.10	3.10	3.20	3.20
5 yr PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 yr PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 yr PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 yr PWLB	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

Table 1: Interest Rate Forecasts from January 2024 to March 2027

- 3.8. The Council capital programme is heavily financed by borrowing although the Council currently uses internal funds, as these are the cheapest form of borrowing. As the Capital Financing Requirement increases so will the need to undertake external borrowing.

Autumn Statement 2023

- 3.9. The Chancellor's Autumn Statement was announced on 22 November. The main implications for local Government were:

Council Tax

- 3.10. The referendum limit for increases in council tax continue to be set at 2.99% per year or £5, whichever is greater. In addition, local authorities with social care responsibilities will be able to increase the adult social care precept by up to 2% per year over the same timeframes.

Business Rates

- 3.11. For 2024/25, the small business multiplier in England will be frozen for a fourth consecutive year at 49.9p, while the standard multiplier will be updated by September 23 CPI to 54.6p.
- 3.12. The current 75% relief for eligible Retail, Hospitality and Leisure (RHL) properties is being extended for 2024/25.
- 3.13. Local Authorities will be fully compensated for the loss of income as a result of these business rates measures and will receive new burdens funding for administrative and IT costs.

Capital Investment

- 3.14. Lewes District Council has recently had its Simplification Pathfinder Pilot Investment Plan approved. The Pathfinder Pilot allows qualifying councils to consolidate the following three funding programmes to give the council greater flexibility and autonomy is how it applies these grants worth £39.9m to LDC:

- Future High Streets Fund (FHSF)
- Town Deals
- Levelling Up Fund

Social Housing

- 3.15. Rents for Social Housing can be increased by 7.7% in 2024/25 being the maximum that can be applied and reflects Consumer Prices Index (CPI) on 30th September 2023 + 1%

Local Housing Allowance

3.16. In April 2024, Local Housing Allowance rates will be raised to the 30th percentile of local market rents.

National Living Wage

3.17. This will increase for individuals aged 23 and over by 9.8% to £11.44 an hour from 1 April 2024.

Local Government Finance Settlement

3.18. The Local Government Finance Settlement released in the week commencing 18 December 2023, confirmed what had already been expected with no major changes or surprises from pre-published material already circulating within local government finance networks.

3.19. The Settlement announced limited changes to service grants and the replacement of the previous lower tier services grant with the Funding Guarantee Grant, in essence a recalculation of the remaining revenue support grant to councils to maintain their spending powers.

3.20. The table below shows the changes between this year's published settlement compared to the assumptions set out in the Interim 24/25 MTFS and the 23/24 MTFS.

LDC Funding Settlement Analysis	2023/24 MTFS	Interim 2024/25 MTFS	Final 2024/25 MTFS
	£m		
Business Rate Retained Growth	2.327	2.483	2.483
Council Tax	8.383	8.865	8.793
SFA Compensation	0.396	0.423	0.396
New Homes Bonus	0.392	0.245	0.714
Services Grant	0.087	0.093	0.014
Funding Guarantee	0.259	0	0.124
Total	11.844	12.109	12.524

Variance Against 2023/24 MTFS	£0.680m
Variance Against 2024/25 interim MTFS	£0.412m

Table 2 – Draft Local Government Settlement Analysis

Consultation and Planning

3.21. As in previous years the budget has been prepared in line with corporate priorities, as set out in the corporate plan This plan was consulted on widely at the time of production. The budget will be considered first by Cabinet and then by Full Council in February 2024.

3.22. The Service and Financial Planning review has been undertaken by

- Reviewing all four-year assumptions of the MTFs around changes to the base budget
- Proposals to reduce spend or in some instances increasing income where it is prudent to do so.
- Maximising the use of the assets that the Council holds
- Using reserves to smooth out fluctuations in the General Fund over the period whilst ensuring that such reserves are not depleted further over the four-year period.

3.23. Taking account of this review the key assumptions are outlined below.

4. GENERAL FUND REVENUE BUDGET - KEY ASSUMPTIONS

Business Rates

4.1. Business rates income collected by Lewes District Council as the billing authority is split 50% with central government, with the remaining local 50% share to be distributed based on the following local shares, as set out in the framework for business rates.

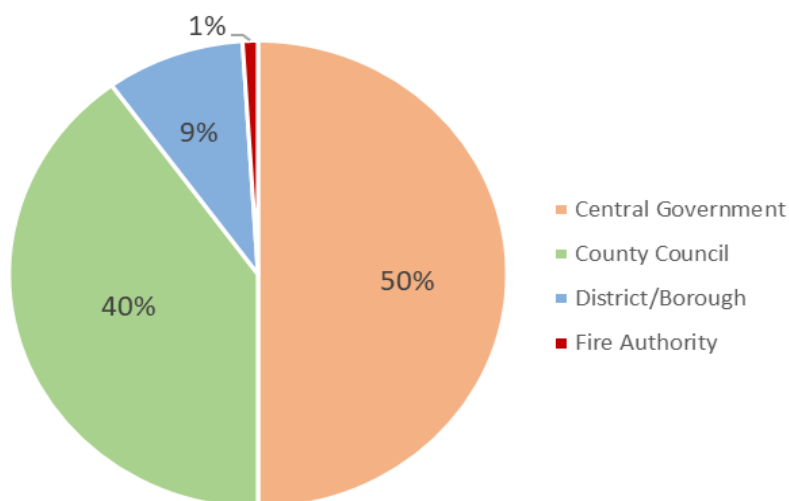


Chart 2: Split of Business Rates

- 4.2. The recent Spending Review and Autumn Statement 2023 was not explicit in terms of the reforms in respect of Business Rates Retention, (known as Fairer Funding). The implementation of these reforms has been delayed for the past 4 years and is likely to be delayed again since there is insufficient time for the Government to implement these changes by financial year 2024/25 and probably before the next general election. Any proposals would need to go through a consultation process first, any implementation could only take place as early as 2025/26. This timeframe is so close to a general election it would be highly unlikely to be undertaken at this point.
- 4.3. For budgeting purposes, the figures for 2024/25 have now been confirmed following the financial settlement which result in a decrease of £0.042m in business rate income in 2024/25 compared to that previously assumed in the interim MTFs.
- 4.4. The assumption that reform to business rates is delayed for at least a further year has been modelled across the MTFs and the opportunity to equalise business rate income flowing into the general fund through the adoption and use of an equalisation reserve has

also been taken. This provides clarity and consistency over the medium term until such time as future reforms are communicated by government and will be kept under review. For 2024/25 a transfer to the Business Rates Equalisation reserve of £0.2m has been assumed.

East Sussex Business Rates Retention Pool Arrangements

- 4.5. For 2024/25 as in previous years the East Sussex Business Rates Pool consisting of East Sussex County Council (ESCC), Lewes District Council (LDC), Hasting Borough Council (HBC), Rother District Council (RDC), Wealden District Council (WDC) and Eastbourne Borough Council (EBC) will continue. This is to optimise the financial return to Pool members given the interaction of levy payments to Government.
- 4.6. Lewes District Council provisional benefits from the pooling arrangements amount to £0.610m in 2024/25 which is an increase of £0.086m compared to that previously assumed in the interim MTFS.

New Homes Bonus (NHB)

- 4.7. The New Homes Bonus is a grant paid by central government to local councils to reflect and incentivise housing growth in their areas. It is based on the amount of extra Council Tax revenue raised for new-build homes, conversions and long-term empty homes brought back into use. There is also an extra payment for providing affordable homes.
- 4.8. For 2024/25 the Government made a one-off New Homes Bonus allocation of £0.714m, an increase of £0.321m compared to the previous year's allocation to the Council.

Council Tax

- 4.9. The Autumn Statement included provision to increase the council tax referendum level to 2.99% or £5 whichever is the higher for District Councils for 2023-24. Although there is no mention of this referendum level for 2025-26 the indication is that the level will be the same.
- 4.10. The recommendation is to increase council tax by 2.99% for 2024/25 with a further increase of 2.00% assumed for 2025-26. An annual increase of Council Tax by 2.99% in 24/25 represents approximately £0.251m of additional annual income to Lewes District Council.
- 4.11. The aggregate Band D council requirement comprises two elements:
 - Special Expenses in respect of the cost of managing and maintaining parks and open spaces. The budget of each site is charged to the council taxpayers of that part of the district area in which the facility is located.
 - General Expenses, all other costs.

Special Expenses

- 4.12. Special expenses are a part of the overall council tax charged by Lewes District Council. Most of the district's council tax is evenly distributed across all areas of the district. However, special expenses allow some specific costs to be distributed according to where

the services are provided. The district charges special expenses for the maintenance of some of its parks and open spaces.

4.13. The use of special area charges is permitted in accordance with Section 35 of the Local Government Act 1992 (1992 Act). The 1992 Act provides for different amounts of council tax to be calculated for different parts of a council's areas. The legislation provides for a range of special items to achieve this – special expenses and parish precepts being the most common.

4.14. Section 35(2)(d) specifically defines a special expense as “any expenses incurred by a billing authority in performing in a part of its area a function performed elsewhere in its area by a parish council are the authority’s special expenses unless a resolution of the authority to the contrary effect is in force.”

4.15. The Council has made a commitment to passing on charges in the cost of the upkeep of open spaces. Special Expenses amounts are shown in table 3.

Table 3: Special Expenses by Town/Parish

Town/Parish Area	Special Expenses 2023/24 (£)	Band D 2023/24 (£)	Special Expenses 2024/25 (£)	Band D 2024/25 (£)
Lewes	353,377	56.70	377,053	59.58
Newhaven	139,035	37.09	148,350	37.45
Telscombe	59,480	23.10	63,465	24.62
Seaford	60,396	6.23	64,443	6.62
Peacehaven	42,360	8.65	45,198	8.96
Chailey	1,149	0.81	1,226	0.84
Ringmer	4,548	2.26	4,853	2.29
Total	640,880	17.45	704,588	18.28

4.16. Applying a 2.99% increase to the General Expenses element of the Council Tax gives a Band D tax amount of £228.17 including the application of Special Expenses to those Parishes described above.

Table 4: Proposed Band D rates

Band D	2023/24 £	2024/25 £	Change £	Change %
Special Expenses	17.45	18.28	3.35	4.77%
General Fund	204.10	209.89	5.79	2.84%
Total	221.55	228.17	6.62	2.99%

Investment Interest

4.17. On the 14 December 2023 the Bank of England held the base rate at 5.25% for the fourth successive month. It is also assumed that the base rate will remain at this level for some time with reductions unlikely until the second half of the next financial year. Interest rates feed through to the rate applied to PWLB borrowing and the council's investments. Because of the high level of interest rate compared to recent historic lows, the council will take care to ensure that investment rates will increase only on the basis that there is a subsequent positive impact on the council's finances. Increasing PWLB rates will have an adverse impact on the council's capital financing costs directly and indirectly including

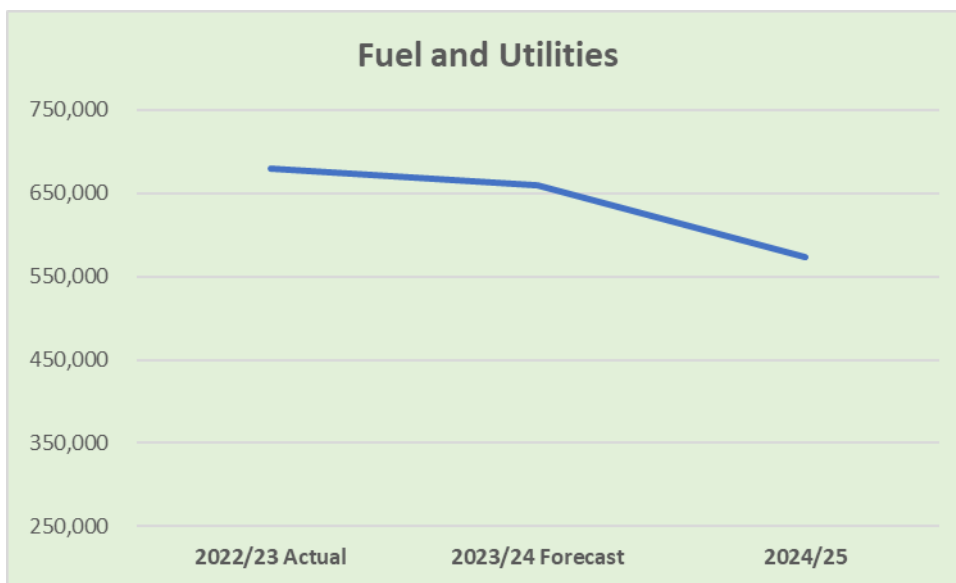
HRA and its wholly owned housing companies since PWLB is its main source of capital financing. This could ultimately impact on the council's financial return.

Inflation

- 4.18. Most budgets are cash limited. The Consumer Prices Index (CPI) rose by 4.6% in the 12 months to October 2023 down from 6.7% in September. The most significant impact is on materials purchased in respect of repairs and maintenance and the council's capital programme, for which budgetary provision has been made. Provision has been made for specific contracts the Council has which contractual holds the Council to awarding inflationary increases many of which are linked to national recorded metrics such as CPI.
- 4.19. It is expected that this measure will continue to fall during the next financial year and is expected to hit the bank of BoE inflation target of 2% by the end of the 2024/25.

Utility Costs

- 4.20. As outlined in the interim MTFs, although energy prices are still high, pressure is falling on energy budgets and the Council is part of a fixed price contract which affords some certainty over prices. The chart below indicates that actual expenditure is falling, and current budget provision is adequate.



- 4.21. During 2024/25 the utility contract will be retendered. Officers are working to secure further reduction in the unit prices, the budgeted provision will be reviewed once the new arrangements are in place.

Pay Assumptions

- 4.22. The Interim MTFs assumptions for pay increases for 2024/25 of £0.684m, have been provided for in the 2024/25 budget. These are held in a central contingency until negotiations are complete.
- 4.23. Pay related cost in the budget includes the following:

- Adjustment to the base budget to reflect the final 2023/24 staff pay award of £1,925 per FTE post under £49,950 and 3.88% for salaries above agreed in November 2023, compared to the base budget position of 4%.
- Contractual increments where staff are not at the top of their pay grade for 2024/25, resulting in a budgeted provision of £0.040m.

4.24. Inflationary assumptions and the associated budgeted value over the interim MTFS are as follows:

MTFS for	Budget Assumption (average rise)	Budget Provision General Fund £m	Budget Provision HRA £m
2024/25	5.0%	£0.684m	£0.091m
2025/26	2.5%	£0.356m	£0.112m
2026/27	2.5%	£0.365m	£0.051m
2027/28	2.5%	£0.375m	£0.052m

Pensions

4.25. The Medium-Term Financial Strategy includes an increase from the current contribution in line with pay inflation increase and takes account of the Triennial Review period up to 31 March 2026.

Employer Pension Costs

4.26. The approach will be consistent with the actions agreed following the current actuarial review of the East Sussex Local Government Pension Fund on 31 March 2022; the outcome has been profiled into the budget for the three years to 2027/28.

4.27. The 2022 valuation confirmed that the Fund's total assets, which at 31 March 2022 were valued at £194.0m. There was an improvement in the reported funding level from 102.2% to 116.8% and a change in the funding surplus from £3.22m to a surplus of £28.0m.

4.28. Each employer has a contribution requirement set at the valuation, with the aim of achieving full funding within an agreed time horizon and probability measure, as set out in the Fund's Funding Strategy Statement. Individual employers' contributions from April 2023 to March 2026 have been set in accordance with this requirement.

4.29. For Lewes District Council the employer pension contribution rates for 2023/24, 2024/25, & 2025/26 will be 22.85% per annum, which were based on an annual primary rate of 23.9% reduced by 1.8% secondary rate plus 0.75% relating to the Early Retirement and Voluntary Severance (ERVS) Scheme.

4.30. The next actuarial review will be on 31 March 2025 and the revised contribution schedule with any budget implications will be built into budgets for 2026/27 onwards.

4.31. For 2023/24 this budget reflects the outcome of the 2022 Pension Fund Revaluation and the funding options offered to employers by the Fund.

4.32. As part of budget-setting 2024/25, the approved approach will be:

- To pay the primary employer contribution rate at 23.9% of salaries. This has been factored into the 2023/24 base budget.

- To reduce the annual primary contribution above by the secondary employer credit/rate at -1.8%.
- To pay the 0.75% relating to the Early Retirement and Voluntary Severance (ERVS) Scheme.
- To continue to rebuild the Pensions Reserve ready for the next revaluation in 2025.

Capital Financing Costs

4.33. Capital financing for the draft Capital Programme is detailed in Section 5. Given the budgetary pressures experienced from the Council no revenue contributions have been assumed to finance capital which is largely funded by internal borrowing and an assumption of external borrowing in future years when market conditions allow, the revenue implications of which have been included in the budget.

	23/24	24/25	25/26	26/27	27/28
Capital Financing Costs	£0.100m	£0.900m	£1.627m	£2.188m	£2.565m

Budget 2023/24

4.34. At Cabinet on the 7th of December the Council reported a projected overspend of £0.532m due to the backdrop of increased cost of goods and services, reduction in budgeted income and pressures in demand for services such as rising homelessness being supported.

4.35. There were also pressures following the conclusion and agreement of the pay award for 2023/24 which was above (estimated as £0.14m) the budgeted pay award of 4% allowed for.

4.36. Within the proposed budget for 2024/25, a provision of £0.4m has been made to adjust the baseline and support the budget pressures experienced in 2023/24 which may continue into 2024/25.

Contingencies

4.37. The 2023-24 budget included a general contingency of £0.350m. This contingency has proved useful in managing the budget for the current financial year and is built into the budget for a further year.

4.38. For 2024/25, a number of contingencies are also available to cover any associated risks within the budget and will be available to adjust budgets, if necessary, given the uncertainty of the economic recovery and subsequent demand for services. The following contingencies have been built into the budget for 2024/25.

	£	
Cost of living (shared service contract)	684,000	Staffing cost of living increases expected in 2024/25
Contract Inflation	500,000	New contingency for in year inflationary increases to contracts
Neighbourhood First	400,000	To support the review of the neighbour first service
Service Demand Pressures	300,000	New contingency for budget pressures expected to continue into 2024/25
	£1,884,000	

4.39. The release of contingencies will be at the discretion of the Director of Finance & Performance in consultation with the Finance portfolio holder.

Fees and Charges

4.40. Discretionary Fees and Charges have been increased by 10% for 2024/25 with Statutory (i.e., set by Government) fees for Planning increasing by 25%.

4.41. Details of specific fees and charges increases in 2024/25 are given in Appendix 5 the impact of these has been incorporated into the budget which results in an increase in income of £0.507m.

Budget Growth, efficiencies and pressures built into the budget.

4.42. Budget growth is shown in the following categories:

Service Planning Growth £1.27m

Following on from the Service Planning work undertaken earlier this year, £1.24m of growth has been built into budgets. The most material of these pressures are as follows:

- Property & Asset Management Staffing £0.101m – the cost of running this service is higher than budget and needs to increase to reflect the ongoing service pressures.
- Port Health Posts £0.322m – increased base budget provision for the now legislated cost of running the Port Health Regulatory Service.
- Ringmer Swimming Pool £0.150m - LDC is taking a lease of Ringmer Swimming Pool from ESCC and intends to sub-let to Wave Active Limited. Requirement for additional revenue to support costs of Wave managing the facility, utilities, and other outgoings. Ongoing increase in base budget.

Service Planning Efficiencies £1.04m

The Service Planning work also identified Efficiencies, Income Generation, and removals of one-off budget requirements across a number of the council's budget lines.

- A reversal of £0.25m from the Strategic Change reserve to fund local elections.
- Waste and recycling savings £0.56m. Various budget savings, budgets no longer required and savings in fuel and vehicle costs.
- Various savings in Tourism and Regeneration £0.05m

Budget line reviews £1.06m

During the construction of the Quarter 2 Budget Forecast work a detailed review of (mainly low value) budget lines was undertaken to assess whether all budgets were likely to be needed or used by year end using 22/23 actuals and 23/24 spend so far to make an assessment. The results of the exercise were scrutinised by CMT and Finance Business Partners and some have now been included in budgets as permanent reductions. This is good financial Housekeeping and should be undertaken on an annual or biannual basis to ensure that the councils limited funds are directed to the council's priorities.

5. GENERAL FUND CAPITAL PROGRAMME

- 5.1. While Revenue Budget expenditure is concerned with the day-to-day running of services, the Capital Programme is concerned with investment in the assets required to deliver services or the delivery of new income streams. The Capital Programme sets out how capital resources will be used to achieve the Council's vision and corporate priorities.
- 5.2. The latest General Fund Programme 24/25 to 27/28, shown in Appendix 4, details £191.135m (GF of £74.764m and HRA £116.371m) of investment over those four years.
- 5.3. Decisions on the Capital Programme have an impact on the Revenue Budget, in relation to:
- The revenue costs of financing capital, including prudential borrowing; and
 - The ongoing running costs and/or income generated by new capital assets such as buildings. Capital investment decisions therefore have implications for the Revenue Budget.
- 5.4. The revenue costs over the lifetime of each proposed capital project are considered when the project is being developed to ensure that the impact can be incorporated within the financial plans and to demonstrate that the capital investment is affordable. The revenue and capital budgets are integrated with the financial impact of the proposed Capital Programme, being reflected in the Revenue Budget estimates.
- 5.5. The Council will only invest where capital spending plans are affordable, prudent and sustainable. The key constraint on capital investment is the scope to afford the financial implications in terms of acceptable council tax levels. As supported by the Capital Investment Strategy, the Council's capital investment plans over the next 4 years are set out in the Capital Programme.
- 5.6. The efficient and effective use of capital resources, including sound asset management, is fundamental to achieving the Council long- and medium-term aims and objectives. It is also critical to achieving the delivery of the required savings and income across the Council to secure a balanced budget.
- 5.7. The Council's Capital and Investment Strategy is reviewed and reported to Full Council on an annual basis to reflect the changing needs and priorities of the Council including residents, businesses and places.
- 5.8. The strategic objectives of our Capital Programme can be summarised as follows:
- i.* To maintain a four-year rolling Capital Programme which remains within the approved affordable, sustainable and prudential limits;
 - ii.* To ensure capital resources are aligned with our strategic vision and corporate priorities by ensuring all schemes are prioritised according to the Council's prioritisation methodology;
 - iii.* To identify opportunities for investment in new schemes that result in capital growth and/or new revenue income streams;
 - iv.* To maximise available resources by actively seeking external funding to support Council priorities and disposing of surplus assets; and
 - v.* To use internal resources alongside external resources where appropriate to support the Capital Programme and minimise any borrowing costs.

- 5.9. That decisions on the financing of the capital programme are taken with consideration to the impact on the revenue budget, the treasury management strategy and the investment strategy.

Housing Revenue Account Capital Programme

- 5.10. The draft HRA Capital Programme forms part of the HRA Business Plan that will be presented to Cabinet in February 2024. Resources to fund the Programme are largely generated through housing rents and are detailed with the HRA Business Plan. Appendix 4 provides a summary of the HRA capital programme over the four years 24/25 to 27/28 totalling £116.4m.
- 5.11. The Tenants of Lewes District (TOLD) have been consulted on the Housing Revenue Account (HRA) Revenue Budget and Rent Setting 2024/25 and HRA Capital Programme 2023-28. The proposed rent increase reflects the requirements under The Direction on the Rent Standard 2019 together with the Rent Policy Statement for Social Housing February 2020.

6. LEGAL IMPLICATIONS

- 6.1. Section 151 of the Local Government Act 1972 requires that every local authority make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs.
- 6.2. Sections 42A of the Local Government Finance Act 1992 requires local authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating their budget requirement.
- 6.3. The Chief Finance Officer, appointed under section 151 mentioned above, has a duty to report on the robustness of estimates and adequacy of reserves under section 25 of the Local Government Act 2003.

7. FINANCIAL IMPLICATIONS

- 7.1. These are covered within the main body of the report Legal Implications 113. Section 30 of the Local Government Finance Act 1992 requires that a local authority 'must set a balanced budget and council tax before the 11th March in the financial year preceding that for which it is set'.
- 7.2. The Local Government Act 2000 in particular Section 9 states that it is the responsibility of the full council, on the recommendation of the executive to approve the budget and related council tax demand.
- 7.3. The Local Government Act 2003, section 25 requires the Council's Section 151 Officer to report to the council on the robustness of the estimates made and the adequacy of the proposed financial reserves assumed in the budget calculations. This will be done at Council in February 2024 when the Budget is approved.
- 7.4. Failure to set a legal budget may lead to intervention from the Secretary of State under section 15 of the Local Government Act 1999.
- 7.5. The S151 Officer will submit her Section 25 report on the robustness of estimates and adequacy of reserves to Full Council in February 2024. This report will be based on a

detailed financial resilience and stress test of the Council's proposed income and expenditure plans.

8. RISK IMPLICATIONS

- 8.1. The increasing cost of goods and services, increases in homelessness and temporary accommodation placements and the increased cost of servicing council capital investments will have an impact on the council's finances for the foreseeable future.
- 8.2. Aligned to that is the uncertainty future around local government funding reform in a General Election year.
- 8.3. In spite of these issues and other risks around expenditure which are explained in the report the Council has been able to set a balanced budget in 2024/25.

9. EQUALITIES AND FAIRNESS ANALYSIS

- 9.1. An Equality and Fairness Analysis has been undertaken as part of the budget preparation process. It is not anticipated that there will be any issues which will have an adverse impact on those from protected groups.
- 9.2. However, more detailed analysis will be undertaken once the budget is agreed, to ensure that any budgetary changes to services do not inadvertently create discriminative impact on those with protected characteristics, or that any potential discriminative impact is fully mitigated by proactive measures.

10. CONCLUSION

10.1. The Council faces considerable financial challenges in the medium term, primarily relating to changes and uncertainty in both public finances and the wider economic environment.

10.2. Appendices

- Appendix 1 Medium Term Financial Strategy 2024/25 to 2027/28
- Appendix 2 Budget Summary by Directorate & Service 2024/25
- Appendix 3 Budget Summary by CIPFA classification 2024/25
- Appendix 4 General Fund & HRA Capital Programme 2023/24 to 2027/28
- Appendix 5 Reserves Analysis
- Appendix 6 Proposed Fees and Charges 2024/25

Background Papers

10.3. The background papers used in compiling this report were as follows:

- Local Government Finance Settlement 2024/25
- Draft Medium Term Financial Strategy 2024/25 to 2027/28