# Resources Updates and Assumptions 2024/25

## General Fund Budget

### Local Government Financial Settlement (LGFS)

1.1 The government's Autumn Statement announced on the 17 November 2022 covered the 2-year period 2023/24 and 2024/25. This was followed by a Local government Finance Policy Statement on the 12 December 2022 covering the 2 years. The Policy Statement included a disconcerting statement suggesting that local authorities' reserves be used to balance budgets in the short term, which is counter to sustainable financial planning. For 2024/25 information was provided at a high level, particularly for social care funding and assumptions on allocations are based on the current methodology.

1.2 The provisional LGFS for 2024/25 would normally be expected in December 2023, including confirmation of the council tax 'excessive increase' threshold above which a local referendum would be required. The government has already announced that councils with social care responsibilities can increase council tax by a core 2.99% and an additional 2% for social care precept. Therefore the maximum council tax increase for 2024/25 is assumed to be 4.99%.

### Government Grants and Precepts

***Revenue Support Grant (RSG)***

1.3 For 2024/25 the government has confirmed it will increase RSG by September 2023 CPI. The Office for Budget Responsibility (OBR) is currently (Apr 2023) projecting 5.4% by the end of quarter 3 2023 and therefore the assumed RSG will be £8.355m, an increase of £0.428m. For 2023/24, the increase in RSG was funded by reducing the Services Grant and this is assumed to continue in 2024/25 and therefore there is no net increase in resources.

***Services Grant***

1.4 Services Grant is an unringfenced grant provided by government. The Council received £2.392m in 2023/24 and it is forecast to reduce by the £0.428m to fund the RSG increase.

***Adult Social Care precepts and Better Care Funding***

1.5 The Autumn Budget Statement 2022 announced additional funding for social care for both 2023/24 and 2024/25. The majority of this funding was through delaying the roll out of the social care charging reforms from October 2023 to October 2025 and releasing funds to support the pressures in social care. For 2024/25 the step increase in national funding to councils is £1.095bn and the estimated increase in resources for this council is £5.390m which is reflected in the table below.

1.6 The government also confirmed a further 2% Adult Social Care precept for 2024/25.

| Table 1: Social Care Resources | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|
| ASC Precepting | 1%<br>£1.588m | 2%<br>£3.295m | 2%<br>£3.471m<br>Assumption |
| Improved BCF | £9.459m | £9.459m | £9.459m |
| Social Care Grant | £10.815m | £17.856m | £20.956m<br>Assumption |
| ASC Discharge Grant | | £1.326m | £2.216m<br>Assumption |
| ASC Market Sustainability and Improvement Fund | | £2.877m | £4.277m<br>Assumption |

***New Homes Bonus (NHB)***

1.7 The government provided a one-year extension to the NHB scheme for 2023/24 and has stated the future of NHB will be set out ahead of the 2024/25 LGFS. There has been no consultation about the future of NHB to date. The council received £0.241m in 2023/24.

**Business Rates**

***Business Rates estimate for 2024/25***

1.8 For 2024/25 the projections are based on 1.0% growth compared to 2023/24. This reflects the completion of a number of business space developments across the city net of further anticipated impacts on the retail sector.

1.9 Business rates are planned to increase by September 2023 CPI which is forecast to be 5.4% (based on OBR April 2023 forecast). In recent years the government has either frozen or capped the increase in Business Rates to protect businesses, with local government being compensated for any loss in resources through Section 31 grant. It is assumed the government would continue this policy.

1.10 Business rates were revalued with a new 2023 rating list in place from April 2023. Revaluation can cause fluctuations in the level of resources retained by the council. The government has stated it is committed to ensure, as far as practicable, that retained income is unaffected from this change but the actual impact on resources will not be known until at least Autumn 2023.

1.11 Business Rates forecasts continue to be an area of financial risk which is heightened by the unknown impacts of global financial events and the impact of current economic conditions on businesses and therefore these estimates could change significantly.

**Council Tax**

***Council Tax Reduction Scheme***

1.12 The council's local Council Tax Reduction Scheme (CTRS) was amended by full Council in February 2022, introducing a revised scheme based on earnings bandings for working age Universal Credit claimants. The pension age CTR Scheme remains unchanged as required by legislation.

The number of working age claimants has been steadily rising since February 2022 however the average award has reduced, partially offsetting the overall increase in awards. The assumption in the projections is that the number of claimants will continue to rise throughout 2023/24 and then remain constant during 2024/25, however this assumption will be closely monitored throughout the year.

**Council Tax Estimate 2024/25**

1.13 The council tax increase for 2024/25 is currently assumed at 2.99% for planning purposes, plus 2% for the Adult Social Care Precept, however, both are a matter for local decision. The impact of the current financial climate on council tax income remains difficult to predict but new housing developments have been assumed for 2024/25 resulting in a net increase of the tax base of 0.9%. Given the financial challenges arising from the cost of living crisis, particularly for households on lower incomes, the collection rate is assumed to remain at the 2023/24 level of 98.75% rather than reverting to the pre-pandemic level of 99%.

**Corporate Inflation Provisions**

***Pay***

1.14 At present there is no agreed pay offer for 2023/24 or 2024/25. The employers' offer for 2023/24 for all NJC salaries is a £1,925 flat rate increase or 3.88%, whichever is greater for all NJC salaries plus the agreed pay award of 3.50% for JNC Chief Officers. This equates to a 6% increase overall however the 2023/24 budget included 3.75% and, if this offer is agreed, therefore creates a pressure of £3.800m when rolled forward into 2024/25. The current pay award assumption for 2024/25 is 3% on the basis that inflation is expected to significantly reduce during 2023/24 as predicted by the OBR. However the May 2023 CPI has remained unchanged from April 2023 at 8.7% and therefore this pay assumption will need to be closely monitored as it represents a significant financial risk. Each 1% increase equates to £1.600m for the General Fund budget. However, this is also a significant risk area for the separate Schools and Housing Revenue Account budgets.

***Pensions***

1.15 The recent triennial review of the East Sussex Pension Scheme covered the period 2023/24 to 2025/26 and confirmed the employer contribution rate of 19.80% across the 3 years.

***Prices***

1.16 The provision for general price inflation ranges between 1.00% and 3.50% as a base position depending on the type of expenditure. The largest type of expenditure is Third Party Payments which covers the majority of non-staffing expenditure within adults and children's social care which has an assumed base position increase of 3.50%. The impact of inflation above these assumed rates is separately identified within the updated service pressure assumptions rather than applying generic increases to all service areas.

***Fees and Charges***

1.17 Fees and charges budgets for 2024/25 are assumed to increase by a standard inflation rate of 3.50%. Penalty Charge Notices (parking fines) are excluded from this increase as the levels of fines are set by government and cannot be changed independently. Temporary accommodation income is assumed to increase by 2.00% but this will ultimately be determined by government changes to the Local Housing Allowance rates.

**Commitments**

1.18 The budget projections for 2024/25 include some significant commitments including over £4.000m relating to the financing costs of approved capital investments. This is largely driven by funding elements of the capital investment programme through borrowing. During 2023/24 a review and rationalisation of the capital programme will be undertaken to ensure approved projects are deliverable and affordable. The financing costs budget is net of investment income from cashflow surpluses which can fluctuate significantly through changes to the Bank of England base rate. The results of the capital programme review and revised investment income projections will be reflected in an updated financing costs budget for 2024/25. Other substantial commitments include £1.000m recurrent IT&D resources to support digital modernisation. This is replacement ongoing funding rather than new funding as the cost of this activity had previously been met through the flexible use of capital receipts.

1.19 There is no recurrent funding for risk provisions included within the financial projections. For planning purposes, any risk provision would need to be managed by redirecting reserves in the short term.

**Census 2021**

1.20 The first data from the Census 2021 was released on 28 June and indicates a significant reduction in the population of the City compared to the latest Mid-Year Estimate, showing a 5% reduction from 292,000 to 277,000 people. This is only 3,800 more people than the 2011 Census. The census indicates significant falls in some age demographics, particularly young children and working age adults.

1.21 Given the weight placed on Census data in determining local government funding allocations, there is a potential for funding allocations to this council to be impacted, particularly for any allocations driven by children or young people population characteristics. However, adult social care funding should not be affected. If the census data causes large movements (up or down) in the national distribution of government grant funding, the government will normally consider applying damping mechanisms or transitional protections to avoid destabilising local authority service provision.

## Schools Funding

1.22 The Dedicated Schools Grant (DSG) is a ring-fenced grant paid to local authorities (LAs) by the Department for Education (DfE) in support of the Schools' Budget. Under the DfE funding arrangements, the DSG is split into four notional blocks:

- Schools' Block.
- Central Services Schools Block (CSSB).
- High Needs Block (HNB).
- Early Years Block (EYB).

1.23 There are a number of factors affecting school budgets at the current time, the most significant are:

- reducing pupil numbers, most notably in the primary phase;
- unavoidable cost pressures linked to higher pay awards;
- general inflation and increases in cost areas such as energy, and;
- increasing numbers of children with Education, Health and Care Plans.

1.24 At the end of the 2022/23 financial year school balances have reduced from a net surplus of £8.135m to a net surplus of £4.540m. This represents a reduction in school balances of £3.595m, with balances reducing across all phases of education.

1.25 There are increases to the schools, high needs and early years funding blocks in 2023/24. The amount of funding being delegated directly to mainstream schools within the Schools Block has increased by approximately £1m in comparison to 2022/23. However, in addition to the core DSG, the government has also announced an additional mainstream grant estimated at £5.4m for 2023/24. This is being provided in respect of the additional cost pressures faced by schools. The Government has also uplifted funding levels for the high needs block in the DSG. This equates to an increase of £3.5m and takes the total high needs block allocation to £37.808m.

1.26 Between 7 June 2022 and 9 September 2022, the Department for Education (DfE) held a consultation on Implementing the Direct National Funding Formula (NFF) reforms. This consultation sought views on the details of how a direct NFF would work in practice. The Government's response to the consultation was published in April 2023. The key aspects of the Government response are summarised below:

- In introducing the direct NFF, the Government will allow local authorities to request funding transfers to high needs budgets, and that these requests will draw from a short menu of potential options on how the funding adjustment to mainstream schools should be made. This follows the positive response to this proposal in the consultation and, in particular, it was noted that a substantial majority of local authorities, maintained schools, and academies agreed with this proposal, with many comments on the importance of this flexibility to fund high needs appropriately.

- Government continues to think it would be helpful to identify for each school an indicative budget as a guide to the resources that might be needed by a school in supporting its pupils with SEND, and to reinforce the message that schools' core budgets are expected to provide for support to these pupils. It could only ever act as an indication of what might be needed, because head teachers, Special Educational Needs Coordinators and other professionals working in and with the school are best placed to decide what support each child needs, and a budget calculation at national level based on proxy measures of need could never accurately predict the precise level of resources required. An indicative SEND budget would, however, provide some assurance that the level of SEND in the school's pupil population was reflected in their funding allocation.

- As we transition to a direct NFF Government remains committed to the principle of gradual change – allowing local authorities, schools, and trusts time to adjust to new requirements. Government acknowledges that some local authorities will have committed growth funding over a number of future years and so will implement only minimum requirements for 2024-25 rather than fully determined national standards.

- There was widespread support for the removal of the restriction that falling rolls funding can only be provided to schools judged "Good" or "Outstanding" by Ofsted. Government carefully considered this issue and concluded that the use of robust data on falling rolls (through School Capacity Survey, SCAP) will ensure that this funding is targeted only at schools where places will be needed in future. Government intend, therefore, to remove the Ofsted restriction for 2024-25, and to require local authorities to use SCAP data in taking decisions and only provide funding where SCAP data shows that school places will be required in the subsequent three to five years.

- Government can confirm that from 2024-25 they will expand the use of growth and falling rolls funding to allow local authorities to fund the revenue costs associated with repurposing or reducing school places. Such funding could support local authorities to repurpose surplus space to create SEND Units or Resourced Bases in mainstream schools. Government will provide further guidance in the Schools Operational Guide and make the relevant changes to the Regulations.

- Government plans to allocate split sites funding nationally on the basis of a formula factor made up of a 'basic eligibility' element and a 'distance eligibility' element from 2024-25. This will replace the current local authority led approach. A national formula will allow the Department to ensure funding is allocated consistently and fairly across the country, and that all split site schools receive funding towards the additional costs they face from operating across multiple, separate sites. Introducing this new approach for split sites funding is an important part of developing the NFF in advance of the final transition to the direct NFF.

- Government believes that 500 metres, in line with the distance threshold used by the majority of local authorities, is the right threshold to bring consistency to the system whilst not causing undue turbulence to schools. It is acknowledged that a hard “cut off” would disadvantage schools who were just below the threshold, so the intention is to include a distance taper as part of the formula, starting at 100 metres.

- Government suggests that around 60% of the 2024-25 NFF lump sum is an appropriate amount for the ‘basic eligibility’ element given that an additional site should cost less to run than the school’s main site, and funding should be seen as a contribution to overall costs. The precise level of funding will be kept under review and DfE plan to publish the split sites factor value for 2024-25 alongside the July 2023 NFF announcement.

- In summary, schools which currently see very generous split sites funding through their local authority formula will likely see a reduction in this element of funding. Conversely, other schools, especially those in local authorities who do not currently use a split sites factor in their local formula, will attract additional funding. Importantly, Government has confirmed that schools with split sites which lose funding, or are no longer eligible, as a result of the “formularisation” of the split sites factor will see their funding protected through the minimum funding guarantee (MFG). This is in line with the DfE position that schools should be protected from changes in funding resulting from policy changes as we transition to a direct NFF. In contrast, once the reform has taken place, schools will not be protected from losses in split site funding resulting from them ceasing to be a split site school.

- Government will use local formulae baselines for the minimum funding guarantee (MFG) calculation in the year that we transition to the direct NFF. This will ensure that schools continue to be protected against year-on-year losses as intended by the MFG. For academies this will be based on the General Annual Grant (GAG), rather than the Authority Proforma Tool (APT).

- The Government will move to a simplified pupil-led funding protection under the direct NFF. This will simplify the floor significantly, which will help improve the transparency of the funding system and make it easier for schools to understand how their funding levels are calculated.

- The Government recognises the need to provide early information to schools and the sector to support budget planning and will continue to give early information regarding the design of the subsequent year’s formula in July each year. Given the strong support for a calculator tool, Government will aim to develop a product that schools can use to estimate future funding.

- In circumstances where data collections with regard to school reorganisations and pupil numbers are required to be provided by LAs to Government, the intention is to facilitate this by using a pre-populated form with data from the October census, this would involve a short turnaround time over the Christmas holiday period.

- Regarding de-delegation, Government has confirmed that they will issue one single data collection in March when the direct NFF is introduced. This will keep the timeline similar to the current system, limiting the amount of change in the first instance.

- There are no plans to change the actual payment processes for maintained schools. DfE will pay local authorities, who in turn will pass the funding on to maintained schools. As such, local authorities will continue to deduct the funding for de-delegation before they pass on the funding to maintained schools.

1.27 Government will announce the 2024-25 National Funding Formula for schools and high needs in July, in line with the usual timetable. This will also confirm requirements on local authorities to bring their local funding formulae closer to the NFF in 2024-25, following the initial transitional steps in 2023-24.

1.28 Government plan to engage with the sector further on funding for PFI schools, and the determination of indicative SEND budgets. This will support a smooth transition to the direct NFF.

## Housing Revenue Account (HRA)

1.29 The HRA contains the income and expenditure relating to the council's social landlord duties covering approximately 11,800 rented properties and 2,300 leasehold properties. The Housing Revenue Account (HRA) is a ring-fenced account within the General Fund which covers the management and maintenance of council owned housing stock. This must be in balance, meaning that the authority must show in its financial planning that HRA income meets expenditure and that the HRA is consequently viable.

1.30 Although the HRA is not subject to the same funding constraints as the rest of the General Fund it must still follow the principle of value for money and equally seeks to drive out inefficiencies and achieve cost economies wherever possible. Benchmarking of both service quality and cost with comparator organisations is used extensively to identify opportunities for better efficiency and service delivery.

1.31 The HRA Budget aims to balance the priorities of both the council and council housing residents within the context of the council's Housing Strategy, Housing Revenue Account Asset Management Strategy and the Corporate Plan priorities which set out the overall direction for Housing in the city over a 4-year period.

1.32 The current economic environment continues to have an ongoing effect on the resources available to the HRA during 2023/24, this includes a loss in rental income and the rising cost of services driven by inflation. The Housing Income Management Team continues to work with residents to improve income collection and minimise the impact of rising costs on households, whilst a project team remains in place to continue to reduce the number empty properties held during the financial year. The medium target is to move back to pre-pandemic empty property levels. Indications are that these factors will result in short to medium term reductions in revenue but should not affect the long-term plans and aspirations of the council in respect of the HRA and associated capital investment plans.

1.33 The Housing Revenue Account Budget & Capital Investment Programme 2023/24 and Medium-Term Financial Strategy reported to Housing Committee in January 2023, anticipated that the investment required to meet the building safety and fire safety regulations would be significant and will impact upon capital and revenue budgets. The 2023/24 HRA budget proposals sought to address this and prudently included substantial budget provision, both revenue & capital, in the baseline budget in anticipation of investment in the areas of compliance and assurance covered by this review. This includes expected new duties and investment requirements arising from the new Building Safety Act, Fire Safety Regulations and Social Housing Regulation Bill.

1.34 Another key area of focus for 2023/24 continues to be catching up on the delayed delivery of responsive repairs, empty property refurbishments, planned maintenance and major capital works to council homes due in part to the pandemic. The HRA has set up reserves to assist this process.

1.35 The outcome of the social rent consultation which concluded on 6th October 2022 has provided clarity on the rent uplift allowable for 2023/24. This has allowed the council to set out a plan for the financial year to continue investing in tenants' homes, whilst limiting the increase to individuals' rents as much as possible. Beyond 2023/24 the policy for rent setting becomes less certain for multiple reasons. The first being that it is unclear if any further alterations to the rent policy will be made for 2024/25; currently it is assumed that the policy will revert to allow CPI+1%. The second reason is that notwithstanding the cap on rent increases for 2023/24 the rent policy allows for up to Consumer Price Index (CPI) at the previous September rate +1% to be applied to rents over a 5-year period; 2024/25 would be the final year. Currently, it is unknown what the rent policy will look like beyond this. Central Government have indicated that further consultation is likely to happen during 2023/24.

1.36 Rents are not calculated to take into account any service charges and only include all charges associated with the occupation of a dwelling, such as maintenance of the building and general housing management services. Service charges are therefore calculated to reflect additional services which may not be provided to every tenant or which may be connected with communal facilities rather than to a particular occupation of a house or flat. Different tenants may receive different types of service reflecting their housing circumstances. All current service charges are reviewed annually to ensure full cost recovery and also to identify any service efficiencies which can be offset against inflationary increases, to keep increases to a minimum. For example, phased increases for service charges related to utility costs at 15.5% (compared to inflation of between 44% and 45%). Cost recovery for other service charges ranges between 2% and 13%. The budget for 2024/25 will review any new areas for service charging as appropriate and consider the impact of suppressing the service charge increases for utilities in 2023/24.