

**Report To:** Overview and Scrutiny Committee

**Date of Meeting:** 5 February 2024

**Report Title:** Summary DRAFT Revenue Budget 2024/25, and Capital Programme 2024/25 to 2026/27

**Report By:** Kit Wheeler  
Chief Finance Officer

**Key Decision:** Yes

**Classification:** Open

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### **Purpose of Report**

1. To present a summary of the DRAFT Revenue and Capital budget for 2024/25, including an updated MTFS (Medium Term Financial Strategy) forecast for future years.
2. To seek the Committee's feedback as part of the process of agreeing the 2024/25 budget which will be a matter for the whole council at the Budget Council Meeting on 21 February 2024.

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### **Recommendation(s)**

That the comments of the Overview and Scrutiny Committee on the draft Revenue and Capital budget for 2024/25 and updated Medium Term Financial Strategy forecast for future years be referred to the Budget Cabinet on 12 February 2024.

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### **Reasons for Recommendations**

To ensure the Overview and Scrutiny Committee's comments can be considered by the Budget Cabinet, prior to recommendations being made to the Full Council.

## Introduction

1. This report summarises the key information and issues that will be included in the Chief Finance Officer's report to the Budget Cabinet (published on 2 February).
2. The report will include the following recommendations:

That Cabinet recommends that full Council:-

- i. Approve the draft 2024/25 revenue budget (Appendix B)
- ii. Approve a 2.99% increase in the Borough Council's part of the Council Tax (Appendix C)
- iii. Approve the detailed recommendations in Appendix C, which relate to the setting of Council Tax in accordance with Sections 31 to 36 of the Local Government Act 1992 (Appendix C – to be provided/updated for full Council).
- iv. Approve the Capital Programme 2024/25 to 2026/27 (Appendix E) and that any marked with an asterisk can proceed without further reference to Cabinet or Council.
- v. Approve the proposed use of Reserves as detailed in Appendix I that can proceed without further reference to Cabinet or Council.
- vi. Approve that the budget be amended as necessary to reflect the final grant figures including Disabled Facility Grants - once received.
- vii. Council adopt the existing Council Tax Support Scheme subject to amendments to allowances in line with any national changes. Determination of the allowances to be delegated to the Chief Finance Officer in line with prior year practice.
- viii. The application of the current premium of 100% for all dwellings which are unoccupied and substantially unfurnished (empty dwellings) from a period of one year with effect from 1st April 2024.
- ix. The application of a premium of 100% for all dwellings which are unoccupied but substantially furnished (second homes) with effect from 1st April 2025; and
- x. That the Section 151 Officer is given delegated powers to implement the policy in line with the Council's requirements and any guidance given by the Secretary of State or regulation.

3. The reasons for the recommendations are as follows:

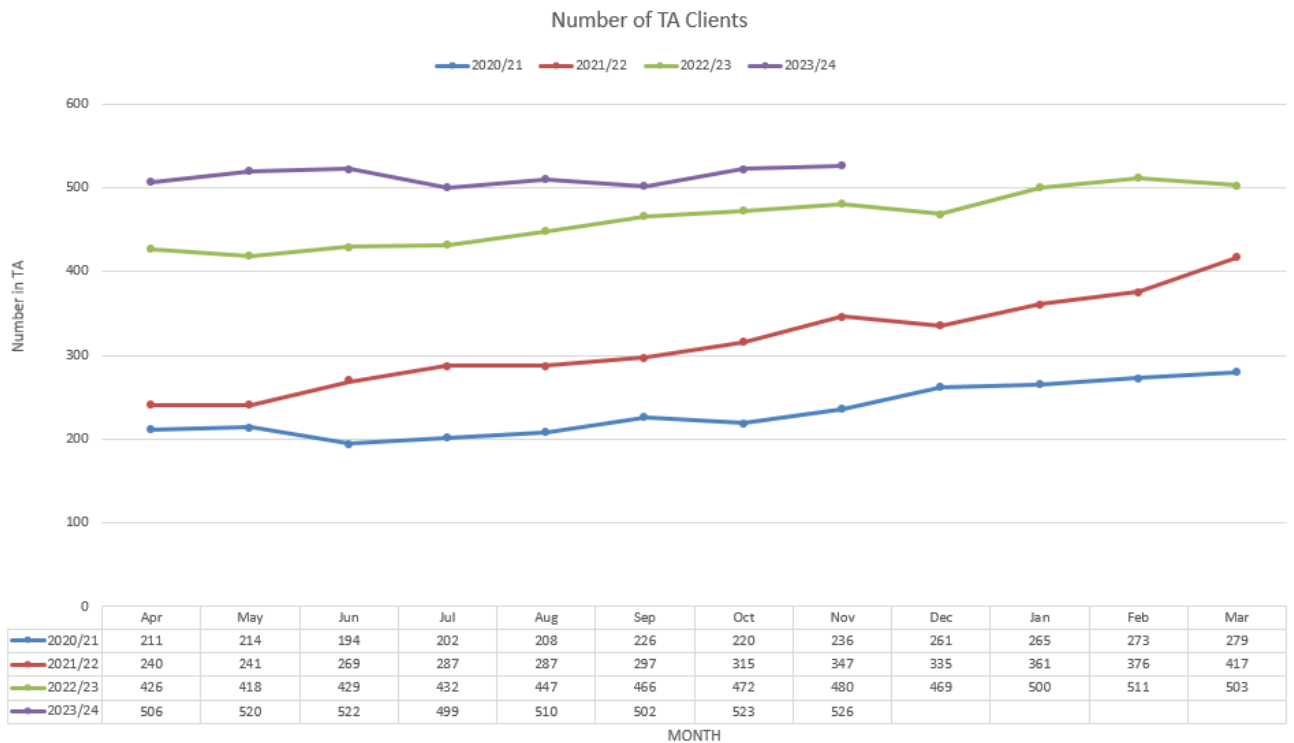
- i. The Council has a statutory responsibility to set a balanced Budget and Council Tax in advance of the commencement of the new financial year.
- ii. The report identifies that a balanced budget in 2024/25 can only be achieved by using £700k of General reserve funding.
- iii. The level of grant funding, Council Tax increases and income from fees and charges is insufficient to meet the annual increases in costs e.g. inflation, pay increases, demand pressures, in particular Homelessness.
- iv. The Council is only able to increase Council Tax by a maximum of 2.99% without a referendum.
- v. The Council remains exposed to a much greater degree of volatility in terms of its income from Non Domestic Rates and expenditure in terms of Council Tax Support claims – the cost falling directly on the Council and the preceptors.
- vi. The Council needs to manage its Capital Financing requirements carefully to avoid unnecessary and costly interest charges. Therefore, it has reduced its

Capital Programme aspirations accordingly, and looking to maximise any potential Capital receipts.

## Summary of key issues

4. Local Government continues to find itself in a challenging financial period for all concerned. The Council is currently forecasting a budget deficit of £1.6m for 2023/24.
5. Despite identifying substantial Priority Income and Expenditure Review (PIER) savings of £3.8m for 2024/25 these are insufficient to balance the budget without the further use of Reserves.
6. The Council needs to be in a position to match its available resources to its priorities across the medium term and to maintain sufficient reserves and capacity to deal with potentially large and unexpected events in addition to fluctuations in income and expenditure levels.
7. Whilst savings of £3.8m have been identified for 2024/25, there are also unavoidable increases in costs such as contractual obligation inflation increases, and service demands that result in further use of the Council's reserves being required.
8. If the recommendations in the draft budget are approved by Council, there will be an increase in the Borough's part of the Council Tax in 2024/25 of 2.99% which is the maximum permissible without a referendum.
9. Not all the external grant figures are received before determining the budget. As such, some figures will remain as estimates and adjustments will be made when details are known e.g. figures for Disabled Facility Grants are not expected until well into 2024/25. Precept figures will be presented to Budget Council once determined by East Sussex County Council, Police and Crime Commissioner, and Fire Authority.
10. For 2024/25 the deficit is estimated at c.£700k if all savings identified in the budget are achieved. Whilst every effort is made to include achievable savings in the budget, inevitably circumstances may affect deliverability of these. The Council's historic savings performance is around 80%. If that performance were to be replicated, then there would be an additional £775k worth of deficit to cover.
11. The minimum level of General Reserve Balance is recommended to be £4m, which is made up of the following:
  - £1.8m (10% contingency of total Net Expenditure based on 2023/24 Budget)
  - £1.04m (20% Homelessness costs fluctuations)
  - £1.2m (Other unexpected / unforeseen events)Total = £4.04m (say **£4m**).
12. As savings are built into the revenue budget for 2024/25 the potential risk of unachieved savings of £775k is taken into consideration as part of the 10% contingency above.
13. The number of people in temporary accommodation remains stable, but a key driver of costs has been an increase in provider (i.e. landlord) costs.

14. The graph below shows the demand for temporary housing and the growth over the past number of financial years and why it has been considered the Councils primary strategic focus.



### Funding allocations from government

15. The Local Government Finance Settlement is the annual determination of funding to local government. It was announced on 18 December 2023.
16. The settlement provides details of the Revenue Support Grant and level of Business Rates that the government expects councils to retain – the Settlement Funding Assessment.
17. The Government continues to publicise the need to help local Councils and intimated that it would be supportive of the issues that Councils were facing including Homelessness.
18. Appendix B provides the full Revenue Forward Plan and an extract below provides a list of the additional funding that has been provided to Hastings as a Council through the Settlement process.
19. Highlighted below are the main areas of focus when comparing the changes in central funding allocations (those outside Council tax increases and Business Rates funding) year on year comparisons.

	2023-24 Projection	2024-25 Projection	£'000 Change from previous year	% Change from previous year
	£000's	£000's		
From Collection Fund - Council Tax	(7,680)	(7,933)	(253)	3%
2nd Homes Tax	0	(52)	(52)	100%
From Collection Fund - Business Rates	(2,624)	(2,354)	270	-10%
Revenue Support Grant	(1,309)	(1,395)	(87)	7%
Lower Tier Services Grant	(154)	(315)	(161)	105%
New Homes Bonus	(16)	(89)	(73)	456%
Council Tax Support Admin Grant	(237)	(237)	0	0%
Housing Benefit Admin Grant	(425)	(437)	(12)	3%
NNDR (Surplus) / Deficit	1,619	1,208	(411)	-25%
NNDR Pooling	(80)	(65)	15	-19%
Business Rates Section 31 Grant	(3,009)	(2,065)	944	-31%
Council Tax Surplus	(207)	(255)	(48)	23%
<b>Contribution To General Fund</b>	<b>(14,121)</b>	<b>(13,989)</b>	<b>132</b>	

20. As can be seen from the table above, the Council is projected to receive £132k less funding in total than in the current financial year when taking all funding streams into account.
21. However, some areas have received more funding and the individual percentage increases (or decreases) are included for ease of reference here and is important to understand the overall context of the funding available for Local Government, which for district councils like Hastings continues to be inadequate to fund the statutory and essential services we provide.
22. Along with the financial government support from the settlement there is also the ability for this Council to raise its share of council tax to a maximum of 2.99%. Officers are recommending to Council set the council tax level at the maximum, and the budget figures included in the appendices are based on the assumption that this is agreed.

### Council Tax Empty Homes and Second Homes Premiums

23. The Budget Council will also be recommended to change the Council's approach in respect of certain discretionary areas within Council Tax legislation. In the main, the changes will take effect from 1 April 2024, however the introduction of the Levelling Up and Regeneration Act 2023 will allow the Council to make further amendments to the levying of Council Tax premiums within the Borough with effect from both 1 April 2024 and 1 April 2025. Full details are provided in Appendix A
24. The changes are provided by the Levelling Up and Regeneration Act 2023 which has recently received Royal Assent. The changes within the Act essentially fall into two distinct parts namely:
- (a) To bring forward the period from two years to one year when an unoccupied and substantially unfurnished dwelling (empty dwelling) can be charged a premium of 100% All other empty dwelling premiums remains unchanged, namely:

- A premium of 200% where dwelling has remained empty for a period of 5 years or more;

- A premium of 300% where dwelling has remained empty for a period of 10 years or more; and
- (b) To enable the charging of a 100% premium for any dwellings which are:
- No one's sole or main residence; and
  - Substantially furnished.
25. When determining its policy, each billing authority has to decide the level of discount (if any) to be granted and the amounts (percentage) of any premium by the 31 March prior to the financial year in which it wants to introduce the changes.
  26. Where a change is proposed, there is a requirement to determine the level of any premium and a decision is now required to be made by full Council under Section 11A, 11B and the new 11C of the Local Government Finance Act 1992.
  27. The proposed changes if agreed would be expected to generate additional income for the Council (along with the preceptors East Sussex County Council, East Sussex Fire & Rescue Service and the Police). All preceptors have been consulted and agree with the proposal as part of this process.
  28. Hastings' share of the estimated additional income is listed in Appendix B over the lifetime of the MTFs, however for ease of reference the sums that would be generated for next two financial years are £52k (2024/25) and £178k (2025/26) respectively.
  29. In line with the legislation, if the recommendations are accepted by Budget Council, details of the resolution would be published in at least one local newspaper within 21 days of the decision.
  30. Officer's will therefore recommended that these proposals are agreed as outlined, and for the reasons provided in Appendix A.

## **Budget Assumptions**

31. The draft budget contains a number of assumptions and estimates in order to underpin the figures and build-in a prudent amount for changes and fluctuations that are inevitable when trying to predict the future fiscal and economic landscape.
32. Pay awards in the public sector have been much publicised of late, with protracted national negotiations ongoing for large parts of the current financial year. The pay award agreed in 2023/24 for staff was £1,925 (or 3.88% as an equivalent).
33. Given the need to be prudent around where the negotiations could end up in 2024/25, the budget has allowed for a 5% increase in pay award for staff in 2024/25 and then 3% for the subsequent years.
34. The Budget also includes built-in contractual and general inflation increase estimates of 3% each year. Despite industry experts estimating that inflation and interest rates will start to drop towards the winter of 2024, these are in no way certain due to the political landscape around a general election and economic uncertainty around housing and fuel costs.
35. A further factor for the council to consider is the planned changes in relation to food waste collection. The potential impact that these legislative changes will have on the council's budget and operational team is not fully understood at the time of writing.

36. The Government have announced additional capital funding to aid with funding the changes, but initial estimates show that there is a funding gap, both locally and for many district councils of between £2-300,000. Therefore, the draft budget includes a provision to reflect this risk and any uncertainty around future potential costs associated with the changes.

## Reserves

37. As part of the continued commitment to become more financially resilient and to extensively review all areas of finance including the council's reserves, a number of changes and revisions have been proposed.
38. The Repairs and Renewals reserve will focus primarily on Health and Safety matters for the next three years and as a result the reserve will have reduced contributions (as agreed as part of the budget savings process).
39. This will also allow a new reserve to be created and developed around the maintenance of the councils assets as part of the new Asset Management Strategy and this will be in conjunction with a fees and charges strategy that aims to incorporate costs in a more transparent way.
40. There are also proposed changes to the IT reserve to allow for business case approach for all projects (which aligns with other areas of the organisation) and will link in with an IT strategy which in turn is linked to the new Corporate Plan and new operating model when agreed.
41. The General Reserve Balance is predicted to be £6.8m (2023/24), £6.05m (2024/25), £6.5m (2025/26) & £5.72m (2026/27). This is a considerably improved position than that which was included in the latest previous MTFS forecasts, and was aided by the savings agreed in December 2023 (detailed in Appendix K).

## Savings

42. Following further work and classifications of timelines and deliverability issues, there have been a number of amendments made to the savings plan agreed at the December Full Council, which are listed in Appendix K.

## Conclusion

43. The saving proposals that were agreed by Full Council in December, if achieved, will provide the stability and financial resilience that is required to place this Council in a better financial position.
44. However, agreeing a programme of transformation to achieve savings targets is one thing, maintaining a focus on delivering them will take the total commitment of all staff and councillors. The savings targets are substantial and challenging, but with unwavering focus and prioritisation they are achievable.
45. This will remain a challenging time for the council and its partners and community, especially if the economic conditions we operate in do not considerably improve. The housing and homelessness crisis remains a considerable threat to HBC's sustainability.
46. Through combined focus and effort of the whole council, and as a result of councillors taking some difficult decisions, the General Reserve Balance is now predicted to be stabilising over the lifetime of the MTFS and is not forecast to drop below the minimum recommended level of £4m in any of the proceeding financial periods.

47. The substantial changes and reductions to the capital programme have allowed the council to review, and reduce, its financial borrowing commitments in line with affordability profiles. This has helped to ease the financial burden.
48. In conclusion, despite the political uncertainty that the Council has experienced since agreeing the December savings plan, and a continued battle with homelessness costs, the draft budget reflects the hard work and endeavours of the organisation over the past couple of years to identify changes needed to cope with the additional financial burdens placed upon it.
49. The support of partners is very much welcomed. As financial challenges remain a constant in all sectors, further developing and enhancing our relationships and partnerships with others working to improve the quality of life and opportunities for local people is paramount to the council's financial stability and resilience.

### Timetable of Next Steps

50. Please include a list of key actions and the scheduled dates for these:

Action	Key milestone	Due date (provisional)	Responsible
Budget Overview & Scrutiny		5 February 2024	Chief Finance Officer
Budget Cabinet	Agenda published 2 February 2024	12 February 2024	Chief Finance Officer
Budget Council		21 February 2024	Chief Finance Officer

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### Wards Affected

Ashdown, Baird, Braybrooke, Castle, Central St. Leonards, Conquest, Gensing, Hollington, Maze Hill, Old Hastings, Ore, Silverhill, St. Helens, Tressell, West St. Leonards, Wishing Tree

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### Policy Implications

**Please identify if this report contains any implications for the following:**

Equalities and Community Cohesiveness	Yes
Crime and Fear of Crime (Section 17)	No
Risk Management	Yes
Environmental Issues & Climate Change	Yes
Economic/Financial Implications	Yes
Human Rights Act	No
Organisational Consequences	Yes
Local People's Views	Yes
Anti-Poverty	Yes
Legal	No

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### Additional Information



Appendix A –	Council Tax Premiums
Appendix B –	Forward Revenue Plan
Appendix C –	Council Tax & Business Rates
Appendix D -	Interest, MRP and Contribution to Reserves
Appendix E -	Capital Programme
Appendix G -	Land Disposal Programme
Appendix H -	Revenue Budget Summary
Appendix I -	Reserves
Appendix K -	Savings (updated)

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## Officer to Contact

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