

REPORT TO:	Policy and Finance Committee – 13 February 2025
SUBJECT:	Council Revenue and Capital Budgets 2025/26
LEAD OFFICER:	Antony Baden, Group Head of Finance and Section 151 Officer
LEAD MEMBER:	Councillor Martin Lury
WARDS:	All
CORPORATE PRIORITY / POLICY CONTEXT / CORPORATE VISION:	
The Council’s financial planning and budget promotes all of the Council’s Corporate Priorities.	
DIRECTORATE POLICY CONTEXT:	
The Council’s financial planning and supports all Directorates of the Council.	
FINANCIAL SUMMARY:	
The draft budgets for the Council are shown in the appendices. The financial forecast for the General Fund Revenue Budget predicts a budget deficit of £1.88m in 2025/26 albeit significantly lower than the past two years. The Housing Revenue Account (HRA) reserve will remain below the Council’s minimum threshold of £2 million in 2025/26 albeit increasing year on year to a level of £1.55m. The proposed General Fund and HRA capital programme for 2025/26 is £39.9m.	

1. PURPOSE OF REPORT

- 1.1. The purpose of the report is for this Committee to consider and make recommendations to Full Council on 26 February 2025 on setting the General Fund revenue budget, the level of Council Tax for the District, the HRA budget and HRA rent and service charge levels for 2025/26.
- 1.2. In addition, the Policy and Finance Committee are requested to consider the capital programme and make recommendations to Full Council on 26 February 2025 on the capital programme (HRA and General Fund) to be set for 2025/26.

2. RECOMMENDATIONS

- 1.3. It is recommended that the Policy and Finance Committee recommends to Full Council that:
 - (a) The General Fund Budget as set out in Appendix 1 is approved;
 - (b) Arun’s Band D Council Tax for 2025/26 is set at £214.62, an increase of 2.99% over 2024/25;

- (c) Arun's Council Tax Requirement for 2025/26, based on a Band D Council tax of £214.62, is set at £14.354 million, plus parish precepts as demanded, to be transferred to the General Fund in accordance with statutory requirements;
- (d) The HRA budget as set out in Appendix 2 is approved;
- (e) HRA rents are increased by 2.7% to an average rent of £115.64 per week for 2025/26 in accordance with the Regulator of Social Housing guidance (Rent Standard 2020 and Limit on annual rent increases 2025/26 publications);
- (f) that HRA garage rents are increased by 2.7% to an average rent of £16.04 per week (excluding VAT);
- (g) that existing HRA sheltered service charges for communal heating, lighting and water/sewerage charges be increased by 2.7% plus additional increases on a scheme-by-scheme basis to cover retrospective increases in utility costs, with the aim of balancing costs with income;
- (h) that new communal service charges are introduced from 1 April 2025 as agreed in the Service Charge Policy and De-pooling of Charges report to Housing and Wellbeing Committee on the 18 June 2024; and
- (i) The General Fund and HRA Capital Programme as set out in Appendix 3 is approved.
- (j) That the HR/Payroll system is included in the Council's capital programme, subject to approval of the scheme by Full Council.

And is requested to note:

- (k) That the Group Head of Finance and Section 151 Officer, in consultation with the Leader of the Council has approved a tax base of 66,877 for 2025/26;
- (l) That the HRA Budget will provide a surplus of £0.66m which will increase HRA forecast balances to £1.55m bringing them closer to the Council's set minimum balance of £2 million;
- (m) That the General Fund budget will draw down £1.885m of the Council's Usable Revenue Reserves as set out in Appendix 4. However, it should be noted that this level of draw down is a significant improvement from the budgeted drawn down of reserves in previous years, (£3.55m and £5.19m in 2024/25 and 2023/24 respectively);
- (n) The results and commentary of the public budget consultation process as summarised in Appendix 5.

2. EXECUTIVE SUMMARY

- 2.1. The Council's Service Committees have each considered and recommended budgets for the services they provide whose functions they are responsible for, to the Policy & Finance Committee, to allow a recommendation to be made to Full Council on the overall budget to be set for 2025/26. Budget information is provided in the CLT budget pack in Appendix 6.
- 2.2. The budget challenges faced by the Council in recent years continue into 2025/26. The wider reforms of local government funding (the Fair Funding Review) continue to be delayed although the new government have indicated that this will commence during the new financial year. Officer's working assumption is that it will take effect from 2026/27. However, the Council has again had to set its annual budget against a background of considerable uncertainty and increasing costs.

3. DETAIL

Local Government Finance Settlement

- 3.1. At the time of writing the 2025/26 Local Government Finance Settlement (LGFS) announced by the Ministry of Housing, Communities and Local Government (MHCLG) on 18 December 2024 was still provisional. The consultation period finished on 15 January 2025 and the final settlement is expected in the early part of February 2025.
- 3.2. The key component of the LGFS is the Council's Core Spending Power (CSP) figure, which is central government's assessment of the resources required to fund service delivery. Members will note that it is not the same as the Council's actual funding requirement. It is used to calculate the Council's grants allocated through the LGFS. The Council's CSP figure did not increase between 2024/25 and 2025/26, which effectively means that its spending power will be eroded by inflation and other cost pressures. Table 1 sets out the year-on-year comparison:

Table 1 – Core Spending Power analysis

	2024/25	2025/26	Change
	£m	£m	£m
Baseline Funding	3.96	4.00	0.04
Compensation for Business Rates multiplier cap freeze	0.79	0.83	0.04
Revenue Support Grant	0.21	0.25	0.04
Council Tax	13.45	13.98	0.53
New Homes Bonus Grant	1.38	1.21	-0.17
Services Grant	0.03	0.00	-0.03
Funding Guarantee Grant	0.64	0.00	-0.64
Recovery Grant	0.00	0.18	0.18
Domestic Abuse Safe Accommodation Grant	0.04	0.04	0.00
Other adjustments	0.04	0.03	-0.00
_ Core Spending Power	20.51	20.51	-0.00

- 3.3. The key points from the LGFS for this Council are as follows:

- Revenue Support Grant has marginally increased by £0.04m.
- The Services Grant (£0.03m) and the Funding Guarantee Grant (£0.64m) have been abolished and replaced by a new Recovery Grant (£0.184m) - a reduction of £0.49m from 2024/25.
- The New Homes Bonus (NHB) grant (£1.21m) has been retained and calculated using the same methodology as in previous years. The 2025/26 allocation is £0.171m lower than 2024/25 allocation.
- Confirmation that the West Sussex Business Rates Pool would continue in 2025/26.
- £100m in central business rates levy account will be allocated on a one-off basis when the final settlement is announced. The Council's share is unknown, but it is unlikely to be significant therefore a figure has not been included in the budget. Any funding will be added to the central contingency.
- Council Tax increases for district councils remain restricted at the higher of 3% or £5 on the average Band D before a referendum is required.
- Overall CSP figure remains frozen at the 2024/25 level.

3.4. In addition to the grants announced as part of the LGFS, the Council will receive a new payment in 2025/26 of £1.442m in respect of the Extended Producer Responsibility for packaging scheme (EPR). The sum is guaranteed for 2025/26, but future year's payments may fluctuate depending on the level receipts from producers. The EPR payments are not part of the CSP calculation, but the MHCLG have indicated that they took these payments into account when calculating the CSP figures. Table 2 below shows the impact on the CSP figure if the EPR payment is included:

Table 2 – Core Spending Power summary with EPR

	£m
Core Spending 2025/26 without EPR	20.51
EPR payment	<u>1.44</u>
Core Spending Power 2025/26 including EPR	<u>21.95</u>
<i>Increase</i>	7%

3.5. The Council will also receive some financial support for the increased employer's national insurance contributions from April 2025. This is estimated at £0.162m, which is approximately £0.148m less than the budgeted cost.

3.6. The MHCLG has also confirmed funding for the Homelessness Prevention Grant (HPG) of £1.655m and Rough Sleeping Prevention Grant (RSPG) of £0.434m for 2025/26. This represents a significant increase of £0.665m on the estimates reported to this Committee on the 11 December 2024.

Council Tax and the referendum limit

- 3.7. The Council's Medium-Term Financial Forecast partially relies on increasing Council Tax income, which is a relatively stable source of income and cost effective to collect. The 2025/26 referendum principles included in the LGFS allow for an increase for shire districts of up to 3% or £5 whichever is greater. Appendix 1 assumes an increase of £6.23 (2.99%) to £214.62 at council tax banding D. This would generate £14.354m of council tax income for 2025/26. Arun's council tax base for 2025/26 shows an increase of 2,327 Band D equivalent properties from 2024/25. This is largely due to the additional 100% premium on 2nd homes approved by this Committee at its meeting of the 7 March 2024.

Table 3 - Council Tax Income – Arun District Council only:

	Actual 2023/24	Budget 2024/25	Budget 2025/26	Change
Tax Base *	64,159	64,550	66,877	2,327
Band D tax	£202.34	£208.39	£214.62	£6.23
% Increase	-		-	2.99%
Council Tax income	£12,981,932	£13,451,574	£14,353,142	£901,568

*The tax base represents the number of Band D equivalent dwellings in the district adjusted for exemptions, discounts, council tax reduction and collection rate percentage.

- 3.8. Members will note that in accordance with Part 7, Section 2, paragraph 1.2.5 of the Constitution, the Group Head of Finance & Section 151 Officer has approved the Council's 2025/26 Council Tax Base in consultation with the Chair of this Committee.

Retained Business Rates

- 3.9. The Autumn Budget Statement 2024 made the following announcements and any 2025/26 financial impacts for the Council have been taken into consideration in this budget:
- Reduction in the Retail, Hospitality & Leisure business rates relief scheme from 75% to 40%, with a cash cap of £110,000 per business.
 - Small business multiplier rate to remain frozen at 49.9p.
 - Standard business rate multiplier to increase by 1.7% from 54.6p to 55.5p.
- 4.10 Members will note that in accordance with Part 7, Section 2, paragraph 1.2.6 of the Constitution, the Group Head of Finance & Section 151 Officer has approved Council's 2025/26 Business Rates return to the MHCLG (form NNDR 1) in consultation with the Chair of this Committee.

Revenue Budget – 2025/26

- 4.11. The Council's service committees have each considered and recommended their revenue and capital budgets to Policy & Finance Committee. These have been included on this agenda as a supplementary pack to this report. The Policy & Finance Committee are asked to consider an overall budget to recommend to Full Council. This report has been written on the assumption that all the recommendations to the Service Committees are agreed. The revenue budget is set out in Appendix 1.
- 4.12. The total Cost of Service Committees has increased by £0.504m to £28.876m and the main changes are shown in the table below.

Change	Amount £'000
Increase in homelessness/ temporary accommodation expenditure	643
Pay inflation & adjustments	582
Major contracts inflation and other increases	398
Investment in the asset management review project	280
Implementation and upgrade of the existing finance system	80
Security costs at the Civic Centre and Bognor Regis Town Hall	70
Programme Management Office Project fees	60
Other minor changes	48
Net increase in leisure management fee income	(102)
Increase in land charges and beach hut rental income	(105)
Car parking income fee inflationary increases	(133)
Staff savings including two group head posts	(246)
Increase in planning applications and Community Infrastructure Levy management fees	(259)
Increase in Homeless Prevention Grant	(812)
Total	504

- 4.13. Corporate Costs have increased by £635k to £5.438m which is mainly due to the inclusion of a budget contingency sum of £500k and an increase in parish precepts of £424k partly offset by additional investment and interest income of (£231k). The budget for 2025/26 has been balanced using £1.885m of Usable Revenue Reserves. The impact of this is set out in Appendix 4.
- 4.14. The Council's Net Budget Requirement has increased by £1.139m compared to the 2024/25 budget of which £504k is in relation to the total Cost of Services (pay and contract inflation and national insurance increases as detailed in Committee Reports) and £635k in Corporate Costs as shown in Appendix 1. However, this has been more than offset, mainly by additional Council Tax income (£0.9m) and the EPR payment (£1.44m). Furthermore, the budget deficit has been reduced from £3.56m in 2024/25 to £1.885m in 2025/26.

Housing Revenue Account (HRA) – 2025/26

- 4.15. The HRA is a statutory ring-fenced account that the Council must operate separately from its General Fund Revenue Budget. The draft HRA budget for 2025/26 is also included in this report for Members' consideration and the details are contained in Appendix 2.
- 4.16. Members are asked to approve an increase of 2.7% (in line with the Regulator of Social Housing limit on annual rent increases 2025-26 guidance) for all HRA rents providing an average weekly rent of £115.64. Garage rents will also be increased by 2.7% to an average weekly rent of £16.04 excluding VAT.
- 4.17. Existing sheltered service charges will be increased by 2.7% plus additional increases on a scheme-by-scheme basis to cover retrospective increases in utility costs, with the aim of balancing costs with income. New service charges will be introduced (mainly for non-sheltered accommodation) from 1 April 2025 as agreed in the Service Charge Policy and De-pooling of Charges report to Housing and Wellbeing Committee on the 18 June 2024. The new de-pooled charges will include grounds maintenance, communal cleaning, window cleaning, door entry systems, fire alarm systems maintenance, lift maintenance, TV aerials, and emergency lighting tests.
- 4.18. The Council has set a minimum HRA reserve balance of £2 million. It is not required by statute to be at or above this level. The only statutory requirement in this regard is that the balance does not fall below zero.
- 4.19. The minimum balance was initially breached during 2022/23 and has remained below the recommended level since then, but annual surpluses are starting to increase from £0.48m in 2023/24, to a forecast of £0.89m for 2024/25 and budgeted surplus of £0.662m for 2025/26, which would increase the HRA reserve balance to £1.55m by 2025/26 year-end.
- 4.20. The 2025/26 HRA budget forecasts a surplus of £0.662m, which is an improvement of £0.130m from the 2024/25 budget. The changes reported to Housing & Wellbeing Committee on the 4 February 2025 are shown below:

Changes	Amount £'000
Gross Dwelling Rents (current stock)	(552)
Gross Non-Dwelling Rents (current stock)	49
Services Management Fees & Charges	(934)
Contribution to bad debt provision	111
Investment Income	(94)
Supervision and Management	763
Repairs & Maintenance - Revenue Savings	104
Depreciation Increases	137
Other Changes	(14)
Contingency	300
Total	(130)

Capital Programme – 2025/26 to 2029/30

- 4.21. The Capital Programme outlines the Council's investment plans over the next five years. It is funded through capital receipts, grants, revenue reserves, other contributions and borrowing. Expenditure financed through borrowing increases the Council's 'Capital Financing Requirement' (CFR). This means a charge called the Minimum Revenue Provision (MRP) must be made to the revenue budget in the first full year that the assets become operational, and it is required to be set aside to cover loan debt repayments.
- 4.22. In addition to the new schemes that have been approved and added during 2024/25, a new scheme for 2025/26 has been included in respect of a new back-office system for HR and Payroll. It is essential that the new system implementation and enhancements proceed to ensure the continuity of management information. The addition of this scheme to the capital programme is subject to the approval of the Corporate Support Committee and this Committee before being approved by Full Council.
- 4.23. Members will be aware that the addition of new schemes will continue to be subject to affordability and need to be supported by a robust business case. The draft capital programme for 2025/26 is also included in Appendix 3 along with a summary of the funding sources. Reprofiling from 2024/25 schemes has been included in the Appendix 3 figures but further slippage will be subject to confirmation of the final out turn position to be confirmed in Quarter 1 of 2025/26. Any slippage will be reported to Policy & Finance Committee in the new financial year.

Robustness of Estimates

- 4.24. The budget assumptions for 2025/26 were outlined in the Medium Term Financial Forecast 2025/26 to 2029/30 report to Policy & Finance Committee on 11 December 2024.
- 4.25. The Local Government Act 2003 requires the Section 151 Officer to report on the robustness of the estimates made for the purposes of calculating Council Tax and housing rent levels. I am satisfied that the estimates, as presented in the draft budget, are sufficiently robust and that the reserve balances proposed for 2025/26 are adequate, (please also refer to paragraphs 4.26 to 4.30).

Adequacy of Reserves

- 4.26. The Local Government Act 2003 also requires the Section 151 Officer to report on the adequacy of the Council's financial balances. The minimum prudent level of reserves that the Council should maintain is a matter of judgement for the Section 151 Officer and cannot be judged merely against the current risks facing the Council as these can and will change over time. Furthermore, Part 6, Section 3, paragraph 2.4 of the Council's Constitution clearly places this responsibility with the Section 151 Officer.

- 4.27. The consequences of not keeping a prudent minimum level of reserves are serious. In the event of a major problem or a series of events, an insufficient level of reserves would mean that the Council would run a serious risk of incurring an operational deficit or of being forced to cut spending during the year, in a damaging and arbitrary way.
- 4.28. CIPFA have previously issued a notification stating that there should be no **imposed** limit on the level of balances required to be held by an individual Council. However, there remains a significant risk to the General Fund due to a fundamental budget imbalance, which will require further savings in the short to medium term. In addition, there is significant pressure on the level of the HRA balance, which is predicted to remain below the £2 million recommended balance set by the Council. The HRA future years budgets will continue to be closely monitored to ensure that expenditure on capital investment, reactive repairs, enhanced repairs, and improvements remain affordable.
- 4.29. It is the view of the Section 151 Officer that the Council will be able to maintain a sufficient level of Usable Revenue Reserves in 2025/26 and that the balance should not fall lower than £10 million in 2025/26. This also applies to future financial years subject to an annual review by the Section 151 Officer.

Usable Revenue Reserves

- 4.30. The call on the Council's Usable Revenue Reserves in 2025/26 is estimated to be £1.885 million and the impact of this is shown in Appendix 4.

Financial Strategy

- 4.31. Full Council adopted the Financial Strategy 2024-2028, which was initially approved by this Committee on the 8 January 2024. The strategy is aimed at delivering several key work streams over a four-year period. These are listed below along with a brief overview of progress made to date:
- **Restructure of the Senior Management Team** – delivered as part of the 2024/25 budget setting process.
 - **Use of different service delivery models** – Initial discussions have commenced. However, further work has been paused pending the outcome of the Local Government Re-organisation reviews.
 - **Review 23/24 Budget** – as reported to this Committee on the 9 July 2024, the Council underspent its approved budget by £0.926 million in 2023/24. This enabled officers to re-base its budget for 2024/25 and identify further savings. It did not result in cuts to any services.
 - **Maximise cost recovery** – work commenced in 2024/25, and several recommendations have already been brought to Members for their consideration, e.g. additional car parking income.

- **Asset Review** - Work has commenced on a review of the Council's assets and the first Working Party has convened to discuss assets to be reviewed for potential investment, disposal, or maintenance.
- **Electoral Review** – This work has commenced with engagement with the Local Government Boundary Commission and the first meeting of the Electoral Review Working Party. Further meetings are scheduled for the first half of 2025.
- **Future Accommodation Review** – this work is underway, and the project board has met several times to discuss progress.
- **Retender of the Waste Contract** – the new contract commences in February 2026 and Officers are on target to procure a new contract in the required timeframe. Members have also received briefings about the contract.

4.32. Work on the Financial Strategy will continue in 2025/26 and further recommendations will be brought to Members in due course for their approval. The report to this Committee on the 8 January 2024 stated that some upfront investment would be required to deliver the Strategy. Therefore, a Programme Management Office (PMO) has been created to oversee the delivery of work stream objectives and ensure that the Council continues to deliver further savings and additional income streams. The cost of the PMO has been included in the 2025/26 budget proposals.

5. CONSULTATION

- 5.1. Individual Committees have been consulted on their individual budgets as part of the budget process. Several budget briefings have also taken place between Officers and Members, including briefings with the Chairs of each committee, Group briefings and all-Member briefings.
- 5.2. Consultation has also been undertaken with representatives of non-domestic ratepayers on the Council's proposals for expenditure for the 2025/26 financial year in accordance with Section 65 of the Local Government Finance Act 1992.
- 5.3. The Council's 2025/26 public budget consultation was launched on 13 November 2024 with a deadline of the 26 January 2025 for responses. A summary and analysis of the results is shown in Appendix 5.
- 5.4. The Group Head of Finance & Section 151 Officer will work with Members to explore ways in which the results of the budget consultation might be used to facilitate discussions with a Members Budget Working Group with the aim of developing future budget proposals.

6. OPTIONS / ALTERNATIVES CONSIDERED

- 6.1. The Council has no alternative but to set a balanced budget and the budget presented within this report represents the Section 151 Officer's best recommendation for achieving that statutory requirement.

7. CONCLUSION

- 7.1. The draft Revenue Budget has been balanced for 2025/26 by the planned use of £1.885 million from Usable Revenue Reserves. However, this is not a sustainable approach in the long term, and it is imperative that the Council delivers on its Financial Strategy. Without such action, Appendix 4 shows that reserves will fall below £10 million by 2027/28. This also increases the Council's vulnerability to being able to cope with unexpected cost increases.
- 7.2. All 2025/26 budgets will continue to be subject to significant pressure in the forthcoming year. The Council has sufficient reserves to ensure financial resilience, however, balances will continue to reduce significantly.
- 7.3. The HRA reserve balance will continue to remain below the Council's £2 million threshold. It is important to continue to monitor progress to ensure that the HRA remains financially sustainable.
- 7.4. The total Capital Programme for 2025/26 totals £39.897 million, which includes significant reprofiling from the 2024/25 capital programme. Any further re-profiling will be reported to Members in the first quarter of 2025/26 once the final out turn figures for 2024/25 are known.
- 7.5. The Council's ability to deliver future projects is dependent on funding and affordability. Any new projects will need to be supported by a robust business case and existing schemes will also continue to be kept under review for affordability.

8. COMMENTS BY THE GROUP HEAD OF FINANCE & SECTION 151 OFFICER

- 8.1. The financial implications are explained throughout the budget report and shown in greater detail in appendices 1 to 6. It is important that close monitoring of all budgets is in place, including the revenue budget, capital programme and HRA.
- 8.2. The Council still has a structural budget deficit to address, and the delivery of the Financial Strategy approved by Full Council on 10 January 2024 is crucial in achieving this objective.
- 8.3. Whilst the focus of this report is on 2025/26, Members will be aware that the LGFS announcement potentially included wider implications on the Council's medium term financial prospects.
- 8.4. The Government have stated that they would introduce multi-year funding settlements with effect from 2026/27. This is very welcome news and will facilitate better budget planning.
- 8.5. The Government also intend to commence the Fair Funding review this year, which is expected to begin taking effect in 2026/27 and this will include a review of grant funding mechanisms (e.g. NHB, HPG) and business rates. They have indicated that the multi-year settlement would include transitional funding to compensate for the impact of the review.

9. RISK ASSESSMENT CONSIDERATIONS

- 9.1. The risks outlined in the Medium Term Financial Forecast 2025/26 to 2029/30 reported to Policy and Finance Committee 11 December 2024 remain relevant. Members may wish to review these alongside this report.
- 9.2. Other risks are outlined in paragraphs 9.3 to 9.7, but Members will note that this does not represent a comprehensive list, and other risks may materialise during 2025/26. However, budget performance will again be regularly monitored and reported to Members during the financial year.
- 9.3. In the LGFS the Government recognized the importance of the NHB grant to local authorities. They also stated that they would consult on proposals for 'reforming' the NHB beyond 2025/26 and indicated that 2025/26 will be the final year of the NHB in its current format. Whilst there is no risk to the Council in 2025/26, the impact on funding beyond the next financial year is unknown.
- 9.4. The Government has also stated its commitment to commence a 'Fair Funding review' in 2025/26. If the poor CSP figures the Council received for 2025/26 are a good indication, this presents a significant negative risk.
- 9.5. EPR payments will continue in the future but beyond 2025/26, the amount receivable is uncertain. Even though it does not form part of the CSP calculation the MHCLG were clearly mindful that some authorities would receive a significant EPR payment in 2025/26. This is concerning because the EPR payment could be quite volatile whereas the CSP is likely to be much less so. More information will follow in due course, and this will be reported to Members.
- 9.6. The main risk in preparing the detailed budgets is that the Council sets an illegal budget (expenditure is greater than income). This will be avoided by using reserves in 2025/26, but Members will note that this cannot be a permanent solution, and the Council will need to make some difficult decisions soon to achieve an affordable and sustainable budget.
- 9.7. An illegal budget would cause severe reputational damage to the Council, but Members will note that this risk is mitigated by several existing controls and processes. Members should understand though that if the Council is unable to deliver further savings to close the budget gap, the Section 151 Officer **may** have no option than to issue a Section 114 notice. A Section 114 notice would indicate that the Council's forecast income is insufficient to meet its forecast expenditure for the financial year. If, during the year, the Section 151 officer realises the council does not have the money to meet its spending commitments and that it cannot cut spending enough to balance the budget, they will issue a "Section 114 Notice", which effectively freezes spending).

10. COMMENTS OF THE GROUP HEAD OF LAW AND GOVERNANCE & MONITORING OFFICER

- 10.1. The Council must set its budget in accordance with the provisions of the Local Government Finance Act 1992 and approval of a balanced budget each year is a statutory responsibility. Sections 25 to 29 of the Local Government Act 2003 impose duties on the Council in relation to how it sets and monitors its budget. These provisions require the Council to make prudent allowance for the risk and uncertainties in its budget and to regularly monitor its finances during the year. The legislation leaves discretion to the Council about the allowances to be made and action to be taken.
- 10.2. Section 30(6) of the Local Government Finance Act 1992 provides that the Council must set its budget before 11 March in the financial year preceding the one in respect of which the budget is set.
- 10.3. Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs, while Section 25 of Local Government Act 2003 requires that, when the Council is making the calculation of its budget requirement, it must have regard to the report of the Section 151 Officer as to the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves.
- 10.4. Consultation must take place in accordance with the Council's duties under Section 65 of the Local Government Finance Act 1992. It must be borne in mind that this is consultation on the budget proposals, not on the decision to take whatever decision is implied by the adoption of that budget. Consultation has taken place as set out in paragraph 5 of this report, including with Group Heads and Directors in conjunction with the Finance team.
- 10.5. When considering options, Members must bear in mind their fiduciary duty to the council taxpayers of the district. Members must have adequate evidence on which to base their decisions on the level of quality at which services should be provided.
- 10.6. Where a service is provided pursuant to a statutory duty, it would not be lawful to fail to discharge it properly or abandon it, and where there is discretion as to how it is to be discharged, that discretion should be exercised reasonably.
- 10.7. The report sets out the relevant considerations for Members to consider during their deliberations and Members are reminded of the need to ignore irrelevant considerations. Members have a duty to seek to ensure that the Council acts lawfully. Members must not come to a decision which no reasonable authority could come to; balancing the nature, quality and level of services which they consider should be provided, against the costs of providing such services.
- 10.8. There is a particular requirement to take into consideration the Council's fiduciary duty and the public sector equality duty in coming to its decision.

- 10.9. The public sector equality duty is that a public authority must, in the exercise of its functions, have due regard to the need to: (1) eliminate discrimination, harassment, victimization and any other conduct that is prohibited by or under the Equality Act 2010; (2) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and (3) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 10.10. Any decision made in the exercise of any function is potentially open to challenge if the duty has been disregarded.
- 10.11. Members are also individually reminded that Section 106 of the Local Government Finance Act 1992 applies to this meeting. Members who are two months or more in arrears with their Council Tax must declare this to the meeting and must not vote on budget recommendations, as to do otherwise can be a criminal offence.
- 10.12. The Council is required to set a balanced budget, and the Chief Financial Officer must report under s114 of the Local Government Finance Act 1988 if it appears to them that the expenditure of the authority incurred (or proposed to be incurred) in a financial year is likely to exceed the resources available to meet that expenditure.

11. HUMAN RESOURCES IMPACT

11.1. There are no direct implications.

12. HEALTH & SAFETY IMPACT

12.1. There are no direct implications.

13. PROPERTY & ESTATES IMPACT

13.1. There are no direct implications.

14. EQUALITIES IMPACT ASSESSMENT (EIA) / SOCIAL VALUE

14.1. There are no direct implications.

15. CLIMATE CHANGE & ENVIRONMENTAL IMPACT/SOCIAL VALUE

15.1. There are no direct implications.

16. CRIME AND DISORDER REDUCTION IMPACT

16.1. There are no direct implications.

17. HUMAN RIGHTS IMPACT

17.1. There are no direct implications.

18. FREEDOM OF INFORMATION / DATA PROTECTION CONSIDERATIONS

18.1. There are no direct implications.

CONTACT OFFICER:

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BACKGROUND DOCUMENTS:

Arun District Council Budget 2024/25 - Special, Full Council 21 February 2024

[Arun District Council Budget 2024-25 - Report](#)

Medium Term Financial Forecast 2025/26 to 2029/30 –Policy & Finance Committee
11 December 2024

[Medium Term Financial Forecast 2025-26 - Report](#)

Service charge policy and de-pooling of charges - Housing and Wellbeing Committee
18 June 2024

[Service Charge Policy and De-pooling Charges - Report](#)

General Fund Revenue Budget Summary

Description	Budget 2024/25 £'000	Budget 2025/26 £'000	Budget Yr on Yr Variance £'000
Cost of Service			
Policy and Finance Committee	1,946	1,671	(275)
Corporate Support Committee	6,102	6,922	820
Economy Committee	2,544	2,582	38
Environment Committee	10,901	11,246	345
Planning Policy Committee	1,094	885	(209)
Housing and Wellbeing Committee	5,785	5,569	(216)
Total Cost of Service:	28,372	28,876	504
Corporate Cost			
Parish Precepts	5,530	5,954	424
Other precepts and levies	249	249	0
Interest & investment income	(2,260)	(2,491)	(231)
Pension deficit contributions	1,284	1,226	(58)
Contingency	0	500	500
Total Corporate Cost:	4,803	5,438	635
Total Net Budget Requirement	33,175	34,314	1,139
Financed By			
Retained Business Rates	(7,825)	(8,131)	(306)
Revenue Support Grant	(207)	(207)	0
New Homes Bonus	(1,378)	(1,208)	170
Other non ringfenced grants	(1,080)	(2,203)	(1,123)
National Insurance grant	0	(162)	(162)
Council Tax Income - Arun Excluding Parishes	(13,451)	(14,354)	(903)
Council Tax Income - Town & Parish Councils	(5,530)	(5,954)	(424)
Collection Fund deficit/(surplus)	(148)	(210)	(62)
Total External Finance:	(29,619)	(32,429)	(2,810)
Transfer (to) / from General Fund Reserve	3,556	1,885	(1,671)

** Note: The Parish Precepts figure is an estimate. The actual figure will be reported to Full Council on 26 February 2025.*

Housing Revenue Account Budget Summary

Key Areas	2024/25 Budget	2025/26 Budget	Budget Year on Year Variance
Income	£'000	£'000	£'000
Rents	(20,796)	(21,300)	(504)
Voids	405	391	(14)
Service Charges	(829)	(1,762)	(934)
Other (Writes offs / Interest)	(195)	(177)	17
Total Income	(21,414)	(22,848)	(1,434)
Expenditure	£'000	£'000	£'000
Supervision & Management	6,009	6,772	763
Repairs & Maintenance	6,613	6,717	104
Depreciation & Loan Charges	8,074	8,210	136
Rents, rates, taxes & other charges	186	188	2
Contingency	0	300	300
Total Expenditure	20,882	22,187	1,304
Gain or Loss on sale of HRA Non current assets	0	0	0
Net HRA (Surplus)/Deficit	(532)	(662)	(130)
HRA Reserve			
HRA Reserve - Balance Brought Forward	(551)	(890)	(339)
In-Year Net HRA (Surplus)/Deficit	(532)	(662)	(130)
HRA Reserve - Balance Carried Forward	(1,083)	(1,552)	(469)

Capital Programme Summary

Actual 2023/24	Committee	Original Budget 2024/25	Current Budget 2024/25	Budget 2025/26	Budget 2026/27	Budget 2027/28	Budget 2028/29	Budget 2029/30
£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000
84	Corporate Support Committee	-	242	120	280	100	250	160
1,816	Economy Committee	4,783	3,188	8,376	1,637	1,000	1,000	1,000
2,143	Environment Committee	1,700	2,045	5,200	1,726	1,670	1,680	1,680
7,655	Housing & Wellbeing Committee	15,151	12,778	13,552	10,086	8,686	5,956	5,956
2,570	Policy & Finance Committee	17,537	7,167	12,649	4,327	-	-	-
14,268	Total Capital Budget	39,171	25,420	39,897	18,055	11,456	8,886	8,796
	Funded By:							
4,310	Capital Grants	16,440	12,447	15,800	3,310	3,310	1,580	1,580
1,242	RCCO	0	871	45	0	0	0	0
4,423	Major Repairs Reserve (MRR)	5,901	5,901	5,956	5,956	5,956	5,956	5,956
1,639	Capital Receipts	552	990	1,416	0	0	0	0
2,654	Prudential Borrowing	16,277	5,211	16,681	8,789	2,190	1,350	1,260
14,268	Total Funding	39,171	25,420	39,897	18,055	11,456	8,886	8,796

Capital Programme Detail

Actual 2023/24		Original Budget 2024/25	Current Budget 2024/25	Budget 2025/26	Budget 2026/27	Budget 2027/28	Budget 2028/29	Budget 2029/30
£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Corporate Support							
84	Information Communication Technology (ICT)	-	180	120	280	100	250	160
-	Webcasting Equipment	-	62	-	-	-	-	-
-	HR/Payroll Information System	-	-	tbc	tbc	-	-	-
84	Total Corporate	-	242	120	280	100	250	160
	Economy							
754	Asset Management	1,233	2,007	2,236	1,317	1,000	1,000	1,000
350	Bognor Regis Arcade, Upper floors	3,550	1,181	6,140	320	-	-	-
712	Littlehampton Public Realm	-	-	-	-	-	-	-
1,816	Total Economy	4,783	3,188	8,376	1,637	1,000	1,000	1,000
	Environment							
1,530	Disabled Facilities Grants	1,580	1,580	1,580	1,580	1,580	1,580	1,580
410	Parks	-	50	245	26	-	-	-
203	Play Areas	120	415	355	120	90	100	100
-	Waste Management	-	-	3,020	-	-	-	-
2,143	Total Environment	1,700	2,045	5,200	1,726	1,670	1,680	1,680
	Housing & Wellbeing							
4,506	Housing Improvements & Energy Efficiencies	5,901	5,901	5,956	5,956	5,956	5,956	5,956
-	Decarbonisation	-	-	2,730	2,730	2,730	0	0
342	Civica Implementation	579	584	266	-	-	-	-
2,267	Stock Development	6,671	6,141	-	-	-	-	-
-	Sheltered Accommodation	2,000	-	4,600	1,400	-	-	-
540	Leisure Centres	-	135	-	-	-	-	-
-	General Fund Housing	-	17	-	-	-	-	-
7,655	Total Housing & Wellbeing	15,151	12,778	13,552	10,086	8,686	5,956	5,956
	Policy & Finance							
1,450	Alexandra Theatre	11,794	2,805	10,324	4,327	-	-	-
466	Littlehampton Seafront	5,743	4,362	2,325	-	-	-	-
654	Littlehampton Harbour Entrance Renewal	-	-	-	-	-	-	-
2,570	Total Policy & Finance	17,537	7,167	12,649	4,327	-	-	-
14,268	Total Capital Budget	39,171	25,420	39,897	18,055	11,456	8,886	8,796

Note: The HR/Payroll Information System is subject to approval by Full Council.

USABLE REVENUE RESERVES TABLE

Years	Reserves B/f	Movement	Closing Balance
2024/25	19,677	(1,789)	17,888
2025/26	17,888	(1,885)	16,003
2026/27	16,003	(5,026)	10,977
2027/28	10,977	(5,697)	5,280
2028/29	5,280	(6,460)	(1,180)
2029/30	(1,180)	(6,349)	(7,529)
Closing Balance 2029/30			(7,529)

BUDGET CONSULTATION

2025/26 Budget Consultation Response summary

It is important that the Council engages with council taxpayers and a budget consultation survey was published online from 13 November 2024 to 26 January 2025. Various forms of communication and social media channels were used to promote the survey aimed at getting as many views as possible from Arun residents, businesses and organisations on Arun District Council's proposed budget for 2025/26. 110 respondents took up the opportunity to comment on the budget, and 86% of these were residents from a spread of locations across the district.

When asked to select two options for taking actions to maintain a balanced budget, the overall responses suggested that residents felt charges should increase rather than services reduce. 50% preferred charging for free services or increasing charges on currently charged services and 18% opted for increasing council tax. In response to reduction in services 19% opted for this approach with only 14% preferring the cessation of some services (see below).

Survey respondents were asked for their thoughts on service areas they wished to see a decrease in funding on and the top three areas were:

1. Voter registration (which was second in priority in the previous year)
2. Private sector housing, property and estates (a new priority)
3. Bus shelters and street nameplates (a new priority)

Respondents were asked which service areas they wished to see an increase in funding and the top three areas were:

1. Leisure, tourism, parks, play areas, nature reserves, beach huts, foreshores and coast protection (which was also first in the previous year)
2. Economic Development, and Community safety and development were rated joint second (both representing changed priorities from the previous year)

Residents were asked an open question around income generation and recommendations again included increasing paid services (and more generally commercialising) but also improving areas to encourage visitors and spending. Other suggestions included:

- Less development and environmental damage
- Simpler committee structure
- Focusing on activities which benefit all taxpayers
- Promoting tourism
- Rationalising assets

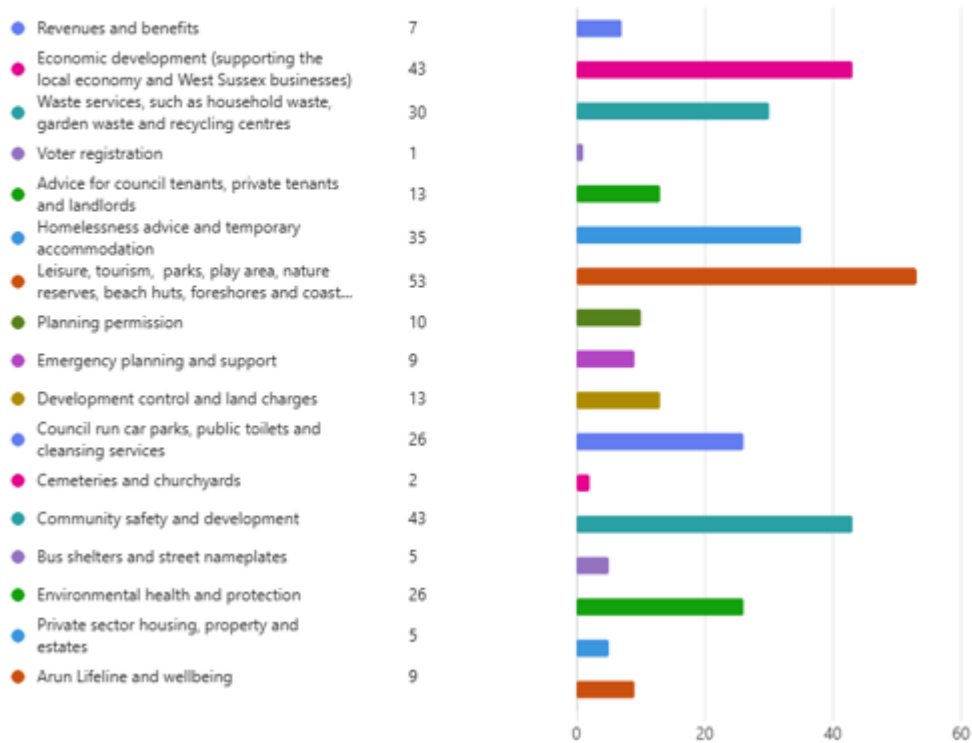
It was evident in the responses that people care about the environment in which they live and work every day, and would prefer to see higher charges for services than a further reduction in the quality of that environment.

The link to the budget survey and detailed responses are shown below:

[Arun District Council Budget Consultation 2025-2026 | Latest news | Arun District Council](#)

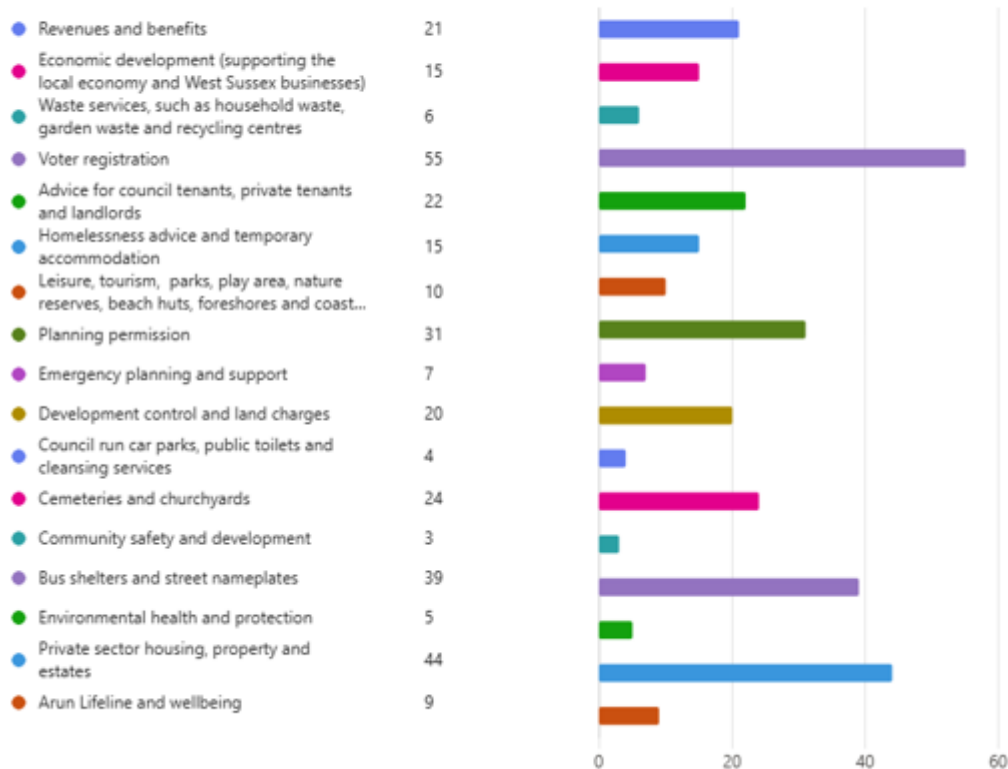
1. Our services

From the list of services we provide below, select three you would like us to **increase spending** on?



2. Our services

From the list of services we provide below, select three you would like us to **decrease spending** on?



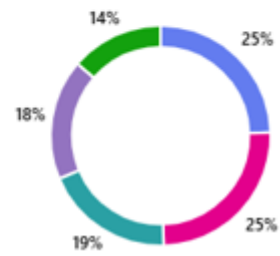
3. Balancing the budget

Like all local authorities, we face difficult financial challenges on a scale never seen before. The increasing demand for services has resulted in a big shortfall in funding. However, we must produce a balanced budget. The government assumes we will increase Council Tax by the maximum permitted.

The following sets out four ways we could reduce this funding gap.

Please select the two options you feel are the most appropriate ways of doing this.

● Charging for services which are free	54
● Increasing fees for services currently charged for	55
● Reducing some services	42
● Increasing Council Tax	39
● Stopping some services	30



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