Appendix A

Medium Term Financial Strategy

And

Budget Setting Strategy 2021/22

Executive Summary

a) The purpose of the Medium Term Financial Strategy (MTFS) is to;
    a. enable the Council to ensure the effective planning and allocation of resources;
    b. enable the Council to meet the objectives it has set out in its Council Plan.

b) This has been prepared at a time of massive uncertainty with regard to the Covid-19 pandemic and its impact on the economy. The MTFS will be considered by Scrutiny Committee on the 14 September, by Cabinet on the 16 September before approval at Council on the 18 November.

c) The Council has seen a significant drain on its budgets and reserves due to the impact of Covid19. Although lockdown is now eased, the full impact of the virus is still to be seen but the current estimated net cost to the Council is circa £21m over the 4-year model based on the current position.

d) The financial position over the medium term shows an annual revenue budget deficit of £8m for 2020/21, with future years as follows:

Forecast Deficits	**2021/22** £000's	**2022/23** £000's	**2023/24** £000's	**2024/25** £000's
Worst Case Scenario	9,748	5,571	4,699	4,482
Current Position	5,398	2,421	1,299	582

The range of outcomes depends on two key factors, being the recovery of the tourism industry and the savings generated from the Recovery and Reset (R&R) Programme. The worst case assumes minimal tourism recovery and no savings from the R&R Programme. The current position assumes tourism recovers by 50% and R&R programme savings ranging from £2.1m to £3.9m. Details are set out in Appendix 2.

e) R&R Programme savings identified to date are based on indicative estimates and still need to be developed. Further estimated savings are continually being developed and will provide an improved position. However, it does emphasis the need for significant savings still to be identified and implemented. In addition, the savings will need to be sufficient, not only to cover the deficits, but also to replenish the Council's reserves in the event that these are drawn upon to deal with Covid-19. The position is also dependent upon any further Government support being provided.

f) Levels of deficit are dependent upon robust underlying assumptions around income and expenditure changes, and these will be analysed in depth as part of the 2021/22 budget setting process. In addition, work to implement savings and ensure a balanced budget for 2021/22 onwards will continue and be reported as part of the 2021/22 budget process.

g) The Council budgeted to generate over £17m of income through fees and charges annually with a further £8.8m from Council Tax: this high level of fees and charges has increased the Council's financial exposure to Covid-19. However, the Council is still dependent on monies from the Government.

h) The Government's planned changes to local authority funding have been delayed due to Brexit, the General Election and now Covid-19. There is now great uncertainty about whether and when these changes will be implemented.

i) Capital Funding – The capital programme reflects assumptions of investments subject to robust business case and affordability. Not all of these expenditure plans will be accepted and taken forward once assessed for suitability and affordability. The programme assumes borrowing as source of funding as other capital resources are exhausted.

j) Reserves - the Council's reserves were £5.2m at the start of 2020/21 of which a proportion is earmarked. The risk assessment proposes that the Council should also maintain a minimum general reserve of circa £2m: current projections suggest reserves will be significantly below that level by March 2021, mainly due the impact of Covid-19 but the financial strategy is based on the levels of reserve being restored by the end of the 4 year plan.

k) Overall the Council's financial position has been weakened significantly by Covid-19, as shown by the General Fund balances and reserves. Challenging times are ahead to identify and decide upon options that will provide the solution to the remaining revenue deficits.

1. Introduction

The Medium Term Financial Strategy (MTFS) is a key element of the financial management structure of local authorities which seeks to ensure there are sufficient resources available to deliver the Council priorities:

The medium-term financial planning process has been in place for a number of years and is an established part of the budget setting process. It provides a forecast of the cost of continuing to provide existing levels of service and the resources, both capital and revenue, that are likely to be available to the Council over the period, any shortfalls and sets out how this will be managed. This document is reviewed regularly during the year: regular review and update is essential to ensure the MTFS takes full account of any changes in the Council's aspirations, strategic and service delivery priorities, changes in Government legislation, financial regulation and funding streams.

The MTFS considers the Council's major service strategies and plans, the external financial environment, the financial demands of services and the Council's existing and projected financial resources. The MTFS is reviewed annually but covers a rolling 4-year period. It was last reviewed in July 2019 as part of the 2020/21 budget setting process and the financial model was last updated and approved alongside the Council's budgets in February 2020.

It is therefore a key element of the financial management cycle:

The MTFS is supported by:

- The annual revenue budget
- The Capital Strategy and capital programme
- The Reserve Strategy and risk assessment of the level of reserves
- The Treasury Management Strategy (including the Investment Strategy and Borrowing Strategy)
- The Council's Constitution, in particular the Financial Procedure Rules and Contract Procedure Rules All of these documents are reviewed annually. 2

2. Vision for Eastbourne and local context

The MTFS aims to support the Council's overall vision of providing outstanding customer service and providing Eastbourne's communities and visitors with a great place to live, work and enjoy.

The Corporate Plan sets out the strategic approach to how the Council will deliver its vision, focused around its five themes of;

- Growth and prosperity – a prosperous, thriving and sustainable economy which provides opportunities for businesses to grow and invest, supports employment and skills, invests in housing and regeneration along with the infrastructure to support economic growth. Eastbourne will continue to be an outstanding destination for tourism, arts, leisure, heritage and culture.
- Housing and Development- decent, safe and well managed housing, meeting the needs of residents by: investing in our homes, creating communities that work, helping our tenants with their energy bills as we take steps to make council homes more environmentally sustainable, and responding to homelessness and housing needs through maximizing the provision of new affordable housing.
- Quality Environment - clean and attractive zero carbon town, producing less waste with better air quality than before. The town will have a high quality built environment, excellent parks, open spaces and be served by a number of good transport options.
- Thriving Communities - strong communities where individual residents and their different organisations and support networks have the resources they need to be healthy, feel safe, and thrive. Key to this is our work with partners through the Eastbourne Youth Partnership and the Community Safety Partnership, and with partners in the police, health services and East Sussex County Council. We will also promote equality and foster positive relationships.
- Best Use of Resources - use of our limited resources to deliver high quality customer services. Whilst doing so, we will embed sustainability into our procurement practices and make considered purchasing decisions such as finding alternatives to single-use plastics. We will also become more efficient in our use of energy at our sites, making targeted improvements where cost effective to do so.

The Corporate Plan is being delivered within the context of our organisations' vision and values, which is to deliver outstanding customer service and provide our communities with a great place to live, work and enjoy.

- We care about our customers and understand their needs
- We support our staff to help our customers
- We listen to customer feedback and act on it
- We are proud of our staff and the services we provide
- We deliver what we promise
- We set ourselves clear targets and achieve great outcomes

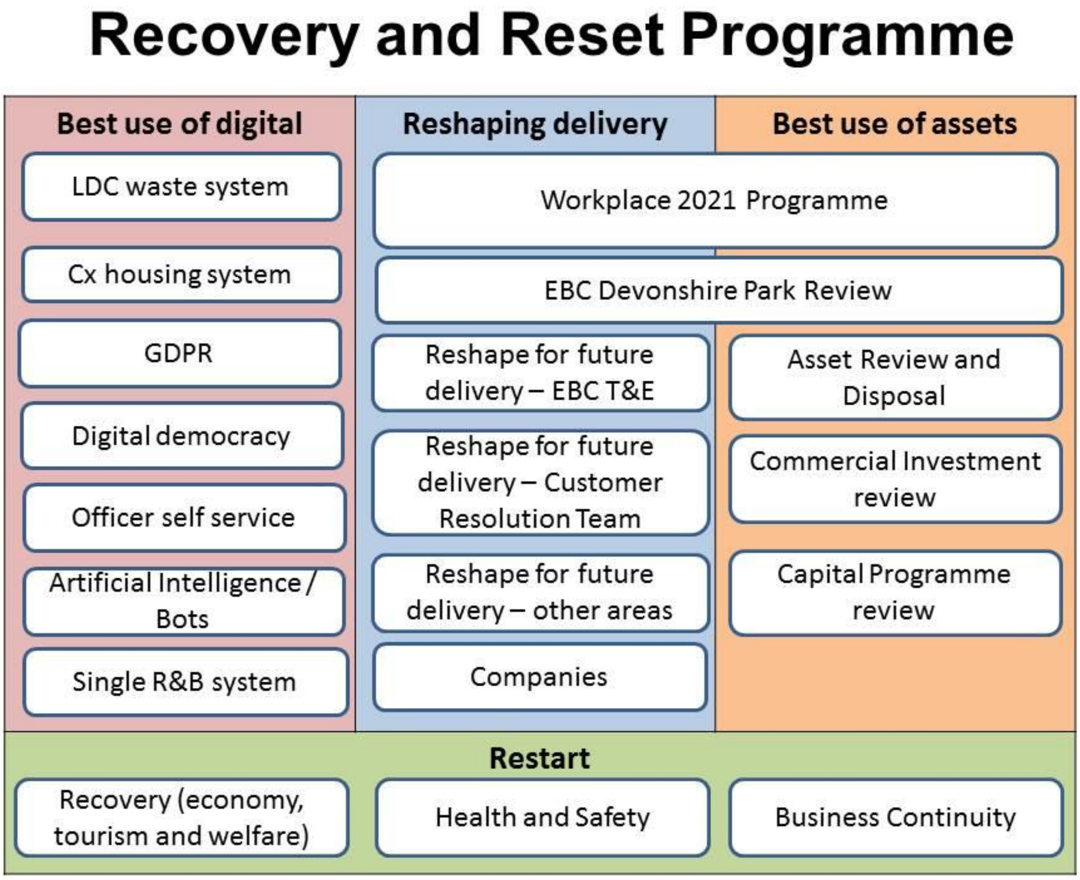
Recovery and Reset Programme (R&RP)

Included in today's agenda is the Council's newly developed Recovery and Reset Programme. The Programme has been developed to provide a critical framework for a fundamental review of its services and their deliveries post COVID19. COVID19 has made a significant and long-lasting impact on all lives and livelihoods across the globe.

Local authority spending throughout the country has been effected and this has been particularly significant for district councils. The impacts are yet to emerge fully but the pace and scale of the impact is significant. Like many authorities, the Council has a significant reliance on it's locally generate fee and receipts income. With its economy largely driven by tourism and leisure services, where the financial impact is the deepest and pace of recovery very slow. As part of a range of measures designed to mitigate and manage the financial impacts of COVID19 including the Recovery and Reset Programme, the Council is continuing to engage with the Ministry.

Arching over a key areas review of Best use of Digital, Reshaping Delivery, Best use of Assets and Restart, the Programme is a pivotal part of the Council's Budget and Policy Framework. R&RP is the whole cycle of how our services, programmes, projects and partnerships are planned, designed, developed, delivered, managed, evaluated and terminated.

The Programme is the bedrock of the MTFS and the Council's future financial sustainability.



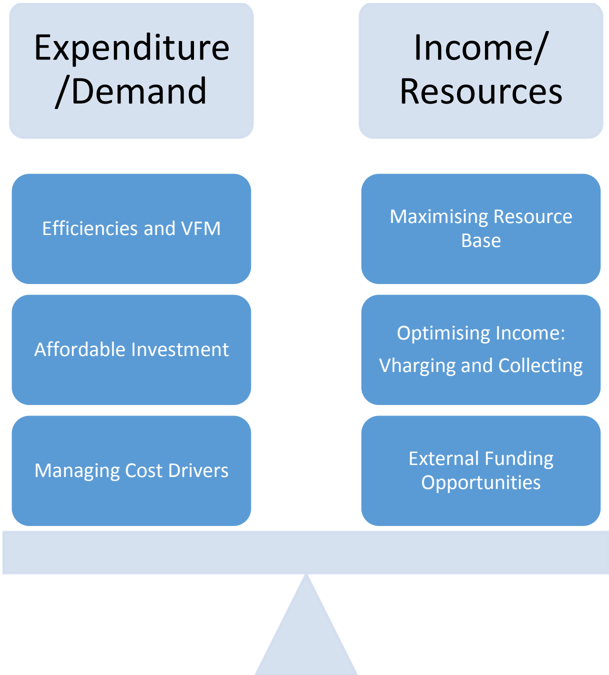
The Council is in the process of preparing a Commercial Strategy and also uses its Digital Strategy and Asset Management Strategy to direct resources.

3. Financial strategy

An essential requirement of any successful organisation is financial stability that requires strong corporate governance supported by effective procedures, processes and controls with Council-wide involvement in supporting an integrated approach to the preparation of soundly based capital and revenue bids for resources.

The MTFS is based on sound financial assumptions that are based on robust assessments. The 'robustness' of the MTFS is highlighted in the Appendices to this strategy which show the key elements of the Council's financial management framework. The risks log at Appendix x *(to be completed)* summarises the key financial risks facing the Council and the steps to be taken to mitigate these risks.

The Council's financial strategy is to balance budgets-



This is supported by:

Strong financial management:

The Council controls and monitors the actual position of the authority on a regular basis setting out actions to correct any emerging issues.

a) **Legal transactions**: the approval and adoption of the Council's Constitution, particularly the Budget and Policy Framework, Financial Procedure Rules and the Contract Procedure Rules set foundations for ensuring legal transactions alongside the whole system of internal control reviewed annually in the Annual Governance Statement.

b) **Asset maintenance**: the Capital Programme should ensure adequate programmes of maintenance to sustain values of key assets, especially income-generating assets.

c) **Working with others**: to ensure all services are delivered by the most appropriate body. This may require the Council to work in partnership or to facilitate provision by other bodies.

d) **Minimise financial risk** including holding reserves as appropriate and sustainable levels of debt.

e) **Strategic risk management**: to identify, monitor and mitigate significant risks to the Council's services, performance and resources.

The Council has a duty to ensure value for money in everything it undertakes. Value for Money (VFM) is an assessment of whether or not we obtain the maximum benefit from the goods and services we both acquire and provide, within the resources available to achieve it. This assessment includes considerations about suitability, quality, whole life costs and the relationship between economy, efficiency and effectiveness and is summarised as:

“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”

The rest of this paper uses these principles to construct the Medium Term Financial Strategy for 2020/21 – 2024/25.

4. Covid-19

Covid-19 is having a widespread impact on the world. Local authority spending throughout the country has been effected and this has been particularly significant for district councils. The impacts are yet to emerge fully and as yet, we don’t have data across a range of factors important to the health, wellbeing and resilience of residents and communities. This is a picture which will develop further and possibly quite quickly.

What we can say is that our expectations are that the Covid-19 will result in:

- increased service demand,
- increased risk to council tax receipts; and
- increased risk to income from fees and charges, as expanded on below. This needs vigilance and updating of forecasts.

Eastbourne Borough Impact

Local Economy:

The Borough’s economy has been identified as particularly vulnerable to the impacts of COVID19 due to its high reliance on the visitor economy, particularly a predominance of employment in the accommodation, food and drink, arts and entertainment, leisure and retail sectors.

June figures showed 11,500 employees (around 29.5% of those in employment) have been furloughed in the Borough, representing 19.5% of furloughed staff in East Sussex. For context, Eastbourne Borough employment accounts for 14.4% of the total employed within East Sussex. The South East has also had a relatively high amount of people taking up Self-Employment Income Support, with 4,100 (73%) of its eligible population having made claims. The latest claimant figures (for Job Seekers Allowance (JSA) and Universal Credit in the searching for work category) show that Eastbourne has had an increase of claimants by 102.2% from March, with the claimant count now at 4,540 compared to 2,245 previously.

Financial uncertainty, cash flow challenges and unknown customer demand have caused a lack of business confidence in their long-term survival. While business confidence has increased following the government announcements that retail and hospitality businesses can reopen, many are still temporarily closed or operating at a reduced capacity. The high streets will continue to face a very challenging period, with consumer confidence taking time to return and national surveys are indicating that a high percentage of visitors will not be returning immediately, instead waiting until a future time when they feel safe and ready to do so.

Council Financial Impact

This section summarises the main impacts to date and the uncertainties around estimating the financial impact on the Council.

Income from customers:

The greatest impact to date has been the reduction in income from fees and charges. Although income has started to recover it is currently unclear when, if ever, income will return to former levels. On 2 July 2020 the Government announced a new scheme to help to reimburse lost income during the pandemic and boost cash flow. Where losses are more than 5% of a council's planned income from sales, fees and charges, the government will cover 75p in every pound lost.

Based on a calculation of losses as at July's activities, the potential lost income from fees and charges is:

	2020/21 £'000
Value of deductible 5%	453
Non recoverable	1,545
Shortfall	2,153
Total Shortfall	4,151

It is expected that income loss will continue into 2021/22 onwards.

Council Tax:

The Council budgeted to collect £71m of Council Tax in 2020/21 on behalf of the preceptors. The level of tax takes into account number, occupation and type of properties across the district, the expected level of collection and the expected level of claim for Council Tax Reduction Scheme (CTRS).

	Band D £	**Budgeted Council Tax 2020/21** £'000	**Estimated Council Tax Reduction** £'000
Eastbourne Borough Council	251.71	8,772	1,000
East Sussex County Council	1,492.02	51,995	5,925
East Sussex Police & Crime Commissioner	199.91	6,967	794
East Sussex Fire Authorities	95.53	3,329	379
	2,039.17	**71,063**	**8,098**

The Council faces two major challenges around Council Tax: due to the increased level of unemployment and increased claimants for Universal Credit and other support, the number of claims for support through CTRS have increased from an expected level of 7,650 to 7,859 at 30 June 2020. Currently officers predict an increased cost of £0.4m for the CTRS and reduced collection of £0.3m for 2020/21.

Any deficit on Council Tax collection is split between preceptors based on their share of the Council Tax and normally has to be charged to the following financial year. As part of the funding package announced on 2 July 2020 the Government has proposed any deficit may be spread over 3 years rather than the usual one. The Government will determine if there is to be any additional support to councils to offset lost income from council tax as part of the next **Spending Review**.

Council Tax Hardship Relief:

The Government announced additional support to all those of working age in receipt of council tax support through the Council Tax Reduction Scheme (CTRS). The Council has received a grant of £918,455 and the expectation is that the majority of this fund will be used to provide council tax relief alongside existing local council tax support schemes. In addition, it is expected that the Council may also want to use some of this funding to deliver increased financial assistance having considered local circumstances. The Council has resolved that all recipients of working age CTRS during the financial year 2020/21 will receive a further reduction in their annual council tax bill of up to £150.

Business Rates:

The Council collects Non-Domestic Rates (usually known as business rates although payable for most non-business properties as well unless they pay council tax or are agricultural) and shares the income with Government (50%) and East Sussex County Council (9%) after reductions for reliefs, discounts and bad debts. The Government has made funding available for additional Retail, Hospitality and Leisure reliefs and Nursery reliefs given to business rate payers. The total amount of rates expected to be collected in 2020/21 has been reduced by over 66% from £35.8m to £12.1m. The Government will reimburse the Council for the additional relief granted. This relief gives a very significant financial boost to eligible businesses and will cushion the Council's financial impact for 2020/21.

The current business rate projection assumes £1m of business rate growth and £15.1m receipts from the business rates pool. Current projections assume a reduction in business rates collected of £1.7m, which would result in a reduction in income from pool of £0.7m and £0.2m which would normally fall in 2021/22 due to statutory accounting rules but with the potential to spread this cost over 3 years.

The financial impact on business rates is especially hard to predict as the large number of reliefs will temporarily obscure the potential number of businesses who will either not be trading or will be unable to pay their business rate bill from April 2021. There may also be reductions in the rates payable due to appeals against the rateable value of individual properties where there is a material change in circumstances arising from Covid-19.

Business Grants:

The Government has also made a Small Business Grant Scheme and a Retail, Hospitality and Leisure Grant Scheme available. This was announced by the Government in March 2020. The Council received £22.5m of grant on 1 April 2020 and has paid to date (as at 02 August 2020) 1,485 grants totalling £18.6m.

This government funding is earmarked for these grants: anything not spent will need to be repaid.

On 1 May 2020 the Government announced a discretionary grant scheme for small businesses who do not pay rates but have fixed property costs and have seen a reduction in income, for example bed and breakfast businesses who pay Council Tax instead of rates. The Council has received £1.1m of grant and has currently paid £1.06m. The Council is expecting to receive a grant to cover the administrative costs of this scheme which should have no overall impact on the Council's budget.

Expenditure:

The full additional costs are still being accumulated. There has been relatively little financial impact to date arising from staff sickness with either staff redeployment covering gaps or temporary reductions in service. At the moment it is anticipated that the additional costs will exceed the additional Government grant received to date of £1.3m and the proposed income recovery grant.

Reserves:

The current forecast shows that general fund reserves and the working balance will be at risk of being completely depleted. Other measures including additional financial support and further relaxation of some accounting treatments together with further savings will be required throughout the Medium Term Financial Plan period in order to balance the budget and rebuild reserves.

Summary	**01 April 2019 £000's**	**Transfers (In)/Out £000's**	**31 March 2020 £000's**	**Transfers (In)/Out £000's**	**31 March 2021 £000's**
General Fund Earmarked Reserve	(506)	506	0		0
Strategic Change Reserve	(198)	(46)	(244)		(244)
Capital Programme Reserve	(345)	9	(336)		(336)
Commercial Reserve	0	(250)	(250)		(250)
Revenue Grants Reserve	(952)	338	(614)		(614)
Business Rates Equalisation Reserve*- to fund CF deficit	0	0	0	(1,032)	(1,032)
Total Earmarked Reserves	**(2,001)**	557	**(1,445)**	**(1,032)**	**(2,476)**
General Fund Reserve	(5,553)	3,528	(2,025)		(2,025)
ICE Reserve	0	(1,750)	(1,750)		(1,750)
Total Reserves	**(7,554)**	**2,335**	**(5,220)**	**(1,032)**	**(6,251)**

Overall impact:

The overall impact of Covid-19, over the life of this plan, is just under £18m with Government funding of £8m and the remaining £10m to be funded from Council tax and other savings and revenue resources:

Capital Programme:

The Council approved an ambitious capital programme of £27.9m for 2020/21 (before carry-forwards from 2019/20). Full delivery of this programme must now be in doubt and individual schemes within the programme will be reviewed in depth during the year for phasing and affordability. Whilst this may have a beneficial impact on capital financing charges it should be noted that there are a number of schemes that contribute directly to income. The viability of some capital projects may be effected by Covid-19. Other schemes are funded through time-limited grant offers: the Government has been approached to relax the time-limit on these schemes to ensure delivery.

	2020/21
Capital Programme	**£000**
Community Services	1,866
Tourism & Leisure	8,510
Corporate & Core Services	11,847
Asset Management	5,721
Total Programme	**27,944**
Financed By:-	
Capital Receipts GF	551
Grants and Contributions	1,300
Revenue Contribution to Capital	41
Section 106 Contributions	27
GF Borrowing (Committed)	16,428
GF Borrowing (Uncommitted)	9,597
Total Financing	**27,944**

5. Horizon Scanning: Other Key Risks

Economic Outlook

The full extent of the impact of the pandemic has still to be fully reflected. In the short term there has been a severe global downturn, with mass job losses and declines in output. Massive central bank and government support has eased some of the pain but will not prevent business closures, especially in the already troubled high street. The Office of National Statistic (ONS) published its ‘Business Impact of Coronavirus Survey’ which reported that the number of firms ceasing trading has slowed from 25% in early April to 18% in the first half of May. The furlough scheme will be pared back in August, which will put businesses into a position as to whether to retain staff or release them. This could force the Bank of England to loosen policy further in order to generate demand and push inflation back towards the 2% target.

The easing of the lockdown on May 13th generated only modest recovery in activity. Data shows that GDP declined by 5.8% m/m in March, even though lockdown was only in place for nine days. Worst hit sectors were those where social distancing was a fundamental problem such as hotels/restaurants, education and transport/leisure.

Consumer spending will be helped by the lifting of restrictions, but it will take time to recover. Retail sales dropped by a record 18.1% m/m in April, pulling sales to 2005 levels. Online sales benefited but clothing and petrol sales were badly hit, both falling by more than 50% m/m, and even food and drink spending suffered, but to a far lesser degree. With hotels/restaurants/car sales falling outside of retail sales, overall consumption contraction will be even sharper over Q2, possibly up to 25%. On the plus side, with nothing to spend on, household debt was reduced by a record £7.4bn. Consumers remain pessimistic about their financial position, indicating that a return to normality remains a way off, even though shops are starting to open.

The Coronavirus Job Retention Scheme should ensure that the rate of unemployment has not run away during the pandemic. The claimant count unemployment rate increased to 5.8%, but with Universal Credit claims having fallen back nationally, the rate of joblessness might peak at around 9%, which would be lower than had been initially feared. Average earnings growth fell to 2.4% in March but was set to fall further in April.

Consumer price inflation has fallen and will remain subdued as it will likely take demand some time to fully recover. April saw CPI ease to 0.8%, after the largest monthly decline since December 2008. Underlying core inflation has dipped, while output price inflation is in negative territory for the first time in nearly four years. With demand having collapsed, core deflation will deepen, particularly in the hardest hit industries. Analysts do not see CPI inflation getting too close to the 2% target in the next 18 months.

Equity markets have continued to reverse losses and are expected to gradually climb over the coming years. At the end of May, the FTSE 100 had recovered 25% from the March crash.

Governments have increased levels of debt to unprecedented levels, which will likely take some time after the pandemic clears to bring down to more manageable levels. Central banks are maintaining stability and viability of their financial markets with massive asset purchasing programmes. These also help to suppress upside rate pressures, having followed interest rate policies that have seen all major central banks slash interest rates to, or almost zero percent. The Bank of England base rate is currently 0.1%. This low level has had a major impact on the Council's investment income. Interest rates have been predicted to increase beyond 0.5% in 18 months for the last eight years and have not. The financial model prudently assumes base rate remains at the current level for the duration of the model.

National Policy

Spending Review:

It is likely that the 2020 Spending Review will now be moved back from July 2020 and is now expected to be November 2020 to coincide with the Autumn Budget, adding a further delay of at least four months to the process.

The last three-year Spending Review was in 2015, covering the financial years 2016-17, 2017-18 and 2018-19. The anticipated 2018 Spending Review never took place and departmental budgets were instead 'rolled over' into 2019-20, while the Spending Review in 2019 was also cancelled and replaced by an interim Spending Round that set out current spending by departments for one financial year (2020-21) and capital investment plans for two financial years (2020-21 and 2021-22).

In his summer statement on 8 July 2020, Chancellor Rishi Sunak said that the government will cut VAT on hospitality, introduce a stamp duty holiday, and spend up to £9bn rewarding employers that bring back furloughed staff, as part of a £30bn plan to prevent mass unemployment. VAT on food, accommodation and attractions will be cut from 20% to 5% next Wednesday, while a new "Eat Out to Help Out" plan will fund 50% discounts for meals eaten out Monday to Wednesday, up to £10 per head. An immediate stamp duty holiday for homes sold for up to £500,000 in England and Northern Ireland, until 31 March, was also announced, as was a £1,000 bonus for employers for each one of the 9.4m staff furloughed since March that return to work. A £2.1bn "Kick-start Scheme" will subsidise six-month work placements for people on Universal Credit aged between 16 and 24, who are at risk of long-term unemployment.

Changes to Business Rates Retention:

A number of changes were planned by the Government initially from April 2019 but initially delayed due to Brexit and now further delayed due to Covid-19. The proposals are expected to have a significant impact on the business rate income retained: both the amount to be retained and the Fairer Funding review to change how it is distributed.

As a result the level of income from business rates is particularly difficult to predict from April 2021 even before the impact of Covid-19. The Fair Funding Review, also now delayed until at least April 2022, is expected to prioritise social care and other services provided by other authorities in 2-tier areas over services provided by district councils. There is also a baseline reset due in April 2021 which will redistribute growth in business rates. It has not yet been confirmed if this will still take place and the form it may take. Initially in was intended to redistribute all growth from the areas where the growth has occurred to areas of greater need. Again, it is generally considered that this is unlikely to benefit district councils.

Business Rate Pooling:

Business Rate Pools were established to share the risks of changes in business rate income between Councils in exchange for the reward of avoiding payment of 50% levy on growth in income above baseline. The Council is a member of the East Sussex Business Rate Pool. The East Sussex Pool retained £3.5m of levy in 2018/19 that would otherwise have been paid to the Government, of which the Council received £266k, figures for 2019/20 are not yet available. If the reset were to go ahead then the ability to generate more income from the pool would be foregone along with lost growth of roughly equal value.

It is expected that business rate pooling would cease when the new rate retention system is introduced as it is expected that levy would be abolished. If the new system is delayed it is possible that the East Sussex pool will continue in its current form, however, dependent upon the impact of Covid-19 on growth projections. This has not been reflected in the financial model.

New Homes Bonus (NHB):

This scheme was introduced in 2011/12 as a way to encourage local authorities to facilitate housing growth. The grant is top sliced from Revenue Support Grant and paid as a un-ring fenced revenue grant. The Government has indicated the NHB is not delivering the policy objective of increasing new houses and will cease from 2020/21 with only legacy payments made after April 2021.

Welfare Reforms and Universal Credit:

Universal Credit was to be introduced between 2013 and 2017 through the Welfare Reform Act. Universal Credit is an integrated working-age credit that will provide a basic allowance with additional elements for children, disability, housing and caring. It will support people both in and out of work. For local authorities, this means the link between Housing Benefit and Council tax discounts will be broken and that universal credit will be administered by the

Department of Work and Pensions. As Universal Credit currently only applies to new working age claim it is assumed the Council will continue to administer housing benefit for the duration of the MTFS.

Homelessness:

During 2019/20 the maximum number of households in emergency accommodation at any one time was 182. At the end of Q4 2019/20 this had been reduced to 147 households. However, this downward trend was reversed by the end of Q1 2020/21 when there were 156 households and an upward monthly trajectory- this rise is due to the increase in cases presenting during the Covid-19 pandemic and is likely to continue.

The main reasons for homelessness are:

- The reduced benefits for people of age under 35 years;
- High rents;
- Loss of private sector tenancy;
- Lack of affordable housing;
- Family relationship breakdowns.

The implementation of the Homelessness Reduction Act in April 2018 has also influenced results and this is reflected both regionally and nationally. While additional grants will assist with the additional costs relating to Covid-19 cases there is a potential additional cost in the future.

Environment Bill:

The Government is proposing a consistent set of materials to be recycled by each authority from households and businesses, including weekly collection of food waste. The Council currently collects cans, plastics, paper & card, glass and green waste free of charge fortnightly. The financial impact of the proposals has not yet been evaluated.

6. Financial Challenge

Financial context

The Budget Reports for 2019/20 included updates of the financial model and concluded that the Council's future financial outlook was likely to continue to be challenging over the next few years as reductions in overall public spending and changes in local government funding. Meeting new cost pressures requires a rigorous approach to identifying efficiencies, enhanced productivity, and reprioritisation of spending within services.

Key issues and assumptions

The table below summarises the key assumptions built into the current financial model and highlights where changes may be needed when the financial model is updated.

Description	Base Assumption	Unit	2020/21	2021/22	2022/23	2023/24
Pay award		%	2.5	2.5	2.5	2.5
National Living wage		£	9.21	9.39	9.58	9.77
Inflation on Contracts	Based on T&C indexation	%	2	2	2	2
Pension Contribution	Plus one off contribution 2020/21 for McCloud	%	20.65	20.15	19.65	TBA
Bank base rate		%	0.1	0.1	0.1	0.1
Borrowing		£'000	134.6	160.9	166.8	166.8
Business Rate Multiplier	Pence per £1 rateable value (RV)		49.9	50.9	51.9	52.9
Business Rate Retention Above Baseline		£'000	1,104	0	0	0
Business Rate - District Share		%	50	40	40	40
Business Rate Pool			Yes	No	No	No
Council Tax	Taxbase	Properties	34,848.6	34,148.5	34,148.5	34,148.5
	Tax Band D	£	251.71	256.74	261.88	267.12
	Council Tax Reduction (CTR)	Properties	5,067.13	5,567.13	5,567.13	5,567.13
	Collection Rate	%	97.5	97.5	97.5	97.5
	Empty Homes (long term)	Properties	848	848	848	848
Service Income		%	2	2	2	2
New Homes Bonus		£000's	332	26	11	0

The MTFS financial model assumes:

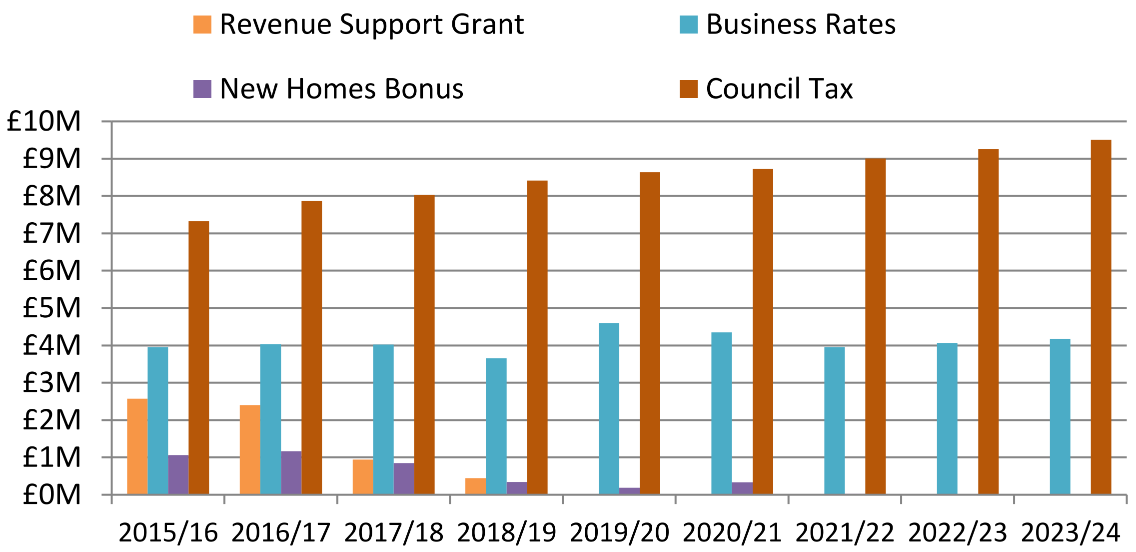
Pay inflation of 2.5% for 2020/21 and onwards. The financial impact of a 1% movement in pay inflation is around £132k change in the general fund employee budget. The employee budget is reduced by 2% (£264k) for vacancies and turnover. The Council follows national pay awards and the national local government pay spine. The pay offer of 2.75% for 2020/21 is currently being considered by unions.

Contract indexation- In the MTFS financial model inflation on contract prices has been uplifted by appropriate indices as stated in the conditions of the contracts. No inflationary increase has been applied to the general services budget, except specific items such as utilities where inflation is unavoidable. We will continue to monitor the impact of this policy, including the impact at contract renewal. The financial impact on running costs of a 1% movement in inflation is around £56k.

Business Rates and Government Grant

As a result of the Government's cuts to Council income and changes in funding from grant to rate retention the Council's income from these sources has reduced. This reduction is expected to continue for district councils due to the notable pressure to increase funding for social care while total local government funding beyond the current finance settlement was expected to be unchanged. The table and chart below show Government support since 2015/16 and the projected income until 2024 based on the position at February 2020: the impact of Covid-19 on the level and timing of changes in funding cannot currently be predicted.

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Business Rates	4.844	5.394	3.956	4.066	4.180
Trans to BR Equalisation Reserve	-	(1.032)	-	-	-
Business Rates – (Deficit)	(0.250)	(0.015)			
New Homes Bonus	0.183	0.332	0.026	0.011	-
Council Tax	8.579	8.772	9.010	9.254	9.505
Council Tax – Surplus/(Deficit)	0.058	(0.060)	-	-	-
Other Government Grants	0.132	0.131	0.132	0.132	0.132
Total Resources	**13.546**	**13.522**	**13.124**	**13.463**	**13.817**



The financial projections assumed the current funding arrangements would be rolled forward into 2021/22, including the current sharing arrangements for business rate income, levy and baselines. However, it is assumed that New Homes Bonus is not rolled-forward and at the moment it is assumed there is no East Sussex business rate pool.

The full implementation of the new funding arrangements has been assumed from April 2022 with the impact damped over 4 years. Implementation of a new baseline to redistribute growth will be particularly challenging during a period of very unusual levels of reliefs, discounts and potential levels of business failures.

Council Tax

The Council is committed to do all it can to reduce the financial burdens placed upon its residents and the Council was able to freeze its average band D Council tax for the five consecutive years from 2010/11 to 2015/16. Since 2016/17 there is now an expectation from Government that annual increases in Council tax will form an integral part of the resources supporting local authorities. There is also an assumption, built into the Government's calculation of Spending Power, that Council's will increase Council tax by the maximum permissible amount.

The MTFS assumes the Council's average band D Council tax will increase by 2% per annum for a Band D equivalent property (from £251.71 at 1 April 2020). For every £1 increase in the average Band D Council tax there is only an additional £35k of income.

Due to the uncertainty surrounding the level of future business rate income due to system changes and the unpredictability of external income then Council tax is the most stable of income sources for the Council.

Therefore any decision to change levels of Council tax must have regard to the medium and long-term implications on the Council's financial stability. The decision on Council tax is reviewed every year as part of the budget and Council tax setting process.

Income Generation

The Council relies on a number of external income sources and Covid-19 has significantly affected our income streams, in particular in service areas linked to tourism and visitors. A number of significant fees, including liquor licences and planning application fees are set by Government. The Government increased planning fees during 2018 but with conditions attached on the use of the additional income to be applied to the improvement of the planning service. The Local Government Association has campaigned for local freedom for authorities to set fees based on local circumstances.

Income from fees and charges are a key element of financial sustainability for the Council. Income from tourism exceeds all other income sources except Council tax.

Any proposals to reduce income streams are treated as growth bids. All fees and charges are set in accordance with the Council's Policy on Fees and Charges. It is intended that a new Commercial Strategy will be prepared and approved during 2020/21 – no adjustments have been made to the financial projections for changes that may arise from this new strategy.

Historically, the Council had a good track record for debt collection but the current circumstances suggest higher levels of irrecoverable debt should be expected, at least in the short-term. Monitoring information which is produced monthly will be further enhanced to provide information on evaluating the effectiveness of debt recovery actions, associated costs, and the cost of not recovering debt promptly.

The financial model assumes income from external charges in general increases by 2% annually with the exception of recycling credits (assume frozen but they should increase annually by an agreed amount set in legislation) and includes reviewing individual charges to ensure the balance of income generation is appropriate.

Nationally revenue resources have declined, which has increased pressure to maximise returns on investments. The Council is required to follow Government regulations which require investments to be rated based on Security, Liquidity and Yield (SLY), in that order of importance. The Council's income from investments is controlled by its Treasury Management Strategy and Investment Strategy, part of the Prudential Code for Local Authorities which sets out how Councils can borrow and invest. Service Demand and Other Budget Pressures

The Government expects local authorities to play a major part in revitalising the local economy and at the same time bear a share of the costs of Covid-10. Nationally, the greatest pressure on demand for services is due to the aging population profile and is mainly affecting immediate health and social care budgets. There has been little concentration on longer term preventative measures such as housing, employment and leisure, many of these services are provided by district councils in 2 tier areas. Councils have increased requirements to prevent homelessness and have also seen an increase in the number of cases.

The Council will monitor trends in the economy, particularly the predicted change in town centres from retail to other uses while the importance of tourism to the local economy has increased. The impact of these changes on the Council's service delivery and balance between costs and income streams will be kept under review.

The Projected Net Budget Position

The financial model (detailed in Appendix 2) shows deficits over the future 4 year period of between £9.7m and £4.5m.

The Council is focused on achieving savings, primarily through efficiencies. During the budget and planning process there is an emphasis on ensuring resources are directed to priority areas in line with the Council Corporate Plan, with service efficiencies monitored and reviewed highlighting where further savings can be made. The introduction of a Recovery and Rest Programme and a Commercial Strategy will help balance service demand and income generation. However, the size of the budget gap suggests that efficiencies may not be enough to bridge the gap.

The Budget Strategy for 2021/22 must concentrate on closing the revenue deficits, either through increases in income or reductions in expenditure. Where capital expenditure is required or able to generate future revenue savings it should be prioritised. Unless funding from earmarked resources, no revenue budget growth bids (including reductions in income) should be accepted until all budget pressures are funded and the 2021/22 budget deficit is met.

Reserves

The Council will retain its approved minimum Working Balance level of £2m, reviewing this regularly in the light of changing financial risk assessment. Risks to the Council's financial position could derive potentially from budget overspend, loss of investment income, contractual/legislative failure or challenge and emergency events. In the recent years, the Council has faced challenging financial position in delivering its services within budget, therefore this is seen as high importance and necessary to the Council to make additional contingency provision.

The Council also considers the impact of holding monies unnecessarily in reserves given the ongoing impact of the economic downturn to local residents and taxpayers. It should be stressed that there is no theoretically "correct" level because the issues that affect an authority's need for reserves will vary over time.

The level of risk posed by contractual or legislative failure and emergency events is difficult to predict, but it would be a low probability with a potentially high impact. However, it is not appropriate to set aside large amounts of reserve against the possibility of this happening. Appendix 3 assesses the main financial risks facing the General Fund revenue accounts and the suggested appropriate level of reserve required to offset this risk, were it to materialise.

In setting budgets and projections for individual years, it is important that the use of reserves is sustainable and not increasing and creating an unsustainable future problem. The fundamental principle within the Council's Policy on Reserves and Balance governing the use of reserves is that they should not be used to fund recurring expenditure. If exceptional circumstances make this a necessity, the use of the reserve should be clearly stated and approved as an exception to the rule.

Total reserves were £5.2m at 31/3/20 including the General Reserve (£2m). All other reserves are either earmarked by statute, legal agreement, Council decision or the purpose for which a grant has been given. Use of reserves is only included in the projections when the associated expenditure is included in the capital programme or revenue budgets. A copy of the policy for reserves and balances can be found in Appendix x (still being prepared: will be ready for Council) including details of the projected balance on each reserve.

The balances beyond March 2021 are less certain as expenditure from reserves and working balances to meet unexpected demands obviously cannot be predicted,

Capital

The Council's Capital Strategy sets out how the Council will manage its capital investments in the future. It is agreed on an annual basis and sets out how capital contributes to the achievement of the Council's corporate objectives, how capital resources are allocated and how capital projects should be managed and monitored to ensure the outcomes are delivered.

The Capital Strategy was approved by Council in February 2020.

Property and Land Management Strategy

The Council's Property and Land Management Strategy (to be developed and approved by cabinet) guides the Council on land and building investment, disposals and acquisitions. This aims to ensure investment is prioritised in the right areas to balance the Council's estate over the medium and long term and in the wider context of other assets in public ownership, to ensure sufficient governance is in place to allow the estate to flex and ensuring that the decisions achieve a balance of requirements for capital receipts, investment and revenue income generation.

The strategy also lead to the establishment of the Strategic Asset Management Plan Board (SAMP Board) which will provide oversight and governance and ensure a more strategic approach to the management of its property estate.

All capital investment and disposal decisions have been made with reference to the strategic objectives within the Council Corporate Plan.

The Capital Funding strategy is set out below:

The Council's capital programme has, in general, been funded by the use of capital receipts, contributions, major repairs reserve or from capital grants and borrowing. The Council now has low levels of uncommitted capital resources to fund new projects and will require external borrowing.

The cost of revenue financing of capital includes interest and principal repayment or Minimum Revenue Provision (MRP). This is linked to the life cycle of the asset. As an example a borrowing for £1m with a 3% interest rate to finance an asset with a life span of 25 years is £70k per annum for 25 years.

The capital programme for 2019/20 to 2024/25 was approved by Council in February 2020. The programme shown at Appendix 5 has been updated for requested carry forwards from 2019/20 and other minor budget changes and reflects the projected levels of resources.

There are a number of potential changes to be made to the capital programme that have yet to be finalised. These schemes would lead to changes to capital financing costs assumed and presented in Appendix 5. A report setting out the likely financial implications and benefits and timescales will be provided in due course.

Any additional schemes included in the Programme are as part of the overall longer-term capital plans and are aspirational should suitable funding be identified.

These schemes will be subject to detailed business case assessment before they become part of the approved draft capital programme and will only be selected with overall consideration of the affordability of the capital programme.

The decisions of how to fund capital expenditure, including the treasury management decision of whether to borrow externally, are taken at the end of the financial year as per delegated powers. The decisions are based on the Treasury Management framework for the relevant financial year and ensuring value for money. Underspends on schemes may not be automatically diverted to other schemes. This will be considered against the demands of the programme as a whole, any reserve project list and funding requirements for the following year.

Revenue implications of capital programme

One of the key considerations for the Council's approach to capital expenditure is revenue affordability. Most Capital Projects have financial implications on the annual revenue budget. The revenue implications can take a variety of forms and they include debt costs, loss of investment income and annual non-capital financing costs, e.g. salaries, rent, rates, energy costs, on-going maintenance costs and any income generated from the scheme or project.

The Council has largely used capital receipts and reserves to fund capital expenditure with borrowing only used to fund a small proportion of the programme. The current capital programme now includes the use of borrowing to fund more than 93% of scheme costs. The Council will be undertaking external borrowing to fund these schemes. The Council's revenue budgets assume:

Borrowing Requirements	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m
External Borrowing			
GF Borrowing at 1 April	108.7	134.6	160.9
GF Expected change in borrowing	25.9	26.3	5.9
Gross borrowing at 31 March	**134.6**	**160.9**	**166.8**

Officers will consult the Council's Treasury Management advisors to determine the optimal time to borrow, which may identify an opportunity to achieve lower interest payments in the future.

One of the largest revenue cost is the Minimum Revenue Provision (MRP). This is the statutory requirement to charge the revenue account with the principle cost of borrowing over the life of the asset created. For the purposes of this calculation, borrowing is treated as any expenditure not funded by capital receipts or contributions.

The current MRP projections are based on the Capital Programme approved in February 2020:

	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m
MRP	1.38	1.80	1.94	2.11
Interest Payable	2.48	3.14	3.14	3.14
Total Cost	**3.86**	**4.94**	**5.08**	**5.25**

Sensitivity analysis and scenario planning

Risk Management is a key feature of the Council's financial planning process. The Council is very aware of the need for effective risk management and considers that the assessment and minimisation of all types of risk to be vital. It has an adopted Risk Management Strategy in place, and the financial risks to the Council are assessed in the context of the Council's overall approach to risk management.

To mitigate risk the Council regularly monitors its budgets. The corporate Risk Management process is used by EBC to identify, monitor and report on risks. Quarterly performance monitoring reports provide a platform for the Members to scrutinise the financial and non-financial performance (e.g. local and national indicators).

Some of the greatest risks are around the assumptions relating to income from business rates from April 2021 when the current arrangements may change: currently the Government plans are unclear around the nature and timing of the business rate reset. The MTFS assumes the level of annual reductions in Government funding since 2013 will continue from April 2021. There are also a number of variables that will have an impact on income from business rates. Depending on the assumptions made, income retained by the Council from 2021/22 could vary by around 30% or £1.3m pa.

All local authorities are required to ensure there are sufficient resources available to meet the expenditure in the year: the Council receives a formal report from the Chief Finance Officer as part of the budget setting process. The Council continuously monitors factors that may push a local authority into tipping into unstainable expenditure, including intelligence from other bodies including Society of District Council Treasurers and the Local Government Association. Not all authorities share the same level of resilience or risk. Providing the assumptions in this MTFS are sound, the policies and recommendations are followed and the savings targets are met the Council is not expected to fall into deficit other than for the impact of Covid-19.

7. Addressing the Budget Gap

The following approach is recommended to identify savings. There will be some savings which can be generated in the short-term to bridge the gap in 2020/21, others may need longer lead time to consider for approval:

a. Business as usual budget monitoring, ensuring value for money in all transactions during the year. Identifying issues and agreeing action plans to address issues early to prevent significant financial variances.

b. Using the Recovery and Reset Programme to prioritise services and spend.

c. Priority based budgeting to clearly link business planning and budgeting and focus on Council Plan priorities.

d. Review of procurement practices & contract management to ensure the costs of each route to market is reviewed, whole life costs are considered and multi-disciplinary project teams are used to consider all potential contract issues early in the procurement process. A review of the Council's expenditure on third party service provision, including potential re-procurement of services to secure better market rates.

e. Delivery of further transformation, through continuous improvement in digital enabled processes, the implementation of the Customer Strategy to drive more customer transactions to self-serve, releasing resources for other priorities, and review of the areas of operation not already covered by the Joint Transformation programme.

f. The Council is, in the main, a people-driven organisation with a large proportion of our expenditure linked to staff costs. The Joint Transformation Programme has implemented a new operating model, with re alignment of how work is processed in the organisation, a reduction of management layers and broader spans of control. A review of human resources policies and procedures, particularly around temporary and agency staff, expenses, sickness and absence management, will complement the work that has already taken place.

g. Commercial Strategy: a Commercial Strategy is being developed. The principles of the strategy need to be Implemented to ensure that there is a coordinated, focused approach to maximise commercial opportunities where available, providing a positive contribution to the Council's overall financial sustainability whilst enhancing the reputation of the Council in the provision of its services.

The Commercialisation strategy identifies how the authority can use its financial, staff and asset resource in a way that maximises short and long term income generation and social value benefits, whilst delivering the priorities within the Council Plan.

The strategy will cover, how the authority's services can operate in a more commercial way including opportunities for further joint working, consultancy etc; how we can maximise the use of our land and buildings, including subletting, concessions, etc.; options for direct commercial activity and how we can use commercial activities to drive social value whilst managing our risk exposure.

h. Working with Partners to ensure all projects and services are delivered by the most effective body.

i. Reviewing potential use of alternative funding to delivery Council priorities, including new Government initiatives which may duplicate planned Council spend, or more focussed use of earmarked reserves.

Managing Budgets and Forecasting

Accountability and responsibility:

Whilst the Chief Finance Officer as Section 151 officer has overall responsibility for reporting the financial position, the responsibility and accountability for the financial position of services lies with the budget holder. If the budget holder cannot resolves issues within their own service area budgets these should be dealt with by Directors with an overarching expectation that pressures arising will be accommodated within overall service budgets. All budget holders are responsible for ensuring external income is maximised for their service and for seeking out new opportunities to generate income. By following the approach set out in this MTFS there should be sufficient resources to deliver services in all teams.

Finance business partnering:

The finance team is creating a business partnering approach to support budget holders and Directors in the financial management of their services.

The main focus of the finance business partnering approach is to:

a. Look at a specific business problem and propose solutions based on research and insight;

b. Perform and analyse benchmarking against other areas and services to improve business decision making;

c. Work with business intelligence to understand activity and cost drivers;

d. Support services to look at the totality of investment against objectives;

e. Support services to focus on being sustainable;

f. Support services in developing business cases and support with project managing change through greater involvement in strategic decision making;

g. Work to better understand, manipulate and extract better outcomes from contracts, improving deliverables and forward planning procurement exercises.

8. Conclusion and Way Forward

Although the financial model hasn't been fully updated, a budget shortfall is still expected from April 2021 onwards once the impact of Covid-19 are taken into account. Biggest variables in the financial model are:

- The nature and the extent of disruption from Covid-19; and

- The timing and nature of change in Government funding.

The MTFS should be considered in the context of the following issues:

a. The Council is now in a very serious financial position, although the adequate General Fund balances and reserves before the pandemic, robust financial management practices and achieving planned/ proposed efficiency savings should assist the resolving of the current position.

b. The underlying financial model has not been updated except for the impact of Covid-19 and the business rate timing changes. Full reviews of the model are underway and the model will be updated in future updates of the MTFS projections.

c. Further significant key decisions will still be needed to deliver savings while safeguarding frontline services to maintain a balanced budget.

d. Significant changes were expected to the local government finance system from April 2021 which are expected to reduce income available to the Council: the timing of these changes is now very uncertain.

e. The size of the capital programme and major renewals of Council assets will require robust testing and review.

f. Inflation and other budget pressures may increase spend above the projections included in the financial model.

g. Any changes to the financial position will be closely monitored and updates to the financial projections will be reported during the 2021/22 budget process. The financial model is reviewed at least quarterly and forecasts are updated as necessary and reported as part of the Quarterly Corporate Financial Update process.

Consultation:

The Council carries out regular consultation with local people, customers, stakeholders, and partners organisations to establish current and future needs and priorities of the community. The MTFS is submitted to Cabinet annually for approval. It is subject to challenge and scrutiny through the Overview and Scrutiny Committee before final approval by Council. The Council consults on its budget proposals with business ratepayers in accordance with statutory requirements.

Equality Impact Assessments (EIA):

The Council is committed to ensuring equality and diversity issues are given proper consideration. Equality Impact Assessments are an important part of our decision making to enable us to assess the impact of decisions on our residents, stakeholders and customers. Where the impact is high mitigation plans can be developed to reduce the impact of decisions. These are completed in accordance with national guidance and best practice. In developing individual budget proposals officers have undertaken equality impact assessments. An overall equality impact assessment of the budget process and proposals will be carried out as part of each annual budget process. Appendices to the Medium Term Financial Strategy and Budget process 2021/22 to 2024/25

By incorporating the Budget Strategy within the Medium Term Financial Plan the Council ensures the two parts of the budget process are seamless and consistent.

Appendix 1

Budget Setting Strategy

2021/22

Appendix 1

Proposed 2021/22 Budget Strategy

1. This proposed Budget Strategy explains the approach to setting a balanced budget for 2021/22 in accordance with the principles set out in the Medium Term Financial Strategy. Through the MTFS updates, corporate issues have been addressed that will alter the future years position from the budget that was approved in February 2020.

2. To address future deficits, savings options have been approved for 2020/21 and for future years. Savings will also be sought to provide funding for budget pressures to ensure the Council's priorities are delivered. Members will be asked to consider the range of options for savings put forward and which are to be consulted on. These may include critically evaluating the impact of expenditure on the achievement of council priorities and as a result:

- increasing income
- reducing costs by improving service efficiency including the use of assets
- reduction of costs through cutting overheads
- alternative service delivery mechanisms
- ceasing to deliver services

3. Leadership team will use the following approach to inform the proposals:

- Business as usual budget monitoring, ensuring value for money in all transactions during the year. Identifying issues and agreeing action plans to address issues early to prevent significant financial variances.
- using the Recovery and Reset Strategy to prioritise services and spend
- Priority based budgeting to clearly link business planning and budgeting and focus on Council Plan priorities.
- Review of procurement practices & contract management.
- review of human resources policies and procedures, particularly around temporary and agency staff, expenses, sickness and absence management
- Commercial strategy: a Commercial Strategy is being developed. The Council will provide the right services, to the right markets, at the right time and at the right price.
- Partnership working
- Reviewing potential use of alternative funding to delivery Council priorities, including new Government initiatives which may duplicate planned Council spend, or more focussed use of earmarked reserves.

4. The detailed service and capital budgets will be reviewed to ensure that these remain reasonable, with reference to the 2019/20 out-turn, monitoring during 2020/21 and the Service Managers' knowledge of any changes due to take effect over the budgeting time frame. General Fund Services

5. The overall General Fund Service budget strategy is that:

- budgets will be updated by Finance for known, externally-driven changes to salaries including inflation; they will also update capital charges and recharges;
- all establishment changes must be treated as growth bids or savings and forwarded to Corporate Management leads and subject to Corporate Management Team (CMT) review at the appropriate time;

- minor virements and cost neutral changes (less than £10k gross) can be made to base budgets without bid documents;
- changes identified as part of the Recovery and Reset Programme and savings identified as part of the corporate prioritisation exercise will be worked up into budget amendments as part of the budget process;
- all other changes, including those that are statutory or demand led will need to be brought forward for consideration as part of a budget amendment process, signed off by Chief Finance Officer and Portfolio Holder.

6. More detail of the approach is given below:

- Salary budgets are increased by known incremental advances. From April 2021 2% will be included for inflationary pay awards. A 4% reduction will be allowed for vacancies and turnover on all salary cost centres unless considered exempt from this process; posts which are currently vacant will be budgeted at the scale mid-point; rates and thresholds for PAYE, NI and pension deductions will be updated.
- No allowance will be made for inflation in expenditure budgets unless contractually committed or unavoidable (e.g. energy, fuel and utility bills); the current inflation assumptions built in to the base will be reviewed and updated where necessary. Where a contract is due for re-tendering a review of the appropriate inflation rate and budget should be undertaken and a budget pressure bid prepared where necessary.
- Future years' income base budgets already have inflationary growth built into them. Where this cannot be met or managed through reductions in expenditure, this will be identified as a budget pressure.
- Fees and Charges need to be consistent with income budgets. This process must involve:
    - review of 2019/20 out-turn and any relevant multi-year trends;
    - review of current 2020/21 budget position and the likely impact of Covid-19;
    - review of future year income budget; and
    - assessment of the options for any changes to fees (structures as well as tariff) and the impact of this on the income budget.
    - For any service area where income budgets are £100k or more per annum, this process will be documented. All services must review the potential for new fees.
    - Fees and Charges must be consistent with the Council's Corporate Charging Policy.
- Existing base budgets will be challenged to identify savings that can be released to offset projected budget deficits.

Budget Pressures:

- the delivery of the Council Corporate Plan requires constant review of budgets to ensure funding is available to deliver the Council's priorities. Any increases to expenditure or decreases to income base budgets will be either matched corporately by a compensating saving or will need to be submitted as budget pressures. The de-minimis is set at £10k.
- No growth bids will be accepted unless growth is to be funded from corresponding savings and or additional income.
- Reserves will be used in accordance with their agreed policies with the fundamental principle that they are not used to fund recurring expenditure.

- Effective consultation will be carried out in accordance with the Corporate Consultation practices.
- Schemes which attract external funding need to be considered with reference to the Corporate Plan and capacity to deliver.
- The Budget assumes a 2% Council tax increase annually from April 2021 onwards. The decision on the actual Council tax each year will be taken by Council in February and will be influenced by current Government policy and the influence of this on local government funding.
- The working balance contributions be reviewed against the current long-term target minimum General Fund working balance of £2m by 31 March 2021; any surplus over this target should be transferred to the General Reserve.

Capital

7. The approach to setting the capital programme will be as follows:

- A longer-term view will be taken of spending needs to balance priorities and resources more evenly over the life of the capital programme and to reflect the Property and Land Management Strategy. The Council's property advisors will be consulted as to the on-going maintenance programme with the aim being to develop a 10 year programme for recurring capital costs.
- It is assumed that no new Bids will be considered unless they are invest to save or unavoidable. Schemes which attract external funding should be considered in the light of capacity to deliver, with resources identified to deliver these and need to be prioritised with reference to the Council Plan.
- Capital Bid documents will be required prior to a scheme being accepted as part of the Capital Programme. These are to be signed-off by the relevant Portfolio Holder and will be prioritised by Members as part of developing the 2021/22 to 2030/31 Capital Programme. Bids will be considered alongside future expected spend on major projects, as indicated in the capital programme.
- Existing schemes within the programme will also be reviewed with reference to their progress and any external funding restrictions with the assumption that all schemes should be deferred by at least 12 months.
- Capital receipts will only be committed once they have been received. Although there may be known sources of capital, future aspirations will take into account the resources required to support unavoidable recurring costs.
- Right to Buy receipts will be earmarked for social housing to replace the units sold that generated the receipt.

8. Budget Process

- The approach to the review of the current-year budget, based on budget monitoring, will continue. The 4 year position will be set out as part of the process.
- Regular budget reports will be provided to inform Members on the emerging issues. This will integrate information from review of base budgets, higher level factors (such as the grant settlement) represented in the MTFS and the corporate savings process.
- Following approval of these proposals, Lead CMT Officers, managers and finance staff will work together on the preparation of budgets based on the strategy set out (ensuring consultation with the relevant Portfolio Holders).

- Work will continue to be undertaken on refining the options for reducing the deficits currently projected and inclusion in the future Budget reports. High level 2021/22 Budget and Council Plan timetable Additional reports may be taken to meetings in addition to this timetable if required e.g. spending review, significant changes to funding settlement

Eastbourne Borough Council - Medium Term Financial Strategy

Appendix 2

	2020/21				2021/22	2022/23	2023/24	2024/25
	Original Budget	19/20 Recurring Pressures	Savings Shortfall	**Revised Budget**	**Forecast**	**Forecast**	**Forecast**	**Forecast**
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Corporate Services	3,337		388	3,725				
Service Delivery	5,876		563	6,439				
Regeneration & Planning	(37)	325	384	672				
Tourism & Enterprise	2,659		964	3,623				
Net Cost of Services	**11,835**	**325**	**2,299**	**14,459**	**14,459**	**14,459**	**14,459**	**14,459**
Capital Financing & Interest Payable	3,363	434		3,797	4,547	4,629	5,007	5,058
Interest Receivable	(1,077)	150		(927)	(1,080)	(1,080)	(1,080)	(1,080)
Contingency	151			151	151	151	151	151
Corporate Efficiency Savings	(750)			(750)				
Net Revenue Budget	**13,522**	**909**	**2,299**	**16,730**	**18,077**	**18,159**	**18,537**	**18,588**
Covid-19 Impact								
Additional Costs				2,000				
Income Shortfall				10,600	5,000	1,000		
New Government Funding								
Covid-19 Grant				(1,300)				
Income Compensation Grant				(6,500)				
Recovery & Reset Programme					TBC	TBC	TBC	TBC
Pay Inflation (2.5%) & Increments					288	345	404	464
General Contractual Inflation @ 2%					110	110	110	110
Income Inflation @ 2%					(224)	(288)	(334)	(334)
Latest Net Revenue Budget Projection	**13,522**			**21,530**	**23,251**	**19,326**	**18,717**	**18,828**
Financing:								
Council Tax	(8,772)			(8,772)	(8,947)	(9,126)	(9,309)	(9,495)
Council Tax Deficit	60			60	50	50	50	
Business Rates	(5,394)			(5,394)	(4,449)	(4,538)	(4,629)	(4,722)
Business Rates Deficit	15			15	213	213	213	
Transfer to/(from) BR Equalisation Reserve	1,032			1,032	(213)	(213)	(213)	
New Homes Bonus	(332)			(332)	(26)	(11)		
Other Govt Grants	(131)			(128)	(130)	(130)	(130)	(130)
Total Financing	**(13,522)**			**(13,519)**	**(13,503)**	**(13,755)**	**(14,018)**	**(14,346)**
BUDGET SHORTFALL	**0**			**8,011**	**9,748**	**5,571**	**4,699**	**4,482**
					Worst Case Scenario			
					Current Position			
Currently Identified Recovery & Reset Savings					(2,100)	(2,900)	(3,400)	(3,900)
Additional Income Recovery					(2,250)	(250)		
					5,398	**2,421**	**1,299**	**582**