

**Report to:** Cabinet

**Date:** 7 December 2023

**Title:** Draft Medium Term Financial Strategy 2024/25 to 2027/28

**Report of:** Homira Javadi Director of Finance and performance

**Cabinet member:** Councillor Zoe Nicholson, Leader of the Council and Cabinet member for finance, assets and community wealth building

**Ward(s):** All

**Purpose of report:** To agree the interim Medium Term Financial Strategy for 2024/25 to 2027/28, together with the updated Capital Programme position.

**Decision type:** Budget and policy framework

**Officer recommendation(s):** Cabinet is asked to:

- a. note the updated MTFS forecasts and requirement to identify additional savings of £1.08m for the period 2024/25 to 2027/28.
- b. note that this forecast significantly depends on government funding settlement announcements and demand for services and pressures upon the council.
- c. note that at this stage a forecast £1.08m of savings are required to balance the 2024/25 budget; and
- d. note the planned annual review of earmarked reserves which aims to reallocate them in line with the emerging risks.

**Reasons for recommendations:** To provide Cabinet with and update and early sighting of key MTFS and budgetary implications in preparation for the setting of a revenue budget and associated Council tax for the forthcoming financial year by law.

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# 1 Background

- 1.1 The council continues to operate with significant financial uncertainty. When the 2023/24 budget was approved in February 2023, the council was concerned about the uncertainty of future local government finance settlements, the cost-of-living crisis and increasing prices, costs, and interest rates.
- 1.2 Interest rate increases have also had a significant impact on our existing debt financing with a further £0.5m built into service expenditure in 2024/25. Although, interest received on balances has also increased for Lewes from 2024/25 the cost of the existing and new Capital Programme is expected to exceed interest receipts.
- 1.3 Homelessness support and the costs of emergency and temporary accommodation has become an unprecedented pressure for the Council with the current (Q2 2023/24) forecast in this area alone at £600k overspend. There continues to be dialogue between the Council, other local authorities and the Department for Levelling Up, Housing & Communities (DLUHC) to raise their awareness of this and ask for their help with significant issue for Councils across the Southeast.
- 1.4 Energy prices have begun to fall, and our current forecast indicate a reduction of around 4% to electricity prices and 10% to gas prices. Our procurement model for utilities purchases units in advance and whilst we expect to see a lag in prices coming down, the new rates to be paid from October 2023 indicate that the contingencies, we have made for further increases can now be released.
- 1.5 Significant uncertainty continues to exist in terms of future financial settlements for local government and how available funding will be allocated between local authorities. Local authorities continue to be provided with one-year financial settlements, which allows little financial certainty and security and given the timing of these announcements in late December or even January, allows little time to react.
- 1.6 This level of uncertainty makes financial planning challenging and requires the council to be proactive, responsive, and adaptable. In this regard and building on its success in mitigating and managing the financial impacts of the pandemic, in response to the ongoing and deepening cost of living challenges, the council continues to monitor and address those challenges and to ensure the council remains on a stable financial footing.
- 1.7 As we continue budget planning for 2024/25, and in line with previous practice, the MTFS has been reviewed and the financial forecasts for the next four years updated. Financial plans have been updated to consider the continued impact of inflation upon council costs, service investment required and the implication of new legislation and requirements.

## 2 Budget Planning

2.1 To ensure the 2024/25 budget can be developed effectively, and savings targets delivered in time to produce a balanced budget, it is important that a robust plan and timetable is agreed. A high-level assumed timetable is shown below.

What	When
Autumn Statement	22/11/23
Draft MTFS to Cabinet	7/12/23
Provisional Finance Settlement Announced	Late Dec 23
Correspondence begins with preceptors	15/12/23
Final Finance Settlement Announced	Jan 24
24/25 Budget, final MTFS and Council Tax to Cabinet	01/02/24
Council Tax Consultation	Feb/March 24
Council Tax Bills issued	March 24

2.2 As part of the council's Stability and Growth Programme, savings will continue to be developed for consideration for 2024/25 and in future years. Unless there is a significant uplift in the level of local government financial settlements, additional savings are certain.

2.3 The council is in a position of utilising some earmarked reserves to help balance the budgets in the short-term whilst savings proposals are developed and or implemented. The use of reserves to balance the budget is not a sustainable position and is only recommended where there is a need for a temporary injection of resources to allow for more sustainable budget solutions to be developed.

2.4 At this stage of the planning cycle for MTFS the following areas are presented for consideration by Cabinet:

- (a) an update on the development of the 2024/25 budget since the Feb 2023 MTFS was presented to Cabinet including revised assumptions for both expenditure and financing.
- (b) an update on the MTFS savings forecast for the period 2024/25 to 2027/28;  
and
- (c) a planned review of reserves to align to MTFS risks.

2.5 The financial outlook for the council continues to be challenging. The council's finances are in a reasonably healthy state and could be available to provide some interim financial support to resource its immediate budgetary shortfalls. The wider impact of the cost-of-living crisis is forecast to have long term impacts across the public sector and like most authorities, the council will require additional savings and/or additional income to bring its MTFS into a fully funded position.

2.6 The draft MTFS indicates that without intervention a savings requirement of £1.08m will be required to balance the budget, with this figure being required by 2024/25 and increasing throughout the period of the MTFS.

### 3 Draft Medium Term Financial Plan

	2023/24	2024/25	2025/26	2026/27	2027/28
	Revised Base for 23/24	Net Budget	Net Budget	Net Budget	Net Budget
£000					
<b>TOTAL FINANCING Revised</b>	<b>(16,290)</b>	<b>(16,757)</b>	<b>(16,762)</b>	<b>(17,210)</b>	<b>(17,727)</b>
<b>NET EXPENDITURE</b>	<b>17,601</b>	<b>16,022</b>	<b>16,465</b>	<b>16,899</b>	<b>17,365</b>
Emergency Accommodation Pressures		635	635	635	635
Service Proposals 24/25 inc Efficiencies		347	336	30	30
GF Costs of Current Capital Programme	(779)	332	877	1,188	1,315
Financing of New Capital Expenditure		500	750	1,000	1,250
<b>REVISED EXPENDITURE</b>	<b>16,822</b>	<b>17,836</b>	<b>19,063</b>	<b>19,752</b>	<b>20,595</b>
<b>BUDGET SHORTFALL</b>	<b>532</b>	<b>1,079</b>	<b>2,300</b>	<b>2,542</b>	<b>2,867</b>
Current projection use of Reserves for one off		1,079	2,300	2,542	2,867

3.1 The current draft Medium Term Financial Plan for Lewes District Council is summarised below.

### 4 Expenditure Assumptions

In calculating budgets and forecast, the following assumptions have been applied.

#### 4.1 Pay Inflation

The current 2023/24 budget includes 4.0% in the base for pay inflation in line with the projections made by East Sussex County. The pay award for LG w.e.f. 1<sup>st</sup> April 2023 has just been agreed at a flat rate of £1,925 for employees earning up to £49,950 and 3.88% for those above. This represents an increase from budget in 2023/24 which will increase the following years base in turn. The current assumptions made for pay inflation are set out below.

	2023/24	2024/25	2025/26	2026/27	2027/28
MTFS Feb 23	421,890	408,708	348,499	357,142	-
£1,925/ 3.88%		3%	2.5%	2.5%	2.5%
Revised Figures	605,197	689,264	356,649	365,496	374,562
Increase to Feb'23 MTFS	183,307	280,556	8,150	8,354	374,562

#### 4.2 Non-Pay Inflation

The Contracts Register has been used to calculate likely inflation based on the inherent calculations agreed in contracts and the results are included below. Assumptions have been made that CPI will fall in line with the Government's expectations.

	2024/25	2025/26	2026/27	2027/28
		5%	4%	3%
Revised Figures	£569,607	£284,804	£227,843	£170,882
Assumption	<b>£569,607</b>	<b>£284,804</b>	<b>£227,843</b>	<b>£170,882</b>

#### 4.3 **Utility Prices**

The 2023/24 base budget included the creation of a fund for £90k to offset the impact of large energy increase. However, energy prices have begun to fall, and our current forecast indicate a fall of around 4% to electricity prices and 10% to gas prices. Our purchasing model for utilities buys energy units in advance so whilst we do expect to see a lag in prices coming down, the new rates to be paid from October 2023 indicate that the contingency we have made for further increases can now be released.

#### 4.4 **Homelessness and the cost of Temporary Accommodation**

The Homelessness Reduction Act 2017 places duties on local authorities to intervene to prevent homelessness in their areas. It also requires housing authorities to ensure that a suitable accommodation is available for the applicants and their household until the duty is ends, usually through the offer of a settled home.

The key drivers for the current increase in these pressures are the impact of the pandemic on family breakdown, a reduction in the supply of housing and a disincentive created by the balance of rent costs and subsidy costs available.

In common with a number other southern and coastal authorities, Lewes District Council has seen an alarming growth in the number of presentations in recent years.

The council has carried out several in-depth reviews in this area. The findings of these reviews will be informing the authority's immediate plans and longer-term housing need strategy.

The Q2 forecast in this area is for a £600k overspend which is not expected to reduce over the period of the MTFs.

Council Officers (along with over 150 other LA's) are in discussion with DLUHC over these pressures and it is hoped that more will be known about the Government's proposals in our next update to Cabinet in February.

#### 4.5 **Fees & Charges**

Fees and charges increases are included in service planning proposals. This year Planning Fees income (a statutory charge) will rise by 25% and it is proposed that all other fees and charges will increase by 10% with a reducing increase over the course of the plan in line with lowering inflation assumptions.

Some fees are decided by Government (mainly planning and licensing fees) – any changes to license fee assumptions because of government announcements will be presented within the detailed budget setting exercise in February 2024.

#### 4.6 **Borrowing Costs**

Based on current interest rates and forward forecasts for the cost of borrowing, £1 million capital financing expenditure will cost around £98k to service each year. This includes Minimum Revenue Provision (the amounts we need to set aside under the Prudential Code to repay the loan) of £40k and interest payments of £58k.

Pre-existing commitments to the existing programme and the impact of requests for new capital expenditure exceed the capital resource that can be afforded.

Capital bids received this year have been scrutinised and priority ranked. Those that can be funded from Grants, Section 106, and other forms of Capital Financing (excluding loans) have been assumed agreed. Those which require Loan Finance will be considered by the Capital Programme Overview Board with an indicative target of £5m new investment for 2024/25 and a further £2.5m each year thereafter. This would give rise to the following additional Capital Financing costs funded from Service Expenditure.

	<b>2024/25 (£5m)</b>	<b>2025/26 (£2.5m)</b>	<b>2026/27 (£2.5m)</b>	<b>2027/28 (£2.5m)</b>
MRP	£200k	£300k	£400k	£500k
Interest Payments	£300k	£450k	£600k	£750k
<b>Total</b>	<b>£500k</b>	<b>£750k</b>	<b>£1m</b>	<b>£1.25m</b>

There will undoubtedly need to be some difficult choices to be made around reprioritising existing commitments, scaling back, or increasing the funding gap in the MTFS by increasing the provision for prudential borrowing, which would in turn increase the savings required.

The council's longer-term strategy to reducing its exposure to cost of borrowing is to:

- Ensure affordability of its capital programme,
- Rephase and reprofile its expenditure where practical,
- To accelerate its planned disposal and asset optimisation plans
- To restructure its debt profile and financing requirements in order to achieve certainty and optimise value for money.

## 5 **Core Funding Assumptions**

5.1 The Council is funded from a variety of sources including local taxation and government grants. In developing the draft MTFS the following assumptions have been made:

## 5.2 Council Tax

Council Tax increases are subject to referendum limits set by the Government each year. For 2023/24 the increases for Shire Districts were set at a maximum of 3% or £5 and there was an indication made that the same rate of increase would apply for 2024/25. A stronger indication of maximum increases will be announced to Local Authorities with the provisional LG Finance Settlement in December. The final settlement is expected in January 2024.

The figures below have modelled Council tax Income figures for the next 4 years based on.

- actual Band D calculations for our Government Return
- assumed increase in Band D equivalent properties of 1.0% per annum for the rest of the years in the plan.
- Collection Rates of 98%

Council Tax Income is assumed a 3% increase per and shows associated changes to the previous MTFS agreed in February 2023.

	2023/24	2024/25	2025/26	2026/27	2027/28
	£	£	£	£	£
Base Increase 1% pa after 24/25	37,839	38,538	38,924	39,313	39,706
At 3% increase	8,450,397	8,864,672	9,221,918	9,593,561	9,980,182
At £5.00 increase	8,450,397	8,643,089	9,059,290	9,418,482	9,792,091
Increase from Feb 23 MTFS		211,414	338,475	477,870	

## 5.3 Council Tax Surplus/Deficit

When Council Tax is set, assumptions about levels of debt collection are made. If Collection Rates are higher than projected this will create a surplus on the fund which is shared proportionately by the precepting authorities. Lewes has historically performed better than anticipated in collecting Council Tax and therefore a surplus is made. Payments to other preceptors are made a year in arrears and form part of the following years Council Tax payments to precepting authorities.

The figures below have assumed that the same rate of surplus will continue each year and increases by the Council Tax increase of 3%. If the collection rate assumed in Council Tax calculations were to increase for future years in line with the better performance, then Council Tax would see an increase to offset any reduction in surplus.

	2023/24	2024/25	2025/26	2026/27	2027/28
CT Collection rate assumed	98.00%	98.00%	98.00%	98.00%	98.00%
At 3% increase		461,440	475,283	489,542	504,228
Increase to previous MTFS assumptions		13,440	27,283	41,542	56,228

## 5.4 National Non-Domestic Rates (NNDR)

Local councils levy a business rate on every non-domestic premises in their area. Councils have no control over either of these.

The rateable value is set by the Valuation Office Agency based on the estimated rental value of the premises and is revalued regularly to take account of movement of rents.

The most recent revaluation came into effect in April 2023 and the next one will come into effect in April 2026. The multiplier rises by the consumer price index every year or less if the Secretary of State decides. If it is under the consumer price index the government pays compensation to councils.

## 5.5 Business Rates Retention

Business Rates Retention was introduced in 2013, initially at 50 per cent. Billing authorities collect the income from ratepayers, but do not retain all the money themselves.

The figures below have modelled Baseline Business rates for the next 4 years based on a CPI increase of 6.7% decreasing to 2% at the end of the MTFS period in line with Government targets and shows some additional income expectations over the previous MTFS agreed in February 2023.

	2023/24	2024/25	2025/26	2026/27	2027/28
Base Rate	2,326,794	6.70%	4.00%	2.00%	2.00%
At CPI Rate (Aug 6.7%)		2,482,689	2,581,997	2,633,637	2,686,309
Increase from Feb 23 MTFS		26,266	125,574	177,214	229,886

## 5.6 Business Rates Retention Pooling

To share the risks of Business Rates Shrinkage across several authorities. We are in a pool with all East Sussex LA's which is run by Wealden. In a pool, any amounts above growth ceilings are offset against below floor amounts in the area.

The figures below have modelled our Pooling Receipt for the next 4 years based on current figures and a CPI increase of 6.7% decreasing to 2% at the end of the MTFS period in line with Government targets and shows minor additional income expectations over the previous MTFS agreed in February 2023.

	2023/24	2024/25	2025/26	2026/27	2027/28
Base Rate	383,000	6.70%	4.00%	2.00%	2.00%
At CPI Rate (Aug 6.7%)		408,661	425,007	433,508	442,178
Increase to previous MTFS assumptions		12,223	28,569	37,070	45,740



## 5.7 Business Rates Retained Growth

Currently, any Business Rate Growth or Shrinkage since 2013 is retained on the portions outlined above (but also up to a ceiling or floor) and not subject to Top-Up or Tariff. When BR retention was set in 2013/14, the expectation was that there would be a reset of the base by 2020. At which point, all retained growth would go into the base and *will* be subject to Tariff or Top Up.

The reset continues to be delayed and it is uncertain when this will happen.

	2023/24	2024/25	2025/26	2026/27	2027/28
Base Rate	2,326,794	6.70%	4.00%	2.00%	2.00%
At CPI Rate (Aug 6.7%)		2,482,689	2,581,997	2,633,637	2,686,309
Increase from Feb 23 MTFS		26,266	125,574	177,214	229,886

## 5.8 Revenue Support Grant (RSG)

This is included in baseline which if subject to a freeze will not be compensated in other ways. Lewes RSG is only around £100k for 2023/24.

## 5.9 New Homes Bonus (NHB)

The New Homes Bonus is a grant paid by central government (which began in 2011) to local councils to reflect and incentivise housing growth in their areas. It is based on the amount of extra Council Tax Revenue raised for new-build homes, conversions and long-term empty homes brought back into use. There is also an extra payment for providing affordable homes. Previously, in addition to the current year it also included additional years (at first it covered 6 years and was then decreased to 4 and now 1).

The scheme (top sliced from RSG is expected to continue in some form for the next few years but at a decreasing rate. We have assumed that the rates announced for 2023/24 (£350 per additional property) will continue, however, we would expect an announcement by the time of the provisional settlement in December and possibly earlier in the Chancellors Autumn statement.

	2023/24	2024/25	2025/26	2026/27	2027/28
Base Rate	392,646				
No increase assumed		244,650	122,325	61,163	15,291

**\*to be confirmed\***

## 5.10 Services Grant

This was one-off for 2022/23 as additional funding for increased NI rates. DLUHC retained ½ of the original £2bn fund. It was not added to Base but is allocated each year. It is reasonable to assume that this will carry on over the coming years and increase by CPI.

	2023/24	2024/25	2025/26	2026/27	2027/28
		6.70%	4.00%	2.00%	2.00%
At CPI Rate (Aug 6.7%)	87,124	92,961	96,680	98,613	100,586
Increase to previous MTFS	87,124	5,837	3,718	1,934	1,972

## 5.11 Funding Guarantee

This funding ensures that authorities receive at least a 3% increase in Core Spending Power before increase in Council Tax. So, a balancing figure. As CPI is currently higher than 3% an assumption of no further funding has been made.

	2023/24	2024/25	2025/26	2026/27	2027/28
		6.70%	4.00%	2.00%	2.00%
At CPI Rate (Aug 6.7%)		0	0	0	0
Reduction from previous MTFS	258,496	(258,496)	(258,496)	(258,496)	(258,496)

## 5.12 Newhaven Enterprise Zone

Business Rate Relief on the Newhaven Enterprise Zone will taper off during the period. 5 years of relief per business has been modelled and all relief will discontinue over the life of the plan.

	2023/24	2024/25	2025/26	2026/27	2027/28
		6.70%	4.00%	2.00%	2.00%
At CPI Rate (Aug 6.7%)	277,066	223,820	59,196	3,397	0
Reduction from previous MTFS	(122,934)	(176,180)	(340,804)	(396,603)	0

## 6 Savings and Service Growth Forecasts

6.1 Savings are forecast to be required for 2024/25 which if achieved will alleviate the funding gap for the following years. Budget pressures and the impact of funding reductions outstrip the council's ability to generate additional income from business rates and council tax.

6.2 Work is progressing on 2 separate strands of efficiencies and savings to feed into the MTFS for 2024/25 and the following years.

## 6.3 Service Planning – 2023/24 Exercise

**Efficiencies** - Officers have recently undertaken a Service Planning exercise in preparation for Budget Setting and Financial Planning. This year's exercise has built on the exercises of previous years and is useful in identifying budget gaps, funding pressures, growth requests and efficiencies to be offered up. Efficiencies offered up by services (a combination of new efficiencies and those offered in last year's exercise) were significant, totalling £1,035,900. These efficiencies will be built into service budgets from 2024/25.

6.4 **Growth** – As outlined above, the Service Planning exercise also identified significant growth requirements arising from service requests. Growth requests for 2024/25 have been assessed by CMT in line with our Corporate Objectives.

- Growth of £758k for 24/25 has been agreed by CMT mainly as one-off items for that year.
- A further £624k relating to Neighbourhood First and the Local Plan is still under review and plans to fund both are being made.
- A £635k bid for Emergency and Temporary Accommodation (see section 4.4) is being looked at separately as part of a dialogue with DLUHC.

6.5 **Line by line review** – A high level exercise has been undertaken on behalf of CMT which has identified those budgets (largely below £1,000) which have not been used in 2022/23 or 2023/24. Utilising these budgets differently will enable the Council to reallocate fund to other areas of budget where there are budgetary misalignments.

*Cumulative Figures*

	24/25	25/26	26/27	27/28
Efficiencies	(1,035,886)	(887,898)	(872,898)	(872,898)
Agreed	758,564	574,582	503,332	503,332
Neighbourhod First	474,395	399,395	399,395	399,395
Local Plan	150,000	250,000	0	60,000
Housing Emergency Accom	635,000	635,000	635,000	635,000
	<b>982,073</b>	<b>971,079</b>	<b>664,829</b>	<b>724,829</b>

## 7 Use of Reserves

7.1 To ensure budgets can be balanced whilst clarity is provided and to provide time to work up further proposals to increase income and reduce expenditure to address the underlying budget position, a thorough review of all earmarked reserves will be undertaken in advance of the 2024/25 Budget Setting and Final MTFS work. The review will be presented in February 2023.

7.2 It is important to recognise that the application of reserves to balance the budget is not a sustainable solution to the financial challenges we face. Whilst the review is undertaken and until there is greater clarity, some programmes and projects funded from a range of earmarked reserves will be considered carefully during this time.

## 8 Housing Revenue Account (HRA)

The 30-year plan for the HRA is currently in the process of being finalised and approved. This plan will consider the funding of maintenance, repair, and improvement of our housing stock over the period. The plan is crucial for ensuring that the housing remains in good condition and meets the needs of residents over the long term. The HRA has put forward growth proposals for the current period and these items are being fed into their plan.

## **9 Capital Investment Strategy**

- 9.1 The latest Capital Investment Strategy was reported to Cabinet in February 2023, it sets out a framework for funding and investment decisions in respect of capital assets, in the context of our vision and priorities and available financial resources. The Capital Investment Strategy demonstrates that we take capital expenditure and investment decisions in line with service objectives and properly take account of stewardship, value for money, prudence, sustainability, and affordability.
- 9.2 It sets out the long-term context in which capital expenditure and investment decisions are made and considers the risk, reward, and impact on the achievement of the Council's priority outcomes.
- 9.3 When setting its capital programme, the Council takes into consideration the following:
- Service objectives – the capital spending plans should be consistent with our Corporate Objectives.
  - Stewardship of assets demonstrated by our asset management planning approach.
  - The value for money offered by investment plans demonstrated by the appraisal of the options.
  - The prudence and sustainability of investment plans – their implications for external borrowing.
  - The affordability of capital investment plans – the implications for the council tax; and
  - The practicality of capital expenditure plans – whether the forward plan is achievable.
- 9.4 Decisions on the Capital Programme have an impact on the Revenue Budget, in relation to:
- The revenue costs of financing capital, and
  - The ongoing running costs and/or income generated by new capital assets such as buildings.
- 9.5 Revenue costs over the lifetime of each proposed capital project are considered when the project is being developed to ensure that the impact can be incorporated within our financial plans and to demonstrate that the capital investment is affordable. Our revenue and capital budgets are integrated with the financial impact of the proposed Capital Programme, being reflected in the Revenue Budget estimates.

9.6 The Council will only invest where capital spending plans are affordable, prudent, and sustainable. The key constraint on capital investment is the scope to afford the financial implications in terms of acceptable council tax levels. As supported by the Capital Investment Strategy, the Council's capital investment plans over the next 4 years are set out in the Capital Programme.

9.7 The efficient and effective use of capital resources, including sound asset management, is fundamental to achieving our long- and medium-term aims and objectives. It is also critical to achieving the delivery of the required savings and income across the Council to secure a balanced budget.

9.8 The Council's Capital and Investment Strategy is reviewed and reported to Full Council on an annual basis to reflect the changing needs and priorities of the Council including residents, businesses, and places.

### 9.9 **Medium Term Capital Programme**

9.10 Our Capital Programme is concerned with investment in the assets required to deliver services or new income streams. The Medium-Term Capital Programme sets out how capital resources will be used to achieve the Council's vision and corporate priorities.

9.11 The Council must have an affordable Capital Programme; affordability is assessed against business cases considering the level of future resources required to support project delivery and ongoing asset maintenance.

9.12 The strategic objectives of our Capital Programme can be summarised as follows:

- To maintain a four-year rolling Capital Programme which remains within the approved affordable, sustainable, and prudential limits.
- To ensure capital resources are aligned with our strategic vision and corporate priorities by ensuring all schemes are prioritised according to the Council's prioritisation methodology.
- To identify opportunities for investment in new schemes that result in capital growth and/or new revenue income streams.
- To maximise available resources by actively seeking external funding to support Council priorities and disposing of surplus assets; and
- To use internal resources alongside external resources where appropriate to support the Capital Programme and minimise any borrowing costs.

9.13 Decisions on the financing of the capital programme are taken with consideration to the impact on the revenue budget, the treasury management strategy, and the investment strategy.

### 9.14 **Capital Programme 2024/25 to 2027/28**

9.15 The Council forecasts its Capital Programme over a 4-year period and the latest position is set out in Appendix B. This forecast is subject to review and is subject to change ahead of final approval by Cabinet in February 2024.

9.16 Excepting earmarked s106 funds, the Council does not have significant capital reserves, therefore, while a small number of schemes will be continued to be funded from capital grants and other contributions, the majority of the approved Capital Programme will be funded through prudential borrowing.

9.17 The costs of repaying this borrowing fall to the General Fund. Treasury management budgets have been updated to reflect the costs of borrowing for the approved Capital Programme for 2024/25 onwards net of interest on forecast balances and other loan repayments.

### 9.18 **Capital Programme Oversight Board**

9.19 A Capital Programme Oversight Board (CPOB) has been established to provide strategic direction, oversight and corporate assurance for the General Fund capital programme and Housing Revenue Account (HRA) Business Plan across Council. The CPOB will be responsible for addressing programme issues, reviewing risk and financial implications, driving through the Assurance Review recommendations in respect of the capital programme and moving towards a fully sustainable capital programme and asset release.

## 10 **Conclusion and next steps**

10.1 The council continues to face significant financial uncertainty for the MTFS planning period, covering the financial years 2024/25 to 2027/28. The uncertainty relating to future government financial settlements is exacerbated by the impact of the cost-of-living crisis and inflation.

10.2 The interim MTFS forecasts would indicate a budget gap next year of £1.08m and the need for additional savings to be identified for 2025/26 and beyond. This is a similar position to that identified last year at this interim MTFS stage. Work will continue between now and February 2024 to,

- Refine and testing the assumptions made so far considering Government Announcements expected.
- Continue to work to meet the Budget Gap identified and refine the Service Planning proposals and budget pressures identified.
- Continue the dialogue with DLUHC around homelessness and temporary accommodation pressure.
- Bring back to Cabinet in February the proposed 2024/25 budget, final MTFS, Review and proposals around the use of Reserves and Council Tax Resolution.

## 11 **Financial appraisal**

- 11.1 The S151 Officer will submit her Section 25 report on the robustness of estimates and adequacy of reserves to Full Council in February 2024. This report will be based on a detailed financial resilience and stress test of the Council's proposed income and expenditure plans.

## **12 Legal implications**

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

## **13 Risk management implications**

- 13.1 An analysis of risks associated with the MTFs, and mitigating actions will be provided in the next MTFs update.

## **14 Equality analysis**

- 14.1 The equality implications of any individual decisions relating to the projects/services covered in this report are addressed within other relevant Council reports.

## **15 Appendices**

Appendix A – Draft Budget Summary and Key Assumptions  
Appendix B – Draft Capital Programme 2023/34 to 2027/28

## **16 Background Papers**

- 16.1 **The background papers used in compiling this report were as follows:**

- Local Government Finance Act 1992
- Welfare Reform Act 2012
- The Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations (as amended)
- The Impacts of Localised Council Tax Support Schemes – Institute for Fiscal Studies Report January 2019
- Settlement funding assessment calculation model: provisional local government finance settlement 2023 to 2024

## Appendix A – Draft Budget Summary and Key Assumptions

Subject	2023/24 (changes since Feb 22)			2024/25		2025/26		2026/27		2027/28	
	Net Budget approved by Cabinet (Feb 23)	Total Changes	Revised Base for 24/25	Total Changes	Net Budget	Changes	Net Budget	Changes	Net Budget	Changes	Net Budget
	£			£		£		£		£	
Employees	1,380,526	183,307	1,563,833	313,458	1,877,291	356,649	2,233,940	365,496	2,599,436	374,562	2,973,998
Premises	2,872,177		2,872,177	0	2,872,177		2,872,177		2,872,177		2,872,177
Supplies & Services	4,684,442	54,000	4,738,442	569,607	5,308,049	284,804	5,592,853	227,843	5,820,695	170,882	5,991,577
Support Services	4,209,720		4,209,720	0	4,209,720		4,209,720		4,209,720		4,209,720
Third Party Payments	17,934,383		17,934,383	0	17,934,383		17,934,383		17,934,383		17,934,383
Transfer Payments	29,231,100		29,231,100	0	29,231,100		29,231,100		29,231,100		29,231,100
Transport	1,438,900		1,438,900	0	1,438,900		1,438,900		1,438,900		1,438,900
Income	37,928,714		37,928,714	501,582	38,430,296	198,783	38,629,078	159,026	38,788,104	79,513	38,867,617
Capital Financing Costs	100,000	879,000	779,000	1,111,000	332,000	545,000	877,000	311,000	1,188,000	127,000	1,315,000
<b>NET BUDGET</b>	<b>15,503,094</b>	<b>641,693</b>	<b>14,861,401</b>	<b>1,492,483</b>	<b>16,353,884</b>	<b>987,670</b>	<b>17,341,554</b>	<b>745,313</b>	<b>18,086,867</b>	<b>592,931</b>	<b>18,679,798</b>
Qtr2 Monitoring Overspend			1,961,000		635,000		635,000		635,000		635,000
Service Proposals 24/25 inc Efficiencies					347,073		336,079		29,829		89,829
<b>Financing of New Capital Expenditure</b>				<b>£5m spend</b>	<b>500,000</b>	<b>+£2.5m spend</b>	<b>750,000</b>	<b>+£2.5m spend</b>	<b>1,000,000</b>	<b>+£2.5m spend</b>	<b>1,250,000</b>
<b>REVISED NET BUDGET</b>	<b>15,503,094</b>	<b>641,693</b>	<b>16,822,401</b>		<b>17,835,957</b>		<b>19,062,633</b>		<b>19,751,696</b>		<b>20,654,627</b>

Subject	2023/24			2024/25		2025/26		2026/27	
	Net Budget approved by Cabinet (Feb 23)	Total Changes	Revised Base for 24/25	Total Changes	Net Budget	Changes	Net Budget	Changes	Net Budget
	£			£		£		£	
<b>NET EXPENDITURE</b>	<b>14,289,900</b>		<b>15,603,094</b>	<b>1,364,469</b>	<b>16,967,563</b>	<b>1,091,143</b>	<b>18,058,706</b>	<b>10,500</b>	<b>18,069,206</b>

FINANCED BY:	£			£		£		£		£	
Council Tax	8,383,397		8,383,397		8,864,672		9,221,918		9,593,561		9,980,182
Council Tax (Surplus)/Deficit	448,000		448,000		461,440		475,283		489,542		504,228
100% on Empty Homes							83,000		84,660		86,353
<b>Council Tax Total</b>	<b>8,831,397</b>		<b>8,831,397</b>		<b>9,326,112</b>		<b>9,780,201</b>		<b>10,167,763</b>		<b>10,570,763</b>
<b>Business Rates</b>											
National Non-Domestic Rates Baseline	2,326,794		2,326,794		2,482,689		2,581,997		2,633,637		2,686,309
Business Rates Retained Growth	810,094	349,000	1,159,094		1,819,324		1,892,097		1,929,939		1,968,538
Business Rates - Newhaven Enterprise	400,000		400,000		223,820		59,196		3,397		0
Business Rates Equalisation	979,866		979,866		262,000		262,000		262,000		262,000
Business Rates Retention Pooling Levy	383,000		383,000		408,661		425,007		433,508		442,178
SFA Multiplier Compensation	396,348		396,348		422,903		439,819		448,616		457,588
<b>Council Tax Total</b>	<b>5,296,102</b>		<b>5,645,102</b>		<b>5,095,398</b>		<b>5,136,117</b>		<b>5,187,096</b>		<b>5,292,613</b>
<b>Government Grants</b>											
New Homes Bonus	392,646		392,646		244,650		244,650		244,650		244,650
Better Care Fund (BCF) - Conversion	508,120	338,000	846,120		956,000		956,000		956,000		956,000
Homelessness Prevention					541,980		548,809		555,724		562,726
Services Grant	87,124		87,124		92,961		96,680		98,613		100,586
Funding Guarantee Grant/New Grant	258,496		258,496		0		0		0		0
<b>Government Grants Total</b>	<b>1,246,386</b>		<b>1,584,386</b>		<b>1,835,591</b>		<b>1,846,139</b>		<b>1,854,987</b>		<b>1,863,962</b>
Transfers (From)/Into Reserves*	229,209		229,209		500,000		0		0		0
<b>TOTAL FINANCING</b>	<b>15,603,094</b>		<b>16,290,094</b>		<b>16,757,101</b>		<b>16,762,456</b>		<b>17,209,847</b>		<b>17,727,338</b>
<b>FORECAST BUDGET GAP</b>	<b>0</b>		<b>532,307</b>		<b>1,078,857</b>		<b>2,300,177</b>		<b>2,541,849</b>		<b>2,927,289</b>
<b>FORECAST BUDGET GAP %</b>	<b>0%</b>		<b>3%</b>		<b>6%</b>		<b>14%</b>		<b>15%</b>		<b>17%</b>



## **Appendix B – Draft Capital Programme 2023/34 to 2027/28**

<b>DRAFT LDC CAPITAL PROGRAMME 2023/24 to 2027/28</b>	Proposed Revised Programme 2023/24 £	Proposed Programme 2024/25 £	Proposed Programme 2025/26 £	Proposed Programme 2026/27 £	Proposed Programme 2027/28 £
Development Schemes (New Acquisitions & New Build)	12,828,000	7,156,000	20,325,000	19,235,000	20,773,000
Major Works & Improvements	6,465,000	6,465,000	6,465,000	7,188,000	7,368,000
<b>Total Housing Revenue Account</b>	<b>19,293,000</b>	<b>13,621,000</b>	<b>26,790,000</b>	<b>26,423,000</b>	<b>28,141,000</b>
General Fund Housing	1,486,000	1,135,000	1,135,000	1,135,000	1,135,000
Loans to Housing Companies	1,419,000	1,000,000	1,000,000	1,000,000	-
<b>Total General Fund Housing</b>	<b>2,905,000</b>	<b>2,135,000</b>	<b>2,135,000</b>	<b>2,135,000</b>	<b>1,135,000</b>
<b>Total HRA &amp; GF Housing</b>	<b>22,198,000</b>	<b>15,756,000</b>	<b>28,925,000</b>	<b>28,558,000</b>	<b>29,276,000</b>
<b>Existing Capital Programme</b>					
Business Transformation	781,000	20,000	-	-	-
Regeneration	20,283,000	15,410,000	656,000	-	-
Asset Management	780,000	500,000	100,000	100,000	-
Indoor Leisure Facilities	3,336,000	1,100,000	300,000	300,000	-
Energy Schemes	524,000	3,895,000	4,250,000	2,200,000	-
Community Infrastructure Levy	1,487,000	900,000	900,000	900,000	-
Service Delivery	7,473,000	7,167,000	3,229,000	227,000	-
Flooding & Coastal	705,000	236,000	236,000	236,000	-
Parks & Open Spaces	1,053,000	200,000	200,000	200,000	-
Open Space - Biodiversity	787,000	-	-	-	-
Information Technology	397,000	150,000	150,000	150,000	-
Corporate - Finance Transformation	-	350,000	-	-	-
<b>Existing Capital Programme</b>	<b>37,606,000</b>	<b>29,928,000</b>	<b>10,021,000</b>	<b>4,313,000</b>	<b>-</b>
<b>New Bids for Capital Funding</b>					
Asset Management	150,000	2,910,000	970,000	140,000	230,000
Service Delivery	1,226,000	842,000	220,000	327,000	150,000
<b>Total New Bids for Capital Funding</b>	<b>1,376,000</b>	<b>3,752,000</b>	<b>1,190,000</b>	<b>467,000</b>	<b>380,000</b>
<b>Total General Fund Non-Housing Capital Programme</b>	<b>38,982,000</b>	<b>33,680,000</b>	<b>11,211,000</b>	<b>4,780,000</b>	<b>380,000</b>
<b>Total HRA &amp; GF Programme</b>	<b>61,180,000</b>	<b>49,436,000</b>	<b>40,136,000</b>	<b>33,338,000</b>	<b>29,656,000</b>

**Note: Currently under review and subject to change.**