

**Report to:** Scrutiny Committee

**Date:** 04 December 2023

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

**Report of:** Homira Javadi, Director of Finance and Performance

**Cabinet member:** Councillor Robin Maxted, Cabinet member for finance and resources

**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 recommendations to the Cabinet:** Cabinet is asked to:

- a. note the updated MTFS forecasts and the requirement to identify additional savings of £2.1m for the period 2024/25 to 2027/28.
- b. note that this forecast could change significantly based upon government funding settlement announcements and demand for services and pressures upon the council.
- c. note that at this stage a forecast £1.6m 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.

**Recommendation to the Scrutiny Committee** The Scrutiny Committee is asked to note the report.

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## **1 Background**

- 1.1 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 interest rates. The council continues to plan and operate within an uncertain financial and economic environment.
- 1.2 Driven by cost-of-living pressures, the council is experiencing unprecedented increase in demand for some critical services such as homelessness support and the costs of emergency and temporary accommodation. Based on the latest information the net forecast in unfunded cost of temporary accommodation alone is £4.9m (£2.7m more than the budgeted provision).
- 1.3 There continues to be dialogue between the council, other local authorities and the Department for Levelling Up, Housing & Communities (DLUHC) to highlight the urgency of this area. In Oct, leader of the council chaired a Housing Summit jointly hosted by Eastbourne Borough Council and District Councils Network (DCN). With over 150 councils represented and over 275 participants, the Summit highlighted the urgency and significance of human and financial cost of temporary housing. It also provided a forum for cross party discussions and agreement on a range of solutions, asks and actions from the government to help address this significant social and economic issue impacting people and their lives across the country and in informing the Chancellor's Autumn Statement.
- 1.4 Interest rate increases have also had a significant impact on the cost of financing with a further £1m built into service expenditure in 2024/25. The council is putting in place immediate measures to control this rising cost.
- 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. In the recent years, local authorities have been provided with one-year financial settlements, which allows for little financial certainty and security and given the timing of these announcements in late December or even January, allows little time to react. This level of uncertainty makes financial planning challenging and requires the council to be more reactive than strategic.
- 1.6 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.
- 1.7 Building on its success in mitigating and managing the financial impacts of the COVID pandemic and in response to the ongoing and deepening cost of living crisis, the council continues to adopt a planned approach and has developed its

newly revised Stability & Growth Programme to ensure it remains financially sustainable.

## 2 Budget Planning

- 2.1 To ensure the 2024/25 budget and MTFS 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	11/12/23
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	12/02/24
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 may utilise some earmarked reserves to help balance the budgets in the short-term as a last resort whilst further saving proposals are developed and or implemented. The use of reserves to balance the budget is not a viable solution 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. Prior to dealing with the unprecedented impacts of the cost-of-living pressures, the council's available balances were in a reasonably healthy state and available to provide short term financial support to some of 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 sources of funding to bring its MTFS into a fully funded position.

- 2.6 The draft MTFS indicates that without intervention a funding gap / savings requirement of £2.1m will be required to balance the budget during the period, with £1.6m being required by 2024/25 followed by a smaller requirement in later years of the MTFS. These are after delivering £2.5m of expected savings through S&G programme.

### 3 Draft Medium Term Financial Plan

- 3.1 The current draft Medium Term Financial Plan for Eastbourne Borough Council is summarised below.

	2023/24	2024/25	2025/26	2026/27	2027/28
	Revised Base for 23/24	Net Budget	Net Budget	Net Budget	Net Budget
£					
<b>TOTAL FINANCING Revised</b>	(18,723)	(19,077)	(19,599)	(20,146)	(20,711)
<b>NET EXPENDITURE</b>	16,944	13,862	14,080	14,352	14,737
Qtr 2 Draft Monitoring Homeless Support	4,871	4,471	4,471	4,471	4,471
Qtr 2 Monitoring Service Overspend - Other	872	472	472	472	472
Residual Service Planning Proposals		456	210	(106)	(417)
Additional costs of Capital Programme		947	131	113	21
Financing of new Capital Expenditure		500	750	1,000	1,250
<b>REVISED EXPENDITURE</b>	22,687	20,708	20,114	20,302	20,534
<b>BUDGET SHORTFALL/ (SURPLUS)</b>	3,964	1,631	515	157	(177)
Current projection use of Reserves for one off		1,631	515	157	

### 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
	481,932	408,708	348,499	357,142	
£1,925/ 3.88%		3.0%	2.5%	2.5%	2.5%
Revised Figures	581,289	597,815	374,910	384,218	393,758
<b>Increase to Feb'23 MTFS</b>	<b>99,357</b>	<b>189,107</b>	<b>26,411</b>	<b>27,076</b>	

#### 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 for future years.

	2024/25	2025/26	2026/27	2027/28
Revised Figures	£311,099	£177,771	£133,328	£88,885

#### 4.3 Utility Prices

The 2023/24 base budget included the creation of a fund for £562k 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 need not be retained.

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

Published by BBC an article on this subject, highlights that English councils spent more than £1.7bn on temporary accommodation, hostels, refuges, and B&Bs between April 2022 and March 2023

With the current projected spend of £4.9m against a net budget of £2.2m, provision of emergency and temporary housing is by far is the largest and most critical growing pressure faced by the council in the recent years.

In addition, the council has allocated a number of housing units from its housing investment portfolio (EHICL) to provide 39 placements for this purpose in order to reduce cost. The cost of homeless provision reflected in the MTFS does not include this additional provision which is approximately an additional £600k.

The costs arising for the Council in both responding to the increased numbers and putting in processes and resources to manage the demand are also considerable.

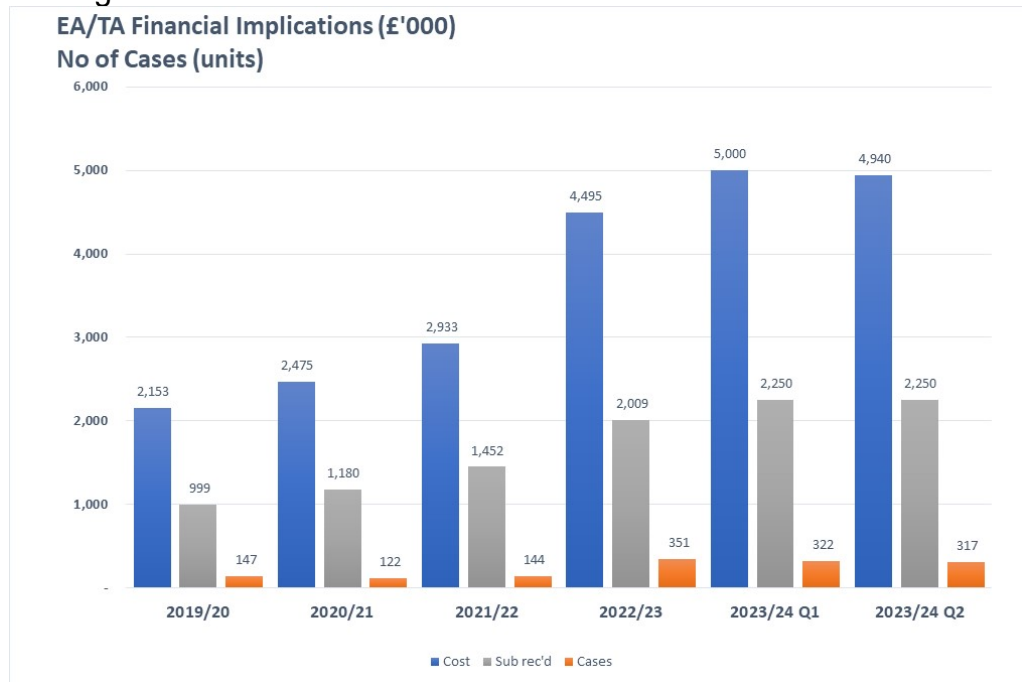
The Council had initially expected to support approximately 150 households during the year and is currently working to reduce the number of presentations down from a potential 500 to 300 by end of this financial year.

The current demand is 300 households in emergency accommodation which is an improvement from the Q1 position of 325 and reflects the considerable resources being used to attempt to manage the situation. Realistically though, the service is working hard to reduce the numbers but is likely to achieve a move on rate of only 2 households per 4-week period if current circumstances remain the same. The pressure will certainly continue for several years.

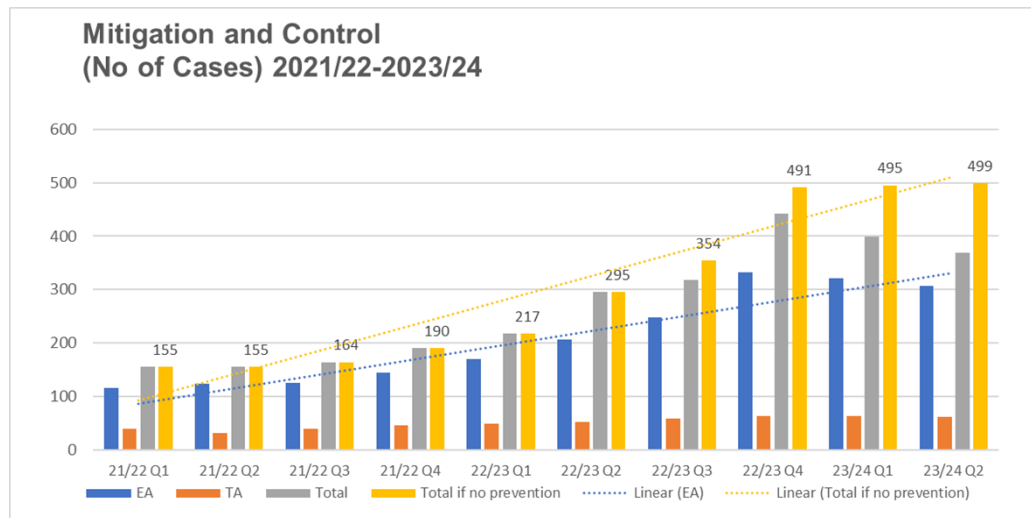
In the recent years the council has been utilising its reserves to meet the additional cost and loss of subsidy. With other pressures intensifying and the cost of temporary accommodation continuing to grow, the funding of the provision cannot

and should not continue to be met by the council's scarce and diminishing resources.

The graph below shows the costs, cases and projected subsidies based on current figures.



The graph below demonstrates the rise in numbers and the effects of the considerable efforts and resources used to control the situation to current levels.



Senior Managers are urgently raising the issue with Department of Levelling Up Housing and Communities (DLUHC) as Eastbourne finds itself along with other local authorities struggling to cope with the cost pressures. The recent summit hosted and organised by Eastbourne saw 150 councils in attendance.

In the MTFS the total costs relating to Homeless Accommodation are shown separately in the summary at £4.87m with an anticipated forecast reduction of £400k from 2024/25 due to the slight reductions in places being achieved.

#### 4.5 Fees & Charges

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.

The council aims to recover its cost through fees and charges relating to all discretionary services. Where there have not been any inflationary increases in the fees for more than one year, the increase may be set at a higher rate.

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.

	2024/25	2025/26	2026/27	2027/28
	10%	5%	4%	2%
Revised Figures	£1,077,397	£489,726	£391,781	£195,890
Var.from Feb'23 MTF5 (reduction)/increase	<b>£1,010,397</b>	<b>£363,726</b>	<b>£265,781</b>	<b>£69,890</b>

#### 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 (based on the existing assumptions for interest rate and minimum Revenue provision over 20 years). 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.

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. To aid with the financial planning process an indicative target of £5m new investment for 2024/25 and a further £2.5m each year thereafter has been assumed. However, considering the high interest rates, a much higher scrutiny is expected to be applied to scale back the programme as much as possible. Table below provides an exemplification of financing costs relating to these amounts.

	2024/25	2025/26	2026/27	2027/28)
<b>New Programme</b>	<b>£5m</b>	<b>£2.5m</b>	<b>£2.5m</b>	<b>£2.5m</b>
MRP	£200k	£300k	£400k	£500k
Interest Payments	£300k	£450k	£600k	£750k
<b>Total New</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 0.78% per annum for the rest of the years in the plan.
- Collection Rates of 97.5%

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

	2023/24	2024/25	2025/26	2026/27	2027/28
	£				
Band D at 0.78% increase pa	35,295	<b>35,687</b>	35,966	36,246	36,529
At 3% increase	9,518,253	<b>9,912,797</b>	10,289,820	10,681,183	11,087,432
At £5.00 increase	9,518,253	<b>9,696,689</b>	10,092,625	10,471,051	10,863,828
Increase from Feb 23 MTFS		<b>£56,280</b>	£182,124	£315,906	

### 5.3 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.

#### 5.4 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	603,661	6.7%	4%	2%	2%
At CPI Rate (Aug 6.7%)		1,683,377	1,750,712	1,785,726	1,821,441
IN MTFS in Feb 23		1,683,377	1,683,377	1,683,377	0
Increase from Feb 23 MTFS		0	67,336	102,350	

#### 5.5 Business Rates Retention Pooling

To share the risks of 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 of 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	212,000	6.7%	4%	2%	2%
At CPI Rate (Aug 6.7%)		226,204	235,252	239,957	244,756
Increase from Feb 23 MTFS		14,204	23,252	27,957	

#### 5.6 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. As outlined above, 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	603,661	6.7%	4%	2%	2%
At CPI Rate (Aug 6.7%)		1,683,377	1,750,712	1,785,726	1,821,441
IN MTFS in Feb 23		1,683,377	1,683,377	1,683,377	0
Increase from Feb 23 MTFS		0	67,336	102,350	

#### 5.7 Revenue Support Grant (RSG)

This is included in baseline which if subject to a freeze will not be compensated in other ways.

#### 5.8 New Homes Bonus (NHB)

The scheme (top sliced from Revenue Support Grant (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. The NHB amount is currently at £15k.

#### 5.9 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
		6.7%	4%	2%	2%
At CPI Rate (Aug 6.7%)	141,870	151,375	157,430	160,579	163,790
Increase		9,505	6,055	3,149	3,212

#### 5.10 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%
Current	246,268	0	0	0	0
Decrease from Feb 23 MTFS		(246,268)	(246,268)	(246,268)	

## 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. The forecast assumes the council will apply the maximum increases in its Council Tax it is allowed to across each of the next four years, in line with government guidance.

6.2 Work is progressing on 3 separate strands of efficiencies and savings to feed into the MTFs for 2024/25 and the following years.

### 6.3 The Stability and Growth Programme

In July 2023, Cabinet agreed the continuation and further development of its previous transformation programme, with a new title of Stability and Growth. This Stability and Growth Programme has developed at pace since early 2023, with the aim of delivering over £3m of savings by 2024/45 financial year, and beyond. Alongside this, the programme is working to ensure the council continues to respond to, and act on, external inspections and reviews. All this is being achieved while continuing with an ambitious programme of digital transformation, service improvement and asset review to deliver further efficiencies.

6.4 The following targets are included in the MTFs for 2024/25 and a contingency of 20% has been included as a risk based central budget to counter the effect on any non-achievement. It is critical that these significant savings targets are achieved and on time as their inclusion represents a significant portion of the MTFs ability to deliver a balanced budget for 2024/25. Due to its significance, the programme is subject to ongoing monitoring and reporting within its dedicated governance arrangements.

	24/25	25/26	26/27
	£000		
Service Delivery	1,925	2,100	2,100
Regeneration and Planning	1,000	1,000	1,000
Tourism and Enterprise	52	52	52
Corporate	200	200	200
Central Contingency	-670	-670	-670
	<b>2,507</b>	<b>2,682</b>	<b>2,682</b>

## 6.5 Service Planning – 2023/24 Exercise

	2024/25	2025/26	2026/27	2027/28
	£000			
Efficiencies	(1,166)	(1,258)	(1,273)	(1,273)
Agree	647	494	442	71
Still under review	154	54	54	54
Neighbourhood First	672	672	672	672
Local plan	150	250	0	60
<b>Sub Total</b>	<b>456</b>	<b>210</b>	<b>(106)</b>	<b>(417)</b>
Housing Emergency Accommodation	2,124			
<b>TOTAL</b>	<b>2,580</b>	<b>210</b>	<b>(106)</b>	<b>(417)</b>

**Efficiencies** - Officers have undertaken the Service Planning exercise in preparation for Budget Setting and Financial Planning. This year's exercise has built on the exercises of previous years and has been 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 £1.2m. These efficiencies are built into service budgets from 2024/25.

6.6 **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 £647k for 24/25 has been agreed by CMT mainly as one-off items for that year.
- A further £975k relating mainly to Neighbourhood First, Local Plan and other smaller bids are still under review.
- A £2.2m bid (Q1 figures) for Emergency and Temporary Accommodation (see section 4.4) is being looked at separately as part of a dialogue with DLUHC.

6.7 **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. During 2023/24 the historic budget issue for Neighbourhood First has been largely offset by this exercise and it is planned to permanently address this during the 2024/25 budget building exercise.

## 7.0 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 to assess whether the use of reserves to balance the 2024/25 budget is reasonable and justifiable. 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.

## **8.0 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.

## **9.0 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

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.

### **10.0 Conclusion**

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 on the cost of services.

The council's Stability and Growth Programme is designed to delivery significant saving to manage and mitigate the inflationary cost pressures.

However, the council's biggest concern by far is its unprecedented and disproportionate exposure to the cost of temporary and emergency accommodation. With a net budget of £16m, it can not be expected to fund this growing and continuing increase in demand.

10.2 The interim MTFS forecasts is reliant on delivery of £2.5m Stability and Growth savings and additional income. Including these savings, a budget shortfall of £1.6m for 2024/25 is projected followed by further savings to be identified for 2025/26 and beyond. Work will continue between now and February 2024 to,

- Refine and testing the assumptions made so far considering Government Announcements expected.
- Continue the dialogue with DLUHC regarding Housing and Temporary Accommodation costs which is adding further uncertainty to our financial planning.
- Implement further significant controls over both revenue and capital expenditure.
- Continue to work to meet the Budget Gap identified and refine the Service Planning proposals and budget pressures identified.
- 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.

### **11.0 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.

### **12.0 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.

### **13.0 Risk management implications**

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

### **14.0 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.



## **15.0 Appendices**

Appendix A - Draft Budget Summary and Key Assumptions

Appendix B - Capital Programme

Appendix C - Glossary

## **16.0 Background Papers**

**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

Eastbourne Borough Council

Budget Summary By CIPFA Classification

Directorate	2023/24 (changes since Feb 23)			2024/25	2025/26		2026/27		2027/28	
	Net Budget approved by Cabinet (Feb 23)	Further Changes	Revised Base for 23/24	Revised Base for 24/25	Total Changes	Net Budget	Changes	Net Budget	Changes	Net Budget
	£			£	£		£		£	
Employees	29,531,312	99,357	29,630,669	30,201,228	333,916	30,535,144	384,218	30,919,363	393,758	31,313,120
Premises	6,042,837	0	6,042,837	6,042,837	0	6,042,837		6,042,837		6,042,837
Supplies & Services	13,341,924	0	11,194,924	10,926,541	373,487	11,300,027	280,115	11,580,142	186,743	11,766,886
Support Services	(1,197,972)	0	(1,197,972)	(1,197,972)	0	(1,197,972)		(1,197,972)		(1,197,972)
Third Party Payments	7,539,053	0	7,539,053	7,539,053	0	7,539,053		7,539,053		7,539,053
Transfer Payments	34,471,200	0	34,471,200	34,471,200	0	34,471,200		34,471,200		34,471,200
Transport	287,500	0	287,500	487,500	0	487,500		487,500		487,500
Income	(74,044,386)	0	(74,044,386)	(77,628,383)	(489,726)	(78,118,109)	(391,781)	(78,509,890)	(195,890)	(78,705,781)
Capital Financing Costs	2,001,400	1,018,643	3,020,043	3,967,043	(816,000)	3,151,043	(18,000)	3,133,043	(92,000)	3,041,043
<b>NET BUDGET</b>	<b>17,972,868</b>	<b>1,118,000</b>	<b>16,943,868</b>	<b>14,809,047</b>	<b>(598,324)</b>	<b>14,210,723</b>	<b>254,552</b>	<b>14,465,276</b>	<b>292,611</b>	<b>14,757,886</b>
<b>Qtr 2 Draft Monitoring Homeless Support</b>			<b>4,871,000</b>	<b>4,471,000</b>		<b>4,471,000</b>		<b>4,471,000</b>		<b>4,471,000</b>
<b>Qtr 2 Monitoring Service Overspend - Other</b>			<b>872,000</b>	<b>472,000</b>		<b>472,000</b>		<b>472,000</b>		<b>472,000</b>
<b>Net Service Planning Proposals</b>				<b>455,878</b>		<b>210,402</b>		<b>(105,848)</b>		<b>(416,990)</b>
<b>Financing of new capital expenditure</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 BUDGET</b>	<b>17,972,868</b>		<b>22,686,868</b>	<b>20,707,925</b>		<b>20,114,125</b>		<b>20,302,428</b>		<b>20,533,896</b>

4,714,000

Previous MTFS (Feb 23)

Subject	2023/24			2024/25	2025/26		2026/27		2027/28	
	Net Budget before adjustments (Feb 23)	Original Changes	23/24 Base Agreed at Cabinet Feb 22	Revised Base for 24/25	2025/26	Net Budget	Changes	Net Budget	Changes	Net Budget
<b>NET EXPENDITURE</b>	<b>16,105,551</b>	<b>1,867,317</b>	<b>17,972,868</b>	<b>17,965,748</b>	<b>288,346</b>	<b>18,254,094</b>	<b>(518,771)</b>	<b>17,735,322</b>	<b>0</b>	<b>0</b>
<b>FINANCED BY:</b>						£		£		£
Council Tax	(9,518,253)	0	(9,518,253)	(9,912,797)		(10,289,820)		(10,681,183)		(11,087,432)
Council Tax (Surplus)/Deficit	(121,000)	0	(121,000)	(124,630)		(128,369)		(132,220)		(136,187)
100% on Empty Homes		0	0	0		(210,000)		(214,200)		(218,484)
<b>Council Tax Total</b>	<b>(9,639,253)</b>	<b>0</b>	<b>(9,639,253)</b>	<b>(10,037,427)</b>	<b>0</b>	<b>(10,628,189)</b>	<b>0</b>	<b>(11,027,603)</b>	<b>0</b>	<b>(11,442,102)</b>
<b>Business Rates</b>										
National Non-Domestic Rates Baseline	(3,788,858)	0	(3,788,858)	(4,042,711)		(4,204,420)		(4,288,508)		(4,374,279)
Business Rates Retained Growth	(603,661)	0	(603,661)	(1,683,377)		(1,750,712)		(1,785,726)		(1,821,441)
Business Rates Equalisation	(539,524)	0	(539,524)	100,000		100,000		100,000		100,000
Business Rates Retention Pooling Levy	(212,000)	0	(212,000)	(226,204)		(235,252)		(239,957)		(244,756)
SFA Multiplier Compensation	(645,397)	0	(645,397)	(688,639)		(716,184)		(730,508)		(745,118)
<b>Business Rates Total</b>	<b>(5,789,440)</b>	<b>0</b>	<b>(5,789,440)</b>	<b>(6,540,931)</b>	<b>0</b>	<b>(6,806,568)</b>	<b>0</b>	<b>(6,944,700)</b>	<b>0</b>	<b>(7,085,594)</b>
<b>Government Grants</b>										
New Homes Bonus	(14,840)	0	(14,840)	(11,130)		(7,420)		(3,710)		0
Homelessness Prevention		0	0	(707,495)		(717,471)		(727,587)		(737,846)
Services Grant	(141,870)	0	(141,870)	(151,375)		(157,430)		(160,579)		(163,790)
Funding Guarantee / Local Tier Services Grant	(246,268)	0	(246,268)	0		0		0		0
Better Care Fund (BCF) - Conversion	(878,658)	0	(878,658)	(1,281,658)		(1,281,658)		(1,281,658)		(1,281,658)
<b>Government Grants Total</b>	<b>(1,281,636)</b>	<b>0</b>	<b>(1,281,636)</b>	<b>(2,151,658)</b>	<b>0</b>	<b>(2,163,978)</b>	<b>0</b>	<b>(2,173,533)</b>	<b>0</b>	<b>(2,183,294)</b>
Transfers (From)/Into Reserves*	(1,262,539)	0	(1,262,539)	(347,000)		0		0		0
<b>TOTAL FINANCING</b>	<b>(17,972,868)</b>	<b>0</b>	<b>(17,972,868)</b>	<b>(19,077,016)</b>	<b>0</b>	<b>(19,598,736)</b>	<b>0</b>	<b>(20,145,837)</b>	<b>0</b>	<b>(20,710,990)</b>
<b>Qtr 2 Monitoring 23/24</b>			<b>(750,000)</b>			<b>0</b>		<b>0</b>		<b>0</b>
<b>REVISED TOTAL FINANCING</b>			<b>(18,722,868)</b>	<b>(19,077,016)</b>		<b>(19,598,736)</b>		<b>(20,145,837)</b>		<b>(20,710,990)</b>
<b>FORECAST BUDGET GAP</b>			<b>3,964,000</b>	<b>1,630,909</b>		<b>515,389</b>		<b>156,591</b>		<b>(177,093)</b>
<b>FORECAST BUDGET GAP %</b>			<b>21%</b>	<b>9%</b>		<b>3%</b>		<b>1%</b>		<b>-1%</b>

<b>APPENDIX B DRAFT EBC CAPITAL PROGRAMME 2023/24 to 2027/28</b>	<b>Proposed Revised Programme 2023/24 £</b>	<b>Proposed Programme 2024/25 £</b>	<b>Proposed Programme 2025/26 £</b>	<b>Proposed Programme 2026/27 £</b>	<b>Proposed Programme 2027/28 £</b>
<b>Housing Revenue Account</b>					
Major Works & Improvements	6,330,000	6,355,000	6,355,000	7,009,000	7,175,000
Development Schemes	10,811,000	8,584,000	5,416,000	18,688,000	19,248,000
<b>Total Housing Revenue Account</b>	<b>17,141,000</b>	<b>14,939,000</b>	<b>11,771,000</b>	<b>25,697,000</b>	<b>26,423,000</b>
Total General Fund Housing	2,248,000	1,200,000	1,200,000	1,200,000	1,200,000
Total Loans to Housing Companies	890,000	466,000	-	-	-
<b>General Fund Housing</b>	<b>3,138,000</b>	<b>1,666,000</b>	<b>1,200,000</b>	<b>1,200,000</b>	<b>1,200,000</b>
Regeneration	12,403,000	9,315,000	350,000	100,000	-
Asset Management	2,710,000	915,000	375,000	100,000	350,000
Service Delivery	1,514,000	902,000	579,000	569,000	-
Information Technology	163,000	150,000	150,000	150,000	
Corporate Services	735,000	400,000	250,000	250,000	-
<b>Existing Capital Programme</b>	<b>17,525,000</b>	<b>11,682,000</b>	<b>1,704,000</b>	<b>1,169,000</b>	<b>350,000</b>
<b>New Bids for Capital Funding</b>					
Regeneration	73,000	375,000	2,510,000	295,000	280,000
Asset Management	1,248,000	1,470,000	1,900,000	965,000	440,000
Service Delivery	1,831,000	1,039,000	1,650,000	-	1,210,000
Tourism and Culture	-	157,500	50,000		
Information Technology	100,000	100,000	100,000	100,000	100,000
<b>Total New Bids for Capital Funding</b>	<b>3,252,000</b>	<b>3,141,500</b>	<b>6,210,000</b>	<b>1,360,000</b>	<b>2,030,000</b>
<b>Total General Fund</b>	<b>23,915,000</b>	<b>16,489,500</b>	<b>9,114,000</b>	<b>3,729,000</b>	<b>3,580,000</b>
<b>Total HRA &amp; GF Programme</b>	<b>41,056,000</b>	<b>31,428,500</b>	<b>20,885,000</b>	<b>29,426,000</b>	<b>30,003,000</b>

\*\*\* Note - the programme is in draft and therefore subject to change

## Glossary

Capital Expenditure	Capital Expenditure is the funds invested in long term assets like buildings, infrastructure, equipment, or technology. The expenditure is significant and provides lasting benefits and are depreciated over time. It contrasts to operating expenditure which are day to day expenditure.
Capital Financing	Capital Financing is how we raise money for to invest in capital projects. It can involve selling assets, borrowing money, using existing balances, and obtaining grants. Borrowing money means interest payments during the life of the loan plus the repayment of loan.
Capital Programme	A strategic plan outlining long term investments in assets like building and technology. It identifies projects and budgets, sets timelines, assesses risks and has approval processes. The plan aligns Capital Expenditure with Corporate Objectives.
Department for Levelling Up Housing and Communities (DHUHC)	The Department for Levelling Up, Housing and Communities, formerly the Ministry for Housing, Communities, and Local Government, is a department of His Majesty's Government responsible for housing, communities, and local government in England and the levelling up policy
Depreciation	An accounting method that allocates the cost of a tangible asset over its useful life. The process matches the cost of the asset with the benefit it provides reflecting its diminishing value over time.
Eastbourne Housing Investment Company Ltd (EHICL)	EHICL is a Council owned housing investment company (HIC) used to develop new homes on Council owned sites, and acquire and regenerate existing mixed retail and residential sites.
Financial Regulations	Financial regulations are a set of financial procedures and rules that ensure good financial governance is observed. They include policies, procedures, financial delegation, and approvals and protect both staff and the council from financial misconduct.
General Fund (GF)	The main operating fund used for expenditure such as salaries and the running costs of day-to-day operations.

Grants and Contributions	Financial support received from external sources such as Central Government or developers. They can be for specific projects or more general.
Housing Revenue Account (HRA)	A separate accounting system for local authorities to manage their housing services. It includes rental income, housing related costs and is distinct from the General Fund. The HRA is used for improvements, maintenance and operational expenses related to local-authority owned housing.
Pevensey Levels IDD	Internal drainage boards (IDB) are the public body that manage water levels in an area. These are also internal drainage districts (IDD), where there is a special need for drainage. IDBs undertake works to reduce flood risk to people and property and manage water levels for agricultural and environmental needs within their district. The Council contributes to the costs of the IDD through a special levy payment.
Medium Term Financial Strategy	This Medium-Term Financial Strategy (MTFS) sets out the Council's strategic approach to the management of its finances and provide a framework within which decisions can be made regarding future service provision and council tax levels. It is based on a five-year rolling forecast and is reviewed annually. The MTFS provides the financial context for the Council's financial resource allocation and budget setting processes.
Minimum Revenue Provision (MRP)	An annual provision made to set aside funds for repaying debt associated with Capital Projects. It ensures the gradual allocation of resources to cover debt repayment obligations and is set out in the Prudential Code.
Section 151 Officer	Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs and appoint a S151 Officer, also known as a Chief Financial Officer (CFO), to have responsibility for those arrangements.