

Report to: Scrutiny Committee

Date: 5 February 2024

Title: General Fund Revenue Budget 2024/25 and Capital Programme

Report of: Homira Javadi, Director of Finance and Performance (Chief Finance Officer – S151 Officer)

Cabinet member: Councillor Robin Maxted, Cabinet Member for Finance and Resources

Ward(s): All

Purpose of report: To agree the General Fund Budget 2023/24 and updated Medium Term Financial Strategy, together with the updated Capital Programme and Treasury Management position.

Decision type: Budget and Policy Framework

Officer recommendation(s) to the Cabinet: Cabinet is asked to recommend the following proposals to Full Council:

- 1 Continue to lobby the UK Government for additional funding in recognition of the exceptional financial pressures placed on Local Councils in tackling the cost of homelessness, which in Eastbourne is projected to be £4.9m for 23/24 to pay for temporary accommodation.
 - a) In this circumstance, EBC Council Tax would increase for a Band D property to 2.99% and deliver £3.8m of savings over two years as per previous MTFs and reporting. This is Eastbourne Borough Councils preferred option.
 - b) Our preference is that the Government recognise the extreme pressures placed on Councils of all political persuasions, and agrees, as they have done with social care, to provide exceptional, emergency support to Councils to cover the costs of EA/TA in the Budget.
 - c) However, in appreciation that this may be unlikely, the Council have put forward three other alternatives as we continue dialogue with DLHUC to provide support for this authority.
- 2 To give delegated authority to the Section 151 Officer and Chief Executive in consultation with the Leader of the Council and the Cabinet Member for Finance to approve one of the following options in respect to the

General Fund Budget 2024/25 dependent on the outcome of the Councils application to the Department of Levelling Up Housing & Communities for Exceptional Financial Support.

- a) **Option A is based on Department of Levelling Up Housing & Communities recognising and directly funding the increased number of homelessness and temporary accommodation placements activity from 2023/24 onwards (Appendices 1A, 2A, 3A & 4A).**
 - b) **Option B which assumes the acceptance of Exceptional Financial Support by Department of Levelling Up Housing & Communities but does not include additional Council Tax setting powers over and above the existing pre-referendum limit of 2.99% (Appendices 1B, 2B, 3B & 4B).**
 - c) **Option C which assumes the acceptance of Exceptional Financial Support by Department of Levelling Up Housing & Communities and includes additional Council Tax setting powers to increase Council Tax for 24/25 up to 7.99% (Appendices 1C, 2C, 3C, 4C).**
 - d) **Option D which assumes the refusal of Exceptional Financial Support by Department of Levelling Up Housing & Communities (Appendices 1D, 2D, 3D & 4D)**
- 3 To give delegated authority to the Section 151 Officer and Chief executive in consultation with the Leader of the Council and the Cabinet Member for Finance to approve an increase in the Council Tax for Eastbourne Borough Council dependent on the options described above.**
- a) **Option A, B & D- An increase of 2.99% resulting in a gross Band D charge of £277.74 for 2024/25 an increase of £8.06 per annum.**
 - b) **Option C - An increase of up to 7.99% resulting in a gross Band D charge of £291.23 for 2024/25 an increase of £21.55 per annum.**
- 4 The revised General Fund & Housing Revenue Account Capital Programme 2024/25 as set out in Appendix 5.**
- 5 The rates of Fees and Charges proposed within Appendix 5 to apply from 1 April 2024 and to implement changes to statutory fees and charges for services shown within Appendix 5 as and when notified by Government.**

6 To note the Section 151 Officer's sign off as outlined in the report.

Reasons for recommendations: The Cabinet has to recommend to Full Council the setting of a revenue budget and associated Council Tax for the forthcoming financial year by law.

Recommendations to the Scrutiny Committee: The Scrutiny Committee is asked to note the report.

Contact Officer(s): Name: Homira Javadi
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1. OPENING REMARKS

- 1.1. New LGA analysis - published ahead of the Autumn Statement - shows that by 2024/25 cost and demand pressures will have added £15 billion (almost 29 per cent) to the cost of delivering council services since 2021/22.
- 1.2. LGA added councils are facing an “inflationary storm” which is adding unsustainable costs onto council budgets. Some councils have warned these costs are threatening their financial sustainability, not least because councils have already absorbed a 27 per cent real terms cut in core spending power since 2010/11.
- 1.3. Eastbourne Borough Council's grant funding has reduced from £10.4m in 2010 to £5.6m in 2024. This is a reduction of 47% in cash terms or 66% in real terms.
- 1.4. This year's budget is set within the context of extreme financial challenges for the council. With the impact of the inflationary and cost-of-living pressures still keenly felt, this is no more vividly illustrated than the ongoing impact of wider government policy on the increased cost of providing homelessness and temporary accommodation placements as councils across the county look to protect the most vulnerable in our communities. Most councils have had to make difficult decisions, face reductions to their services and planned investments to achieve this.
- 1.5. Recent surveys suggest most councils will need to draw down on their reserves in 2024/25 to balance their budgets, and councils continue to warn that without increased government financial support many will be forced to make increasingly difficult decision to present balanced budgets. However, even with such interventions it is increasingly likely that some councils be unable to set balanced budgets in 2024/25.
- 1.6. In Eastbourne Borough Council it has become increasingly apparent that the cost of homelessness and temporary accommodation placements is totally disproportionate to the level of funding the Council would normally receive. An exceptional effort has already been made to reduce the number of placements at any one time for a peak in 23/24 of c370 to a level of c300. That means that in 2023/24 the equivalent of 49p in £1 of Council Tax collected for this authority is spent on temporary accommodation.
- 1.7. Demand in for housing/homelessness support is being driven by:
 - Cost of Living Crisis impact on personal finances and affordability.

- Increase in domestic abuse cases since end of pandemic.
- Increase in friends and family breakdown cases since end of pandemic.
- Increase in rents making private sector unaffordable (LHA rates frozen for over a decade until recent decision to uplift from April 2024).
- Reduced supply of private and affordable housing (higher costs, removal of private landlord incentives, higher interest rates, etc.)
- Mortgage interest rate rises.

1.8. Costs recovery for temporary accommodation placements is also limited to 90% of the household 2011 Local Housing Allowance rent level. This means that the cost of providing the homelessness 'safety net' falls disproportionately on the Council.

1.9. The impact of this is an increase in the overall cost of TA/EA resulting in a projected overspend in 2023/24 of £4.364m.

1.10. The projected cost of TA/EA placement activity in 2024/25 is £4.629m, and despite current Stability & Growth Plans design to deliver saving of over £3.8m in the years 2024/25 to 2025/26, the council is still anticipating a budget gap of £2.181m in 2024/25.

	2023/24	2024/25	2025/26	2026/27	2027/28
BUDGET SHORTFALL/ (SURPLUS)	4,364	2,181	1,105	512	(121)

1.11. The projected net cost in 2024/25 represents 29% of the councils' funding guarantee in the same year of £15.831m (excluding use of reserves and one-off resources) and 47% of total 2024/25 Council Tax income for the year (£9.912m)

1.12. Housing & Homelessness Summit

1.13. Eastbourne District Council has led the campaign for government to recognise the growing cost of homelessness and temporary accommodation placement activity across England and the impact it is having on Council resources.

1.14. In response to this issue the Council in partnership the District Councils' Network convened an Emergency Housing Summit on 31 Oct 2023 with over 175 councils represented.

1.15. The housing summit aimed to share insight from the councils attending to agree on a package of solution to address this pressing and urgent social and financial crisis. The summit resulted in a joint cross-party letter to the government ahead of the Autumn Statement urging immediate action.

1.16. The summit proposed the following solutions to the government:

- Increase Local Housing Allowance rates for private rented accommodation.
- Develop policy to stimulate retention and supply in the privately rented sector.
- Review the housing benefit subsidy rate for local authority homelessness placements.
- Give district councils the powers, funding, and resources needed to increase the supply of social housing.
- Increase the level of Discretionary Housing Payment and Homelessness Prevention Grant.

- 1.17. In the 2023 Autumn Statement, the Chancellor announced that the Local Housing Allowance (LHA) will be re-pegged to the 30th percentile of local rents in April 2024. The LHA, which sets limits on the level of housing support for private renters based on rents in broad rental market areas (BRMAs) and property size, has been frozen since April 2020.
- 1.18. This is a welcomed news for the private renter households in receipt of Universal Credit (UC) or Housing Benefit (HB) with higher housing costs than the LHA, relieving significant pressure built up by recent rent increases.
- 1.19. Councils spent £1.7 billion on temporary accommodation last year, up by 9% on the previous year. This has been made worse by a much longer freeze than those experienced by renters claiming housing support: the Housing Benefit subsidy councils receive when they house a family in temporary accommodation was set at 90 per cent of the applicable LHA rate in 2011 and has remained frozen since. This is costing councils hundreds of pounds per resident per week, making it more difficult to provide quality accommodation.
- 1.20. On 23rd January, about 50 council leaders gathered at the second summit in Westminster chaired by Eastbourne Borough Council (EBC) to urge the government to step in and prevent a “national crisis”.
- 1.21. On 24th January, Communities secretary Michael Gove announced upper and lower tier councils will be handed an additional £600m, mostly for children’s and adult social care. This will have no material impact on Eastbourne Borough Council.
- 1.22. The cabinet minister said £500m would go on enabling councils to provide “crucial social care services for their local communities, particularly children”.
- 1.23. The government has also increased the “funding guarantee” – which sets out the minimum percentage annual increase in money available to all councils before local decisions on council tax – from 3 per cent to 4 per cent. This amounts to £145k for Eastbourne Borough Council.
- 1.24. According to a survey by the Local Government Association (LGA) almost one in five council leaders think it is likely that they will need to issue a section 114 notice this year. The emergency notices are an acknowledgment that the local authority cannot balance its books as required by law and lead to a freeze on non-essential spending on services.
- 1.25. **Discussions with Department of Levelling Up Housing and Communities (DLUHC)**
- 1.26. There have been several meetings with DLUHC concerning the 2023/24 outturn and 2024/25 budget and the urgency of the impact from increased demand on temporary accommodation costs on the council’s resources and services.
- 1.27. Since there are no other support instrument available and offered by DLUHC than exceptional financial support or capitalisation, the discussions have included the application for a capitalisation direction to enable the budget gap to be closed. In the provisional local government financial settlement, it was announced that government would consider representations on Council Tax flexibilities. The statement said that: “Where councils need additional support from government, they should take every possible step to minimise the need for that support to be funded by national taxpayers. As part of that process, the government will consider representations from councils, including on council tax provision.”

- 1.28. The advantage of increasing Council Tax is that the Council gains the benefit of the increase on an ongoing basis. The vulnerable will be protected from the increase through the Hardship schemes which will increase by 6.7% for 2024/25, in line with the rise in state benefits announced in the Autumn Statement.
- 1.29. It is in this context that the Council has asked the Department of Levelling Up, Housing & Communities (DLUHC) for a further round of Exceptional Financial Support (EFS) of £3m to support the overspend in 2023/24 and a further £3m in 2024/25. Request for support also include a request to increase the Council Tax "Band D" rate above the current pre-referendum levels of 2.99% for 2024/25 of up to 7.99%.
- 1.30. Without EFS the council will be required to undertake an urgent review of existing discretionary and Statutory services with a view to ceasing the majority of council discretionary services, limiting its Statutory services, accelerate the councils existing programme of asset disposals, implement further and immediate reductions in the Council's Capital Programme and utilise a significant level of the councils earmarked and general reserves to be able to set a balanced budget in 2024/25.
- 1.31. The new financial planning timetable has had to adapt to this outcome. The outcome of the Councils request for EFS is not expected to be known until the end of February 2024 at the earliest.
- 1.32. Therefore, the Council has had to take the unusual step of offering members three potential options to consider when approving the Councils Medium Term Financial Plan and budget for 2024/25. The options reflect the scenarios the council believe could occur following the request for EFS. These are as follows:
- **Option A - Department of Levelling Up Housing & Communities recognising and directly funding the increased number of homelessness and temporary accommodation placements activity from 2023/24 onwards.**
 - **Option B - The application for EFS is successful but does not include the ability to increase Council Tax above the pre-referendum rate of 2.99%.**
 - **Option C - The application for EFS is successful and includes the ability to increase Council tax to a level above the pre-referendum rate of up to 7.99%.**
 - **Option D - The application for EFS in unsuccessful**
- 1.33. The Council will continue to meet with colleagues from DLUHC and the Chartered Institute for Public Finance & Accountancy (CIPFA) to support its application. CIPFA are supporting DLUHC in reviewing the Councils application for EFS.
- 1.34. This report therefore sets out the Council's Medium Term Financial Strategy (MTFS) and associated spending plans for the four years 2024/25 to 2027/28 considering the options highlighted earlier in this report. The report covers all aspects of the Council's:
- a) General Fund revenue expenditure funded by the council taxpayer.
 - b) Government grants and other sources of income
 - c) The Council's Capital Programmes (General Fund and HRA) funded by capital receipts, revenue and borrowing.

- d) The use of the Councils Earmarked and General Reserves to support delivery of a balanced budget in 2024/25 and sustainable MTFs to 2027/28.

1.35. The proposed Medium Term Financial Strategies based on the three options are set out below:

1.36. OPTION A

1.37. This assumes that the Department of Levelling Up Housing & Communities recognise and directly fund the increased number of homelessness and temporary accommodation placements activity from 2023/24 onwards.

APPENDIX 1A	2023/24	2024/25	2025/26	2026/27	2027/28
Eastbourne MTFs OPTION A	Revised Base for 23/24	Net Budget	Net Budget	Net Budget	Net Budget
	£000				
TOTAL FINANCING	(18,723)	(17,434)	(17,438)	(17,982)	(18,544)
Additional EA/TA Funding	(4,364)	(2,181)			
REVISED FINANCING	(23,087)	(19,615)	(17,438)	(17,982)	(18,544)
NET EXPENDITURE	20,003	15,186	14,665	14,476	14,676
Net Capital Financing Costs	3,084	4,429	3,878	4,018	3,747
REVISED EXPENDITURE	23,087	19,615	18,543	18,494	18,423
BUDGET SHORTFALL/ (SURPLUS)	0	0	1,105	512	(121)
Cummulative shortfall	0	0	1,105	1,616	1,496

APPENDIX 4A - RESERVES (£'000)	2022/23		2023/24		2024/25		2025/26
	Opening Balance	Use	Opening Balance	Use	Opening Balance	Use	C/fwd
Total Earmarked Reserves	(9,467)	2,975	(6,491)	1,903	(4,588)	(188)	(4,777)
General Fund	(3,998)	14	(3,984)	753	(3,231)	0	(3,231)
Total Earmarked and General Fund	(13,465)	2,989	(10,475)	2,656	(7,819)	(188)	(8,008)

OPTION B

1.38. This assumes the application for EFS is successful but does not include the ability to increase Council Tax above the pre-referendum rate of 2.99%.

1.39. Total additional reserves of £1.716m would need to be utilised in 2023/24 and in 2024/25 the Council would be able add £0.115m back to reserves resulting in total reserve balance at 31 March 2025 of £6.406m.

1.40. The projected General Fund Reserves balances of £3.231m at the end of 24/25 would therefore be above the existing minimum reserve level of £2m and ensure the council is more resilient to future economic and demand shocks and ensure the robustness and sustainability of the councils' finances.

APPENDIX 1B	2023/24	2024/25	2025/26	2026/27	2027/28
Eastbourne MTF5-OPTION B	Revised Base for 23/24	Net Budget	Net Budget	Net Budget	Net Budget
	£000				
Total Financing Revised	(18,723)	(17,434)	(17,438)	(17,982)	(18,544)
TOTAL NEW FINANCING from Capital Directions	(3,000)	(3,000)	0	0	0
TOTAL NET FINANCING	(21,723)	(20,434)	(17,438)	(17,982)	(18,544)
NET EXPENDITURE	20,003	15,186	14,665	14,476	14,676
Current Capital Financing Costs	3,084	4,429	3,878	4,018	3,747
New Capital Financing Costs for Capital Direction	352	704	704	704	704
TOTAL CAPITAL FINANCING	3,436	5,133	4,582	4,722	4,451
REVISED NET EXPENDITURE	23,439	20,319	19,247	19,198	19,127
BUDGET SHORTFALL/ (SURPLUS)	1,716	(115)	1,809	1,216	583
Use of Available Reserves	1,716	(115)			
Cummulative additional shortfall	(0)	(0)	1,809	3,024	3,608

APPENDIX 4B - RESERVES (£'000)	2022/23		2023/24		2024/25		2025/26
	Opening Balance	Use	Opening Balance	Use	Opening Balance	Use	C/fwd
Total Earmarked Reserves	(9,466)	2,975	(6,491)	3,619	(2,872)	(303)	(3,176)
General Fund	(3,998)	14	(3,984)	753	(3,231)	0	(3,231)
Total Earmarked and General Fund	(13,464)	2,989	(10,476)	4,372	(6,103)	(303)	(6,406)

OPTION C

- 1.41. This assumes the application for EFS is successful and includes the ability to increase Council tax to a level above the pre-referendum rate of up to 7.99%.
- 1.42. Total reserves of £1.716m would need to be utilised in 2023/24 and £0.171m would be added back to reserves in 2024/25 resulting in total reserve balance at 31 March 2025 of £6.462m
- 1.43. The projected fund balance of £3.231m would therefore be above the existing minimum reserve level of £2m and ensure the council is more resilient to future economic and demand shocks and ensure the robustness and sustainability of the councils' finances.

APPENDIX 1C	2023/24	2024/25	2025/26	2026/27	2027/28
Eastbourne MTFs - OPTION C	Revised Base for 23/24	Net Budget	Net Budget	Net Budget	Net Budget
	£000				
Total Financing Revised	(18,723)	(17,434)	(17,438)	(17,982)	(18,544)
TOTAL NEW FINANCING from Capital Directions	(3,000)	(2,518)	0	0	0
COUNCIL TAX at 8% (Additional element)	0	(482)	(492)	(501)	(511)
TOTAL NET FINANCING	(21,723)	(20,434)	(17,930)	(18,483)	(19,055)
NET EXPENDITURE	20,003	15,186	14,665	14,476	14,676
Current Capital Financing Costs	3,084	4,429	3,878	4,018	3,747
New Capital Financing Costs for Capital Direction	352	647	647	647	647
TOTAL CAPITAL FINANCING	3,436	5,076	4,525	4,665	4,394
REVISED NET EXPENDITURE	23,439	20,263	19,190	19,141	19,070
BUDGET SHORTFALL/ (SURPLUS)	1,716	(171)	1,260	658	15
Use of Available Reserves	1,716	(171)	0	0	0
Cummulative additional shortfall	0	(0)	1,260	1,918	1,934

APPENDIX 4C- RESERVES (£'000)	2022/23		2023/24		2024/25		2025/26
	Opening Balance	Use	Opening Balance	Use	Opening Balance	Use	C/fwd
Total Earmarked Reserves	(9,466)	2,975	(6,491)	3,619	(2,872)	(359)	(3,231)
General Fund	(3,998)	14	(3,984)	753	(3,231)	0	(3,231)
Total Earmarked and General Fund	(13,464)	2,989	(10,475)	4,372	(6,103)	(359)	(6,462)

1.44. OPTION D

1.45. This assumes that the application for EFS has been unsuccessful and as a result the council is required to utilise a significant level of its earmarked and general fund reserves in 2023/24 and 2024/25 to ensure the council is able to set a balanced budget.

1.46. If this funding was not made available, the council would be required to utilise a significant level of its earmarked and general fund reserves in 2023/24 and 2024/25 to ensure the council is able to set a balanced budget. Such action is likely to result in the councils' general reserves falling below the minimum threshold of £2m. As a result, the councils' resilience to future economic and demand shocks would be significantly reduced.

1.47. To ensure the council's long-term financial sustainability, the authority would then need to put in place immediate plans to reduce its services by c.£3m in 2024/25 in order to replenish its general fund and key earmarked reserves to the levels in line with its policies.

1.48. The increase in cost of temporary accommodation is as such that the council's operations and services will be significantly limited.

APPENDIX 1D	2023/24	2024/25	2025/26	2026/27	2027/28
Eastbourne MTF5 OPTION D	Revised Base for 23/24	Net Budget	Net Budget	Net Budget	Net Budget
	£000				
TOTAL FINANCING	(18,723)	(17,434)	(17,438)	(17,982)	(18,544)
NET EXPENDITURE	20,003	15,186	14,665	14,476	14,676
Net Capital Financing Costs	3,084	4,429	3,878	4,018	3,747
REVISED EXPENDITURE	23,087	19,615	18,543	18,494	18,423
BUDGET SHORTFALL/ (SURPLUS)	4,364	2,181	1,105	512	(121)
Use of Available Reserves	4,364	2,181			
Cummulative shortfall	(0)	(0)	1,105	1,616	1,496

APPENDIX 4D- RESERVES (£'000)	2022/23		2023/24		2024/25		2025/26
	Opening Balance	Use	Opening Balance	Use	Opening Balance	Use	C/fwd
Total Earmarked Reserves	(9,466)	2,975	(6,491)	5,273	(1,218)	665	(553)
General Fund	(3,998)	14	(3,984)	1,747	(2,237)	1,428	(809)
Total Earmarked and General Fund	(13,464)	2,989	(10,476)	7,020	(3,455)	2,093	(1,362)

1.49. The report also:

- Assumes cost recovery or an uplift in discretionary fees and charges averaging 10% to be implemented in 2024/25.
- Assumes an increase in council house rents of 7.7% in 2024/25 in line with government guidelines and confirmed by the Regulator of Social Housing (Consumer Prices Index (CPI) on 30th September 2023 + 1%).

2. ECONOMIC CONTEXT, PRIORITIES AND BUDGET SETTING STRATEGY

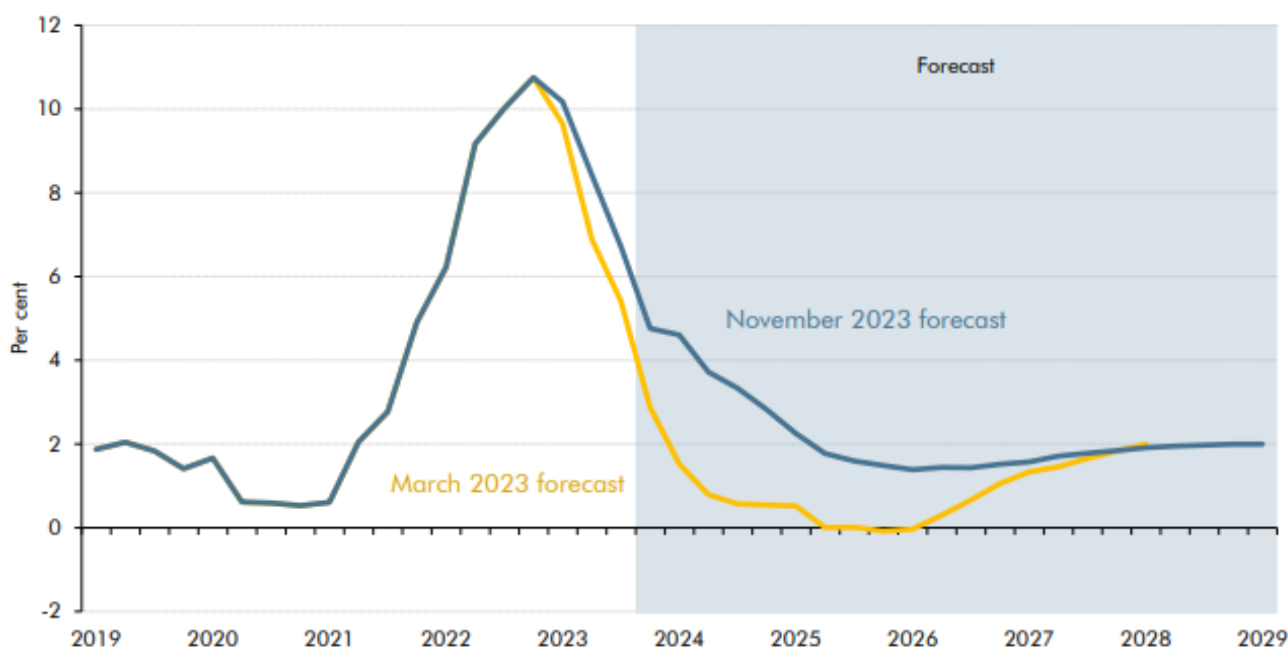
- 2.1. This report sets out the Council's financial plans for the period 2024/25 to 2027/28. The plans make assumptions about income from Government and grants, Council Tax and rents. The plans underpin service provision and the Council's vision, set out in the corporate plan, of "using our council resources wisely whilst respecting and following the principles of open governance, equality, open data and being a responsible employer."
- 2.2. The Council seeks to support and maintain services from income stream driven from fees and charges and financial returns from its trading activities.

Economic Context

- 2.3. The UK economy has performed better during 2023 than was widely expected at the beginning of the year. While the level of national Gross Domestic Product (GDP) has now surpassed pre-covid levels, GDP growth is expected to be at a slower pace over the short to medium term than in recent months.

- 2.4. The October 2023 CPI inflation rate has fallen to 4.6% from a peak of 11.1% in October 2022, still higher than the Bank of England target of 2%. It is expected that this measure will continue to fall during the next financial year and is expected to hit the bank of BoE inflation target of 2% by the end of the 2024/25, much faster than the previously expected.
- 2.5. As a result, it is expected that rates of interest will start to fall in the second half of 2024/25 again much earlier than anticipated, although still at levels much higher than in recent years.
- 2.6. However, the outlook for households and businesses over the next twelve months will continue to be challenging, further compounding the impact of the pressures felt due to the cost-of-living crisis over the previous twelve months.

Chart 1: UK Inflation Forecasts



Source: ONS, OBR

- 2.7. On the 14 December 2023 the Bank of England held the base rate at 5.25% for the fourth successive month. Link Asset Management, the Councils Treasury advisors, provide a forecast view of interest rate levels over a three-year period and is shown below:

Link Group Interest Rate View		08.01.24												
		Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE		5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings		5.30	5.30	5.00	4.50	4.00	3.50	3.30	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings		5.20	5.10	4.80	4.30	3.80	3.30	3.20	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings		5.00	4.90	4.60	4.10	3.70	3.20	3.20	3.10	3.10	3.10	3.10	3.20	3.20
5 yr PWLB		4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 yr PWLB		4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 yr PWLB		5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 yr PWLB		5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

Table 1: Interest Rate Forecasts from January 2024 to March 2027

- 2.8. The Council capital programme is financed by a combination of external funding and borrowing although the Council currently uses internal funds, as these are the cheapest form of borrowing. As the Capital Financing Requirement increases so will the need to undertake external borrowing.

2.9. The Chancellor's Autumn Statement was announced on 22 November.

The main implications for local Government were:

Council Tax

2.10. The referendum limit for increases in council tax continue to be set at 2.99% per year or £5, whichever is greater. In addition, local authorities with social care responsibilities will be able to increase the adult social care precept by up to 2% per year over the same timeframes.

Business Rates

2.11. For 2024/25, the small business multiplier in England will be frozen for a fourth consecutive year at 49.9p, while the standard multiplier will be updated by September 23 CPI to 54.6p.

2.12. The current 75% relief for eligible Retail, Hospitality and Leisure (RHL) properties is being extended for 2024/25.

2.13. Local Authorities will be fully compensated for the loss of income as a result of these business rates measures and will receive new burdens funding for administrative and IT costs.

Social Housing

2.14. Rents for Social Housing can be increased by 7.7% in 2024/25 being the maximum that can be applied and reflects Consumer Prices Index (CPI) on 30th September 2023 + 1%

Local Housing Allowance

2.15. In April 2024, Local Housing Allowance rates will be raised to the 30th percentile of local market rents.

National Living Wage

2.16. This will increase for individuals aged 23 and over by 9.8% to £11.44 an hour from 1 April 2024.

Local Government Finance Settlement

2.17. The Local Government Finance Settlement released in the week commencing 18 December 2023, confirmed what had already been expected with no major changes or surprises from pre-published material already circulating within local government finance networks.

2.18. The Settlement announced limited changes to service grants and the replacement of the previous lower tier services grant with the Funding Guarantee Grant, in essence a recalculation of the remaining revenue support grant to councils to maintain their spending powers.

2.19. The table below shows the changes between this year's published settlement compared to the assumptions set out in the Interim 24/25 MTFS and the 23/24 MTFS.

EBC Funding Settlement Analysis	2023/24 MTFS	Interim 2024/25 MTFS	Final 2024/25 MTFS
	£m		
Business Rate Retained Growth	3.789	4.000	4.097
Council Tax	9.518	9.913	9.912
SFA Compensation	0.645	0.645	0.622
New Homes Bonus	0.015	0.015	0.000
Services Grant	0.142	0.151	0.023
Funding Guarantee	0.247	0.246	0.628
Total	14.356	14.970	15.282

Variance Against 2023/24 MTFS	£0.926m
Variance Against 2024/25 interim MTFS	£0.312m

Consultation and Planning

2.20. As in previous years the budget has been prepared in line with corporate priorities, as set out in the corporate plan This plan was consulted on widely at the time of production. The budget will be considered first by Cabinet and then by Full Council in February 2024.

2.21. The Service and Financial Planning review has been undertaken by

- Reviewing all four-year assumptions of the MTFS around changes to the base budget
- Proposals to reduce spend or in some instances increasing income where it is prudent to do so.
- Maximising the use of the assets that the Council holds
- Using reserves to smooth out fluctuations in the General Fund over the period whilst ensuring that such reserves are not depleted further over the four-year period.

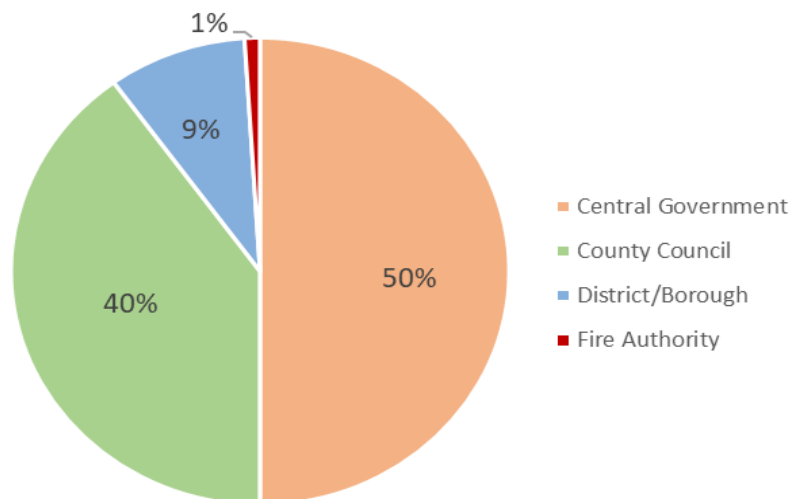
2.22. Taking account of this review the key assumptions are outlined below.

3. GENERAL FUND REVENUE BUDGET - KEY ASSUMPTIONS

3.1. The key assumptions set out below (except for Council Tax and Capital Financing Costs) are not impacted by the Councils application for EFS. Where there is an impact, it is referenced in the relevant section.

Business Rates

3.2. Business rates income collected by Eastbourne Borough Council as the billing authority is split 50% with central government, with the remaining local 50% share to be distributed based on the following local shares, as set out in the framework for business rates.



- 3.3. The recent Spending Review and Autumn Statement 2023 was not explicit in terms of the reforms in respect of Business Rates Retention, (known as Fairer Funding). The implementation of these reforms has been delayed for the past 4 years and is likely to be delayed again since there is insufficient time for the Government to implement these changes by financial year 2024/25 and probably before the next general election. Any proposals would need to go through a consultation process first, any implementation could only take place as early as 2025/26. This timeframe is so close to a general election it would be highly unlikely to be undertaken at this point.
- 3.4. For budgeting purposes, the figures for 2024/25 have now been confirmed following the financial settlement which result in a decrease of £0.545m in total business rate income in 2024/25 compared to that previously assumed in the interim MTFS.
- 3.5. The assumption that reform to business rates is delayed for at least a further year has been modelled across the MTFS and the opportunity to equalise business rate income flowing into the general fund through the adoption and use of an equalisation reserve has also been taken. This provides clarity and consistency over the medium term until such time as future reforms are communicated by government and will be kept under review. For 2024/25 a transfer to the Business Rates Equalisation reserve of £0.1m has been assumed.

East Sussex Business Rates Retention Pool Arrangements

- 3.6. For 2024/25 as in previous years the East Sussex Business Rates Pool consisting of East Sussex County Council (ESCC), Lewes District Council (LDC), Hasting Borough Council (HBC), Rother District Council (RDC), Wealden District Council (WDC) and Eastbourne Borough Council (EBC) will continue. This is to optimise the financial return to Pool members given the interaction of levy payments to Government.
- 3.7. Eastbourne Borough Council provisional benefits from the pooling arrangements amount to £0.500m in 2024/25 which is an increase of £0.274m compared to that previously assumed in the interim MTFS.

New Homes Bonus (NHB)

- 3.8. The New Homes Bonus is a grant paid by central government 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.

- 3.9. For 2024/25 the Government made a one-off New Homes Bonus allocation of only £140, a reduction of £0.014m compared to the previous year's allocation to the Council.

Council Tax

- 3.10. The Autumn Statement included provision to increase the council tax referendum level to 2.99% or £5 whichever is the higher for District Councils for 2023-24. Although there is no mention of this referendum level for 2025-26 the indication is that the level will be the same.
- 3.11. The recommendation based on options A, B & D is to increase council tax by 2.99% for 2024/25 with a further increase of 2.00% assumed for 2025-26. An annual increase of Council Tax by 2.99% in 24/25 represents approximately £0.287m of additional annual income to Eastbourne Borough Council.
- 3.12. The recommendation based on option C is to increase council tax by up to 7.99% for 2024/25 with a further increase of 2.00% assumed for 2025-26. An annual increase of Council Tax of up to 7.99% in 24/25 represents approximately £0.769m of annual income to Eastbourne Borough Council providing £0.481m of additional income compared to the pre-referendum limit.
- 3.13. Applying a 2.99% increase to the existing Band D tax level gives a revised Band D tax amount of £277.74 based on Option A, B & D of this report.
- 3.14. Applying an increase of up to 7.99% to the existing Band D tax level give a revised Band D tax amount of £291.23 based on Option C. This option would represent an increase of £13.49 per annum over and above the pre-referendum limit or £0.26 per week.

Band D Option A, B & D	2023/24 £	2024/25 £	Change £	Change %
General Fund	269.68	277.74	8.06	2.99%

Band D Option C	2023/24 £	2024/25 £	Change £	Change %
General Fund	269.68	291.23	21.55	2.99%

Investment Interest

- 3.15. On the 14 December 2023 the Bank of England held the base rate at 5.25% for the fourth successive month. It is also assumed that the base rate will remain at this level for some time with reductions unlikely until the second half of the next financial year. Interest rates feed through to the rate applied to PWLB borrowing and the council's investments. Because of the high level of interest rate compared to recent historic lows, the council will take care to ensure that investment rates will increase only on the basis that there is a subsequent positive impact on the council's finances. Increasing PWLB rates will have an adverse impact on the council's capital financing costs directly and indirectly including HRA and its wholly owned housing companies since PWLB is its main source of capital financing. This could ultimately impact on the council's financial return.

Inflation

- 3.16. Most budgets are cash limited. The Consumer Prices Index (CPI) rose by 4.6% in the 12 months to October 2023 down from 6.7% in September. The most significant impact is on materials purchased in respect of repairs and maintenance and the council's capital programme, for which budgetary provision has been made. Provision has been made for specific contracts the Council has which contractual holds the Council to awarding inflationary increases many of which are linked to national recorded metrics such as CPI.
- 3.17. It is expected that this measure will continue to fall during the next financial year and is expected to hit the bank of BoE inflation target of 2% by the end of the 2024/25.

Utility Costs

- 3.18. As outlined in the interim MTFS, although energy prices are still high, pressure is falling on energy budgets and the Council is part of a fixed price contract which affords some certainty over prices. The current budget provision is considered adequate.
- 3.19. During 2024/25 the utility contact will be retendered. Officers are working to secure further reduction in the unit prices, the budgeted provision will be reviewed once the new arrangements are in place.

Pay Assumptions

- 3.20. The Interim MTFS assumptions for pay increases for 2024/25 of £0.598m, have been provided for in the 2024/25 budget. These are held in a central contingency until negotiations are complete.
- 3.21. Pay related cost in the budget includes the following:
- Adjustment to the base budget to reflect the final 2023/24 staff pay award of £1,925 per FTE post under £49,950 and 3.88% for salaries above agreed in November 2023, compared to the base budget position of 4%.
 - Contractual increments where staff are not at the top of their pay grade for 2024/25, resulting in a net budgeted provision of £0.058m.
- 3.22. Inflationary assumptions and the associated budgeted value over the interim MTFS are regardless of option and are as follows:

MTFS for	Budget Assumption (average rise)	Budget Provision General Fund £m	Budget Provision HRA £m
2024/25	4.0%	£0.598m	£0.004m
2025/26	2.5%	£0.375m	£0.003m
2026/27	2.5%	£0.384m	£0.003m
2027/28	2.5%	£0.394m	£0.003m

Pensions

- 3.23. The Medium-Term Financial Strategy includes an increase from the current contribution in line with pay inflation increase and takes account of the Triennial Review period up to 31 March 2026.

Employer Pension Costs

- 3.24. The approach will be consistent with the actions agreed following the current actuarial review of the East Sussex Local Government Pension Fund on 31 March 2022; the outcome has been profiled into the budget for the three years to 2027/28.
- 3.25. The 2023 valuation confirmed that the Fund's total assets, which on 31 March 2022 were valued at £194.0m. There was an improvement in the reported funding level from 102.2% to 116.8% and a change in the funding surplus from £3.22m to a surplus of £28.0m.
- 3.26. Each employer has a contribution requirement set at the valuation, with the aim of achieving full funding within an agreed time horizon and probability measure, as set out in the Fund's Funding Strategy Statement. Individual employers' contributions from April 2023 to March 2026 have been set in accordance with this requirement.
- 3.27. For Eastbourne Borough Council the employer pension contribution rates for 2023/24, 2024/25, & 2025/26 will be 18.65% per annum, which were based on an annual primary rate of 19.7% reduced by 1.8% secondary rate plus 0.75% relating to the Early Retirement and Voluntary Severance (ERVS) Scheme.
- 3.28. The next actuarial review will be on 31 March 2025 and the revised contribution schedule with any budget implications will be built into budgets for 2026/27 onwards.
- 3.29. For 2023/24 this budget reflects the outcome of the 2022 Pension Fund Revaluation and the funding options offered to employers by the Fund.
- 3.30. As part of budget-setting 2024/25, the approved approach will be:
- To pay the primary employer contribution rate at 19.7% of salaries. This has been factored into the 2023/24 base budget.
 - To reduce the annual primary contribution above by the secondary employer credit/rate at -1.8%.
 - To pay the 0.75% relating to the Early Retirement and Voluntary Severance (ERVS) Scheme.
 - To continue to rebuild the Pensions Reserve ready for the next revaluation in 2025.

Capital Financing Costs

- 3.31. Capital financing for the draft Capital Programme is detailed in Section 5. Given the budgetary pressures experienced from the Council no revenue contributions have been assumed to finance capital which is largely funded by internal borrowing and an assumption of external borrowing in future years when market conditions allow, the revenue implications of which have been included in the budget.

	23/24	24/25	25/26	26/27	27/28
Capital Financing Costs	£3.084m	£4.429m	£3.878m	£4.018m	£3.747m

- 3.32. The overall level Capital Financing Costs would increase based on Options B & C, although the level of increase would differ between them.
- 3.33. Based on Option B the impact of the EFS would result in a change to the following Capital Financing Cost.

Option B	23/24	24/25	25/26	26/27	27/28
Capital Financing Costs	£3.436m	£5.133m	£4.582m	£4.722m	£4.451m

3.34. Based on Option C the impact of the EFS on ongoing Capital Financing Costs would not be as great but would still reflect an overall increase compared to Option B.

Option C	23/24	24/25	25/26	26/27	27/28
Capital Financing Costs	£3.436m	£5.076m	£4.525m	£4.665m	£4.394m

3.35. Option A & C would result in no changes to Capital Financing Costs.

Budget 2023/24

3.36. At Cabinet on the 7th of December the Council reported a projected overspend of £3.96m due mainly the increase in demand for services such as rising homelessness being supported but also to increased cost of goods and services and reductions in budgeted income.

3.37. There were also pressures following the conclusion and agreement of the pay award for 2023/24 which was above (estimated as £0.099m) the budgeted pay award of 4% allowed for.

3.38. Within the proposed budget for 2024/25, a provision of £0.4m has been made to adjust the baseline and support the budget pressures experienced in 2023/24 which may continue into 2024/25.

Contingencies

3.39. The 2023-24 budget included a general contingency of £0.250m. This contingency has proved useful in managing the budget for the current financial year and is built into the budget for a further year.

3.40. For 2024/25, a number of additional and specific contingencies are also available to cover associated risks within the budget and will be available to adjust budgets, if necessary, given the uncertainty of the economic recovery and subsequent demand for services. The following contingencies have been built into the budget for 2024/25.

	£	
Cost of living (shared service contract)	604,000	Staffing cost of living increases expected in 2024/25
Contract Inflation	200,000	New contingency for in year inflationary increases to contracts
Neighbourhood First	400,000	To support the review of the neighbour first service
Stability and Growth	552,000	Contingency to smooth the full delivery of £3.5m S&G savings by 2025/26
	£1,756,000	

3.41. The release of contingencies will be at the discretion of the Director of Finance & Performance in consultation with the Finance portfolio holder.

Fees and Charges

- 3.42. Discretionary Fees and Charges have been increased by 10% for 2024/25 with Statutory (i.e., set by Government) fees for Planning increasing by 25%.
- 3.43. Details of specific fees and charges increases in 2024/25 are given in Appendix 5 the impact of these has been incorporated into the budget which results in an increase in income of £1.158m.

Budget Growth, efficiencies and pressures built into the budget.

- 3.44. Budget growth is shown in the following categories:

Stability and Growth savings Full Target £3.8m

- 3.45. Appendix 7 provides an overview of the Councils' Stability and Growth Programme which was established following the elections in May 2023. This follows on from the previous Recovery and Stabilisation Programme which had been developed following the government capitalisation directive and related Assurance Review in 2021.
- 3.46. The Stability and Growth Programme has been working towards the delivery of up to £3.8m in revenue savings. It is expected that that in 2024/25 a net savings figure of £1.9m will be achieved and is included in the medium-term financial strategy. The residual target is expected to largely be made by 2025/26. Appendix 7 details the Stability and Growth savings and targets.

Service Planning Growth £0.647m

Following on from the Service Planning work undertaken earlier this year, £0.647m of growth has been built into budgets. The most material of these pressures are as follows:

- The permanent funding of a procurement manager £0.04m.
- A top up of £0.04m to the Government determined Apprenticeship Levy.
- A new Legal position and a trainee which are offset by increased income.
- Supporting the re-development of 1, Grove Road £0.056m
- Increases to Property and Asset Management staffing to support the Councils Asset management Strategy £0.1m.

Service Planning Efficiencies £1.14m

The Service Planning work also identified Efficiencies, Income Generation, and removals of one-off budget requirements across a number of the council's budget lines.

- A reversal of £0.2m of reserve funding that funded local elections in 2023/24.
- Savings from the removal of the Head of Tourism and Culture post £0.09m.
- Transfer of Business rates expenditure to Beach Hut owners. £0.09m
- Airshow corporate savings target £0.1m
- The cancellation of Eastbourne Seafront Soapbox £0.07m

- Removal of the Cost-of-Living Emergency Budget £0.1m (any future calling will be funded from earmarked reserves)
- Various other efficiencies and removals of one-off items

Budget line reviews £0.756m

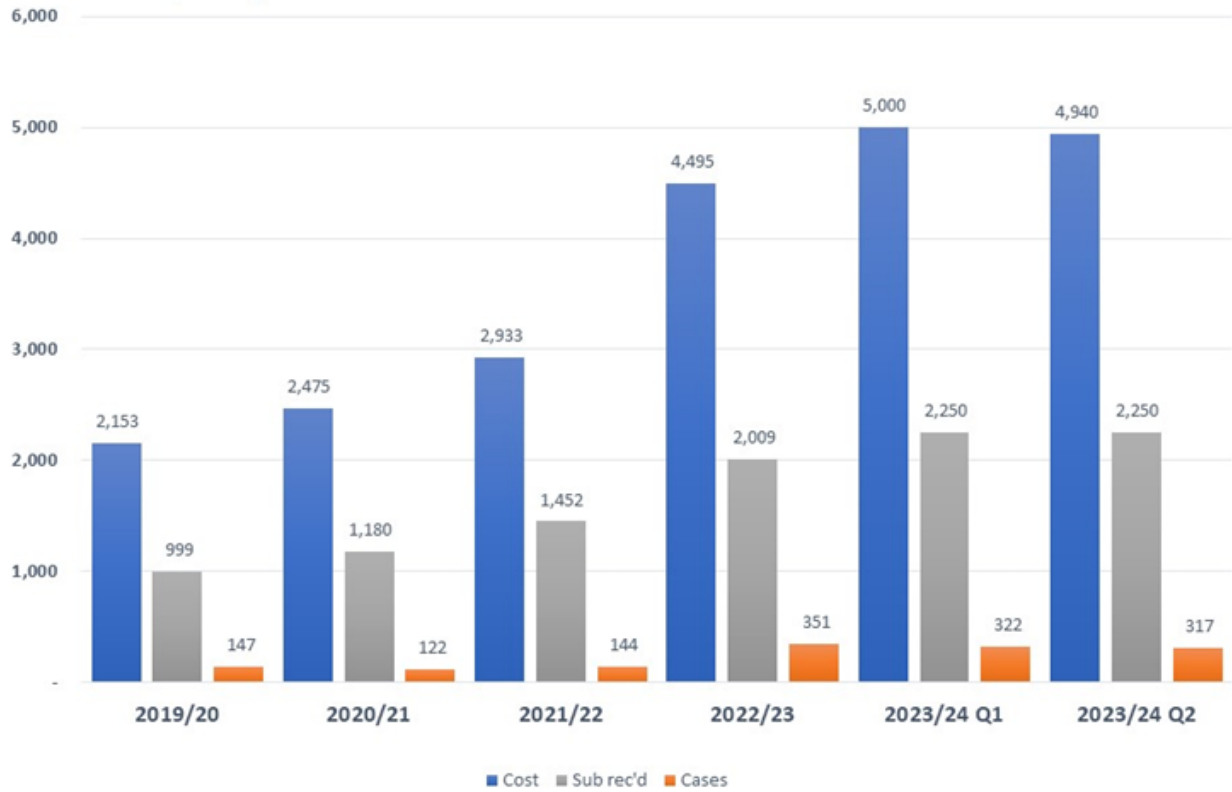
During the construction of the Quarter 2 Budget Forecast work a detailed review of (mainly low value) budget lines was undertaken to assess whether all budgets were likely to be needed or used by year end using 22/23 actuals and 23/24 spend so far to make an assessment. The results of the exercise were scrutinised by CMT and Finance Business Partners and some have now been included in budgets as permanent reductions. This is good financial Housekeeping and should be undertaken on an annual or biannual basis to ensure that the councils limited funds are directed to the council's priorities.

4. Homelessness and The Cost Temporary Accommodation

- 4.1. With 2023/24 projected net spend of £4.7m against a net budget of £1.4m (which includes £0.7m homelessness prevention grant) , 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.
- 4.2. 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.
- 4.3. 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.
- 4.4. The current demand is 300 households in emergency accommodation which is an improvement from the 2023/24 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.
- 4.5. 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.
- 4.6. The graph below shows the costs, cases and projected subsidies based on current figures.

EA/TA Financial Implications (£'000)

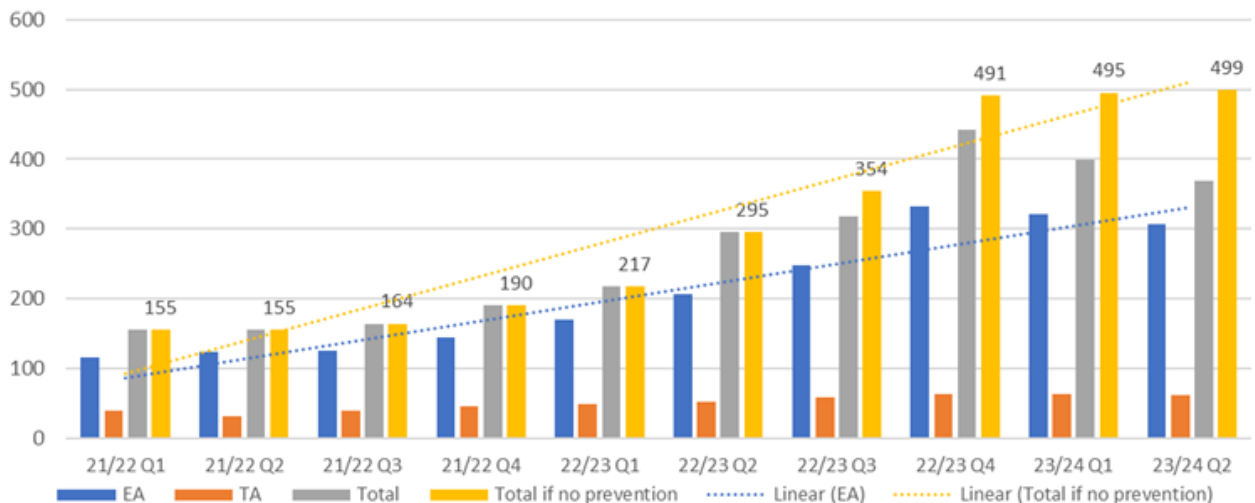
No of Cases (units)



Emergency & Temporary Accommodation Financial Implications

4.7. 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.

Mitigation and Control (No of Cases) 2021/22-2023/24



Emergency & Temporary Accommodation Placement Analysis

4.8. 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.

4.9. In the MTFs the total forecast costs relating to Homeless Accommodation are £4.2m with an anticipated forecast reduction of £200k in 2025/26 due to the reductions in places being achieved.

5. GENERAL FUND CAPITAL PROGRAMME (Excluding Impact of EFS)

5.1. While Revenue Budget expenditure is concerned with the day-to-day running of services, the Capital Programme is concerned with investment in the assets required to deliver services or the delivery of new income streams. The Capital Programme sets out how capital resources will be used to achieve the Council's vision and corporate priorities.

5.2. The latest General Fund Programme 24/25 to 27/28, shown in Appendix 5, details £106.318m (GF of £27.320m and HRA £78.998m) of investment over four years.

5.3. Decisions on the Capital Programme have an impact on the Revenue Budget, in relation to:

- The revenue costs of financing capital, including prudential borrowing; and
- The ongoing running costs and/or income generated by new capital assets such as buildings. Capital investment decisions therefore have implications for the Revenue Budget.

5.4. The 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 the financial plans and to demonstrate that the capital investment is affordable. The revenue and capital budgets are integrated with the financial impact of the proposed Capital Programme, being reflected in the Revenue Budget estimates, however costs may be amended during the lifetime of the capital programme due to the complex nature of the schemes.

5.5. 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.

5.6. The efficient and effective use of capital resources, including sound asset management, is fundamental to achieving the Council 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.

5.7. 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.

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

- i.* To maintain a four-year rolling Capital Programme which remains within the approved affordable, sustainable and prudential limits.
- ii.* 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.

- iii. To identify opportunities for investment in new schemes that result in capital growth and/or new revenue income streams.
 - iv. To maximise available resources by actively seeking external funding to support Council priorities and disposing of surplus assets; and
 - v. To use internal resources alongside external resources where appropriate to support the Capital Programme and minimise any borrowing costs.
- 5.9. That 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.

Housing Revenue Account Capital Programme

- 5.10. The draft HRA Capital Programme forms part of the HRA Business Plan that will be presented to Cabinet in February 2024. Resources to fund the Programme are largely generated through housing rents and are detailed with the HRA Business Plan. Appendix 4 provides a summary of the HRA capital programme over the four years 24/25 to 27/28 totalling £78.998m.
- 5.11. The Council tenants' group, Residents Voice have been consulted on the Housing Revenue Account (HRA) Revenue Budget and Rent Setting 2024/25 and HRA Capital Programme 2023-28. The proposed rent increase reflects the requirements under The Direction on the Rent Standard 2019 together with the Rent Policy Statement for Social Housing February 2020.

6. Reserves

- 6.1. Appendices 4A, 4B, 4C & 4D set out the use of reserves based on the implementation of the relevant option. Prior to the issues relating to EA/TA placements it was anticipated that the Council would utilise up to £2.656m of earmarked and general reserves. The options below highlight the additional reserves required depending on the following outcomes.

6.2. Option A

- 6.3. This assumes that the Department of Levelling Up Housing & Communities recognise and directly funds the increased number of homelessness and temporary accommodation placements activity from 2023/24 onwards.

- 6.4. Therefore, the Council would utilise up to £2.656m of earmarked and general reserves as described above.

6.5. Option B

- 6.6. This assumes the application for EFS is successful but does not include the ability to increase Council Tax above the pre-referendum rate of 2.99%.

- 6.7. Total additional reserves of £1.716m would need to be utilised in 2023/24 and in 2024/25 the Council would be able add £0.115m back to reserves resulting in total reserve balance at 31 March 2025 of £6.406m.

- 6.8. The projected General Fund Reserves balances of £3.231m at the end of 24/25 would therefore be above the existing minimum reserve level of £2m and ensure the council is

more resilient to future economic and demand shocks and ensure the robustness and sustainability of the councils' finances.

6.9. Option C

6.10. This assumes the application for EFS is successful and includes the ability to increase Council tax to a level above the pre-referendum rate of up to 7.99%.

6.11. Total reserves of £1.716m would need to be utilised in 2023/24 and £0.171m would be added back to reserves in 2024/25 resulting in total reserve balance at 31 March 2025 of £6.462m

6.12. The projected fund balance of £3.231m would therefore be above the existing minimum reserve level of £2m and ensure the council is more resilient to future economic and demand shocks and ensure the robustness and sustainability of the councils' finances.

6.13. Option D

6.14. This assumes that the application for EFS has been unsuccessful and as a result the council is required to utilise a significant level of its earmarked and general fund reserves in 2023/24 and 2024/25 to ensure the council is able to set a balanced budget.

6.15. Additional Earmarked Reserves of £3.370m and General Fund Reserves of £0.994m would need to be utilised in 2023/24 and a further £0.547m and £1.545m of Earmarked and General reserves in 2024/25 resulting in total reserve balance at 31 March 2025 of £1.362m of which General Fund Balances outstanding would total £0.809m

6.16. The projected General fund balance of £0.809m would therefore be below the existing minimum reserve level of £2m and whilst the result would be a balanced budget in 2024/25, it would significantly reduce the council's resilience to future economic and demand shocks and put at risk the robustness and sustainability of the councils' finances.

7. LEGAL IMPLICATIONS

7.1. Section 151 of the Local Government Act 1972 requires that every local authority make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs.

7.2. 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.

7.3. 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.

8. FINANCIAL IMPLICATIONS

8.1. These are covered within the main body of the report Legal Implications 113. Section 30 of the Local Government Finance Act 1992 requires that a local authority 'must set a balanced budget and council tax before the 11th March in the financial year preceding that for which it is set'.

- 8.2. The Local Government Act 2000 Section 9 states that it is the responsibility of the full council, on the recommendation of the executive to approve the budget and related council tax demand.
- 8.3. The Local Government Act 2003, section 25 requires the Council's Section 151 Officer to report to the council on the robustness of the estimates made and the adequacy of the proposed financial reserves assumed in the budget calculations. This will be done at Council in February 2024 when the Budget is approved.
- 8.4. Failure to set a legal budget may lead to intervention from the Secretary of State under section 15 of the Local Government Act 1999.
- 8.5. 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.

9. RISK IMPLICATIONS

- 9.1. In Eastbourne Borough Council it has become increasingly apparent that the cost of making homelessness and temporary accommodation placements is totally disproportionate to the level of funding the Council would normally receive. This places a significant risk on the ability of the Council to set a balanced budget without the use of EFS or significant use of the Councils Earmarked and General Reserves.
- 9.2. Without EFS the council's resilience to future economic and demand shocks would be minimal and put at risk the robustness and sustainability of the councils' finances.
- 9.3. In addition, the Council would be in breach of its own policy in ensuring it retains absolute minimum levels of unallocated General Fund reserves of £2m throughout the period between 2024/25 to 2027/28.
- 9.4. To mitigate that risk the council would need to seek options to cease the majority of its discretionary services in order to be able to give the Council the chance to build back the reserves it would use to offset the pressures in 2023/24 and produce a balanced budget in 2024/25. It is estimated that to bring general reserves back to their minimum level the removal of discretionary services would need to generate £2m worth of savings.
- 9.5. In addition, the increasing cost of goods and services and the increased cost of servicing council capital investments will have an impact on the council's finances for the foreseeable future.
- 9.6. Aligned to that is the uncertain future around local government funding reform in a General Election year.

10. EQUALITIES AND FAIRNESS ANALYSIS

- 10.1. An Equality and Fairness Analysis has been undertaken as part of the budget preparation process.
- 10.2. We understand that the annual maximum increased proposed of up to £20 per annum will be challenging to those on low incomes. Should any increase be granted by DLHUC,

this is considered by this council a one-year increase, due to the exceptional costs of Temporary Accommodation of the past year and forecast for the coming year.

- 10.3. This authority does not wish to increase by such a high amount but feel it important to offer this to Government as a potential way of increasing the authority's resilience for future years, should they be unwilling to fully fund the cost of TA.
- 10.4. The Council is speaking to partners to discuss how we can provide other means of support to the most vulnerable, and as well as working with partners, will also be consulting this year on a 100% council tax reduction scheme for future years.
- 10.5. Otherwise, it is not anticipated that there will be any issues which will have an adverse impact on those from protected groups.
- 10.6. However, more detailed analysis will be undertaken once the budget is agreed, to ensure that any budgetary changes to services do not inadvertently create discriminative impact on those with protected characteristics, or that any potential discriminative impact is fully mitigated by proactive measures.

11. CONCLUSION

- 11.1. The Council faces considerable financial challenges in the medium term, primarily relating to changes and uncertainty in both public finances and the wider economic environment.
- 11.2. A capitalisation direction does not solve the budget gap on an on-going basis, it is simply the only mechanism available and offered by DLUHC that provides the Council time to continue to work towards sustainable solutions.
- 11.3. If a capitalisation direction is not financed from capital receipts it will add to the financial pressures, with borrowing from the Public Works Loan Board (PWLB) attracting a premium of 1% over the standard rate.
- 11.4. The additional borrowing will need to be repaid over a 20-year period from 2025/26. A capitalisation direction of for example £10m, would cost the Council £0.5m per annum (pa) in minimum revenue provision (MRP) and approximately £0.6m pa in interest, a total of £1.1m pa unless this can be funded from asset disposals.
- 11.5. If the gap is not resolved for 2025/26 then another capitalisation direction would need to be sought, further adding to the ongoing pressures.
- 11.6. The very stark and challenging financial position that the Council faces is well documented, with the cost of delivering services increasing significantly faster than the income it receives particularly in relation to Local Housing Allowance. It is widely recognised that the funding mechanism for local government is broken and needs urgent reform.
- 11.7. Councils cannot continue to provide and operate services in their current format and rapid, radical, change is required to local government finances if they are to remain financially sustainable.

12. Appendices

- Appendix 1A Medium Term Financial Strategy 2024/25 to 2027/28 (Option A)
- Appendix 1B Medium Term Financial Strategy 2024/25 to 2027/28 (Option B)
- Appendix 1C Medium Term Financial Strategy 2024/25 to 2027/28 (Option C)
- Appendix 1D Medium Term Financial Strategy 2024/25 to 2027/28 (Option D)
- Appendix 2A Budget Summary by Directorate & Service 2024/25 (Option A)
- Appendix 2B Budget Summary by Directorate & Service 2024/25 (Option B)
- Appendix 2C Budget Summary by Directorate & Service 2024/25 (Option C)
- Appendix 2D Budget Summary by Directorate & Service 2024/25 (Option D)
- Appendix 3A Budget Summary by CIPFA classification 2024/25 (Option A)
- Appendix 3B Budget Summary by CIPFA classification 2024/25 (Option B)
- Appendix 3C Budget Summary by CIPFA classification 2024/25 (Option C)
- Appendix 3D Budget Summary by CIPFA classification 2024/25 (Option D)
- Appendix 4A Reserves Analysis (Option A)
- Appendix 4B Reserves Analysis (Option B)
- Appendix 4C Reserves Analysis (Option C)
- Appendix 4D Reserves Analysis (Option D)
- Appendix 5 General Fund & HRA Capital Programme 2023/24 to 2027/28
- Appendix 6 Proposed Fees and Charges 2024/25
- Appendix 7 Stability and Growth Savings

13. Background Papers

13.1. The background papers used in compiling this report were as follows:

- Local Government Finance Settlement 2024/25
- Draft Medium Term Financial Strategy 2024/25 to 2027/28