

Report to: Cabinet

Date: 18 September 2024

Title: Stability and Growth Programme

Report of: Robert Cottrill, Chief Executive

Cabinet member: Councillor Stephen Holt, Leader of the Council and Chair of Cabinet (Community Strategy, Local Strategic Partnership, the Corporate Plan, Performance and Staff)

Ward(s): All

Purpose of report: To set out key savings proposals to address the exceptional financial challenges currently being experienced by the council

Decision type: Key

Officer recommendation(s): Cabinet is recommended to:

- (1) Note the establishment of the Strategic Finance Programme, replacing the Stability and Growth Programme.
- (2) Approve the proposals set out at paragraph 3.1, to enable budget reductions to be achieved in the current financial year.
- (3) Authorise the arrangements (as set out at paragraphs 3.3 and 3.4) for public consultation, partner engagement and equality and fairness analysis, ahead of final decision at the next Cabinet meeting.
- (4) Agree the new policy for flexible use of capital receipts appended to this report, and recommend the adoption of the policy to Full Council.
- (5) Delegate authority to the Chief Executive, in consultation with the Leader and Portfolio Holder for the relevant decision, to take all necessary actions to implement the decisions, including any final amendments to the draft consultation document.

Reasons for recommendations: Following the Assurance Review undertaken in July/August 2024, and in light of the exceptional financial challenges being faced by the council, there is a need to bring forward a range of significant savings to meet the council's funding gap.

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1 Introduction

- 1.1 For the past four years, through its Stability and Growth Programme the council has sought ways to manage its financial challenges.
- 1.2 Since 2011, the council has found savings and efficiencies, as well as additional income, which has offset the need to reduce frontline and discretionary services, along with other pressures experienced over that period. This was in response to the council's spending power being reduced significantly over the last 14 years, most notably through the government's phased reduction of the revenue support grant previously received by the council, **from £10m in 2010 to zero since 2019**. Instead, the council receives £3.4m of business rate income which is quite volatile and subject to change.
- 1.3 Increased demand in levels of homelessness and temporary accommodation placements are the principal reasons for the current challenges, compounded by high interest rates, reduction in business rates income and inflationary pressures.
- 1.4 Eastbourne Borough Council (EBC) has led a year-long national campaign lobbying the government about the human and financial crisis created by spiralling homelessness and the high costs of temporary accommodation. The council has been spending £4.5m on temporary accommodation, which equates to 49p in every £1 collected in council tax.
- 1.5 The council is not alone in dealing with this emergency, with many authorities in recent weeks and months announcing that they are having to make severe cuts to services.

2 The Strategic Finance Programme

- 2.1 Significant savings, efficiencies and increased income generation have been achieved through the Stability and Growth programme. However, it is recognised that at this point further savings are required which are to be achieved through a new Strategic Finance Programme. This will, at pace, address the outstanding financial pressures with a substantial package of budget reductions.
- 2.2 Savings of £3.053m were budgeted for in 2024/25. This programme has been very successful but is not sufficient in itself to address the full extent of the budget shortfalls the council is experiencing.
- 2.3 Continued high levels of homelessness have been accommodated in the past three years by repeated calls on the council's reserves. This has totalled over £10m since 2021.
- 2.4 The council receives a subsidy from the government when people are placed in temporary accommodation, but the subsidy levels were frozen by the government in 2011, and this has greatly exacerbated the council's financial burden.

- 2.5 Because of this, the council has also had to accept Exceptional Financial Support arrangements from the government by taking on additional borrowings of £3m in 2023/24 and a further £3m in 2024/25.

Reserves have reduced to a very low level and no further calls can be made on them therefore, the council is forced to make a series of service reductions in order to deliver a balanced budget for 2025/26.

- 2.6 When considering the council savings required, the following guidelines are being considered, where possible:
- a) Prioritising services that it has a **statutory duty to deliver**
 - b) Prioritising services that provide **directly for those most in need**
 - c) Seeking opportunities to make **reductions (temporary where possible)** which can be reinstated once budgets allow

- 2.7 The Stability and Growth Member Board has been augmented to include three Independent Panel members. Cabinet was advised of this at its last meeting in July. The augmented Board has also taken on the new title of Strategic Finance Member Board, reflecting the new emphasis within the programme. The contents of this report will be considered by this Board ahead of the next meeting (on 17 September 2024).

- 2.8 The Board will continue to fulfil its role overseeing the delivery of the Strategic Finance Programme, focusing on the existing Stability and Growth savings, alongside the new savings proposals set out in the next section of this report. The Independent Panel will undertake the role of 'critical friend' within the Board whilst also having a duty to report to government on the council's progress.

3 Savings proposals

- 3.1 Using the principles set out at paragraph 2.6 above, Cabinet is asked to consider and approve the following areas for immediate spending reduction:

Non-statutory Services:

- **Devonshire Quarter theatres**

Following previous consideration by Cabinet of alternative governance arrangements for the Congress and Devonshire Park theatres to secure financial and cultural benefits, work has been progressing to transfer the theatres to a Local Authority Controlled Company (LACC). It was anticipated that a LACC would then enable the theatres to transfer to an alternative model of governance once detailed financial modelling had been undertaken. A shadow Board of the LACC has been established and is making a valuable contribution to the development of the Eastbourne Theatres offer. However, the financial risk in this model remains with EBC thereby creating further financial pressures for the authority.

In this context, it is proposed that an external theatre operator will be sought with the aim of a transfer by April 2025. This is expected to be financially advantageous for the authority providing additional investment and expertise to run our theatres, whilst reducing the subsidy and risk to the authority..

The theatres are a non-statutory service, however they have a significant and highly valued economic impact on the town forming an important part of Eastbourne's tourism and cultural offer, so every effort is being made to secure their ongoing future.

- **Devonshire Quarter conference and catering**

Following a comprehensive expression of interest process for conference and catering services within the Devonshire Quarter, the council entered an exclusive period of negotiation with a private operator to explore the terms of an agreement. Negotiations have now reached a decisive stage. Live discussions are taking place at the time of writing this report to understand the impact and consequences of the theatres' transfer process on these negotiations given the interconnectivity and interdependencies of the buildings.

As above, these are non-statutory services however EBC is aware that the provision has a positive, highly valued economic impact on the town and forms a core part of the council's tourism offer, so every effort is being made to secure their ongoing future.

- **Events and seafront services**

We recognise the important role of our Events and Seafront Team in ensuring Eastbourne enjoys a busy diary of entertainment and events throughout the year for local residents, businesses and visitors.

However, whilst we understand the significant value of this team in providing world class events for the benefit of our local economy, national government do not deem this to be a statutory service.

An initial exercise has already been undertaken to reduce the cost of events and staffing, and a further review of the operating model and ways of working is underway to ensure sufficient income generation to cover the costs of this service.

- **Estates and other assets**

Income generation opportunities will be progressed through disposal and lease agreements with third parties. The Council will continue to make best use of assets, including disposal, lease, income maximisation and alternative delivery models. Extensive work has already been carried out on our estates, including a long-term lease of the Golf Course as well as the former Pavilion and Stage Door.

- **Towner**

The Towner will receive an immediate, in year, reduction in grant support from the council. This ensures our contractual commitments with other funding agencies are adhered to (including Arts Council England), whilst also recognising the additional burdens that the Towner will be expected to undertake as a result of the storage of heritage collection. A further (and increased) reduction will take place in 2025/26.

- **Heritage service**

Immediate closure of the Beachy Head Story and heritage service. We will protect the council's heritage collection by transferring it to the Towner who will ensure this is appropriately retained, stored and curated. The collection will continue to be owned by EBC (which mirrors the position with EBC's art collection that Towner looks after). The council will also explore options for the future of the Beachy Head Story building.

3.2 In addition, also in line with the principles set out at paragraph 2.6, Cabinet is asked to note the following proposals, which are subject to public consultation, partner engagement and a full equality and fairness analysis given their potential impact on local people, and particularly those from protected groups. The proposals will be brought back to the next meeting of Cabinet in November, for further consideration, when the above actions will be completed.

It is important to note that all the proposals listed below have previously been adopted by other authorities across the country to reduce the expenditure of the council and increase financial resilience.

- **Public conveniences**

We understand the importance of public conveniences (toilets) across the town, both to residents and tourists.

Last year, the cost of providing public conveniences was in excess of £300,000, and this cost increases annually (with rising utility, salary and supply costs).

There are a number of challenges associated with the operation of public conveniences, including:

- Anti-social behaviour and vandalism increase costs. In 2023/24, repairs of the public conveniences cost the council over £100,000.
- The age and condition of a number of the council's public conveniences means significant investment is required to extend their use and to mitigate increased maintenance costs.
- A high number of complaints are received about the condition of and the impact of misuse on the council's public conveniences.

The current operating model is both expensive and provides genuine scope for improvement.

In light of the above, we will, subject to consultation, adopt a new community toilet scheme, using the best examples of other authorities which will, :

- Protect the overall level of public convenience provision in the town ,
- make the best use of council resources,
- increase the quality of provision, and
- improve the resilience of the public conveniences in managing anti-social behaviour and vandalism.

- **Street cleansing**

The council is committed to the high standard of street cleanliness across the town. At present, the town centre, seafront and high footfall areas are prioritised and will continue to be so whilst a review of some of the other areas takes place as well as current non-statutory services that are provided. For example, EBC currently subsidises weed control on pavements within the Borough which is a County Council responsibility. Unless there is sufficient financial support from the County Council, this service will revert back to them.

In addition, greater fines will be placed on those who fly poster, fly tip and graffiti the town to act as a deterrent. |

- **Grounds maintenance**

We have received a number of complaints from the public with regards of the current provider of the service. We will deliver a targeted enhancement by focusing on core services (including working with community groups to explore jointly prioritised plans for key locations across the town).

- **Customer service**

Following significant upgrades to the council's systems, new online forms and ways to apply for different services will become functional from this month. A review of customer service will be undertaken to ensure that telephone and face to face services will continue at the times when most people use them. This may reduce opening hours. Many other councils have already undertaken such reviews and adjusted opening times accordingly, without significant impact on customers. The review will also explore how the online service offer can be further enhanced to provide 24/7 access to a wider range of services without needing to call the council.

- **Car parking**

Charges to use EBC operated car parks across the town are a source of income for the council and, following 8 years without price increases, a review of the levels of car parking charges and the hours of operation will support the council in responding to the current financial challenges. The review will benchmark any proposal for increases against other local car parks not operated by EBC and will explore opportunities for further income generation.

- **Sovereign Centre**

The age of the centre means that significant investment is required in key aspects of the infrastructure. The plant and equipment supporting the fun pool is now end of life and requires replacement soon.

The centre, as a whole, is expensive to run, and this year the Sovereign Centre is projected to spend £424,000 (including corporate landlord costs), with the fun pool being a significant proportion of the cost, in addition to the (as yet unbudgeted) significant capital costs of plant replacement currently needed.

It is proposed, therefore, to consider different options for the future of the centre, including rationalising the number of pools available, whilst protecting swimming lessons, school swimming, and structured sessions such as lane swimming. Transferring the facility to Wave Active in 2025 will enable them to take the facility forward, alongside the recently opened Hillbrow Health and Wellbeing in Meads.

- **Rent support and other grant reductions**

In light of the financial challenges being faced, all EBC grants (including Rent Support Grant) will be subject to a review to ensure that they remain financially sustainable, and that they continue to support the council's priorities.

- **Town Hall**

With its rich history and deep connection to local public life, the Town Hall is an important symbol of Eastbourne. At nearly 140 years of age, the building is costly to operate and requires significant investment to maintain it as a working and functional building for the town, the council and its tenants. Any investment in the Town Hall would be in addition to the costly roof replacement and clock tower repairs undertaken in recent years to address potential health and safety risks. A review of the Town Hall will explore how to reduce the running costs and the capital investment that would be required over the coming years.

- **Splash Pad, Princes Park**

Following affordability challenges to the splash pad in Princes Park opening in the summer of 2024 (with a one-off externally funded solution being found part way through the season), a review of the future of the splash pad in Princes Park will be undertaken. Options for future sponsorship of the facility will determine whether it will be possible to open for the 2025 season and beyond.

Consultation arrangements

- 3.3 A full public consultation on the proposals at paragraph 3.2 will be carried out for a six-week period ahead of November Cabinet. A draft version of the consultation document is appended for Cabinet's consideration (Appendix 3). The consultation process will include the attached document being available online and paper copies. Residents will also be able to request this in different languages and formats. The council will use a range of online and offline communications channels to encourage participation in the consultation.
- 3.4 Community groups that represent people with protected characteristics, as defined by the Equality Act, will also be contacted directly to invite a response to the consultation. The council will offer to meet with community groups during the consultation period to discuss the proposals.

Further savings

- 3.5 In addition to those items listed above, there will continue to be further efficiencies made to back-office services during a series of fundamental service

reviews across all areas of the council's business. This will ensure the council is being as streamlined as possible in its processes. This will include a general review of non-statutory services to determine the scope for further savings.

3.6 Alongside savings in revenue spending, the council continues to actively consider the cost of its capital expenditure and opportunities for disposal of assets in order to pay back the amounts borrowed for the Exceptional Financial Support arrangements, and to start rebuilding its reserves. This is an essential part of the council's programme to deliver a balanced budget for 2025/26 and a sustainable financial position in the future.

3.7 Taken together, these service reductions will assist the council in working towards achieving the savings required to deliver a balanced budget in 2025/26, and achieving sustainable medium term financial position. Further detail on the savings it is proposed will be delivered through the service reductions can be found in Appendix 2.

4 Flexible Use of Capital Receipts

4.1 Attached at Appendix 1 is a draft policy for flexible use of capital receipts. This document enables the council to use income from the sale of certain assets to fund the short-term revenue costs that support transformation, invest-to-save and efficiency projects in order to provide revenue savings in the future. To make use of this provision, authorities must submit to the Secretary of State a Flexible Use of Capital Receipts Strategy setting out how the provision will be applied during the financial year. Appendix 1 proposes a Flexible Use of Capital Receipts Strategy for 2024-25 to support the Stability & Growth Strategy.

5 Assurance Review

5.1 The council was subject to a third Assurance Review in August 2024. This was a condition of receiving Exceptional Financial Support for 23/24 and 24/25. The review lasted for around 10 days and made a very thorough assessment of the council's financial and governance situation.

5.2 At the time of writing, formal feedback has not been received.

6 Financial appraisal

6.1 Significant savings and efficiencies have been achieved through the Stability and Growth Programme. However, more significant and very urgent savings are required, and these will be achieved through the new Strategic Finance Programme. This will identify and deliver additional savings over and above what has already been identified to ensure that the council can balance its 24/25 budget without the need to draw down on the general reserves, to enable the council to set a balanced budget in 2025/26 and to be able to build back its reserves over the medium term. If the council does not take immediate action to identify savings and efficiencies, the council's financial position will soon become unsustainable and at risk of issuing a section 114 notice.

7 Legal implications

- 7.1 Legal advice has been taken, and will continue to be taken, in respect of specific actions arising from the assurance review and to support the activities of the Stability and Growth programme.

Disposals and leases of assets will be subject to section 123 Local Government Act 1972 requiring the council to obtain the best price reasonably obtainable.

Any existing contractual commitments will be reviewed to ensure that decisions are in line with commitments.

In relation to the proposals outlined in paragraph 3.2, the council is ensuring that it consults so that steps are taken to secure that the representatives of local people are involved in the exercise of its functions.

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8 Risk management implications

- 8.1 The risks within the Stability and Growth programme are regularly assessed and managed as part of programme/project management activities. This will continue to be the case as the new Strategic Finance Programme develops. The identification and management of significant risks in relation to the programme will be reported, along with mitigation plans to address them, as appropriate.

9 Equality analysis

- 9.1 Cabinet is reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to (i) eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010, (ii) advance equality of opportunity between people from different groups, and (iii) foster good relations between people from different groups. Equalities analysis will be completed as noted below to ensure the decision-making process is fair and transparent.

- 9.2 An equality and fairness screening will be undertaken covering all the savings set out in this report. A further detailed analysis will be undertaken where necessary. The results of this will be reported at the next Cabinet meeting.

10 Environmental sustainability implications

- 10.1 The proposals in this report do not adversely impact on the council's long-term carbon reduction aims, as set out in the EBC Climate Emergency Strategy.

11 Appendices

Appendix 1 – Flexible Use of Capital Receipts Strategy for 2024-25
Appendix 2 – Savings to be delivered through the service reductions
Appendix 3 – Have your say on council savings proposals DRAFT

12 Background papers

None