

**Report to:** Cabinet

**Date:** 12 February 2025

**Title:** General Fund Revenue Budget 2025/26 and Capital Programme

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

**Cabinet member:** Councillor Daniel Butcher, Cabinet Member for Finance

**Ward(s):** All

**Purpose of report:** To agree the General Fund Budget 2025/26, updated Medium Term Financial Strategy and the updated Capital Programme and Treasury Management position.

**Decision type:** Budget and Policy Framework

**Officer recommendations:** Members are asked to recommend the following proposals to Full Council:

- 1) The General Fund Base Budget 2025/26 and projected MTFS as set out in Appendix 1.
- 2) An increase in the Council Tax for Eastbourne Borough Council of 2.99% resulting in a Band D charge of £286.04 for 2025/26.
- 3) The revised General Fund & Housing Revenue Account Capital Programme 2025/26 as set out in Appendix 4.
- 4) The rates of Fees & Charges proposed within Appendix 6 to apply from 1 April 2025 and to implement changes to statutory fees and charges for services when notified by Government.
- 5) To note the Section 151 Officer’s comments as outlined in the report.

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

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## 1. BACKGROUND

- 1.1 This year's budget is set within the context of continuing financial challenges for the council with the ongoing impact of the inflationary and cost-of-living pressures still keenly felt. Following the general election in July 2024, the new Chancellor delivered her Budget on 30 October aspiring "to fix the foundations to deliver on the promise of change after a decade and a half of stagnation". The key headlines included:
  - Chancellor protects public services as departments' day-to-day spending set to grow by an average of 3.3% in real terms between 2023-24 and 2025-26, including increase of more than £22 billion for health to help bring down waiting lists.
  - Budget will restore economic stability and begin a decade of national renewal, providing a boost to public investment by over £100 billion over the next five years across roads, rail, schools and hospitals whilst keeping debt on a downward path.
  - No change to working people's payslips as income tax, employee national insurance and VAT stay the same, but businesses and the wealthiest asked to pay more.
- 1.2 On 28 November, the Ministry for Housing, Communities and Local Government (MHCLG) issued a Policy Statement outlining the key aspects of the provisional financial settlement for 2025/26.
- 1.3 Announced on 18 December, the provisional settlement for 2025/26 offered local authorities £69bn in funding, representing a 6% cash terms increase and a 3.5% real terms increase in their core spending power compared to 2024/25.
- 1.4 The government stated that next year's settlement delivers over £2bn in additional funding, comprising the £1.3bn announced in the Autumn Statement and the £700m announced as part of the provisional settlement.
- 1.5 The £700m increase in funding, includes a further £200m in the Social Care Grant for 2025/26, £515m of new funding to support councils with the costs associated with the increase in employer NICs, and a £13m uplift in the Children's Social Care Prevention Grant.
- 1.6 The funding to offset higher NIC costs comes after criticism that November's finance policy statement failed to account for additional expenses related to changes in the minimum wage and employer NICs announced in the Autumn Statement.
- 1.7 The news of the additional funding in the finance settlement also comes after it was reported that local authorities in England faced a combined budget gap of £2.3bn for 2025/26, rising to £3.9bn in 2026/27.
- 1.8 As before, Districts have fared least well, with many district councils seeing no core spending power increases. Overall, core spending power across districts has increased by 0.3%, well below the 6% average."
- 1.9 The provisional settlement also reaffirmed many measures outlined in the November policy statement, including the 3% council tax referendum threshold, a new £600m Recovery Grant, the reset of the Business Rates Retention System, and reforms to the funding system to better reflect relative needs and resources.
- 1.10 Additionally, government announced some changes to the methodology for allocating funding to local authorities with 2025/26 intended to be last year under the current funding

regime before multiyear settlements are introduced. Most councils have had to make difficult decisions, face reductions to their services and planned investments to offset current and expected future pressures.

- 1.11 A significant number of councils will need to draw down on their reserves in 2025/26 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 likely that some councils will seek government capitalisation direction to allow them to set balanced budgets in 2025/26.
- 1.12 For Eastbourne Borough Council the budget is again set with context of ongoing financial challenges for the council. Whilst the Council has taken significant steps in tackling these challenges, it continues to experience significant costs associated with its requirement to provide homelessness and temporary accommodation placements to protect the most vulnerable in our community.
- 1.13 These costs continue to be totally disproportionate to the level of funding the Council would normally receive, and an exceptional effort has already been made to reduce the number of placements at any one time from a peak in 23/24 of c370 to a level of c250 by December 2024.
- 1.14 Added to that are ongoing inflationary pressures that continue to be experienced even with recent reductions in the annual rates of inflation, a reduction in Business Rates income as well as the high cost of borrowing with rates continuing to remain elevated increasingly exacerbated by the requirement of the Council to borrow to fund ongoing Capitalisation (Exception Financial Support).
- 1.15 In tackling the financial challenges, the council has undertaken a number of initiatives to find efficiencies and savings from within support service functions, without resorting to making front line reductions, first with the introduction of stringent spending controls which resulted in "In Year" 24/25 Savings of £0.747m, then through the identification of additional savings (categorised as "Going Further Savings") totalling £0.813m in 2024/25 increasing to £2.552m in 25/26 then completing a round of Fundamental Budget Reviews during the autumn of 2024 which has identified a further £1.632m of savings in 24/25 and £1.869m in 25/26, resulting to a total cumulative savings of £7.612m.
- 1.16 Unsurprisingly, the complexity and extent of the various service and budget reviews requires a robust approach to monitoring, control and management of the savings identified and the associated risks.
- 1.17 To mitigate this risk the council has put place a number of steps, including the creation of a £1.4m contingency along with a small range of earmarked reserves, recognising the scale of the savings identified.
- 1.18 In addition, the council must ensure that it remains financially sustainable by maintaining as a minimum the existing unallocated GF reserve at its current level of £2.5m (subject to final outturn) across the MTFs period. The council have already used a significant level of earmarked reserves to balance its additional cost pressures in recent years, and any further use of reserves would leave the Council financially unsustainable.
- 1.19 Therefore, to reduce the risk of a S114 notice, and to maintain a necessary level of reserves the Council has held a series of discussions with the Ministry of Housing, Communities and Local Government (MHCLG) to seek a further round of Capitalisation

of up to £2m in 2025/26, and a further £1m in 2025/26. This is intended to mitigate the risk of delay in delivering the Council's integrated savings plan and to allow a more realistic timeline to transition out of Capitalisation.

1.20 Without Capitalisation the council will be required to utilise its limited reserves to balance its 2025/26 budget, however this will place the authority in a financial unsustainable position.

1.21 The report reflects this uncertainty by including an additional reserves analysis (Appendix 5b) which illustrates the impact on the Council's reserves on the basis that MHCLG refuse the Council's request for additional Capitalisation.

## **2 INTRODUCTION**

### **Eastbourne Borough Council 4-year Corporate Plan**

2.1 As in previous years the budget has been prepared in line with corporate priorities, as set out in the Corporate Plan.

2.2 The MTFS sets out the Council's overall financial strategy and focuses on both general fund and capital expenditure. This plan considers the financial climate at both the local and national level together with available resources and budgetary pressures in arriving at a financial strategy.

2.3 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.

2.4 This report sets out the Council's Final MTFS and associated spending plans for the four years 2025/26 to 2028/29. The reports cover all aspects of the Council's income and expenditure:

- a) General Fund revenue expenditure supported by the council tax income.
- b) Government grants and other sources of income including fees and charges
- c) the Council's Capital Programmes (General Fund and HRA) funded by capital receipts, grants, contributions and borrowing.

2.5 The proposed Medium Term Financial Strategy is summarised below and shown in more detail with changes making up each new year's budget at Appendix 1:

	2024/25	2025/26	2026/27	2027/28	2028/29
Eastbourne Borough Council	Revised Base for 24/25	Summary Net Budget			
	£000				
<b>UNDERLYING NET EXPENDITURE</b>	<b>15,639</b>	<b>19,202</b>	<b>17,961</b>	<b>17,599</b>	<b>17,707</b>
Service Proposals 25/26		1,219			
Going Further Savings		(2,552)			
Budget Review Savings		(1,869)			
Additional Capital Financing costs		678	485	304	192
Savings Risk Contingency Increase/(Decrease)		1,400	(850)	(200)	(200)
Reserve Transfers		0	500	500	500
EFS OR Use of Reserves		-2,000	-1,000	0	0
<b>REVISED EXPENDITURE</b>	<b>15,639</b>	<b>16,078</b>	<b>17,096</b>	<b>18,203</b>	<b>18,199</b>
Council Tax	-£9,919	-£10,347	-£10,608	-£11,010	-£11,427
Business Rates	-£4,927	-£4,983	-£5,113	-£5,225	-£5,335
Grants & Contributions	-£793	-£748	-£364	-£367	-£370
<b>TOTAL FINANCING Revised</b>	<b>(15,639)</b>	<b>(16,078)</b>	<b>(16,084)</b>	<b>(16,602)</b>	<b>(17,132)</b>
<b>BUDGET SHORTFALL/ (SURPLUS)</b>	<b>0</b>	<b>0</b>	<b>1,012</b>	<b>1,601</b>	<b>1,067</b>

2.6 The remaining projected shortfalls relating to 2026/2029 budgets will be considered as part of future years' Service and Financial Planning and budget review work.

2.7 For 2025/26, the Council has experienced a number of specific financial challenges,

- Core Spending Power- £0.4m increase

Illustrative Core Spending Power of Local Government:				
	2022-23	2023-24	2024-25	2025-26
	£ millions	£ millions	£ millions	£ millions
Settlement Funding Assessment	3.7	3.9	4.1	4.2
Compensation for under-indexing the business rates	0.4	0.6	0.8	0.8
Council tax requirement excluding parish precepts <sup>1</sup>	9.1	9.5	9.9	10.3
Local Authority Better Care Grants	0.0	0.0	0.0	0.0
New Homes Bonus	0.0	0.0	0.0	0.2
New Homes Bonus returned funding	0.0	0.0	0.0	0.0
Rural Services Delivery Grant	0.0	0.0	0.0	0.0
Transition Grant	0.0	0.0	0.0	0.0
Adult Social Care Support Grant	0.0	0.0	0.0	0.0
Winter Pressures Grants	0.0	0.0	0.0	0.0
Social Care Support Grants	0.0	0.0	0.0	0.0
Social Care Grant	0.0	0.0	0.0	0.0
Market Sustainability and Fair Cost of Care Fund	0.0	0.0	0.0	0.0
Market Sustainability and Improvement Funds	0.0	0.0	0.0	0.0
Lower Tier Services Grant	0.2	0.0	0.0	0.0
ASC Discharge Funds	0.0	0.0	0.0	0.0
Funding Guarantee	0.0	0.2	0.6	0.0
Services Grant	0.3	0.1	0.0	0.0
Domestic Abuse Safe Accommodation Grants	0.0	0.0	0.0	0.0
Recovery Grants	0.0	0.0	0.0	0.4
Children's Social Care Prevention Grant <sup>2</sup>	0.0	0.0	0.0	0.0
Funding Floor	0.0	0.0	0.0	0.0
Grants rolled ins	0.2	0.0	0.0	0.0
<b>Core Spending Power</b>	<b>13.7</b>	<b>14.6</b>	<b>15.5</b>	<b>15.9</b>

- Net Business Rates – remains volatile and difficult to accurately predict aspects the funding streams with the cost of appeals resulting in only a minor increase of £56k (1%) in comparison to the 2024/25 Base Budget.
- National Insurance Contribution - increases of £273k to National Insurance payments and a current expectation of receiving £195k adding an additional ongoing pressure of £88k for the council to fund.
- Interest Rates- the cost of Capital Financing remaining high contrary to previous projections and likely for longer periods than expected with the very real prospect of interest rates increasing again. This will have real implications on the council's ability to deliver its planned capital programme which will require further assessment.
- New Homes Bonus – an increase of £184k in NHB is expected.
- Unavoidable Growth proposals of £1.2m.
- Pay and Supply inflation- The increases in the cost of outstripping the Councils Government Funding or Fees & Charges increases.
- Additional Going Further Savings for full year effect of programme of £2.5m.
- Additional Fundamental Budget Review Savings for full year effect of programme of £1.9m.
- Details of all savings relating to 2025/26 Going Further & Fundamental Budget Review Actions are provided for information in Appendix 7.

The council has been able to balance the 2025/26 Budget with an assumption of Exceptional Financial Support of £2m in 2025/26. Without this (and approval is expected in February 2025) the Council will need to draw further on its Reserves. It is important for the council to remove and or reduce its reliance on Use of Reserves to ensure ongoing financial sustainability.

- Assumes cost of capital financing will increase over the period of the plan (see 4.22). Any changes to the interest rate assumptions must be managed by flexing and reprofiling of the capital programme.
- Furthermore, reduced Capital Financing Costs of £1.2m for 2025/26 are assumed based on an expectation of Asset Disposals under the *Going Further Savings* Programme agreed.
- Assumes cost recovery and or an uplift in discretionary fees and charges where possible averaging 5% to be implemented in 2025/26.
- Assumes a Council Tax increase of 2.99% for 2025/26, with increases of 2.99% applied throughout the remaining years of this MTFS. The rate of 2.99% has been confirmed in the Autumn Statement as the rate at which there is no requirement for a referendum.

- Assumes an increase in council house rents of 2.7% in 2025/26 in line with government guidelines and confirmed by the Regulator of Social Housing (Consumer Prices Index (CPI) on 30th September 2025 + 1%).

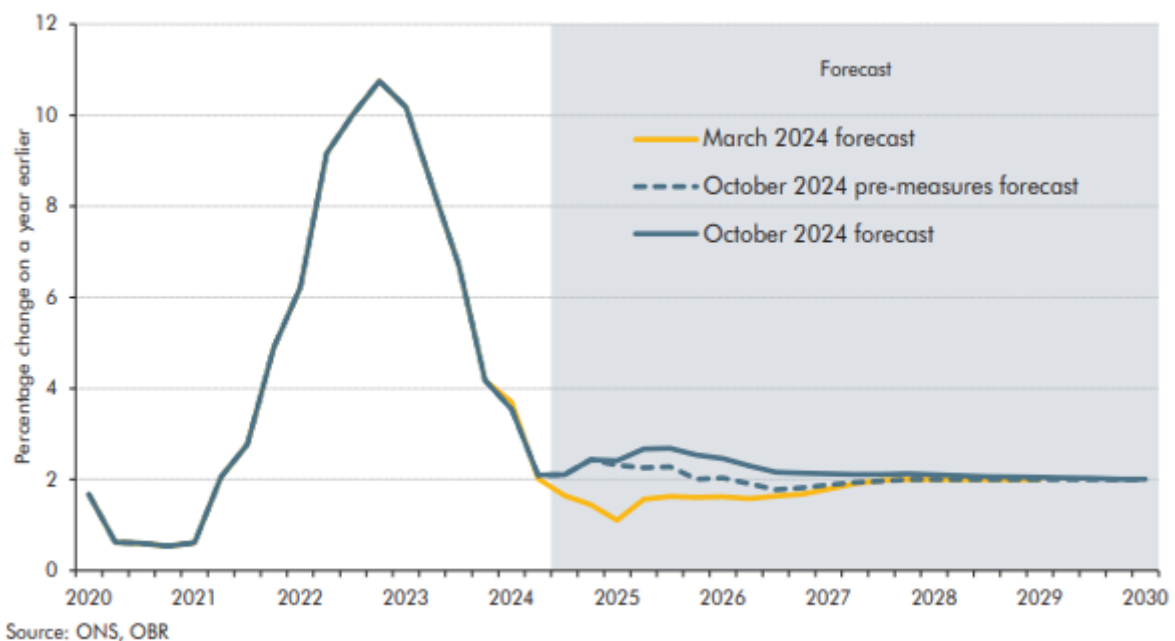
### 3 ECONOMIC CONTEXT, PRIORITIES AND BUDGET SETTING STRATEGY

3.1 This report sets out the Council’s financial plans for the period 2025/26 to 2028/29. The plans make assumptions about income from Government 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.”*

#### Economic Context

- 3.2 The UK economy has performed worse during 2024/25 than was widely expected at the beginning of the year although recent statistics show no growth over the last 6 months, reduced inflation and higher interest rates than expected which presents both challenges and risks with pay inflation expecting to considerably outweigh increases in government funding.
- 3.3 The September 2024 CPI inflation rate fell to 1.7% from a peak of 11.1% in October 2022, below the Bank of England target of 2%.
- 3.4 Interest rates however have not fallen significantly, and it is expected that there will be little movement in rates over the 2025/26 financial year.
- 3.5 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 2 years.

Chart 1: UK Inflation Forecasts



3.6 The Chancellor set out her growth assumptions in her Budget Statement and these have been used to inform increases in pay and prices throughout the MTFS period.

2025/26	2.5%
2026/27	2.6%
2027/28	2.2%
2028/29	2.1%

3.7 On the 22 November 2024 the Bank of England reduced the base rate to 4.75% (from 5%). The next decision will be in early February 2025. Link Asset Management, the Councils Treasury advisors, provide a forecast view of interest rate levels over a three-year period and is shown below:

Table 1: Interest Rate Forecasts from Dec 2024 to Dec 2027

Link Group Interest Rate View	11.11.24												
	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
<b>BANK RATE</b>	4.75	4.50	4.25	4.00	4.00	3.75	3.75	3.75	3.50	3.50	3.50	3.50	3.50
3 month ave earnings	4.70	4.50	4.30	4.00	4.00	4.00	3.80	3.80	3.80	3.50	3.50	3.50	3.50
6 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
12 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
5 yr PWLB	5.00	4.90	4.80	4.60	4.50	4.50	4.40	4.30	4.20	4.10	4.00	4.00	3.90
10 yr PWLB	5.30	5.10	5.00	4.80	4.80	4.70	4.50	4.50	4.40	4.30	4.20	4.20	4.10
25 yr PWLB	5.60	5.50	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.50
50 yr PWLB	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.40	4.30	4.30

3.8 The Council capital programme is heavily financed by 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.

### Autumn Statement 2024

3.9 The Chancellor’s Autumn Statement was announced on 28 November 2024.

The main implications for local Government were:

#### Council Tax

3.10 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

3.11 For 2025/26, the small business multiplier in England will be frozen for a fifth consecutive year at 49.9p, while the standard multiplier will be updated by September 24 CPI to 55.5.6p.

3.12 A lower 40% relief for Retail, Hospitality and Leisure properties will be in place in 2025-26. Permanently lower multipliers will be implemented for these properties from 2026/27.

3.13 High multipliers will be in place for any properties with a rateable value of £500k or more, targeted at raising more tax from large distribution warehouses.



3.14 English councils will be fully compensated for the impact of these measures and the cost of administering the changes.

3.15 A consultation has been launched on priority areas for reform to the system. Key points are:

- Changes to the system to support investment, including assessing efficacy of Improvement Relief and the impact of loss of Small Business Rates Relief on expanding to a second property.
- Government will consult on adopting a 'General Anti-Avoidance Rule' for business rates in England and review recent measures to discourage avoidance.
- Digitalising Business Rates changes will be implemented by place by March 2028.

3.16 Government is silent on a business rate reset, and when this may be implemented.

### **Capital Investment**

3.17 UK Shared Prosperity Fund will continue at a reduced level for a further year worth £900m.

3.18 Government is 'minded withdrawing funding' from the Levelling Up Culture Projects and Capital Projects announced at the Spring Budget 2024.

### **Social Housing**

3.19 Rents for Social Housing can be increased by 2.7% in 2025/26 being the maximum that can be applied and reflects Consumer Prices Index (CPI) on 30th September 2025 + 1%

3.20 Government will make 100% retention of Right to Buy (RTB) receipts permanent from 1st November.

3.21 RTB discounts will return to their pre-2012 levels from 21st November 2024.S

### **Local Housing Allowance**

3.22 Local Housing Allowance (LHA) will be not uprated in April 2025 to reflect 30% rents in the private rented sector. LHA will be frozen at 2024 rates.

3.23 Housing Benefit subsidy rates for temporary accommodation will remain at their current level.

### **National Living Wage**

3.24 This will increase for individuals aged 21 and over by 6.7% to £12.21 an hour from 1 April 2025.

### **Grants**

3.25 Homelessness Prevention - additional funding has been announced and it is assumed this will be increased in line with current grant allocations (an additional £488k) and then increase with CPI.

- 3.26 New Burdens (NI) – it is assumed that new funding will be made for increased NI expenses at the rate of pay.
- 3.27 New Homes Bonus – The Council is expected to receive approx. £184k in NHB for 25//26. This is currently under review.
- 3.28 Extended Producer Responsibility (EPR) will provide 1.6% real terms increase in funding in 2025-26. This will be on top of the underlying 3.2% increase in CSP. The Government will top up any difference between estimated fees and actual income for 2025-26 only. For 2025/26 EBC will receive £1.4m which will be moved to Reserves until it is clear what additional responsibilities are expected.

EPR will be treated as ‘new money’ for 2025-26 but it may be netted off in the finance settlement in future years.

### **Provisional Local Government Finance Settlement**

3.29 The Provisional Local Government Finance Settlement released on 19 December 2024. The settlement announced,

- **Council Tax** - As assumed 2.99% increase for second tier authorities.
- **Settlement Funding Assessment** – The September CPI figure of 1.7% has been applied to increase the local government funding amount within the business rates retention scheme and Revenue Support Grant.
- **Local Government Funding Reform** –The government published the consultation paper – Local Authority Funding Reform: Objectives and Principles. This is expected to inform future years settlements and further details are expected
- **National Insurance** – The government are to provide £515m to English councils in to offset the increase to employer NICS. A methodology note has been published, but individual authority allocations will not be published until the final settlement, because the Revenue Outturn (RO) data is not yet complete to enable allocations to be calculated.

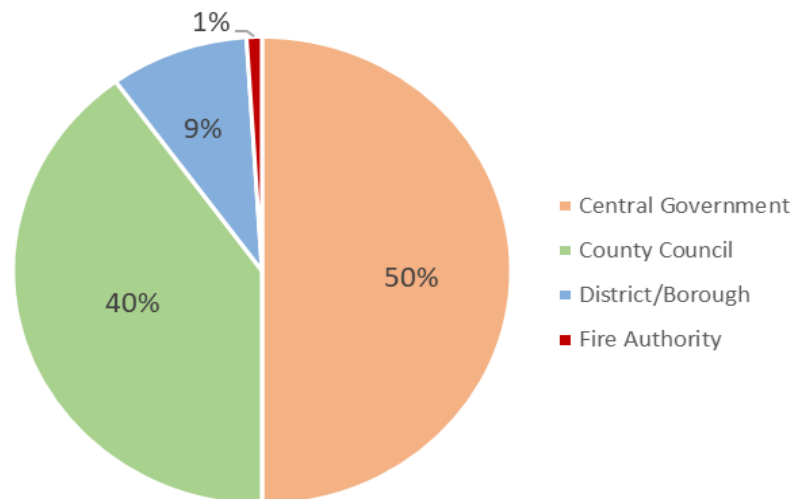
3.30 The Settlement announced some changes to service grants, the replacement of the previous Funding Guarantee Grant with a Funding Floor Grant (essentially around a 50% reduced allocation across England), the discontinuation of the Services Grant and the discontinuation of the Rural Services Delivery Grant.

## **4 GENERAL FUND REVENUE BUDGET - KEY ASSUMPTIONS**

### **Business Rates**

4.1 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.

Chart 3: Split of Business Rates



- 4.2 The Autumn Statement 2024 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 5 years and is now delayed again. Any proposals would need to go through a consultation process first and therefore could only take place from 2026/27.
- 4.3 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 will provide some consistency over the medium term until such time as future reforms are communicated by government and will be kept under review.

### East Sussex Business Rates Retention Pool Arrangements

- 4.4 For 2025/26 as in previous years the East Sussex Business Rates Pool consisting of East Sussex County Council (ESCC), Eastbourne Borough Council (LDC), Hastings 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.
- 4.5 Eastbourne Borough Council provisional benefits from the pooling arrangements amount are assumed to be £0.369m in 2025/26 which is a £0.002m increase to the 24/25 Base Budget.

### Council Tax

- 4.6 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 2025/26.

The recommendation is to increase council tax by 2.99% for 2025/26 with a further increase of 2.99% assumed for 2026/27. An annual increase of Council Tax by 2.99% in 25/26 represents approximately £0.393m of additional annual income to Eastbourne Borough Council.

## Investment Interest

4.7 On the 22 November 2024 the Bank of England reduced the base rate to 4.75% (from 5%). The next decision will be in early February 2025. It is assumed that the base rate will remain at this or near 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

4.8 Most budgets are cash limited. The Consumer Prices Index (CPI) rose by 1.7% in the 12 months to September 2024 (October 2024 2.3%/ November 2.6%). 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.

4.9 It is expected that this measure will remain similar during the next financial year.

## Pay Assumptions

4.10 The MTFs assumptions for pay increases for 2025/26 of £0.564m, have been provided for in the 2025/26 budget. These are held in a central contingency until agreed.

4.11 Pay related costs in the budget includes the following:

- Adjustment to the base budget to reflect the final 2024/25 staff pay award of £1,290 per FTE post up to SP43 and 2.5% for salaries above SP43, compared to the base budget assumption of 5%.
- Contractual increments where staff are not at the top of their pay grade for 2025/26.
- Increased NI employee contributions from 01/04/25 are estimated at £0.275m.

4.12 Inflationary assumptions and the associated budgeted value are as follows:

Table 4

Year	Budget Assumption (average rise)	Budget Provision Increments £m	Budget Provision Pay Award £m	Budget Provision Employers NI Increase £m	Total £m
2025/26	2.5%	£0.049m	£0.564m	£0.275m	£0.885m
2026/27	2.6%				£0.636m
2027/28	2.2%				£0.650m
2028/29	2.1%				£0.664m

## Pensions

4.13 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

4.14 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.

4.15 The 2022 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.

4.16 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.

4.17 For Lewes District Council the employer pension contribution rates for 2023/24, 2024/25, & 2025/26 will be 22.85% per annum, which were based on an annual primary rate of 23.9% reduced by 1.8% secondary rate plus 0.75% relating to the Early Retirement and Voluntary Severance (ERVS) Scheme.

4.18 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.

4.19 For 2025/26 this budget reflects the outcome of the 2022 Pension Fund Revaluation, and the funding options offered to employers by the Fund.

4.20 As part of budget-setting 2025/26, the approved approach will be:

- To pay the primary employer contribution rate at 23.9% 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 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 (effective from 2026/27).

### Capital Financing Costs

4.21 Capital financing for the draft Capital Programme (Section 5). Ref EFS and EHIC Interest income

	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>	<b>28/29</b>
Capital Financing Costs	£6.427m	£5.888m	£6.373m	£6.677m	£6.869m

## Budget 2024/25

- 4.22 At Q1 the Council reported a projected net overspend of £2.5m due to the backdrop of increased cost of goods and services, reduction in budgeted income and pressures in demand for services (in particular homelessness) being supported.
- 4.23 The Q1 net overspend has been built into the 2025/26 budget with the intention of alleviating any ongoing pressures for 2025/26.

## Contingencies

- 4.24 For 2025/26, contingencies are available to cover expected pressures within the budget. The following contingencies have been built into the budget for 2025/26.

	£m	
Cost of living (shared service contract)	£0.564m	Staffing Pay Awards expected in 2025/26
Contract Inflation	£0.200m	Contingency for inflationary increases to contracts
Savings Risk Contingency	£1.400m	Risk Contingency against extensive Savings Programme to reduce over term of MTFS
Service Pressures	£0.240m	Service Pressures
	<b>£2.404m</b>	

- 4.25 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

- 4.26 Discretionary Fees and Charges have been increased by 5% for 2025/26 with Statutory (i.e., set by Government) fees for Planning increases recently announced but not yet analysed. A 5% increase has been assumed for Planning fees.
- 4.27 Details of specific fees and charges increases in 2025/26 are given in Appendix 6 the impact of these has been incorporated into the budget which results in an increase in income of £0.326m.

## Budget Growth, efficiencies and pressures built into the budget.

	£m
Service Planning Growth (Ongoing)	1.2
Going Further Savings	(2.6)
Fundamental Budget Reviews	(1.9)
<b>Total</b>	<b>(3.3m)</b>

Appendix 3 details the Growth items built into the budget in 25/26.

## 5 GENERAL FUND CAPITAL PROGRAMME

- 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 General Fund Programme 25/26 to 28/29, shown in Appendix 4, details of £43.311m of investment including the current revised 24/25 Capital Programme which totals £25.228m<sup>1</sup>.
- 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.
- 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.

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<sup>1</sup> A scheme - GF Accommodation Program is included in the programme for an initial allocation of £3.317m in 2025/26 but is still subject to a strong business case being agreed.

- 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 2025. 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 25/26 to 28/29 totalling £106.108m. Also contained in the analysis is the current revised 24/25 Capital Programme which totals £18.830m

5.11 The relevant Eastbourne Tenants group have been consulted on the Housing Revenue Account (HRA) Revenue Budget and Rent Setting 2025/26 and HRA Capital Programme 2024-29. 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 LEGAL IMPLICATIONS**

6.1 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.

6.2 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.

6.3 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.

## **7 FINANCIAL IMPLICATIONS**

7.1 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 of March in the financial year preceding that for which it is set'.

7.2 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.

7.3 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 2025 when the Budget is approved.

- 7.4 Failure to set a legal budget may lead to intervention from the Secretary of State under section 15 of the Local Government Act 1999.
- 7.5 The S151 Officer will submit her Section 25 report on the robustness of estimates and adequacy of reserves to Full Council in February 2025. This report will be based on a detailed financial resilience and stress test of the Council's proposed income and expenditure plans.

## **8 RISK IMPLICATIONS**

- The adverse impact of a wider economic downturn on the council's resources and services
- The ongoing increase in cost of goods and services,
- The anticipated changes to the funding allocation methodology
- The risk of interest rate remaining high and the corresponding impact on the council's financial capacity to meet its capital financing
- The uncertainty around local government reorganisation and the anticipated devolution.

The council's Chief Finance Officer will consider these risks when finalising her report to full council in March 2025 in more detail and as part of her section 25 opinion. Having considered these risks and other issues around expenditure which are explained in the report the Council has been able to set a balanced budget in 2025/26.

## **9 EQUALITIES AND FAIRNESS ANALYSIS**

- 9.1 An Equality and Fairness Analysis has been undertaken as part of the budget preparation process. It is not anticipated that there will be any issues which will have an adverse impact on those from protected groups.
- 9.2 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.

## **10 CONCLUSION**

- 10.1 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.

### **10.2 Appendices**

Appendix 1	Medium Term Financial Strategy 2025/26 to 2028/29
Appendix 2	Budget Summary by Directorate & Funding Stream 2025/26 to 2028/29
Appendix 3	2025-26 Budget Growth
Appendix 4	EBC Capital Programme 2024/25 to 2028/29
Appendix 5a	Reserves Analysis (With Capitalisation)
Appendix 5b	Reserves Analysis (Without Capitalisation)
Appendix 6	EBC Fees & Charges
Appendix 7	Fundamental Budget Review Actions 25-26

## **Background Papers**

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

- Local Government Finance Settlement 2025/26
- Interim Medium Term Financial Strategy 2025/26 to 2028/29