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| Report to: | Cabinet |
| Date: | 1 November 2023 |
| 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 update cabinet on the Stability and Growth Programme |
| Decision type: | Non key |
| Officer recommendation(s): | Cabinet is recommended to note the report and agree in principle support to the proposed areas for savings set out at para 2.18, subject to further Cabinet decisions or delegated authority as appropriate. |
| Reasons for recommendations: | The Stability and Growth programme will work to drive improvement and efficiency, in line with the needs of the organisation, and also the recommendations made by the Assurance Reviews and the Local Government Association (LGA) Peer Challenge. |
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1 Introduction

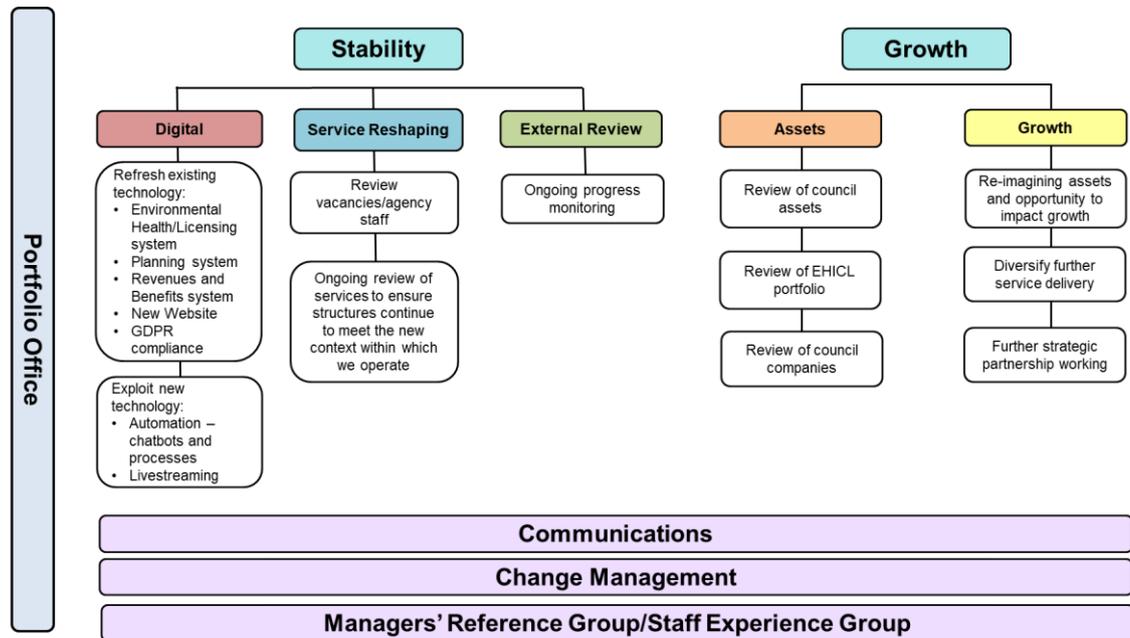
- 1.1 The covid pandemic, subsequent economic downturn and the ongoing cost of living crisis all put significant strain on the finances of the council. Building on its success in mitigating and managing the financial impacts of the pandemic, in response to the ongoing and deepening cost of living challenges, the council has extended its Stabilisation programme to monitor and address those challenges and to ensure the council remains on a stable financial footing. At its last meeting in July 2023, Cabinet agreed the continuation and further development of its previous transformation programme, with a new title of Stability and Growth.
- 1.2 This Stability and Growth Programme has been developed with a great deal of urgency over the last couple of months, with the aim of delivering significant savings both in the current financial year (2023/24) and for the 2024/45 financial

year, and beyond. Alongside this, the programme is working to ensure the council continues to respond to, and act on, external inspections and reviews. All this is being achieved while continuing with an ambitious programme of technological development to aid efficiency.

2 Stability and Growth

2.1 As was agreed at the July Cabinet meeting, the Stability and Growth Programme is made up of 5 pillars;

2.2



2.3 Stability

Under the 'stability' part of the programme, the council has continued to make good progress with its *digital transformation* work.

- Following the success of the next generation chatbot being launched on the website and on limited council phonelines in 2022, the next phase of the project is commencing to add the chatbot onto more council phone lines. This will provide customers with increased choice in when and how they interact with the council and access services.
- Projects to replace legacy IT systems for key service areas (eg. revenues and benefits, environmental health and licensing) are progressing well and, once implemented, will improve the customer experience through increased self-service, and will deliver efficiencies for the colleagues providing these services.
- The work to explore a preferred provider and solution to replace the current planning system will reach a decision point over the coming weeks. Once a decision has been made, the project will move into its implementation phase and the full benefits appraisal will be completed.
- The project to replace the council's website is underway and engagement opportunities for customers, members and staff will be shared shortly. The

new website will improve the digital offer for those who wish to engage with the council electronically.

- 2.4 *Service reshaping* also forms an important part of the stability work, where changes in service structures will help to achieve budget efficiencies. The table below at para 2.16 sets out the expected savings to be achieved through this part of the programme.
- 2.5 The final part of the stability work has focused on the two *external reviews* recently provided to the council. The first of these, the LGA Peer Challenge, made suggestions for 13 areas of improvement. Good progress has been made to address these, as can be seen at appendix 1 of this report.
- 2.6 The second set of recommendations arose from a more recent, government commissioned Assurance Review, entitled a Rapid Finance Review. This was undertaken by the Chartered Institute of Finance and Accountancy (CIPFA) and followed a previous, more substantive review in 2020. The 2020 review arose as a result of the council receiving Exceptional Financial Support (EFS) following the pandemic. This follow up review was much lighter-touch in nature, given the council's success in addressing the issues of the earlier review. Only four recommendations were made and a report setting these out was received by Cabinet in September this year. A summary of those recommendations, and progress to address them, is set out at appendix 2.
- 2.7 Growth
- The 'growth' elements of the programme have also been progressing well. The council's assets have been under regular review by the council's Strategic Property Board. The purpose of these reviews has been to ensure that the council only retains assets where there is a clear strategic or financial purpose for doing so, and that expenditure in relation to asset management is proportionate and adds value. As is referenced in appendix 2, an updated Asset Strategy will be presented to Cabinet in December providing more information on this matter.
- 2.8 Amongst those assets that are currently being assessed is the council-owned golf course. Alternative operating models are currently under active consideration, with an aspiration to move away from the asset operating on a deficit, as is currently the case. Further work needs to be undertaken, however, to determine the most desirable way forward.
- 2.9 The second element of the growth workstream is around the future of the Eastbourne Housing Investment Company (EHICL). This council owned company has been very successful in developing a portfolio of properties in the town let for both commercial and residential purposes. In line with both the assurance review and the LGA Peer Challenge recommendations, the best options for the future of this company are currently under review.
- 2.10 Also under review are the future possible options for Eastbourne Homes Limited (EHL). Found elsewhere on this agenda is a fuller report on this matter.

2.11 A key element of the *growth* pillar is the work being done to move to a more sustainable form of ownership for different aspects of the council's tourism and leisure operations. This pillar has three main elements;

- a) The transfer of the Devonshire Park Theatres to a Local Authority Controlled Company (agreed by Cabinet in February 2023)
- b) The transfer of the Sovereign Leisure Centre and associated leisure services to Wave Active (agreed by Cabinet in July 2023), and
- c) The transfer of conference and hospitality services at Devonshire Park to a commercial operator (agreed by Cabinet in July 2023).

All three of these changes will result in removal of public subsidy, enabling the services to operate without cost to council tax payers and making a significant contribution to achieving the council's efficiency targets for 2024/25.

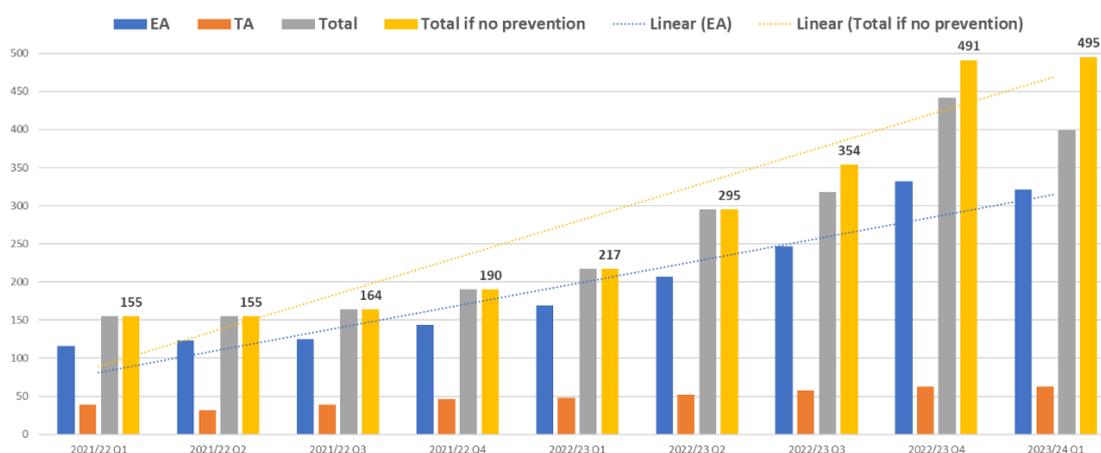
2.12 Following Eastbourne's success in securing Levelling Up funding from government, three programmes are being delivered which all contribute strongly to the growth aspirations of this part of the programme;

- Victoria Place – plans are in place to make Victoria Place a pedestrianised area between the seafront and Seaside. This will provide an improved public realm and an enhanced streetscape which will support a range of local businesses along this section of Terminus Road. The scheme is expected to be completed in Spring 2025.
- Towner Centenary – an ambitious programme of activities is being delivered throughout 2023, increasing the value of tourism to the town. This has included,
 - Investment to the top floor of the gallery ahead of the internationally recognised Turner prize exhibition.
 - A programme of legacy public artworks produced in collaboration with communities in the Langney and Devonshire wards.
 - A new restaurant and bar, called 'Light', with much improved catering facilities.
- Black Robin Farm – this project will deliver a world class culture and education centre at the former dairy farm, set on the Downs above the town, connecting the South Downs National Park with the Town Centre and Seafront, including,
 - Much needed creative industry workspace.
 - Gallery space to expand the Towner creative programmes.
 - A showcasing space for regional talent.
 - A learning and education centre prioritising arts, the environment and heritage.
 - Catering and events facilities.
 - Facilities for walkers and cyclists.

2.13 Homelessness crisis

Emerging pressures around homelessness are causing significant concern. The cost-of-living crisis has significantly increased demand for a range of key services. This includes, significantly, the number of people presenting to the Council as homeless in recent months, placing extra demands on the statutory response that the Council must make. These pressures are being driven by the impact of inflation and higher interest rates on the private rented sector, which are driving higher rents at a time when tenants are also experiencing rises to their general cost-of-living, resulting in higher rent arrears and more evictions.

2.14 At the same time as this, the supply of homes is being reduced as landlords choose to not re-let their homes due to less favourable market conditions. Higher levels of re-possession are now starting to become apparent amongst homeowners, further contributing to the level of demand being experienced nationally, and by other local authorities in East Sussex. Following chart provides an overview of temporary and Emergency accommodation for the council:



2.15 The low rate at which the Local Housing Allowance (LHA) is paid is causing particular problems for those lower income households in receipt of welfare benefits, placing an increasing proportion of private rented accommodation out of their reach. It is no coincidence that, those districts and boroughs in East Sussex where the gaps between LHA and rents charged are the highest, such as Eastbourne and Hastings, are those seeing the greatest homelessness pressures.

2.16 In response to these pressures on 31 October the council co-hosted, jointly with the District Councils' Network, an emergency homelessness summit. This event outlined the adverse impacts, both financial and social, of the unprecedented temporary accommodation use nationwide. It highlighted that the situation in Eastbourne, like many other is both critical and unsustainable.

2.17 Savings targets

The purpose of the Stability and Growth Programme is two-fold – to enable efficiencies and savings within the council, whilst also moving the council and

the borough to a position of financial strength which enables growth and diversification in the longer term.

- 2.18 To enable the council to address these housing challenges, alongside others associated with the current financial climate, the cost of living crisis and inflationary pressures, a savings target of around £3.4m has been set for the Stability and Growth programme in 2024/25. The table below sets out a summary of the savings that have been identified to date to address the shortfall.

| Pillar | Item | Saving target (£'000) |
|-------------------|--|------------------------------|
| Digital | Savings from system alignment | 180 |
| Service reshaping | Savings from organisational efficiency, managing demand and additional income recovery | 472 |
| Assets | Asset reviews, transfers and disposals | 1,200 |
| Growth | Ownership transfers to reduce public subsidy | 1,500 |
| TOTAL | | 3,352 |

3 Outcome expected and performance management

- 3.1 The Stability and Growth Programme is monitored and overseen by a cross party member Board, comprising Cllrs Holt, Maxted and Small. In addition there will continue to be regular reports to Cabinet to update on progress.

4 Consultation

- 4.1 The Stability and Growth principles have underpinned the development of the new corporate plan for 2024 – 2028, which is currently out for consultation. This will be subject to formal consideration by Cabinet and Council in February 2024.
- 4.2 In addition, where changes are agreed by the Stability and Growth programme which have specific implications for staff, relevant formal consultation is undertaken in a timely way to enable staff views to be taken on board.

5 Financial appraisal

- 5.1 The council continues to face significant financial uncertainty for the Medium Term Financial Strategy (MTFS) planning period, covering the financial years 2024/25 to 2027/28. The uncertainty relating to future government financial settlements is exacerbated by the ongoing impact of national macroeconomic uncertainties of high levels of inflation, wage inflation, high interest rates as well ongoing and significant structural fiscal challenges.

More locally the council will continue to face significant and unavoidable budget pressures relating to the regional impact of the cost-of-living crisis, unprecedented financial pressures on homelessness services, managing increased demand for key services, future pay awards to council employees, the National Living Wage uplifts and waste pressures.

Initial MTFs forecasts at this stage indicate a significant budget gap next year and the need for additional savings to be identified for 2024/25. The council may therefore be in the unenviable position of having to utilise some reserves to balance its budget next year. Whilst the council can utilise some earmarked reserves to help balance the budgets in the short-term, the use of reserves to balance the budget is not a sustainable position and is only recommended where there is a need for a temporary injection of resources to allow for more sustainable budget solutions to be developed.

The council is committed to strong financial governance and getting value for money whilst ensuring that any council tax increases are justified and affordable. To ensure the 2024/25 budget and MTFs can be developed effectively, and savings targets delivered in time to produce a balanced budget senior officers have in recent months undertaken a review of growth items and identified opportunities to realise financial efficiencies in council departments. In addition, a fundamental review of the council's capital programme is also underway prioritising those projects that are funded by external grant funding or using capital receipts and earmarked reserves. Projects that are funded by borrowing are likely to be curtailed and rephased into future years, aligned with an accelerated asset disposal plan and rebalancing of the council's debt structure.

The Stability and Growth Programme already mentioned in this paper, designed to identify, and develop further saving opportunities will continue through 2024/25 and in future years.

The Treasury Autumn Statement which will likely include funding decisions impacting the council has been delayed until late November, as such it is prudent that the next iteration of the councils Medium Term Financial Strategy is presented to Cabinet in December taking into account the local impact of announcements made in the Autumn Statement.

6 Legal implications

- 6.1 Legal advice has been taken, and will continue to be taken, in respect of specific actions arising from the recommendation contained in this report and to support the activities of the Stability and Growth programme.

In relation to the savings items identified at paragraph 2.16, legal advice will be critical to ensure that all legislative requirements including in relation to procurement and best value are complied with in taking forward the savings proposals.

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7 Risk management implications

- 7.1 The risks within the Stability and Growth programme are regularly assessed and managed as part of programme/project management activities. The identification and management of significant risks in relation to the programme will be reported, along with mitigation plans to address them, as appropriate.

8 Equality analysis

- 8.1 An Equality & Fairness Analysis was undertaken on the Recovery and Stabilisation programme. The outcome of this was reported to Cabinet in 2021. With the move to the new Stability and Growth programme, additional screening of new proposals will now be undertaken on particular workstreams as required.

9 Environmental sustainability implications

- 9.1 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.

10 Appendices

- Appendix 1 – LGA Peer Challenge recommendations
- Appendix 2 – CIPFA Rapid Finance Review recommendations

11 Background papers

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

- [Stability and Growth Programme \(lewes-eastbourne.gov.uk\)](https://www.lewes-eastbourne.gov.uk)
- [Assurance Review follow up - CIPFA \(Chartered Institute of Finance and Accountancy\) Rapid Finance Review \(lewes-eastbourne.gov.uk\)](https://www.lewes-eastbourne.gov.uk)

LGA Peer Challenge Recommendations

| | Recommendation | Action to date | Status |
|---|--|---|----------|
| 1 | Re-consider staffing structures, job titles, and pay. Align resources to core business and key priorities, supporting and developing staff with more training opportunities including apprenticeships. | All staff have been reminded of the variety of training and development opportunities that are available to them. We continue to review job titles and job descriptions. | Complete |
| 2 | Consideration is being given to the development of strategies around key priority areas such as tourism and economic development, involving middle management in such development. | In line with the recommendations of the Assurance Review follow up received in August 2023, strategy documents will be produced for Tourism and for Property by December 2023. | On track |
| 3 | Invest in improved ICT (including mobile working solutions), back-office systems, and automation, with a focus on service delivery to ensure tools are fit for purpose. | Continue to review and align ICT systems - through the Digital Transformation programme. A range of projects are in progress to update the ICT systems used by the councils e.g. replacing revenues/benefits with single system by the end of 2023. Project to replace the 2 Planning systems with single system will move into its implementation phase following a Cabinet decision in November 2023. The Artificial Intelligence and robotics project is maximising benefits of existing technology and exploring opportunities for further automation. We will now use the councils' chatbot - ELLIS - on more of the councils' phone lines which will help customers access the support they need around the clock and will enable Customer Advisors to prioritise those with the greatest need. This phase of the project will commence in autumn 2023. | On track |
| 4 | The peer challenge team strongly recommends revising the members allowance from the very low base in time for the new municipal term, taking onboard the views on the Independent Panels | Prior to the May Elections, EBC reviewed the recommendations from the IRP and rejected it, subject to a fresh review being undertaken in 2023 (given the length of time since the original review was undertaken). A new review of allowances by an IRP will be undertaken in October/November across EBC/LDC. The new recommendations will then be considered by Full Council. Any increase in allowances is ultimately determined by the elected members. | On track |
| 5 | Improve cross-department communications and joint working. Create | This has been discussed at Senior Managers Forum and ideas will continue to be sought. An All staff conference has also been scheduled for | On track |

| | Recommendation | Action to date | Status |
|----|---|---|---------------|
| | opportunities for staff to meet in person and across teams | the end of November and the Staff Experience and Managers' Reference Groups have been involved in determining the theme for the conference. The new Hub was launched in August 2023, improving content and access to information about different teams/service areas. | |
| 6 | Continue to closely monitor the finances and consider a longer-term approach to financial planning. | A new fully integrated business and financial planning process has been devised and is being delivered this year, addressing both revenue and capital requirements in a joined-up way. Training for Senior Managers Forum was delivered in June. The Medium Term Financial plan also now shows a detailed 4 year position more strongly than previously. | On track |
| 7 | More use of financial scenarios to evaluate the impact of inflationary pressures, cost of living and increased borrowing costs. | Officers considering this as part of their decision-making; a) in cabinet reports, by building it into the finance section and b) in business plans/capital bids for future years. | On track |
| 8 | Undertake an asset review to ensure assets contribute and align to core services, key priorities and have a demonstrable value. Re-evaluate the cost of upcoming projects and returns on investment. | Group established to review key assets. First meeting held August 23, second meeting in Sept 23. The work of this group will inform the assets workstream as part of the Stability and Growth programme. | On track |
| 9 | Demonstrate commitment to the key corporate priority of sustainability and carbon neutrality by assigning a suitable budget to ensure delivery. | £500,000 allocated in HRA to sustainability. Revenue spend – the current sustainability programme has diversified the work between a wider group of officers. A green consultancy team has been established to progress carbon reduction initiatives. The revised Corporate Plans will also focus on this area. Through the Business and Financial Planning process, we are considering what our priorities will be for 2024/25 and beyond. | On track |
| 10 | Housing Delivery Tests have not been met and the Local Plans are still under development and have been delayed due to external issues. Addressing this needs to be a priority so the councils retain control over the local planning and place making, which will be essential to meet their ambitious goals. | Ongoing with Local Plan production - next consultation to take place in Spring 2024. | On track |
| 11 | Ongoing evaluation of investments, commercial activities, and the capital programme in the current | The need for a commercial strategy/framework has been superseded following receipt of the assurance review follow up report. In light on this an asset strategy will be produced which will | On track |

| | Recommendation | Action to date | Status |
|----|--|--|---------------|
| | challenging economic context | include reference to commercial activity. This is scheduled for completion by December 2023. | |
| 12 | Conduct a self-assessment against the CIPFA assurance review to help the organisation move forward | Self assessment completed. Follow up review undertaken April 2023, with report received August 2023. | Complete |
| 13 | Continued work on financial resilience focussing on adequacy of reserves | Covered within budget papers for 23/24. Demonstrates how R&S will ensure we have ability to maintain our reserves. | Complete |

CIPFA Rapid Finance Review recommendations

| | Recommendation | Action to date | Status |
|---|---|--|----------|
| 1 | Robust and deliverable improvement plan | | |
| a | The Plan, which must continue to be subject to robust performance management and assessment, should face periodic review and refreshment, perhaps whenever there is a major revision to the Medium Term Financial Strategy (MTFS), to ensure its ongoing relevance and adaptation to changing priorities | Plan was updated significantly in July 2023 (Cabinet report) to encapsulate Stability and Growth agenda following May 2023 election. This alignment between key corporate documents will continue as is evidenced in the MTFS found elsewhere the agenda for this meeting. | On track |
| b | Governance of the Plan should also be reviewed periodically, with the relationships between its oversight and other governance arrangements (for capital and assets, for example) vigilantly monitored. This will help preserve the mutually supportive interplay between initiatives, which currently relies significantly on senior officer efforts | Governance arrangements were reviewed and ratified as part of Cabinet report in July 2023. Periodic review of governance will continue. | On track |
| c | The prominence accorded to the Plan in other strategic documents, such as the Corporate Plan, should be retained and built upon. For example, there should be as many explicit linkages as possible between the Plan and the MTFS | The title 'Stability and Growth' will be given to the new corporate plan when it is adopted in Feb 2024, in recognition of the central importance of the Stability and Growth Programme to the council. Work will be undertaken to align the Plan and MTFS as the 2024/25 budget is developed. | On track |
| 2 | Address reliance on tourism and leisure income | | |
| | Set out objectives on tourism, income, and economic diversification in an overarching strategy. | Strategy to be developed during the autumn of 2023 and will be submitted to Cabinet for consideration on 13 December. | On track |
| 3 | Address risks to financial stability | | |
| a | Continue to avoid complacency about savings targets and maintain a prudential and risk-averse posture on spending. | Continue to actively seek and identify saving opportunities through the Stability & Growth Strategy. Utilise existing strategies to identify and reduce unnecessary spend (e.g. Capital Programme Oversight Board) | On track |
| b | Satisfy member interest in debt and treasury management through suitable briefings on principles and practice. | Review existing key reports to widen member awareness of debt and treasury management principles, continue to utilise training opportunities via council treasury management consultants | On track |
| c | Redouble efforts on partnership and collaboration, to enhance council resource base. | Review existing partnership arrangements including fundamental | On track |

| | Recommendation | Action to date | Status |
|---|--|--|---------------|
| | | review of existing recharging agreement between EBC & LDC | |
| d | Examine broader financial resilience. Build on the initial Assurance Review with work to investigate the council's budget management expertise at operational level. | Undertake a review of existing financial services structure to identify and enhance key specialist roles within the team. Broaden existing recruitment methodology to increase the success rate of ongoing recruitment campaigns | On track |
| 4 | Generation of additional capital receipts | | |
| | Produce a thorough, integrated, and strategic approach to property. | A group started in August 2023 to fundamentally review each council owned asset, as a precursor to preparing a property strategy in the autumn of 2023. This will be submitted for sign off by Cabinet on 13 December 2023. | On track |