

Financial Plan (2024 -2034)

1. About this Plan

Our Financial Plan considers the General Fund ¹ position and the Capital Programme ², the third area of the Council's finances the Housing Revenue Account ³ is reviewed and monitored within its own Business Plan.

The purpose of this Plan is to define how the Council will structure and manage its finances over the next ten years in order to deliver services to residents and support the objectives detailed within the Council Plan. The future projections are based on the current Council Plan, a new version is currently being developed and will be reflected in future updates however the development of that Plan needs to consider the financial constraints outlined in this Plan.

The Financial Plan also links with other key plans and documents of the Council including Service Plans, the Asset Management Plan, Digital Strategy, Procurement Strategy and the Treasury Management Strategy. Input has been provided through the Budget Setting and Capital Allocations Panel (BSCAP - Member Group) and the Council's Senior Management Team.

The Financial Plan comprises of two parts.

➤ **Part A - The Medium Term Financial Plan Model (MTFP)** *(page 3)*

This is an essential part of the budget setting process. The MTFP provides a financial model and forecast of the cost of providing services over a rolling ten year period, together with an estimate of the financial resources that are likely to be available to the Council. The process is designed to provide an early warning of any potential deficit in the required level of resources.

As well as considering the General Fund, the MTFP also reviews the affordability of the Council's capital investment programme, matching forecast funding against planned capital spending over a five-year horizon. The capital programme is easier to control as individual schemes can be approved or not by Council to match resources available. Clearly this has its own implications in meeting the Council Plan objectives but does not have the same degree of organisation complexity as the General Fund involving significant staff numbers, team interaction and service delivery.

➤ **Part B – Financial Sustainability Model (FSM)** *(page 14)*

This part of the Financial Plan considers how the Council will balance its finances over the coming years to continue to provide service for its residents and customers. It ensures we are achieving Value for Money throughout the Council within each service; it evidences this and seeks improvement and savings where possible. Key enablers are identified to aid us in this process with Enabler Leads identified and corporate resources being available to work with services.

Depending on the outcome of this work and savings achieved, consideration will then need to be given to service reductions to balance the books in order to achieve financial sustainability.

Definition Note:

1. The General Fund records day to day spending and income on the delivery of Council services.
2. Capital programme spending relates to purchases or enhancements of assets, expenditure that has benefit greater than a year and is over £20k.
3. Housing Revenue Account records day to day spending and income on Council owned housing and its landlord function.

➤ **Part A - The Medium Term Financial Plan Model (MTFP)**

2. Introduction

The development of a ten-year financial model is based upon a number of assumptions and perceived risks which clearly become more difficult to predict as the period covered lengthens. In recent years we have been subject to one year only financial settlements from Government, there have been fundamental funding reviews proposed, delayed and then cancelled on a number of occasions making even short-term planning difficult.

The 2023/24 Local Government Financial Settlement was however a two year settlement including 2024/25 giving us a little more certainty in next year's projections.

As a broad principle the model has been developed on the basis of 'reasonable and prudent' forecasts and assumptions in accordance with sound accounting practice. The Council subscribes to LGFutures who provide their assessments of future local government funding to ensure we capture the full picture in our own modelling.

3. Fundamental principles

Underpinning this plan, the following fundamental principles have been adopted:

- To secure the financial stability of the Council.
- Annually, a balanced revenue budget will be set with expenditure to be limited by the amount of available resources.
- The General Fund balance will be maintained at the agreed adopted level.
- If required to balance the budget resources will be redirected from low to high priority services to meet objectives set out in the Council Plan and maintain statutory functions.
- Council Tax increases will be kept within annually announced government guidelines to ensure a local referendum is not triggered.

In considering the capital budget, the Council will continue to follow the methodology of scheme scoring and prioritisation. The Council will also seek to maximise the use of its assets.

4. Financial background

Since 2010 this Council along with other authorities have seen significant cuts in general Government funding to support core service delivery, a reduction in funding of 50p in the pound since that point.

Government Funding to EDDC for General Services 2010 \implies £7m

2010 funding indexed link to 2023 \implies £10.3m

Actual Baseline Funding 2023 \implies £5m

Funding for local authorities is historically low with an increasing number of Councils issuing or threatening to issue s114 notices – emergency measures where they are close to bankrupt and prevents all but essential spending to protect core services.

There are significant financial pressures to consider with recent high inflation, driven by high energy and food costs, a possible recession or at best extremely low growth predicted. As a consequence, the indications are high national pay awards and other direct cost implications mainly associated with contractor and partner costs. There has been an upturn in investment income through interest rate rises in an attempt to curb inflation but there is an increasing call on our services with the associated costs.

Understandably members’ have ambitions to enhance and improve services through investment and the Council is committed to a carbon reduction programme to become carbon neutral by 2040. This all brings significant financial challenges.

These factors have shaped the finances of the Council over recent years and placed it in a continuous difficult position of setting balanced budgets.

The Council has a good track record of delivering balanced budgets, meeting its spending plans and Council Plan outcomes through careful financial management and planning ahead, the Council set a balanced budget for 2023/24 and current monitoring shows we are on track to deliver this.

The Council has facilitated and encouraged business and housing growth in the district to deliver its ambitions and benefited significantly in additional government funding through New Homes Bonus and extra Business Rate income which to date has put the Council in a stronger financial position when compared with a number of other councils. This has enabled continued significant investment in non-statutory services to benefit the district.

5. Medium Term Financial Plan

The base for the MTFP is the 2023/24 approved budget and the current cost of ongoing services, adjusted to take account of a range of unavoidable costs such as pay increases, inflationary pressures, the implementation of any approved changes to the budget and any costs arising from new legislation and associated regulations or changes in resident demand. The MTFP takes account of any forecast variations in the level of both investment and fee income.

The Plan also considers and makes reasonable assumptions about the likely incomes from council tax and central government funding.

The MTFP is designed to model scenarios and to aggregate the sum of all potential financial inputs, to determine whether the Council will have sufficient resources to achieve its objectives, or indeed whether action is required to bridge a funding gap. In formulating these calculations, a number of assumptions have been made and a range of external influences considered. The various risks and pressures are detailed at the end of the Plan with commentary on their potential impact.

Appendix A to the Financial Plan contains the summary page of the MTFP including an analysis of costs and inflation rates applied.

A similar exercise has been undertaken in respect of future capital expenditure, detailing the anticipated level of resources required, together with potential funding sources available to the Council to support its planned programme of works and where there are revenue implications these have been acknowledged within the Plan.

6. MTFP – Revenue Position

The position on General Fund services is extracted in the table below and shows the current year 2023/24 for comparison and forms the basis from which future assessments have been made. The 2023/24 position is the set budget, the implications effecting this budget are considered going forward.

Some key areas to note in this calculation:

Service Budgets - This position is calculated based on current service provision adjusted where there are known resident demand changes, contract agreements or legislative requirements. This position does not include any growth in service or staffing to the Council's current service level with the exception of:

- **Possible New Town** - The current budget includes £100k as part of a total £1m to be phased over 4 years for resource implications on delivering a possible new town in the district. The cost then comes out of the Plan after 4 years. Expenditure has been reprofiled in this current Plan to reflect the likely spend pattern. We will seek external funding where possible but at this stage this has not been assumed. The phasing of the spend is now; £100k in 2023/24, £250k in 2024/25, 400k in 2025/26 and £250k in 2026/27.
- **Recycling and Waste Contract** – Recently negotiated terms were approved and implemented fully in the 2023/24 budget adding £1.2m to the budgeted contract costs and £1.11m in capital costs. Discussions on the current contract extension is changing the risk balance of the contract with a proposed switch to a cost plus 5% basis payment to the contractor. This is currently under discussion with reports to be presented to members, for the purpose of planning ahead an additional £600k has been factored into the MTFP as a reasonable worse case assumption with a contingent sum added. This has been

included as a sensible marker, but it is difficult to predict as the change is about greater risk falling to the Council. This could result in possible savings or additional costs over current arrangements based on a number of external factors not controllable by the Council. Modelling suggests a prudent sum should be allowed. This can be further reflected leading up to the detailed 2024/25 budget preparation. Consideration could also be given to carrying the risk within the General Fund Balance.

The implications of the Extended Producer Responsibility (EPR) have been delayed until October 2025 and until full details are known the implications have not been assessed in this Plan.

- **Extra staffing capacity agreed in year** - Additional staffing capacity has been agreed by Council within the current financial year; a new post to help deliver Environmental Act 2021 within Countryside (although additional Government Funding has now been confirmed to cover this), extra resources in the Place and Prosperity Team and it has been assumed members will approve the request for additional resourcing within HR and Payroll recently recommended by Cabinet to Council. The net cost associated with these posts are £63k and have been reflected in the MTFP.
- **Carbon reduction actions** - Work is still ongoing on determining the implications of the Council's commitment to a carbon neutrality by 2040 and the programme of actions required. The MTFP assumes a commitment ongoing of £323k per annum which although significant and beyond most Councils financial commitment it is still far short of the full requirement. Without government or other external support, the Council does not have the financial ability to meet the full programme, but we will work to consider how the full agenda can be actioned.
- **Pay and general inflation higher than expected** - The 2023/24 budget for staff salaries was based on an assumed 3.4% increase. At the time of developing the MTFP the stated final employer offer is £1,925 for employees earning under £49,950 and 3.88% for those above. For us this equates to a 5.39% overall increase. As this is an area, we have under budgeted for two years a 6% increase has been assumed at this stage. The additional cost implications for the current year have been factored into the Model, and a general inflation cost

allowance has been built in to cater the higher inflation than expected in the current year.

- **LED** - Additional funding has been agreed for the last few to support our leisure facilities through additional sums paid to LED. This was mainly as a result of the pandemic and high energy costs. The level of the Service Level Agreement has been increased in the MTFP to £1.322m, a sum of £339k above the previous standard amount but to a level that is in line with the current subsidy requirement. A revised funding formula and agreement is being developed for member consideration but for the purpose of financial planning this level of funding has been assumed.
- **Strata** - Each of the 3 owners of Strata are requiring additional support to meet the various work demands and objectives requiring IT support and development. This will lead to an increase in cost. A business plan is being drafted for presentation to the Joint Executive Committee of Strata, at this stage the base budget has not been amended but the level of saving returned by Strata has been kept to a modest sum rather than reflect the higher actual returns seen in recent years to give some financial scope to increase our contribution should members agree when presented with a case. There is also likely to be implications within the Council's capital programme.
- **Devon Care Leavers** - A report will be presented to members on supporting Devon care leavers by granting 100% council tax relief. At this stage it is assumed this will gain favour and has been included at a cost of £15k.
- **Housing Benefit Payments** - The net cost of Housing Benefit payments after Government Subsidy is increasing sustainably. Further analysis is required to determine if this can be influenced by the policies at the discretion of the Council. The additional costs are as a result of claimants migrating to Universal Credit who would have attracted a 100% subsidy and a return would have been received in overpayment cases. The remaining caseload is more complex with additional supported costs not fully funded by subsidy. To understand this position more fully and determine if this is a national picture this is being followed up. There is a real associated cost we are seeing and a sum of £350k is included in the MTFP. This is a material amount but with HB payments totalling £21m a minor

percentage change in payments not recovered in subsidy results in large sums.

- **Planning Fee increase** – The Government has announced an increase in planning fees which has been long awaited. From 2024/25 major applications are to increase by 35% and all others by 25% with then annual CPI inflation added with 3 yearly review periods. It is estimated this will give us an additional £400k income for 2024/25.

Government's intention is this increase is ring-fenced to the service; Development Management currently cost the Council a net cost of £1.8m after planning income. The MTFP assumes this income will be ring fenced reducing the net cost to the Council, with £200k of additional expenditure being allocated at this stage in the Plan for service improvements. Government's objective is this additional income should be invested to improve the service. This will need to be debated as the Council has invested in this service and certainly not reduced funding, so the assumption has been made that 50% of the income will be allocated to additional resources to improve service delivery for customers whilst the remaining sum negates some of the costs currently being met by the council tax payer. Members will need to consider and decide on this split along with the final criteria issued by government.

- **2nd home additional charges** –The legislation to allow Councils to charge double for 2nd homes was intended to be introduced for 2024/25. This Council has already approved the policy for the additional charge equating to additional income to the Council of £421k, however due to a delay in final approval of the legislation and the requirement for a 12 month lead in period this has now been factored in as additional income from 2025/26.

The Council's [Revenue and Capital Budgets 2023/24](#) is a useful reference as it details significant information about the service provision currently provided; costs and income received, staffing resources involved in each area, the assets utilised and number of service users.

Government Funding General - The 2023/24 Local Government Finance Settlement was a two-year spending round. This put on hold again planned reforms; changes to both the local government funding formula and the re-basing and implementation of a new business rate retention scheme.

The Government has announced it still intends to undertake a review of local authority funding but timescales are very unclear. The reforms are not indicated within the current spending review which takes us to the end of 2024/25 and commentators are suggesting a general election likely in Autumn 2024 therefore the probability of radical funding changes with the necessary consultation being in place for 2025/26 is highly unlikely, although there is no guarantee.

Understanding this funding position and the implication on other core funding mechanisms (Business Rate Growth and New Homes Bonus) is critical to determining the MTFP position but there is uncertainty.

The MTFP now assumes the significant fall in funding through local government funding reforms will be from 2026/27; taking away any growth in business rates (2023/24 budget £3.6m and £5m in 2024/25 & 2025/26) and the fall of NHB to £54k per annum (budgeted currently at £1.026m annually for 2023/24 through to 2025/26). In terms of the possible reductions as stated the timing is unclear and the cliff edge in funding reduction has been assumed in the model as worst case, there is likely to be transitional funding introduced to smooth out the reductions for authorities like East Devon, but this has not been factored into the Plan.

Discussion on a devolution deal in Devon are ongoing and need to be kept under review but no implications have been assessed within the Plan.

5. Business Rate income

This has been assumed under the existing arrangements; the 50% rate retention scheme. The Government had intended to introduce a 75% retention scheme but this has now been dropped with a review at some stage still being the Government's stated intention.

The MTFP assumes in 2024/25 the Council will be £5m above the baseline funding level (retained growth). This is considered reasonable based on current levels of income and projected growth and is in accordance with LGFutures modelling. The Council does maintain a bad debt provision and a business rate reserve to mitigate annual fluctuations in rating assessments.

The greater, more fundamental risk is Government changing the regime and us losing the business rate growth. Because the timing and degree of risk is unknown the Council currently holds a MTFP Risk Reserve of £3m, this will be used to continue to meet the majority of service costs in the budget in the short term if the worst case scenario happened. This being the Government announce in the November/ December Settlement that all growth income from business rates will be lost in the following year – highly unlikely especially as we are in a two year settlement period and without some transition protection but this reserve is available to give time to cut costs in an orderly manner to best protect the residents of East Devon should the worst happen.

6. Council Tax

The Government has for a number of years determined rural district councils can increase their council tax by £5 a year or up to recently 3% whichever is the greatest before triggering a local referendum. This is the level of income the Government assess is available to the Council and the MTFP applies this increase annually.

7. New Homes Bonus (NHB)

Income retained in the General Fund to support revenue costs has been included in budgets for a number of years at £1.5m. The scheme is ending in its current form with the annual amount reducing; this gives £1.026m available in 2024/25 which is then estimated to fall to virtually zero when reforms take place. The sum remaining in the Model at £54k from 2026/27 represents this stream of local government funding filtering back to general funding allocations. Under this scenario we do see an increase in our Minimum Funding Guarantee Grant in the order of £1m, assuming this still exists in its current form.

A replacement for NHB was consulted on over three years ago with the Government wishing to sharpen the incentivising of housing growth in the most effective way, no announcement of a replacement scheme has been made so it is assumed the scheme will continue in its reduced form with just an annual sum paid based on one year's growth. At the height of the scheme the Council was paid the annual growth sum for 5 years, with the next year added on and paid similarly for 5 years – in 2017/18 the Council received £4.584m (the most received in one year).

8. MTFP numbers

An extract from the MTFP is given below, to be able include in the main body of the report only the next 3 years are shown, the full 10 year position is contained in the appendices:

This column gives the current year budget (2023/24) which is balanced, this is the base year to which adjusts are then made going forward.



EAST DEVON DISTRICT COUNCIL - MTFP summary Page										
GENERAL FUND REVENUE BUDGET FORECAST										
Note	BASE									
	2023/24	2024/25			2025/26			2026/27		
	Total	Addition	Reduction	Total	Addition	Reduction	Total	Addition	Reduction	Total
BUDGET SET	22,222,279			22,222,279			23,251,444			23,682,180
AMENDMENTS TO BUDGET INCLUDING BUDGET VARIATIONS										
1	One off Items of expenditure from Earmarked Reserves			1,381,229	(1,381,229)					
2	EDDC Elections (budget 2023 + inflation)									
3	Staffing & Resourcing of possible new town, £100k in base.	150,000			150,000	150,000	150,000		150,000	(150,000)
4	Recycling & Refuse Contract - 5% oncost model implication (current worst case assessment)	600,000			600,000					
5	Savings on vehicle Allowances			56,000	(56,000)					
6	Reduction in Housing Benefit Subsidy	350,000			350,000					
7	Assumed implementation of Care Leavers Council Tax Discount	15,000			15,000					
8	Government Announcement of increase Planning Fees (Gov't confirmed 35% increase on Major Applications & 25% on others 1/4/24 then annual CPI increase with 3yrl reviews).	200,000		400,000	(200,000)					
9	Government intended increase in 2nd Home Council tax approved in advance by Council						421,000			(421,000)
10	Inflation Adjustment for Pay £495k + additional increments for new pay grades (£200k) + general inflation uplift in base (£100k)	795,000			795,000	100,000	100,000			
11	New Posts approved in Year net costs from General Fund and then added to base	63,000			63,000					
		0	2,173,000	1,837,229	335,771	250,000	421,000	(171,000)	0	150,000
INFLATION										
12 a	Employee Pay Award	308,278			308,278	306,882	306,882	313,020		313,020
b	Employees Other Costs	13,895			13,895	14,172	14,172	14,456		14,456
c	Superannuation	64,959			64,959	66,259	66,259	67,584		67,584
d	National Insurance	31,458			31,458	32,087	32,087	32,729		32,729
13	Inflation Summary - expenditure	521,116			521,116	454,474	454,474	464,185		464,185
14	Inflation Summary - fees, charges & contributions	(246,313)			(246,313)	(272,139)	(272,139)	(277,395)		(277,395)
	TOTAL INESCAPABLE BUDGET CHANGES	0	693,394	0	693,394	601,736	0	601,736	614,579	0
SERVICE PLAN COMMITMENTS NOT INCLUDED IN BASE BUDGET										
15	None identified				0	0	0	0		0
	TOTAL "UNAVOIDABLE" CHANGES TO BUDGET	0	2,866,394	1,837,229	1,029,165	851,736	421,000	430,736	614,579	150,000
	PREDICTED BUDGET REQUIREMENT	22,222,279			23,251,444			23,682,180		24,146,759
FINANCED BY:										
	Government Grant - NNDR Gov't baseline	3,098,000			3,179,000		3,242,580			3,307,432
	Rural Services Delivery Grant	264,441			265,000		270,300			275,600
	Minimum Funding Guarantee Grant	1,530,145			1,441,000		1,469,820			2,471,216
	Service Grant	107,777			108,000		110,160			112,363
	NNDR Uplift - Amount above Baseline (Rebased 2026/27)	3,618,000			5,072,000		5,008,420			492,568
	Council Tax 2022/23 = £161.78 - Growth in base 500 each year, Assume + £5 per annum increase or 3% which is ever greater	9,973,900			10,365,877		10,762,532			11,173,875
	Interest Income (currently £1m over budget through base rate change) assume similar interest rates in 24/25 but a slight reduction in cash balances. Then marginal base rate fall 25/26	1,148,535			2,000,000		1,650,000			1,650,000
	Interest & Loan Repayment - assume Loan Debt increase of £8m allowance (MRP + 5% interest)	(523,490)			(923,000)		(1,123,490)			(1,123,490)
	Savings target (Procurement)	70,000			0		0			0
	Council Tax Collection Fund Surplus	358,810			140,000		125,000			125,000
	Earmarked Reserve - one off items of expenditure (including Transformation Fund)	1,381,229			0		0			0
	New Homes Bonus to revenue (Gov't ended current scheme)	1,025,642			1,026,000		1,026,000			54,000
	General Fund Balance - District Elections	169,290			0		0			0
	GENERAL FUND BALANCE	0			0		0			0
	TOTAL	22,222,279			22,673,877		22,541,322			18,538,565
<i>(Abbreviations used - NHB = New Homes Bonus, N.I = National Insurance, NNDR = National Non Domestic Rates)</i>										
	ANNUAL (SURPLUS)/DEFICIT	0			577,566		1,140,858			5,608,194
	IN YEAR ADDITION TO ANNUAL (SURPLUS)/DEFICIT				577,566		563,291			4,467,336

This line shows the annual projected deficit in our budget if no action is taken then the annual deficit grows. Annual Deficit in 2024/25 £578k Annual Deficit in 2025/26 grows to £1.141m and then when the assumed finance reforms hit (worse case on rebasing of business rates) the Annual Deficit grows to £5.608m

This line shows the annual projected deficit in our budget on the bases that we cannot set an unbalanced budget, so assumes the annual deficit is found each year in our budget preparation. Thereby showing us how much we need to save in setting that annual budget. Those savings need to be an increase in income and/or reduction in expenditure that continues to be achieved in our base budget annually. In 2024/25 this is £578k, then assuming we met the deficit the previous year £563k is required to be found in 2025/26 and then the effect of business rates rebasing shows the Annual Deficit in 2026/27 alone is £4.467m.

The table below shows annual budget position over the 10 year period.

Table: MTFP Model – Annual budget shortfall assuming previous year’s shortfall was found.

General Fund	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000	2030/31 £000	2031/32 £000	2032/33 £000	2033/34 £000
Budget Shortfall/(Surplus)	578	563	4,467	(154)	(126)	(131)	863	(142)	(258)	(44)



The reason for significant changes between years is that 2026/27 as explained is when rebasing of business rates is expected creating a significant funding shortfall.

The Model identifies the pressures and influences on the Council’s revenue budgets and highlights a shortfall between the Council’s spending requirements and the amount of finance available. Actions will need to be taken to meet these shortfalls and the need to keep finding savings year on year is not to be underestimated.

9. MTFP Revenue - The Way Forward

Addressing the funding gap comes in two parts linked to the uncertainty of Government funding for local authorities and possibly even the shape of local government going forward.

The funding gap for 2024/25 and 2025/26 is considered manageable exploring what savings/increased income can be achieved working with services. To follow the methodology in the Financial Sustainability Model (FSM) agreed in the previous Financial Plan adopted October 2022. The budget gap currently identified for 2026/27 will not be found through this process and requires significant service reduction based on member priorities, however as highlighted the scale of this task and timing is still unclear until certainty is given by Government.

- **2024/25 and 2025/26 budget gap** - Continue to follow the Financial Sustainability Model (FSM) adopted in the previous Plan; with 3 months remaining to help address the 2024/25 budget shortfall and 15 months to address the 2025/26 shortfall.

Broadly of the £578k shortfall in 2024/25 it is consider approaching half of the required saving will be found through the FSM process, the remaining balance to be found revisiting key assumptions, to determine if actions can be taken to reduce costs such as the Recycling and Waste Contract and the Housing Benefits costs and to look for cost reductions during the budget process. If necessary to bring forward some service reductions for members to consider. Then continue to work on the 2025/26 budget gap using the same principles.

The FSM process is described below and undertakes reviews to ensure we are delivering VFM, drive efficiencies to see what savings can be achieved and to form an evidence base that we have done what we can.

- **2026/27 budget gap** - If the funding gap estimated in 2026/27 of £4.5m materialises, which is dependent on Government direction, then efficiencies and income generation are not going to drive the level of savings required and we will need to propose significant service reductions. Importantly this action comes at a point when we are clearer on how much we need to find and by when, before radical service decisions are made. As stated, we have a MTFP Risk Reserve in place to protect us against any immediate changes should Government carry out reforms without good notice.

This gap should not be ignored, and actions and scenarios need to be formulated to allow members to consider options, to be ready to implement when required, to the scale required. This modelling and member discussions can happen over the next 12 – 15 months.

10. Capital

The Council maintains a programme of capital expenditure designed to improve a wide range of community facilities and local infrastructure. The forward funding projections below only include rolling items and projects identified early by managers; **there will be proposals missing from this list** that will need to be considered for funding. There will be slippage in the programme that is not reflected below which shows the approved programme, actual spend history against programme has been considered and factored into the funding implications to give a more accurate picture on General Fund Revenue implications.

There will be a disparity between the Council’s capital spending aspirations being greater than the amount of finance available. In producing these figures agreed principles have/will be applied:

- Capital works associated with the Housing Revenue Account are self-funded; these costs have been factored into in the HRA budgets. Any capital receipts generated from the HRA are used to finance HRA expenditure.
- A capital bid process is in place whereby appraisal forms are completed for each scheme and a scoring methodology applied to prioritise expenditure within resources available. This prioritisation is overseen by the Member Budget Setting & Capital Allocation Panel (BSCAP).

MTFP Model – Capital Expenditure and Funding Position

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Net Capital Expenditure	22,785	8,052	4,737	4,708	5,142
HRA Financing	(4,457)	(4,906)	(4,906)	(4,906)	(4,906)
GF Capital Receipts	(400)	(200)	(200)	(200)	(200)
New Homes Bonus	-	-	-	-	-
Enterprise Zone & other self-funded schemes	(2,078)	-	-	-	-
Capital Reserve	-	-	-	-	-
Net Internal/ External Borrowing	(15,850)	(2,946)	369	398	(36)

The Programme expenditure includes only those schemes already approved by Council and rolling items such as; the provision of statutory disabled facility grants, the public toilet renovation programme, equipment replacement for street scene services and housing improvement schemes (fully funded by HRA contribution). **Bids will come through the annual budget process giving a different picture to that given above and there will be choices to make in order to keep expenditure within resources available.**

The above has been produced using the latest budget monitoring position and it is clear that 2023/24 needs to be re-profiled with the budget managers with potential slippage identified at £4.815m.

The position on internal/external borrowing over the period requires net funding of £18.065m. This position has been factored into the revenue model in terms of costs of borrowing/lost external interest. The above capital receipts line is based on more active disposals based on recent activity and the Asset Management Plan.

Key issues to consider for this Plan in terms of capital are:

- Only rolling items, or early request for items, have been included in the MTFP. No amount is included for future coast protection or flood prevention schemes. If any schemes do come forward, it is assumed they will attract Government funding if of high enough priority.
- Any scheme inclusion in the Programme over and above this core annual expenditure needs to be considered carefully for inclusion in future programmes on a case by case basis to determine if they meet corporate objectives and, if they can be self funded, evidenced in a business case or delivered in conjunction with other agencies/partners. Some schemes will come with no funding but may still be required to be funded due to their nature.

The Way Forward – Capital programme

- There is a clear necessity for the continuation of the member Panel to consider the allocating of capital resources against competing capital scheme bids.
- The programme needs to be populated with realistic expenditure estimates into the future; further work has been undertaken on Council assets costs and the Asset Management Plan.
- The Project Management Guidelines will continue to be used to inform the capital bid process through detailed capital appraisal forms and Initial Project Proposal Document (IPPD). With the continued monitoring of progress on key projects through the Council's Strategic Management Team and member Panel.

➤ **Part B – Financial Sustainability Model (FSM)**

11. Aim of the FSM

This part of the Finance Plan considers how the Council will balance its finances over the coming years to continue to provide service for its residents and customers. We will ensure we are achieving Value for Money throughout the Council within each service; we will evidence this and seek improvements and savings where possible. We have key enablers to aid us in this process and corporate resources available to work with services.

This methodology was adopted in the last Plan and some progress has been made although slower than hoped:

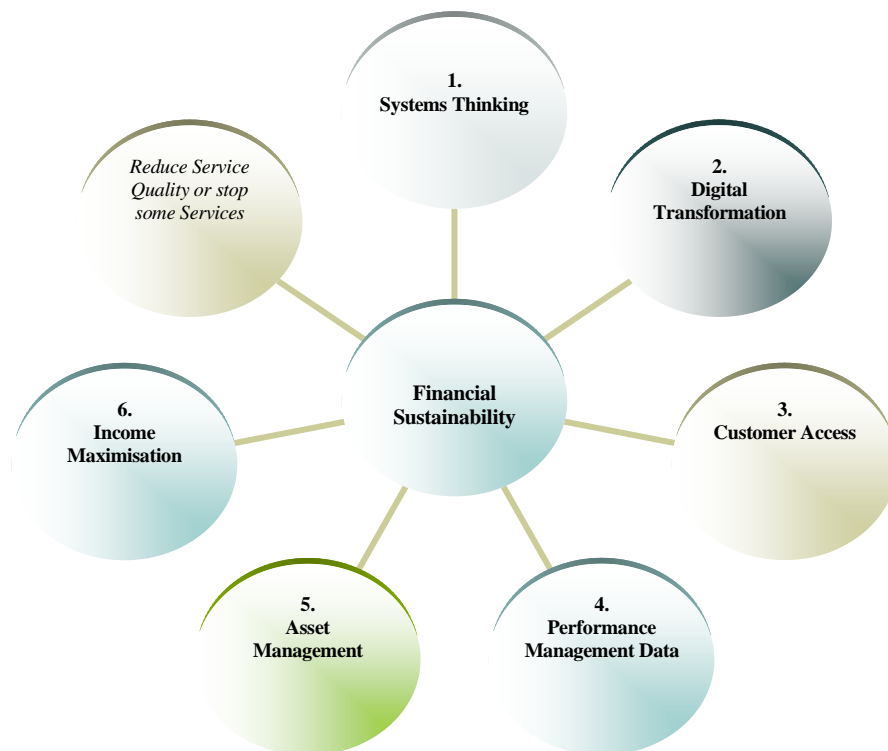
- Council Tax & Business Rates is being used as trial area and efficiencies savings have been identified and work continues, it estimated through efficiencies and non-replacements of posts from the service, savings in mailing and postage and additional income generated on discount reviews – estimated savings in the order of £100k - £150k.
- FSM resources within the General Fund is giving additional support to services within the Housing Revenue Account to assist with their efficiencies in particular online services to support tenants – estimated additional recharge which is likely to continue going forward at least for the medium term – Estimated at £50k - £100k.
- Work has been undertaken with the Homesafeguard service with a report being presented where it is envisaged a significant income stream can be achieved, although in reality this is not likely until 2025/26 budget – Additional net income to be determined.
- There are other opportunities that have been identified but are too early in discussion to publicise.
- We now have available service cost comparisons with other Councils and will be reviewing this information to help us understand any opportunities and to benchmark ourselves.
- A review of key KPI's is under review and will tie in with the work programme of the Scrutiny Committee.
- Transaction data including phone has been analysed and areas for improvement in terms of customer service and potential efficiencies have been identified.
- Income analysis across the Council is almost complete to determine opportunities and to also document the fees and charges position.
- Working with Strata to determine key customer transformation projects which will be tracked to ensure efficiencies and savings are achieved.
- There is potential to utilise our CSC team to help deliver savings within services this will be picked up in reviews.

- Vanguard will be working with the management team and services to help us re-energise system thinking which has proved extremely beneficial in service provision and cost reduction has followed in the past.

12. Service Reviews/Support

Service reviews will be rolled out across the Council utilising the 6 enablers as shown in the diagram and described more fully below. These enablers are linked and cross over each other. We are likely to still require service reduction to achieve financial sustainability but from a position of ensuring efficiency should be explored first.

The Director for Finance will be overall lead and coordinator for this work, supported by all members of SMT+. Refresher training is being provided on systems thinking and through this model managers will be made aware of the tools we are looking to them to use to ensure, and drive efficiencies and savings. With the Enabler Leads identified below we will undertake a reward and effort analysis with services to determine priority areas for corporate resource, a quick assessment can be made by each lead where corporate effort and the lead support would be best focussed first.



1. Systems Thinking (Vanguard) - Enabler Lead/s: Libby Jarrett & Andrew Hancock.

We have used this methodology in the past to transform services bring significant improvements in service delivery to customers and saved costs. The principles are still live in pockets of the Council but as staff have left, other service priorities have taken over it has lost its emphasis and consideration in our daily work.

In simplistic terms this is taking a step back and looking at how we work to meet customer demand, being sure of our purpose and checking we are meeting that purpose in the simplest way, often the most cost effective way (but you aren't allowed to say that out loud). It's ensuring your effort is focussed on value demand – what we are here to do

for the customer, and not spent on failure demand – dealing with lots of queries, adding rework into our system and being focused on the wrong performance measurers.

Through refresher training (new to some) and quick assessments between the Enabler Lead/s and service managers to see if the principles are still alive and being used, or even not appropriate to the area, a plan of support and reviews can be put in place.

2. Digital Transformation – Enabler Lead: Andrew Hopkins

We have a Digital Strategy and we are now working with Strata and our other partner authorities to ensure the outcomes can defined and delivered. The Strategy is built around six themes:

1. Customer access and service
2. Digital and mobile work force
3. Digital democracy
4. High-quality, accessible data
5. Digital and Net Zero
6. Responsive, resilient and secure infrastructure and systems

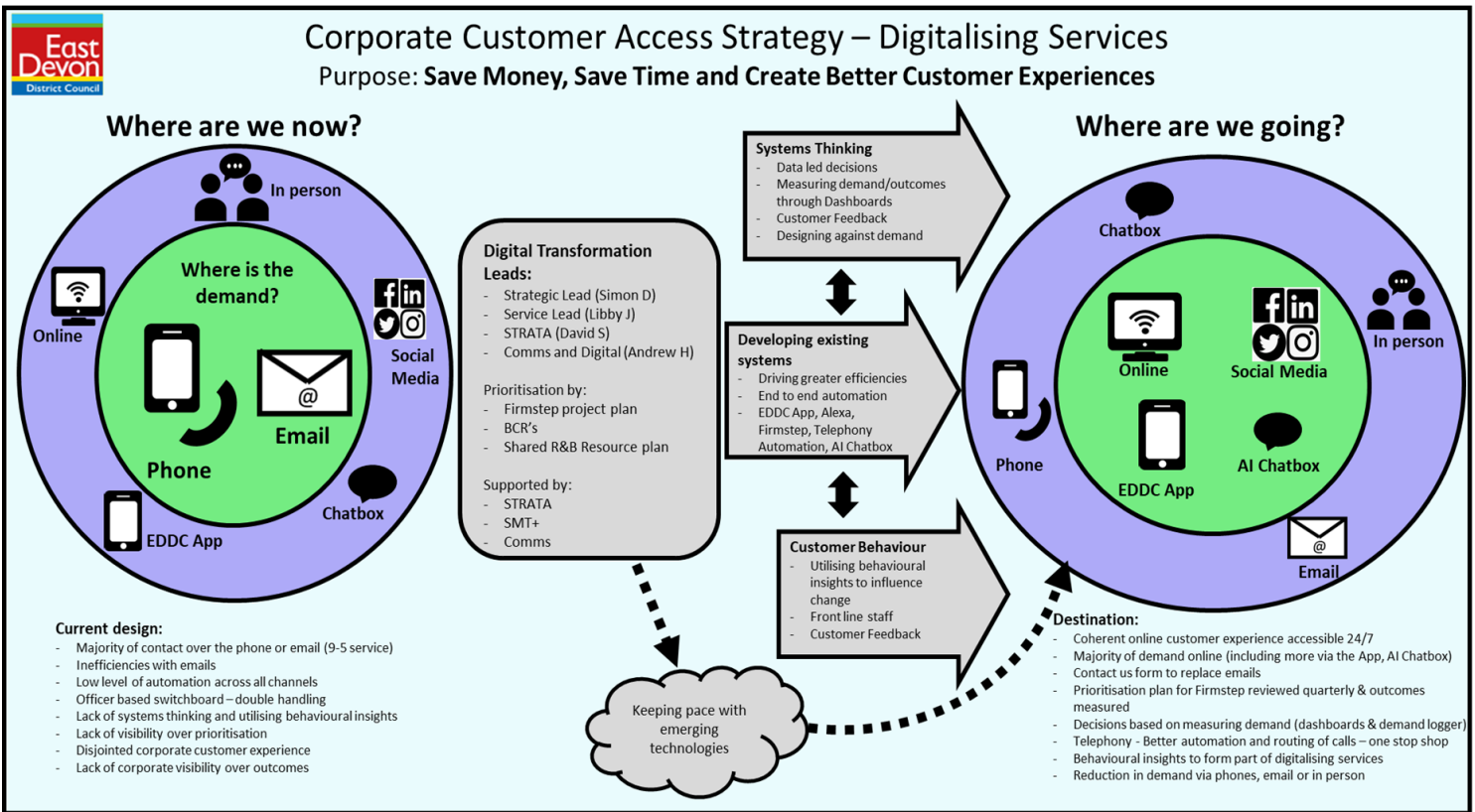
The majority of these themes support the key enablers of our Financial Sustainability Model. Through Systems principles we should only be doing value work, at that stage we determine can digital processes make it more efficient for us. There is no point using limited IT resources to digitalise a process that is moving unnecessary work from a manual process to a digital process.

Moving value work into a digital process, or a more effective digital process, will deliver financial savings.

To supplement and add to the efforts of Strata the Council has created some new posts to support this work; a Digital Transformation Projects Officer, a Corporate Business and Data Analyst (key also to Enabler 4 below), a Digital Services Officer and a Process Improvement Analyst. In addition, there are key officers within services who are involved in the same agenda, and this is work is starting to be coordinated to move forward as One Council.

3. Customer Access – Enabler Lead: Libby Jarrett

As part of approving the Digital Strategy the aim of the 'customer access and service theme' within that Strategy was described in an info diagram to explain where we consider we are now with customer access and through various initiatives where we are aiming to move to - giving customers better access and for us save costs. This is replicated below.



4. Performance Management Data: Enabler Lead – Andrew Hopkins

It is crucial we use relevant data to inform our business decisions. Performance data needs to be readily available and used by managers, SMT+ and members to drive decisions and be clear where action is needed/not needed and how we are performing for our residence, identifying and resolving issues quickly. Importantly this needs to link with system thinking to ensure we measure the right things.

It is necessary to understand cost, performance and activities of services and undertake appropriate comparisons to be clear where we are providing Value for Money and where we are not. Help identify where improvements are needed or to determine we are comfortable and understand the variances.

As stated, we have a corporate resource to help services; a Management Information Officer and a Corporate Business and Data Analyst but also services have their own resources in this area, and we need to share and oversee the whole.

5. Asset Management: Enabler Lead – Tim Child

In reviewing our services there are some services where asset management is relevant and areas it is not. There are key elements to be considered by services;

- Understanding the financial and non-financial performance of assets and using this to drive asset management decisions.
- Proactive asset management – Maximising the returns from assets and disposing of assets that have a poor financial / non-financial return.
- Investing in assets only where there's a strong business case.
- Supporting wider objectives – Being clear where and how asset management is supporting wider objectives, such as benefitting the community, shaping the built

landscape, supporting the Council in its service delivery and proactively supporting our commitment to tackling climate change.

- e) Encouraging asset transfer where appropriate.

There can be a quick analysis within each service to determine scope of opportunities.

6. Income Maximisation: Enabler Lead – John Symes

It is viewed that members are supportive of ensuring where fees and charges are made that these set at appropriate rates and reviewed regular to keep pace with costs. It is also considered there is support to develop existing services areas where there is opportunity and customer demand for additional or enhanced services to be offered that can generate surpluses for the Council.

EXTERNAL INFLUENCES AND KEY ASSUMPTIONS WITHIN THE REVENUE MTFP MODEL

- Inflation**

Inflation rates used are identified in Appendix A of the MTFP attached. Although the financial model is based upon what are believed to be a series of prudent assumptions, there is inevitably a risk that some or all factors applied could be inaccurate. The table below summarises the impact of any such inaccuracies that would have a detrimental effect upon the financial plan. Inflation rates are historically high although now falling. The biggest impact on the MTFP will be future pay settlements. The General Fund Balance sum held was increased by £0.5m to mitigate higher rises than budgeted.

Financial impact of changes in inflation assumptions 2024/25.

Factor	MTFP Predicted Inflation Costs £000	Worse by 1% £'000	Worse by 2% £'000
Pay, N.I & Pension & other employee costs + other costs	940	412	823

- Investment Returns**

The approach adopted, of budgeting for investment income remains prudent. Investment return is based on current rates, the possibility of further base rates increase has been ignored and a reduction in cash to invest has been factored in. 2024/25 estimate is below current level for this assumption and further reductions have been assumed in the plan going forward.

- Council Tax Income**

The MTFP follows recent Government practice of allowing a £5 a year increase or 3% whichever is the greatest.

Financial impact of changes in council tax levels (2024/25).

Level of council Tax increase	Predicted council tax income £000	Loss of income in MTFP 2024/25 £'000
Council tax yield at £5 (3.09%) increase	(10,366)	Nil
Yield at 2.0%	(10,256)	110
Yield at 1.0%	(10,156)	210
Yield at 0.0%	(10,055)	311

This calculation shows a one year effect, this reduction would be lost each year going forward plus the opportunity to increase the level in future on a higher base.

- **New Homes Bonus**

Details are covered in the main Strategy the risk in income being below the projections are unlikely as they are based in the main on current known taxbase numbers. The Plan assumes significant reduction in income from previous years. We await Government consultation on revised scheme which could have positive implication on the MTFP both revenue and capital but no projections can be made on this until Government outline any replacement scheme. The introduction of the Minimum Funding Guarantee Grant (confirmed in 2 year spending review period) will mitigate any reductions but there is no guarantee this will continue past 2024/25.

- **Business Rate Income**

The risks associated with Business Rate income has been covered in the Strategy, including the Government's intention of business rates rebasing. A £5m additional benefit has been budgeted in 2024/25 for additional rates above the Council's baseline, this is the sum that will be budgeted and if the actual amount is less through a reduction in assessments or collection of income drops than the difference will be met from the Business Rates Volatility Fund which has a current balance of £0.639m.

Should the Government suddenly rebase for 2024/25 (very unlikely but a risk that needs to be considered) then the Council has a MTFP Risk Reserve of £3m will be used to mitigate this for the year.