

Financial Plan (2023 -2033)

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 Financial Plan also links with other key plans and documents of the Council including Service Plans, the developing Asset Management Plan, Digital Strategy, Procurement Strategy and the Treasury Management Strategy. Input is also 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.

However, 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.

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 60p in the pound since that point.

Government Funding to EDDC for General Services 2010 ⇨ £7.030m

2010 funding indexed link to 2022 ⇨ £9.455m

Actual Baseline Funding 2022 ⇨ £2.831m

Additional support was provided over the last two years during the Pandemic but the underlying funding for local authorities is historically low.

There are significant financial pressures to consider with current high inflation rates, at the time of writing predicted to reach 13% being driven by high energy and food costs, with a likely recession looming. 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 low investment income, although picking up with recent interest rate rises in an attempt to curb inflation and as ever an increasing call on our services with the associated costs. The Council has fallen behind in being a medium pay employer adding to the pressure of staff recruitment and retention, to address this the Council has allocated funding of up to £500k for the General Fund (budget also included separately in the HRA) for the implications of an independent pay review and revised pay scales. Understandably members' have ambitions to enhance and improve services through investment in services and the Council is committed to a carbon reduction programme to become carbon neutral by 2040. This all brings significant financial challenges, recent decisions have helped offset some of these costs including an increase in car park charges and decisions to maintain and investment in only key public toilet sites and to instigate a charging regime.

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. A balanced budget was set by the Council for 2022/23 against significant funding requests from front line services, this was achieved through strong member cohesion.

The Council has facilitated and encouraged business and housing growth in the district to deliver its ambitions and benefited 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 than 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 2022/23 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. The consequence of the pandemic was a significant risk but high inflation with the impact on our finances and the public is now the central concern.

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 2022/23 for comparison and forms the basis from which future assessments have been made. The 2022/23 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:

- Inclusion of £1m phased over 3 years for the resource implications on delivering a possible new town in the district. This cost then comes out of the Plan after 3 years. We will seek external funding where possible but at this stage this has not been assumed.
- £650k has been included in 2023/24 being the full cost implication for the new negotiated terms for recycling and waste contract as approved by Council – this brings the full year additional cost up to the £1.2m. There is also £1.11m of required capital expenditure.

- £50k has been included for project and delivery capacity within the Growth, Development and Prosperity to help meet the ambitions within the Council Plan. This is subject to a request being made to members shortly, but included in the MTFP for prudence at this stage.
- 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.

An immediate impact is the costs involved in vehicle fleet replacement, costs are currently being determined but beyond the overall budget this has not been factored into the Model.

- The Council has a number of initiatives being implemented including the work outlined in the Financial Sustainability Plan; Worksmart, Microsoft 365 roll out, improved project management (software and training), business analyst resource and extending two temporary posts (Digital Projects Transformation Officer & Corporate Performance Data Analyst) for a further year.

A sum has been included in the MTFP of £240k year 1 and a further £85k in 2024/25 with £40k remaining in 2025/26 – all costs finishing in 2026/27. Although identified within the costs it has been assumed in the Model these will be funded through the Transformation Fund. Total sum required from the Transformation Fund for the full period is £605k.

- The 2022/23 budget for staff salaries was based on an assumed 2% increase. At the time of developing the MTFP the latest position looks like a flat sum payment of £1,925 per employee (based on a full time individual). This equates to a net cost over the budgeted sum in the General Fund of £560k. This additional cost has been added to the model.
- Temporary funding has been agreed by Council for resources to help implement the Leisure and Cultural Strategies recently approved by Council. These were approved to be funded from reserves for an initial two year period (£60k per annum in total).

These have been built into the Model going forward. It should be noted no other implications of these Strategies have been factored in as the financial implications are unclear until further work on the action plan is done. A sum has been included as a notional sum to reflect additional management fee risk associated with the Leisure Service Level Agreement (£98k at this stage). The base budget also contains a sum of £88k to help LED mitigate inflationary pressures on energy prices.

- The Council in approving the 2022/23 budget did invest an additional £737k in key front line service staff costs and these are built into the cost base and model going forward. Further service pressures may be identified through the detailed budget preparation process but at this stage other than the areas highlighted all known service factors have been included.
- 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 to give some financial scope to increase our contribution should members agree when presented with a case.
- Work will be presented to Council on increasing the Local Council Support Scheme to help those on low income meet their Council Tax, increasing the highest support band to 100%. This is estimated to cost EDDC around £44k and has been included in the Model, although it will be subject to a member decision.
- Work relating to the Poverty Strategy and in particular the work of the Financial Resilience Officers (currently 4 posts) are funded until Aug 2024. It is likely we will be passed further government emergency funding to support residents struggling with the cost of living crisis so at this stage no further direct EDDC funding has been included in the Model but this will be kept under review.

The Council's [Revenue and Capital Estimates 2022-23](#) 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 2022/23 Local Government Finance Settlement was a one-year spending round only. 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. Current thinking and interpreting the position of Government with Elections due 2024 is that no radical changes will be now be made in the next 2 years, 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 a fall to baseline funding for the Council from 2025/26; taking away any growth in business rates (2022/23 budget £2m and assumed £3.150m in 2023/24 & 2024/25) and the fall of NHB to £530k per annum (2022/23 budget £1.5m and assumed £630k in 2023/24 & 2024/25). 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 because there is likely to be transitional funding introduced to smooth out the reductions for authorities like East Devon.

The Local Government Finance Settlement is announced normally late November/early December and in the current position of Government it now seems highly unlikely much detail will be proposed or published before these dates making planning extremely difficult as councils budget processes will be finalising at that point.

The implications of the Levelling Up and Regeneration Bill and any change to the shape of local government going forward, particularly in Devon, has not been addressed in the MTFP as it seems no fundamental change in the short term is likely other than the potential creation of a Combined Authority covering Devon, Plymouth and Torbay but this position will need to be kept under review.

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 2022/23 the Council will be £3.150m above the baseline funding level (retained growth). This is considered reasonable based on current levels of income and projected growth. 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 the following year. 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 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 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 2% 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 £1.5m available in 2022/23 which is then estimated to fall to £630k for 2023/24 and 2024/25 and then falls to £530k onwards.

A replacement for NHB was consulted on over two 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:

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

General Fund	2023/24 £000	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
Budget Shortfall/(Surplus)	589	892	3,805	(1,128)	(122)	(17)	600	(13)	(97)	20



The reason for significant changes between years is that 25/26 as explained is when rebasing of business rates is expected creating a significant funding shortfall, it is assumed savings are found to balance that year, the following year £1m of costs drop out from resources required with the new community. In practice this could be smoothed by use of reserves if available as you wouldn't want to possibly cut services by £3.8m and find you setting surplus budget of £1.1m the following year. Although the surplus does get reduced overtime by the impact of other cost rises. By using the model different scenarios can be shown to guide the annual budget setting process.

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

The funding gap for 2023/24 and 2024/25 needs to be addressed quickly but working with SMT+ and members it is considered it is manageable through the budget process.

A key area to explore is what savings/increased income can be achieved by working through service reviews, this being before more fundamental decisions are made on cutting services to the public. There are some initiatives in the pipeline (Home safeguard business review, Treasury Management income, events income) that can help in part with the immediate requirement for 2023/24 as well as the normal scrutiny through the budget process. This Plan also proposes that we kick off of the actions in the Financial Sustainability Model.

This Plan proposes a two stage approach which is linked to the uncertainty of Government funding for local authorities and possibly even the shape of local government going forward.

- Over the following year/18 months we will undertake 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, challenging ourselves between services and between SMT+. If this does not bear fruit then we need to look for service reduction.
- If the funding gap estimated in 2025/26 of £3.8m materialises, which is dependent on Government direction, then efficiencies and income generation are not going to drive that level of savings and we will need to propose significant service reductions. But this comes at a point when we know how much we need to find and 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 what actions could be taken should be considered and formulated.

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 out of available resources.

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

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Net Capital Expenditure	18,905	6,790	4,763	4,705	5,136
HRA Financing	(4,559)	(4,906)	(4,906)	(4,906)	(4,906)
GF Capital Receipts	(200)	(500)	(200)	(100)	(100)
New Homes Bonus	(637)	-	-	-	-
Enterprise Zone & other self-funded schemes	(1,622)	-	-	-	-
Capital Reserve	-	-	-	-	-
Net Internal/ External Borrowing	(11,887)	(1,384)	(143)	(301)	(130)

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 from observation that 2022/23 needs to be re-profiled with the budget managers, there are a number of schemes which will not be delivered in part or full in the year the budget is allocated. From the view of the MTFP it's the overall position that can be considered taking all years into account.

The position on internal/external borrowing over the period requires net funding of £13.845m. 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 new 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 with headroom for essential year on year requests. 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.
- New Homes Bonus monies allocated to the Capital Programme represents the Balance available after deducting £1.5m to fund the General Fund and it is assumed the grant scheme going forward will not be above this level.

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 a new 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.

Depending on the outcome of this work, and the savings achieved, we will then need to look at reductions in service delivery necessary to balance the books going forward to deliver financial sustainability. This work will be focused on General Fund services but the same principles could be utilised to review HRA services.

12. Service Reviews/Support

It is proposed to undertake service reviews 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 a position of ensuring efficiency should be explored first.

The Strategic Lead for Finance will be overall lead and coordinator for this work, supported by all members of SMT+. Refresher training will be provided particularly around 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 recently adopted 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. In the words of the Strata's Interim IT & Digital Transformation Director 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.

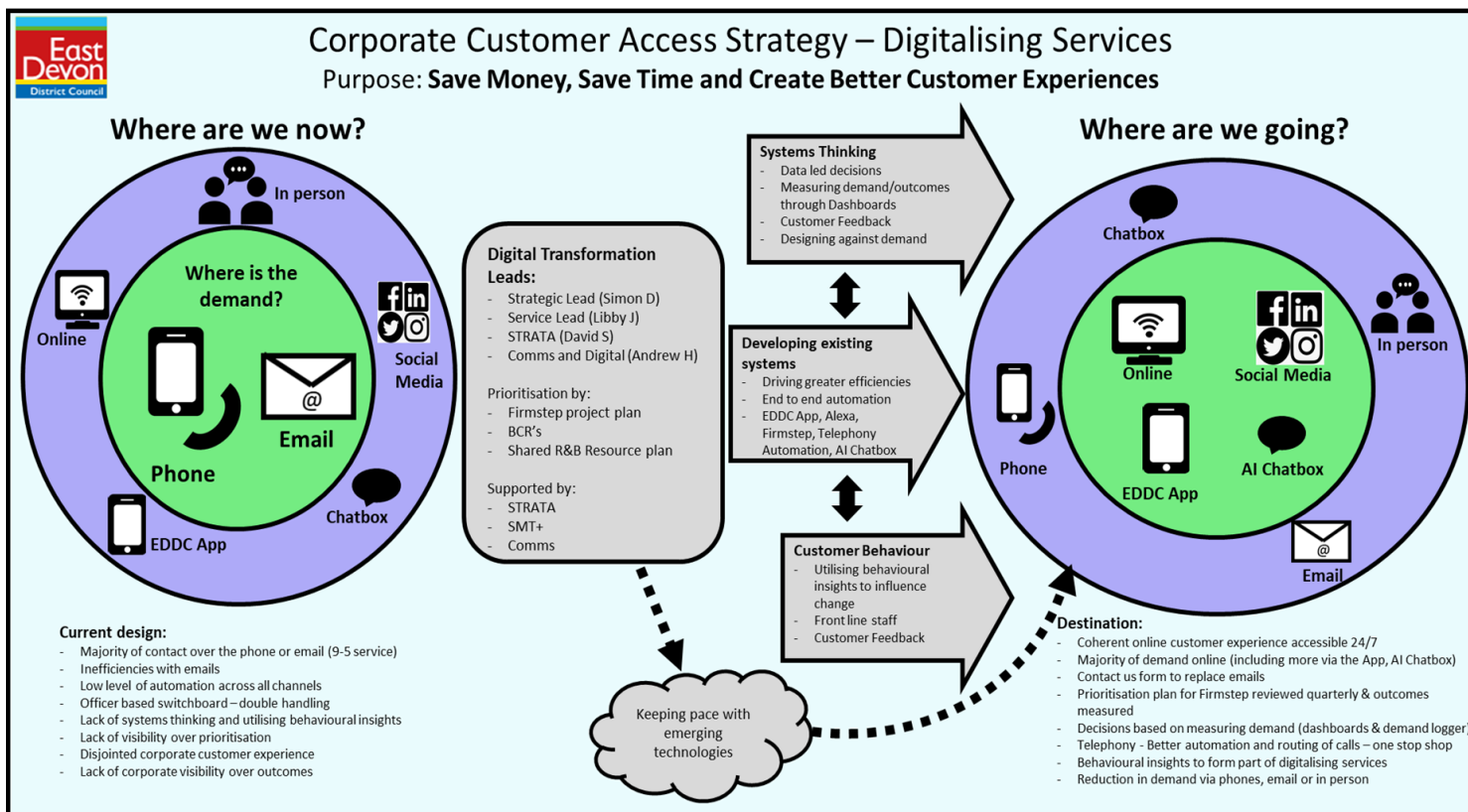
To supplement and add to the efforts of Strata the Council has created some new posts to support this work; a Digital Transformation Projects Officer, a Corporate Performance and Data Analyst (key also to Enabler 4 below) and a Digital Services Officer. In addition there are key officers within services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

A gap in the corporate team has been identified in helping to work with services in carrying out reviews and that is the skill and capacity of a business analyst. There is a request that if the Financial Strategy is adopted then funding is made available to resource such a post for 3 years, it is proposed funding is met from the Transformation Fund. This has been reflected in the MTFP model along with adding an additional year to two of the posts named above which were initially for

a 2 year period, it is clear with the pipeline of work a 3 year period would more suitable.

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 Performance 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;

- a) Understanding the financial and non-financial performance of assets and using this to drive asset management decisions.
- b) Proactive asset management – Maximising the returns from assets and disposing of assets that have a poor financial / non-financial return.
- c) Investing in assets only where there's a strong business case.
- d) 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.

Again there can be a quick analysis within services to determine scope for opportunity.

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 in recent times as not been a high risk but currently rates are historically high with Bank of England projecting CPI reaching 13% driven by food and energy costs. The biggest impact on the MTFP will be future pay settlements. At the end of 2021/22 Council agreed to increase the General Fund Balance by £0.5m to mitigate higher rises than budgeted.

Financial impact of changes in inflation assumptions 2023/24.

Factor	MTFP Predicted Inflation Costs £000	Worse by 1% £'000	Worse by 2% £'000
Pay, N.I & Pension & other employee costs + other costs	1,375	370	740

- Investment Returns**

The approach adopted, of budgeting for investment income remains prudent. Investment return predictions have been factored in with a modest increase starting to be reflected from 2023/24 to 1.5%. The increases we are experiencing will not materially affect our position.

- Council Tax Income**

The MTFP follows recent Government practice of allowing a £5 a year increase.

Financial impact of changes in council tax levels (2021/22).

Level of council Tax increase	Predicted council tax income £000	Loss of income in MTFP 2023/24 £'000
Council tax yield at £5 (3.19%) increase	(9,918)	Nil
Yield at 2.0%	(9,804)	114
Yield at 1.0%	(9,708)	210
Yield at 0.0%	(9,611)	307

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.

- **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 £3.150m additional benefit has been budgeted in 2023/24 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 2023/24 (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.

Note	BASE																								APPENDIX A (i)								
	2022/23			2023/24			2024/25			2025/26			2026/27			2027/28			2028/29			2029/30			2030/31			2031/32			2032/33		
	Total	Addition	Reduction	Total	Addition	Reduction	Total	Addition	Reduction	Total	Addition	Reduction	Total	Addition	Reduction	Total	Addition	Reduction	Total	Addition	Reduction	Total	Addition	Reduction	Total	Addition	Reduction	Total	Addition	Reduction	Total		
BUDGET SET	17,194,771			17,194,771			19,629,531			20,532,861			21,335,796			20,832,068			21,480,257			22,040,675			22,613,644			23,199,499			23,908,588		
AMENDMENTS TO BUDGET																																	
1 One off Items of expenditure from Earmarked Reserves			284,041	(284,041)			0			0			0			0			0			0			0			0		0			
2 One off sum for tree strategy			50,000	(50,000)			0			0			0			0			0			0			0			0		0			
3 Culture & Leisure Strategy Staff implications after reserve funding							0	63,280	63,280				0			0			0			0			0			0		0			
4 EDDC Elections		90,000					0		0				100,000			100,000			0			0			110,000			110,000		0			
5 Clyst Honiton Parish Council Support - Council approved 5 yr grant				0		9,000	(9,000)						0			0			0			0			0			0		0			
6 Crankbrook Grant £30k final sum in 22/23			30,000	(30,000)			0						0			0			0			0			0			0		0			
7 Consideration of LED management fee additional charge		98,000		98,000			0						0			0			0			0			0			0		0			
8 Staffing & Resourcing of possible new town		100,000		100,000	400,000		400,000		500,000				1,000,000			(1,000,000)			0			0			0			0		0			
9 Recycling & Refuse Contract renegotiation 2022 6mths effect in base full yr to be included		650,000		650,000			0						0			0			0			0			0			0		0			
10 Project management/delivery capacity - Growth, Development & Prosperity Team		50,000		50,000			0						0			0			0			0			0			0		0			
11 Savings on vehicle Allowances				0		56,000	(56,000)						0			0			0			0			0			0		0			
12 Local Plan Preparation - Evidence, Consultation & Examination				0			0						0			0			0			0			0			0		0			
13 Employee Value Proposition/Employer Branding - met from Transformation Fund		30,000		30,000		30,000	(30,000)						0			0			0			0			0			0		0			
Financial Sustainability - Work Smart, M365 rollout implications & other upfront costs to deliver further VFM - met from Transformation Reserve (phone replacement £75k, Agile Training & Project software £50k, Office configuration & Equip £75k, Business Analyst new 3 yrs £40k, 1 yr extended period for Digital Projects Transformation Officer & Corporate Performance Data Analyst £85k)		240,000		240,000	85,000		85,000		285,000				40,000			(40,000)			0			0			0			0		0			
15 Assumed increase in Council Tax Support Scheme		44,000		44,000			0						0			0			0			0			0			0		0			
ONGOING BUDGET VARIANCES IDENTIFIED DURING BUDGET MONITORING																																	
15 Below offset with recharge to HRA (16 & 17)			205,000	(205,000)			0						0			0			0			0			0			0		0			
16 Increase in salary base for underbudgeted national pay award		588,150		588,150			0						0			0			0			0			0			0		0			
17 Increase in oncosts from above (16)		176,445		176,445			0						0			0			0			0			0			0		0			
INFLATION																																	
18 a Employee Pay Award	472,181			472,181	275,434		275,434	280,943	280,943	286,562	292,293	292,293	298,139	304,102	304,102	310,184	310,184	316,388	316,388	322,715	322,715	328,855	328,855	335,100	335,100	341,450	341,450	347,900	347,900	354,450			
b Employees Other Costs	18,883			18,883	11,486		11,486	11,715	11,950	11,950	12,189	12,432	12,681	12,935	13,193	13,457	13,727	14,000	14,280	14,565	14,855	15,150	15,450	15,755	16,065	16,380	16,700	17,025	17,355	17,690			
c Superannuation	93,793			93,793	57,048		57,048	58,189	59,353	60,540	61,751	63,000	64,286	65,615	67,000	68,430	70,000	71,680	73,500	75,480	77,520	79,630	81,810	84,070	86,410	88,830	91,330	93,910	96,560				
d National Insurance	44,310			44,310	26,951		26,951	27,490	28,040	28,601	29,173	29,756	30,351	30,958	31,577	32,200	32,830	33,470	34,120	34,780	35,450	36,130	36,820	37,520	38,230	38,950	39,680	40,420	41,170	41,930			
19 Inflation Summary - expenditure	746,579			746,579	415,806		415,806	425,014	434,469	444,179	454,155	464,407	474,946	485,783	496,931	508,380	520,130	532,190	544,560	557,250	570,170	583,320	596,790	610,590	624,720	638,970	653,520	668,380	683,550				
20 Inflation Summary - fees, charges & contributions	(438,540)			(438,540)	(273,396)		(273,396)	(278,697)	(284,101)	(289,613)	(295,232)	(300,963)	(306,906)	(312,963)	(319,137)	(325,430)	(331,943)	(338,576)	(345,330)	(352,205)	(359,300)	(366,615)	(374,150)	(381,925)	(390,040)	(398,395)	(407,090)	(416,125)	(425,500)				
TOTAL INESCAPABLE BUDGET CHANGES	937,206			937,206	513,330		513,330	524,655	536,272	548,189	560,418	572,969	585,855	599,088	612,682	626,637	641,052	655,937	671,282	687,087	703,352	719,977	737,072	754,647	772,692	791,217	810,232	829,737	849,732				
SERVICE PLAN COMMITMENTS NOT INCLUDED IN BASE BUDGET																																	
21 None identified																																	
TOTAL "UNAVOIDABLE" CHANGES TO BUDGET	3,003,801	569,041	2,434,760	998,330	95,000	903,330	1,087,935	285,000	802,935	536,272	1,040,000	(503,728)	648,189	0	648,189	560,418	0	560,418	572,969	0	572,969	585,855	0	585,855	709,088	0	709,088	612,682	0	612,682			
PREDICTED BUDGET REQUIREMENT	17,194,771			19,629,531			20,532,861			21,335,796			20,832,068			21,480,257			22,040,675			22,613,644			23,199,499			23,908,588			24,521,270		
FINANCED BY:																																	
Government Grant - NDR Gov't baseline	2,940,239			3,098,000			3,160,000			3,223,200			3,287,664			3,353,417			3,420,486			3,488,895			3,558,673			3,629,847			3,702,444		
Rural Services Delivery Grant	236,590			236,590			236,590			236,590			236,590			236,590			236,590			236,590			236,590			236,590			236,590		
Lower Tier Service Grant	295,543			1,211,000			722,000			722,000			722,000			722,000			722,000			722,000			722,000			722,000			722,000		
Service Grant	183,878			252,000			252,000			252,000			252,000			252,000			252,000			252,000			252,000			252,000			252,000		
NDR Uplift - Amount above Baseline (Rebased 2025/26)	2,000,000			3,150,000			3,150,000			200,000			400,000			600,000			800,000			200,000			400,000			600,000			800,000		
Cou	9,533,010			9,917,923			10,307,838			10,702,753			11,107,668			11,507,583			11,917,498			12,332,413			12,752,328			13,177,243			13,607,158		
ncil	392,130			686,230			784,260			784,260			784,260			784,260			784,260			784,260			784,260			784,260			784,260		
Inte	(438,340)			(640,000)			(640,000)			(640,000)			(640,000)			(640,000)			(640,000)			(640,000)			(640,000)			(640,000)			(640,000)		
Savings target (Procurement)	70,000			0			0			0			0			0			0			0			0			0		0			
Council Tax Collection Fund Surplus	197,680			140,000			125,000			100,000			75,000			50,000			25,000			0			0			0		0			
Earmarked Reserve - one off items of expenditure (including Transformation Fund)	284,041			270,000			325,000			40,000			0			0			0			0			0			0		0			
New Homes Bonus to revenue (Gov't ended current scheme)	1,500,000			630,000			630,000			530,000			530,000			530,000			530,000			530,000			530,000			530,000			530,000		
General Fund Balance - District Elections	0			90,000			0			0			100,000			0			0			0			0			0		0			
GENERAL FUND BALANCE	17,																																

Appendix A (ii)

INESCAPABLE BUDGET CHANGES		2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2033/34
		£	£	£	£	£	£	£	£	£	£	£
Note	BASE											
Employee Costs												
Inflation - Employees Pay												
	Base Pay Budget (Salary/Wages/Overtime)	13,299,538	13,299,538	13,771,719	14,047,154	14,328,097	14,614,659	14,906,952	15,205,091	15,509,193	15,819,377	16,135,764
	22/23 assumed 2% pay award, latest offer £1,925 per employee - under budgeted sum		588,150									
	Assumed Pay Award (inline with Treasury Target on Public Sector Pay, except 23/24 inline with OBR est. Aug 2022)		3.40%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
	Total Pay		472,181	275,434	280,943	286,562	292,293	298,139	304,102	310,184	316,388	322,715
Inflation - Employees Other - Inline with General Inflation												
	Base Pay Budget	555,396	555,396	574,279	585,765	597,480	609,430	621,619	634,051	646,732	659,667	672,860
	Assumed Inflation Level		3.40%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
	Total Pay Inflation		18,883	11,486	11,715	11,950	12,189	12,432	12,681	12,935	13,193	13,457
Pension- Triannual review 20/21												
	Inflation	2,629,230	2,629,230	2,852,416	2,909,465	2,967,654	3,027,007	3,087,547	3,149,298	3,212,284	3,276,530	3,342,060
	Adjustment for increased pay award 2022/23 £588,150 *22%		129,393	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
			93,793	57,048	58,189	59,353	60,540	61,751	62,986	64,246	65,531	66,841
National Insurance												
	Inflation	1,256,190	1,256,190	1,347,552	1,374,503	1,401,993	1,430,033	1,458,634	1,487,807	1,517,563	1,547,914	1,578,872
	Adjustment for increased pay award 2022/23 not in base £588,150*8%		47,052	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
			44,310	26,951	27,490	28,040	28,601	29,173	29,756	30,351	30,958	31,577
OTHER												
Inflation - Premises General												
	Inflation Rate	1,345,450	1,345,450	1,391,195	1,419,019	1,447,400	1,476,348	1,505,875	1,535,992	1,566,712	1,598,046	1,630,007
	Increased Sum		45,745	27,824	28,380	28,948	29,527	30,117	30,720	31,334	31,961	32,600
Inflation - Premises Energy												
	Inflation Rate	227,490	227,490	254,789	272,624	291,708	312,127	333,976	357,354	382,369	409,135	437,775
	Increased Sum		27,299	17,835	19,084	20,420	21,849	23,378	25,015	26,766	28,639	30,644
Inflation - Premises Rates												
	Inflation Rate	863,530	863,530	892,890	910,748	928,963	947,542	966,493	985,823	1,005,539	1,025,650	1,046,163
	Increased Sum		29,360	17,858	18,215	18,579	18,951	19,330	19,716	20,111	20,513	20,923
Inflation - Transport General												
	Inflation Rate	783,365	783,365	809,999	826,199	842,723	859,578	876,769	894,305	912,191	930,435	949,043
	Increased Sum		26,634	16,200	16,524	16,854	17,192	17,535	17,886	18,244	18,609	18,981
Inflation - Transport Fuel related												
	Inflation Rate	149,550	149,550	157,028	160,168	163,371	166,639	169,972	173,371	176,838	180,375	183,983
	Increased Sum		7,478	3,141	3,203	3,267	3,333	3,399	3,467	3,537	3,608	3,680
Inflation - Supplies & Services												
	Inflation Rate	5,740,705	5,740,705	5,935,889	6,054,607	6,175,699	6,299,213	6,425,197	6,553,701	6,684,775	6,818,471	6,954,840
	Increased Sum		195,184	118,718	121,092	123,514	125,984	128,504	131,074	133,696	136,369	139,097
Inflation - Members Allowances												
	Inflation Rate	379,870	379,870	392,786	400,641	408,654	416,827	425,164	433,667	442,340	451,187	460,211
	Increased Sum		12,916	7,856	8,013	8,173	8,337	8,503	8,673	8,847	9,024	9,204
Inflation - Refuse & Recycling												
	New Contract arrangement reflected in base for 6mths - additional £650k full yr effect	5,451,980	5,451,980	6,309,447	6,435,636	6,564,349	6,695,636	6,829,549	6,966,140	7,105,462	7,247,572	7,392,523
			650,000	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
			207,467	126,189	128,713	131,287	133,913	136,591	139,323	142,109	144,951	147,850
Inflation - LED SLA												
	Leisure Contract freeze agreed 2016/17 for 5yrs, then assumed continued freeze	981,720	981,720	1,079,890	1,101,488	1,123,518	1,145,988	1,168,908	1,192,286	1,216,132	1,240,454	1,265,263
	Increased Sum - assume management fee 10% (implications of Leisure Strat ignored)		98,170	21,598	22,030	22,470	22,920	23,378	23,846	24,323	24,809	25,305
Inflation - Strata												
	Contract (payment based on inflation - salary + software %)	2,833,110	2,833,110	2,929,436	2,988,024	3,047,785	3,108,741	3,170,915	3,234,334	3,299,020	3,365,001	3,432,301
	Increased Sum		96,326	58,589	59,760	60,956	62,175	63,418	64,687	65,980	67,300	68,646
Summary of inflation												
			746,579	415,806	425,014	434,469	444,179	454,155	464,407	474,946	485,783	496,931
Inflation - HB payments (includes £550,000 overpayment income)												
		19,777,870	19,777,870	19,777,870	19,777,870	19,777,870	19,777,870	19,777,870	19,777,870	19,777,870	19,777,870	19,777,870
			0	0	0	0	0	0	0	0	0	0
Misc												
		10,860										
	Sub Total		56,285,854									
Inflation - HB Admin (£311k base) /CTS (£139k base)												
	Assumed all reduction now made - annual increase inline with inflation	-439,350.00	-439,350	-454,288	-463,374	-472,641	-482,094	-491,736	-501,571	-511,602	-521,834	-532,271
			3.40%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
			-14,938	-9,086	-9,267	-9,453	-9,642	-9,835	-10,031	-10,232	-10,437	-10,645
Inflation - NDR Admin												
	Inflation Rate	-246,767	-246,767	-255,157	-260,260	-265,465	-270,775	-276,190	-281,714	-287,348	-293,095	-298,957
	Increased Sum		-8,390	-5,103	-5,205	-5,309	-5,415	-5,524	-5,634	-5,747	-5,862	-5,979
Inflation - Homelessness												
	Inflation Rate	-445,380	-445,380	-460,523	-469,733	-479,128	-488,711	-498,485	-508,455	-518,624	-528,996	-539,576
	Increased Sum		-15,143	-9,210	-9,395	-9,583	-9,774	-9,970	-10,169	-10,372	-10,580	-10,792
Inflation -Recycling												
	Inflation Rate - assume 1% increase	-1,657,790	-1,657,790	-1,674,368	-1,691,112	-1,708,023	-1,725,103	-1,742,354	-1,759,777	-1,777,375	-1,795,149	-1,813,101
	Increased Sum		-16,578	-16,744	-16,911	-17,080	-17,251	-17,424	-17,598	-17,774	-17,951	-18,131
Inflation - Government & OLA Grant Balance												
	Inflation Rate	-484,230	-484,230	-500,694	-510,708	-520,922	-531,340	-541,967	-552,806	-563,863	-575,140	-586,643
	Increased Sum		-16,464	-10,014	-10,214	-10,418	-10,627	-10,839	-11,056	-11,277	-11,503	-11,733
Inflation - Other Grants & Con't												
	Inflation Rate	-613,648	-613,648	-634,512	-647,202	-660,146	-673,349	-686,816	-700,553	-714,564	-728,855	-743,432
	Increased Sum		-20,864	-12,890	-12,944	-13,203	-13,467	-13,736	-14,011	-14,291	-14,577	-14,869
Inflation - HB Subsidy												
		-19,894,610.00	-19,894,610	-19,894,610	-19,894,610	-19,894,610	-19,894,610	-19,894,610	-19,894,610	-19,894,610	-19,894,610	-19,894,610
			0	0	0	0	0	0	0	0	0	0
Inflation - Other Customer Receipts												
	Inflation Rate	-5,454,908	-5,454,908	-5,640,375	-5,753,182	-5,868,246	-5,985,611	-6,105,323	-6,227,430	-6,351,978	-6,479,018	-6,608,598
	Increased Sum		-185,467	-112,807	-115,064	-117,365	-119,712	-122,106	-124,549	-127,040	-129,580	-132,172
Inflation - Homesafeguard												
	Inflation Rate	-854,890	-854,890	-883,956	-901,635	-919,668	-938,061	-956,823	-975,959	-995,478	-1,015,388	-1,035,696
	Increased Sum		-29,066	-17,679	-18,033	-18,393	-18,761	-19,136	-19,519	-19,910	-20,308	-20,714
Inflation - Net Recharges to HRA												
	Inflation Rate	-2,380,980	-2,380,980	-2,461,933	-2,511,172	-2,561,395	-2,612,623	-2,664,876	-2,718,173	-2,772,537	-2,827,988	-2,884,547
	Increased Sum		-80,953	-49,239	-50,223	-51,228	-52,252	-53,298	-54,363	-55,451	-56,560	-57,691
Inflation - Car Park Charges												
	Inflation Rate	-5,128,020	-5,128,020	-5,128,020	-5,128,020	-5,128,020	-5,128,020	-5,128,020	-5,128,020	-5,128,020	-5,128,020	-5,128,020
	Increased Sum		0	0	0	0	0	0	0	0	0	0
Inflation - Planning Fees												
	Inflation Rate - assume charges remain 2023/24 then inflation	-1,375,000	-1,375,000	-1,421,750	-1,450,185	-1,479,189	-1,508,772	-1,538,948	-1,569,727	-1,601,121	-1,633,144	-1,665,807
	Increased Sum		-46,750	-28,435	-29,004	-29,584	-30,175	-30,779	-31,395	-32,022	-32,663	-33,316
Inflation - Other Income												
	Inflation Rate	-115,510	-115,510	-119,437	-121,							