

Financial Plan (2025 -2035)

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 separately within its own business plan which is currently under review.

The purpose of this Plan is to define how the Council will structure and manage its finances over the next ten years to deliver services to residents and support the objectives detailed within the Council Plan. The future projections are based on the current recently adopted Council Plan.

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

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.

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

We are expecting under the new Government a one year settlement for 2025/26, this is expected to be a rollover of the current year settlement with little changes in the principles of allocation. Government Department spending targets which will allocate funding to Local Authorities as a total sum will be announced in the 30th October budget. This will not give our individual authority numbers this will come in the Finance Settlement probably the beginning of December. Then in Spring 2025 a multi-year spending review is to take place effecting 2026/27 onwards.

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.

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, fears of a possible recession or at best extremely low growth predicted. Consequently, recent high national pay awards and other direct cost implications mainly associated with contractor and partner costs, although we are seeing a return to the Treasury's target 2% inflation rate. There has been an upturn in investment income through interest rate rises used to curb inflation with these expected to lower in the coming year and there is an ever 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. 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 an excellent track record of delivering balanced budgets, meeting its spending plans and Council Plan outcomes through careful financial management and planning, the Council set a balanced budget for 2024/25 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, although decreasing as the scheme ends, and significantly from extra Business Rate income which to date has put the Council in a stronger financial position when compared with 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 2024/25 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 2024/25 for comparison and forms the basis from which future assessments have been made. The 2024/25 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 items below, and other areas to highlight:

- **Possible New Town** - The current budget includes £250k 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; £250k in 2024/25, £400k in 2025/26 and £250k in 2026/27.
- **Recycling and Waste Contract** – The contract was extended in 2024/25 with a change in the risk balance on the contract with a switch to a cost plus 5% basis payment to the contractor. The sums assumed in the base budget are currently being monitored and inflation has been assumed.

The implications of the Extended Producer Responsibility (EPR) and other Government proposals have been delayed 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 for Leisure and Playing pitches enabler role and an HR Operations Manager. The net cost associated with these posts are £134k and have been reflected in the MTFP. In addition new Ecologist posts were approved which it assumed are met from burden funding.
- **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** - The 2024/25 budget for staff salaries was based on an assumed 4% increase. At the time of developing the MTFP the stated final employer offer is £1,290 for pay points 2 to 43 inclusive (giving 5.77% increase for the lowest grade up to 2.5% for the highest) and 2.5% on all pay above. At this level this can be met within the current budget levels, but this position has not been accepted by the Unions. 3% increase has been assumed in 2025/26 which is above the targeted inflation rate of 2% assumed on most other areas in the MTFP except for energy and fuel costs where higher sums have been allowed.

There has been recent discussion in leading up to the October budget of a possible increase in employers national insurance contribution and possibly additional tax on pensions. No details have been confirmed, differing assumption and effects of increases are shown in the Appendix to this Plan.

- **LED** - Additional funding has been agreed for the last few years to support our leisure facilities through additional sums paid to LED to deal with the result of the pandemic and high energy costs. The level of the Service Level Agreement has been included in the MTFP at £1.4m, a reduction of £200k based on the current year figure, further work with LED is required to substantiate that sum.

- **Strata** - Each of the 3 owners of Strata are requiring additional support to meet the various work demands and transformation objectives requiring IT support and development. This led to an increase in cost in last year's budget. 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 other than for pay and software contract inflation and we are expecting a similar level of payment in 2025/26. There is also likely to be implications within the Council's capital programme.
- **Planning Fees/Income** - We have seen a reduction in planning income in the current year as result of reduction in applications which is in line with the national picture. For prudence the MTFP has reflected a reduction in income of £470k going forward. Inflation rise has been assumed in fee charged based legislation in place, although recent government consultation includes details of further increases to recover local authority costs the position will be monitored but at this stage this has not been reflected in the MTFP.
- **Council Tax 2nd home additional charges** –The ability to allow Councils to charge double council tax for 2nd homes is to be introduced 2025/26. This Council has approved the policy for the additional charge equating to additional income to the Council currently estimated at £331k.

The Council agreed to the principle that the additional funds should be ring fenced across Devon to address housing challenges, but this ring fence was subject to all preceptors agreeing. This did not proceed as the main preceptor Devon County Council did not agree to this proposal and is using the funds to meet budget challenges and other priorities in its own budget. The net cost of homelessness alone for EDDC in the current year is estimated at £1.019m, this additional income will assist the Council to meet these housing challenges within its budget.

- **Review of the Housing Revenue Account (HRA)**– Currently a review is underway with the HRA to make it financial sustainable going forward. This is likely to have an impact on the General Fund if less services are required which are currently provided by staff within the General Fund, or review of recharges requires adjustments to be made. This is unknown at this stage and cannot be quantified but it is a risk that needs acknowledging.

- **Staff resources; Service Area pressures and capacity and skill gaps**– The StreetScene area have highlighted particular service pressures initially for next years budget with additional resources required in the Engineers area at an estimated additional cost of £92k and operations at £143k. Other service areas are under pressure with the implications of a growing district and the Executive Leadership Team have identified organisational capacity and skill gaps such as project management, transformation capacity, and other corporate functions. This has not been included as an additional cost as the MTFP is already showing a significant deficit without additional new posts being added to the equation. These areas will have to be worked through in the detail budget preparation within the existing resource envelope.
- At the time of the last car park fee increase it was agreed charges should be increased in line with inflation going forward, however hourly rates work best in 10p increases. The last increase was April 2022, cumulative inflation has been 11.5% thereby giving us a 10p rise. This gives a revised hourly charge of £2.10 from April 2025, with the same percentage being applied to permits raising a single town from £120 a year to £132 a year. This income has been included in the MTFP at £350k. Further consideration will also be given to the winter charges in 2025/26 but no financial assumptions have made in the MTFP for this.
- There are areas that the MTFP process has highlighted as future costs (beyond 2025/26) which at this stage have not been factored into the Plan as details are still under consideration. It is however sensible to list these for awareness:
 - Future investment depot facilities for the recycling and waste service and other services of the Council.
 - Recycling and Waste fleet renewal.
 - General demand pressures with a growing district and possible second new town.
 - Implications of the culture strategy and investment around Exmouth Pavilion.

The Council's [2024/25 Budget Book](#) 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 2024/25 Local Government Finance Settlement was the final year of 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.

We now have a new Government who have indicated no major changes are proposed for 2025/26 because of practical timing implications and it is being headlined as a roll over year with a spending review to take place in Spring 2025, this will then set the direction for 2026/27 onwards.

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 growth in business rates by 50% which now seems to be a prudent assumption being made by other councils as the cliff edge reduction of 100% would be an impossible situation for many councils – scenario modelling at the end of this document does consider a position of 100% loss for awareness. As a reminder in 2024/25 the budget for business rate growth above baseline is £5m, with a similar level assumed in 2025/26. Also, it is assumed a fall in New Homes Bonus to £56k per annum (budgeted currently at £1.148m and £1.087m in 2025/26). In terms of the possible reductions as stated the timing is unclear.

The basis of the devolution deal in Devon as known at this stage has no implications identified in the Plan.

5. Business Rate income

This has been assumed under the existing arrangements; the 50% rate retention scheme. With a significant rebasing of growth income being applied in 2026/27.

The MTFP assumes in 2025/26 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 key service costs in the budget in the short term if the worst case scenario happened. This being the Government announce in the December Settlement that all growth income from business rates will be lost in the following year – highly unlikely as the indication is a rollover budget and no consultation has taken place 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. There is no indication at the current time that the new Government is likely to radically change this position in the short term but this will be kept under review.

7. New Homes Bonus (NHB)

The scheme is ending in its current form with the annual amount reducing; this gives £1.087m estimated to be available in 2025/26 which is then assumed to fall to virtually zero when reforms take place. The sum remaining in the Model at £56k 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 four 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 (2024/25) 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										
	2024/25	2025/26			2026/27			2027/28			
	Total	Addition	Reduction	Total	Addition	Reduction	Total	Addition	Reduction	Total	
BUDGET SET	24,652,240			24,652,240			25,238,637			25,867,854	
AMENDMENTS TO BUDGET INCLUDING BUDGET VARIATIONS											
1	One off Items of expenditure from Earmarked Reserves		865,410	(865,410)							
2	EDDC Elections (budget 2023 + inflation)							182,800			
3	Staffing & Resourcing of possible new town, £250k in base.	150,000		150,000		150,000	(150,000)		250,000	(250,000)	
4	LED contract above budget sum agreed 2024/25 less £200k reduction agreed 25/26	217,588	200,000	17,588							
5	Post agreed after budget set:			0							
6	Ecologist 12 Jul23 (burden funding)	73,000	73,000	0							
7	Leisure & Playing pitches enabler role	58,000		58,000							
8	HR Operations Manager	76,000		76,000							
9	Risk on Planning Income projected £470k down in 24/25	470,000		470,000							
10	Risk with Immediate request for StreetScene resources - future years to be modelled with efficiencies			0			0				
11	Risk on HRA recharge review	0		0							
12	Carpark Inflation increase from 1/4/25		350,000	(350,000)							
		0	1,044,588	1,488,410	(443,822)	0	150,000	(150,000)	182,800	250,000	(250,000)
INFLATION											
12 a	Employee Pay Award		512,367	512,367	351,825		351,825	358,862		358,862	
b	Employees Other Costs		11,692	11,692	11,926		11,926	12,165		12,165	
c	Superannuation		107,497	107,497	73,815		73,815	75,291		75,291	
d	National Insurance		50,786	50,786	34,873		34,873	35,570		35,570	
13	Inflation Summary - expenditure		671,738	671,738	630,406		630,406	647,211		647,211	
14	Inflation Summary - fees, charges & contributions		(323,862)	(323,862)	(323,628)		(323,628)	(329,786)		(329,786)	
	TOTAL INESCAPABLE BUDGET CHANGES	0	1,030,219	0	1,030,219	779,217	0	779,217	799,313	0	799,313
SERVICE PLAN COMMITMENTS NOT INCLUDED IN BASE BUDGET											
15	None identified			0		0		0		0	
	TOTAL "UNAVOIDABLE" CHANGES TO BUDGET	0	2,074,807	1,488,410	586,397	779,217	150,000	629,217	982,113	250,000	549,313
	PREDICTED BUDGET REQUIREMENT	24,652,240			25,238,637			25,867,854		26,417,166	
FINANCED BY:											
	Government Grant - Business Rates Gov't baseline	3,733,000		3,807,660			3,883,813			3,961,489	
	Revenue Support Grant	278,000		278,000			278,000			278,000	
	Rural Services Delivery Grant	265,000		265,000			265,000			265,000	
	Minimum Funding Guarantee Grant	1,714,000		1,714,000			2,714,000			2,714,000	
	Service Grant	58,000		58,000			58,000			58,000	
	Business Rates Uplift - Amount above Baseline (LGFutures to be received) - Rebase assume protection 50% on resources Yr1, 25% yr 2	5,077,240		4,829,000			2,414,500			1,407,250	
	Business Rates Pooling Gain	428,000		453,000							
	Council Tax 2024/25 = £171.78 - Growth in base 500 each year, Assume + £5 per annum increase or 2.99% which is ever greater	10,414,910		10,813,036			11,224,804			11,651,528	
	Council Tax 2nd Home Premium 2,747 properties assume 70% income	0		330,797			340,688			350,874	
	Interest Income (currently £1m over budget through base rate change) assume similar interest rates in 24/25 but a reduction in cash balances. Then marginal base rate fall 25/26	1,581,690		2,200,000			1,650,000			1,650,000	
	Interest & Loan Repayment - assume Loan Debt increase of £6m allowance (MRP + 4% interest)	(506,710)		(896,710)			(1,286,710)			(1,676,710)	
	Council Tax Collection Fund Surplus	96,000		75,000			75,000			75,000	
	Earmarked Reserve - one off items of expenditure (including Transformation Fund)	865,410		0			0			0	
	New Homes Bonus to revenue (Gov't ended current scheme)	1,147,700		1,087,000			56,000			56,000	
	General Fund Balance - District Elections			0			0			182,800	
	GENERAL FUND BALANCE	(500,000)		0			0			0	
	TOTAL	24,652,240		25,013,782			21,673,094			20,973,232	
<i>(Abbreviations used - NHB = New Homes Bonus, N.I = National Insurance, NNDR = National Non Domestic Rates)</i>											
	ANNUAL (SURPLUS)/DEFICIT	0		224,854			4,194,759			5,443,935	
	IN YEAR ADDITION TO ANNUAL (SURPLUS)/DEFICIT			224,854			3,969,905			1,249,175	

This line shows the annual projected deficit in our budget if no action is taken then the annual deficit grows. Annual Deficit in 2025/26 £425 Annual Deficit in 2026/27 grows to £4.195m when the assumed finance reforms hit.

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 2025/26 this is £225k, then assuming we met the deficit the previous year with the Annual Deficit in 2026/27 alone of £3.970m.

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	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	2034/35 £000
Budget Shortfall/(Surplus)	225	3,970	1,249	563	487	485	484	482	370	587



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

The Financial Sustainability Model (FSM) has been in place for a few years with the principles followed to help balance the budget. There is a need to update the model reflecting a new Executive Leadership Team in place with new ideas, but the main principles are unlikely to change. Notable progress has been made in some key areas of review; leisure services, particular around the high costs the Council incurs compared with other authorities, the future shape of recycling and waste service, asset costs and the continuation of the public convenience programme of the right toilet in the right place. Investment has been made in the Home Safeguard IT system which should generate additional income, a new phone system is starting to be a catalyst into dealing with customer demand more efficiently and working with Strata our IT partners a number of action are in train.

Addressing the funding gap comes in two parts linked to the uncertainty of Government funding for local authorities.

- The funding gap for 2025/26 is considered manageable exploring what savings/increased income can be achieved working with services and with member support.
- The budget gap currently identified for 2026/27 can in part be addressed through a revised and refreshed FSM but it is likely to require service reduction based on member priorities. The scale of this task and timing is still unclear until certainty is given by the new Government.

➤ **2025/26 budget gap**

Broadly of the £225k shortfall in 2025/26 it is considered this can be bridged subject to member approval and further work that will be presented in the detail budget.

Savings and income generation will be worked through with the Senior Leadership Team, including how to mitigate service pressure costs not currently allowed for in the MTFP. Material areas being targeted for savings/increased income through this Plan are:

- Asset management it is believed can release savings in the order of £65k. Further details will be presented to members for consideration.
- Further work with LED is ongoing on next year's subsidy level, a £200k reduction has been agreed at this stage over the current year and built into the MTFP.
- Executive Leadership Team consideration of non-replacement of vacant posts in a managed way based on organisational need and priority, new posts maybe considered but to be kept within the necessary budget level - the current budget has 464 FTE budgeted, a reduction of 4 vacant posts could generate in the order of £170k saving.
- If necessary to bring forward some service reductions for members to consider.

The FSM process is described below, reviews are required 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 £4m materialises, which is dependent on Government direction, then efficiencies and income generation are unlikely 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 cannot 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 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

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
GF - Net Capital Expenditure	11,224	7,769	4,806	6,305	239
GF - General Capital Receipts	(200)	(200)	(200)	(200)	(200)
New Homes Bonus	-	-	-	-	-
Enterprise Zone & other self-funded schemes	(3,744)	(25)	(18)	-	-
Capital Reserve	-	-	-	-	-
Net Internal/ External Borrowing	(7,280)	(7,544)	(4,588)	(6,105)	(39)

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 etc. **Bids will come through the annual budget process giving a different picture to that given above and there will be choices to make to keep expenditure within resources available.**

The above has been produced using the latest budget monitoring position.

The position on internal/external borrowing over the period requires net funding of £25.556m. This position has been factored into the revenue model in terms of costs of borrowing/lost external interest with additional borrowing of £6m a year for new scheme

approval. A modest sum has been included for the capital receipts line, active asset management should be able to generate greater sums than has been assumed.

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 Leadership 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 available reserves (Transformation Fund) at the discretion of Council to make investments to achieve savings or increased income.

12. Service Reviews/Support

Service reviews are required utilising the 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.



1. Service Reviews Principles.

To undertake service reviews using a standard approach across the Council challenging ourselves as to how can we do things better, reduce costs and or increase income. Can our services “wash their own face” or better.

Details need to be worked up but to take 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, and most cost-effective way. It’s ensuring effort and resource 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.

These reviews will consider how best we can utilise the other enablers below to help us deliver savings and/or increase income.

Consideration is currently being given to the resources required to drive these reviews, a number of Council's including our partner authorities in Strata have an officer responsible for Transformation, which this work could be described as, along with a team to support the necessary changes. Strata are delivering in part, and we have some elements of the required resources in place but the Council needs to resource its side of the equation fully.

2. Digital Transformation

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:

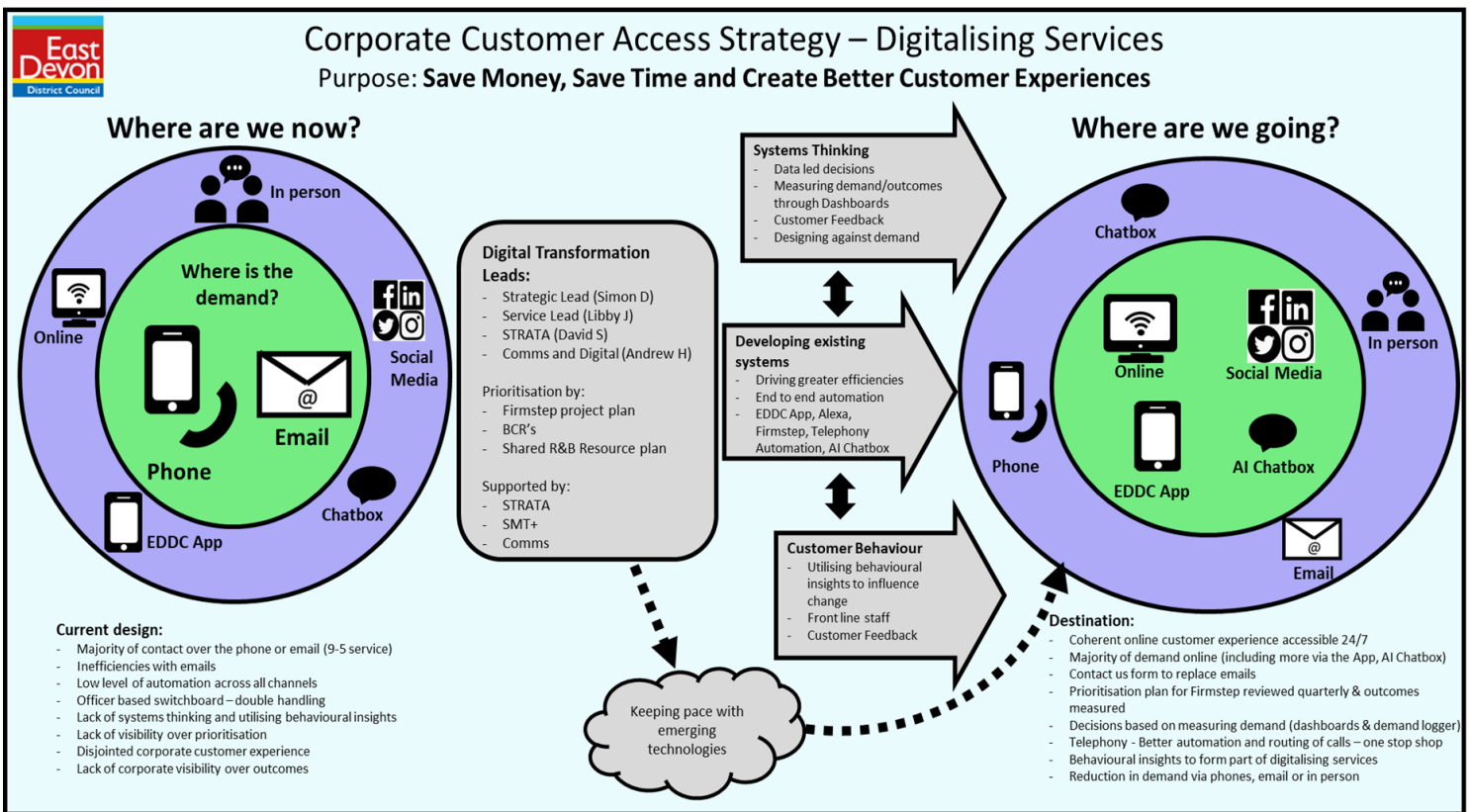
1. Customer access and service
2. Digital and mobile work force
3. Digital democracy
4. High-quality, accessible data
5. Digital and Net Zero
6. Responsive, resilient and secure infrastructure and systems

Most of these themes support the key enablers of our Financial Sustainability Model. Through our reviews 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.

3. Customer Access

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. Measuring ourselves - Performance/Cost Data comparisons and timely management information driving our business decisions.

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.

It is crucial we use relevant data to inform our business decisions. Performance data needs to be readily available and used by managers 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.

The Council has invested in a Performance Management System with an aggressive implementation plan. This will move us forward in the current year against this enabler.

5. Asset Management: Enabler Lead

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 which will form part of the service reviews.

6. Income Maximisation

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 the opportunities here need to be explored in service reviews.

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 have been high but now falling with September 2024 recorded at 1.7% (CPI). The biggest impact on the MTFP will be future pay settlements.

Financial impact of changes in inflation assumptions 2025/26.

Factor	MTFP Predicted Inflation Costs £000	Worse by 1% £'000	Worse by 2% £'000
Pay, N.I & Pension & other employee costs + other costs	682	230	460
Extracting N.I alone as speculation of an increase	51	17	34

- Investment Returns**

The approach adopted, of budgeting for investment income remains prudent. Investment return is based on a marginal reduction in base rate for 2025/26 and a reduction in cash to invest has been factored in.

- 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 (2025/26).

Level of council Tax increase	Predicted council tax income £000	Loss of income in MTFP 2025/26 £'000
Council tax yield at £5 (3.00%) increase	(11,144)	Nil
Yield at 2.0%	(11,036)	108
Yield at 1.0%	(10,928)	216
Yield at 0.0%	(10,820)	324

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 going forward a significant reduction in income from previous years. We await Government intention on a 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 will mitigate any reductions but there is no guarantee this will continue.

- **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 2025/26 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 2025/26 (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.