



**MEDIUM TERM FINANCIAL STRATEGY  
2023/24 – 2026/27**

**DECEMBER 2022**

# 1 INTRODUCTION

- 1.1 The **Medium-Term Financial Strategy** (MTFS) sets the strategic financial direction for the Council. It sets out the key financial management principles, budget assumptions and service issues.
- 1.2 The MTFS provides a framework for the detailed budget setting process to ensure that resources are managed effectively and can deliver the aspirations of the Council as set out in the Strategic Plan. It provides a sound basis for planning and decision making, and is reviewed and updated at the following key points in the year:
- November/December – as a framework for initial detailed budget discussions for the forthcoming financial year.
  - January – an update to include additional information received at a national level and corporate issues identified through service planning and the detailed budget build.
  - February – with the final Budget for the new financial year.
- 1.3 The vision of the East Suffolk Strategic Plan is to “deliver the highest quality of life possible for everyone who lives in, works in and visits East Suffolk”. The MTFS underpins the new plan and vision for East Suffolk, focussing on five key themes.
- Growing Our Economy
  - Enabling Our Communities
  - Remaining Financially Sustainable
  - Delivering Digital Transformation
  - Caring For Our Environment
- 1.4 The MTFS provides an integrated view of the Council’s finances, recognising that the allocation and management of its human, financial and physical resources play a key role in delivering its priorities and ensuring that the Council works effectively with its partners locally, regionally, and nationally.
- 1.5 The key underlying principles of the MTFS are:
- securing a balanced budget with reduced reliance on the use of reserves and general balances to support its everyday spending;
  - setting modest increases in Council Tax when appropriate; and
  - delivering service efficiencies and generating additional income where there are opportunities to do so.
- 1.6 Part of the process of delivering a robust MTFS to enable the Council to manage its affairs soundly, is to have regard to both external and internal risks, and to identify actions to mitigate those risks. MTFS key principles and a risk analysis together with mitigating actions are provided in **Appendix A1**.
- 1.7 Sections 2 to 4 provide an update on the financial challenges facing the Council, considering the economic factors, the local government finance environment, and the Council’s key funding streams. Sections 5 to 7 outline how the Council will respond to the challenges, as expressed in terms of its Budget and strategies towards reserves and capital.

## **2 PUBLIC FINANCES**

- 2.1 On 23 September 2022 the Chancellor delivered a Mini-Budget/Growth Plan 2022. There were also several other policy announcements that are relevant to the Council's financial position, including the reversal of the Health and Social Care Levy and the Energy Bill Relief Scheme. No measures were announced in respect of the Council's key income streams of Council Tax or Business Rates, nor on any specific details regarding Government departmental spending, of which local government finance forms a part.
- 2.2 A statement by the Chancellor on 17 October 2022, reversed some of the measures announced in the Mini Budget, and brought forward several the measures from the Medium-Term Fiscal Plan scheduled for 17 November, to support fiscal sustainability. There were no announcements which changed the Council's financial position.
- 2.3 On the 17 November, the Chancellor delivered the full Medium-Term Financial Plan alongside the Office for Budget Responsibility (OBR) forecast. The Chancellor set out the priorities for stability, growth and public service. Tackling inflation is a top priority for the Government and protecting the most vulnerable through the cost of living crisis. The Chancellor also announced commitment to key infrastructure projects such as Sizewell C and a support package for business rate payers in England. This includes, protecting businesses from rising inflation and to help businesses adjust to the revaluation of properties which takes effect from April 2023.

## **3 ECONOMIC INDICATORS**

- 3.1 The national economic background affects the costs the Council incurs, the funding it receives, and contributes to the demand for services as residents are affected by economic circumstances. The inflation rate impacts the cost of services to the Council, as the Council delivers much of its service provision through contractual arrangements where inflationary pressures must be negotiated and managed. Specific contractual inflation has been incorporated into the Council's financial position, where appropriate, based on the actual contractual indices.
- 3.2 Following the pandemic, the UK economy is being impacted by a series of other events, including rising energy costs, the Russian invasion of Ukraine, a labour shortage, and UK fiscal policy and financial market turbulence.
- 3.3 The OBR economic and fiscal outlook and forecast published on 17 November provides an independent judgement about the economic and fiscal prospects and impact of the Government's policies. Rising prices continue to erode real wages and reduce living standards by 7% in total over the two financial years to 2023/24 (wiping out the previous eight years' growth), despite over £100 billion of additional government support. The squeeze on real incomes, rising interest rates, and a fall in house prices all weigh on consumption and investment, tipping the economy into a recession lasting just over a year from the third quarter of 2022.
- 3.4 The Monetary Policy Committee (MPC) report in December 2022 raised bank rate by 0.50% to 3.5%. The MPC expect inflation to fall sharply from the middle of next year, as it anticipates energy prices will rise less rapidly because of the Government's scheme to cap energy bills for households and businesses for six months. The slowdown in demand for goods and services should also put downward pressure on prices.

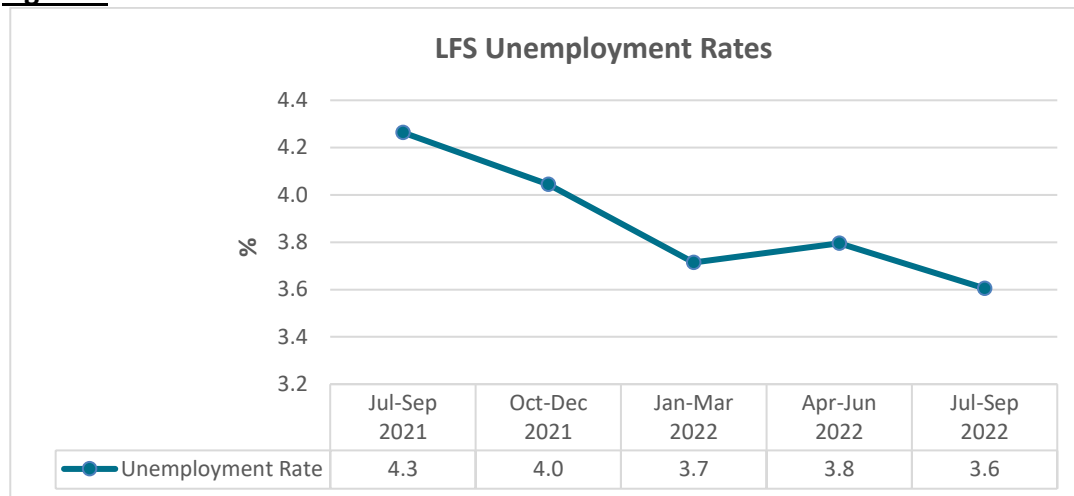
## Gross Domestic Product (GDP)

- 3.5 Data released by the Office for National Statistics (ONS), shows GDP fell by 0.2% in Quarter 3 (July to Sept) 2022 compared to the previous three months. GDP is estimated to have fallen by 0.6% in September 2022, after a fall of 0.1% in August 2022 driven by a fall in the services sector.

## Unemployment

- 3.6 As per the ONS Labour Force Survey (LFS), the unemployment rate of England was 3.6% in the three months to September 2022, compared with 3.8% in the previous three months. This latest figure is also 0.4% below pre-pandemic levels. **Figure 1** below show the three months LFS since September 2021 to August 2022. Unemployment is expected to rise from 3.6% and peak at 4.9% in the third quarter of 2024.

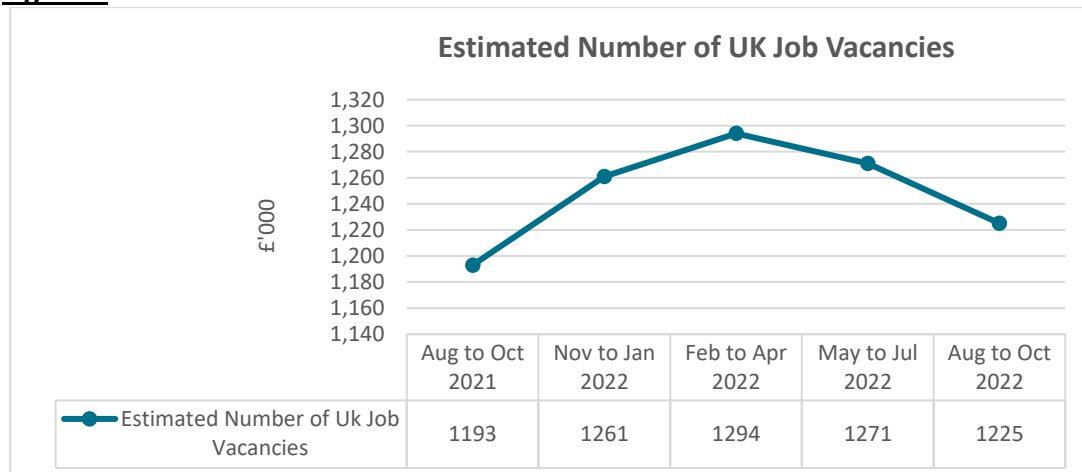
**Figure 1**



Source: ONS November 2022

- 3.7 As per the ONS, in August to October 2022 the estimated number of job vacancies in the UK was 1,225,000. Compared to May to July 2022, this was a decrease of 46,000. August to October 2022 vacancies were 429,000 above the pre-pandemic level (January to March 2020) and 32,000 above the level one year ago. This is illustrated in **Figure 2** below.

**Figure 2**

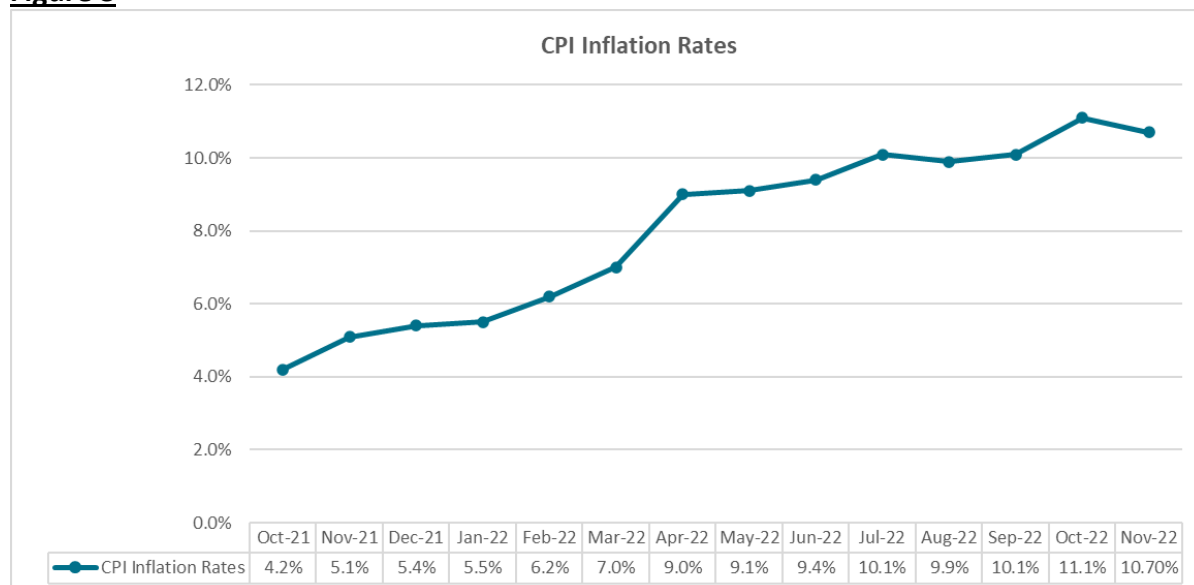


Source: ONS November 2022

## Consumer Pricing Index (CPI)

- 3.8 Twelve-month CPI inflation fell from 11.1% in October to 10.7% in October. The Bank of England projects for CPI inflation to remain above 10% for the following few months. It expects inflation to fall to the official target of 2% in around two years. **Figure 3** below shows the CPI rates from August 2021 to date.

**Figure 3**



Source: ONS December 2022

## Bank Interest Rate

- 3.9 At its 15 December 2022 meeting, the MPC voted by a majority of 6-3 to increase the bank rate by 0.50% to 3.5%. This is the ninth increase in a row. The next meeting of the MPC to review the bank rate is 2 February 2023.

## 4 LOCAL GOVERNMENT FINANCE

- 4.1 The introduction of the Local Business Rates Retention System in 2013/14, together with the Government's programme of fiscal consolidation since 2010, have combined to both reduce the level of funding available to the Council, and to shift the balance of funding significantly away from central to local sources.
- 4.2 The Spending Review 2021, which covered 2022/23 to 2024/25 was broadly positive for local government, with funding better than expected. Increased funding was largely front loaded with growth in grant funding in 2022/23 and no further general increases in the following two years. There were various smaller allocations within the core funding announcement, including £200m for the "cross-government Supporting Families programme", £37.8m for cyber security and £34.5m for "strengthen local delivery and transparency".
- 4.3 On the 17 November 2022 the Chancellor announce the Autumn Statement, alongside the updated forecasts from the Office for Budget Responsibility (OBR). The indication at the time was for all existing grant funding to be protected in cash terms in 2023/24 and 2024/25, and then to grow by 1% per year in real terms for the following three years. It was also unlikely that there would be any additional support for inflationary pressures. This has now been superseded by the DLUHC policy statement on 12 December, which is covered in the following sections.

- 4.4 On 12 December DLUHC published a policy statement on Local Government Finance Settlement 2023/24 and 2024/25. This is provided in **Appendix A7**, and sets out the intention for Business Rates, Council Tax, and settlement grants. This provides a strong indication of what local authorities can expect from the Provisional Finance Settlement which is anticipated in the week commencing 19 December. Clarity on the 2024/25 Finance Settlement is unlikely to go beyond confirming in principle, a continuation of a core settlement similar to the current year. The Policy Statement also notes reserve balances held by some local authorities have increased significantly in recent years, and local authorities are encouraged to consider using reserves to maintain services under the current inflationary pressures.
- 4.5 **Core Funding Streams** – this includes the Revenue Support Grant and the Rural Services Delivery Grant. The below will be subject to further change on release of the Local Government Finance Settlement.

#### **Revenue Support Grant (RSG)**

- 4.6 It was assumed following the Autumn Statement that there would be no increase to RSG for the next two years. However, the DLUHC Policy Statement issued on 12 December indicates RSG increasing in line with CPI for 2023/24. Based on September CPI this would be an increase of 10.1%, £0.034m. Until the release of the Provisional Settlement the RSG will not be updated in the MTFS as is expected to partially compensate for an expected reduction in the Services Grant covered in Section 4.10 below. It is currently assumed that the grant will remain at the current level of £0.340m for the next two years, and a 1% increase thereafter. This is a slight downward adjustment from the original assumption of a 2% annual increase.

Revenue Support Grant	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
MTFS (February 2022)	(340)	(346)	(353)	(360)	(360)
MTFS (December 2022)	(340)	(340)	(340)	(343)	(347)
<b>MTFS Update (December 2022)</b>	<b>0</b>	<b>6</b>	<b>13</b>	<b>17</b>	<b>13</b>

#### **Rural Services Delivery Grant (RSDG)**

- 4.7 The Rural Services Delivery Grant (RSDG) is a government grant recognising cost pressures associated with service delivery in rural sparse areas. The DLUHC Policy Statement released on 12 December indicates no change to RSDG in 2023/24. The assumption for future years is no change for 2024/25, followed by a 1% increase thereafter.

Rural Services Delivery Grant	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
MTFS (February 2022)	(260)	(266)	(271)	(276)	(276)
MTFS (December 2022)	(260)	(260)	(260)	(263)	(265)
<b>MTFS Update (December 2022)</b>	<b>0</b>	<b>6</b>	<b>11</b>	<b>13</b>	<b>11</b>

- 4.8 **Non-Core Funding Streams** - the below grants are non-core funding streams and they are usually seen as temporary or one-off. This potentially gives the Government scope to make changes to funding distributions. As with the core grant funding streams, this will be subject to change following the release of the Provisional Local Government Finance Settlement.

## Lower Tier Services Grant (LTSG)

- 4.9 The Lower Tier Services Grant (LTSG) was referred to as a one-off grant in 2021/22 to support local authorities with the pressures of Covid. However, it did continue into 2022/23 but at a reduced amount of £0.311m from £0.389m. The DLUHC December Policy Statement indicates that this grant will be repurposed for 2023/24 in recognition of the inflationary pressures across local authorities. Continuation of the grant under this heading is unlikely from 2024/25 but this funding should continue in some form when the local government finance system is reformed. Consequently, it has been assumed in the MTFS that the grant will continue at the 2022/23 allocation from 2023/24 onwards. The budgeted allocation for next year, may be subject to change, following the Provisional Finance Settlement.

Lower Tier Services Grant (LTSG)	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
MTFS (February 2022)	(311)	(311)	(311)	(311)	(311)
MTFS (December 2022)	(311)	(311)	(311)	(311)	(311)
<b>MTFS Update (December 2022)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Services Grant

- 4.10 As with the LTSG, although this funding would not appear under this name, it could be expected to figure in some form when the local government finance system is reformed. For 2022/23 the Local Government Finance Settlement included a new one-off Services Grant and the Council received £0.477m. The Government indicated that the new grant would provide funding to all tiers of local government in recognition of the vital services, including social care, delivered at every level of local government. It also included funding for local government costs for the introduction of the Health and Social Care Levy but which has now been reversed from 6 November 2022. Until the DLUHC Policy Statement on 12 December, it was unclear if and how, the Government intended to address this reversal through the funding streams. However, it now seems that the Services Grant will be reduced and the MTFS will be updated following the Provisional Settlement. Whilst this grant may be reduced for 2023/24, there may be some compensating increase with RSG as detailed in Section 4.6 above.

Services Grant/Transition Funding	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
MTFS (February 2022)	(477)	(477)	(477)	(477)	(477)
MTFS (December 2022)	(477)	(477)	(477)	(477)	(477)
<b>MTFS Update (December 2022)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Business Rates – Business Rates Retention and Fair Funding Review

- 4.11 In its 2015 Spending Review, the Government announced proposals for Councils to retain all locally raised Business Rates by the end of the decade, and to end the distribution of core grant from central Government. In December 2017, the Government announced proposals for the proportion of business rates income to be retained by the local authority sector to be increased from the current 50% to 75% from April 2020, a development which does not require primary legislation, unlike the move to 100% local retention. Due to Covid-19, this was also delayed, and it has now been announced that this move to 75% retention has been abandoned.
- 4.12 The Government also announced a Fair Funding Review in February 2016, which will affect how funding is allocated and redistributed between local authorities. Implementation of

this review was also delayed and as referred to above is now likely to be implemented until 2025/26 at the earliest.

- 4.13 Implementation of the Fair Funding Review is likely to include a 'reset' of the business rates system, which would involve assigning a new baseline funding level and subsequent new tariff or top-up values. Reset of the system and the establishment of new funding formulae could result in East Suffolk Council losing some of the financial advantage that it has under the current system. As a result of the delay in implementing Business Rates reforms, the Council has benefited from additional years under the current regime including 2022/23. Following the Autumn Statement, the indications are that there will be no changes or reset of the system for 2023/24 and 2024/25. This base assumption has been rolled forward in the MTFS and the figures presented in paragraph 4.22 below.

### **Business Rates**

- 4.14 Since 2013/14, business rates income has tended to be characterised by a high degree of volatility and uncertainty. Variances between estimated and actual business rate income are realised in the form of deficits or surpluses on the business rates element of the Collection Fund. For each year, the amount of business rates income credited to the General Fund is the amount estimated on the National Non-Domestic Rate (NNDR1) return to Government submitted in January in the preceding year, including a calculation of the estimated Collection Fund deficit or surplus to be charged to the General Fund. As a result, in practice, variances between business rates estimates and actual figures are reflected as an element of the Collection Fund deficit or surplus two years after they take place.
- 4.15 **Business Rates Collection Fund** - As a result of Covid-19, there was a considerably larger-than-normal deficit on the 2021/22 Collection Fund for Business Rates as changes to Retail and Nursery relief were announced after the NNDR1 was submitted in January 2021. These reliefs were paid to precepting authorities in the form of additional Section 31 Grant in 2021/22. Local authorities estimated the deficit in January 2022 and budgeted for it in 2022/23. Additional reliefs for businesses were also awarded in respect of 2021/22 under the Covid Additional Restrictions Fund (CARF), which was funded by Section 31 Grant amounting to around £7.9m.
- 4.16 On 5 November 2020 the Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020 were laid before Parliament and came into force on 1 December 2020. The regulations implement the announcement made by the Secretary of State on 2 July 2020 that "the repayment of collection fund deficits arising in 2020/21, will be spread over the next three years rather than the usual period of a year, giving councils breathing space in setting budgets for next year." Therefore, the final third of that deficit is shown in 2023/24.
- 4.17 The Business Rates Collection Fund position over the past couple of years has been complicated by a range of measures in response to the Covid-19 pandemic, and timing differences relating to grant funding in respect of these. The Government funded a range of reliefs by Section 31 Grant, which was accounted for by the Council in 2021/22, but the Collection Fund deficit impacted on the Council's own budget in 2022/23. Consequently, the Council's share of this Section 31 Grant, was contributed to the Covid Reserve in 2021/22, enabling the Council to meet its share of the deficit in 2022/23. This position is illustrated in the table below. These deficits will be entirely funded from the Covid Reserve, i.e., the associated Section 31 Grant received and transferred to the reserve.



Business Rates Collection Fund – Deficit/(Surplus)	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
MTFS (February 2022)	6,393	785	0	0	0
MTFS (December 2022)	6,393	461	0	0	0
<b>MTFS Update (December 2022)</b>	<b>0</b>	<b>(324)</b>	<b>0</b>	<b>0</b>	<b>0</b>

- 4.18 **Suffolk Pool** – In October all Suffolk councils agreed to continue a pooling arrangement for 2023/24, which would allow them to retain a larger proportion of their share of growth by reducing the overall levy rate for Suffolk to £nil. The updated MTFS includes a Pooling Benefit estimate for 2022/23 of £2.035m based on current monitoring and estimates of £2.000m for the following two years. The estimate for 2023/24 will be confirmed after January when Suffolk County Council, as the administering authority for the Pool, collates the NNDR1 returns of all of the Suffolk authorities.
- 4.19 Business Rates income for 2023/24 is based on the NNDR1 return. All Business Rates estimates included in the MTFS will be updated following the completion of the return at the end of January 2023. This will include the split between Section 31 Grant and actual rates income.
- 4.20 As referred to earlier, the Business Rates system may be subject to reform in 2025/26 at the earliest. In the table below, the approach that has been taken for 2023/24 and 2024/25 is essentially a roll forward of the current position, with the changes in 2025/26 also potentially not impacting as seriously as previously forecast. The MTFS assumption is that the Council will continue to retain 100% Business Rates income from Renewables, and this has been reflected in the table below. It is also worth noting that even if the current treatment of existing Renewables is revised, new Renewable hereditaments will be coming online during the MTFS period.

Business Rates Income	Original 2022/23 £'000	Revised 2022/23 £'000	Estimate 2023/24 £'000	Estimate 2024/25 £'000	Estimate 2025/26 £'000	Estimate 2026/27 £'000
Business Rates Income	(6,158)	(6,158)	(7,205)	(7,349)	(7,496)	(7,796)
Business Rates Renewables	(1,203)	(1,203)	(1,253)	(1,278)	(1,303)	(1,329)
<b>Total Business Rates Income</b>	<b>(7,361)</b>	<b>(7,361)</b>	<b>(8,458)</b>	<b>(8,627)</b>	<b>(8,799)</b>	<b>(9,125)</b>
Share of Pooling Benefit	(1,861)	(2,035)	(2,000)	(2,000)	0	0
Section 31 Grant	(8,655)	(11,569)	(8,366)	(8,455)	(8,547)	(8,671)
<b>Total Income Relating to Business Rates</b>	<b>(17,877)</b>	<b>(20,965)</b>	<b>(18,824)</b>	<b>(19,082)</b>	<b>(17,346)</b>	<b>(17,796)</b>
<b>MTFS Update (December 2022)</b>	<b>0</b>	<b>(3,088)</b>	<b>(5,900)</b>	<b>(5,900)</b>	<b>(3,900)</b>	<b>(4,350)</b>

### Council Tax

Council Tax is one of the Council's most important and stable income streams, funding approximately 50% of the net budget requirement of the Council. For Shire District Councils in two-tier areas, the referendum limit for 2022/23 was the higher of 2% or £5. The Autumn Statement confirmed additional flexibility for Council Tax increases for 2023/24, by increasing the referendum limit from 2% to 3%, but the £5 threshold remains.

- 4.21 **Council Tax Base** – The CTB1 Council Tax Base Return was submitted to Government on 5 October 2022.

- 4.22 The increase in the tax base for East Suffolk is currently estimated to be 1,317.49 (1.48%) Band D equivalent properties, increasing the overall tax base for East Suffolk from 89,023.43 to 90,340.92 for 2023/24. This equates to around £0.232m of additional Council Tax income to the Council based on the current District Band D Council Tax of £176.22.
- 4.23 The 2023/24 Council Tax Base at **Appendix A2** was approved by Cabinet at its meeting on 6 December 2022.
- 4.24 **District Band D Council Tax 2023/24** – An increase of £4.95 for 2023/24 would equate to a District Band D Council Tax for East Suffolk of £181.17 and generate approximately £0.447m of additional income for East Suffolk. Total income to the Council from Council Tax would be £16.37m.
- 4.25 Based on the above data, the table below sets out the estimated Council Tax income and current assumptions for Council Tax as included in this update of the MTFs. The District Band D Council tax for 2023/24, does not assume maximising use of the increased flexibility. This would be an increase of £5.22 compared to £4.95, an increase of £0.27p. This would generate an additional £0.025m of Council Tax income for East Suffolk.

Council Tax Income	2022/23 £'000	2023/24 £'000	Estimate 2024/25 £'000	Estimate 2025/26 £'000	Estimate 2026/27 £'000
Council Tax Income - Base	(14,959)	(15,688)	(16,367)	(16,882)	(17,400)
Growth in Tax Base	(288)	(232)	(65)	(68)	(70)
Council Tax Increase	(441)	(447)	(449)	(451)	(453)
<b>Total Council Tax Income</b>	<b>(15,688)</b>	<b>(16,367)</b>	<b>(16,882)</b>	<b>(17,400)</b>	<b>(17,922)</b>
Council Tax Band D	£176.22	£181.17	£186.12	£191.07	£196.02
Council Tax Base	89,023.43	90,340.92	90,702.28	91,065.09	91,429.35
Growth/Reduction(-) in Tax Base	1.93%	1.48%	0.40%	0.40%	0.40%
Council Tax Increase £	£4.95	£4.95	£4.95	£4.95	£4.95
Council Tax Increase %	2.89%	2.81%	2.73%	2.66%	2.59%

*Assumptions from 2023/24: Council Tax increases of 2% or £5, whichever is the higher.*

- 4.26 The February 2022 MTFs for 2023/24 had assumed growth to the tax base of 0.92% compared to the updated position of 1.48%. This additional growth of 0.56% is just under £0.090m of additional income. From 2024/25 a cautious approach continues to be taken to growth in the overall tax base and this is forecast at a lower rate of 0.4%. This is a combination of completion of development sites levelling off, and prudent assumptions regarding Local Council Tax Reduction Scheme (LCTRS) reliefs and collection rates. The below table shows the December update to the MTFs.

MTFS - Council Tax Income	2022/23 £'000	2023/24 £'000	Estimate 2024/25 £'000	Estimate 2025/26 £'000	Estimate 2026/27 £'000
MTFS February 2022	(15,688)	(16,277)	(16,789)	(17,302)	(17,302)
MTFS December 2022	(15,688)	(16,367)	(16,882)	(17,400)	(17,922)
MTFS Update December 2022	(0)	(90)	(93)	(98)	(620)

- 4.27 **Council Tax Collection Fund** – The current estimate for the Council Tax Collection Fund for 2023/24 is a surplus of £2.65m, with East Suffolk's share equating to £0.344m. The remaining balance of the surplus is shared by Suffolk County Council and the Police and Crime Commissioner for Suffolk.

- 4.28 Regulations were implemented on 1 December 2020 that the repayment Collection Fund deficits arising in 2020/21, will be spread over three years from 2021/22 to 2023/24 rather than the usual period of a year. Both the 2022/23 and 2023/24 figures include a deficit figure of £0.032m - the Council's share of the deficit.
- 4.29 The Council's share of the Council Tax Deficit for 2022/23 and 2023/24 is profiled over the MTFS as follows;

Council Tax Collection Fund – Deficit/(Surplus)	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Deficit/(Surplus) (February 2022)	(223)	32	0	0	0
Deficit/(Surplus) (December 2022)	(223)	(344)	0	0	0
<b>MTFS Update (December 2022)</b>	<b>0</b>	<b>(376)</b>	<b>0</b>	<b>0</b>	<b>0</b>

- 4.30 The Collection Fund is monitored closely throughout the financial year and the Collection Fund position will be confirmed in January 2023.
- 4.31 **Council Tax Premium on Second Homes** - The Government is proposing that billing authorities will have the power to charge a 100% premium on second homes or empty dwellings. The Levelling-Up and Regeneration Bill would give billing authorities the power to charge a 100% premium on "dwellings occupied periodically". A determination would have to be "made at least one year before the beginning of the financial year to which it relates". Assuming receipt of Royal assent in early 2023, authorities should be able to use the premium from 2024/25 at the earliest. Given the number of second homes in Suffolk, this 100% council tax premium should represent a significant addition to the income stream from Council Tax. Based on current information and council tax levels, this could yield additional income of just under £11.2m in Suffolk, the bulk of which is in East Suffolk. In East Suffolk, over £7.6m could be generated – around £5.9m for Suffolk County Council, over £1m for Suffolk Police, and over £0.700m for East Suffolk Council. The current MTFS does not take account of this potential additional income for East Suffolk Council. This will be re-considered for the MTFS following a report to Full Council in January 2023 to approve this in principle, subject to the Bill receiving Royal Assent.

### **New Homes Bonus (NHB)**

- 4.32 The Government established the New Homes Bonus (NHB) in 2011 to provide an incentive for local authorities to encourage housing growth in their areas. NHB is funding allocated to councils based on the building of new homes and bringing empty homes back into use. The intention for the New Homes Bonus is to ensure that the economic benefits of growth are returned to the local authorities and communities where growth takes place. Over the past few years, NHB has become an extremely important source of incentivised income.
- 4.33 In recent years there has been much uncertainty as to the future of NHB, with the last three years (2020/21 to 2022/23) being a one-year settlement.
- 4.34 There has been no announcement following a consultation paper in early 2021 and the Spending Review 2021, gave no indication as to its future and whether it will disappear completely within the next two years or continue in some form. DLUHC's Policy Statement in December indicates a further one-year only NHB settlement for 2023/24, and this has been assumed in the MTFS using the existing allocation methodology. A one-year allocation for the Council is estimated at £0.447m for 2023/24.

NHB	2022/23 £'000	2023/24 £'000
Year 7	0	0
Year 8	0	0
Year 9 (Final legacy payment)	(525)	0
Year 10	0	0
Year 11	0	0
Year 12 (one-year only - actual)	(1,124)	0
Year 13 (one-year only – estimate)	0	(447)
<b>Total</b>	<b>(1,649)</b>	<b>(447)</b>

- 4.35 The Council uses NHB funding to support specific community related projects and initiatives across East Suffolk. This is balanced against the overriding need to retain financial sustainability. NHB funding is transferred to the NHB reserve and released when required.
- 4.36 **Appendix A3** sets out the current position on the NHB Reserve and the proposed use of NHB funding for East Suffolk Council. This is summarised in the table below.

NHB Reserve	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Opening Balance	(5,580)	(4,728)	(3,734)	(2,375)	(1,135)
Add: Allocation Received	(1,649)	(447)	0	0	0
Less: Proposed Use	2,501	1,441	1,359	1,240	1,055
<b>Closing Balance</b>	<b>(4,728)</b>	<b>(3,734)</b>	<b>(2,375)</b>	<b>(1,135)</b>	<b>(80)</b>

## 5 MEDIUM TERM FINANCIAL POSITION

### MTFS Forecasts 2022/23 to 2026/27

- 5.1 The Finance team works with Service Areas to review their budget requirements and budget monitoring is an ongoing process between Finance, Service Areas, and the Corporate Management Team. This work leads to continual updating of the MTFS for the Council. As of December 2022, key areas of the budget that are yet to be finalised include;
- Operations
  - Revenue implications of the capital programme
  - Business rates income
  - Council Tax income
  - Announcement of the Local Government Settlement for 2023/24
  - Use of reserves.
- 5.2 The below items are highlighted as having potential revenue budget implications for this financial year and over the MTFS period but cannot yet be quantified or quantified with a degree of certainty, i.e., figures are currently being worked on and/or insufficient information available.

Budget Area to be Monitored	Areas Impact	Nature of Impact	Timing of Impact
Inflationary pressures.	Utility costs, insurance premiums, fuel and contract costs, and ESSL.	Increased running costs of Council property and services, and delivery of projects.	Current year and future years. Difficult to estimate the duration and level of continued impact from 2023/24.
Workforces pay pressure/grade inflation.	Council staffing costs, partners and ESSL	Increased staffing costs.	Impact being seen in the current year. Uncertainty over the level of pay awards for the next two years.
Recruitment difficulties.	Particularly areas of specialism.	Agency/contractor support has been required which can be more costly.	Impact being seen in the current year.
Planning applications.	Planning fee income	Reduced income due to economic climate.	Current year is running in line with the budget for the year to date. Future years could be impacted due to downturn in the economy.
Non-core Government funding, e.g., Lower Tier Services Grant and Services Grant.	General Fund.	Loss or reduction of non-core funding which will impact the General Fund, estimate up to £0.300m	Impact from 2023/24. The Provision Local Government Finance Settlement in w/c 19 December will provide more information.
Felixstowe Dock strike action.	Port Health Account.	Loss of income. Currently estimated at £0.014m per strike day. 16 days so far this year.	Impact in the current year.

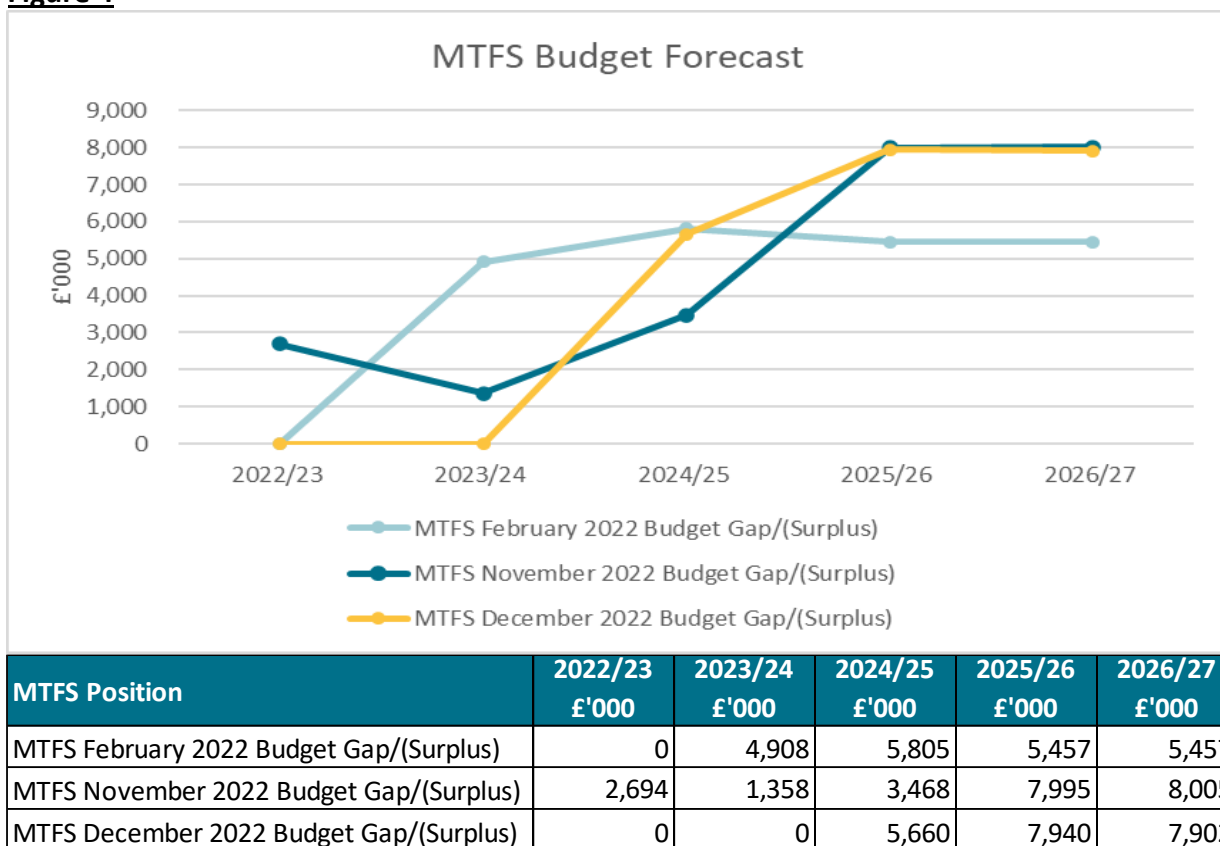
- 5.3 The MTFS was last updated in February 2022. A summary analysis of the key movements as of December 2022 is shown in the following table. This table is supported by **Appendix A4**. As noted in paragraph 5.1 above, there are areas of the budget still to be finalised.

MTFS Key Updates	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Additional Cost	3,232	6,345	7,601	8,283	9,146
Additional Income	(953)	(7,596)	(6,670)	(4,685)	(5,505)
Reduced Income	1,300	1,312	1,324	1,330	1,324
Saving	(300)	(2,240)	(2,300)	(2,345)	(2,420)
Use of Reserves	(3,279)	(2,729)	(100)	(100)	(100)
<b>Net Total</b>	<b>0</b>	<b>(4,908)</b>	<b>(145)</b>	<b>2,483</b>	<b>2,445</b>

- 5.4 **Appendix A4** also provides a visual analysis of the key updates across the MTFS period by Strategic Theme/Other Factor that has primarily required the MTFS to be updated. **Appendix A5**, provides an overall summary of the General Fund Budgets as at December 2022.

- 5.5 The updated MTFS position resulting from these movements as of December 2022 is shown below in **Figure 4**. The chart shows a forecast balanced budget for the current year and next year, which is achieved by the use of Risk Based Reserves - £0.786m being used in 2022/23 and £2.629m in 2023/24.

**Figure 4**



### Budget Planning Assumptions

- 5.6 The Council's financial planning assumptions are summarised below:

Budget Area	Assumption
<b>Inflation</b>	
<i>Goods &amp; Services</i>	Met within existing budgets where possible (exception is contract).
<i>Utilities (Electricity)</i>	2022/23 revised based on actuals, 2023/24 80% of 2022/23 budgets, future years maintain at the 2023/24 budget.
<i>Utilities (Gas)</i>	2023/24 20% increase on 2022/23 revised estimates, future years maintain at the 2023/24 budget.
<i>Utilities (water &amp; Sewage)</i>	2023/24 11% increase, 2024/25 5% increase, 2025/26 and 2026/27 1% increase. Commercial rates are set in April. Assumptions based on the CPI forecasts as per the Bank of England Monetary Policy Report November 2022.
<b>Fees &amp; Charges</b>	5% increase is applied where appropriate.
<b>Staffing Costs</b>	2022/23 Current offer of an additional £1,925 on all SCP 1 and above, 2023/24 4% increase, plus incremental progression, 2024/25 3% increase, plus incremental progression, 2025/26 onwards 2% increase, plus incremental progression. 4% per annum of staffing costs for vacancy allowance.

<b>Investment Income</b>	1.37% Term Investments (average as of September 2022) 2.15% Call Account (September 2022) 1.73% Money Market Fund (September 2022) 3.40% Property Fund (September 2022) 4.05% Diversified Income Fund (September 2022)
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## **Goods & Services – Inflationary Pressures**

- 5.7 Over the course of the last six months, the Council's MTFS had been significantly impacted by inflation, and to a much higher extent than originally forecast in the early part of the year. This is particularly evident with utility costs which are forecast to increase by 100% for the Council in the current year, in addition to pressure on the Council's leisure centres. The trajectory for utility costs over the MTFS period is difficult to forecast, but it has been assumed that costs will remain high, with no significant fall from the current level. The total estimated impact of rising utility costs over the MTFS period is £3.1m. Inflation is also feeding through to insurance premiums and these are forecast to rise by around £0.150m per annum, with a total impact over the MTFS of £0.670m. As with the assumption for utility costs, insurance premiums are not forecast to fall in the short to medium term.
- 5.8 The Council's Operations service has also been significantly impacted by inflation through rising fuel costs and also national and local pay settlements. The average price of a litre of diesel in 2022/23 is £1.44, compared to £1.12 in 2021/22, an increase of 29%. This is an increase in diesel costs of between £0.200m to £0.300m, based on current year usage levels.
- 5.9 The Council's financial strategy assumes that any inflationary pressures incurred on goods and services expenditure are contained within existing budgets, or through more efficient spending. However, given the extent of these pressures this is becoming an increasing more challenging strategy to implement.
- 5.10 Inflationary pressures on projects within the Capital Programme, indirectly impacts on revenue, through revenue costs to support projects and the revenue financing of capital.
- 5.11 Contracts have been inflated based on the specified inflation indices within each individual contract. Additional negotiation has taken place with contractors to determine how these cost increases can be reduced where possible. This negotiation and retendering of contracts is part of the Council's strategy for cost reduction and will continue over the medium-term.

## **Fees and Charges**

- 5.12 Fees and Charges are based on the Council's agreed principles of increasing existing fees and charges on a market forces basis whilst having regard to the Council's policies and objectives. The usual approach of the Council is for fees and charges to be increased by price inflation as a minimum. However, given the current level of inflation, this approach was not applied for the review of 2023/24 fees and charges, and a minimum of a 5% increase was provided as a guide. The Council continues to review opportunities to introduce new fees as appropriate. Proposed fees and charges for next year will be considered by Cabinet on 3 January 2023.

## Interest Payable and Receivable

- 5.13 **Interest Payable** - The budget for debt interest over the current MTFS period totals £1.587m. This has not been revised in this update of the MTFS. The existing loans are all fixed rate loans and therefore not susceptible to market increases. Where the capital programme requires future additional borrowing, the budget will be updated as and when projects are completed, and actual borrowing is known.
- 5.14 **Interest Receivable** – In the Bank of England’s November Monetary Policy Report, it forecasts the bank rate to peak at 5.2% at Quarter 4 in 2023 and then to fall to 4.7% a year later. In light of these forecasts, the total budget for investment income over the MTFS period has been increased by £4.2m to £7.4m. This is based on the current investment portfolio of short and long-term investments.

## Establishment Costs

- 5.15 Establishment costs total approximately are the single largest revenue cost for the Council and represents 50% of its total direct expenditure.
- 5.16 **Public Sector Pay** –The 2022/23 pay offer by the National Employers is a £1,925 increase on all pay points 1 and above. The cost to the General Fund of the pay award is £1.4m to the General Fund. The pay award assumption for 2023/24 and 2024/25 has also been increased from 2% to 4% and 3% respectively. A 1% pay award represents an increase of approximately £0.330m to the General Fund.
- 5.17 **National Insurance Contribution Increase** – Also referred to as the Health and Social Care Levy, the Government increased the Employer National Insurance Contribution by 1.25% from April 2022. However, in the Chancellor’s Mini-Budget announcement, the Government reversed this increase from 6 November 2022. The reduction in employer NICs will produce savings against the General Fund budget in the current year of £0.110m and over £0.300m in subsequent years. However, it should be noted that local government received funding of around £400m for the employer NICs increase through the 2022/23 local government finance settlement, although the actual amounts for local government, either collectively or individually, were never explicitly confirmed. If this funding is going to be removed from local government, then the Settlement Funding Assessment (SFA) or Services Grant would have to be reduced in 2023/24 and 2024/25. This was previously outlined in Section 4.10. If this is the case, there may consequently be some offset to these forecast savings, although it will probably be difficult to ascertain the quantum of this from the settlement. No offsetting has been assumed at this time.
- 5.18 **Actuarial Valuation** - The latest triennial actuarial valuation of the assets and liabilities of the Suffolk County Pension Fund was completed on 31 March 2022. The Fund’s Actuary have reported the actuarial funding position for the Pension Fund of 107%, an increase of 8% since the last valuation exercise in 2019. This is the first time that the Fund has reached 100% funding.
- 5.19 The Pension Fund specially relating to East Suffolk Council is 110% funded, an increase from 99% at the time of the last review on 31 March 2019. The triennial review also sets the employer contribution rates for the next three years – 2023/24 to 2025/26. This is currently out for consultation until 30 December 2022. The Council currently pays an employer contribution rate of 32% and the lowest rate allowed by the Actuary for the next three years is 19%. The Council is proposing a reduction of 7% to 25%. This would provide 88% probability of success that over 20 years the Pension Fund will remain or achieve



100% funded. This level of reduction results in a significant annual saving to the General Fund of £1.4m and has been built into this MTFS update.

### **Other Pressures**

- 5.20 In formulating its detailed spending plans, the Council has also taken account of past performance and the previous year's outturn position.
- 5.21 Ranging from increased demand for services or changes in national policy, the Council's MTFS has been adjusted to reflect the financial implications of these changes. The budget monitoring work by the Finance Team working with service areas has identified the Council's budget requirements.
- 5.22 Due to recruitment difficulties in some areas, the Council has been required to cover vacancies with temporary cover, particularly in areas of specialism. Additional resourcing needs have been in response to service demand, national policies and legislation. For example, Homelessness and Environmental Services, and delivering on strategic priorities such as Waste Management.
- 5.23 Work continues within the Suffolk Coastal Port Health Authority area to establish post Brexit requirements and a sustainable operational model for Port Health going forward, which remains a significant area of uncertainty, with financial implications for the service. Due to the strike days at the Port of Felixstowe, Port Health has lost income estimated at over £0.200m so far this year. In the current year, this can be covered from the Port Health Reserve.

### **Operations Partnership (Norse)**

- 5.24 The current MTFS does not take into consideration any financial implications associated with the contract with Norse coming to an end in July 2023, and therefore the efficiencies expected to be delivered with East Suffolk Services Ltd. The budget estimates for 2023/24 and beyond are currently based on the existing arrangements, together with the additional external cost pressures on the Operations service – primarily rising fuel costs and national and local pay settlements. These are challenges that the Council and Norse would have to address, regardless of the set-up of East Suffolk Services Ltd from July 2023.

### **Green Agenda - Caring For Our Environment**

- 5.25 The Council has pledged to be Carbon Neutral by 2030 and the Council's Strategic Plan includes the theme of 'Caring For Our Environment'. To delivery on these ambitions and priorities of the Council, inevitable requires investment without necessarily generating savings or additional income. The use of technology for homeworking and remote Committee meetings over the last two years, has reduced the need for staff and Members to travel and resulted in an annual saving of £0.200m compared to pre-pandemic levels.
- 5.26 **Appendix A6** includes details of budgets and reserves specifically provided to assist with the delivery of the Council's Green Agenda.

## **6 RESERVES AND BALANCES**

- 6.1 In order to manage its financial affairs soundly, the Council needs to hold an appropriate level of reserves and balances. These allow it to:
  - a) manage its cash flows economically and avoid temporary borrowing pending receipt of

income due during the year;

- b) deal promptly and efficiently with emergencies if they occur, as this year;
- c) take previously unseen opportunities to secure benefits that may arise during the year;
- d) mitigate reliance on volatile sources of funding;
- e) set money aside for known events but where the timing or precise amount required is not yet certain; and
- f) accumulate monies to meet costs that it would be unreasonable for taxpayers to meet in a single year.

6.2 In addition to the General Fund Balance, the Council keeps a number of earmarked reserves on the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans or potential liabilities.

6.3 The Council has continued to develop its prudent financial management arrangements, through the development of earmarked reserves to mitigate potential future risks. As issues arise, the potential requirement for an earmarked reserve is considered. New earmarked reserves are formally considered as part of the detailed budget process, to ensure that risks identified are adequately mitigated, and throughout the annual budget monitoring process as risks arise or become clearer.

#### **General Fund Balance and Earmarked Reserves**

6.4 The detailed budget process includes an assessment of risk, the adequacy of General Fund Reserves and a review of earmarked reserves. This review evaluates the need to create and/or change earmarked reserve levels and to also release reserves which are no longer required, thereby becoming a one-off resource for the Council. A risk assessment of the General Fund Balances informs the Chief Finance Officer's view of the adequacy of reserves to provide assurance to the budget. Having regard to the financial risks surrounding the budget planning process; the Council maintains the level of General Fund balances at around 3%-5% of its budgeted gross expenditure (in the region of £130 million for East Suffolk). This would equate to maintaining a General Fund balance for East Suffolk, in the region of between £4m and £6m. As of 1 April 2022, the opening General Fund balance of East Suffolk stood at £6m.

6.5 Further use of the General Fund balance will be evaluated against an assessment of risk, to ensure financial sustainability for the Council is maintained, whilst supporting the strategy direction and ambitions of the Council. The current update of the MTFS does not include any use of the General Fund balance.

6.6 One of the key underpinning financial principles of the MTFS is to not use the Council's Reserves (and other one-off resources) as a primary method to balance the ongoing pressures in the budget. Earmarked reserves are used for specific one-off purposes to support the delivery of corporate objectives and to mitigate risks.

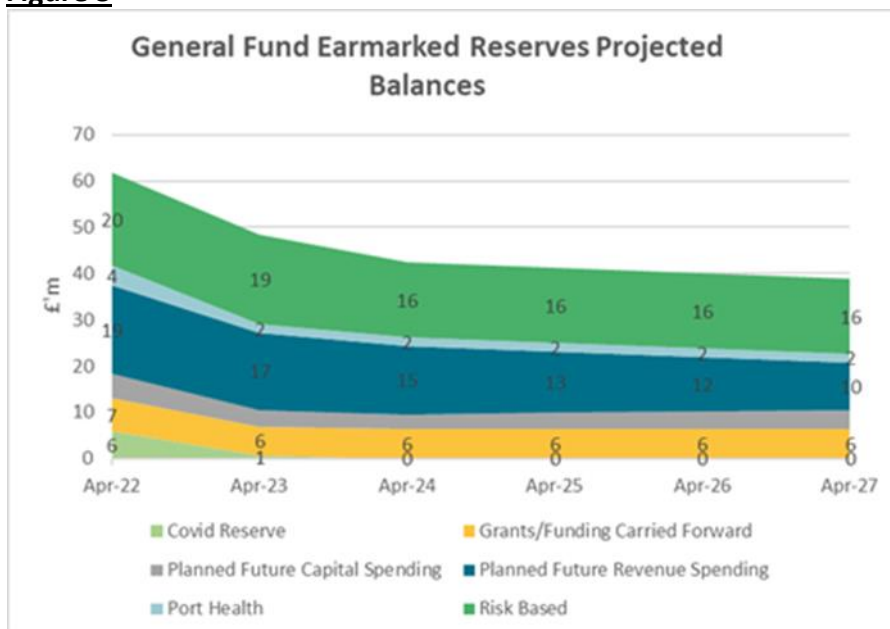
6.7 The opening balances for 2022/23 are still subject to conclusion of the external audit review for 2021/22.

6.8 The total balance of General Fund Earmarked Reserves was £62m as of 1 April 2022. Earmarked Reserves are categorised into the following groups;

- **Grants/Funding Carried Forward** – this is external funding the Council has received for specific purposes and is drawn down from reserves when spend is incurred.
- **Planned Future Revenue Spending** – Council funding has been set aside for specific service areas and/or projects.
- **Planned Future Capital Spending** – this is revenue funding set aside to provide funding for the capital programme.
- **Risk Based** – Council funding has been set aside for unforeseen budget pressures and fluctuations in budget areas of volatility. The Business Rate Equalisation Reserve is the main reserve within this group. This reserve is primarily held to manage fluctuations in Business Rates income, due to the timing of accounting treatments. The reserve will also be called upon to address budget gap pressures. The balance on this reserve as of April 2022 was £15.2m. The other reserve in this category is the In-Year Savings reserves, which is used to address budget gaps. The balance on this reserve at the start of the year was £3.5m. Based on the current MTFS assumptions, it is expected for this reserve to be fully utilised by the end of March 2024, to address the forecast budget gaps in the current year and 2023/24.
- **Covid Reserve** – Mainly consisting of Section 31 Grants to fund Covid related Business Rate Reliefs and the Local Authority support grant. This reserve is forecast to be used by the end of this financial year, with the exception of approximately £0.600m of Section 31 Grant to fund the 2020/21 Collection Fund Deficit treatment, as detailed in Section 4.16 of the report. The reserve currently holds a balance of £1m from the Covid Support funding. There has been some use of this in the current year, to cover costs associated with Covid, such as backfilling, and post assurance and reconciliation work on the various Covid grant schemes. The MTFS includes release of this £1m balance into the General Fund in the current year, as it is considered to be no longer required for its original purpose beyond March 2023.
- **Port Health** – The Port Health reserve balance as at 1 April 2022 was £4.3m. This reserve will be closed monitored over the MTFS period, due to continuing uncertainty surrounding the post Brexit situation.

6.9 A review of reserves has been undertaken this year, to identify reserve balances which have not been used for some time and/or are no longer required for their original purpose. This exercise has identified £1.8m of reserve balances, included the £1m of Covid support funding mentioned previously. The MTFS includes the proposal for this balance to be released into the General Fund in the current year.

6.10 **Figure 5** below shows the current projections for the General Fund Earmarked Reserves over the MTFS, categorised as above. This shows a decline in reserve balances from £62m at 1 April 2022 to £39m by April 2027. There are a number of reserves that are forecast to be fully or substantially utilised over this period, and not replenished. This includes, the In-Year Savings reserve, the NHB reserve, and the Transformation reserve. The budget work on reserves is yet to be finalised, and therefore the position presented in this report is subject to further change.

**Figure 5**

- 6.11 The presented reserve position does include use of the risk based reserves to achieve a balanced budget for 2022/23 and 2023/24 based on current assumptions. £0.786m use of the In-Year Savings reserve is proposed for 2022/23, and £2.629m for 2023/24. Further changes to the position by the end of the budget process, will be adjusted through the risk based reserves.
- 6.12 The Planned Revenue Spending group of reserves contains key reserves to highlight which are used to fund projects and initiatives to support the delivery of the Strategic Plan. These are set out in the table below and currently show balances declining with no further contributions to increase available funds over the current MTFS.

Reserves	April 2022 £'000	MTFS April 2023 £'000	MTFS April 2024 £'000	MTFS April 2025 £'000	MTFS April 2026 £'000	MTFS April 2027 £'000
Business Rates Pilot	1,385	957	837	800	763	726
New Homes Bonus (NHB)	5,580	4,728	3,734	2,375	1,135	80
Transformation - Digital	296	262	228	248	268	288
Transformation - Environmental	500	333	333	333	333	333
Transformation - Financial Sustainability	2,769	1,841	1,087	490	490	490

## 7 CAPITAL STRATEGY

- 7.1 The Capital Strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services in East Suffolk, along with an overview of how associated risk is managed and the implications for future financial sustainability. The Capital Strategy for the period 2023/24 to 2026/27 will be considered by the Audit & Governance Committee and Cabinet before approval by Full Council in January 2023. Capital planning is about financial investment on the purchase of new assets, the creation of new assets and enhancing and/or extending the useful life of existing assets. The Council aims to achieve the optimum balance between the future needs of East Suffolk, including the need to drive growth, whilst ensuring affordability in the short and long term. Key principles include:

- Developing asset and capital strategies that facilitate a long-term approach to decision-making.
- Ensuring that assets are only held as needed to achieve Council objectives.
- Maximising efficiency in the management and use of assets.
- Ensuring that pressure to achieve short-term savings does not compromise the value of assets through lack of investment.
- Ensuring that capital investment is targeted where it will achieve the greatest long-term benefit.

7.2 Enhancing the management of the Council's existing asset base and looking beyond the traditional medium-term financial planning horizon is a major priority. The current Asset Management Strategy was approved in July 2019, broken down into four key components:

- Administrative Improvements
- Compliance and Sustainability
- A strategic approach to assets
- Reducing expenditure and increasing income

7.3 For the purposes of setting the budget for 2023/24 and medium-term financial planning, the Capital Programme has been updated to reflect existing projects and the latest capital investment plans for the period 2022/23 to 2026/27.

### **Capital Programme**

7.4 The Capital Programme including both General Fund and HRA elements is subject to the scrutiny process and formally adopted by Full Council each year. The decision to accept individual projects onto the Programme is driven by the overriding requirement to support the priorities communicated in the East Suffolk Strategic Plan, providing they are affordable.

7.5 As well as adequately maintaining the asset base, a range of other important factors are considered when deciding upon the allocation of General Fund resources. Consideration is given to:

- Legislation – the need for capital investment due to changes in legislation, including those with health and safety implications.
- Resource Availability – the sustainability of the Capital Programme is a primary consideration and integral to the MTFS.

7.6 Where required, capital projects are supported by a detailed business case, which demonstrates a set of clear objectives and measurable benefits, as well as detailed financial implications. This includes the on-going revenue implications of a capital project, to ensure these are built into the MTFS revenue assumptions.

7.7 Major capital projects are delivered by dedicated project managers within the Council, with leadership and oversight provided by the Senior Management Team.

7.8 Due to the economic climate and significant changes to major schemes in the current Capital programme for 2022/23 to 2025/26, a mid-year revised General Fund Programme was presented to Cabinet and approved by Full Council in September 2022.

- 7.9 An updated Programme for the MTFS period will be presented to Cabinet on 3 January 2023, Scrutiny Committee on 19 January 2023, and then Cabinet and Full Council on 7 and 22 February 2023 respectively.

## EAST SUFFOLK MEDIUM TERM FINANCIAL STRATEGY - KEY PRINCIPLES

## 1 PRIORITIES, AIMS AND OBJECTIVES

- 1.1 The **East Suffolk Strategic Plan** provides the overarching vision for East Suffolk. In fulfilment of the Plan, the Council makes use of significant resources to achieve its aims including money, people, property and technology. In order to allocate resources to competing demands, achieve effective and efficient use of its resources, best value and ultimately achieve its vision, the Council has several strategies and plans which give a clear sense of direction and underpin the deployment of those resources. The Long Term and **Medium Term Financial Strategies** sit under the **Strategic Plan**, and combined with other strategies and plans, they support and embrace the strategic direction of East Suffolk.

## 2 STRATEGY OBJECTIVES

- 2.1 The Council's MTFS aims to ensure the provision of the best quality services possible within the resources available. To do so it must maximise the use of its resources to ensure they are used efficiently and effectively to support the development of longer term sustainable objectives.
- 2.2 The specific objectives of the MTFS are to:
- a) ensure that the Council sets a balanced, sustainable budget year by year, so that forecast spending does not exceed forecast resources available to it;
  - b) plan for a level of Council Tax that the Council, its residents and Government see as necessary, acceptable and affordable to ensure that it has the financial capacity to deliver the Council's policies and objectives;
  - c) redirect resources over time to adequately support and resource the priorities of the both the Council and the wider community; and
  - d) maintain sufficient reserves and balances to ensure that the Council's long-term financial health remains sound.

## 3 STRATEGY PRINCIPLES

- 3.1 The principles set out below provide a framework within which the Council will develop its detailed financial plan over the medium term.

**General**

There are a number of overarching principles that will apply across the Council's detailed financial accounting, planning and monitoring:

- a) that the Council's budgets, financial records and accounts will be prepared and maintained in line with approved Accounting Standards, the CIPFA Code of Practice on Local Government Accounting, the CIPFA Prudential Code and the relevant sections of the Council's Constitution and Finance Procedure Rules;
- b) prior to setting a budget, the Council will always analyse potential risks and ensure these are minimised in line with its Risk Management Strategy;

- c) that the Council's Corporate Management Team will review the budget proposals for reasonableness and adherence to corporate policies and objectives prior to the budget being submitted to Cabinet;
- d) the Council will monitor its revenue and capital budgets effectively. Monitoring will be undertaken quarterly by Heads of Service together with their portfolio holders, and integrated quarterly monitoring reports will be reported to Cabinet. In cases where significant financial and service performance deviates from that planned, action plans setting out corrective action will be drawn up by Heads of Service / Portfolio Holders and reported to Cabinet as appropriate;
- e) that the Council's Corporate Management Team will take appropriate steps to continue to maintain and improve the accuracy and quality of data that it uses throughout the Council thereby ensuring that budget and other decisions are taken on a sound basis; and
- f) the Council will seek to maximise external contributions towards revenue and capital spending for example through bidding for specific grants, attracting levered funding, participating in new funding streams and engaging in further strategic partnering opportunities where appropriate.

### **General Fund (Revenue)**

#### **3.2 In relation to its revenue budgets the Council will:**

- a) set a balanced budget each year that will be constructed to reflect its objectives, priorities and commitments. In particular, the budget will influence and be influenced by the Strategic Plan, the Organisational and Development Strategy, Capital and Asset Management Strategies, the Risk Management Strategy, its Comprehensive Equality Scheme and its Consultation and Engagement Strategies;
- b) within the constraints of the resources available to it, set a sustainable budget each year that meets on-going commitments from on-going resources. The Council will continue to aim to maintain its level of general balances when it sets its revenue budget each year now that a prudent level of balances has been achieved;
- c) seek to identify annual efficiency savings through business process improvement, shared service initiatives, service best value reviews and benchmarking and strategic partnering opportunities within and across county borders;
- d) review the appropriateness of service delivery between the Council, parishes and other partners;
- e) increase existing fees and charges on a market forces basis whilst having regard to the Council's policies and objectives. As a minimum fees and charges should be increased by price inflation. The Council will also review opportunities to introduce new fees as appropriate; and
- f) within Government guidelines, set a level of Council Tax that the Council, its residents and Government see as necessary, acceptable and affordable to deliver the Council's policies and objectives.



## **Capital**

- 3.3 When considering capital investment, the Council will:
- a) maximise the generation of capital receipts and grants to support its planned investment programmes
  - b) enhance its capital investment by applying specific grants and contributions, capital receipts, earmarked reserves and revenue contributions, with any balance being met by external borrowing
  - c) not recognise capital receipts until there is certainty that the receipt will materialise, and these will not be earmarked against specific developments without express Cabinet approval
  - d) allocate its capital resources in line with its Capital Strategy and Asset Management Plan whilst recognising that other priorities may emerge that may require those plans to be amended and resources to be diverted
  - e) annually review and prioritise capital schemes in accordance with Council objectives having regard to:
    - i) the business case for any given project; asset management planning
    - ii) affordability in line with the application of the Prudential Code.

## **Balances and Reserves**

- 3.4 In relation to its balances and earmarked reserves, the Council will:
- each year maintain the level of General Fund balances at around 3% - 5% of its budgeted gross expenditure. This would lead the Council to maintain a General Fund balance in a range of around £4m to £6m.
  - have regard to the financial risks surrounding the budget planning process, including those associated with the structural deficit, inflationary pressures, interest rates, partnerships, the treatment of savings, new burdens and demand led expenditure.
  - review its earmarked reserves, which have been established to meet known or predicted liabilities, to ensure that the level of those reserves are still appropriate; and
  - return reserve balances no longer required to the General Fund as appropriate.

## **Treasury Management and Investment**

- 3.5 The Council will:
- a) having regard to risk, maximise investment income and minimise borrowing costs within the overall framework set out in the Council's annual Treasury Management and Investment Strategy; and
  - b) secure the stability of the Council's longer-term financial position rather than seeking to make short-term one-off gains which may lead to higher costs in the long term.

- c) having regard to risk, seek to diversify its investment portfolio; maximise investment income; and deliver economic development objectives through the Asset Investment Strategy (in development).

## **4 OTHER CONSIDERATIONS**

4.1 The Council's spending will have regard to:

- a) the base budget position for the current financial year, adjusted for in year grant changes;
- b) the Council's medium term priorities;
- c) the refocusing of service expenditure through transactional, shared services and other efficiencies to support the achievement of its medium term priorities and satisfy Government funding changes;
- d) demographic and welfare changes;
- e) the impact of the current pandemic;
- f) consultation outcomes;
- g) fiscal matters including:
  - price inflation.
  - the effect on the level of General Fund balances and reserves.
  - the impact of any changes to the capital programme on the potential costs of borrowing.
  - triennial revaluation of the pension fund.
  - ongoing commitments, arising in part, from initiatives that have previously been funded from specific grants.
  - achieving budgeted savings from outsourcing, shared services and service reviews.
  - the likely passporting of some Government departmental savings targets to councils.

RISKS	PROBABILITY HIGH (H) MEDIUM (M) LOW (L)	IMPACT HIGH (H) MEDIUM (M) LOW (L)	MITIGATING ACTIONS
<p><b>Strategic Risks</b></p> <p>The absence of a robust Medium Term Financial Strategy could adversely affect the Council's budget and resource planning and projections.</p> <p>Failure to understand changing community needs and customer expectations can result in the Council providing levels of service which are not appropriately aligned to the needs of communities and customers.</p> <p>Local Government funding is under continuous pressure and review. Failure to respond to these funding pressures may adversely impact on the Council's ability to service delivery.</p> <p>Budget pressures arising from housing, economic, social and other demographic changes.</p> <p><b>Financial</b></p> <p>Uncertain medium term sustainability of incentivised income areas subject to Government policy, economic factors, and revaluation e.g. Brexit, business rates and New Homes Bonus.</p>	<p>L</p> <p>M</p> <p>H</p> <p>H</p> <p>H</p>	<p>H</p> <p>H</p> <p>H</p> <p>H</p> <p>H</p>	<p>Continually monitor and refine the strategy in line with changing influences. Update Corporate Management Team and Cabinet.</p> <p>Continuously engage with key stakeholders and take advantage of existing consultation methodologies. Continue to monitor and more closely align service levels to demand and need.</p> <p>Take advantage of the Council's growth opportunities to reduce dependency on government funding. Align service delivery to funding levels, improve exist strategy to minimise risk.</p> <p>Take advantage of technological advancements to understand and reduce unit costs, monitor demand for services and proactively manage resourcing requirements, invest in schemes to promote skills and developments.</p> <p>Constantly monitor information and update risk appraisals and financial projections. Provide timely briefings and updates to Members/ key stakeholders to facilitate decision making. Adopt prudent budgeting approach not placing undue reliance on uncertain funding sources.</p>

RISKS	PROBABILITY HIGH (H) MEDIUM (M) LOW (L)	IMPACT HIGH (H) MEDIUM (M) LOW (L)	MITIGATING ACTIONS
Uncertainty surrounding the Government's change agenda including, business rates and welfare reform over the medium term.	H	H	Constantly monitor information from Government and update risk appraisals and financial projections. Provide timely briefings and updates to Members/ key stakeholders to facilitate decision making. Lobby through the LGA as appropriate.
Budget pressures from demand led services and income variances reflecting the wider economy.	H	H	Monitor pressures throughout the budget process and take timely actions.
Costs arising from the triennial review of the Local Government Pension Scheme.	L	L	Review and monitor information from Government and actuaries. Update forecasts as necessary.
Interest rate exposure on investments and borrowing.	H	M	Review cash flows, ensuring the Council has a flexible and forward looking Treasury management policy.
<b>Information</b>			
The Council itself has no influence over the outcome of some of the other bigger assumptions such as formula grant, national pay awards, interest rates, inflation and statutory fees and charges.	H	H	Key assumptions made are regularly reviewed from a variety of sources. Forecasts are updated as necessary.
<b>Operational</b>			
The Council has entered into strategic partnerships and contracts and is therefore susceptible to economic, social and demographic changes	L	M	Effective negotiation, sound governance arrangements and reviews of partnerships performance.
There is a potential risk to the Council if there is a financial failure of an external organisation, providing services to the public on behalf of the Council.	L	M	Ensure rigorous financial evaluations are carried out at tender stage. Consideration of processes to ensure annual review of the successful organisation and review any external auditor comments.

RISKS	PROBABILITY HIGH (H) MEDIUM (M) LOW (L)	IMPACT HIGH (H) MEDIUM (M) LOW (L)	MITIGATING ACTIONS
<p><b>People</b></p> <p>Loss of key skills, resources and expertise.</p>	<b>H</b>	<b>M</b>	Continue to invest in staff developments, service continuity measures. Monitor succession planning. Keep staff consulted and informed. Ensure employment terms and conditions are competitive and development needs identified through 'My Conversation' programme with staff are satisfied.
<p><b>Regulatory</b></p> <p>Changes of responsibility from Government can adversely impact on service priorities and objectives.</p>	<b>L</b>	<b>L</b>	Sound system of service and financial planning in place. Lobby as appropriate.
<p><b>Reputation</b></p> <p>Loss of reputation if unforeseen resource constraints result in unplanned service reductions.</p>	<b>L</b>	<b>H</b>	Identify and implement robust solutions in response to changes. Consult widely. Seek to achieve a prudent level of balances and reserves.

## Band D Equivalent Taxbase by Parish

PARISH	2022/23	2023/24	Difference
Aldeburgh	1,880.77	1,899.17	18.40
Alderton	181.34	181.06	-0.28
Aldringham-Cum-Thorpe	595.58	606.00	10.42
All Saints & St. Nicholas, St. Michael and St. Peter S E	101.13	98.83	-2.30
Badingham	227.98	235.76	7.78
Barnby	217.87	214.86	-3.01
Barsham and Shipmeadow	134.17	134.31	0.14
Bawdsey	196.37	198.00	1.63
Beccles	3,241.87	3,346.33	104.46
Benacre	32.36	32.02	-0.34
Benhall & Sternfield	306.75	311.61	4.86
Blaxhall	110.29	112.93	2.64
Blundeston and Flixton	466.25	479.77	13.52
Blyford and Sotherton	71.37	71.90	0.53
Blythburgh	193.81	198.44	4.63
Boulge	14.14	14.48	0.34
Boyton	60.45	62.44	1.99
Bramfield & Thorington	192.76	197.96	5.20
Brampton with Stoven	150.65	157.53	6.88
Brandeston	142.24	146.98	4.74
Bredfield	147.53	151.22	3.69
Brightwell, Foxhall & Purdis Farm	998.25	998.79	0.54
Bromeswell	154.41	153.62	-0.79
Bruisyard	70.92	71.81	0.89
Bucklesham	203.25	205.35	2.10
Bungay	1,643.44	1,668.62	25.18
Burgh	78.81	78.95	0.14
Butley, Capel St Andrew & Wantisden	114.77	118.69	3.92
Campsea Ashe	156.10	155.80	-0.30
Carlton Colville	2,664.87	2,671.88	7.01
Charsfield	148.83	162.02	13.19
Chediston, Linstead Magna & Linstead Parva	156.02	157.72	1.70
Chillesford	70.86	75.96	5.10
Clopton	138.64	142.46	3.82
Cookley & Walpole	152.70	153.25	0.55
Corton	582.91	588.59	5.68
Covehithe	12.93	13.92	0.99
Cransford	67.01	67.77	0.76
Cratfield	149.71	152.30	2.59
Cretingham, Hoo & Monewden	209.59	208.88	-0.71

**Band D Equivalent Taxbase by Parish**

<b>PARISH</b>	<b>2022/23</b>	<b>2023/24</b>	<b>Difference</b>
Dallinghoo	82.79	82.88	0.09
Darsham	200.99	228.14	27.15
Debach	32.89	33.38	0.49
Dennington	235.11	239.53	4.42
Dunwich	86.56	85.66	-0.90
Earl Soham	202.53	202.51	-0.02
Easton	177.12	178.23	1.11
Eyke	152.94	151.75	-1.19
Felixstowe	8,645.91	8,771.40	125.49
Flixton, St. Cross S E & St. Margaret South Elmham	165.75	167.77	2.02
Framlingham	1,618.57	1,644.19	25.62
Friston	210.80	208.50	-2.30
Frostenden, Uggeshall and South Cove	170.56	172.91	2.35
Gisleham	248.63	248.94	0.31
Great Bealings	132.98	133.06	0.08
Great Glemham	100.06	102.19	2.13
Grundisburgh & Culpho	645.74	655.32	9.58
Hacheston	166.03	165.66	-0.37
Halesworth	1,752.20	1,808.83	56.63
Hasketon	183.82	186.36	2.54
Hemley	25.57	26.41	0.84
Henstead with Hulver Street	136.95	138.11	1.16
Heveningham	63.23	61.42	-1.81
Hollesley	494.63	507.88	13.25
Holton	310.84	311.80	0.96
Homersfield	58.64	59.58	0.94
Huntingfield	75.36	79.71	4.35
Iken	62.83	61.93	-0.90
Kelsale-cum-Carlton	404.66	413.65	8.99
Kesgrave	4,809.30	4,826.19	16.89
Kessingland	1,441.05	1,439.26	-1.79
Kettleburgh	106.24	108.33	2.09
Kirton & Falkenham	555.62	557.47	1.85
Knodishall	313.92	311.92	-2.00
Leiston	1,820.58	1,957.72	137.14
Letheringham	41.42	42.41	0.99
Levington & Stratton Hall	123.38	125.14	1.76
Little Bealings	213.78	216.46	2.68
Little Glemham	67.15	66.78	-0.37
Lound	116.56	127.74	11.18
Lowestoft	12,733.88	12,926.07	192.19
Marlesford	89.65	90.73	1.08
Martlesham	2,296.65	2,142.72	-153.93
Melton	1,905.05	1,945.62	40.57

**Band D Equivalent Taxbase by Parish**

<b>PARISH</b>	<b>2022/23</b>	<b>2023/24</b>	<b>Difference</b>
Mettingham	83.26	83.98	0.72
Middleton	206.24	209.69	3.45
Mutford	186.52	186.40	-0.12
Nacton	343.95	341.61	-2.34
Newbourne	110.64	112.65	2.01
North Cove	151.14	149.77	-1.37
Orford & Gedgrave	396.15	401.90	5.75
Otley	310.55	327.59	17.04
Oulton	1,549.90	1,654.14	104.24
Oulton Broad	3,270.87	3,307.43	36.56
Parham	120.59	131.13	10.54
Peasenhall	240.52	245.78	5.26
Pettistree	88.60	87.12	-1.48
Playford	111.33	110.97	-0.36
Ramsholt	12.22	12.22	0.00
Redisham	53.35	61.82	8.47
Rendham	127.96	127.13	-0.83
Rendlesham	931.19	941.76	10.57
Reydon	1,194.23	1,196.49	2.26
Ringsfield and Weston	220.36	221.74	1.38
Rumburgh	118.80	120.07	1.27
Rushmere	32.68	34.13	1.45
Rushmere St Andrew	2,579.54	2,607.03	27.49
Saxmundham	1,586.60	1,609.94	23.34
Saxtead	127.13	126.45	-0.68
Shadingfield, Sotterley, Willingham and Ellough	185.49	182.31	-3.18
Shottisham	84.00	83.44	-0.56
Sibton	97.02	96.50	-0.52
Snape	328.19	332.72	4.53
Somerleyton, Ashby & Herringfleet	166.95	163.68	-3.27
Southwold	1,082.31	1,100.22	17.91
Spexhall	86.15	85.54	-0.61
St. Andrew Ilketshall	114.71	116.03	1.32
St. James South Elmham	87.25	91.17	3.92
St. John Ilketshall	20.25	20.25	0.00
St. Lawrence Ilketshall	60.24	61.83	1.59
St. Margaret Ilketshall	71.55	70.34	-1.21
Stratford St Andrew and Farnham	139.87	140.49	0.62
Sudbourne	186.67	186.37	-0.30
Sutton	147.22	150.97	3.75
Sutton Heath	367.03	374.89	7.86
Sweffling	95.45	98.89	3.44
Swilland & Witnesham	421.28	427.46	6.18



**Band D Equivalent Taxbase by Parish**

<b>PARISH</b>	<b>2022/23</b>	<b>2023/24</b>	<b>Difference</b>
Theberton	150.49	150.78	0.29
Trimley St Martin	744.63	767.41	22.78
Trimley St Mary	1,272.73	1,268.02	-4.71
Tuddenham St Martin	162.29	159.80	-2.49
Tunstall	259.85	256.12	-3.73
Ubbeston	43.39	45.10	1.71
Ufford	403.37	406.54	3.17
Walberswick	372.62	375.63	3.01
Waldringfield	256.72	255.28	-1.44
Wangford with Henham	257.31	258.05	0.74
Wenhaston with Mells Hamlet	419.07	421.36	2.29
Westerfield	236.87	248.51	11.64
Westhall	131.28	136.42	5.14
Westleton	309.76	308.17	-1.59
Wickham Market	825.34	829.10	3.76
Wissett	124.25	127.62	3.37
Woodbridge	3,226.36	3,389.95	163.59
Worlingham	1,286.19	1,298.40	12.21
Wrentham	377.07	379.37	2.30
Yoxford	349.27	357.01	7.74
<b>East Suffolk Council - Total</b>	<b>89,023.43</b>	<b>90,340.92</b>	<b>1,317.49</b>

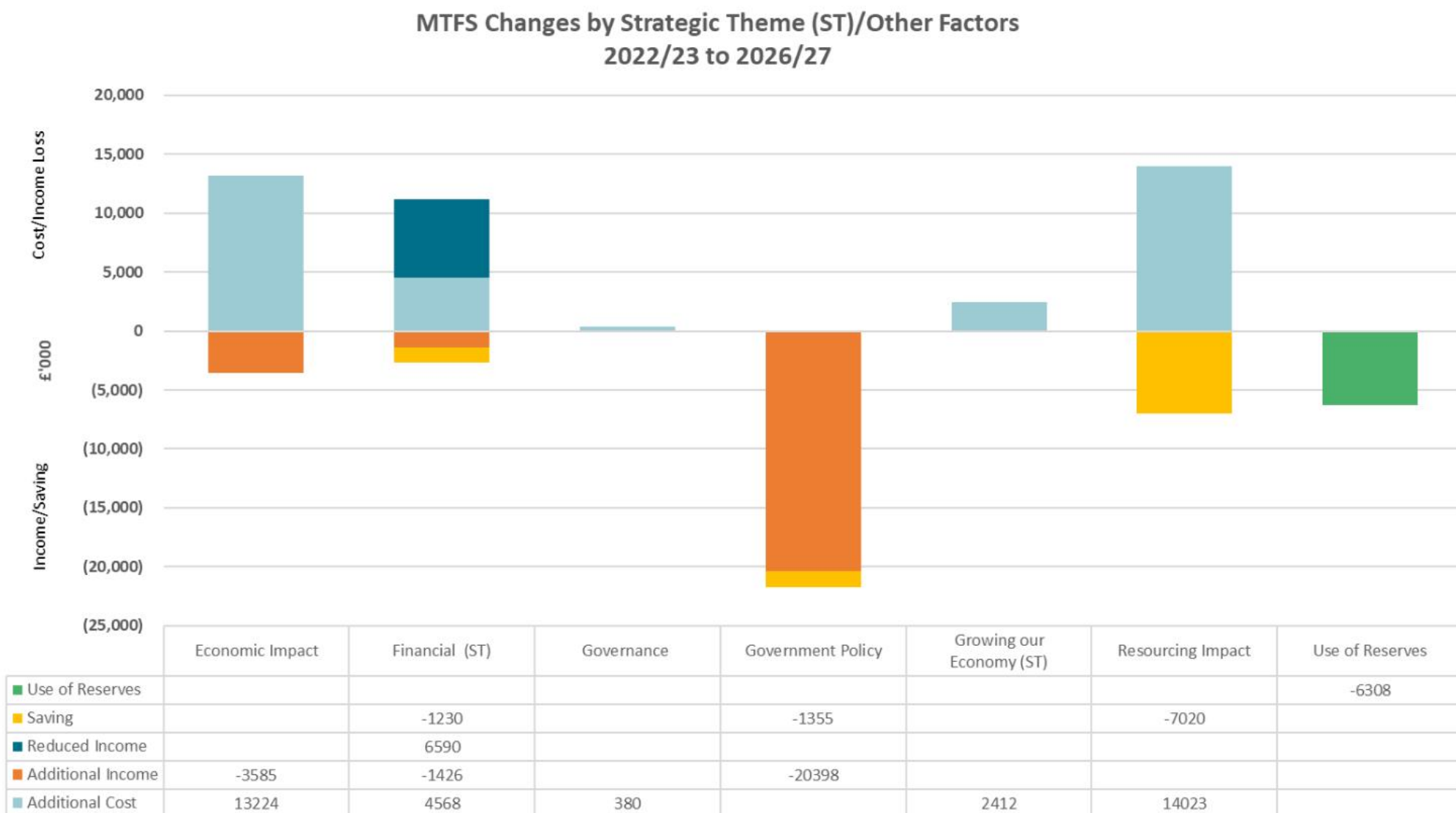
## NHB RESERVE SUMMARY 2022/23 TO 2026/27

NHB Reserve					
	2022/23	2023/24	2024/25	2025/26	2026/27
	Revised Budget	Revised Budget	Revised Budget	Revised Budget	Revised Budget
	£'000	£'000	£'000	£'000	£'000
NHB Reserve Balance Brought Forward	(5,580)	(4,728)	(3,734)	(2,375)	(1,135)
NHB In-Year Funding	(1,649)	(447)	0	0	0
Total NHB Funding in Reserve	(7,229)	(5,175)	(3,734)	(2,375)	(1,135)
Application of NHB					
<b>Enabling Communities Budget</b>					
55 Councillors * £7.5k	433	412	412	412	412
Ease the Squeeze	52	0	0	0	0
	<b>485</b>	<b>412</b>	<b>412</b>	<b>412</b>	<b>412</b>
<b>Community Partnerships</b>					
8 Partnership * £25k each	224	200	200	200	200
<b>Resourcing &amp; Engagement</b>					
CP Manager	74	73	75	76	79
Communities Officer	0	21	21	21	21
Funding Officer	18	21	21	21	21
Venues for meetings	2	2	2	2	2
Contribution to Suffolk Association Local Councils	10	10	10	10	10
Contribution to Community Action Suffolk	10	10	10	10	10
	<b>338</b>	<b>337</b>	<b>339</b>	<b>340</b>	<b>343</b>
Strategic Community Partnerships	556	300	300	300	300
	<b>556</b>	<b>300</b>	<b>300</b>	<b>300</b>	<b>300</b>
WIFI Implementation on Market Towns	180	0	0	0	0
Economic Development Towns Fund	22	0	0	0	0
Lowestoft Full Fibre project	576	0	0	0	0
UCI World Masters Cycle Cross Championships	9	0	0	0	0
City of Culture	25	73	0	0	0
First Light Festival	0	180	170	150	0
Safeguarding Officer	7	13	9	0	0
Empty Homes Officer	61	106	109	38	0
<b>Place Based initiatives</b>					
Lowestoft Rising	20	20	20	0	0
Total NHB Earmarked for Community Initiatives	<b>2,279</b>	<b>1,441</b>	<b>1,359</b>	<b>1,240</b>	<b>1,055</b>
Set Aside to Support the Budget					
To Support Transition of NHB use to East Suffolk	222	0	0	0	0
Total NHB use for the Year	<b>2,501</b>	<b>1,441</b>	<b>1,359</b>	<b>1,240</b>	<b>1,055</b>
NHB Reserve Balance Carried Forward	(4,728)	(3,734)	(2,375)	(1,135)	(80)

## KEY MTFS CHANGES BY STRATEGIC THEME/OTHER FACTORS

MTFS Update	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	Total over MTFS period £'000	Strategic Theme/Other Factors	Comments
<b>Additional Cost</b>								
National Employers pending pay award for 2022/23 - Council direct staffing	1,400	1,400	1,400	1,400	1,400	7,000	Resourcing Impact	Based on current offer by National Employers.
Future year pay award assumptions	0	590	920	940	1,560	4,010	Resourcing Impact	Assumptions for pay awards from 2023/24 increased from 2% to 4% in 2023/24 and to 3% in 2024/25.
Agency/contractor costs	635	100	100	100	100	1,035	Resourcing Impact	Cover for staffing vacancies, particularly in areas of specialism. Increase annual budget to prior years average.
Net establishment growth	(1,309)	833	818	825	811	1,978	Resourcing Impact	Establishment growth net of vacancy allowance.
External audit fees	0	95	95	95	95	380	Governance	Public bodies have been advised of a 150% increase on top of the 2022/23 fee.
Ringo costs	75	72	70	70	70	357	Financial Sustainability	To reflect increased usage of Ringo across Council car parks.
ARP partnership contribution	300	115	135	135	135	820	Economic Impact	Mainly driven by inflation pressures.
Port Health	240	275	125	115	100	855	Financial Sustainability	Review of recharges to Port Health, in particular the recharge for accommodate use.
Minimum Revenue Provision (Capital Programme)	(58)	0	300	820	1,350	2,412	Growing our Economy	Revised to reflect the updated capital programme.
Inflationary pressures - insurance premiums	75	140	150	150	155	670	Economic Impact	Estimate for the impact of inflation on insurance premiums.
Inflationary pressures - utilities	700	600	600	600	600	3,100	Economic Impact	Estimate for the impact of inflation on utility costs, particularly on Leisure Centres.
Planned preventative maintenance	0	265	202	225	225	917	Financial Sustainability	Asset Management schedule of programmed preventative maintenance.
Operation services	1,020	1,644	1,990	1,990	1,990	8,634	Economic Impact	Inflationary impacts - from fuel and pay pressures
Other	154	216	696	818	555	2,439	Financial Sustainability	
	<b>3,232</b>	<b>6,345</b>	<b>7,601</b>	<b>8,283</b>	<b>9,146</b>	<b>34,607</b>		
<b>Additional Income</b>								
Green waste subscription income	0	0	(50)	(50)	(50)	(150)	Financial Sustainability	Additional income due to subscription fee increase.
Business Rates Pooling Benefit	(174)	(2,000)	(2,000)	0	0	(4,174)	Government Policy	Current year increased based on in-year monitoring.
Business Rates income	0	(3,900)	(3,900)	(3,900)	(4,200)	(15,900)	Government Policy	Delays to funding reform to 2025/26 at the earliest.
Business Rates Collection Fund Deficit	0	(324)	0	0	0	(324)	Government Policy	Updated estimate of the year end deficit on the Collection Fund.
Council Tax income	0	(90)	(90)	(100)	(620)	(900)	Financial Sustainability	The growth in the tax base has been better than originally forecast.
Council Tax Collection Fund Surplus	0	(376)	0	0	0	(376)	Financial Sustainability	The growth in the tax base has been better than originally forecast.
Interest income	(779)	(906)	(630)	(635)	(635)	(3,585)	Economic Impact	Forecasting higher investment rates over the MTFS, and to peak in 2023/24.
	<b>(953)</b>	<b>(7,596)</b>	<b>(6,670)</b>	<b>(4,685)</b>	<b>(5,505)</b>	<b>(25,409)</b>		
<b>Reduced Income</b>								
Parking services	500	500	500	500	500	2,500	Financial Sustainability	Recognising a reduction in baseline income for parking services. Further analysis to be done.
Waste recycling credits	800	800	800	800	800	4,000	Financial Sustainability	Correction to baseline budget.
Core funding streams	0	12	24	30	24	90	Financial Sustainability	No cash increase for 2023/24 and 2024/25, and 1% thereafter.
	<b>1,300</b>	<b>1,312</b>	<b>1,324</b>	<b>1,330</b>	<b>1,324</b>	<b>6,590</b>		
<b>Savings</b>								
Health & Social Care Levy	(110)	(300)	(310)	(315)	(320)	(1,355)	Government Policy	Reversal of the Employer National Insurance increase (1.25%) introduced from 1 April 2022. The reversal is to take effect from 6 November 2022.
Employer superannuation rate	0	(1,690)	(1,740)	(1,780)	(1,810)	(7,020)	Resourcing Impact	Triennial review of the pension fund. The employer contribution rate for the next three years from 2023/24 is to reduce from 32% to 25%.
Leisure contracts	(190)	(250)	(250)	(250)	(290)	(1,230)	Financial Sustainability	Recognition of further efficiencies and income generation.
	<b>(300)</b>	<b>(2,240)</b>	<b>(2,300)</b>	<b>(2,345)</b>	<b>(2,420)</b>	<b>(9,605)</b>		
<b>Use of Reserves</b>								
Reserve balances no longer required	(1,845)	0	0	0	0	(1,845)	Use of Reserves	This followed a review of historic balances with no defined purpose or use in recent years.
Transfers to reserves	(649)	(100)	(100)	(100)	(100)	(1,049)	Use of Reserves	Transfers identified as no longer required.
Proposed use of reserves to balance the budget	(785)	(2,629)	0	0	0	(3,414)	Use of Reserves	Use of risk based reserves.
	<b>(3,279)</b>	<b>(2,729)</b>	<b>(100)</b>	<b>(100)</b>	<b>(100)</b>	<b>(6,308)</b>		
<b>Net Total of MTFS Updates - December 2022</b>	<b>0</b>	<b>(4,908)</b>	<b>(145)</b>	<b>2,483</b>	<b>2,445</b>	<b>(125)</b>		

## KEY MTFS CHANGES BY STRATEGIC THEME/OTHER FACTORS



## GENERAL FUND REVENUE BUDGET SUMMARY 2022/23 TO 2026/27

	Original Budget (Feb-22) 2022/23 £	Total of MTFS Updates (Dec-22) 2022/23 £	Revised Budget (Dec- 22) 2022/23 £	Original MTFS (Feb-22) 2023/24 £	Total of MTFS Updates (Dec-22) 2023/24 £	Revised MTFS (Dec-22) 2023/24 £	Original MTFS (Feb-22) 2024/25 £	Total of MTFS Updates (Dec-22) 2024/25 £	Revised MTFS (Dec-22) 2024/25 £	Original MTFS (Feb-22) 2025/26 £	Total of MTFS Updates (Dec-22) 2025/26 £	Revised MTFS (Dec-22) 2025/26 £	Original MTFS (Feb-22) 2026/27 £	Total of MTFS Updates (Dec-22) 2025/26 £	Revised MTFS (Dec-22) 2026/27 £
<b>Service Area</b>															
Senior and Corporate Management	2,582,800	75,060	2,657,860	2,629,000	149,656	2,778,656	2,668,300	199,500	2,867,800	2,710,400	204,800	2,915,200	2,710,400	180,000	2,890,400
Economic Development and Regeneration	2,860,700	1,081,600	3,942,300	1,716,200	15,100	1,731,300	1,450,400	(43,200)	1,407,200	1,453,200	(70,700)	1,382,500	1,453,200	(258,900)	1,194,300
Financial Services and Other Financial Transactions	718,300	215,600	933,900	752,600	(443,251)	309,349	790,200	(439,933)	350,267	816,000	(425,410)	390,590	816,000	(548,448)	267,552
Revenue and Benefits	2,372,000	499,800	2,871,800	2,545,600	307,900	2,853,500	2,703,200	382,900	3,086,100	2,781,100	424,400	3,205,500	2,781,100	659,800	3,440,900
Digital and Programme Management	2,977,100	315,100	3,292,200	2,994,900	458,279	3,453,179	3,036,300	463,344	3,499,644	3,076,000	487,826	3,563,826	3,076,000	568,310	3,644,310
Internal Audit Services	543,400	(42,700)	500,700	542,900	131,950	674,850	558,900	111,700	670,600	572,600	121,300	693,900	572,600	145,100	717,700
Human Resources	864,100	82,000	946,100	804,300	231,234	1,035,534	740,800	364,430	1,105,230	687,500	445,654	1,133,154	687,500	478,588	1,166,088
Legal and Democratic Services	2,312,000	179,200	2,491,200	2,709,300	213,700	2,923,000	2,397,700	213,600	2,611,300	2,441,600	212,400	2,654,000	2,441,600	248,700	2,690,300
Planning and Coastal Management	4,411,800	(29,600)	4,382,200	4,619,900	245,200	4,865,100	4,852,500	146,700	4,999,200	4,864,200	319,800	5,184,000	4,864,200	392,500	5,256,700
Customer Experience Strategic Management	2,361,900	65,300	2,427,200	2,435,100	84,722	2,519,822	2,510,300	160,433	2,670,733	2,584,100	159,859	2,743,959	2,584,100	235,447	2,819,547
Operations	11,131,300	3,992,000	15,123,300	9,947,800	4,461,475	14,409,275	9,786,300	4,212,711	13,999,011	9,884,000	4,043,723	13,927,723	9,884,000	3,996,163	13,880,163
Communities	2,630,700	593,600	3,224,300	1,076,400	1,192,800	2,269,200	1,083,700	1,019,100	2,102,800	1,080,100	918,200	1,998,300	1,080,100	931,700	2,011,800
Environmental Services and Port Health	1,499,300	313,000	1,812,300	(1,611,700)	586,500	(1,025,200)	(1,327,500)	437,200	(890,300)	(1,007,300)	441,900	(565,400)	(1,007,300)	498,100	(509,200)
Housing Services	2,255,200	800,300	3,055,500	1,619,400	670,100	2,289,500	1,649,700	266,900	1,916,600	1,668,700	251,300	1,920,000	1,668,700	257,600	1,926,300
<b>Net Cost of Service</b>	<b>39,520,600</b>	<b>8,140,260</b>	<b>47,660,860</b>	<b>32,781,700</b>	<b>8,305,365</b>	<b>41,087,065</b>	<b>32,900,800</b>	<b>7,495,385</b>	<b>40,396,185</b>	<b>33,612,200</b>	<b>7,535,052</b>	<b>41,147,252</b>	<b>33,612,200</b>	<b>7,784,660</b>	<b>41,396,860</b>
<b>Non-Cost of Service Expenditure Adjustments</b>															
Direct Revenue Financing (DRF)	3,020,000	0	3,020,000	1,375,000	0	1,375,000	675,000	0	675,000	805,000	0	805,000	805,000	0	805,000
Revenue provision for the repayment of debt (MRP)	1,265,000	(58,300)	1,206,700	1,735,000	7,500	1,742,500	2,455,000	299,900	2,754,900	2,575,000	822,700	3,397,700	2,575,000	1,347,700	3,922,700
Recharges to the Housing Revenue Account (HRA)	(1,424,300)	14,900	(1,409,400)	(1,462,000)	15,900	(1,446,100)	(1,491,900)	46,000	(1,445,900)	(1,506,800)	50,700	(1,456,100)	(1,506,800)	20,100	(1,486,700)
Bad Debt Provision	5,000	0	5,000	5,000	0	5,000	5,000	0	5,000	5,000	0	5,000	5,000	0	5,000
Other Accounting Adjustments	25,000	0	25,000	25,000	0	25,000	25,000	0	25,000	25,000	0	25,000	25,000	0	25,000
<b>Other Operating Expenditure</b>															
Town & Parish Precepts	6,748,500	0	6,748,500	6,748,500	0	6,748,500	6,748,500	0	6,748,500	6,748,500	0	6,748,500	6,748,500	0	6,748,500
Levies	247,900	0	247,900	250,500	0	250,500	250,500	0	250,500	250,500	0	250,500	250,500	0	250,500
<b>Financing and Investment Income and Expenditure</b>															
Interest Payable	320,000	0	320,000	236,000	0	236,000	152,000	0	152,000	152,000	0	152,000	152,000	0	152,000
Interest Receivable	(650,000)	(886,000)	(1,536,000)	(650,000)	(1,030,000)	(1,680,000)	(650,000)	(760,000)	(1,410,000)	(650,000)	(760,000)	(1,410,000)	(650,000)	(760,000)	(1,410,000)
HRA Share of Interest Payable & Receivable	12,700	107,200	119,900	(4,000)	124,000	120,000	30,400	129,800	160,200	75,900	124,500	200,400	75,900	124,500	200,400
Investment Property Income & Expenditure	(181,500)	0	(181,500)	(181,500)	0	(181,500)	(181,500)	0	(181,500)	(181,500)	0	(181,500)	(181,500)	0	(181,500)
Other Financing Charges	409,100	0	409,100	386,300	0	386,300	386,300	0	386,300	386,300	0	386,300	386,300	0	386,300
<b>Non-Specific Grant Income</b>															
New Homes Bonus	(1,648,700)	0	(1,648,700)	0	(447,000)	(447,000)	0	0	0	0	0	0	0	0	0
Other non-ringfenced grants	0	(61,300)	(61,300)	0	0	0	0	0	0	0	0	0	0	0	0
Capital Grants	(6,400)	0	(6,400)	0	0	0	0	0	0	0	0	0	0	0	0
<b>Net Budget Expenditure before Reserve Movements</b>	<b>47,662,900</b>	<b>7,256,760</b>	<b>54,919,660</b>	<b>41,245,500</b>	<b>6,975,765</b>	<b>48,221,265</b>	<b>41,305,100</b>	<b>7,211,085</b>	<b>48,516,185</b>	<b>42,297,100</b>	<b>7,772,952</b>	<b>50,070,052</b>	<b>42,297,100</b>	<b>8,516,960</b>	<b>50,814,060</b>
<b>Net Movements on Reserves</b>															
<b>General Fund Balance</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Revenue Earmarked Reserves</b>															
Use of Reserves for Services/Projects/Corporate	(4,434,700)	(4,331,600)	(8,766,300)	1,311,200	(2,266,600)	(955,400)	2,259,700	(1,387,600)	872,100	1,839,000	(1,322,400)	516,600	1,839,000	(1,126,000)	713,000
Use of Covid-19 Reserve	(6,629,000)	2,618,100	(4,010,900)	(788,200)	(311,800)	(1,100,000)	0	0	0	0	0	0	0	0	0
Reserve Balances Not Required	0	(1,844,000)	(1,844,000)	0	0	0	0	0	0	0	0	0	0	0	0
Use of Reserves to Balance the Budget	549,100	(785,260)	(236,160)	0	(2,628,565)	(2,628,565)	0	0	0	0	0	0	0	0	0
Capital Reserves	(1,617,000)	0	(1,617,000)	(328,000)	0	(328,000)	372,000	0	372,000	242,000	0	242,000	242,000	0	242,000
<b>Net Budget Expenditure After Reserve Movements</b>	<b>35,531,300</b>	<b>2,914,000</b>	<b>38,445,300</b>	<b>41,440,500</b>	<b>1,768,800</b>	<b>43,209,300</b>	<b>43,936,800</b>	<b>5,823,485</b>	<b>49,760,285</b>	<b>44,378,100</b>	<b>6,450,552</b>	<b>50,828,652</b>	<b>44,378,100</b>	<b>7,390,960</b>	<b>51,769,060</b>

## GENERAL FUND REVENUE BUDGET SUMMARY 2022/23 TO 2026/27

	Original Budget (Feb-22) 2022/23 £	Total of MTFS Updates (Dec-22) 2022/23 £	Revised Budget (Dec- 22) 2022/23 £	Original MTFS (Feb-22) 2023/24 £	Total of MTFS Updates (Dec-22) 2023/24 £	Revised MTFS (Dec-22) 2023/24 £	Original MTFS (Feb-22) 2024/25 £	Total of MTFS Updates (Dec-22) 2024/25 £	Revised MTFS (Dec-22) 2024/25 £	Original MTFS (Feb-22) 2025/26 £	Total of MTFS Updates (Dec-22) 2025/26 £	Revised MTFS (Dec-22) 2025/26 £	Original MTFS (Feb-22) 2026/27 £	Total of MTFS Updates (Dec-22) 2025/26 £	Revised MTFS (Dec-22) 2026/27 £
<b>Financed By:</b>															
Council Tax Income (District Council)	(15,688,000)	0	(15,688,000)	(16,277,000)	(90,000)	(16,367,000)	(16,789,000)	(93,000)	(16,882,000)	(17,302,000)	(98,000)	(17,400,000)	(17,302,000)	(620,000)	(17,922,000)
Council Tax Income (Town & Parish Precepts)	(6,748,500)	0	(6,748,500)	(6,748,500)	0	(6,748,500)	(6,748,500)	0	(6,748,500)	(6,748,500)	0	(6,748,500)	(6,748,500)	0	(6,748,500)
Council Tax Surplus/Deficit on Collection Fund	(223,000)	0	(223,000)	32,000	(375,000)	(343,000)	0	0	0	0	0	0	0	0	0
Business Rates Income (incl. Section 31 Grant)	(17,877,000)	(2,914,000)	(20,791,000)	(12,924,000)	(5,900,000)	(18,824,000)	(13,182,000)	(5,900,000)	(19,082,000)	(13,446,000)	(3,900,000)	(17,346,000)	(13,446,000)	(4,350,000)	(17,796,000)
Business Rates Surplus/Deficit on Collection Fund	6,393,000	0	6,393,000	785,000	(324,000)	461,000	0	0	0	0	0	0	0	0	0
Lower Tier Services Grant	(310,600)	0	(310,600)	(310,600)	0	(310,600)	(310,600)	0	(310,600)	(310,600)	0	(310,600)	(310,600)	0	(310,600)
Services Grant	(477,400)	0	(477,400)	(477,400)	0	(477,400)	(477,400)	0	(477,400)	(477,400)	0	(477,400)	(477,400)	0	(477,400)
Revenue Support Grant	(339,500)	0	(339,500)	(346,300)	6,800	(339,500)	(353,200)	13,700	(339,500)	(360,300)	17,400	(342,900)	(360,300)	14,000	(346,300)
Rural Services Delivery Grant	(260,300)	0	(260,300)	(265,500)	5,200	(260,300)	(270,800)	10,500	(260,300)	(276,200)	13,300	(262,900)	(276,200)	10,700	(265,500)
<b>Total Financing</b>	<b>(35,531,300)</b>	<b>(2,914,000)</b>	<b>(38,445,300)</b>	<b>(36,532,300)</b>	<b>(6,677,000)</b>	<b>(43,209,300)</b>	<b>(38,131,500)</b>	<b>(5,968,800)</b>	<b>(44,100,300)</b>	<b>(38,921,000)</b>	<b>(3,967,300)</b>	<b>(42,888,300)</b>	<b>(38,921,000)</b>	<b>(4,945,300)</b>	<b>(43,866,300)</b>
<b>Budget Shortfall / (Surplus)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,908,200</b>	<b>(4,908,200)</b>	<b>0</b>	<b>5,805,300</b>	<b>(145,315)</b>	<b>5,659,985</b>	<b>5,457,100</b>	<b>2,483,252</b>	<b>7,940,352</b>	<b>5,457,100</b>	<b>2,445,660</b>	<b>7,902,760</b>

## FINANCIAL PROVISION TO SUPPORT THE COUNCIL'S GREEN AGENDA – CARING FOR OUR ENVIRONMENT

### General Fund Revenue Budgets

Budget Area	Budget 2022/23 £'000	Budget 2023/24 £'000	Budget 2024/25 £'000	Budget 2025/26 £'000	Budget 2026/27 £'000	Comments
Environmental challenge/sustainability/climate change resourcing	117	131	135	139	142	Resourcing to help coordinate and support the delivery of the Council's environmental and climate change commitment.
Fleet decarbonisation, move to Hydrotreated Vegetable Oil (HVO) fuel	307	395	395	395	395	Additional cost of migrating a significant element of the Council's diesel fleet from fossil-fuel derived diesel to HVO.
Green Print	3	3	3	3	3	Annual contribution to the Green Print Forum.
Green Print – Nature Small Grants Scheme	10	0	0	0	0	Funded from the Climate change Reserve.
Green Print – Sustainable Travel	40	0	0	0	0	Project related to quiet lanes funded from the Climate Change Reserve.
Green Print – Plastic Action	1	0	0	0	0	Funded from the Climate Change Reserve.
Local Air Quality Management (LAQM)	20	20	20	20	20	Budget for Air Quality Management works.
ESH Green Space Maintenance	10	10	10	10	10	Environmentally friendly planting for bees/wildlife corridors.
Lowestoft Kittiwake Partnership	17	0	0	0	0	Funding to support the partnership.
Design & Conservation Team Resourcing	133	138	144	147	150	Design and conservation Team –(one existing post and one new post) which look at the environmental impact of planning applications.
<b>Total</b>	<b>658</b>	<b>697</b>	<b>707</b>	<b>714</b>	<b>720</b>	

## FINANCIAL PROVISION TO SUPPORT THE COUNCIL'S GREEN AGENDA – CARING FOR OUR ENVIRONMENT

**Reserves**

Reserve Name	Balance 31 March 2022 £'000	Balance 31 March 2023 £'000	Balance 31 March 2024 £'000	Balance 31 March 2025 £'000	Balance 31 March 2026 £'000	Balance 31 March 2026 £'000	Purpose of Reserve
Transformation Reserve – Environmental Theme	500	333	333	333	333	333	Funding set aside in the Transformation Reserve to support Initiatives under the 'Caring For Our Environment' Strategic theme.
Air Quality Reserve	48	48	48	48	48	48	Funds held for large scale projects that may require Air Quality works to be carried out.
Climate Change	63	23	23	23	23	23	climate change related projects.