



EAST SUFFOLK COUNCIL

**MEDIUM TERM FINANCIAL STRATEGY
2024/25 – 2027/28**

NOVEMBER 2023

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 are able to 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 MTFS underpins the strategic plan and vision for East Suffolk, focussing on five key themes.
- 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 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 challenge facing the Council, taking into account 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 5 September the Chancellor announced that the Autumn Statement 2023 will be held on Wednesday 22 November. It will be an opportunity for the government to update its plans for the economy based on the latest forecasts from the Office for Budget Responsibility (OBR). The Autumn Statement is expected to focus on reducing inflation

which remains high at three times the Bank of England’s 2% target. An increase to the national living wage is also anticipated.

- 2.2 Recent media coverage has highlighted the financial challenges faced by many councils across the country to address funding shortfalls over the medium-term. Government funding for councils has increased in recent years, but a combination of high inflation and rising demand for services places unprecedented pressure on local authority budgets. Longer-term funding certainty is required, alongside promised reform of the funding system which has been delayed for several years now.

3 ECONOMIC INDICATORS

- 3.1 The OBR economic and fiscal outlook and forecast will be published on 22 November and will provide an independent judgement about the economic and fiscal prospects and impact of the Government’s policies.
- 3.2 The current economic environment is one of high inflation and interest rates. 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.

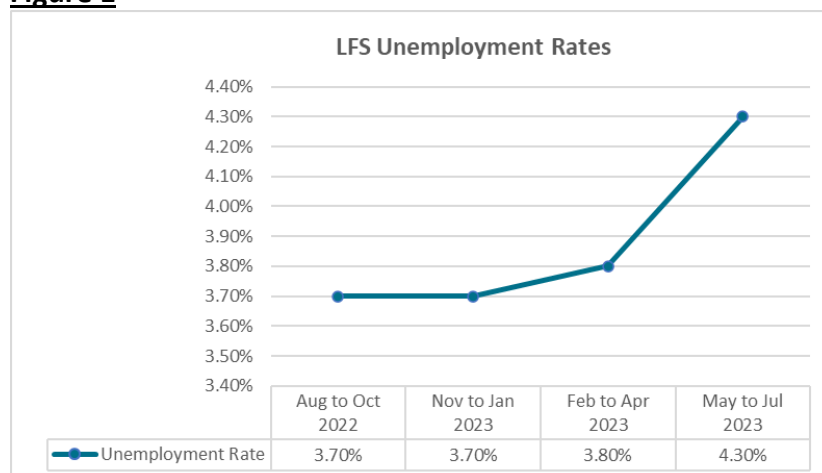
Gross Domestic Product (GDP)

- 3.3 Data released by the Office for National Statistics (ONS) in September, estimates GDP to have increased by 0.2% in Quarter 2 2023 (April to June). In output terms, growth was driven by the production sector, reflecting falling input costs. There was an increase in household consumption from spending on housing, utilities, transport, recreation and culture. There was also an increase in government spending, particularly in the areas of health, public administration and defence.

Unemployment

- 3.4 As per the ONS Labour Force Survey (LFS), the UK unemployment rate rose to 4.3% in the three months to July 2023 compared to 3.8% in the previous three months. This latest figure is also 0.3 percentage points higher than pre-pandemic levels. **Figure 1** below show the three months LFS since October 2022 to July 2023.

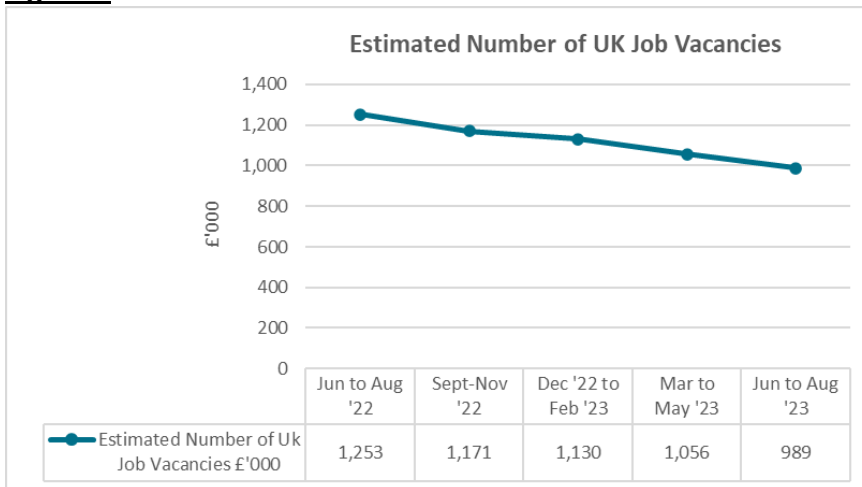
Figure 1



Source: ONS September 2023

3.5 As per the ONS, in June to August 2023 the estimated number of job vacancies in the UK was 989,000. This is down by over 260,000 a year ago but remains 188,000 above pre-pandemic levels (January to March 2020). See **Figure 2** below.

Figure 2



Source: ONS September 2023

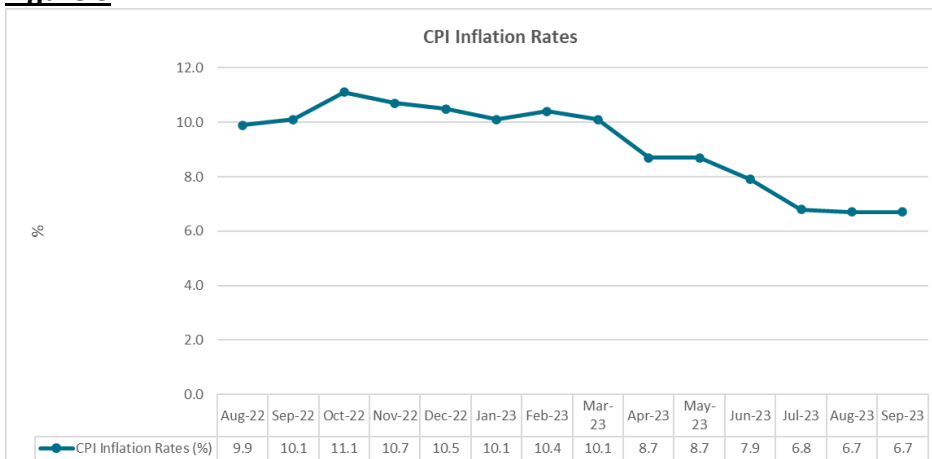
Consumer Pricing Index (CPI)

3.6 Twelve-month CPI inflation to September 2023 remained unchanged from August at 6.7%. The largest downward contribution came from food and non-alcoholic beverages, where prices fell on the month for the first time since September 2021, and furniture and household goods, where prices rose by less than a year ago. prices. Rising prices for motor fuel made the largest upward contribution to the change in the annual rates. The Bank of England projects for CPI inflation to fall to around 5% by the end of year and to return to the 2% target by Quarter 2 of 2025. **Figure 3** below shows the CPI rates from July 2022 to date.

3.7 For local government, the September CPI is important because it will be used to index the business rates multiplier, and to uplift Revenue Support Grant (RSG) and the baselines within the Business Rates Retention System (BRRS).

3.8 The Governments inflation target for the bank of England currently remains at 2%.

Figure 3



Source: ONS September 2023

Bank Interest Rate

- 3.9 At its meeting on 20 September 2023, the Bank of England’s Monetary Policy Committee (MPC) voted by a majority of 5-4 to maintain the Bank Rate at 5.25%. Four members of the Committee preferred an increase of 0.25% to 5.5%. The next meeting of the MPC to review the bank rate is 2 November 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 12 December DLUHC published a policy statement on Local Government Finance Settlement 2023/24 and 2024/25. This set out and set out the intention for Business Rates, Council Tax, and settlement grants. The Policy Statement also noted 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.
- 4.4 A policy statement is expected to precede the 2024/25 Provisional Settlement. This statement along with the Autumn statement will provide much of what to expect in advance of the Provision Settlement. Recent Provisional Settlements have been released between 16 and 20 December, and always before Christmas so it is reasonable to assume the same time frame for this year.
- 4.5 **Core Funding Streams** – this includes the Revenue Support Grant and the Rural Services Delivery Grant.

Revenue Support Grant (RSG)

- 4.6 For 2023/24 two grants have been rolled into RSG. This is the Local Council Tax Administration Grant (£0.268m) and the Family Annexe Council Tax Grant (£0.061m). Both Grants are currently received by the Council separately and are not new grants. It is currently assumed that the RSG grant (excluding the rolled in grants) will increase at September CPI (6.7%) on the current level of £0.374m for 2024/25. This is additional income to next year of £0.060m. For the purpose of update the MTFS in November, it will be assumed that the grant will continue on the basis as in the current MTFS until further information is available.

| Revenue Support Grant | 2023/24 £'000 | 2024/25 £'000 | 2025/26 £'000 | 2026/27 £'000 | 2027/28 £'000 |
|-----------------------|------------------|------------------|------------------|------------------|------------------|
| MTFS (November 2023) | (703) | (400) | (343) | (347) | (347) |

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 2023/24 Final Settlement unexpectedly increased this grant to £0.291m from £0.260m. The assumption for future years is to remain at the 2022/23 level for 2024/25, followed by a 1% increase thereafter until further information becomes available.

| Rural Services Delivery Grant | 2023/24 £'000 | 2024/25 £'000 | 2025/26 £'000 | 2026/27 £'000 | 2027/28 £'000 |
|-------------------------------|------------------|------------------|------------------|------------------|------------------|
| MTFS (November 2023) | (291) | (260) | (263) | (265) | (265) |

- 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.

Funding Guarantee Allocation

- 4.9 For 2023/24 the Government announced repurposing the Lower Tier Services Grant (£0.311m for East Suffolk) and a proportion of the expired New Homes Bonus legacy payments to ensure that all councils would see at least a 3% increase in Core Spending Power before any decisions about organisational efficiencies, use of reserves or Council Tax levels. The LTSG was abolished and repurposed towards a new funding stream, the Funding Guarantee Allocation, in recognition of the inflationary pressures across local authorities. For 2023/24 the Council received an allocation of £1.512m and the current MTFS assumes a continuation of this funding.

| Funding Guarantee Allocation | 2023/24 £'000 | 2024/25 £'000 | 2025/26 £'000 | 2026/27 £'000 | 2027/28 £'000 |
|------------------------------|------------------|------------------|------------------|------------------|------------------|
| MTFS (November 2023) | (1,512) | (1,519) | (1,519) | (1,519) | (1,519) |

Services Grant

- 4.10 This was a new one-off grant in 2022/23 to 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 was reversed in November 2022. This funding continued in 2023/24 but at a reduced level from £0.477m to by £0.280m. The current MTFS assumes this funding will continue in some form when the local government finance system is reformed.

| Services Grant/Transition Funding | 2023/24 £'000 | 2024/25 £'000 | 2025/26 £'000 | 2026/27 £'000 | 2027/28 £'000 |
|-----------------------------------|------------------|------------------|------------------|------------------|------------------|
| MTFS (November 2023) | (280) | (269) | (269) | (269) | (269) |

Business Rates – Business Rates Retention and Fair Funding Review

- 4.11 In February 2016 a Fair Funding Review was also announced, which will affect how funding is allocated and redistributed between local authorities. Implementation of this review has been delayed and is now unlikely to be implemented before 2026/27, a shift from 2025/26 at the last budget setting round.
- 4.12 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. This base assumption has been rolled forward in the MTFs and the figures presented in paragraph 4.16 below.

Business Rates

- 4.13 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. The figure for the 2024/25 Collection Fund deficit will be calculated later in the budget process.
- 4.14 **Suffolk Pool** – In October all Suffolk councils agreed to continue a pooling arrangement for 2024/25, which would allow them to retain a larger proportion of their share of growth by reducing the overall levy rate for Suffolk to £nil. Suffolk County Council is the administering authority for the Pool and collates the NNDR1 returns of all of the Suffolk authorities. The MTFs currently includes a Pooling Benefit estimate for 2024/25 of £1.0m. This will be reviewed later in the budget process and following the completion of the NNDR1 return for 2024/25 in January. The MTFs does not include any Pooling Benefit beyond 2024/25 reflecting uncertainty in the system going forward.
- 4.15 Business Rates income for 2024/25 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 2024. This will include the split between Section 31 Grant and actual rates income.
- 4.16 As referred to earlier, the Business Rates system may be subject to reform beyond 2025/26 with the changes potentially not impacting as seriously as previously forecast. In light of the impending reform, the approach that has been taken is to roll forward the estimates for 2023/24 through to 2027/28, with the exception being a tapering of the Pooling Benefit estimate. This is to reflect a cautious approach to the overall Business Rates income position in the latter years of the MTFs. Inflation in the system and the interaction between business rates income and the 2023 Revaluation adjustment improved the

position for 2023/24, and it is uncertain if there will be some clawback in 2024/25. This position will not become clear until the NNDR1 for 2024/25 is completed in January 2024. To plan for mitigating this, surplus income (£2.46m) from Business Rates, over and above addressing the budget gap for the year, has been transferred to the Business Rates Equalisation Reserve. 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 | 2023/24 | MTFS | MTFS | MTFS | MTFS |
|--|-----------------|------------------|------------------|------------------|------------------|
| | £'000 | 2024/25 £'000 | 2025/26 £'000 | 2026/27 £'000 | 2027/28 £'000 |
| Business Rates Income | (6,852) | (6,852) | (6,852) | (6,852) | (6,852) |
| Business Rates Renewables | (1,560) | (1,560) | (1,560) | (1,560) | (1,560) |
| Total Business Rates Income | (8,412) | (8,412) | (8,412) | (8,412) | (8,412) |
| Share of Pooling Benefit | (2,000) | (1,000) | 0 | 0 | 0 |
| Section 31 Grant | (10,677) | (10,677) | (10,677) | (10,677) | (10,677) |
| Total Income Relating to Business Rates | (21,089) | (20,089) | (19,089) | (19,089) | (19,089) |

Council Tax

- 4.17 Council Tax is one of the Council's most important and stable income streams, funding approximately 40% of the net budget requirement of the Council. For Shire District Councils in two-tier areas, the referendum limit for 2023/24 was increased from 2% to 3%, but the £5 threshold remained. And provided some additional flexibility for Council Tax increases for 2023/24. It is not yet known if this referendum increase will apply for 2024/25 and this is not assumed in the current MTFS.
- 4.18 **Council Tax Base** – The CTB1 Council Tax Base Return was submitted to Government on 2 October 2023.
- 4.19 The increase in the tax base for East Suffolk is currently estimated to be 677.81 (0.75%) Band D equivalent properties, increasing the overall tax base for East Suffolk from 90,340.92 to 91,018.73 for 2024/25. This equates to around £0.123m of additional Council Tax income to the Council based on the current District Band D Council Tax of £181.17. The 2024/25 Council Tax Base will be reported to Cabinet on 5 December 2023.
- 4.20 **District Band D Council Tax 2024/25** – An increase of £4.95 for 2024/25 would equate to a District Band D Council Tax for East Suffolk of £186.12 and generate approximately £0.450m of additional income for East Suffolk. Total income to the Council from Council Tax would be £16.94m.
- 4.21 Based on the above data, the table below sets out the current estimated Council Tax income based on the referendum limits of 2% or £5, whichever is higher and is included in the MTFS.

APPENDIX A

| Council Tax Income | 2023/24 £'000 | Estimate 2024/25 £'000 | Estimate 2025/26 £'000 | Estimate 2026/27 £'000 | Estimate 2027/28 £'000 |
|--|------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Council Tax Income - Base | (15,688) | (16,367) | (16,941) | (17,461) | (17,985) |
| Growth in Tax Base | (232) | (123) | (68) | (70) | (72) |
| Council Tax Increase | (447) | (451) | (452) | (454) | (456) |
| Total Council Tax Income | (16,367) | (16,941) | (17,461) | (17,985) | (18,513) |
| Council Tax Band D | £181.17 | £186.12 | £191.07 | £196.02 | £200.97 |
| Council Tax Base | 90,340.92 | 91,018.73 | 91,382.80 | 91,748.34 | 92,115.33 |
| Growth/Reduction(-) in Tax Base | 1.48% | 0.75% | 0.40% | 0.40% | 0.40% |
| Council Tax Increase £ | £4.95 | £4.95 | £4.95 | £4.95 | £4.95 |
| Council Tax Increase % | 2.81% | 2.73% | 2.66% | 2.59% | 2.53% |

Assumptions from 2024/25: Council Tax increases of 2% or £5, whichever is the higher.

- 4.22 The February 2023 MTFS for 204/25 had assumed growth to the tax base of 0.40% compared to the current estimate of 0.75%. This additional growth of 0.71% is about £0.060m of additional income. From 2025/26 a cautious approach continues to be taken to growth in the overall tax base and this is forecast to fall for the remainder of the MTFS period. This is a combination of completion of development sites levelling off, and prudent assumptions regarding LCTRS reliefs and collection rates. The below table shows the November update to the MTFS.

| MTFS - Council Tax Income | 2023/24 £'000 | Estimate 2024/25 £'000 | Estimate 2025/26 £'000 | Estimate 2026/27 £'000 | Estimate 2027/28 £'000 |
|----------------------------------|------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| MTFS February 2023 | (16,367) | (16,882) | (17,400) | (17,922) | (17,922) |
| MTFS November 2023 | (16,367) | (16,941) | (17,461) | (17,985) | (18,513) |
| MTFS Update November 2023 | (0) | (59) | (61) | (63) | (591) |

- 4.23 **Council Tax Collection Fund** – The current estimate for the Council Tax Collection Fund for 2024/25 is a surplus of £0.987m, with East Suffolk’s share equating to £0.127m. The remaining balance of the surplus is shared by Suffolk County Council and the Police and Crime Commissioner for Suffolk.
- 4.24 The Collection Fund is monitored closely throughout the financial year and the Collection Fund position will be confirmed in January 2024.
- 4.25 **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”. At its meeting on 25 January 2023, Full Council approve this in principle, subject to the Bill receiving Royal Assent. At the time of this report this Bill has not yet been passed. Authorities have to give council-taxpayers 12 months’ notice of the premier, which can only be given once the Levelling-Up Bill has received Royal Assent. The earliest this could now be implemented is 2025/26.
- 4.26 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. This is estimated to 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 £0.70m for East Suffolk Council. The current MTFS does not take account of this potential additional income for East Suffolk Council.

New Homes Bonus (NHB)

- 4.27 The Government established the New Homes Bonus (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.
- 4.28 In recent years there has been much uncertainty as to the future of NHB, with the last three years (2020/21 to 2023/24) being a one-year settlement.
- 4.29 In the MTFS 2023/24 is currently assumed to be the last year for new NHB allocations for 2023/24. However there has been no consultation as previously announced and so it is possible that NHB will continue for a further year. This will hopefully become clear in the policy statement and/or the Autumn Statement.
- 4.30 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. The primary use of the funding is for the East Suffolk Community Partnerships and the Enabling Communities Budgets, totalling approximately £1m per annum. In November 2022, Cabinet considered and approved a paper to continue the Enabling Communities Budgets until March 2027 and for the Community Partnerships to continuing until 2024/25, with a further two years subject to NHB funding being available. This is reflected in the updated position on the NHB Reserve below. It can be seen that no further funding is anticipated and insufficient funding would remain beyond March 2027 to continue both of these initiatives.

| NHB Reserve | Forecast 2023/24 £'000 | Forecast 2024/25 £'000 | Forecast 2025/26 £'000 | Forecast 2026/27 £'000 | Forecast 2027/28 £'000 |
|--------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Opening Balance | (5,438) | (4,026) | (2,643) | (1,356) | (294) |
| Add: Allocation Received | (447) | 0 | 0 | 0 | 0 |
| Less: Proposed Use | 1,859 | 1,382 | 1,288 | 1,061 | 0 |
| Closing Balance | (4,026) | (2,643) | (1,356) | (294) | (294) |

5 MEDIUM TERM FINANCIAL POSITION

MTFS Forecasts 2024/25 to 2027/28

- 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 Leadership Team. This work leads to continual updating of the MTFS for the Council. As of November 2023, key areas of the budget that are yet to be finalised include;

- Establishment (staffing) costs
- Utility costs

- Partnerships and ESSL
- Capital programme
- Business rates income
- Council Tax income
- Fees and Charges income
- Announcement of the Local Government Settlement for 2024/25
- Use of reserves.

5.2 At the Quarter 2 Budget Monitoring Report highlights the items in the table below as having potential revenue budget implications for this financial year and over the MTFS period. Some areas 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 |
|---|--|---|---------------------------------|
| Asset Management Rent Review. | Council income budgets from assets. | Potential to increase the income to the Council. This will need to be quantified and captured in the update of the Council's MTFS. | Current year and going forward. |
| Capital Programme. | Revenue implications from capital programme revisions. | Additional revenue costs to the General Fund - direct revenue financing, use of reserves, capital charges to revenue, revenue costs to support delivery of capital projects and income generation from capital projects. | Current year and future years. |
| ESSL. | General Fund, HRA and capital programme. | Service investment for ESSL. Council budgets to be updated to reflect management fee to ESSL and some services brought back in-house. Recognition of service investment and improve plan for ESSL and costs pressures in the operations environment, e.g. pay awards and inflation. | Current year and future years. |
| Inflation. | General Fund, HRA and Capital Programme. | Increasing costs. | Current year and future years. |
| National pay award for 2023/24 is not yet agreed. | Council staffing costs. | Current budget assumption is for a 4% increase for Council staffing. Based on pay offer by the National Employers this would be an additional cost pressure to the Council of approximately £0.600m. | Current year and future years. |
| Norse. | Profit share income. | Settlement of 2022/23 profit share (Accrued £0.560m) and April-June 2023/24 (Budgeted £0.074m). The position will be assessed further within Quarter 3 following the impacts of the possible pending pay award but is forecast as a £0.271m loss. | Current year. |

| Budget Area to be Monitored | Areas Impact | Nature of Impact | Timing of Impact |
|--|--------------------------------|--|--|
| Parking Services. | Income from Parking Services. | Parking Services income is currently down against the budget in Quarter 2, in the areas of parking charges and Fixed Penalty Notices. | Current year and potentially going forward. |
| Recruitment difficulties. | Particular area of specialism. | Agency and contract costs may be required which can be more costly. Current forecasts show this being absorbed in existing budgets. | Ongoing. |
| Treasury Management Investment income. | General Fund and HRA income. | With the bank of England continuing to increase the base rate, this is likely to lead to more favourable returns on treasury management investments. The position will be assessed in Quarter 3. | Current year and potentially the next 2-3 years. |
| Workforces pay pressure/grade inflation. | Council staffing costs. | Increased staffing costs. Annual staffing vacancy allowance in the budget is at risk. | Ongoing. |

5.3 The MTFS was last updated in February 2023. A summary analysis of the key movements as of November 2023 is shown in the following table. This table is supported by **Appendix A2** **Appendix A3**. As noted in paragraph 5.1 above, there is continual updating of the MTFS and there are key areas of the budget still to be finalised which are not included in this update.

| MTFS Updates | 2024/25 £'000 | 2025/26 £'000 | 2026/27 £'000 | 2027/28 £'000 |
|-------------------|------------------|------------------|------------------|------------------|
| Additional Cost | 1,380 | 1,888 | 1,181 | 1,797 |
| Additional Income | (720) | (333) | (333) | (863) |
| Reduced Income | 587 | 595 | 595 | 595 |
| Use of Reserves | (153) | (747) | 0 | 0 |
| Net Total | 1,094 | 1,403 | 1,443 | 1,529 |

5.4 The updated MTFS position resulting from these movements as of November 2023 is shown below.

| MTFS Position | 2024/25 £'000 | 2025/26 £'000 | 2026/27 £'000 | 2027/28 £'000 |
|--|------------------|------------------|------------------|------------------|
| MTFS February 2023 Budget Gap/(Surplus) | 3,511 | 6,008 | 6,405 | 6,405 |
| Net Total of MTFS Updates (Appendix A2) | 1,094 | 1,403 | 1,443 | 1,529 |
| MTFS November 2023 Budget Gap/(Surplus) | 4,605 | 7,411 | 7,848 | 7,934 |

Budget Planning Assumptions

5.5 The Council's financial planning assumptions are summarised below:

| Budget Area | Assumption |
|---------------------------------------|--|
| Inflation | |
| <i>Goods & Services</i> | 3% for budgets which are subject to inflation and where inflation is built into contracts. |
| <i>Utilities (Electricity)</i> | 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 & 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 2023. |
| Fees & Charges | 3% increase to be applied for 2024/25 where appropriate. |
| Staffing Costs | 2023/24 Current offer of an additional £1,925 on all SCP 1 and above, 2024/25 3% increase, plus incremental progression, 2025/26 onwards 2% increase, plus incremental progression. 2% per annum of staffing costs for vacancy allowance. |
| Investment Income | 2.75% Call Account (average as of September 2023), (2.15% Sept 2022) 5.19% Money Market Fund (September 2023), (1.73% Sept 2022) 3.80% Property Fund (average as of September 2023), (3.4% Sept 2022) 4.05% Diversified Income Fund (September 2023), (4.05% Sept 2022) |

Goods & Services – Inflationary Pressures

- 5.6 The Council’s financial strategy has previously assumed for a number of years that any inflationary pressures incurred on goods and services expenditure are contained within existing budgets, or through more efficient spending. The exceptions being utility costs, rates and specific contract increases.
- 5.7 It is now recognised that this approach is becoming more challenging with inflation remaining high. Budget headings are therefore being reviewed as part of the process for this year where annual inflationary increased are evident. For example, subscriptions and software licensing where it is proposed a 3% increase will be applied. As mentioned in Section 3, there is an expectation for inflation to gradually fall over the next two year but higher base costs will be part of the Council’s budgets going forward due to the current inflationary pressures. The impact of inflation is most evident in the Capital Programme and the Council’s Operation services.
- 5.8 Contracts have been inflated based on the specified inflation indices within each individual contract. Retendering of contracts is part of the Council’s strategy for cost reduction and to ensure best value.

Fees and Charges

- 5.9 Fees and Charges are based on the Council’s agreed principles of increasing existing fees and charges on a market forces basis, whilst remaining consistent with the Council’s Strategic plan and relevant Governments legislation.
- 5.10 Prior to 2022/23, the Council adopted a standard approach, increasing fees and charges in line with price inflation as a minimum uplift. However, given the heightened inflation levels, this approach was not applied for the review of 2023/24 or 2024/25 fees and

charges, with a reduced rate of 3% recommended for 2024/25, in line with future rate predictions, ensuring the Council remains competitive and affordable to its stakeholders.

- 5.11 Charges are reviewed considering local demand, along with reflecting changes in the cost of delivering the services, factoring changes that have either already occurred, or are expecting to occur over the next financial year, with cost recovery aimed to assist in balancing the overall cost pressures. Unless statutory restrictions apply, the Council aims to use all resources available, which includes reviewing opportunities to introduce new fees as appropriate. Proposed fees and charges for 2024/25 will be considered by Cabinet on 2 January 2024.

Interest Payable and Receivable

- 5.12 **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.
- 5.13 **Interest Receivable** – The total budget for investment income over the MTFS period is currently over £3m and is based on the current investment portfolio of short and long-term investments.
- 5.14 Short-dated cash rates are around 5.2% for 3 month rates (4.1%, 6 April 2023) and 12-month rates around 5.55% (4.4%, 6 April 2023). The rates on the Treasury's Debt Management Account Deposit Facility (DMADF) currently range between 5.17% and 5.25% (4% to 4.1%, 6 April 2023).
- 5.15 The Council's investment portfolio in the short term is looking healthy with the prospect of increased returns on investments. In the current year it is expected that actual investment income will exceed the budget of £1.6m, by at least £0.500m. For this MTFS update it is assumed that this will continue to some extent into 2024/25 and this is forecast at an additional £0.200m of income. This will be reviewed during the budget setting process in Quarter 3, at which point the MPC will have met in November.

Establishment Costs

- 5.16 Establishment costs total approximately are the single largest revenue cost for the Council and represents 50% of its total direct expenditure.
- 5.17 **Public Sector Pay** –The 2023/24 pay offer by the National Employers is a £1,925 (pro rata for part-time employees) increase on pay points 2 to 43. This is yet to be agreed but has been incorporated into this update of the MTFS. It is estimated that this will exceed our current budget assumption of 4%, equivalent to £0.600m and will impact each year of the MTFS. The pay award assumption for 2024/25 is 3% and 2% thereafter. A 1% pay award represents an increase of approximately £0.370m to the General Fund.
- 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 specifically 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 was set at 25% and provided 88% probability of success that over 20 years the Pension Fund will remain or achieve 100% funded.

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 will be adjusted to reflect the financial implications of these changes. The budget monitoring work is ongoing with the Finance Team working with service areas to review their budget requirements. This work will continue to update the MTFS through to January 2024.

East Suffolk Services Limited (ESSL)

- 5.22 East Suffolk Council created ESSL to operate as a Local Authority Trading Company (LATCo) following a thorough review of its partnership with Norse which ended on 30 June 2023. Some functions and staff have transferred to the Council, and ESC budget estimates and profiles for 2024/25 and beyond are currently based on data of the previous partnership. With the new arrangement now in operation the Council and ESSL will work together to improve the services delivered to residents maintaining financial efficiency. Over the budget setting process the Council and ESSL will be working together to build more detailed budget information and it is expected for updates to feed into the MTFS after Quarter 3 of the current year.

6 RESERVES AND BALANCES

- 6.1 In order to manage its financial affairs soundly, the Council needs to hold an appropriate and necessary 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.
- 6.4 The detailed budget process includes an assessment of risk, the adequacy of General Fund balances 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. As part of this year's review it will include a refresh of the reason for/purpose of each reserve, and how and when they can be used.
- 6.5 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 2023, the opening General Fund balance of East Suffolk stood at £6m.
- 6.6 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.
- 6.7 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.
- 6.8 The opening balances for 2023/24 are subject to external audit review and could therefore change.
- 6.9 The total balance of General Fund Earmarked Reserves was £48.57m as of 1 April 2023. 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 held to manage fluctuations in Business Rates income, due to the timing of accounting treatments. The balance on this reserve as of April 2023 was £15.2m.

6.10 The projected balances on reserves will continue to be reviewed and updated throughout the budget process. The table below shows the current projections for the General Fund Earmarked Reserve over the MTFS, categorised as above. This summary does not include use of reserves to address the updated budget gaps as presented in **Appendix A2**. If the budget gap identified at this early stage of the MTFS for 2024/25, is still present at the end of the budget process, then use of the In-Year Savings Reserve and the risk based reserves will be made to balance the budgets.

| East Suffolk General Fund Reserves | Opening Balance 1st April 2023 | MTFS April 2024 | MTFS April 2025 | MTFS April 2026 | MTFS April 2027 |
|------------------------------------|--------------------------------|-----------------|-----------------|-----------------|-----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Earmarked Reserves: | | | | | |
| Grants/Funding Carried Forward | 6,107 | 3,961 | 3,845 | 3,793 | 3,742 |
| Planned Future Capital Spending | 1,161 | 1,012 | 1,155 | 1,347 | 1,539 |
| Planned Future Revenue Spending | 16,637 | 13,394 | 11,435 | 9,861 | 8,729 |
| Port Health | 3,699 | 1,881 | 1,198 | 1,212 | 1,210 |
| Risk Based | 19,799 | 21,133 | 21,118 | 21,138 | 21,148 |
| Covid Reserve | 1,165 | 0 | 0 | 0 | 0 |
| Total Earmarked Reserves | 48,568 | 41,381 | 38,751 | 37,351 | 36,368 |

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 2024/25 to 2027/28 will be considered by the Audit & Governance Committee and Cabinet before approval by Full Council in February 2024. 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. A refresh of the current Asset Management Strategy, which was approved in July 2019, is about to commence and will need to link with the MTFS.
- 7.3 For the purposes of setting the budget for 2024/25 and medium-term financial planning, the current rolling Capital Programme is being updated to reflect existing projects and the latest capital investment plans for the period 2024/25 to 2027/28 are included.

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 Corporate Leadership Team.
- 7.8 The 2023/24 to 2027/28 Capital Programme is continuing to be reviewed and revised as part of the normal budget setting process. An updated Programme for the MTFS period will be presented to Cabinet on 2 January 2024, Scrutiny Committee on 18 January 2024, and then Cabinet and Full Council on 6 and 21 February 2024 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 Leadership 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 a level of General Fund balances which takes account of the strategic, operational and financial risks facing the Council.
- 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, to ensure the rationale for holding the reserves and the amount of the reserves, remain consistent with their purposes and their approach to risk management; 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 style="text-align: center;">Strategic Risks</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 style="text-align: center;">L</p> <p style="text-align: center;">M</p> <p style="text-align: center;">H</p> <p style="text-align: center;">H</p> | <p style="text-align: center;">H</p> <p style="text-align: center;">H</p> <p style="text-align: center;">H</p> <p style="text-align: center;">H</p> | <p>Continually monitor and refine the strategy in line with changing influences. Updates to the Corporate Leadership 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 style="text-align: center;">Financial</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 style="text-align: center;">H</p> | <p style="text-align: center;">H</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 |
|---|--|---|--|
| <p>Uncertainty surrounding the Government's change agenda including, business rates and welfare reform over the medium term.</p> | H | H | <p>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.</p> |
| <p>Budget pressures from demand led services and income variances reflecting the wider economy.</p> | H | H | <p>Monitor pressures throughout the budget process and take timely actions.</p> |
| <p>Interest rate exposure on investments and borrowing.</p> <p style="text-align: center;">Information</p> | H | M | <p>Review cash flows, ensuring the Council has a flexible and forward looking Treasury management policy.</p> |
| <p>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.</p> <p style="text-align: center;">Operational</p> | H | M | <p>Key assumptions made are regularly reviewed from a variety of sources. Forecasts are updated as necessary.</p> |
| <p>The Council has entered into strategic partnerships and contracts and is therefore susceptible to economic, social and demographic changes.</p> | L | M | <p>Effective negotiation, sound governance arrangements and reviews of partnerships performance.</p> |
| <p>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.</p> | L | M | <p>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.</p> |

| RISKS | PROBABILITY HIGH (H) MEDIUM (M) LOW (L) | IMPACT HIGH (H) MEDIUM (M) LOW (L) | MITIGATING ACTIONS |
|---|--|--|--|
| <p data-bbox="421 244 517 272">People</p> <p data-bbox="125 323 674 352">Loss of key skills, resources and expertise.</p> <p data-bbox="398 560 546 588">Regulatory</p> <p data-bbox="125 639 815 700">Changes of responsibility from Government can adversely impact on service priorities and objectives.</p> <p data-bbox="398 756 546 785">Reputation</p> <p data-bbox="125 836 815 896">Loss of reputation if unforeseen resource constraints result in unplanned service reductions.</p> | <p data-bbox="931 323 949 352">H</p> <p data-bbox="931 639 949 668">L</p> <p data-bbox="931 836 949 865">L</p> | <p data-bbox="1155 323 1173 352">M</p> <p data-bbox="1155 639 1173 668">L</p> <p data-bbox="1155 836 1173 865">H</p> | <p data-bbox="1312 284 2063 504">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> <p data-bbox="1312 600 2033 660">Sound system of service and financial planning in place. Lobby as appropriate.</p> <p data-bbox="1312 794 2063 896">Identify and implement robust solutions in response to changes. Consult widely. Seek to achieve a prudent level of balances and reserves.</p> |

| MTFS Update | 2024/25 | | | | Total over | |
|--|--------------|--------------|--------------|--------------|----------------|---|
| | £'000 | £'000 | £'000 | £'000 | MTFS period | Comments |
| Forecast Budget Gaps February 2023 | 3,511 | 6,008 | 6,405 | 6,405 | | |
| Additional Cost | | | | | | |
| Coastal Protection | 138 | 9 | 18 | 28 | 193 | Repairs & Maintenance works for Coastal Protection to catch up with health and safety work programme. |
| Contaminated Land | 50 | 0 | 0 | 0 | 50 | Environmental Protection investigative works for sites identified. |
| Economic Regeneration | 153 | 747 | 0 | 0 | 900 | ESC contribution to the restoration and redevelopment of former Lowestoft Town Hall into a community, heritage and events space to be funded from the business rates equalisations reserve. |
| Establishment approved changes. | 339 | 382 | 413 | 419 | 1,553 | Establishment approved changes. |
| Pay Award 2023/24 | 600 | 600 | 600 | 1,200 | 3,000 | Additional cost over and above current budget assumptions. |
| Estimated Inflation pressure | 100 | 150 | 150 | 150 | 550 | 3% for budgets which are subject to inflation. |
| | 1,380 | 1,888 | 1,181 | 1,797 | 6,246 | |
| Additional Income | | | | | | |
| Miscellaneous Property | (83) | (83) | (83) | (83) | (332) | Increase in occupancy over the original budget for Business Centres. |
| Admin Buildings | (100) | (100) | (100) | (100) | (400) | New lease agreement for ESH Annex. |
| Industrial Estates | (24) | (24) | (24) | (24) | (96) | Fountains Way Ind Estate now fully let. |
| Martello Café | (45) | (45) | (45) | (45) | (180) | New lease agreement. |
| Council Tax Income | (187) | (60) | (60) | (590) | (897) | Slight growth in tax base for 2024/25 and collection fund surplus, and roll forward of budget for 2027/28. |
| Investment Interest Income | (200) | 0 | 0 | 0 | (200) | Anticipating investment rates to remain high. |
| Seashore Village Beach Hut Income | (21) | (21) | (21) | (21) | (84) | New beach village in Felixstowe. |
| Government Grants | (60) | 0 | 0 | 0 | (60) | Estimated increase in Revenue Support Grant based on September 12 month inflation rate. |
| | (720) | (333) | (333) | (863) | (2,249) | |
| Reduced Income | | | | | | |
| Miscellaneous Property | 337 | 345 | 345 | 345 | 1,372 | Reduction in property lease income due to administration of Wilko being the main contributor to this. |
| Car Parking Income | 250 | 250 | 250 | 250 | 1,000 | Income relating to penalty charge notices and off-street parking. |
| | 587 | 595 | 595 | 595 | 2,372 | |
| Use of Reserves | | | | | | |
| Business Rates Equalisation | (153) | (747) | 0 | 0 | (900) | Restoration and redevelopment of Lowestoft Town Hall into a community, heritage and events space. |
| | (153) | (747) | 0 | 0 | (900) | |
| Net Total of MTFS Updates November 2023 | 1,094 | 1,403 | 1,443 | 1,529 | 5,469 | |
| Forecast Budget Gaps November 2023 | 4,605 | 7,411 | 7,848 | 7,934 | | |

MTFS Updates as at November 2023 - Budget Summary

APPENDIX A3

| | Original MTFS (Feb-23) 2024/25 £ | MTFS Updates (Nov-23) 2024/25 £ | Forecast MTFS (Nov-23) 2024/25 £ | Original MTFS (Feb-23) 2025/26 £ | MTFS Updates (Nov-23) 2025/26 £ | Forecast MTFS (Nov-23) 2025/26 £ | Original MTFS (Feb-23) 2026/27 £ | MTFS Updates (Nov-23) 2026/27 £ | Forecast MTFS (Nov-23) 2026/27 £ | Original MTFS (Feb-23) 2027/28 £ | MTFS Updates (Nov-23) 2027/28 £ | Forecast MTFS (Nov-23) 2027/28 £ |
|--|---|---|--|--|---|---|---|---|---|---|---|---|
| Net Cost of Service | 46,635,700 | 1,541,000 | 48,176,700 | 47,005,500 | 2,210,000 | 49,215,500 | 47,014,700 | 1,503,000 | 48,517,700 | 47,014,700 | 2,119,000 | 49,133,700 |
| Non-Cost of Service Expenditure Adjustments | | | | | | | | | | | | |
| Direct Revenue Financing (DRF) | 905,000 | | 905,000 | 805,000 | | 805,000 | 805,000 | | 805,000 | 805,000 | | 805,000 |
| Revenue provision for the repayment of debt (MRP) | 2,754,900 | | 2,754,900 | 3,397,800 | | 3,397,800 | 3,922,700 | | 3,922,700 | 3,922,700 | | 3,922,700 |
| Recharges to the Housing Revenue Account (HRA) | (1,420,900) | | (1,420,900) | (1,431,100) | | (1,431,100) | (1,461,700) | | (1,461,700) | (1,461,700) | | (1,461,700) |
| Bad Debt Provision | (9,300) | | (9,300) | (9,300) | | (9,300) | (2,900) | | (2,900) | (2,900) | | (2,900) |
| Other Accounting Adjustments | 25,000 | | 25,000 | 25,000 | | 25,000 | 25,000 | | 25,000 | 25,000 | | 25,000 |
| REFCUS Expenditure | (2,721,400) | | (2,721,400) | (2,721,400) | | (2,721,400) | (2,721,400) | | (2,721,400) | (2,721,400) | | (2,721,400) |
| Other Operating Expenditure | | | | | | | | | | | | |
| Town & Parish Precepts | 7,094,800 | | 7,094,800 | 7,094,800 | | 7,094,800 | 7,094,800 | | 7,094,800 | 7,094,800 | | 7,094,800 |
| Levies | 250,500 | | 250,500 | 250,500 | | 250,500 | 250,500 | | 250,500 | 250,500 | | 250,500 |
| Financing and Investment Income and Expenditure | | | | | | | | | | | | |
| Interest Payable | 282,000 | | 282,000 | 282,000 | | 282,000 | 282,000 | | 282,000 | 282,000 | | 282,000 |
| Interest Receivable | (1,410,000) | (200,000) | (1,610,000) | (1,410,000) | | (1,410,000) | (1,410,000) | | (1,410,000) | (1,410,000) | | (1,410,000) |
| HRA Share of Interest Payable & Receivable | 160,200 | | 160,200 | 200,400 | | 200,400 | 200,400 | | 200,400 | 200,400 | | 200,400 |
| Other Financing Charges | 386,300 | | 386,300 | 386,300 | | 386,300 | 386,300 | | 386,300 | 386,300 | | 386,300 |
| Non-Specific Grant Income | | | | | | | | | | | | |
| New Homes Bonus | 0 | | 0 | 0 | | 0 | 0 | | 0 | 0 | | 0 |
| Other non-ringfenced grants | 0 | | 0 | 0 | | 0 | 0 | | 0 | 0 | | 0 |
| Capital Grants | (400) | | (400) | (400) | | (400) | (400) | | (400) | (400) | | (400) |
| Net Budget Expenditure before Reserve Movements | 52,932,400 | 1,341,000 | 54,273,400 | 53,875,100 | 2,210,000 | 56,085,100 | 54,385,000 | 1,503,000 | 55,888,000 | 54,385,000 | 2,119,000 | 56,504,000 |
| Net Movements on Reserves | | | | | | | | | | | | |
| General Fund Balance | | | | | | | | | | | | |
| Revenue Earmarked Reserves | | | | | | | | | | | | |
| Use of Reserves for Services/Projects/Corporate | (2,536,800) | | (2,536,800) | (1,591,300) | (747,000) | (2,338,300) | (1,176,200) | | (1,176,200) | (1,176,200) | | (1,176,200) |
| Use of Covid-19 Reserve | (32,400) | | (32,400) | 0 | | 0 | 0 | | 0 | 0 | | 0 |
| Reserve Balances Not Required | 0 | | 0 | 0 | | 0 | 0 | | 0 | 0 | | 0 |
| Use of Reserves to Balance the Budget | 0 | | 0 | 0 | | 0 | 0 | | 0 | 0 | | 0 |
| Capital Reserves | 92,000 | | 92,000 | 192,000 | | 192,000 | 192,000 | | 192,000 | 192,000 | | 192,000 |
| Net Budget Expenditure After Reserve Movements | 50,455,200 | 1,341,000 | 51,796,200 | 52,475,800 | 1,463,000 | 53,938,800 | 53,400,800 | 1,503,000 | 54,903,800 | 53,400,800 | 2,119,000 | 55,519,800 |

MTFS Updates as at November 2023 - Budget Summary

APPENDIX A3

| | Original MTFS (Feb-23) 2024/25 £ | MTFS Updates (Nov-23) 2024/25 £ | Forecast MTFS (Nov-23) 2024/25 £ | Original MTFS (Feb-23) 2025/26 £ | MTFS Updates (Nov-23) 2025/26 £ | Forecast MTFS (Nov-23) 2025/26 £ | Original MTFS (Feb-23) 2026/27 £ | MTFS Updates (Nov-23) 2026/27 £ | Forecast MTFS (Nov-23) 2026/27 £ | Original MTFS (Feb-23) 2027/28 £ | MTFS Updates (Nov-23) 2027/28 £ | Forecast MTFS (Nov-23) 2027/28 £ |
|---|---|---|--|--|---|---|---|---|---|---|---|---|
| Financed By: | | | | | | | | | | | | |
| Council Tax Income (District Council) | (16,882,000) | (60,000) | (16,942,000) | (17,400,000) | (60,000) | (17,460,000) | (17,922,000) | (60,000) | (17,982,000) | (17,922,000) | (590,000) | (18,512,000) |
| Council Tax Income (Town & Parish Precepts) | (7,094,800) | | (7,094,800) | (7,094,800) | | (7,094,800) | (7,094,800) | | (7,094,800) | (7,094,800) | | (7,094,800) |
| Council Tax Surplus/Deficit on Collection Fund | 0 | (127,000) | (127,000) | 0 | | 0 | 0 | | 0 | 0 | | 0 |
| Business Rates Income (incl. Section 31 Grant) | (20,089,000) | | (20,089,000) | (19,089,000) | | (19,089,000) | (19,089,000) | | (19,089,000) | (19,089,000) | | (19,089,000) |
| Business Rates Surplus/Deficit on Collection Fund | 0 | | 0 | 0 | | 0 | 0 | | 0 | 0 | | 0 |
| Business Rates - Enterprise Zone | (490,300) | | (490,300) | (490,300) | | (490,300) | (490,300) | | (490,300) | (490,300) | | (490,300) |
| Lower Tier Services Grant | 0 | | 0 | 0 | | 0 | 0 | | 0 | 0 | | 0 |
| Services Grant | (269,000) | | (269,000) | (269,000) | | (269,000) | (269,000) | | (269,000) | (269,000) | | (269,000) |
| Revenue Support Grant | (339,500) | (60,000) | (399,500) | (342,900) | | (342,900) | (346,300) | | (346,300) | (346,300) | | (346,300) |
| Rural Services Delivery Grant | (260,300) | | (260,300) | (262,900) | | (262,900) | (265,500) | | (265,500) | (265,500) | | (265,500) |
| Funding Guarantee Allocation | (1,519,000) | | (1,519,000) | (1,519,000) | | (1,519,000) | (1,519,000) | | (1,519,000) | (1,519,000) | | (1,519,000) |
| Total Financing | (46,943,900) | (247,000) | (47,190,900) | (46,467,900) | (60,000) | (46,527,900) | (46,995,900) | (60,000) | (47,055,900) | (46,995,900) | (590,000) | (47,585,900) |
| Budget Shortfall / (Surplus) | 3,511,300 | 1,094,000 | 4,605,300 | 6,007,900 | 1,403,000 | 7,410,900 | 6,404,900 | 1,443,000 | 7,847,900 | 6,404,900 | 1,529,000 | 7,933,900 |