

APPENDIX 4 – Normal and Proposed Updates to the MTFP

Normal and Proposed Updates	Ref	Estimate (£m)			
		2021/22	2022/23	2023/24	Total
Council 11 February 2019 DEFICIT/(SURPLUS)		1.443	7.879	0.000	9.322
NORMAL UPDATES					
Business Rates Retention	A	(0.211)	0.092	(1.844)	(1.963)
Business Rates Growth (0.7%)	A		(0.010)	0.010	0.000
Revenue Support Grant	B	(0.500)	(0.081)	1.571	0.990
Council Tax Base (growth @ 0.9%)	C	0.307	0.314	(2.849)	(2.228)
Council Tax Inflation (1.99%)	D	(0.002)		(6.417)	(6.419)
Council Tax Collection Fund	E	0.990			0.990
New Homes Bonus Reduction	F			0.114	0.114
NHB to Capital Programme	F			(0.114)	(0.114)
Savings Profiling	G	0.100		(0.100)	0.000
Treasury Management Pressure	H	0.650		1.000	1.650
General Contingency (1% of net budget less TM)	I	(0.020)	0.010	0.110	0.100
Pensions Final Revaluation	J	(1.400)	(0.400)		(1.800)
Levies Increase	K			0.012	0.012
Pay Award (impact of 0.25% additional in 2020/21; 2% in all years, reduced from 2.5%)	L	(0.315)	(0.587)	2.438	1.536
Contractual inflation (contract specific)	M			2.252	0.877
Normal inflation for contracts	N	(0.342)	(0.195)	7.435	6.898
ASC & CSD Growth and Demography	P	(0.087)	0.230	5.056	5.199
CSD: SEND High Needs Block Additional funding	Q	(1.276)	(0.814)		(2.090)
CET: Waste Housing Growth	R			0.198	0.198
DEFICIT/(SURPLUS) AFTER NORMAL UPDATES TO THE MTFP		(0.663)	6.438	8.872	14.647
PROPOSED UPDATES					
Savings reprofile	S	2.316	(1.074)	(1.242)	0.000
Pressures (BAU):					
BSD: Accounts Receivable	T	0.058	0.004	0.005	0.067
CET: Ash Dieback management	U	0.137	0.014	0.015	0.166
CET: The Keep - BAU funding gap pressures	V	0.069			0.069
CET: Trading Standards - loss of income	W	0.056			0.056
Contractual / Statutory Obligations:					
BSD: St Marks House Rent Review	X	0.052			0.052
CSD: EH&SC Living Allowances	Y	0.060			0.060
CSD: EH&SC LAC Placement Costs	Z	3.429	(0.795)	(0.789)	1.845
CSD: Child Protection Plans	AA	tbc	tbc	tbc	0.000
CSD: No recourse to public funds and Intentionally Homeless	AB	tbc	tbc	tbc	0.000
Cost Pressures Covid-related:					
CSD: Home to School Transport	AC	tbc	tbc	tbc	0.000

Normal and Proposed Updates	Ref	Estimate (£m)			
		2021/22	2022/23	2023/24	Total
ASC: Future Demand Modelling	AD	2.243	(0.628)	(0.323)	1.292
ASC Mitigation: Additional Attrition due to Excess Mortality		(1.110)	0.263	0.191	(0.656)
Income Losses Covid-related:					
CSD: EH&SC Lansdowne income loss (includes payback in 2023/24)	AE	0.124	(0.124)	(0.124)	(0.124)
Business Rates: collection fund deficit (2021/22-2023/24) based on Ds' & Bs' MHCLG Covid-19 returns		0.237	(0.237)		0.000
			0.178	(0.178)	0.000
				0.119	0.119
Business Rates: growth reduction to 0.25% in 2021/22 (due to Covid-19)	AF	0.065	0.011	0.011	0.087
			0.076	0.002	0.078
				0.077	0.077
Council Tax: collection fund deficit (2021/22-2023/24) based on Ds' & Bs' MHCLG Covid-19 returns		2.263	(2.263)		0.000
			1.697	(1.697)	0.000
Council Tax: growth reduction to 0.25% in 2021/22 (due to Covid-19)				1.131	1.131
		1.975	0.058	0.061	2.094
			1.515	0.045	1.560
			1.033	1.033	
Reductions in Budget					
ASC Mitigation: S117 Additional Income	AG	(0.500)			(0.500)
ASC Mitigation: Supporting People Contract Reduction		(0.243)			(0.243)
Subtotal PROPOSED UPDATES		11.231	(1.305)	(1.663)	8.263
Potential Investment Areas:					
CET: Additional Team East Sussex (TES) support	AH	0.030			0.030
CET: Work on the pan Sx tourism brand with WSCC	AI	0.070	0.025	(0.055)	0.040
ASC: Voluntary Sector / Community Hubs / Shielded Group	AJ	0.880			0.880
Subtotal Potential Investment Areas		0.980	0.025	(0.055)	0.950
DEFICIT/(SURPLUS) AFTER NORMAL AND PROPOSED UPDATES TO THE MTFP		11.548	5.158	7.154	23.860

A Business Rates Retention and Growth

The current planning assumptions on business rates have been updated to reflect the latest inflation estimate by the Office of Budget Responsibility (OBR) and to include 2023/24. Growth continues to be estimated at an average of 0.7% increase of the business rates base. Whilst unrealistic, given the impact of the pandemic it allows visibility of the full reduction as a result of Covid-19 which is then shown as a pressure, this will form part of the LGFutures review and will be subject to refinement.

Since Full Council, updated estimates on business rates income from District and Borough Councils (NNDR1 forecasts) have been received. This showed a small improvement in income. Business rates have been updated to reflect these estimates. However, much has changed since these estimates were made. Business rates will continue to be monitored and

along with the collection fund, reviewed with the District and Borough Councils alongside their final accounts and latest collection forecasts to understand the impact for 2021/22.

As per normal practice the next inflation update to the MTFP will be made in October when the September Inflation figures are published.

B Revenue Support Grant (RSG)

At final settlement government confirmed that the Settlement Funding Assessment (SFA) would be increased in line with the increase to the small business rates multiplier. With the delay to Business Rate reform and the Fair Funding Review, until 2022/23 at the earliest, the plan assumes we will be no better or worse off. The calculation of RSG has been updated to reflect the latest OBR inflation estimates on the small business rates multiplier, while still assuming the Spending Funding Assessment (SFA) will not see an inflationary increase.

C Council Tax Base Growth

Growth for baseline purposes is being estimated at 0.9% for 2021/22 to 2023/24 in line with normal average annual growth. Whilst unrealistic, given the impact of the pandemic it allows visibility of the full reduction as a result of Covid-19 which is then shown as a pressure, this will form part of the LGFutures review and will be subject to refinement.

D Council Tax Inflation & Adult Social Care Precept

The assumption is a council tax increase of 1.99%; the current limit before referendum is triggered post 2020/21.

E Council Tax Collection Fund

It is expected there will be a reduction in Council Tax income in 2020/21 through lower collection levels and increased Local Council Tax Support. This is based on current estimates from Ds and Bs. The actual figure will be confirmed within Districts' and Boroughs' final accounts. Whilst unrealistic, given the impact of the pandemic it allows visibility of the full reduction as a result of Covid-19 which is then shown as a pressure, this will form part of the LGFutures review and will be subject to refinement.

F New Homes Bonus (NHB) Reduction

Government indicated at settlement that NHB will be wound down. The final legacy payment will be due in 2022/23 with no further income expected for 2023/24. The 2021/22 amount will be confirmed at Local Government Finance Settlement and is assumed now to fund capital. The bonus could be used for revenue, although with the risk that the amount could decrease further.

	2021/22	2022/23	2023/24
New Homes Bonus	0.252	0.114	0.000

G Savings Profiling - One-off temporary mitigations

Update to the Savings Profile for the 2023/24 financial year.

H Treasury Management Pressure

Update to the MRP and interest calculation to include IT&D investment over 10 years rather than over 30 years and reduced interest rates respectively. Also, to include the additional year of 2023/24 in regard of the 10 year capital programme.

I General Contingency

This is calculated at an agreed formula of 1% of net budget less treasury management.

J Pensions Final Revaluation

The triannual pensions revaluation was finalised after the budget for 2020/21 was approved. The impact is a reduction in the secondary contribution required for all years.

K Levies Increase

The figures are reflective of the latest estimates of the Flood & Coastal Protection Levy, Sussex Inshore Fisheries Levy and New Responsibilities Funding.

L Pay Award

Service inflation model has been updated to include 2023/24 and for a 2.0% pay award in all years (previously assumed at 2.5%). This is offset by the increase in award for 2020/21 to 2.75% (approval by Governance Committee for LMG and Chief Officers pending).

M Contractual Inflation (contract specific)

The service inflation model has been updated for an additional year and a small drop in rates in 2021/22. The methodology provides inflation to services for large contracts as per the contract but does not provide for inflation on running costs or small contracts.

N Normal Inflation for Contracts

The service inflation model has been updated for an additional year using the inflation figures published by the OBR at the Budget statement in March.

Outside normal inflation provided for in approved models there is additional provision for inflationary pressures in ASC and CSD, agreed under the Pressures Protocol.

P ASC & CSD Growth and Demography

Updates to 2021/22 and 2022/23, and a forecast for 2023/24 has been added to the current plan.

Q CSD: SEND High Needs Block Additional funding

This has been updated to reflect that the additional funding is permanent and not expected to be removed.

R CET: Waste Housing Growth

The forecast pressure for 2023/24 has been added to the current plan. Further review and update will be required.

S Savings

Deliverability of existing savings targets for 2020/21 to 2023/24 has been reviewed by Services, the detail of which is shown at appendix 6. Any slippage in 2020/21 will be funded through reserves, but there will be an impact on the MTFP in future years.

T BSD: Accounts Receivable

Increased costs for address traces and the third party contract for printing/postage of invoices that are raised for the council. The third party contract is more cost effective than in-house provision, but increasing volumes mean that there is an identified pressure that cannot be mitigated.

U CET: Ash Dieback management

The number of ash requiring felling in East Sussex is expected to increase dramatically over the next few years of the spread of Ash Die Back (ADB) in the county.

V CET: The Keep - BAU funding gap pressures

There are funding gap pressures at The Keep. These are due to;

- i. Increased cost for electricity, rates, other energy costs, premises costs such as increased maintenance costs.
- ii. Reduction in income due to the current room rental agreement with University of Sussex (UoS) ending August 2021.
- iii. All three partners, ESCC, BHCC and UoS are under financial pressure to make savings and reduce contributions to the Keep budget. They will all contribute less in 2021/22 due to KSP savings.

W CET: Trading Standards - loss of income

Loss of funding from the ending of our partnership with Checkatrade of £0.046m, plus a loss of business advice and Primary Authority income of £0.010m as a result of businesses opting not to pay for these services (particularly in the hospitality and restaurant business where 50% of our Primary Authorities are focused).

X BSD: St Marks House Rent Review

The St Marks House rent review has now been agreed following a consultation with the Landlord.

Y CSD: EH&SC Living Allowances

In response to COVID-19, the government increased Universal Credit payments. This requires an increase in Living Allowance for LAC and Care Leavers, to bring them in line with Statutory Sick Pay. The impact is the on-going increase in future years, further to those reported/ required in 20/21.

Z CSD: EH&SC LAC Placement Costs

As a direct consequence of the COVID-19 lockdown, further to what has been reported for 20/21 via the COVID-19 finance log, there has been an increase in the future year costs forecast for LAC. This is over and above what would normally be expected through the detailed LAC modelling and forecasting which assumes a certain level of growth and "churn" based on historic trends.

Essentially although overall LAC numbers have remained broadly stable, children that are coming into the system or who are moving around within it, are going into placements that are 'higher tariff' and hence more expensive. For example, children who would previously have been placed within a foster placement have had to go to a more expensive residential placement because no foster placements either in house or in agency are available. Children who were previously on the edge of care with packages to support them, have moved into the care system because of the additional pressure on families.

AA CSD: Child Protection Plans

We have seen a 23% increase in the number of child protection (CP) plans during the Covid pandemic. Our own predictive modelling (and that of the DfE) suggests we are likely to see a 20% surge in demand for children's social care once schools return. However, as schools return and visiting families resumes, we would also hope to be able to cease a number of CP plans. At this stage it is not possible to predict with any degree of accuracy how many more plans will be started and how many plans we will be able to cease. We propose to review the data at the beginning of October, which should enable us to produce a more accurate assessment of whether a pressure is likely to arise.

AB CSD: No recourse to public funds and Intentionally Homeless

It is presently unclear in future years whether and at what value additional costs will be incurred. However, pressures do appear likely around additional financial support for:

- i) Families with No Recourse to Public Funds (NRPF); and
- ii) Families who have been assessed as Intentionally Homeless by the D&Bs and who then present to CSD for support with rent in the private sector.

AC CSD: Home to School Transport

New Covid-Safe transport guidelines have been implemented for pupils returning to school. CET is in the process of calculating the additional costs and whether the new grant given to the County Council will cover the additional costs for the Autumn term. It is not clear whether the grant will continue for the rest of the financial year or for 2021/22 if Covid-Safe transport is still required.

AD ASC: Future Demand Modelling offset by Attrition

Additional independent sector packages of care due to volumes of hospital discharges between 19th March 2020 and 31st August 2020. As no assessments have been undertaken it is unclear how many of the existing clients will be eligible for ongoing LA funded packages of care and placements. Some will be eligible for CHC or will be self-funders. However, it is impossible to accurately predict until assessments start to ramp up.

It is estimated that this will be 60% of current clients but a more accurate figure is unlikely to be available until at least December. The figures quoted in this bid equal the ongoing cost of funding these clients less the usual budget for comparable activity in the period. Future reductions in cost are due to attrition, and further mitigation is provided by additional attrition due to excess mortality.

AE CSD: EH&SC Lansdowne income loss

Works on the building expansion of Lansdowne Secure Children's Home have been delayed due to COVID-19, resulting in a loss of income. Completion of the works and full re-opening is now likely during 2021/22. The allocation will be paid back in 2023/24.

AF Business Rates and Council Tax

LGFutures have been commissioned to carry out work to refine these figures for consistency and reasonableness. The £7.499m currently estimated by District and Boroughs to be the collection fund deficit is shown as spread over 3 years per the Government announcement that was made on 2 July, that fund deficits arising in 2020/21, could be spread over the next 3 years rather than the usual one year. More detail on how this will work and the authority to do this will be announced at the Spending Review in the Autumn.

AG ASC Mitigations

ASC have found budget reductions through S117 Additional Income and a Supporting People contract reduction which is re-commissioned from April 2021.

Potential Investment Areas: The following items are new areas of investment within the Council's Core Offer. Members are asked to consider whether to support them going forwards:

AH CET: Additional Team East Sussex (TES) support

An Economy Recovery Plan has been developed in response to the devastating effects of the pandemic on the local economy. In order for the department to be able deliver the plan to meet its key objectives, the EDSCI Service will require additional (part-time) resource.

AI Work on the pan Sussex tourism brand with WSCC

Identified with West Sussex County Council is the need to collaborate together to jointly create a pan Sussex tourism brand. This will require a defined and resourced programme of work to enable the Tourism Sector ecosystem to continue to be a major economic driver for Sussex, whilst supporting a quality of life that residents and businesses expect from living and working in Sussex.

AJ ASC: Voluntary Sector / Community Hubs / Shielded Group

A multi-agency partnership worked to ensure no one in East Sussex was left on their own to cope with the effects of the coronavirus pandemic from March to August 2020, through a range of services and interventions to vulnerable and extremely vulnerable people.

It is clear that the COVID-19 pandemic has highlighted pre-existing pressures and vulnerabilities and that recent events have further exposed or exacerbated those difficulties. There is a general acceptance of a need to develop a longer-term approach to collectively address these problems, and that building on the ethos and model of Community Hubs provides a mechanism to achieve this.