

1. Medium Term Financial Plan (MTFP) Update

1.1 The MTFP has been updated for regularly calculated adjustments and the additional year 2024/25. The full MTFP is shown below:

Medium Term Financial Plan	2021/22	2022/23	2023/24	2024/25
	Approved Budget	Estimate	Estimate	Estimate
	£million	£million	£million	£million
TAXATION & GOVERNMENT FUNDING		(416.745)	(422.570)	(430.850)
Business Rates (BR) (Inclusive of BR Pooling in 2020/21 & 2021/22)	(81.522)	(1.514)	(1.607)	(1.669)
Revenue Support Grant	(3.568)	1.212	1.430	1.471
Council Tax	(305.914)	(7.379)	(8.217)	(8.661)
Local Tax Income Guarantee for 2020/21 - split over 3 years	(1.047)	1.047	0.000	0.000
Local Council Tax Support Grant 2021/22	(2.621)	2.621	0.000	0.000
Adult Social Care Precept	(4.486)	(4.655)	0.000	0.000
New Homes Bonus	(0.505)	0.391	0.114	0.000
Social Care Grant	(17.082)	2.452	0.000	0.000
TOTAL TAXATION & GOVERNMENT FUNDING	(416.745)	(422.570)	(430.850)	(439.709)
SERVICE PLAN				
Service Expenditure	365.210	381.374	385.539	399.323
Investment of unallocated funding – Revenue	(0.746)	(1.707)		
Inflation				
Pay Award 2020/21	0.074			
Contractual inflation (contract specific)	0.539	0.993	2.459	0.888
Normal inflation for contracts	6.763	8.590	7.884	8.682
Adult Social Care (ASC)				
Growth & Demography	3.413	(3.413)	3.413	3.917
Future demand modelling net of attrition (Covid-related)	1.133	(1.133)	1.133	(0.365)
Pressures approved via protocol	(0.743)			
Winter Pressures	(2.586)			
Children's Services (CSD)				
Dedicated Schools Grant		0.422		
Growth & Demography	1.070	2.635	0.993	
Looked After Children	1.909			
Disabled Access Regulations for Buses/Coaches	0.043	0.098		
Home to School Transport	0.523	0.523		
Looked After Children Placements (Covid-related)	3.429		(0.795)	(0.789)
Pressures approved via protocol	0.184	(0.124)	(0.124)	0.124
SEND High Needs Block Additional funding	(0.814)	(2.138)		
Social Worker Pay		1.493		
Communities, Environment & Transport (CET)				
Waste Housing Growth	0.236	0.238	0.198	0.185
Street lighting Electricity/Re-payment of Investment	(0.655)			
Pressures approved via protocol	0.262	0.014	0.015	
Business Services (BSD)				
IT & Digital Licences	0.025			
Pressures approved via protocol	0.110	0.004	0.005	
Modernising Back Office Systems (MBOS)				0.386
Governance Services (GS)				

Medium Term Financial Plan	2021/22	2022/23	2023/24	2024/25
	Approved Budget	Estimate	Estimate	Estimate
	£million	£million	£million	£million
Additional resource to support Equalities and Diversity	0.060			
Additional capacity in Legal Services to support Children's Social Care	0.143			
Potential Investment Areas				
Voluntary Sector, Community Hubs, Shielded Group	0.880			
Support to economic development	0.100	0.025	(0.055)	
Savings				
Savings 2020/21 - 2021/22	(2.953)			
Temporary mitigations to savings	(0.298)	(0.388)	(0.100)	
Removal of CSD Safeguarding Savings		0.854		
Savings Slippage	4.063	(2.821)	(1.242)	
NET SERVICE EXPENDITURE	381.374	385.539	399.323	412.351
Corporate Expenditure		35.371	38.765	42.747
Treasury Management	18.709	1.221	1.500	0.500
General Contingency	3.980	0.050	0.070	0.080
Contingency for Potential Pay Award	2.071	2.511	2.400	2.434
Contribution to balances and reserves	0.648			
Pensions	8.423	(0.400)		
Apprenticeship Levy	0.600			
Levies & Grants	0.940	0.012	0.012	0.012
TOTAL CORPORATE EXPENDITURE	35.371	38.765	42.747	45.773
TOTAL PLANNED EXPENDITURE	416.745	424.304	442.070	458.124
CUMULATIVE DEFICIT/(SURPLUS)	0.000	1.734	11.220	18.415
ANNUAL DEFICIT/(SURPLUS)	0.000	1.734	9.486	7.195

1.2 The movements in the MTFP since February 2021 are summarised below:

	Ref	Estimate (£m)			
		2022/23	2023/24	2024/25	Total
Council 9 February 2021 DEFICIT/(SURPLUS)		7.071	7.377	0.000	14.448
Normal Updates					
Business Rates Retention	A	(1.721)	(0.285)	(1.134)	(3.140)
Revenue Support Grant	B	0.185	0.238	0.906	1.329
Council Tax Base	C			(1.688)	(1.688)
Council Tax Inflation	D			(6.621)	(6.621)
Council Tax Collection Fund	E	(1.121)	0.416	(0.362)	(1.067)
Local Tax Income Guarantee for 2020-21	F	1.047			1.047
Treasury Management (increase in capital funding)	G		0.500	0.500	1.000
General Contingency	H	(0.010)		0.110	0.100
Levies Increase	I			0.012	0.012
CSD: Lansdowne income loss payback	J			0.124	0.124
Pressures added to / (removed from) the MTFP					
Pay Award Added Year @ 2.0%	K			2.434	2.434
Contractual inflation (contract specific)	L			0.888	0.888
Normal inflation for contracts	M	0.716	0.631	8.692	10.039
ASC: Growth and Demography	N	(7.330)	(0.650)	3.917	(4.063)
ASC: Demand modelling net of attrition (Covid-related)	N	(0.768)	1.265	(0.365)	0.132
CSD: LAC Placements (Covid-related)	N	0.795	(0.006)	(0.789)	0.000
CSD: Social Worker Pay	O	1.493			1.493
CSD: Home to School Transport	P	0.523			0.523
BSD: Modernising Back Office Systems (MBOS)	Q			0.386	0.386
CET: Waste Housing Growth	R			0.185	0.185
Savings: Removal of CSD Safeguarding Savings	S	0.854			0.854
DEFICIT/(SURPLUS) AFTER NORMAL UPDATES		1.734	9.486	7.195	18.415

1.3 Scenario planning continues and will have a potential impact on this base position; two scenarios include 'likely' and 'less likely' updates:

	Ref	Estimate (£m)			
		2022/23	2023/24	2024/25	Total
DEFICIT/(SURPLUS) AFTER NORMAL UPDATES		1.734	9.486	7.195	18.415
Likely Updates					
Social Care Grant	T	(2.432)	0.000	0.000	(2.432)
2021/22 Local Council Tax Grant	U	(2.094)	2.094	0.000	0.000
Revenue Support Grant – Remain Static	B	(1.251)	(1.398)	(1.408)	(4.057)
Pay Award @ 2.0% for 2021/22	V	0.476	0.023	0.024	0.523
DEFICIT/(SURPLUS) AFTER LIKELY UPDATES		(3.567)	10.205	5.811	12.449
-		-	-	-	-
Less Likely Updates					
Pay Award @ 2.5% all years from 2022/23	W	0.633	0.664	0.687	1.984
Business Rates Proceeds of Pooling 2022/23	X	(1.584)	1.584	0.000	0.000
Business Rates Growth	Y	0.000	(0.118)	(0.110)	(0.228)
DEFICIT/(SURPLUS) AFTER LESS LIKELY UPDATES		(4.518)	12.335	6.388	14.205

Normal Updates:

A Business Rates Retention and Growth

The current planning assumptions on business rates have been updated to reflect the latest inflation estimates by the Office of Budget Responsibility (OBR) published in March 2021 and to include 2024/25 (a movement from 1.37% to 1.61% in 2022/23; from 1.58% to 1.89% in 2023/24, and a rate of 1.88% in 2024/25). As is normal practice we update these figures again for the September rates as they are published per the RPPR process.

Growth is estimated each year at a zero increase (consistent with the 2020/21 outturn) of the business rates base (noting that the average in a normal year is 0.7%). Since Full Council, updated estimates on business rates income from District and Borough Councils (NNDR1 forecasts) have been received. This showed an improvement in income, as the deficits predicted though the LG Future modelling and the District/Boroughs forecasts have not emerged. However, much has changed since these estimates were made. Business rates will continue to be monitored along with the Collection Fund and reviewed alongside the District and Borough Councils' final accounts and their latest collection forecasts to understand the impact for 2022/23.

B Revenue Support Grant (RSG)

At final settlement government confirmed that the RSG would be increased in line with the increase to the small business rates multiplier. A normal update to RSG has been made to reflect the latest inflation estimates by the OBR published in March 2021 on the small business rates multiplier. This is consistent with normal updates to the MTFP.

However, ahead of funding reform and a multi-year settlement the government have compensated for the mechanism outlined above which creates negative RSG in some authorities. The current assumption is that there will be no funding reform and it will be a single year settlement for 2022/23, therefore within the likely scenarios we have assumed the government will compensate for negative RSG in the same way it has done in the last couple of years. This will continue until a multi-year settlement or funding reform.

C Council Tax Base Growth

Normal growth is being estimated at 0.9% for 2022/23 to 2024/25 in line with the average annual growth. This is offset by the continuing assumption that Council Tax Support reduces the base annually by 0.38% on average. Work is ongoing with Districts and Boroughs to understand the impact of Local Council Tax Reduction Schemes.

D Council Tax Inflation & Adult Social Care Precept

The assumption is a council tax increase of 1.99% in all years; the current limit before referendum is triggered post 2020/21. The Adult Social Care Precept assumption has been maintained at 1.5% in 2022/23 as part of the approved spreading of the allowable 3% across two years as announced at Spending Review 2020 (SR20).

E Council Tax Collection Fund

While we await the data and monitoring of council tax collection from District and Borough Councils the Council Tax Collection Fund has been updated to assume that there will be no Collection Fund surplus or deficit due for 2021/22 income during 2022/23. The actual figure will be confirmed within District and Borough Councils' final accounts and though review of the compensation scheme now the methodology has been published. While we think Collection Fund surplus will return, as it is a method for Districts and Boroughs to manage their cashflows, we are still forecasting the Collection Fund to be zero ahead of better modelling.

F Local Tax Income Guarantee for 2020-21

Additional COVID-19 support was announced at the SR20 as compensation for 75% irrecoverable loss of council tax and business rates revenues to be split over a 3-year period. This has been removed as the initial estimate is zero for the Council, as a result of Hastings reporting a change from a significant deficit to a collection above the budgeted Council Tax requirement; this is an improvement of £2.031m. We are currently investigating this; this may change with

submission of Receipts of Council Taxes, Non-Domestic Rates and Localised Council Tax Support Return (QRC4).

G Treasury Management (increase in capital funding)

There is a potential exit cost on a CCLA Investment Management Ltd investment that the authority will have to account to revenue in 2023/24. Additionally, in 2024/25 the added year shows the revenue impact of continued borrowing required to fund the approved Capital Programme and Strategy. This will be reviewed and updated to reflect updates to the Capital Strategy as part of the RPPR process.

H General Contingency

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

I Levies Increase

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

J CSD: Lansdowne Special School income loss (includes payback in 2023/24)

Final year's entry of the payback of income loss from Lansdowne Special School.

K Contingency for Potential Pay Award

A normal update has been made in 2024/25 to maintain current assumptions for Pay Award contingency at 2.0%; this will be subject to any union pay claim and the negotiated offer.

L Contractual Inflation (contract specific)

The service inflation model has been updated for an additional year. 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.

M 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. Further modelling is being carried out regarding inflation sensitivity and significant price increases as a result of EU Exit and the Pandemic.

N ASC Growth and Demography, ASC Demand modelling net of attrition (Covid-related) and CSD Looked After Children (LAC) Placements (Covid-related)

As a consequence of 2020/21 outturn and carry forward of COVID-19 funding, there is an opportunity to review the 2021/22 budget approved by Full Council in February 2021. The final outturn (before transfers to reserves) for 2020/21 is shown at Table 1 below:

Table 1 - Outturn	2020/21 Outturn £m	
	BAU	Covid
Adult Social Care	3.976	(45.722)
Safer Communities	0.000	(0.018)
Public Health	0.000	(0.044)
Business Services / Orbis	(0.027)	(1.178)
Children's Services	(0.585)	(13.217)
Communities, Economy & Transport	1.295	(5.982)
Governance Services	0.060	(0.024)
Subtotal Depts	4.719	(66.185)
Centrally Held Budgets	6.828	(0.656)
Corporate Funding	0.242	(0.555)
Subtotal Depts & Corp	11.789	(67.396)
Specific COVID-19 Funding	0.000	47.131

General COVID-19 Funding	0.000	20.265
Total	11.789	0.000
General COVID-19 Funding carried forward		15.132

Adult Social Care (ASC): the outturn underspend position was primarily due to the level of client deaths being in excess of normal modelled levels; a unique and short-term impact of the pandemic. In 2021/22, the budget was increased by £3.413m for growth and demography and £1.133m for future COVID-19 related demand modelling. If the budget is maintained then ASC will underspend significantly, as the impact of client deaths continues to be felt in 2021/22 and 2022/23. It is therefore proposed to remove these two budget growth items for 2021/22 and 2022/23; in doing so this will push out the additional funding required by ASC to 2023/24. Additionally within ASC the budget for Community Hubs is not required in 2021/22 as the long term model is being worked up and investment not likely to be required in full until 2022/23, plus any legacy costs of last year can be covered by COVID funding; so there will be a one-off transfer to reserve.

Children's Services (CSD): In setting the budget for 2021/22, additional funding of £3.429m was identified to fund Looked After Children (LAC) pressures that arose due to the pandemic; in particular to fund 13 children. With the significant carry forward of COVID-19 funding, it is possible to fund this pressure from the grant and therefore it is proposed to remove the budget for 2021/22. The budget will be required in 2022/23, unless there remains COVID-19 funding available.

Workstyles: The continuation of remote working until at least September 2021 means that travel costs will remain lower than average this year. It is proposed that budgets are again adjusted for underspend on travel for the first 5 months of the year, ahead of a return to more normal activity from the Autumn. These budgets will be transferred to reserve to support the Future Workstyles Programme.

The impact of these adjustments will be to transfer £8.855m from service budgets to be held corporately. This will generate an underspend within corporate accounts which is proposed to be used:

- To offset the non receipt of Local Tax Income Guarantee funding council tax and business rates. This is a cashflow issue as we await the District and Borough QCR4 returns;
- To fund in-year service pressures; and
- Any balance remaining to be transferred to reserves.

The detailed budget adjustments are shown in the table below:

Table 2 – budget adjustments	2021/22	2022/23	2023/24	2024/25
Carry forward of previous year's base adjustment		(7.975)		
Adult Social Care				
Growth & Demography – remove original MTFP entries	(3.413)	(3.917)	(4.063)	
Add back with 2 year delay			3.413	3.917
Demand modelling net of attrition (Covid-related) - remove original MTFP entries	(1.133)	0.365	0.132	
Add back with 2 year delay			1.133	(0.365)
Community Hubs (reduced for one year only)	(0.880)			
Children's Services				
LAC Placements (Covid-related) – remove original MTFP entries	(3.429)	0.795	0.789	
Add back following year		3.429	(0.795)	(0.789)

Table 2 – budget adjustments	2021/22	2022/23	2023/24	2024/25
Corporate				
Tax Income Guarantee adjustment - initial estimate	0.000			
Balance to reserve	8.855			
Workstyles				
All Departments – estimated budget adjustments (in-year only)	(0.700)			
Transfer to reserve for Future Workstyles Programme	0.700			
Total Adjustments	0.000	(7.303)	0.609	2.763

O CSD: Social Worker Pay

There is a national shortage of Children’s Social Workers. Given the business critical nature of the service and to remain competitive on salaries, a market supplement of 10% is agreed for the next three years.

P CSD: Home to School Transport

As part of 2021/22 budget setting, a cost pressure of up to £1.0m was identified for statutory Home to School Transport, due to proportionately more solo and twin occupancy during 2020/21 which is forecast to continue into future years (within the overall expected total numbers of pupils requiring transport). This pressure is not related to Covid; rather it represents a trend of increased solo and twin journeys. Budget of £0.5m was added for 2021/22, however current forecasts have confirmed the pressures are at the upper level of those forecast previously. The pressure in 2021/22 will be managed via reserves and quarterly monitoring. Going forwards, an additional £0.5m has been added to the MTFP, subject to approval via Pressures Protocol.

Q BSD: Modernising Back Office Systems (MBOS)

A full procurement procedure to consider suppliers and systems that could provide a new Enterprise Resources Planning (ERP) platform for the next 10 years has been completed. Investment in a new ERP solution will change the ongoing system operating costs as the solution moves from an on-premise to a cloud-based solution and the support model evolves. A bid will be made through the Pressures Protocol to request inclusion in the MTFP from 2023/24.

R CET: Waste Housing Growth

The forecast pressure for 2024/25 has been added to the current plan. Further review and update will be required to reflect the latest modelling.

S Savings: Removal of CSD Safeguarding Savings

The impact of Covid-19 and funding implications has enabled the savings target for 2022/23 to be reassessed and removed.

Likely Updates for Consideration:

T Social Care Grant

£300m additional grant for adult and children’s social care for 2021/22 was announced at the Spending Review (included in the 2021/22 position as £2.452m), alongside confirmation that the £1bn social care grant in 2020/21 will be rolled forward; (this is £14.6m included in our base budget for the life of the current parliament). Due to the increasingly likelihood of a one-year settlement for 2022/23, it is considered likely that the Social Care Grant will be maintained at the 2021/22 level.

U 2021/22 Local Council Tax Support Grant

The announced element of the Local Council Tax Grant as a result of 2020/21 collection and the reduction to the Council Tax base due to increased local Council Tax support caseload was £4.735m. In 2021/22 the reduction to the Council Tax base for Council Tax Support was

£2.968m; and £2.621m of anticipated Local Council Tax Support Grant had been assumed. The additional amount of £2.114m can be applied to 2022/23 as continued and further reductions to the Council Tax based due to increase Council Tax support caseload are expected.

V Pay Award: 2.0% in all years

The provision for pay award was 1.5% in 2021/22 and 2% thereafter. An assumption has been made for a 2% award in 2021/22 and its impact in future years.

Less Likely Updates for Consideration:

W Pay Award: 2.5% in all years

The provision for pay award was 1.5% in 2021/22 and 2% thereafter. An additional assumption has been made for a 2.5% award in all years.

X Business Rates Proceeds of Pooling 2022/23

Proceeds of pooling have been updated using published information from Districts and Boroughs Councils. Due to the increasingly likelihood of a one-year settlement for 2022/23, it is considered possible that the Business Rates pooling arrangements will be allowable in 2023/23, however this will be a county wide decision.

Y Business Rates Growth

Business Rates Growth has been assumed at 0% in all years due to the medium-term impact of the COVID-19 pandemic. A scenario has been presented that assumes some recovery with growth of 0.7% from 2023/24 based on historical normal growth figures.

2. Savings

2.1 Deliverability of savings has been reviewed, and the savings target for CSD Safeguarding in 2022/23 has been removed (as per para S above). Appendix 3a shows the detailed savings targets, plus slipped savings carried forward from previous years, of £7.435m by 2023/24. No new savings are proposed to be identified at this point in the RPPR process.

3. Reserves

3.1 The Council's approach to the management and accounting for earmarked reserves is set out in the Reserve Strategy adopted by the Cabinet in June 2017. The Reserves have been reviewed using the principles set out in the Policy ensuring that they are reflective of the Council's strategic agenda and the current financial risks and issues the Council faces through the medium term.

3.2 It is crucial to bear in mind that the reserves are the only source of financing to which the Council has access to fund risks and one-off pressures over a number of years. If the Council minimises the level of reserves too significantly there is a risk that in future, the ability to properly manage unforeseen or one off costs will be significantly hampered. Reserves can only be spent once and the possibility of creating new reserves in an era where budgets are tight and can become overspent, not just individually but corporately, is limited.

3.3 Reserves are a key element of the Council's financial management arrangements. Reserves can be broadly categorised as follows:

- **General Fund Balance** - a working balance to manage in-year risks if they cannot be managed via other mitigations. It is best practice for a well-run authority to hold such a balance to assist in delivering services over a period longer than one financial year.
- **Earmarked Reserves** - funds that are held to meet known or anticipated future one-off requirements, facilitating transformation and the management and mitigation of future financial risk and uncertainty.

3.4 The table below sets out the estimated balances from RPPR in February 2021 compared to actual balances at 1 April 2021, plus the expected balances by 31 March 2025:

	Estimated Balances at Feb 2021 1 Apr 2021 £m	Actual Balances 1 Apr 2021 £m	Movement	Estimated Balances 31 Mar 2025 £m
Earmarked Reserves:				
Held on behalf of others or statutorily ringfenced	24.1	32.3	8.2	31.7
Named Service Reserves				
Waste Reserve	16.1	16.1	0.0	5.0
Capital Programme Reserve	8.9	12.4	3.5	8.9
Insurance Reserve	5.9	7.4	1.5	5.4
Subtotal named service reserves	30.9	35.9	5.0	19.3
Strategic Reserves				
Financial Management	37.0	50.1	13.1	25.1
Priority Outcomes and Transformation	6.9	8.0	1.1	3.4
Subtotal strategic reserves	43.9	58.1	14.2	28.6
Total Earmarked Reserves	98.9	126.4	27.4	79.5
General Fund Balance	10.0	10.0	0.0	10.0
TOTAL RESERVES	108.9	136.4	27.4	89.5

3.5 There are a number of movements on the balances at 1 April 2021 since they were last reported at RPPR in February 2021.

- **Held on behalf of others or statutorily ringfenced:** the key movements are an increase in schools balances of £5.5m and a contribution from Public Health (funded from ringfenced grant) of £2.5m.
- We hold **Named Service Reserves** set at a level determined by internal and actuarial review to allow the management of risk and transactional requirements within these areas. The balance on the Capital Programme Reserve has increased, mainly due to transfer of the Treasury Management underspend of £2.7m as reported at year end; this will however, as reported in appendix 4, be offset by reduced targets for S106 and Community Infrastructure Levy (CIL) funding. The increase in the Insurance Reserve is the result of a reduction in provisions required following actuarial review, therefore the balance of provision no longer required was transferred to reserve.
- Within **Strategic Reserves:-**
 - the **Financial Management** reserve manages the potential financial consequences of risks recognised in the Council's risk management arrangements and the Chief Finance Officer's (CFO) robustness statement and enables wider management of the medium-term financial strategy and the investment strategy. The main movements since February 2021 are slipped investments projects of £2.3m, transfer of the unused general contingency of £3.9m and transfer of the £5.2m general underspend as reported at year end.
 - the **Priority Outcomes and Transformation** reserve is set aside to fund the transformation programme to change, protect and improve Council services. The increase since RPPR is the result of a one-off contribution from ASC workstyles

budgets of £0.6m to be used for the Future Workstyles Programme, plus slippage on a number of projects totalling £0.5m.

3.6 The level of reserves held continues to be considered reasonable given we hold a General Fund Balance of £10.0m, an in-year budgeted contingency and by 2025 there is a balance of £25m estimated to be remaining on the Financial Management Reserve.