

1. Medium Term Financial Plan (MTFP) Update (November 2024)

- 1.1 The MTFP has been updated for regular calculated adjustments and the additional year of 2027/28, the movements are summarised below. The overall position includes a deficit of £14.344m carried forward from 2024/25 that was temporarily funded from a one-off contribution from reserves. The full MTFP is provided at Annex 1.

	Ref	Estimate (£m)			
		2025/26 Annual	2026/27 Annual	2027/28 Annual	Total Cumulative
Council 6 February 2024 DEFICIT/(SURPLUS)		30.978	16.503	0.000	47.481
CARRY FORWARD OF 2024/25 DEFICIT		14.344	0.000	0.000	14.344
Total After Carry Forward		45.322	16.503	0.000	61.825
Normal Updates:					
Council Tax Inflation				(8.010)	(8.010)
Council Tax Base	A			(5.948)	(5.948)
Business Rates Retention (inflation and growth)	B	(0.032)	(0.211)	(2.195)	(2.438)
Revenue Support Grant inflation update	C	(0.002)	(0.009)	(0.089)	(0.100)
Inflation for contracts (normal and contract specific)	D	0.032	0.210	15.116	15.358
CET: Waste Housing Growth	E	(0.048)	0.026	0.342	0.320
Treasury Management: Update		(0.100)	(0.100)	1.800	1.600
Treasury Management: Capital Programme Review	F	(0.800)	(2.000)	(1.100)	(3.900)
Treasury Management: Impact of SEN deficit		<i>tbc</i>	<i>tbc</i>	<i>tbc</i>	<i>tbc</i>
Pay award	G	1.491	0.567	5.555	7.613
Levies Increase	H			0.014	0.014
General Contingency	I		0.030	0.150	0.180
Pressures added to / (removed from) the MTFP:					
ASC: Growth & Demography				3.917	3.917
ASC: Service Demand	J	5.709			5.709
CSD: Growth & Demography				0.808	0.808
CSD: Home to School Transport Growth & Demography	K	5.908	1.926	1.858	9.692
CSD: Service Demand – Looked After Children	L	0.763	(4.328)	0.680	(2.885)
CET: Waste PFI additional income	M	(1.800)	0.400	0.700	(0.700)
Pressures approved by Protocol	N	0.520	1.050		1.570
DEFICIT/(SURPLUS) AFTER NORMAL UPDATES		56.963	14.064	13.598	84.625

Updates to be considered – for review of likelihood and/or for local decision:					
Continuation of Adult Social Care grant funding	O	(5.386)			(5.386)
Proceeds of NNDR Pooling	P	(2.194)	2.194	0.000	0.000
Council Tax: Premiums on Second Homes	Q	(3.524)	(0.070)	(0.072)	(3.666)
Council Tax: Eastbourne Reduction Scheme Proposals	R	0.778			0.778
Reduction in contractual inflation in line with forecasts	S	(6.481)			(6.481)
Council Tax Flexibility: <i>Add a further 3.00% to our current 1.99% assumption to get to 4.99% (2.99% plus 2.00% ASC Precept) in all years.</i>	A	(11.138)	(12.254)	(13.476)	(36.868)
DEFICIT/(SURPLUS) AFTER UPDATES TBC		29.018	3.934	0.050	33.002

Normal Updates:

A Council Tax Inflation and Base

The Government provided local authorities in England additional flexibility in setting Council Tax by increasing the referendum limit for increases in Council Tax to 3% and the ability to increase the Adult Social Care Precept by up to 2% in 2024/25, however, this flexibility has not been confirmed for future years. Council Tax inflation is therefore currently assumed at 1.99% only for all years in MTFP, with potential continuation of the increased flexibility included as an update to be considered.

For every 1% increase in Council Tax charged, it is estimated to generate an additional £3.720m in 2024/25. Therefore, to fund the current deficit of £57.638m (before scenarios), there would need to be a council tax increase of approximately 17.50% (current base assumption of 1.99%, plus an additional 15.51% to fund the deficit). There would undoubtedly be an impact on collection rates, which is not factored into this calculation.

Council Tax base growth is being estimated at 1.5% for all years. Regression analysis suggests that the base position will continue to improve following reductions during the Covid-19 pandemic. Estimates will be updated based on submissions from District and Borough Council in December.

B Business Rates Retention and Growth

Business rates have been updated for the additional year reflecting the latest inflation estimates by the Office of Budget Responsibility (OBR) published in March 2024.

Business rates will continue to be monitored along with the collection fund and reviewed alongside the District and Borough Councils latest collection forecasts to understand any further impacts.

C Revenue Support Grant

The current planning assumptions for Revenue Support Grant (RSG) reflect latest inflation estimates each year ahead of any potential funding reform or multiyear settlement.

D Inflation for contracts (normal and contract specific)

The inflation model as per the approved pressures protocol allows for contracts to be uplifted annually per the contract conditions but does not provide inflation for utilities and other running costs e.g. building maintenance, communications and software. Contractual negotiations, e.g. Foster Care and Concessionary Bus Fares are considered for inclusion within the MTFP by CMT.

The service inflation model has been updated for an additional year and reflects the latest inflation estimates by the Office of Budget Responsibility (OBR) published in March 2024. As per normal practice, the inflation model will be updated to reflect latest inflation due in October 2024. The table below shows changes in inflation estimates published in March 2024 compared to those included as part of the approved budget in February 2024.

	2024/25		2025/26		2026/27		2027/28	
	Nov 23	Mar 24	Nov 23	Mar 24	Nov 23	Mar 24	Nov 23	Mar 24
CPI*	3.33%	1.65%	1.60%	1.63%	1.43%	1.64%	1.78%	1.98%
RPI*	4.76%	2.51%	2.40%	2.17%	2.55%	2.59%	2.85%	3.01%
RPIX*	3.65%	1.74%	2.10%	2.19%	2.30%	2.43%	2.68%	2.86%
NLW**	£11.44	£11.44	£11.60	£11.59	£11.76	£11.75	£12.08	£12.04

*Inflation estimates are as of September of each calendar year to provide the best mid-point within each financial year.

**National Living Wage per hour. Contracts will not necessarily increase in line with the NLW; however, this would be a key driver for some contracts with a high element of staffing.

The MTFP normal update includes inflation increases from 2025/26 onwards. Normal practice is that in year services would be expected to manage movement in actual inflation through contract/budget management and the pressures protocol.

E CET: Waste Housing Growth

The forecast pressure for 2027/28 has been added to the current plan. Further review and update will be required to reflect the latest modelling and reflect any offset, such as increased recycling prices.

F Treasury Management

The additional year of 2027/28 shows the budget estimated cost to support the borrowing required to fund the approved Capital Programme and Strategy.

In addition, the Capital Strategic Asset Board (CSAB) has conducted a capital programme risk review to consider the risks and implications of removing / reducing core funded programmes to seek reductions to the cost of borrowing that impact the MTFP position. The revised capital programme, including the impact of the capital programme risk review, would reduce the level of borrowing to £39.9m up to 2027/28, which is estimated to have a positive MTFP impact for cost of borrowing of £3.9m per annum by the end of the MTFP period.

A further update will be provided following the Q2 monitoring and Autumn Statement to factor in any reported slippage on the capital programme, changes to reserves forecasts and a forecast interest rate update in early November following the Autumn Statement.

G Pay Award Added Year and uplift

Estimated based on the National Employers offer of £1,290 up to LMG2 SP10 and a 2.5% increase for higher grades for 2024/25 (now agreed for LGS for 2024/25) are higher on average than the flat rate 3% previously provided, and has an impact on future years. An estimate of the additional year of 2027/28 has been included and provision for an award of 2.5% in all years of the MTFP.

H Levies Increase

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

I General Contingency

This is calculated at an agreed formula of 1% of net budget less treasury management. The figures reflect the addition of 2027/28 and impacts of other changes.

Pressures added to / (removed from) the MTFP:

J ASC: Services Growth & Demography and Demand

Values for ASC growth and demography and additional demand have been included based on a continuation of current pressures.

K CSD: Services Growth & Demography

Values for CSD general growth and demography have been included based on a continuation of current pressures, plus updated estimates for Home to School Transport as the annual average increase in the number of pupils requiring home to school transport continues to increase.

L CSD: Service Demand – Looked After Children

Updated estimate of changes in demand; assumes lower case growth in LAC numbers.

M CET: Waste PFI Additional Income

The budget requirement for 2025/26 can be reduced by £1.8m; mainly due to electricity and recycling income forecast above baseline assumptions, less an allowance to offset Highways streetlighting electricity overspend. Reducing electricity prices will result in annual pressures with £0.4m expected for 2026/27 and £0.7m for 2027/28.

N Pressures Protocol

There has been an adjustment in the MTFP for a previously approved bid to reflect that the project is due to end in 2026/27, plus a number of bids that have been approved in principle by CMT, see table below:

Pressures Protocol	2025/26 £m	2026/27 £m	2027/28 £m	Total £m
Previously approved:				
CET: Access to Employment and Skills - adjustment		(0.200)		(0.200)
Approved by CMT:				
BSD: Occupational Health and Employee Assistance	0.036			0.036
CET: Statutory Concessionary Fares reimbursement increases		1.250		1.250
BSD: IT&D Microsoft 365 Licencing	0.351			0.351
BSD: Corporate ArcGIS Licencing	0.044			0.044
BSD: Controller of Premises for Corporate Estate	0.089			0.089
TOTAL	0.520	1.050	0.000	1.570

Updates to be considered pre review of likely / less likely:

O Continuation of Adult Social Care grant funding

The Government provided additional, previous unannounced grant funding of £500m as part of the Local Government Settlement 2024/25, with the ESCC share being £5.386m. Future years allocations are uncertain, however, due to the ongoing pressures in the social care system, it is likely that this value will be rolled into future financial years.

P Proceeds of NNDR Pooling

Confirmation has been received that pooling will continue into 2026/27. The council is working with ESFRS and Districts & Boroughs to submit the application.

Q Council Tax: Premiums on Second Homes

Under the Levelling Up and Regeneration Act 2023, council tax billing authorities have been given the discretion to introduce a premium in respect of second homes (dwellings that are unoccupied but furnished) of up to 100%. Where a decision to impose a premium is made, it must be taken at least 12 months before the financial year to which it would apply, and therefore the earliest the change would take effect would be the 2025/26 financial year. The estimated impact on ESCC is provided in the scenarios based on reports from the billing authorities, with the full impact of these changes is to be assessed with District / Borough councils and reflected in the ongoing council tax assumptions.

R Council Tax: Eastbourne Reduction Scheme Proposals

Eastbourne Borough Council are currently consulting on changes to their Local Council Tax Reduction Scheme (LCTRS) for 2025/26 which will see a reduction on Council Tax income received by the County Council, estimated to be £0.778m. ESCC have submitted a response to the consultation following approval by the Lead member for Resources and Climate Change on 1 November.

S Reduction in contractual inflation in line with forecasts

The impact of lower than previously forecast inflation rates will need updating following the revised OBR rates.

Annex 1 Medium Term Financial Plan

Medium Term Financial Plan	2024/25	2025/26	2026/27	2027/28
	Approved Budget	Estimate	Estimate	Estimate
	£million	£million	£million	£million
TAXATION & GOVERNMENT FUNDING		(538.102)	(545.458)	(560.822)
Council Tax	(352.015)	(9.515)	(13.483)	(13.958)
Adult Social Care Precept	(21.535)			
Business Rates (Inclusive of BR Pooling in 2022/23)	(102.469)	1.676	(1.809)	(2.195)
Social Care Grant	(45.393)			
ASC Market Sustainability and Improvement Grant	(11.312)			
Services Grant	(0.478)			
Revenue Support Grant	(4.346)	(0.071)	(0.072)	(0.089)
New Homes Bonus	(0.554)	0.554		
TOTAL TAXATION & GOVERNMENT FUNDING	(538.102)	(545.458)	(560.822)	(577.064)
SERVICE PLAN				
Service Expenditure	457.488	515.467	558.368	581.794
Inflation				
Non-pay Inflation	28.222	15.783	16.220	15.094
Allocation of pay award and pensions to service departments	10.401	1.948		
Adult Social Care				
Better Care Fund - Discharge Funding	(2.035)	5.088		
Discharge Funding - New Burdens	2.035	(5.088)		
Growth & Demography	3.917	7.491	3.917	3.917
Future demand modelling net of attrition (Covid-related)	(0.365)			
Pressures approved via protocol: ASC Strategy	0.330	0.330		
Service Demand		5.709		
Children's Services				
Growth & Demography	0.973	0.808	0.808	0.808
Looked After Children Placements Covid-related	(0.347)	(0.519)		
Covid Grant Funding for Looked After Children Placements	(0.442)	0.519		
Family Safeguarding	(0.194)	(2.075)	(3.533)	
Net Operational Pressures incl. Careleavers and Locality		0.475	2.929	
Pressures approved via protocol (23/24)	0.124			
Looked After Children Demand	18.340	3.856	0.042	0.680
Locality Social Work and MASH	0.782			
IT & Digital Systems Development	0.044	0.039	0.144	
Foster Care Service	1.540			
Additional Staffing Capacity	0.645	(0.105)		
Subject Access Requests Resource	0.122			
Reprofile of Public Health Investment	(2.420)	0.459	(0.586)	
Home to School Transport Growth & Demography		5.908	1.926	1.858
Communities, Environment & Transport				
Waste Housing Growth	0.265	0.307	0.414	0.342
Waste PFI Additional Income	(3.000)	1.200	0.400	0.700
Highways Contract Mobilisation	(2.313)			
Highways Contract Mobilisation (offset by Reserve Contribution)	0.817			
Pressures approved via protocol (23/24)	(0.800)			
Local Planning Advice Resourcing	0.090		(0.080)	

Annex 1 Medium Term Financial Plan

Medium Term Financial Plan	2024/25	2025/26	2026/27	2027/28
	Approved Budget	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
	£million	£million	£million	£million
Access to Employment and Skills	0.200		(0.200)	
Local Nature Recovery Scheme		0.100		
Pan Sussex Tourism	0.225		(0.225)	
Highways Core - TUPE Updated Data	0.158			
Highways Core - Second Grass Cut	0.080			
Pressures approved via protocol 24/25: Statutory Concessionary Fares reimbursement increases			1.250	
Business Services				
Pressures approved via protocol (prior years)	(0.078)			
Modernising Back Office Systems (MBOS)	0.386			
Licences, including digital and robotics	0.403			
Pressures approved via protocol 24/25:				
Occupational Health and Employee Assistance		0.036		
IT&D Microsoft 365 Licencing		0.351		
Corporate ArcGIS Licencing		0.044		
Controller of Premises for Corporate Estate		0.089		
Governance Services				
Pressures approved via protocol incl. Coroners Services	0.567	0.148		
Savings				
Review of BSD Savings Options	(0.693)			
NET SERVICE EXPENDITURE	515.467	558.368	581.794	605.193
Corporate Expenditure	43.814	36.979	44.053	50.055
Treasury Management	(2.850)	3.700	0.400	0.700
General Contingency	0.390	0.040	0.150	0.150
Contingency for Potential Pay Award, Recruitment and Retention	(3.343)	4.413	5.419	5.555
Inflation Risk Provision	3.245	0.015	0.019	0.022
Provision for Energy Price Increase	(1.300)			
Pensions	(3.149)			
Movement in Reserves	0.144	(1.107)		
Levies & Grants	0.028	0.013	0.014	0.014
TOTAL CORPORATE EXPENDITURE	36.979	44.053	50.055	56.496
TOTAL PLANNED EXPENDITURE	552.446	602.421	631.849	661.689
CUMULATIVE DEFICIT/(SURPLUS)	14.344	56.963	71.027	84.625
ANNUAL DEFICIT/(SURPLUS)	14.344	42.619	14.064	13.598
One of use of Financial Management Reserve	(14.344)	14.344	0.000	0.000
ANNUAL DEFICIT/(SURPLUS) AFTER USE OF RESERVES	0.000	56.963	14.064	13.598