

**Medium Term Financial Plan (MTFP) Update**

	Ref	Estimate (£m)			
		2026/27 Annual	2027/28 Annual	2028/29 (LGR) Annual	Total Cumulative
<b>Council 11 February 2025 DEFICIT</b>		<b>25.916</b>	<b>18.731</b>	<b>0.000</b>	<b>44.647</b>
CARRY FORWARD OF 2025/26 DEFICIT		11.449			11.449
<b>Total After Carry Forward</b>		<b>37.365</b>	<b>18.731</b>	<b>0.000</b>	<b>56.096</b>
<b>Normal Updates:</b>					
Council Tax	A	(14.078)	(14.311)	(29.425)	(57.814)
Business Rates	B	(2.240)	0.138	(2.302)	(4.404)
Children's Social Care Prevention Grant	C	(0.123)			(0.123)
Revenue Support Grant	D	(1.111)	(0.013)	(0.115)	(1.239)
Movement in Reserves		1.107			1.107
CSD Home to School Transport - grant rolled into RSG 2025/26		0.992			0.992
Inflation	E	0.817	(1.466)	18.625	17.976
General Contingency	F	0.686	0.221	0.540	1.447
Pay Awards and National Insurance	G	2.000	0.050	5.745	7.795
Levies and grants	H	0.028		0.014	0.042
Treasury Management	I	tbc	tbc	tbc	tbc
<b>Pressures added to / (removed from) the MTFP:</b>					
ASC Growth and Demography	J	14.217	3.106	22.479	39.802
CSD Growth and Demography	K	16.409	3.276	6.693	26.378
CET Waste Housing Growth	L	(0.225)	0.077	0.405	0.257
Pressures Protocol: including CoPilot and other AI applications	M	tbc	tbc	tbc	tbc
<b>DEFICIT AFTER UPDATES</b>		<b>55.844</b>	<b>9.809</b>	<b>22.659</b>	<b>88.312</b>

## Updates:

### A Council Tax

The Government has 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%. Council Tax inflation is therefore assumed at 4.99% for all years.

Council Tax base growth is being estimated at 1.5% for all years. The impact of additional collection fund deficit/surpluses will be managed through the collection fund reserve.

### B Business Rates

Business rates have been updated for the additional year reflecting the latest inflation estimates by the Office of Budget Responsibility (OBR) published in March 2025. Business rates will continue to be monitored along with the collection fund and reviewed alongside the District / Borough Councils latest collection forecasts to understand any further impacts.

### C Children's Social Care Prevention Grant

The final allocation of grant for 2025/26 was £0.123m higher than original notified.

### D Revenue Support Grant (RSG)

A number of grants have been rolled into RSG for 2025/26 including: Election Integrity Programme New Burdens, Extended Rights for Home to School Transport, Island Funding, Tenant Satisfaction Measures and Transparency Code. The estimates have been updated for OBR forecast inflation, and there is a technical adjustment relating to a one-off transfer to reserve in previous years.

### E Inflation

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 Corporate Management Team (CMT).

The OBR published its updated forecast inflation rates as part of its latest outlook for the economy and public finances in March 2025. It is usual practice to use this forecast to update inflation; however given the current high inflation rates it is considered prudent to use the rates at July 2025 for the 2026/27 financial year, and OBR forecast rates thereafter.

The table below shows the changes in OBR inflation estimates from its previous publication plus the actual rates for July 2025:

	OBR Forecast October 2024*			OBR Forecast March 2025*			Actual Rates July 2025
	2026/27	2027/28	2028/29	2026/27	2027/28	2028/29	
CPI	2.68%	2.16%	2.11%	1.81%	2.00%	2.00%	3.80%
RPI	3.47%	3.17%	3.08%	2.99%	3.03%	2.82%	6.50%
RPIX	3.13%	2.89%	2.90%	2.57%	2.77%	2.76%	4.70%

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

The inflation estimates also includes updates from the Highways and Waste Models based on industry-specific inflation rates.

The MTFP normal update includes inflation increases from 2026/27 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.

### F General Contingency

This is calculated at 1% of net budget less treasury management. The figures reflect the addition of 2028/29 and impacts of other changes.

#### **G Pay Award Added Year and Uplift**

Provision has been made for the addition of 2028/29 and award of 2.5% in all years of the MTFP. Adjustment has also been made to reflect the late pay award for 2024/25, the 3.2% pay award agreed for 2025/26, plus allocation of the National Insurance Grant.

We await the increase in National Living Wage for 2026/27 to be confirmed in the Autumn Budget Statement; if it is greater than 2.5% it will add a pressure to 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 Treasury Management (TM)**

The TM Model is being updated for latest estimates including the impact on borrowing costs of using £7.2m from the Capital Programme Reserve to balance the budget for 2025/26, as reported at quarter 1 monitoring.

#### **J Adult Social Care (ASC): Growth and Demography**

Figures for ASC Growth and Demography have been updated following the overspend projected at Quarter 1 (Q1). Whole year equivalent clients have been increasing by around 5.5% per year since 22/23. ESCC now supports 1,000 clients more than the client base prior to the Covid pandemic of around 7,000. Growth projections have been based at the annual trend from 23/24 to 25/26. Note that this increase excludes inflation on provider fees, which is included in E.

#### **K Children's Services Department (CSD): Growth and Demography**

Figures for CSD Growth and Demography have been updated following the overspend projected at Q1. For Looked After Children (LAC), numbers are projected to remain stable, but there will be a 15.56% increase in high cost agency children's homes placements. Home to School Transport figures have increased to reflect current demand plus an additional calculated increase in numbers of SEND clients.

#### **L Communities, Economy and Transport (CET): Waste Housing Growth**

The forecast pressure for 2028/29 has been added to the current plan and estimates have been updated for the latest available housing numbers.

#### **M Pressures Protocol**

Departments are able to submit pressures bids during the Reconciling Policy, Performance and Resources (RPPR) process to be considered for funding, this will include CoPilot and other Artificial Intelligence (AI) applications.

## Annex 1

<b>Medium Term Financial Plan</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>
	<b>Approved Budget</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate (LGR)</b>
	<b>£million</b>	<b>£million</b>	<b>£million</b>	<b>£million</b>
<b>TAXATION &amp; GOVERNMENT FUNDING</b>		(579.615)	(608.118)	(637.889)
Council Tax	(370.172)	(13.142)	(19.074)	(20.326)
Adult Social Care Precept	(29.050)	(8.247)	(8.538)	(9.099)
Business Rates	(102.987)	(1.855)	(2.057)	(2.302)
Social Care Grant	(59.640)			
ASC Market Sustainability and Improvement Grant	(11.312)			
Children's Social Care Prevention Grant	(1.485)	(0.123)		
National Insurance Grant		(4.470)		
Revenue Support Grant	(4.452)	(1.183)	(0.102)	(0.115)
New Homes Bonus	(0.517)	0.517		
<b>TOTAL TAXATION &amp; GOVERNMENT FUNDING</b>	<b>(579.615)</b>	<b>(608.118)</b>	<b>(637.889)</b>	<b>(669.731)</b>
<b>SERVICE PLAN</b>				
Service Expenditure	515.467	548.095	622.145	653.653
<b>Inflation</b>				
Non-pay Inflation	17.011	19.519	17.863	18.602
Allocation of pay award and NI increase to services	1.948	17.032		
<b>Adult Social Care &amp; Health</b>				
Better Care Fund - Discharge Funding	5.088			
Discharge Funding - New Burdens	(5.088)			
Growth & Demography	3.917	18.134	7.023	22.479
Transfer PH savings grant to CHB	1.444			
Pressures approved via protocol: ASC Fees	0.737	0.580		
Pressures approved via protocol: ASC Strategy	0.330			
Pressures approved via protocol: ASC Growth and Demography	3.574			
Service Demand	5.709			
<b>Children's Services</b>				
Looked After Children Growth & Demography	0.808	16.374	3.046	3.449
Home to School Transport Growth & Demography	5.908	2.769	2.896	3.244
Looked After Children Placements Covid-related	(0.519)			
Covid Grant Funding for Looked After Children Placements	0.519			
Family Safeguarding	(2.075)	(3.533)		
Net Operational Pressures incl. Careleavers and Locality	0.475	2.929		
Pressures approved via protocol: CSD Revenue Digital	0.039	0.144		
Pressures approved via protocol: CSD Staffing Capacity for Change Programme	(0.105)			
Pressures approved via protocol: CSD Care Inflation	1.654	1.754		
Pressures approved via protocol: CSD LAC Volume - Demand	5.763	0.672	0.680	

<b>Medium Term Financial Plan</b>	<b>2025/26 Approved Budget £million</b>	<b>2026/27 Estimate £million</b>	<b>2027/28 Estimate £million</b>	<b>2028/29 Estimate (LGR) £million</b>
Pressures approved via protocol: CSD LAC Volume - Savings	(1.907)	(0.630)		
Reprofile of Public Health Investment	0.459	(0.586)		
Home to School Transport - grant rolled into RSG 2025/26		0.992		
<b>Communities, Environment &amp; Transport</b>				
Waste Housing Growth	0.307	0.189	0.419	0.405
Waste PFI Additional Income	1.450	(0.100)	0.800	
Pressures approved via protocol in previous years	0.100	(0.505)		
Pressures approved via protocol 2024/25	0.345	1.250		
<b>Business Services</b>				
Pressures approved via protocol 2024/25	0.779	(0.064)		
Pressures pending approval 26/27: CoPilot & other AI applications		tbc	tbc	tbc
<b>Governance Services</b>				
Pressures approved via protocol	0.148			
Elections		0.409		
<b>Savings</b>				
Savings 2024/25	(2.685)			
Savings 2025/26-2027/28 - approved Feb 2025	(13.505)	(3.279)	(1.219)	
<b>NET SERVICE EXPENDITURE</b>	<b>548.095</b>	<b>622.145</b>	<b>653.653</b>	<b>701.832</b>
Corporate Expenditure		42.969	41.817	49.889
Treasury Management	14.780	2.068	2.068	
General Contingency	5.650	0.726	0.361	0.540
Contingency for Potential Pay Award, Recruitment and Retention	12.353	(5.143)	5.605	5.745
Inflation Risk Provision	6.242	0.048	0.024	0.023
Pensions	4.874			
Apprenticeship Levy	0.600			
Movement in Reserves	(1.107)	1.107		
Levies & Grants	1.021	0.042	0.014	0.014
Transfer PH savings grant to CHB	(1.444)			
<b>TOTAL CORPORATE EXPENDITURE</b>	<b>42.969</b>	<b>41.817</b>	<b>49.889</b>	<b>56.211</b>
<b>TOTAL PLANNED EXPENDITURE</b>	<b>591.064</b>	<b>663.962</b>	<b>703.542</b>	<b>758.043</b>
<b>CUMULATIVE DEFICIT/(SURPLUS)</b>	<b>11.449</b>	<b>55.844</b>	<b>65.653</b>	<b>88.312</b>
<b>ANNUAL DEFICIT/(SURPLUS)</b>	<b>(2.895)</b>	<b>44.395</b>	<b>9.809</b>	<b>22.659</b>
One-off use of Financial Management Reserve	14.344			
One-off use of Waste Reserve	(9.449)	9.449		
One-off use of Insurance Reserve	(2.000)	2.000		
<b>ANNUAL DEFICIT/(SURPLUS) AFTER USE OF RESERVES</b>	<b>0.000</b>	<b>55.844</b>	<b>9.809</b>	<b>22.659</b>