

**Medium Term Financial Plan (MTFP) Update (December 2025)**

Although we now have more information on Government's funding intentions, both from the Policy Statement and the Autumn Budget, detailed allocations for ESCC will not be clear until we receive the provisional Local Government Settlement for 2026/27 later in December.

	Ref	Estimate (£m)			
		2026/27	2027/28	2028/29 (LGR)	Total
		Annual	Annual	Annual	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	(13.855)	(14.297)	(29.410)	(57.562)
Business Rates	B	(1.746)	0.270	(2.304)	(3.780)
Children's Social Care Prevention Grant	C	(0.123)			(0.123)
Revenue Support Grant	D	(1.127)	(0.013)	(0.115)	(1.255)
CSD Home to School Transport - grant rolled into RSG 2025/26		0.992			0.992
Inflation	E	0.817	(1.448)	18.672	18.041
General Contingency	F	0.710	0.160	0.600	1.470
Pay Awards and National Insurance	G	2.000	0.050	5.745	7.795
Local Government Pension Scheme: revaluation impact	H	(5.962)			(5.962)
Levies and grants	I	0.015	0.021	0.037	0.073
Treasury Management	J	1.616	1.624	2.408	5.648
Pressures added to / (removed from) the MTFP:					
ASC Growth and Demography	K	14.217	3.106	22.479	39.802
CSD Growth and Demography	L	16.409	3.276	6.693	26.378
Orbis Review	M	1.700			1.700
CET Waste Housing Growth	N	(0.225)	0.077	0.405	0.257
CET Waste additional income	O	0.500	(0.500)	0.300	0.300
CET Waste PFI Credits	P		0.125	2.871	2.996
GCS Elections	Q		1.500	(1.125)	0.375
Pressures bids approved by CMT	R	0.895	0.030	(0.166)	0.759
<b>DEFICIT AFTER UPDATES</b>		<b>54.198</b>	<b>12.712</b>	<b>27.090</b>	<b>94.000</b>

<b>Updates to be considered – for local decision:</b>					
<i>Savings 2025/26-2027/28 - additional proposed</i>	S	(3.051)	(0.464)	(0.008)	(3.523)
<b>Pressures bids for consideration by CMT</b>	<b>T</b>	<b>TBC</b>	<b>TBC</b>	<b>TBC</b>	<b>TBC</b>
<b>DEFICIT/(SURPLUS) AFTER UPDATES TBC</b>		<b>51.147</b>	<b>12.248</b>	<b>27.082</b>	<b>90.477</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 September 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

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 CMT.

The OBR published its updated forecast inflation rates as part of its latest outlook for the economy and public finances in November 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 March 2025*			OBR Forecast November 2025*			Actual Rates July 2025
	2026/27	2027/28	2028/29	2026/27	2027/28	2028/29	
CPI	1.81%	2.00%	2.00%	2.29%	2.02%	2.09%	3.80%
RPI	2.99%	3.03%	2.82%	3.51%	3.11%	2.88%	6.50%

*\*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, rounded to the nearest £0.1m. The figures reflect the addition of 2028/29 and impacts of other changes.

## **G Pay Award and National Insurance**

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.

## **H Local Government Pension Scheme: valuation impact**

The triannual review of the local government pension scheme for 2026 to 2029 has been undertaken, resulting in a reduction in Employers pension contribution from 19.7% to 15.4%.

## **I Levies Increase**

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

## **J Treasury Management (TM)**

The TM Model has been updated for latest estimates, a breakdown of the key movements is shown below.

<b>TM Updates (£m)</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>TOTAL</b>
Capital Programme Borrowing	2.055	1.661	0.279	<b>3.995</b>
SEND Deficits	0.828	0.706	0.877	<b>2.411</b>
MTFP Deficit and Reducing Reserves	0.897	0.862	0.810	<b>2.569</b>
Other Updates, e.g. economic forecasts and debt restructuring	(0.096)	0.463	0.442	<b>0.809</b>
<b>Total Updates</b>	<b>3.684</b>	<b>3.692</b>	<b>2.408</b>	<b>9.784</b>
Already included in MTFP Feb 2025	(2.068)	(2.068)		(4.136)
<b>Total Movement</b>	<b>1.616</b>	<b>1.624</b>	<b>2.408</b>	<b>5.648</b>

## **K ASC: Growth and Demography**

Figures for ASC Growth and Demography have been updated following the overspend projected at 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.

## **L 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.

## **M Orbis Review**

Potential impact of the review of IT&D, Procurement and Internal Audit and future service delivery models.

## **N 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.

## **O CET: Waste Additional Income**

The forecast risk has been reprofiled across 2026/27 and 2027/28 (nets nil), and a forecast added for 2028/29.

**P CET: Waste PFI Credits**

The Waste Disposal budget includes income of £2.996m per annum for Waste PFI Credit payments from DEFRA which are due to end in 2028.

**Q GCS: Elections**

Provision to enable the establishment of budget for future elections, noting that the decision around 2026/27 elections is awaited.

**R Pressures Protocol**

A number of pressures bids have been approved in principle by CMT as follows:

Description	2026/27 (£m)	2027/28 (£m)	2028/29 (£m)	Total (£m)
CET: Highways Streetlighting	0.313			0.313
BSD: Payroll - loss of traded Services to School (S2S) income due to maintained schools converting to academies	0.070			0.070
BSD: HR - loss of traded S2S income due to maintained schools converting to academies	0.035			0.035
BSD: St Mary's House lease	0.027	0.054		0.081
<b>AI-Related Bids:</b>				
BSD: Power BI Fabric	0.169	(0.022)	(0.088)	0.059
ASC: Formflow	0.140	0.064	(0.078)	0.126
CSD: Magic Notes	0.141	(0.066)		0.075
<b>Subtotal AI-Related Bids</b>	<b>0.450</b>	<b>(0.024)</b>	<b>(0.166)</b>	<b>0.260</b>
<b>Total Pressures Bids</b>	<b>0.895</b>	<b>0.030</b>	<b>(0.166)</b>	<b>0.759</b>

**Requiring local decision:****S Additional Proposed Savings**

Further potential savings have been identified by services, totalling £3.523m. A detail breakdown is shown at Appendix 2.

Department	2026/27 £m	2027/28 £m	2028/29 £m	Total £m
Adult Social Care and Health	1.454	0.183		<b>1.637</b>
Business Services	0.355	0.132		<b>0.487</b>
Children's Services	0.526	0.024	0.008	<b>0.558</b>
Communities, Economy and Transport	0.636	0.125		<b>0.761</b>
Governance Services	0.080			<b>0.080</b>
<b>Total</b>	<b>3.051</b>	<b>0.464</b>	<b>0.008</b>	<b>3.523</b>

**T Pressures bids for consideration by CMT**

To be considered at the CMT Awayday on 17 December 2025.

Medium Term Financial Plan	2025/26 Approved Budget £million	2026/27 Estimate £million	2027/28 Estimate £million	2028/29 Estimate (LGR) £million
<b>TAXATION &amp; GOVERNMENT FUNDING</b>		(579.615)	(608.524)	(638.149)
Council Tax	(370.172)	(13.175)	(19.064)	(20.316)
Adult Social Care Precept	(29.050)	(7.991)	(8.534)	(9.094)
Business Rates	(102.987)	(2.468)	(1.925)	(2.304)
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)	(1.199)	(0.102)	(0.115)
New Homes Bonus	(0.517)	0.517		
<b>TOTAL TAXATION &amp; GOVERNMENT FUNDING</b>	<b>(579.615)</b>	<b>(608.524)</b>	<b>(638.149)</b>	<b>(669.978)</b>
<b>SERVICE PLAN</b>				
Service Expenditure	515.467	548.095	619.199	651.880
<b>Inflation</b>				
Non-pay Inflation	17.011	19.519	17.881	18.649
Allocation of pay award and NI increase to services	1.948	16.953		
Local Government Pension Scheme: revaluation impact		(5.962)		
<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 Public Health savings grant to Centrally Held Budgets	1.444			
Pressures approved via protocol in previous years	10.350	0.580		
Pressures approved via protocol 2026/27		0.140	0.064	(0.078)
<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 in previous years	5.444	1.940	0.680	
Reprofile of Public Health Investment	0.459	(0.586)		
Home to School Transport - grant rolled into RSG 2025/26		0.992		
Pressures approved via protocol 2026/27		0.141	(0.066)	
<b>Communities, Environment &amp; Transport</b>				
Waste Housing Growth	0.307	0.189	0.419	0.405
Waste PFI Additional Income	1.450	0.400	0.300	0.300

Medium Term Financial Plan	2025/26 Approved Budget £million	2026/27 Estimate £million	2027/28 Estimate £million	2028/29 Estimate (LGR) £million
Waste PFI Credits			0.125	2.871
Pressures approved via protocol in previous years	0.445	0.745		
Pressures approved via protocol 2026/27		0.313		
<b>Business Services</b>				
Pressures approved via protocol in previous years	0.779	(0.064)		
Pressures approved via protocol 2026/27		0.301	0.032	(0.088)
Orbis Review		1.700		
<b>Governance Services</b>				
Pressures approved via protocol in previous years	0.148			
Elections		0.409	1.500	(1.125)
<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>619.199</b>	<b>651.880</b>	<b>701.986</b>
Corporate Expenditure		42.969	43.523	53.179
Treasury Management	14.780	3.684	3.692	2.408
General Contingency	5.650	0.750	0.300	0.600
Contingency for Potential Pay Award, Recruitment and Retention	12.353	(5.064)	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	0.029	0.035	0.037
Transfer Public Health savings grant to Centrally Held Budgets	(1.444)			
<b>TOTAL CORPORATE EXPENDITURE</b>	<b>42.969</b>	<b>43.523</b>	<b>53.179</b>	<b>61.992</b>
<b>TOTAL PLANNED EXPENDITURE</b>	<b>591.064</b>	<b>662.722</b>	<b>705.059</b>	<b>763.978</b>
<b>CUMULATIVE DEFICIT/(SURPLUS)</b>	<b>11.449</b>	<b>54.198</b>	<b>66.910</b>	<b>94.000</b>
<b>ANNUAL DEFICIT/(SURPLUS)</b>	<b>(2.895)</b>	<b>42.749</b>	<b>12.712</b>	<b>27.090</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>54.198</b>	<b>12.712</b>	<b>27.090</b>