

Appendix 1

1. Medium Term Financial Plan (MTFP) Update

- 1.1 The MTFP (with the exclusion of Adult Social Care reform – shown separately) has been updated for regular calculated adjustments and the additional year of 2025/26, the movements are summarised below. The full MTFP is provided at Annex 1.

	Ref	Estimate (£m)			
		2023/24	2024/25	2025/26	Total
Council 8 February 2022 DEFICIT		2.892	6.716	-	9.608
Normal Updates					
Council Tax Base Growth uplift plus added year	A	(0.330)	(2.154)	(5.545)	(8.029)
Council Tax Base (Rother District Council error)		0.648	0.036	0.009	0.693
Council Tax Inflation (added year assumed at 1.99%)	B	-	-	(6.984)	(6.984)
Business Rates Retention (inflation and growth)	C	(2.809)	(1.047)	(1.659)	(5.515)
Business Rate Revaluation		tbc	tbc	tbc	tbc
Updates to Funding by D&Bs Received Post Budget Setting	D	(5.150)	2.254	0.000	(2.896)
Impact of Delay to Funding Reform – one year roll over					
Revenue Support Grant		(3.011)	3.011	-	0.000
Continuation and increase in Services Grant	E	(4.513)	4.513	-	0.000
New Homes Bonus		(0.888)	0.888	-	0.000
Funding Reform net impact from 2024/25	F	-	(8.549)	(2.476)	(11.025)
Communities, Economy and Transport - Waste considerations					
Contractual inflation – Waste PFI Model	G	2.335	(0.146)	0.920	3.109
Services Growth and Demography: Waste Housing Growth		-	-	0.358	0.358
Household Waste Charging Consultation		tbc	tbc	tbc	Tbc
Inflation for contracts (normal and contract specific)	H	9.117	1.761	11.816	22.694
Highways Contract re-procurement pressure	I	1.794	0.256	0.313	2.363
Highways Contract inflation included in MTFP model		(0.787)	(0.294)	-	(1.081)
Services Growth & Demography (Children's Services only)	J	0.265	0.404	0.808	1.477
Children's Services - Financial Sustainability					
COVID Looked After Children (LAC) pressure		-	-	1.758	1.758
COVID LAC funding	K	-	-	(1.758)	(1.758)
School attendance (new duty)		1.500	-	-	1.500
Home to School Transport		4.021	-	-	4.021
Other incl. Family Safeguarding		2.601	(0.398)	(1.600)	0.603
Treasury Management	L	(1.500)	-	2.400	0.900
Pay Award uplift: impact of final offer for 2022/23 (av. 7%)	M	5.862	-	-	5.862
Pay Award uplift: 4% in 2023/24; 3% thereafter		4.047	2.420	5.764	12.231
Levies Increase	N	-	-	0.012	0.012
General Contingency	O	0.150	(0.010)	0.130	0.270
Pressures added to / (removed from) the MTFP					
Pressures Protocol bid; Energy price increases	P	1.300	-	-	1.300
DEFICIT AFTER NORMAL UPDATES		17.544	9.661	4.266	31.471

Updates to be considered – for local decision		2023/24	2024/25	2025/26	Total
Proceeds of NNDR Pooling (if continued)	Q	(1.787)	1.787	-	0.000
Employers Pension Contribution: valuation impact	R	(1.800)	(0.020)	-	(1.820)
DEFICIT AFTER LOCAL DECISIONS		13.957	11.428	4.266	29.651

- 1.2 The assumption for Council Tax is an increase of 1.99% in all years; the current limit before referendum is triggered. The Adult Social Care precept assumption is for 1% in 2022/23 and 2023/24 in line with the Spending Review 2021 (SR21) announcement that authorities with social care responsibilities are expected to have flexibility over this period.
- 1.3 A number of scenarios around inflation may then present themselves particularly on pay and contracts. The below table shows the impact of a 1% movement in these areas.

Scenarios to be considered	2023/24	2024/25	2025/26	Total
1% on pay 2023/24	1.784	0.054	0.055	1.893
1% inflation in all years on contracts (ex. Waste PFI)	2.904	3.397	3.705	10.006
1% inflation in all years on Business Rates income	(0.840)	(0.940)	(0.980)	(2.760)

Normal Updates:

A Council Tax Base

The base position of normal growth was estimated at 0.9% for 2023/24 and 2024/25 in line with the average annual growth at budget setting in February 2022. It is clear the collection system needs to be reset post Covid-19 pandemic and through in the Autumn we will continue to work to improve tax base estimates. The growth assumption has been amended to 1.0% in 2023/24 and 1.5% in 2024/25 to 2025/26 to reflect the housing developments across the region and Collection Fund uplifts being reported by District and Borough councils (D&Bs).

The tax base forecast has been reduced following a specific error in growth estimates provided by Rother District Council (DC). Notification of this error was provided after the council tax base assumptions were set for the 2022/23 financial year and precept notices agreed and signed. The impact is to reduce income from council tax receipts by approximately £0.650m per annum.

B Council Tax Inflation

The assumption is for a council tax increase remains at 1.99% for the added year; the current limit before referendum is triggered.

C Business Rates Retention, Growth and Revaluation

Business Rates have been updated for the additional year and to reflect the latest inflation. In setting the budget annually we take the March Office for Budget Responsibility (OBR) forecasts, ahead of the publication of September's OBR forecasts in October. With the current levels of inflation we have reviewed this for reasonableness. It is, however considered that to some extent business rate inflationary uplifts and contract inflation (excluding Adult Social Care (ASC), Highways and Waste contracts which are being considered separately) will offset, therefore we have continued to use March 2022 OBR forecasts.

Since Full Council, updated estimates on Business Rates income from D&Bs (NNDR1 forecasts) have been received and show a slight improvement in overall income. There remains uncertainty around medium to longer-term growth, given the economic downturn. Growth is therefore estimated at a zero increase in 2022/23, 0.4% in 2024/25 and recovering to 0.7% in 2025/26 (noting that the average in a normal year is 0.7%).

Revaluations will become 3-yearly starting from 1 April 2023. Although the revaluation will be fiscally neutral country wide, there may be regional variations which could result in reduced business rates for some local authorities. An equalisation/damping mechanism is applied to minimise the impact. Ahead of information being released it is difficult to forecast the position. The last revaluation in 2017 saw a reduction of £0.5m of Business Rate mainly due to the appeals provisions made by D&Bs. Appeals, however, should reduce with the reduced cycle of revaluation.

D Updates to Funding from District and Borough Councils (D&Bs) Received Post Budget Setting

As noted at budget setting in February additional **Collection Fund surpluses** identified in January 2022 by D&Bs of £2.896m have now been included in the MTFP.

Anticipated receipts relating to 2021/22 **Council Tax Collection Fund** surplus/deficits (that will be received in 2023/24) have been updated based on information from the D&Bs' Statement of Accounts. Providing a total increased surplus of £2.735m as a one-off receipt in 2023/24. Through the Autumn we will continue to work with D&Bs to improve certainty of receipts (given the ongoing complexities) and as normal update for the council tax base estimates.

The **Business Rates Collection Fund** deficit position of D&Bs has increased by £1.098m to £2.735m from January estimates, largely as a result of the Covid-19 reliefs not being included in original forecasts.

E Impact of Delay to Funding Reform – one year roll over:

Although government have given a strong commitment to update the current local government funding regime, it is becoming increasingly unlikely that reforms will be implemented in 2023/24 due to the lack of time available to undertake a full consultation and implement major funding changes. The MTFP has therefore been updated to reflect the impact of a delay to funding reform to 2024/25 on current grant funding and future implementation.

The current planning assumptions on **Revenue Support Grant (RSG)** reflect actual inflation reported in September and Spending Review (SR)21 announcements. Ahead of funding reform and a multiyear settlement, the government has compensated for the mechanism which creates negative RSG in some authorities. The current assumption is that government will continue to compensate for negative RSG in the same way it has done in the recent years, before the RSG is reviewed as part of funding reform.

As part of the £1.6bn new Government Grant funding announced at SR21, the Council was allocated a one year **Services Grant** of £5.175m. The MTFP has been updated to reflect LG Futures consideration that in the event of no funding reform this grant will continue in full plus an uplift for inflation in 2023/24 and be in the region of £7.1m.

New Homes Bonus (NHB) was due to end in 2021/22. However, in line with funding reform being delayed the cessation of NHB has also been delayed. The MTFP has therefore been updated to assume an additional year in advance of the implementation of funding reform. The forecast is based on a combination of historic average and share of the total anticipated national pot.

F Funding Reform net impact from 2024/25

A number of the current grants and funding mechanisms will cease as and when the delayed **Business Rates Reset/Reform** is implemented. The MTFP assumes this will happen from 2024/25 and the net impact is taken from the LG Futures model of what this reform may look like although the exact mechanism and impact remain unknown this includes how 2021 census figures will be used.

G Communities, Economy and Transport (CET) Waste Considerations

A review of all the elements of waste will be carried out during the RPPR process and a holistic approach taken on the overall position on waste budgets.

The figures currently reflect the update of the Waste Private Finance Initiative (PFI) model for the latest inflation estimates by the OBR published in March 2022. These figures would then be updated for the September rates. In addition, 2025/26 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.

In addition, consideration will need to be given to any pressure resulting from the Department for Environment, Food and Rural Affairs (DEFRA) consultation (consultation closed in July 2022) on preventing local authorities to charge for DIY waste at household waste and recycling centres.

ESCC currently charges for certain types of waste such as hardcore, soil, plasterboard, bonded asbestos, and tyres. Any potential pressure will be confirmed as the outcome of the consultation and timing of any implementation is announced, the impact being within the contract with Veolia who collect this income.

H Inflation for Contracts (normal inflation and contract specific)

The normal update includes inflation at the OBR's March 2022, as it is considered that to some extent business rate inflationary uplifts and contract inflation (excluding contracts which are being considered separately, such as Highways and Waste) will offset, therefore we have continued to use these forecasts. If inflation were not passed onto businesses, legally Government would need to provide this increase via compensation grant. It remains difficult to see government being able to do this if the September inflation is as high as 12.6%, however, we will understand more as announcements regarding this are made in the coming months.

In addition, a risk review has been carried out on all significant contracts with the exclusion of those that are subject to separate consideration given the unprecedented nature of the current years inflation uplift, this review is ongoing. With the exception of energy contracts, (that are subject to pressures bid at Q below) currently no contracts have been identified that would pose significant financial risk.

As is normal practice these figures will be updated for the October OBR rates to inform the final proposed budget.

I Highways Contract Re-procurement

This is the subject of a separate paper.

J Services Growth & Demography

CET (included at G) and Children's Services Department (CSD) have provided updates for growth and demography. The table below shows these increases along with pressures already included in the MTFP approved at February 2022. CSD Sustainability and ASC reform will be managed separately. With the exception of the unknown future cohort regarding Looked After Children (LAC), there are no further pressures identified.

		2023/24	2024/25	2024/25
		£m	£m	£m
Children's Services Growth & Demography – increase and added year		0.265	0.404	0.808
Communities, Environment & Transport Growth & Demography – Waste added year		-	-	0.358
In current MTFP:				
Adult Social Care Growth & Demography		3.413	3.917	-
Children's Services Growth & Demography		1.495	0.569	-
Communities, Environment & Transport Growth & Demography - Waste		0.251	0.303	-
TOTAL		5.424	5.193	1.166

With regard LAC, any pressures arising will be managed in year through monitoring and agreed pressures added to the MTFP through the next RPPR process.

K CSD Sustainability

CSD has produced a sustainability plan to improve outcomes for children while reducing costs to the council, primarily through the implementation of the nationally trialled Family Safeguarding model which is also in line with the recommendations of the recently published Independent Review of Children's Social Care.

L Treasury Management

The additional year of 2025/26 shows the budget estimated to support the borrowing required to fund the approved Capital Programme and Strategy. In addition, due to increased returns on investment, the increase anticipated to be required in 2023/24 has been delayed.

M Pay Award - added year and uplift

An estimate of the additional year of 2025/26 has been included, as well as the impact of the final 2022/23 pay award offer (to include local managerial grades (LMG)) plus provision for 4% 2023/24 and 3% in all years thereafter.

N Levies Increase

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

O General Contingency

This is calculated at an agreed formula of 1% of net budget less treasury management. The figures reflect the addition of 2025/26 and impacts of other changes.

P Pressures Protocol

As is normal practice a number of bids were presented to Corporate Management Team (CMT) in line with the pressures protocol. The following proposals are now included in the MTFP:-

Energy Price Increases

It remains difficult to know at this point what the actual financial impact will be but ahead of the Council's current pre-bought basket ending in April 2023. It considered prudent to make a provision of £1.3m in the MTFP. For 2023/24 this will be held and managed centrally and reported as part of normal monitoring. The announcement of Government support for public sector organisations with their energy costs over winter 2022/23 currently only covers the next six months and its specific impact is not yet fully understood, therefore this bid remains prudent.

Modernising Back Office Systems (MBOS)

Work is being undertaken to update estimates for the post go-live cost of the new system. In accordance with the Reserves and Budget Robustness Statement approved in February 2022, the Financial Management Reserve includes provision for investment in the authority's core financial system, however any additional recurring costs will need to be updated in the MTFP and subject to a pressure bid.

The following updates will be presented for local decision should they continue:

Q Proceeds of National Non-Domestic Rates (NNDR) Pooling

Proceeds of pooling have been updated using published information from D&Bs. The Department for Levelling Up, Housing and Communities has invited authorities to indicate preferred pooling arrangements by 22 September 2022, for 2023/24. Noting that at this stage, this invitation is being extended for administrative purposes only. Policy decisions around business rates pooling will be confirmed by ministers at a future date. This will also be a county wide decision.

R Local Government Pension Scheme (LGPS)

The triannual valuation of the pension fund is underway. The continuing need for the 2023/24 uplift will be known later in the year.

For Information: Not Included in the MTFP

Impact of Adult Social Care Reform Estimate (£m)

	2023/24	2024/25	2025/26	Total
Market Impact: Fair Cost of Care	11.332	12.863	9.643	33.837
Extension to Means Test: Over 65	20.079	21.284	1.241	42.604
Extension to Means Test: Under 65	1.643	1.741	0.102	3.486
Implementation and Additional Assessment	5.966	1.108	0.062	7.137
Cap on Care Costs	-	-	-	-
Total	39.020	36.996	11.047	87.064
Market Sustainability and Fair Cost of Care (MSFCC) Grant	(4.718)	-	-	(4.718)
Funding - Extension to Means Test: Over 65	(5.240)	(5.240)	-	(10.480)
Funding - Extension to Means Test: Under 65	(2.509)	(2.509)	-	(5.018)
Funding - Implementation and Additional Assessment MID RANGE	(5.980)	(0.179)	(0.185)	(6.344)
Total ASC Reform Funding	(18.447)	(7.928)	(0.185)	(26.560)
Net Pressure	20.573	29.068	10.862	60.504

Whilst the Spending Review 2021 and Provisional Local Government Finance Settlement saw some recognition of the pressures on local government in the form of an increase in grant funding and funds to deliver reforms to Adult Social Care, this represented a holding position for a single year, with plans for significant reform to the way local government funding is allocated from 2023/24 onwards, leaving much uncertainty about our future financial position.

In 2022/23 local authorities have been provided with a **Market Sustainability and Fair Cost of Care Grant** raised from the 1% National Insurance Health and Social Care levy. This Market Sustainability and Fair Cost of Care Fund is allocated to support authorities prepare for paying a fair rate of care and is therefore assumed as a net nil impact. Future years estimates have been based on a share of anticipated national funding available.

The £3.1m raised from the additional 1% ASC Precept in 2022/23 has been set aside to cover any new burdens in excess of the funding available. The grant will be allocated directly to ASC; any unused grant will be transferred to the proposed new ASC Reform Reserve.

The table below shows the impact of all the above. National reforms to ASC do not address current core pressures and may also not be enough to deliver the Government's expectations of local government's enhanced role. It is therefore anticipated at this stage that the increasing cost pressures as a result of new burdens associated to ASC will be funded from additional grants made available from central government, although it is unclear at this stage to the level or mechanism for this.

Annex 1 – MTFP

Medium Term Financial Plan	2022/23 Approved Budget £million	2023/24 Estimate £million	2024/25 Estimate £million	2025/26 Estimate £million
TAXATION & GOVERNMENT FUNDING		(453.231)	(472.087)	(484.432)
Council Tax	(325.290)	(6.577)	(9.888)	(12.540)
Adult Social Care Precept	(7.840)	(3.284)	(3.409)	
Business Rates (Inclusive of BR Pooling in 2022/23)	(86.749)	(4.325)	(3.329)	(1.659)
Social Care Grant	(23.674)			
Services Grant	(5.175)	(1.926)	7.101	
Funding reform - net impact	0.000	0.000	(10.067)	(2.476)
Revenue Support Grant	(3.687)	(0.099)	3.786	
Local Council Tax Support Grant 2021/22		(2.114)	2.114	
Local Tax Income Guarantee for 2020/21		(0.459)	0.459	
New Homes Bonus	(0.816)	(0.072)	0.888	
TOTAL TAXATION & GOVERNMENT FUNDING	(453.231)	(472.087)	(484.432)	(501.107)
SERVICE PLAN				
Service Expenditure	392.195	396.461	431.558	447.701
Inflation				
Contractual inflation (contract specific)	1.747	6.943	0.820	0.984
Normal inflation for contracts	13.664	18.664	11.250	12.048
Adult Social Care				
Improved Better Care Fund	(21.776)			
Growth & Demography		3.413	3.917	
Future demand modelling net of attrition (Covid-related)		1.133	(0.365)	
Market Sustainability and Fair Cost of Care (MSFCC) Fund	(1.745)			
MSFCC Fund Pressures	1.745			
MFSCC - Support for New Burdens (from precept)	3.149	(3.149)		
Pressures approved via protocol				
Voluntary Sector, Community Hubs, Shielded Group	(0.440)	0.440		
Children's Services				
Dedicated Schools Grant	0.422			
Growth & Demography (G&D)	4.091	1.760	0.973	0.808
Disabled Access Regulations for Buses/Coaches	0.098			
Home to School Transport	0.523			
Looked After Children Placements Covid-related	1.393	(0.872)	(0.347)	(1.758)
Covid Grant Funding for Looked After Children Placements	(1.393)	0.077	(0.442)	1.758
Pressures approved via protocol	(0.124)	(0.124)	0.124	
SEND High Needs Block Additional funding	(2.138)			
Social Worker Pay	1.493			
Financial Sustainability ex. G&D and Covid LAC		8.122	(0.398)	(1.600)
Communities, Environment & Transport				
Waste PFI Efficiencies	(0.100)	(0.100)		
Waste Housing Growth	0.150	0.251	0.303	0.358
Pressures approved via protocol	0.265	0.015		
Support to Economic Development	0.025	(0.055)		
Business Services				
Pressures approved via protocol	0.411	(0.074)	(0.078)	
Modernising Back Office Systems (MBOS)			0.386	
Savings				

Medium Term Financial Plan	2022/23 Approved Budget £million	2023/24 Estimate £million	2024/25 Estimate £million	2025/26 Estimate £million
Temporary mitigations to savings	(0.388)	(0.100)		
Removal of CSD Safeguarding Savings	0.854			
Removal of CET Trading Standards Saving	0.100	0.100		
Removal of Early Help Saving	0.893			
Savings Slippage	1.347	(1.347)		
NET SERVICE EXPENDITURE	396.461	431.558	447.701	460.299
Corporate Expenditure		56.770	58.073	63.936
Treasury Management	19.930	0.000	0.100	2.400
New Homes Bonus to Capital Programme	0.816	(0.816)		
General Contingency	4.330	0.190	0.120	0.150
Contingency for Potential Pay Award	5.691	12.996	5.565	5.732
National Insurance 1.25% Increase	1.514	0.030	0.031	0.032
Contract inflation and collection fund risk	4.755	(4.050)	0.015	0.017
Provision for Energy Price Increase		1.300		
Pensions	8.023	1.800	0.020	0.000
Apprenticeship Levy	0.600			
Levies & Grants	0.952	0.012	0.012	0.012
One off investment opportunities (held in Financial Management reserve)	5.175	(5.175)		
Future Risks: CSD/SEND/ASC and Funding Reform/COVID legacy (held in Financial Management reserve)	4.984	(4.984)		
TOTAL CORPORATE EXPENDITURE	56.770	58.073	63.936	72.279
TOTAL PLANNED EXPENDITURE	453.231	489.631	511.637	532.578
CUMULATIVE DEFICIT/(SURPLUS)	0.000	17.544	27.205	31.471
ANNUAL DEFICIT/(SURPLUS)	0.000	17.544	9.661	4.266