Report to:	**Cabinet**
Date:	**29 September 2022**
By:	**Chief Executive**
Title of report:	**Reconciling Policy, Performance and Resources (RPPR) – Update**
Purpose of report:	**To update Members on the latest policy context, Medium Term Financial Plan and capital programme and proposed approach to one-off investments.**

RECOMMENDATIONS:
Cabinet is recommended to:

i. **note the updated policy and demographic context as set out in paragraph 2;**

ii. **note the updated Medium Term Financial Plan as set out in paragraph 3 and appendix 1;**

iii. **approve the allocation of £270,000 from the £5.175m Services Grant funding to support staff recruitment and retention as set out in paragraph 4.5, and to hold the remainder of the funding in the Priority and Transformation Reserve;**

iv. **note the capital programme update as set out in paragraph 5 and appendix 2; and**

v. **agree to continue lobbying for sustainable funding to meet the needs of the residents of East Sussex.**

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1. Background

1.1. In June Cabinet considered the State of the County report, a key milestone in the Council's Reconciling Policy, Performance and Resources (RPPR) process, its integrated business and financial planning cycle. The report set out the updated demographic, economic and service evidence base; the national and local policy context; and updates on our medium term financial planning position and capital programme. It gave our latest understanding of how we will need to continue to respond to the broad and rapidly evolving range of policy, demographic and financial drivers which influence the outlook for the Council, both in the short and longer-term.

1.2. The report illustrated the high levels of uncertainty and change that continue to dominate the environment within which we are working and planning. Factors such as the volatile national and international economic situation and the undefined impact of national reforms to many of our key service areas, particularly social care, contributed to a highly uncertain financial outlook. As a result of this unclear and evolving picture it was not possible to present an updated Medium Term Financial Plan as part of State of the County.

1.3. Since June, the instability in our planning context has persisted, with significant further national economic and political developments. A new Prime Minister took office on 6 September and although the new Government's policy agenda and priorities are beginning to emerge, there remains uncertainty over whether, or how, national policy proposals brought forward by the previous administration will be progressed. The new Government takes over at a time when current and forecast economic conditions continue to shape a very challenging financial outlook both for the Council itself and many of the county's residents and businesses.

1.4. The RPPR process, which brings together our policy, business and financial planning and risk management, continues to provide the robust mechanism to help us navigate this uncertain environment, supporting planning for 2023/24 and beyond and maintaining focus on our four priority outcomes:

- Driving sustainable economic growth;
- Keeping vulnerable people safe;
- Helping people help themselves; and
- Making best use of resources, now and for the future.

The priority outcome that the Council makes the “best use of resources, now and for the future” is a test that is applied to all activities to ensure sustainability of our resources, both in terms of money and the environment. In June Cabinet also agreed, for planning purposes, a number of changes to the delivery outcomes which underpin these priorities to ensure they remain up to date and appropriately reflect the post-Covid context.

1.5. With our firm foundation of careful management of resources over many years, and with the assistance of Government Covid support during the pandemic, we have been able to maintain stability in service provision in recent years and we are managing current, in-year pressures within our current plans and contingency arrangements. However, the financial outlook in the medium term is increasingly challenging and uncertain with national economic conditions impacting on our projected future position, alongside pre-existing pressures and uncertainties. This report provides our latest assessment of the position.

1.6. As reported in June, the allocation of a single year Services Grant by Government, as part of the finance settlement for 2022/23, presents an opportunity to consider making one-off investments where these could help manage future demand, address future issues or help deliver priorities. However, the difficult economic situation, and resulting additional pressures on Council services and our financial position, form a new backdrop against which to consider the appropriate use of one-off funding.

1.7. This report provides Members with an update on the rapidly evolving context that will continue to inform our planning for 2023/24, and includes:

- updates on key policy context developments since June;
- updates on the financial context and an updated Medium Term Financial Plan for 2023/24-2025/26;
- an update on the capital programme and next steps; and
- a proposed approach to one-off investments.

2. Policy context update

2.1 The context the Council is operating within continues to change rapidly. Key areas in which there have been developments since the State of the County report, or in which further developments are expected this autumn, are detailed below.

- **National Government changes** - On 5 September Liz Truss was announced as the new Leader of the Conservative Party and Prime Minister. She indicated that her Government’s initial priorities would be growing the economy, addressing energy price rises and energy supply, and access to NHS services. New ministerial appointments were made in early September including Simon Clarke as the new Secretary of State for Levelling Up, Housing and Communities. Further detail of the new Government’s policy agenda, and how that will impact on local government, is expected to emerge during the autumn, after a pause in parliamentary business during the period of mourning following the death of Her Majesty Queen Elizabeth II.

- **National economic context** – since June, national economic conditions have become increasingly challenging with forecasts indicating this is likely to continue for some time. Inflation, as measured by the Consumer Prices Index (CPI), reached 10.1% in the 12 months to July and, despite an unexpected fall to 9.9% in August, is currently forecast by the Bank of England to peak at 13% in the coming few months before reducing to the 2% target over the next two years. The high rate has been driven particularly by significant increases in the cost of energy and food, both linked to the ongoing war in Ukraine amongst other factors, and creates significant cost of living pressures for individuals and families. The Institute for Fiscal Studies has highlighted that lower income households are likely to face higher rates of inflation than the headline figures suggest because they spend a higher proportion of their income on food and energy. In response to rising inflation the Bank of England raised interest rates by 0.5% to 1.75% in August – the largest increase since 1995 - with further rises anticipated.

  In late August the energy regulator Ofgem announced an 80% increase in the cap on household energy prices from 1 October to £3,549 (annual cost for dual fuel for an average household). Although Ofgem did not provide specific price cap projections for the new year due to ongoing market volatility, it was indicated that there could be significant further increases through 2023. The regulator's announcement highlighted the significant impact this would have on households and called for further support from Government in addition to measures already introduced to support households with energy bills earlier in the year. Research published by the University of York indicated that, without further action, around two thirds of UK households could be in fuel poverty (spending more than 10% of net income on fuel) by January. Significant concerns have also been raised nationally about the impact of inflated energy prices on the sustainability of some businesses, who are not covered by the price cap.

  In response to the significant rise in energy prices, on 8 September the new Government announced a package of measures to ensure that typical households will pay no more than £2,500 a year on gas and electricity bills from 1 October through an Energy Price Guarantee. The Prime Minister confirmed that the new price guarantee will last for two years and will be paired with both the existing Energy Bill Support Scheme, which will provide £400 support to households, and a £150 saving, brought about by a temporary suspension of green levies on energy bills. Households who do not pay direct for mains gas and electricity – such as those living in park homes or on heat networks – will receive support through a new fund. The Government will also support business, charities and public sector organisations with their energy costs this winter, providing an equivalent guarantee for six months. In addition, the Treasury announced a joint scheme, working with the Bank of England, to provide resilience to both energy and financial markets, and the economy, and reduce the eventual cost for businesses and consumers. The Government also announced a new Energy Supply Taskforce to agree long-term contracts that reduce the price charged for energy and increase the security of its supply.

- Even with the additional Government support with energy prices, the impact of the increases in the cost of living on residents, particularly those already experiencing financial hardship, can be expected to result in increased need for public services and voluntary, community and social enterprise (VCSE) sector support locally. We will continue to work with partners on ways to maximise access for vulnerable residents to the advice and support available. The multi-agency East Sussex Financial Inclusion Steering Group has been re-established, bringing together statutory and VCSE sector organisations to co-ordinate support. The Group's initial work includes using data to help target support effectively, identifying shared priorities and approaches for improving financial inclusion, and maximising funding opportunities and the uptake of benefits and other financial support by vulnerable residents. Partners are also supporting residents to get access to the right information, including through the development of a local cost of living webpage, to be hosted on the East Sussex County Council (ESCC) website, which will bring sources of help and advice together in one place.

As well as the potential for increased demand on services, high energy prices and inflation also impact directly on our operating costs as set out in more detail in paragraph 3 below. Levels of inflation and cost of living pressures are impacting on pay negotiations across the workforce in both the public and private sectors. Combined with a reduction in the active workforce post-Covid and low rates of unemployment there remains a highly competitive and challenging environment for recruitment and retention of staff. For ESCC this means we are continuing to experience significant challenges in recruiting to posts across the organisation, particularly front line social care roles, which impacts on the capacity in services. Part of our response to this issue has been the launch of a new recruitment brand in September, promoting the Council as an excellent place to work and 'employer of choice'.

- Looking ahead, the outlook for the UK economy over the next 18 months has worsened compared to forecasts earlier in the year. Gross Domestic Product (GDP) fell by 0.1% in the second quarter of 2022, the first fall in GDP since early 2021. The Bank of England forecasts that the economy will go into recession later this year, with output falling from the last quarter of 2022 to the last quarter of 2023. Even when growth resumes, it is forecast to be "very weak".

  The Government has indicated that the Chancellor will make a fiscal statement (as opposed to a full Budget statement) on 23 September which will include setting out the cost and funding of the energy support package. The statement may also include details of the new Government's taxation policy and plans to strengthen economic growth. Any implications of the statement for ESCC will be reported verbally at the Cabinet meeting.

- **Adult Social Care charging reform** – In July the Government published updated operational guidance on implementing the cap on care costs, which included a change to the implementation of one aspect of the reforms, the extension of Section 18(3) of the Care Act 2014 which will allow people who are self-funding their care costs to have residential care for eligible needs arranged by their local authority at local authority rates (this provision is already in place for domiciliary care). In response to concerns expressed during consultation about the workability of full implementation of this aspect from October 2023 it will now be phased, with people newly entering residential care from October 2023 initially eligible, and the full roll-out to those already living in residential care to take place by April 2025, or earlier if the market can sustain it. This does not affect people's ability to use the cap on care costs as all care users will be able to meter towards the cap from October 2023.

  In August, Government published a technical consultation on proposals for distributing funding to local authorities to support the first year of delivery of charging reform in 2023 to 2024, including funding for undertaking an increased number of financial and needs assessments, and implementing the extension to the means test and the cap on care costs. Our response raised concerns about whether the allocations under any of the methodologies proposed would be sufficient to cover our costs and emphasised the importance of factoring in the existing number of self-funding individuals in an area given the link to the likely impact of the reforms.

  To support initial preparations for implementing the reforms we have been allocated £97,792 in 2022/23. The Adult Social Care and Health department has initiated a programme of work to deliver the required changes to systems and processes, linking this to activity already underway to develop an Adult Social Care Strategy to ensure that the needs and aspirations of local people and other stakeholders are woven into priority projects and programmes going forward. Work continues to analyse the potential impact of charging reforms in East Sussex, with a key next step being the requirement to produce a provisional Market Sustainability Plan to submit to the Department for Health and Social Care (DHSC) by mid-October. The very significant potential financial impact of the reforms on the County Council is outlined in paragraph 3 below.

Funding linked to charging reforms does not cover existing growth in demand for social care. We will therefore need to continue to lobby with others in the sector for Government to address ongoing social care pressures in a sustainable way that reduces reliance on Council Tax, as well as highlighting the additional impact of reforms, including the significant consequences for the NHS and the care home market, as well as Councils, if reforms are implemented without sufficient time or funding.

- **Health and social care integration** – On 1 July Integrated Care Systems (ICS) came into being on a statutory basis across England. Locally, this saw the replacement of the East Sussex Clinical Commissioning Group with the NHS Sussex Integrated Care Board which took over responsibility for commissioning most local health services across East and West Sussex and Brighton & Hove. In August DHSC issued further guidance on how ICSs are expected to work with Health and Wellbeing Boards, Health Overview and Scrutiny Committees and care providers, as well as statutory guidance for Integrated Care Partnerships on the preparation of Integrated Care Strategies. The guidance will inform local approaches as new arrangements become fully established over the coming months.

- **Levelling Up and devolution** – The Levelling Up and Regeneration Bill continues to progress through parliament, reaching Committee stage in the House of Commons before the summer recess. It is expected to continue its progress through the autumn. August saw the announcement of two proposed new devolution deals - one in North Yorkshire and York and another covering the East Midlands. Both deals included a focus on skills, transport and infrastructure and included the adoption of a directly elected mayor for the area covered by the deal. Further devolution announcements from the initial round of County Deal negotiations signalled in the Levelling Up White Paper are anticipated by the end of the year. ESCC will continue to monitor developments closely to understand the detail of new devolution deals and any opportunities presented by the Government’s devolution offer.

- **Climate Change** – The impacts of climate change received increased focus over the summer in light of the heat waves experienced locally and nationally which necessitated a multi-agency emergency response. A drought was declared across large parts of England, including East Sussex, during August following a lack of rainfall over the summer. Locally, work is ongoing to update the Council’s corporate Climate Emergency Plan which sets out the actions we are taking to work towards becoming a carbon neutral council as soon as possible and by 2050 at the latest.

- **Support for refugees and asylum seekers** – East Sussex households have continued to welcome and host guests from Ukraine over the summer with ongoing support in place through partnership arrangements between the County Council, district and borough councils and the VCSE. The autumn will see many hosting arrangements reach the end of the initial six month period and locally there has been a focus on putting in place ‘moving on’ arrangements where these may be needed. This includes supporting guests to secure accommodation for the longer term if hosts are not able to continue to offer this, and to find suitable employment. It was announced in July that the national Homes for Ukraine scheme would be extended to allow new applications from those aged under 18 who are not travelling with or joining their parent or legal guardian. The process for these applications requires the planned sponsor (who should have a pre-existing relationship with the Ukrainian family) to undergo safeguarding checks by their local Council before an eligible child can start their visa application. There is also an expectation that hosts will agree to look after the child for a minimum of three years.

In August, in response to an increasing number of Unaccompanied Asylum Seeking Children (UASC) arriving in the country, the Government announced changes to the National Transfer Scheme (NTS). The ten day transfer deadline has been reduced to five working days for all transfers of UASC not currently in the care of a local authority and the upper threshold for the number of UASC to be received by any local authority under the NTS has been increased from 0.07% to 0.1% of a Council's general child population (for East Sussex this is an increase from 74 to 106). ESCC continues to play a full part in the NTS as well as supporting any additional unaccompanied children arriving under the separate Homes for Ukraine scheme. Increased numbers of arrivals under both schemes will require additional support from local services.

As reported at State of the County, to address pressure on the asylum system, the Home Office announced earlier in the year the move to a 'Full Dispersal' system whereby all local authorities in England, Scotland and Wales will be expected to be asylum dispersal areas and will receive new Government funding to support this. Government has said the change is needed as the asylum system is under enormous and unsustainable pressure due to the challenges of the pandemic and significant increase in small boat crossings in the English Channel which has continued over the summer. Consultation with local authorities has been undertaken to shape the design of the reformed system and how it will be implemented. In the south east local authorities are working with the South East Strategic Partnership for Migration to develop a regional asylum dispersal plan for consideration by the Home Office.

- **Public service reforms** – as set out in the State of the County report, Government is progressing a range of public service reviews and reforms that will have implications for services delivered by the County Council. Key areas in which Government response and future direction are awaited include the Special Educational Needs and Disability (SEND) and Alternative Provision Green Paper and the National Review of Children's Social Care services. Announcements and progress in each of these areas is expected in the coming months.

2.2 We expect further detail of policy developments and the resulting implications for the County Council to become clearer in the coming months and will continue to factor these into planning for 2023/24 and beyond.

2.3 Since State of the County we have also received initial headline results from the 2021 Census which add to our understanding of the demographic make-up of the county as set out in the Focus on East Sussex appendix in June. The Census results suggest the East Sussex population was approximately 545,800 in 2021, a growth of 3.6% since 2011. With the exception of Wealden (7.5%), all districts in East Sussex registered population growth below the national average (6.6%); Hastings registered the lowest population growth at just 0.9%. However, the rate of population growth varied across the age bands, for example East Sussex saw an 46.6% increase in 70-74 year olds between 2011 and 2021, compared to a national increase of 36.8%. More detailed statistics from the Census will be released by the Office for National Statistics over the coming months and will be used to inform our business planning processes.

3. Medium Term Financial Plan

3.1 It remains difficult to plan for 2023/24 and beyond. The level of Government funding that ESCC will receive between 2023/24 – 2025/26 is yet to be confirmed; Although the Spending Review (SR) 2021 covered three years, the subsequent Local Government Settlement was for a single year only and therefore allocation of funding for this planning period will be announced at the provisional Local Government Settlement for 2023/24, which will be in the late autumn of 2022. The economic context has also changed significantly since SR 2021. The impact of the pandemic, global supply chain issues and levels of inflation not seen for decades, combined with the Ukraine situation, has led to an unprecedented level of financial uncertainty.

3.2 Initial updates to the Medium Term Financial Plan (MTFP) for State of the County in July estimated a deficit budget position by 2025/26 of £14.999m, with further work required over the summer on the details, including the budget requirements for services. The MTFP is now updated to reflect service pressures and more detailed analysis.

3.3 The impact of the updates is summarised in the table below and provides a deficit budget position by 2025/26 of £31.5m.

Medium Term Financial Plan	2023/24 £m	2024/25 £m	2025/26 £m
Annual Budget Deficit / (Surplus)	**17.544**	**9.661**	**4.266**
Total Budget Deficit / (Surplus)	**17.544**	**27.205**	**31.471**

3.4 The net impact of delayed funding reform is presented in the MTFP (as modelled by LG Futures) from 2024/25, however this could be subject to further delay and formula changes. Future Ministerial policy decisions on the nature of any further reform and how this will impact the continuation of existing Business Rate and pooling arrangements for 2023/24 and onward, are not clear. This includes the unknown impact of business rates revaluation from 1 April 2023, and the cycle of revaluation reducing from five years to three years.

3.5 As a result of the major national Adult Social Care charging reforms (referenced at 2.1 above and set out in more detail within the State of the County report), local authorities will become responsible for funding care for a larger number of people as more residents become eligible for local authority funded care and support. The rate local authorities will need to pay providers for individual placements will increase. There will also be a significant increase in demand for both Care Act and financial assessments which will increase operational costs. Analysis undertaken nationally by the County Councils Network shows that these reforms will impact most significantly on counties in the south east. This is due to the relatively high number of older people in the population and the higher proportion of people with eligible care needs who currently pay for their own care (self-funders), coupled with the higher cost of care compared to other regions of the country.

3.6 We have undertaken local modelling to estimate the potential impact in East Sussex, taking into account specific local factors in our population and care market. Whilst there are a number of uncertainties, our best estimates show that approximately 3,800 additional people in home care and residential and nursing care may require a Care Act Assessment, of which approximately 3,200 may have eligible needs and require a Care Account, advice and their care being brokered by the Council. There is the potential for a net pressure across the MTFP period of £60.5m after national funding to support reforms (as currently indicated) is taken into account. Our estimates will continue to be refined as more information becomes available. For information, the estimated pressure is presented in more detail separately to the MTFP at the ‘Impact of Adult Social Care’ section as part of appendix 1. The estimated pressure is not included within the MTFP as lobbying continues for this new burden to be fully funded by Government. The projected impacts clearly illustrate that it would not be possible for ESCC to bear the costs of the reforms without significant further national support as current levels of Government funding are not sufficient.

3.7 In addition to Adult Social Care reforms, there are a range of other significant policy and legislative changes across services, particularly within Children’s Services where the proposed reforms are in the context of, and are in part linked to, ongoing rising demand. In light of these pressures, the Children’s Services Department 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. The proposed model has been discussed with the People Scrutiny Committee which expressed strong support for its aim to support adult carers and parents and keep more children with their families. The initial £5.4m cost pressure over three years before full implementation of this plan is included in the MTFP at appendix 1, reflecting the intention that Family Safeguarding forms a key part of a longer term approach to sustainability in Children’s Services. Its implementation is expected to lead to cost avoidance/savings of over £11m over that period, given the current trend of rising demand.

3.8 At a local level, the impact the economic downturn and cost of living crisis has had, and will have, on collection rates and base growth for Council Tax and the levels of Business Rates remain unclear, and local Council Tax Reduction Schemes will see a further reduction in the collection of Council Tax.

3.9 A detailed MTFP after normal updates and proposed pressures is shown at appendix 1.

3.10 As set out above, our estimated deficit for 2023/24 is £17.544m. However, as detailed above, we know there is uncertainty about future funding allocations, and in resetting the MTFP and presenting the budget position for 2023/24 and beyond. Additionally, a number of scenarios around inflation could also impact the possible level of budget deficit that will need to be addressed. These are summarised in the table below.

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 (excluding Waste Private Finance Initiative (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)

3.11 At this point in the RPPR process it is not possible to present a balanced MTFP due to the considerable level of national funding uncertainty.

3.12 We continue to benchmark our services against other local authorities to ensure these provide best value for money and to learn from others. Over the coming months, we will work to refine the budget to update for the impact of the Local Government Settlement, in whatever form that takes, whilst reflecting updated assessments of budget pressures, including Council Tax and Business Rates. If there is a deficit on the 2023/24 budget, and in line with our robust financial management policies and procedures, one option will be to bring grant funding forward and/or use reserves to mitigate this position until the medium to longer term funding position is clarified. Given the level of uncertainty about future funding, and pressures currently being experienced by services, it is not proposed to seek new savings at this point.

4. One-off investment

4.1 As reported at State of the County in June the Local Government Settlement provided the Council with a Services Grant of £5.175m for 2022/23. As this was presented by Government as a one-off grant, which would not be taken into consideration for transitional protection when future changes are made to the local government funding regime, it was agreed that this grant would be held in reserves for potential one-off investment opportunities.

4.2 Opportunities for use of this one-off resource, which can be revenue and/or capital in nature and can be spread across multiple years, have been considered in line with the principles endorsed by Cabinet in June and reviewed by scrutiny in July:

- enabling a significant improvement in delivering to the Council's priorities and/or performance targets
- managing service demands
- avoiding future costs
- proactively addressing known future issues; or
- having a positive impact on the MTFP.

Both People and Place Scrutiny Committees were supportive of the proposed criteria for assessing potential investments. Scrutiny comments focused on how the criteria could be interpreted or applied such as through providing an opportunity to test new approaches, and ensuring that any investments were in line with the Council's priority outcomes and would help prepare for challenges ahead, given the level of change and uncertainty.

4.3 The developments in our financial outlook since State of the County set out above, and increased projected deficit within the MTFP, form a new backdrop to consideration of how the Services Grant funding is best used to support our position going into 2023/24. Potential areas for investment were considered by Scrutiny earlier in September in this context and, although there was support for investments which met the criteria above, both People and Place Scrutiny Committees recommended that the level of financial uncertainty be carefully considered in coming to a view on the best approach.

4.4 In light of the latest MTFP outlook, the significant ongoing uncertainty in the economy and the feedback from Scrutiny, a prudent approach which will reduce the potential requirement for future savings is recommended. It is proposed to continue to hold the majority of the Services Grant funding in reserves for a longer period to provide additional security until the financial outlook is clearer. There remains the option to reconsider investments as part of budget setting in the new year when details of the finance settlement for 2023/24 are known.

4.5 However, given the significant workforce challenges the Council is currently experiencing and the immediacy and impact of these, it is recommended to allocate £270,000 across the remainder of the current financial year and 2023/24 to support ongoing actions to maximise the recruitment and retention of staff. This funding, which was identified as a priority by Place Scrutiny Committee, will enable the continuation of current work on the development of an employer brand and updated recruitment materials to identify the Council as an employer of choice. This includes work to extend our reach into sections of the labour market that are underrepresented and/or face significant barriers to employment by working in partnership with organisations that support these communities. In addition, the funding will also provide for the forecasting of workforce 'gaps' and future need, as well as investment in the continuous professional development of our staff and the promotion of the range of financial wellbeing services available to staff which provide tangible benefits in response to the current significant financial challenges being faced by many.

4.6 Previous one-off investments in highways and climate change, agreed by Cabinet in November 2021, continue to be delivered. Progress in relation to climate change is reported as part of the annual progress report elsewhere on this agenda. Investment of £5.8m, over and above our existing annual capital maintenance programme, was allocated to additional highway improvement works including further patching, lines and road markings, repairs to pavements and repair and replacement of road signs. These works will have a visible positive impact for all road users.

4.7 The additional carriageway patching and pavement works programmes are underway and on track to be completed by 31 March 2023. The extra investment has enabled an additional 356 carriageway patches to be completed up to the end of June, totalling 10,580m^2 over 209 sites, and a further 300 sites have been identified to be completed by March. Approximately 100 footway resurfacing schemes are targeted to be completed this year in addition to 85 small footway patching schemes already delivered and further small patching works. The road marking/lining and road signs works will be delivered over two financial years in line with the availability of the required resources and seasonal programming of lining works, with forecast completion by 31 March 2024 to enable efficient delivery and ensure value for money.

5. Capital Programme

5.1 The programme has been updated for approved variations since the State of the County in July 2022, increasing the gross programme to £681.2m to 2031/32, details of which can be found at appendix 2.

5.2 The 10 year capital programme to 2031/32 and 20 year Capital Strategy 2022/23 to 2042/43 will be updated as part of the RPPR process over the autumn to add a year and to include consideration of the impact and management of inflation and supply chain issues, alongside any updates relating to funding, programme and project profiles and any other investment basic need.

6. Lobbying and Communications

6.1 The medium term outlook has become increasingly challenging. We face a very significant and growing financial gap linked to the acute impacts of the national economic situation which could not be foreseen and are outside of local control. Coupled with this, the uncertain impact of national reforms in major service areas remains and we await clarity on long-term funding arrangements, particularly for existing pressures and reforms in Adult Social Care, which continues to make planning difficult. Fundamentally, without further Government support or sustainable reform of local government finances we will not have the funding we need for the future.

6.2 In the context of this unprecedented uncertainty, and the new Government formulating its response to current challenges and its ongoing policy programme, our lobbying will be vital. We will call for specific support with the impacts of current economic conditions which we cannot control, alongside recognition of the additional demand these conditions create on services already under pressure as a result of the increases in cost of living driving increased need in our communities, and workforce shortages limiting our capacity to respond. We will also strongly make the case for increased time and resource to deliver much needed reform to Adult Social Care and for longer term sustainability of future funding for local government, which is appropriately reflective of local need. This will be essential to ensuring we secure adequate resources to deliver what will be required to support East Sussex residents, communities and businesses with the core services they need in the years ahead. We will continue to work individually, with our partners across the region and with the sector nationally to articulate these messages clearly and actively, supported by local evidence of the issues we face.

7. Next Steps

7.1. This report confirms the high level of uncertainty within which planning for 2023/24 is taking place. Much is to be determined around national spending allocations and priorities for 2023/24 onwards, the impact of national reforms, and the medium to longer term impact of current economic conditions.

7.2. Thanks to our sound financial management and clear focus on priorities we are in a position to manage immediate financial pressures but the situation for next financial year and beyond presents considerable challenges and our response will depend on levels of national support. In the short term, this report proposes to use one-off funding to support the recruitment and retention of our essential staff and to provide additional security until the financial outlook is clearer.

7.3. Work will continue throughout the autumn and winter to understand the detailed funding picture as it emerges, the implications of national policy developments and to refine our understanding of the county’s needs as new demographic data emerges. This analysis will feed into our ongoing business and financial planning.

7.4. Members will continue to be involved in developing plans through Cabinet, County Council, Scrutiny Committees, and specific engagement sessions throughout the 2022/23 RPPR process.

BECKY SHAW
Chief Executive

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 Distict 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	E	(3.011)	3.011	-	0.000
Continuation and increase in Services Grant		(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	G				
Contractual inflation – Waste PFI Model		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	K				
COVID Looked After Children (LAC) pressure		-	-	1.758	1.758
COVID LAC funding		-	-	(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 increasing unlikely that reforms will be implemented in 2023/24 due to the lack 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***

Appendix 2 - Capital Programme Update

1 Background

1.1 As part of the Reconciling Policy Performance and Resources (RPPR) process the Capital Strategy and programme are reviewed annually to ensure that they support the Council's responsibilities and departmental service strategies. To manage investment to a sustainable level, the Capital Strategy focuses on the delivery of targeted basic need to support the council in the delivery of services as efficiently as possible, rather than rationing through prioritisation. This is in recognition that there are conflicting priorities but that a level of investment is needed across the council in order to deliver the council's services and react to changes in technology, economy and the environment. Basic need for the purpose of strategic capital planning is provided below: -

- Place: ensuring we can deliver services by planning for future need.
- Asset Condition: maintaining our assets to an agreed level.
- ICT Strategy: ensure that our ICT is fit for purpose for delivering modern council services in a digital era and protecting data.
- Climate Change: tackling climate change has become part of ESCC core business, investment is required for the achievement of carbon neutrality.

1.2 At Full Council in February 2022 the target led basic need capital strategy of 20 years, supported by a 10-year planned capital programme was approved. The approved programme was further updated at State of the County in July 2022 to reflect the 2021/22 outturn, project and programme reprofiles and approved variations, revising the gross programme to £676.0m to 2031/32. For planning purposes, the first 3 years of the programme, to 2024/25 are considered approved. Whilst the remaining years are indicative to represent the longer term planning for capital investment.

2 Variations to the Current Approved Programme

2.1 The programme has been updated for approved variations since the State of the County in July 2022. These are summarised in the table below.

Table 1 - Capital Programme (gross) movements (£m)	Approved MTFP Programme			MTFP +1 Year	2026/27 to 2031/32	Total
	2022/23	2023/24	2024/25	2025/26		
Approved programme at State of the County 2022	**95.588**	**82.720**	**83.761**	**76.649**	**337.329**	**676.047**
Approved Variations (see 2.2)	(1.360)	2.307	3.990	0.231	-	**5.168**
Total Revised Programme	**94.228**	**85.027**	**87.751**	**76.880**	**337.329**	**681.215**

2.2 The approved variations to the programme relate to schemes totalling gross £5.168m (the profiling of which is currently under review) as follows:

- **Schools Delegated Capital Programme:** An increase to the programme of £0.656m to reflect latest schools plans for capital investment in year to be funded from specific grant and schools contributions.
- **Learning Disability Supporting Living Scheme:** A report to Adult Social Care Lead Member in March 2022 proposed capital investment of £6.421m to redevelop services for adults with learning disabilities at a number of properties, which will be funded from within existing Adult Social Care revenue budget and ringfenced grant funding, which has been held in anticipation of eligible social care transformational investment.

- **Getting Building Fund - Riding Sunbeams (LEP Funded Project):** A reduction of £2.477m where the project has not met some pre-conditions originally set and funding has therefore been removed and withdrawn from the capital programme following approval of the SELEP Accountability Board.
- **Disability Children's Homes (Sorrel Drive):** As approved as part of the Q1 monitoring to Cabinet, design work has identified that an increased scope would deliver additional benefits including future cost avoidance relating to alternative provision. The revised cost has increased by £0.568m, of which £0.261m has been identified within Children's Services revenue budgets, and £0.307m from increased capital programme borrowing. This addition to the capital programme is recommended in accordance with the Capital Strategy via business case, demonstrating value for money when considering the cost of alternative provision and its potential ongoing impact on revenue budgets.

3 Conclusion and Next Steps

3.1 Work will be progressed as part of the RPPR process to extend the programme by a further year to maintain a 10-year planning horizon together with a review of programme profiles across years. The annual review of the Capital Strategy will also be completed to ensure continued links into, and in support of, the Council's other strategies.

3.2 A £7.5m risk provision was approved in February 2022 to mitigate against capital programme risks, representing circa 2% of the programme over the MTFP period. This risk provision is a permission to borrow for emerging risks and is managed through ensuring Treasury Management capacity rather than representing funds that are within the Council's accounts. There are several risks and uncertainties regarding the programme to 2025/26 and beyond which have necessitated holding a risk provision. Including increased uncertainties that exist within the construction industry in terms of supply chain issues and high-cost inflation which are likely to impact the delivery of schemes within the current budget. The capital programme includes an element of 'normal' inflation for ongoing, target-based, core programmes (as opposed to programmes that have cash limited envelopes) such as Highways at 3% annually, with any increases above this level that cannot be managed within the agreed budget, to be supported by the risk provision.

3.3 Any unmanageable risks which have a financial impact are required to be reported to Capital and Strategic Asset Board to be considered as part of the broader RPPR process. This will be done on a case by case basis, and in the context of the wider programme, and the fiscal and economic national position. As part of the RPPR process the adequacy of the risk provision will also be assessed.

3.4 Ahead of further announcements there are no updates to the overall funding position currently. As part of the RPPR process capital funding will be reviewed, and this will include estimates of developer contributions (Section 106 and Community Infrastructure Levy), capital receipts and any updates to formula grants following government announcements.

3.5 Annex 1 provides the capital programme updated for variations noted at section 2.

Annex A – Detailed Capital Programme

Capital Programme (gross) (£m)	MTFP Programme			MTFP +1 Year	2026/27 to 2031/32	Total
	2022/23	2023/24	2024/25	2025/26		
Adult Social Care:						
House Adaptations	0.050	0.050	0.050	-	-	**0.150**
Learning Disability Support Living Scheme	0.200	2.000	3.990	0.231	-	**6.421**
Greenacres	0.144	-	-	-	-	**0.144**
Adult Social Care Total	**0.394**	**2.050**	**4.040**	**0.231**	**-**	**6.715**
Business Services:						
Salix Contract	0.350	0.350	0.350	0.350	2.100	**3.500**
Lansdowne Secure Unit – Phase 2	0.075	-	-	-	-	**0.075**
Special Educational Needs	1.600	1.589	-	-	-	**3.189**
Special Educational Needs – Grove Park / Beacon	2.579	5.000	6.000	5.000	0.600	**19.179**
Special Provision in Secondary Schools	0.120	-	-	-	-	**0.120**
Disability Children's Homes	0.479	0.307	-	-	-	**0.786**
Westfield Land	0.721	-	-	-	-	**0.721**
Schools Basic Need	5.337	5.517	15.853	23.747	47.990	**98.444**
Capital Building Improvements (Schools)	5.179	4.182	4.182	4.182	25.092	**42.817**
Capital Building Improvements (Corporate)	3.439	4.520	4.520	4.520	27.120	**44.119**
IT & Digital Strategy Implementation	5.786	13.057	4.928	3.900	44.725	**72.396**
IT & Digital Strategy Implementation - MBOS	6.451	-	-	-	-	**6.451**
IT & Digital Strategy Implementation - Utilising Automation	0.024	-	-	-	-	**0.024**
Business Services Total	**32.140**	**34.522**	**35.833**	**41.699**	**147.627**	**291.821**
Children's Services						
House Adaptations	0.050	0.050	0.050	-	-	**0.150**
School Delegated Capital	1.385	1.150	1.150	-	-	**3.685**
Conquest Centre Redevelopment	0.015	-	-	-	-	**0.015**
Children's Services Total	**1.450**	**1.200**	**1.200**	**-**	**-**	**3.850**
Communities, Economy & Transport:						
Broadband	0.911	2.757	2.757	-	-	**6.425**
Salix Solar Panels	0.077	-	-	-	-	**0.077**
Climate Emergency Works	2.090	1.516	5.922	-	-	**9.528**
Flood & Coastal Resilience Innovation Programme	0.250	-	-	-	-	**0.250**
Bexhill and Hastings Link Road	0.318	-	-	-	-	**0.318**
Bexhill and Hastings Link Road – Complementary Measures	0.167	0.060	-	-	-	**0.227**
Economic Intervention Fund – Grants	0.282	0.435	0.300	0.300	0.754	**2.071**
Economic Intervention Fund – Loans	0.497	0.500	0.500	0.473	-	**1.970**

Stalled Sites	0.055	0.120	0.104	-	-	**0.279**
Upgrading Empty Commercial Properties	-	0.007	-	-	-	**0.007**
Community Match Fund	0.100	0.380	-	-	-	**0.480**
Community Road Safety Interventions	0.250	0.250	0.250	-	-	**0.750**
Newhaven Port Access Road	0.189	0.020	0.776	-	-	**0.985**
Real Time Passenger Information	0.074	0.078	0.060	0.061		**0.273**
Queensway Depot Development	0.175	0.466	-	-	-	**0.641**
Hailsham HWRS	0.164	-	-	-	-	**0.164**
The Keep	0.132	0.096	0.026	-	0.823	**1.077**
Other Integrated Transport Schemes	3.144	5.440	5.209	4.024	17.843	**35.660**
Integrated Transport Schemes – A22 Corridor	0.200	-	-	-	-	**0.200**
Exceat Bridge Replacement	2.176	3.733	2.509	-	-	**8.418**
Emergency Active Travel Fund – Tranche 2	0.756	-	-	-	-	**0.756**
Libraries Basic Need	0.497	0.789	0.449	0.449	1.796	**3.980**
Peacehaven Library Refurbishment and Conversion	0.028	-	-	-	-	**0.028**
Libraries Targeted Support	0.211	-	-	-	-	**0.211**
Highways Structural Maintenance	21.186	21.147	21.688	22.246	146.158	**232.425**
Bridge Assessment Strengthening	3.022	3.708	1.775	3.025	12.494	**24.024**
Street Lighting and Traffic Signals	3.723	3.792	3.839	3.888	6.702	**21.944**
Street Lighting and Traffic Signals – Salix Scheme	0.650	-	-	-	-	**0.650**
Visually Better Roads	5.609	-	-	-	-	**5.609**
Rights of Way Surface Repairs and Bridges	0.565	0.565	0.514	0.484	3.132	**5.260**
Communities, Economy & Transport (LEP Funded Schemes):						
Eastbourne Town Centre Phase 2	3.241	-	-	-	-	**3.241**
Eastbourne/South Wealden Walking & Cycling Package	2.351	-	-	-	-	**2.351**
Hailsham/Polegate/Eastbourne Movement & Access Corridor	0.550	0.409	-	-	-	**0.959**
Hastings & Bexhill Movement & Access Package	4.089	0.987	-	-	-	**5.076**
Skills for Rural Businesses Post-Brexit	0.915	-	-	-	-	**0.915**
Getting Building Fund – UTC Maritime and Sustainable Technology Hub	1.300	-	-	-	-	**1.300**
Getting Building Fund – Food Street	0.100	-	-	-	-	**0.100**
Getting Building Fund – Seven Sisters	0.200	-	-	-	-	**0.200**
Communities, Economy & Transport Total	**60.244**	**47.255**	**46.678**	**34.950**	**189.702**	**378.829**
Total Programme	**94.228**	**85.027**	**87.751**	**76.880**	**337.329**	**681.215**