

Appendix 1

1. Medium Term Financial Plan (MTFP) Update

1.1 The MTFP has been updated for regularly calculated adjustments, pressure bids, and the additional year of 2026/27. The movements are summarised below. The full MTFP is provided at Annex 1.

	Ref	Estimate (£m)			
		2024/25	2025/26	2026/27	Total
Council 8 February 2023 DEFICIT/(SURPLUS)		2.196	38.476	0.000	40.672
Normal Updates:					
Council Tax Inflation (additional year assumed at 1.99%)	A	0.000	0.000	(7.623)	(7.623)
Council Tax Base (additional year)		0.000	0.000	(5.661)	(5.661)
Business Rates Retention (inflation, growth and Collection Fund)	B	0.665	(0.594)	(0.153)	(0.082)
Business Rates Reset	C	0.000	0.000	(3.909)	(3.909)
Revenue Support Grant inflation update	D	0.058	0.000	0.000	0.058
Continuation of Adult Social Care grant funding	E	0.000	(28.508)	0.000	(28.508)
Inflation for contracts (normal and contract specific)	F	10.504	2.877	15.141	28.522
CET: Waste Housing Growth	G	0.000	0.000	0.331	0.331
CSD: Family Safeguarding	H	0.000	0.000	(0.604)	(0.604)
Treasury Management	I	(2.650)	1.000	4.000	2.350
Pay award	J	0.000	0.000	5.852	5.852
Levies Increase	K	0.000	0.000	0.013	0.013
General Contingency	L	0.244	0.208	0.133	0.585
Pressures added to / (removed from) the MTFP:					
CSD: Payment rates for ESCC Foster Carers 2023/24	M	0.460	0.000	0.000	0.460
Provision for Energy Price Pressure	N	(1.300)	0.000	0.000	(1.300)
Local Government Pension Scheme – impact of triennial valuation	O	(0.500)	0.000	0.000	(0.500)
ASC: Growth & Demography	P	0.000	3.917	3.917	7.834
CSD: Growth & Demography		0.000	0.000	0.808	0.808
Pressures bids proposed by CMT:					
ASC: Strategy Implementation		0.330	0.330	0.000	0.660
ASC: Growth & Demography – above current MTFP		0.000	3.574	0.000	3.574
CSD: Digital IT Improvements		0.044	0.039	0.144	0.227
CSD: Foster Care Fee Increase 2024/25		1.476	0.000	0.000	1.476
CSD: Staffing Capacity		1.549	(0.105)	0.000	1.444
CSD: Looked After Children Demand – above current MTFP		13.670	1.800	1.800	17.270
CET Local Planning Advice Resourcing	Q	0.090	0.000	(0.080)	0.010
CET Access to Employment and Skills		0.200	0.000	0.000	0.200
CET Local Nature Recovery Scheme		0.000	0.100	0.000	0.100
CET Pan Sussex Tourism		0.225	0.000	(0.225)	0.000
CET Highways – Contract Pressure		0.158	0.000	0.000	0.158
CET Highways – Second Grass Cut		0.080	0.000	0.000	0.080
BSD IT&D Licensing and Core Service Pressure		0.201	0.000	0.000	0.201
DEFICIT/(SURPLUS) AFTER NORMAL UPDATES		27.700	23.114	13.884	64.698

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 2024/25. The Government has provided local authorities in England additional flexibility in setting Council Tax by increasing the referendum limit for increases in Council Tax to 3%, and the ability to increase the Adult Social Care Precept, by up to 2%, in 2024/25.

1.3 In addition to the council tax flexibility in 1.2 above, the extension of business rates pooling into 2024/25, and grant funding for the ASC provider market have the potential to reduce the deficit:

	Ref	Estimate (£m)			
		2024/25	2025/26	2026/27	Total
DEFICIT/(SURPLUS) AFTER NORMAL UPDATES & PRESSURES BIDS		27.700	23.114	13.884	64.698
Updates to be considered – for review of likelihood and for local decision:					
<i>Council Tax Flexibility: Add a further 2.00% to our current 2.99% assumption (1.99% plus 1% ASC Precept) to get to 4.99% (2.99% plus 2.00% ASC Precept) in 2024/25</i>	R	(7.021)	(0.247)	(0.256)	(7.524)
<i>Proceeds of NNDR Pooling (applications submitted)</i>	S	(2.194)	2.194	0.000	0.000
<i>Market Sustainability and Improvement Fund (used to part-fund ASC fees)</i>	T	(2.209)	2.209	0.000	0.000
<i>Impact of above on general contingency</i>	L	(0.114)	0.042	(0.003)	(0.075)
DEFICIT/(SURPLUS) AFTER UPDATES		16.162	27.312	13.625	57.099

Normal Updates:

A Council Tax Inflation and Base

The Government has provided local authorities in England additional flexibility in setting Council Tax by increasing the referendum limit for increases in Council Tax to 3% in 2024/25 and the ability to increase the Adult Social Care Precept by up to 2%. This flexibility is not currently assumed in the MTFP, with council tax inflation assumed at 1.99% for all years and the Adult Social Care precept assumed at 1% in 2024/25 only. Council Tax base growth is being estimated at 1.5% for all years. The assumptions for growth and collection will be reviewed once Council Tax Base returns are made by District and Borough Councils later in November.

B Business Rates Retention, Growth and Collection Fund

Business rates have been updated for the additional year and to reflect the latest inflation estimates by the Office of Budget Responsibility (OBR) published in March 2023 (a movement from 6.86% to 5.41% in 2024/25; from zero increase to 0.57% in 2025/26, and a rate of 0.02% in 2026/27). As is normal practice these figures will be updated for the September rates once published in October.

Since Full Council, updated estimates on business rates income from District and Borough Councils (NNDR1 forecasts) have been received. This showed a slight improvement in overall income, however there is still uncertainty of the impact of the cost of living crisis and wider economic factors on the local business community. Growth is therefore estimated at 0.4% in 2024/25 and recovering to 0.7% in 2025/26 and 2026/27 (noting that the average in a normal year is 0.7%). Business rates will continue to be monitored along with the collection fund and reviewed alongside with the District and Borough Councils' latest collection forecasts to understand any further impacts.

C Business Rates Reset from 2025/26

Although Government has given a strong commitment to update the current local government funding regime, the Autumn Statement 2022 and Provisional Financial Settlement have set indicative funding

levels for 2024/25. Wider local government funding reforms are confirmed to be delayed until 2025/26 at the earliest, although it is becoming increasingly likely that a new government would struggle to implement any funding reforms in 2025/26. The MTFP therefore reflects the impact of a delay to funding reform to 2025/26. The net impact is taken from the LG Futures model and local assumptions of what reform may look like, and updated for latest inflation estimates. The exact mechanism and impact, however, remain unknown.

D Revenue Support Grant

The current planning assumptions on Revenue Support Grant (RSG) reflect latest inflation estimates. 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 in 2025/26.

E Continuation of Adult Social Care grant funding

As part of the Autumn Statement 2022, the Government announced that the planned reforms to Adult Social Care would be delayed until 2025. The MTFP does not currently assume any cost impact of these reforms. The Government also confirmed that grant funding, previously announced in support of the reforms, would continue in support of social care and hospital discharge to 2024/25. We are assuming funding will continue in some form into 2025/26 and beyond.

F Inflation for contracts (normal and contract specific)

The service inflation model has been updated for an additional year and to reflect the latest inflation estimates by the Office of Budget Responsibility (OBR) published in March 2023 as per normal practice. The inflation model as per the approved pressures protocol allows for contracts to be uplifted annually per the contract conditions but does not provide inflation for utilities and other running costs e.g. building maintenance, communications and software. Contractual negotiations, e.g. Foster Care and Concessionary Bus Fares are considered for inclusion within the MTFP by CMT. As is normal practice these figures will be updated for OBR forecast rates (usually published in November) to inform the final proposed budget.

The table below shows changes in inflation estimates published in March 2023 compared to those included as part of the approved budget in February 2023.

	2023/24		2024/25		2025/26		2026/27	
	Oct 22	Mar 23						
CPI	6.86%	5.41%	(0.20%)	0.57%	(1.11%)	0.02%	0.87%	0.67%
RPI	10.47%	8.10%	0.37%	1.19%	(0.62%)	0.97%	1.68%	1.88%
RPIX	8.11%	6.71%	(0.35%)	0.59%	(0.60%)	0.81%	1.78%	1.75%

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

The normal update includes inflation increases from 2024/25 onwards. Normal practice is that in year services would be expected to manage movement in actual inflation through contract/budget management and the pressures protocol.

G CET: Waste Housing Growth

The forecast pressure for 2026/27 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.

H CSD: Family Safeguarding

CSD 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. This update provides for impact in the added year.

I Treasury Management

The additional year of 2026/27 shows the budget estimated to support the borrowing required to fund the approved Capital Programme and Strategy. Longer term higher interest rates have enabled a net budget reduction due to higher projected returns on investments in 2024/25, which has been offset to some extent by the impact of due proposed capital strategy updates requiring increased external borrowing over the MTFP period.

J Pay Award Added Year and uplift

A high-level estimate of the additional year of 2026/27 has been included and provision for an award of 5% in 2023/24 and 3% in all years thereafter. Figures will be updated for a more detailed analysis and any pay settlement as part of the RPPR process.

K Levies Increase

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

L General Contingency

This is calculated at an agreed formula of 1% of net budget less treasury management. The figures reflect the addition of 2026/27 and impacts of other changes.

Pressures added to / (removed from) the MTFP:

M CSD: Payment rates for ESCC Foster Carers

There was an in-year increase to foster carer rates in 2023/24. The MTFP has been updated to reflect this impact at £0.460m in 2024/25.

N Provision for Energy Price Pressure

The stabilisation of energy prices has meant that the corporate provision made in 2023/24 will not be required on an ongoing basis.

O Local Government Pension Scheme – impact of triennial valuation

The 2022 triannual valuation of the East Sussex Pension Fund has now been concluded resulting in a net reduction in the required Council’s overall employer contribution.

P Services Growth & Demography

Values for ASC and CSD growth and demography have been included based on a continuation of current pressures. Pressures in addition to these amounts have been included as part of the pressure bids (see below).

		Estimate (£m)			
		2024/25	2025/26	2026/27	Total
ASC: Growth & Demography - above current MTFP	Q	0.000	3.574	0.000	3.574
CSD: Looked After Children Demand - above current MTFP		13.670	1.800	1.800	17.270
In Current MTFP					
ASC: Growth & Demography	P	3.917	3.917	3.917	11.751
CSD: Growth & Demography		0.973	0.808	0.808	2.589
TOTAL		18.560	10.099	6.525	35.184

Q Pressures Bids

Pressure bids were submitted for consideration by CMT on 4 October. Following a detailed review, CMT proposed a number of pressures for inclusion in the draft MTFP. These include: costs incurred in the implementation of the ASC Strategy, additional growth in the demand and complexity of ASC packages of care, investment in digital IT services in CSD, increases in fees paid to foster carers, further capacity and resource in CSD social work and commissioning, additional growth in placements for looked after children, continuation of investment in access to employment and skills (previously funded via the Contain Outbreak Management Fund), pressures in planning advice, a commitment to the pan-Sussex tourism partnership, investment in the local nature recovery scheme, a core service pressure in Highways (including grass cutting), and increased costs for licences and resources incurred in maintaining the core IT&D support.

Other Items for Consideration:

R Council Tax Flexibility

The Government has provided local authorities in England additional flexibility in setting Council Tax by increasing the referendum limit for increases in Council Tax to 3% in 2024/25 and the ability to increase the Adult Social Care Precept by up to 2%.

S Proceeds of NNDR Pooling

In September 2023, the Department for Levelling Up, Housing & Communities (DLUHC) invited local authorities to express their interest in business rates pooling for 2024/25. The Council, together with district and borough councils and the East Sussex Fire and Rescue Service, submitted their expression of interest on 10 October 2023. Confirmation is awaited from DLUHC.

T Market Sustainability and Improvement Fund

New social care grants were announced on 28 July 2023 (nationally £365m in 2023-24 and £205m in 2024-25). These are the latest tranche of Market Sustainability and Improvement Fund grants, with these latest grants focussed on workforce support. They are additional to the grants announced in the 2023-24 settlement intended to “support more workforce and capacity within the adult social care sector”. Grant values have been confirmed for 2023/24, but not yet for 2024/25, so this is estimated at this stage. It is assumed for planning purposes that the grant would offset any increase in ASC fees proposed by the service.

Annex 1: Detailed MTFP

Medium Term Financial Plan	2023/24 Approved Budget £million	2024/25 Estimate £million	2025/26 Estimate £million	2026/27 Estimate £million
TAXATION & GOVERNMENT FUNDING		(501.446)	(521.305)	(532.553)
Council Tax	(337.353)	(9.239)	(12.831)	(13.284)
Adult Social Care Precept	(14.475)	(3.488)		
Business Rates (Inclusive of BR Pooling in 2022/23)	(95.090)	(4.225)	(0.554)	(0.151)
Social Care Grant	(38.557)	(5.509)		
ASC Market Sustainability and Improvement Grant	(6.055)	(3.017)		
Services Grant	(2.916)	2.916		
Funding reform - net impact			(2.160)	(3.911)
Revenue Support Grant	(4.076)	(0.221)	4.297	
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	(0.351)	0.351		
TOTAL TAXATION & GOVERNMENT FUNDING	(501.446)	(521.305)	(532.553)	(549.899)
SERVICE PLAN				
Service Expenditure	396.461	457.488	501.870	524.995
Inflation				
Contractual inflation (contract specific)	5.140	3.953	0.026	0.300
Normal inflation for contracts	30.405	20.794	13.783	14.828
Allocation of 2021/22 pay award to service departments	2.428			
Allocation of 2022/23 pay award to service departments	8.544			
Adult Social Care				
Better Care Fund - Discharge Funding	(3.053)	(2.035)	5.088	
Better Care Fund - Discharge Funding New Burdens	3.053	2.035	(5.088)	
Growth & Demography	3.413	3.917	3.917	3.917
Future demand modelling net of attrition (Covid-related)	1.133	(0.365)		
Market Sustainability and Fair Cost of Care Fund	1.745			
MSFCC Fund Pressures	(1.745)			
MFSCC - Support for New Burdens (from precept)	(3.149)			
Independent Living Fund rolled into Social Care Grant	0.956			
Voluntary Sector, Community Hubs, Shielded Group	0.440			
Pressure Bids Oct 23		0.330	3.904	0.000
Children's Services				
Growth & Demography (G&D)	1.760	0.973	0.808	0.808
Looked After Children Placements Covid-related	(0.872)	(0.347)	(1.758)	
Covid Grant Funding for Looked After Children Placements	0.077	(0.442)	1.758	
Payment rates for ESCC Foster Carers		0.460		
Financial Sustainability ex. G&D and Covid LAC:				
School Attendance (new duty)	1.500			
Home to School Transport (incl. approved pressures)	4.427			
Family Safeguarding	0.316	(0.194)	(2.075)	(3.533)
Net Operational Pressures incl. Careleavers and Locality	2.285	(0.204)	0.475	2.929
Pressures approved via protocol	(0.124)	0.124		
Pressure Bids Oct 23		16.739	1.734	1.944

Medium Term Financial Plan	2023/24 Approved Budget £million	2024/25 Estimate £million	2025/26 Estimate £million	2026/27 Estimate £million
Communities, Environment & Transport				
Waste PFI Efficiencies	(0.100)			
Waste Housing Growth	0.190	0.267	0.305	0.331
Support to Economic Development	(0.055)			
Highways Contract Mobilisation	2.313	(2.313)		
Highways Contract Mobilisation – Reserve Contribution	(0.817)	0.817		
Pressures approved via protocol	0.815	(0.800)		
Pressure Bids Oct 23		0.753	0.100	(0.305)
Business Services				
Modernising Back Office Systems (MBOS)		0.386		
Pressures approved via protocol	0.551	(0.078)		
Pressure Bids Oct 23		0.201		
Governance Services				
Pressures approved via protocol	0.425	0.104	0.148	
Savings				
Temporary mitigations to savings	(0.100)			
Removal of CET Trading Standards Saving	0.100			
Savings Slippage	(1.347)			
Review of BSD Savings Options	0.373	(0.693)		
NET SERVICE EXPENDITURE	457.488	501.870	524.995	546.214
Corporate Expenditure		43.958	47.135	58.372
Treasury Management	13.930	(1.150)	5.400	4.000
General Contingency	4.880	0.434	(0.022)	0.133
Contingency for Potential Pay, Recruitment and Retention	11.283	5.673	5.840	5.852
Inflation Risk Provision	2.972	0.008	0.007	0.013
Provision for Energy Price Increase	1.300	(1.300)		
Pensions	8.023	(0.500)		
Apprenticeship Levy	0.600			
Levies & Grants	0.970	0.012	0.012	0.013
TOTAL CORPORATE EXPENDITURE	43.958	47.135	58.372	68.383
TOTAL PLANNED EXPENDITURE	501.446	549.005	583.367	614.597
CUMULATIVE DEFICIT/(SURPLUS)	0.000	27.700	50.814	64.698
ANNUAL DEFICIT/(SURPLUS)	0.000	27.700	23.114	13.884