

**Report to:** People Scrutiny Committee

**Date of meeting:** 13 November 2023

**By:** Chief Executive

**Title:** Reconciling Policy, Performance and Resources (RPPR)

**Purpose:** To provide an update on the Council's business and financial planning process, Reconciling Policy, Performance and Resources (RPPR), and the committee's input to the process.

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## **RECOMMENDATIONS:**

The Scrutiny Committee is recommended to:

**(1) consider the information in the attached RPPR Cabinet report of 7 November 2023 (appendix A), including the updated Medium Term Financial Plan (MTFP) and capital programme update; and**

**(2) identify any further work or information needed to aid the committee's contribution to the RPPR process for consideration at the RPPR Board, or as part of the committee's ongoing work programme.**

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### **1. Background**

1.1 On 7 November Cabinet considered a Reconciling Policy, Performance and Resources (RPPR) update report. Following on from the State of the County report in June, the report sets out an updated picture of how the Council will need to refresh its service and financial plans to respond to the high level of financial uncertainty and the changing national policy agenda.

1.2 The report (attached at Appendix A) provides an update on the rapidly evolving context that will continue to inform planning for 2024/25, and includes:

- updates on key policy context developments since June;
- updates on the financial context and an updated Medium Term Financial Plan for 2024/25-2026/27; and
- an update on the capital programme and next steps.

1.3 The Cabinet report sets out the broad policy context across the all the Council functions and areas which may be of particular interest to this committee include:

- ongoing growth in demand for children's social care, special educational needs and disability (SEND) and adult social care, due to increased need and demographic change, which is placing significant pressure on local authorities across the country, both financially and in service provision;
- the impact of increases in demand and complexity of cases in children's social care, and related issues in the market for care placements nationally, together with the Children's Services Department's ongoing work with IMPOWER consultants in response to these challenges;
- responses from the Department for Education to national consultations on the overall strategy for transforming children's social care, plans for a national framework and dashboard, and on the child and family social worker workforce.
- immediate issues with a lack of suitable placements for children with SEND, and affordability concerns for the future, as well as our ongoing concerns that the

Government's SEND and Alternative Provision Improvement Plan does not address the underlying mismatch between the current legal framework and available resources;

- allocation of further national funding to support market sustainability in Adult Social Care, and for NHS winter pressures; and
- national developments in relation to migration, including consultation with local authorities on local capacity to support vulnerable and at risk people and the impact of legal action on support for unaccompanied asylum seeking children.

1.4 The report highlights that 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 the uncertain environment, supporting planning for 2024/25 and beyond and maintaining focus on our priority outcomes.

## **2. Scrutiny engagement in RPPR planning**

2.1 At the **July** meeting the committee discussed relevant parts of the 2022/23 year end monitoring report and the State of the County 2023 report, both of which had been considered by Cabinet in June. These reports enabled the committee to review current service and financial performance information, as well as considering new developments which will impact on services, to ensure a full understanding of the current context and future pressures for the areas within the remit of the committee.

2.2 At the **September** meetings the committee received an update from Departments on the context and current pressures since the State of the County report. The scrutiny work planning awayday held in October provided a further opportunity to consider issues raised and whether, or how, these should be reflected in the committee's ongoing work programme.

2.3 This **November** meeting provides an opportunity to consider further developments in the policy and financial context and how these will impact on planning for 2024/25 and beyond. The attached Cabinet report provides an update on the significant developments that have occurred since June, including those highlighted above, together with an updated Medium Term Financial Plan. Members are invited to:

- consider and comment on the developments in the planning context, particularly as they impact on services within the committee's remit;
- review the updated Medium Term Financial Plan (appendix 1 to the Cabinet report); and
- review the capital programme update (appendix 2 to the Cabinet report).

2.4 The committee's **RPPR Board** will meet on 15 December 2023 to agree detailed comments and any recommendations on the budget and emerging portfolio plans to be put to Cabinet on behalf of the committee in January 2024. The Chairs of the People and Place Scrutiny Committees are invited to attend the RPPR boards of both committees to support a holistic approach.

2.5 The **March 2024** committee meeting will review the process and its input into the RPPR process and receive feedback on how scrutiny input has been reflected in final plans. Any issues arising can be reflected in the future committee work programme.

2.6 Running alongside this process, there will be a number of opportunities for all Members to engage in the RPPR process.

## **3. Conclusion and reason for recommendations**

3.1 As part of its ongoing input to the RPPR process, this committee is recommended to consider the updated information provided by this report and identify any further information it requires for consideration at its RPPR Board to support further engagement in the planning process. The committee is also recommended to consider any amendments to its work programme to aid its contribution to the ongoing RPPR process.

**BECKY SHAW**  
**Chief Executive**

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<b>Report to:</b>	<b>Cabinet</b>
<b>Date:</b>	<b>7 November 2023</b>
<b>By:</b>	<b>Chief Executive</b>
<b>Title of report:</b>	<b>Reconciling Policy, Performance and Resources (RPPR) – update on planning for 2024/25 and beyond</b>
<b>Purpose of report:</b>	<b>To update Members on the latest policy context, Medium Term Financial Plan and capital programme.</b>

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## **RECOMMENDATIONS:**

**Cabinet is recommended to:**

- i. note the updated policy 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. note the reserves summary set out in paragraph 3;**
  - iv. note the capital programme update as set out in paragraph 4 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, our 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 set out our latest understanding of how we would need to continue to respond to the broad and evolving range of policy, demographic and financial drivers which influence the outlook for the Council, both in the short and longer-term.

1.2 State of the County painted a vivid picture of the strengths and diversity of our county, as well as needs and challenges. The report illustrated the importance and broad range of support the County Council provides to East Sussex residents, businesses and communities, particularly the most vulnerable. There is much to be proud of, from our leading work on integrating health and social care to maximise people's independence, to the support we are delivering, with partners, to help local businesses thrive, improvements to the county's bus services and the additional investment we are making in the resilience of our roads. The recent peer challenge underlined the Council's strong record of delivery, the value of our partnership working and our good foundations to plan for the longer term future.

1.3 The State of the County report also highlighted the high levels of uncertainty and change that continue to characterise the environment within which we are currently operating and planning. Factors such as the challenging national economic situation and

cost of living pressures on households, growing demand for our support and the 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.

1.4 Since June, the planning context has developed further, with more national policy announcements and changes which are summarised at paragraph 2 below. Councils across the country, including ESCC, are also facing a rapid escalation in both demand and costs as a result of national factors beyond local control. In particular, ongoing growth in demand for children's social care, special educational needs and disability (SEND) and adult social care, due to increased need and demographic change, is placing significant pressure on local authorities, both financially and in service provision. This growth in need is compounded by difficulties finding the right support, particularly in children's services where there is a real lack of suitable placements to support children with complex needs, and in adult social care where workforce challenges continue to impact on capacity. These demand-led, statutory services are core to supporting the most vulnerable, but the important requirement to respond to all those who need statutory support leaves few options for local authorities to manage growing costs. Preventative work, which can help stop needs escalating and therefore reduce the amount of higher intensity support required, has been reduced over time as councils' resources became more stretched. This leaves very little room for investment in these approaches, which are our best option to manage demand in the longer term, and impacts on the outcomes we want to achieve for local people as services become ever more reactive.

1.5 Many of our public and voluntary, community and social enterprise (VCSE) sector partners are also experiencing high levels of demand in the context of increased need and limited resources to respond. Pressures in the NHS nationally and locally post-Covid not only impact on people's experience of health services, but also have knock-on effects on council services, particularly social care.

1.6 As signalled in June, we continue to take action wherever we can to maximise our resilience as an organisation, to work effectively with our partners and to best manage growing demand for our services. We are putting investment previously agreed by Cabinet to good use in supporting the recruitment and development of the skilled staff needed to deliver effective services, and to ensure we will have the workforce we need for the future. We continue to pursue opportunities presented by new technology to improve efficiency and local people's interactions with our services. Work to reshape our office estate to reflect new working arrangements and reduce costs is ongoing, including making progress on developing options for the future of County Hall. We also continue to use our lobbying activity, building on the voice of the local government sector as a whole, to help ensure that the Government is aware of the needs of East Sussex and the ongoing and urgent requirement for a sustainable funding regime that appropriately reflects local need.

1.7 The RPPR process, which brings together our policy, business and financial planning and risk management, continues to provide a tried and tested approach to help us navigate this increasingly difficult environment. Our robust process, applied over many challenging years, has placed the Council in a stronger position than many other authorities grappling with similar issues in the short term. Thanks to careful management of resources over many years, and with the assistance of Government Covid support during the pandemic, we have not needed to find new savings in recent years and we have not had to draw on our reserves to balance the books. This has enabled us to provide welcome stability in our services and the support we offer to local people. However, given the national issues at play, we are experiencing similar significant financial pressures to others and now face a renewed challenge to maintain the decent and effective services our residents need and deserve in the medium term. This report provides our latest assessment of the current position.

1.8 Planning for 2024/25 and beyond, through RPPR, will maintain focus on our four priority outcomes for the county and the Council:

- Driving sustainable economic growth;
- Keeping vulnerable people safe;
- Helping people help themselves; and
- Making best use of resources, now and for the future - the test applied to all activities to ensure sustainability of our resources, both in terms of money and the environment.

In June Cabinet agreed, for planning purposes, a number of changes to the delivery outcomes which underpin these priorities to ensure they remain up to date.

1.9 This report provides Members with an update on the context for planning and the additional challenges we must take into account. It includes:

- updates on key policy context developments since June;
- updates on the financial context and an updated Medium Term Financial Plan for 2024/25-2026/27; and
- an update on the capital programme and next steps.

## 2. Policy context update

2.1 Key areas in which there have been developments since the State of the County report, or in which further developments are expected in the coming months, are detailed below.

- **National economic context** – Inflation, as measured by the Consumer Prices Index (CPI), stood at 6.7% in the 12 months to September, unchanged from August but down from 6.8% in July. This is the lowest rate since February 2022, helped by falling energy prices and slower increases in the price of food. Inflation is currently forecast by the Bank of England to fall further to around 5% this year and to meet its 2% target by early 2025. The ongoing high rate continues to place cost of living pressures on individuals and families, although average annual growth in regular pay across all sectors in April to June 2023 was 7.8%, matching inflation for the first time in two years. Reflecting the reduction in inflation, the Bank of England maintained interest rates at 5.25% in September, having increased them by a quarter of a percentage point to that level in August. Analysts suggest this may have been the last in the series of recent rises, given that further falls in inflation are predicted, although the Bank has previously indicated that interest rates could remain above 5% until 2026. The Government has confirmed that the Chancellor will make his Autumn Budget Statement on 22 November, which will be accompanied by updated Office for Budget Responsibility (OBR) forecasts for the national economy.

Levels of inflation and cost of living pressures are continuing to impact on pay negotiations and, despite signs the jobs market is beginning to weaken, with fewer job vacancies and rising unemployment, there remains a competitive and challenging environment for recruitment and retention of staff in local government. Locally, as well as contributing to increased demand on services, continued higher levels of inflation also have ongoing impacts on our operating costs as set out in more detail in paragraph 3 below. The deployment of the remaining 2023/24 Household Support Fund for East Sussex was agreed by Lead Members during September and the Government has indicated that there is no intention to continue the Fund beyond March 2024.

- **Local government funding** – Financial pressures faced by councils across the country have attracted national attention in recent months. Although some high profile cases of financial distress relate to specific local factors, the majority of local authorities are experiencing significant increases in demand, particularly in children’s services and adult social care and, with limited resources to respond, in-year overspends and increasing medium term deficits have been widely reported. The Local Government Association (LGA) submission to the Chancellor ahead of the Autumn Budget Statement highlighted that councils face a funding gap of £4bn over the next two years. The LGA analysis also indicated that by 2024/25 cost and demand pressures will have added £15bn (almost 29%) to the cost of delivering council services since 2021/22, with high levels of inflation adding unsustainable costs onto council budgets. It identified that children’s social care is increasingly cited by councils with this responsibility as their key source of financial pressure and overspend. The LGA called on Government to provide immediate funding so councils can deliver 2023/24 budgets and meet ongoing cost and demand pressures, including sufficient resources to set balanced budgets next year. There is currently no indication of further national support. The fair funding review and reset of business rates retention will not take place for at least two years and, with a general election expected in 2024, it is very unlikely that any changes would be implemented before the publication of the 2026-27 provisional settlement. The Autumn Statement may provide some initial indications of the position on funding streams relevant to local government for 2024/25, ahead of the provisional local government finance settlement expected in late December.

In July, the Department for Levelling Up, Housing and Communities (DLUHC) published a plan to simplify the funding landscape for local authorities, which included piloting streamlined delivery of some capital funding (including the Levelling Up Fund, Towns Fund and Future High Streets Fund - Lewes District Council is one of the 10 pilot areas) and the introduction of a new ‘Funding Simplification Doctrine’ requiring Government departments to strive for a simpler and more streamlined way of delivering funding to local authorities, including use of allocations rather than bids. The doctrine will not mean the end of competitive funding pots, as these are still considered by Government to be of use in driving value for money and identifying the best projects. DLUHC will encourage the use of allocative methods, where they can achieve specific outcomes and minimise demands on councils and, where practicable, new funding should be delivered through an existing programme rather than creating a new fund.

- **Children’s services** – The demand for children’s social care and complexity of cases has continued to increase nationally and locally, resulting in higher numbers of looked after children and very high demand for specialist placements. As reported by the Competition and Markets Authority in 2022, the market for care placements nationally is not effective, leading to high prices for all councils. These issues have become even more acute in the face of escalating demand, affecting children’s services across the region and country. In June, we started an intensive programme with a specialist consultancy, IMPOWER, who are supporting Children’s Services in developing ways to make informed estimates on future numbers and trends in relation to children we care for. They are also helping to review how we can improve the number of available placements for children that best meet their needs, and supporting us to evaluate further mitigations to minimise budget pressures across the system, including achieving better value for money from the commissioning of placements. In September the Department for Education (DfE) published responses to consultations on the overall strategy for transforming children’s social care, and on the national framework and dashboard. The national framework, when published later this year, will clarify expectations and outcomes for what local authorities should achieve in children’s social care. In October DfE published its response to consultation on the child and family social worker workforce, confirming that it will consult on draft statutory guidance to underpin new national rules on local authority engagement of agency social workers in spring 2024.

Subject to this consultation, local authorities will be expected to comply with that statutory guidance in autumn 2024.

Demand and complexity in special educational needs and disability (SEND) also continues to rise, with the main immediate issue for ESCC being a lack of suitable placements, although affordability is also a significant concern for the future. We remain concerned that the Government's SEND and Alternative Provision Improvement Plan does not address the underlying mismatch between the current legal framework and available resources. Without sufficient steps being taken to address the sustainability of the system nationally, councils will continue to face significant pressure on resources for SEND at local level for the foreseeable future.

- **Adult social care** - In July, the Department for Health and Social Care (DHSC) announced the allocation of a further £600m of funding set out in its earlier policy paper *Next Steps to Put People at the Heart of Care*, to be focused on enabling councils to address the staffing crisis in social care, provide more care at home, support carers and meet the challenge of winter pressures. The announcement saw £570m distributed directly to councils through the Market Sustainability and Improvement Fund, with a focus on social care workforce and improvement but flexibility for councils to use the funding over the next two years in the most effective way to support people in their communities. £365m was allocated for the current year (c£4m to ESCC), with the remaining £205m to be allocated in 2024/25. In September, DHSC also announced a further £200m for NHS winter pressures. The short term additional funding is welcome, however there remains an urgent need for a comprehensive plan for the funding and reform of adult social care which will ensure that those that need care services can receive appropriate and timely care.
- **Local economic growth** – In February, the Government announced that it was 'minded to' enable the functions of Local Enterprise Partnerships (LEPs) to be delivered by local government in the future. In August, following consultation, this decision was confirmed. The announcement, welcomed by the sector, confirmed that by March 2024 Government will support upper tier councils (or combined authorities where they exist) to absorb the three main functions of LEPs: business representation, strategic economic planning, and responsibility for the delivery of government economic growth programmes. It also confirmed that transition funding will be provided in 2024/25 to support councils to take on these functions, with future funding to be set out at the next Spending Review. Locally, a transition plan is in development to manage the transfer of relevant South East Local Enterprise Partnership (SELEP) functions to constituent local authorities, including ESCC. SELEP's existing federated model provides a strong foundation for this work. Further national guidance on the transfer of LEP assets and management of ongoing growth programmes is awaited to inform planning. In parallel, and linked to the transition of LEP functions, work is ongoing on the new East Sussex Economic Growth Strategy, with a draft planned to be in place for the new financial year.

In October, Government announced that Hastings and Bexhill would be among 55 towns nationally to receive investment as part of a Long-Term Plan for towns described as 'overlooked and taken for granted'. Each town will receive a £20m endowment style fund over 10 years in return for developing a 10-year Long-Term Plan setting out the town's vision and priorities for investment and regeneration, aligned to three themes: safety and security; high streets, heritage and regeneration; and transport and connectivity. Areas will also be able to use a suite of regeneration powers to unlock more private sector investment. This follows the announcement at the March Budget that Hastings and Rother would also be amongst areas invited to form Levelling Up partnerships with Government to develop bespoke, place-based regeneration plans with access to associated capital funding. We will continue to work with our district and borough

partners and DLUHC to clarify the interaction between the programmes and to maximise the benefit of these opportunities for local communities and the local economy.

- **Levelling Up, devolution and planning** – The Levelling Up and Regeneration Act received Royal Assent at the end of October, bringing into law its provisions relating to Levelling Up, devolution and planning reform. A range of linked planning announcements in July included the launch of a consultation on plan-making reforms which included proposals relating to the content of Local Plans and Waste and Minerals Plans, along with proposals to standardise the evidence base used for Local Plans and proposals on gateway assessments to ensure that a Local Plan is found sound at examination.

July also saw the launch of the Office for Local Government (Oflog), accompanied by a DLUHC policy paper setting out further detail on the rationale and remit for the new body. The paper highlighted the range and importance of services that local government provides, but also that there have been a small number of examples of serious failure where Government has had to intervene. The intention is that the introduction of Oflog will minimise the need for future interventions. Oflog plans to improve the transparency of local authority performance through the publication of selected data to enable understanding and interpretation by its three main audiences – citizens, local and central government – with the range and analysis of data developing over time as Oflog broadens its role.

- **Transport** – Alongside the scaling back of the HS2 high speed rail scheme, Government announced in October a new Network North plan to improve the country's transport. Although the majority of the £36bn investment outlined in the plan is focused on the north of England and the Midlands, it was indicated that the south east, south west and east of England would receive access to a £2.8bn roads resurfacing fund to address potholes; further detail on this is awaited. In addition, the Department for Transport announced an increase to funding for most existing Major Road Network and Large Local Major Road schemes. It has been indicated that these schemes, subject to successful business case approval, will benefit from an uplift in Government contribution from 85% to 100% of their costs at the outline business case stage. The increased funding is intended to help ensure the delivery of these road schemes which include the A22 Corridor Package (Hailsham to Stone Cross) and A259 South Coast Road Corridor (Seaford, Newhaven, Peacehaven). Also, as part of the plan, the £2 bus fare cap has been extended until 31 December 2024.
- **Environment** – In June, the Department for Environment, Food and Rural Affairs (DEFRA) announced it intends to ban councils charging householders for disposing of DIY waste, although we await further details on when this will take effect. In July, it was announced that the Extended Producer Responsibility for Packaging (EPRP) reforms, which were originally planned for 2023, would be delayed by a further year to October 2025. The decision to delay EPRP reforms comes in conjunction with the announcement of revised national requirements for household recycling. DEFRA's 'Simpler Recycling' plans, published in October, set an expectation that all households will be able to recycle the same dry materials (paper and card, plastic, glass, metal). There will also be a requirement to provide weekly food waste collections from all households and to offer garden waste collection. Further consultation is planned on the proposed frequency of residual waste collections. Although the new plan provides some additional flexibility compared to previous proposals, the introduction of additional national requirements continues to present challenges for implementation, which is expected by March 2026.

An updated five year national Climate Adaptation Plan was published in July, setting out the actions that Government and others will take to adapt to the impacts of climate change from 2023 to 2028, including the role of local government. Responsible

authorities for producing Local Nature Recovery Strategies were also confirmed in July, including the appointment of ESCC to produce the strategy for East Sussex and Brighton and Hove over the next 18 months. In September, the Prime Minister recommitted the UK to deliver Net Zero by 2050 but set out a new approach which included: pushing back the ban on the sale of new petrol and diesel cars in the UK from 2030 to 2035; setting an exemption to the phase out of fossil fuel boilers, including gas, in 2035, for households who would struggle to make the switch to low-carbon alternatives; scrapping new policies forcing landlords to upgrade the energy efficiency of their properties; and creating a new £150 million Green Future Fellowship to develop green technologies and climate change solutions over five years. Measures to support energy infrastructure were also announced, particularly to support grid connections for energy projects.

- **Migration** – the response to increased numbers of refugees and people seeking asylum continued to be an area of focus nationally and locally over the summer and autumn. The Illegal Migration Act received Royal Assent in July, bringing into law a range of national reforms to the asylum system. Locally, increased numbers of small boat arrivals, ongoing asylum dispersal and refugee resettlement, including the end of some Homes for Ukraine hosting arrangements, are contributing to significant pressure on district and borough council housing services as demand for accommodation and numbers of people presenting as homeless increases. In September the Home Office confirmed that it is considering using the Northeye site in Bexhill (which it has now purchased) to detain people who have come to the country without permission. No firm decisions have been made and the original proposal to use the site for non-detained accommodation for asylum seekers also remains open. ESCC and our local partners continue to work with the Government to understand their intentions and to assess the impact specific plans would have for the area, especially on local services. A significant number of adult asylum seekers also continue to be housed by the Home Office in contingency hotels across the county. The Home Office recently announced its intention to reduce the number of hotels in use for this purpose nationally, with the first 50 being exited by January 2024. Local authorities are also being consulted on plans to determine an annual cap, to take effect from January 2025, on the number of refugees resettled in the UK each year via safe and legal routes; further details of these routes will be set out early next year. The consultation will seek to better understand local capacity to accommodate and support vulnerable and at-risk people. We are working with district and borough council partners to co-ordinate an East Sussex response.

In August, legal action brought by Brighton & Hove City Council resulted in a court judgement that the use of hotels for unaccompanied asylum seeking children (UASC) on a regular basis by the Home Office was illegal. This resulted in the transfer of a significant number of UASC in hotels to the care of the relevant local authority. This included ESCC, as one of a number of areas where the Home Office had placed UASC in hotels. Affected councils and the courts have asked the Government to ensure the National Transfer Scheme (NTS) is applied effectively to facilitate timely and appropriate transfer of UASC to the care of other local authorities across the country as mandated by the scheme, and legal action is ongoing in relation to this. ESCC continues to call on the Home Office to discharge its responsibility as set out by the court and we continue to play a full part in the NTS.

2.2 The Government's planned legislative agenda in the run-up to the next general election will be set out in the King's Speech on 7 November. We also expect further detail on many of the above policy developments, and the resulting implications for the County Council, to become clearer in the coming months and will continue to factor this information into planning for 2024/25 and beyond.

### 3. Medium Term Financial Plan

3.1 It remains difficult to plan for 2024/25 and beyond. With inflation remaining higher than earlier estimates suggested and demand for services, particularly across social care, continuing to rise, the total level of expenditure required to deliver our services continues to grow. With the level of Government funding that ESCC will receive between 2024/25 – 2026/27 yet to be confirmed (the provisional Local Government Settlement 2024/25 is not expected until late December 2023), the Medium Term Financial Plan (MTFP) has been updated for the best estimated available information.

3.2 The MTFP presented within the State of the County in June estimated a deficit budget position by 2026/27 of £55.499m. Over the summer the MTFP has been updated to include departmental service pressures and updated financial modelling. The impact of the updates is summarised in the table below and provides a deficit budget position by 2026/27 of £64.698m.

Medium Term Financial Plan	2024/25 £m	2025/26 £m	2026/27 £m
Annual Budget Deficit / (Surplus)	27.700	23.114	13.884
<b>Total Budget Deficit / (Surplus)</b>	<b>27.700</b>	<b>50.814</b>	<b>64.698</b>

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

3.4 As set out above, our estimated deficit for 2024/25 is £27.700m. Given the uncertainty around future funding levels, scenarios are being explored to bridge the deficit and present a balanced budget for 2024/25. Current identified options have the potential to reduce the 2024/25 deficit, as set out below:

Scenarios being considered	2024/25 £m	2025/26 £m	2026/27 £m
Council Tax Flexibility: Add 2% to current 2.99% assumption to get to 4.99% (2.99% plus 2.00% ASC Precept)	(7.021)	(0.247)	(0.256)
Business Rate Pooling – continuation for a further year	(2.194)	2.194	0.000
Continuation of the ASC Market Sustainability and Improvement Fund/Grant for a further year	(2.209)	2.209	0.000
Impact on general contingency	(0.114)	0.042	(0.003)
<b>Revised Budget Deficit</b>	<b>16.162</b>	<b>27.312</b>	<b>13.625</b>

3.5 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.

3.6 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 explore options that may help to reduce the deficit including:

- Working with district and borough councils to ensure the most up to date Council Tax base figures are available;
- Reviewing the capital programme and impact of potential borrowing;
- Revisiting and refining pressure bids;

- Exploring opportunities for additional income.

If there is a deficit on the 2024/25 budget, and in line with our robust financial management policies and procedures, one option will be to use reserves to mitigate this position until the medium to longer term funding position is clarified.

3.7 The latest projected reserve balances as at 31 March 2028 are set out in the table below. This position is prior to any draw on balances required to set a balanced budget for 2024/25.

<b>Projected Reserve Balances</b>	<b>Actual Balances @ 31-Mar-23 £'000</b>	<b>Est. Balances @ 31-Mar-28 £'000</b>
<b>Held on behalf of others or statutorily ringfenced</b>	<b>34,876</b>	<b>32,320</b>
Corporate Waste	19,883	8,880
Capital Programme	13,426	483
Insurance Risk	7,362	7,314
ASC Reform Reserve	3,099	0
<b>Total Named Service Reserves</b>	<b>43,770</b>	<b>16,677</b>
Priority Outcomes and Transformation	17,398	3,889
Financial Management	41,881	17,559
<b>Total Strategic Service Reserves</b>	<b>59,279</b>	<b>21,448</b>
<b>Total Earmarked Reserves</b>	<b>137,925</b>	<b>70,445</b>
General Fund	10,000	10,000
<b>Total Reserves</b>	<b>147,925</b>	<b>80,445</b>

#### 4. Capital programme

4.1 The programme has been updated for approved variations since the State of the County in June 2023, increasing the gross programme to £722.4m to 2032/33, details of which can be found at appendix 2.

4.2 The 10 year capital programme to 2032/33 and 20 year Capital Strategy 2023/24 to 2043/44 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.

#### 5. Lobbying and communications

5.1 Despite the positive steps we have taken to respond proactively to the changing needs of the county, and our careful management of resources, the medium term outlook has become increasingly challenging. We face a very significant and growing financial gap linked to national factors which are outside of local control and will inevitably persist. Coupled with this, there remains much uncertainty on long-term funding arrangements for local government, which continues to make planning difficult. We also await more clarity on the impact of significant national reforms in major service areas. In the face of these challenges, and the significant savings already delivered by ESCC, there are few options available to close the financial gap. Fundamentally, without further Government support or

sustainable reform of local government finances we will not have the funding we need in the medium term.

5.2 We will continue to pursue all options locally to mitigate the pressures we face. This includes our ongoing work to harness the benefits of new technology, including exploring the potential opportunities presented by developments in artificial intelligence. We remain focused on continuous improvement and seeking out and implementing best practice approaches, such as our work on family safeguarding in Children's Services. We also continue to maximise the value of our partnerships with others to use collective local resources to best effect to support the resilience of our residents and communities.

5.3 However, our lobbying will also be vital to ensure Government is fully aware of the unsustainable situation faced by local authorities, and the specific needs of East Sussex. We will call for recognition of, and support with, the impacts of current demands and market conditions over which we have very limited control locally. We will highlight the lack of funding to invest in the preventative approaches which are the only way to mitigate increasing need, as well as to achieve the best outcomes for our residents. The requirement for Government to fully fund new asks and responsibilities for local authorities as a result of national reforms is also key. Above all, we will continue to strongly make the case for longer term certainty of future funding, and a sustainable funding regime 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 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.

5.4 With ongoing uncertainty and increasing demand for our services, a clear and current understanding of the views and priorities of people who live and work in East Sussex is also vital to inform our planning for the future through RPPR. As part of ongoing planning for 2024/25 and beyond, we have launched a public engagement exercise to seek additional feedback directly from local people on priorities and financial choices. This survey, alongside our RPPR engagement with key partners and groups representing local communities, will provide valuable additional insight to inform Cabinet recommendations and Council decisions on our budget and Council Plan in early 2024.

## **6. Next Steps**

6.1 This report highlights the importance of the services the Council provides for the county, the positive achievements we have to build upon, and the strength of our robust planning processes. It also outlines the increased level of uncertainty within which planning for 2024/25 is taking place and the growing pressure on services. Much is to be determined around national spending allocations and priorities for 2024/25 onwards, the impact of national reforms, and the medium to longer term impact of the increases in demand and cost seen already this year.

6.2 Thanks to our sound financial management and clear focus on priorities we expect to be able to manage within existing contingency arrangements this year but the situation for next financial year and beyond presents considerable challenges and our response will depend on levels of national support.

6.3 Work will continue into the winter to understand the detailed funding picture as it emerges, the implications of national policy developments, the views of local people, and to refine our understanding of the county's needs. This analysis will feed into our ongoing business and financial planning.

6.4 Members will continue to be involved in developing plans through Cabinet, County Council, Scrutiny Committees, and specific engagement sessions throughout the 2023/24 RPPR process.

**BECKY SHAW**  
**Chief Executive**

## 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	
<b>Council 8 February 2023 DEFICIT/(SURPLUS)</b>		<b>2.196</b>	<b>38.476</b>	<b>0.000</b>	<b>40.672</b>	
<b>Normal Updates:</b>						
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	
<b>Pressures added to / (removed from) the MTFP:</b>						
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	
<b>Pressures bids proposed by CMT:</b>						
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	
<b>DEFICIT/(SURPLUS) AFTER NORMAL UPDATES</b>			<b>27.700</b>	<b>23.114</b>	<b>13.884</b>	<b>64.698</b>

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
<b>DEFICIT/(SURPLUS) AFTER NORMAL UPDATES &amp; PRESSURES BIDS</b>		<b>27.700</b>	<b>23.114</b>	<b>13.884</b>	<b>64.698</b>
<b>Updates to be considered – for review of likelihood and for local decision:</b>					
<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)
<b>DEFICIT/(SURPLUS) AFTER UPDATES</b>		<b>16.162</b>	<b>27.312</b>	<b>13.625</b>	<b>57.099</b>

### 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 triennial 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
<b>In Current MTFP</b>					
ASC: Growth & Demography	P	3.917	3.917	3.917	11.751
CSD: Growth & Demography		0.973	0.808	0.808	2.589
<b>TOTAL</b>		<b>18.560</b>	<b>10.099</b>	<b>6.525</b>	<b>35.184</b>

#### 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
<b>TAXATION &amp; GOVERNMENT FUNDING</b>		(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		
<b>TOTAL TAXATION &amp; GOVERNMENT FUNDING</b>	<b>(501.446)</b>	<b>(521.305)</b>	<b>(532.553)</b>	<b>(549.899)</b>
<b>SERVICE PLAN</b>				
Service Expenditure	396.461	457.488	501.870	524.995
<b>Inflation</b>				
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			
<b>Adult Social Care</b>				
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
<b>Children's Services</b>				
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

<b>Medium Term Financial Plan</b>	<b>2023/24 Approved Budget £million</b>	<b>2024/25 Estimate £million</b>	<b>2025/26 Estimate £million</b>	<b>2026/27 Estimate £million</b>
<b>Communities, Environment &amp; Transport</b>				
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)
<b>Business Services</b>				
Modernising Back Office Systems (MBOS)		0.386		
Pressures approved via protocol	0.551	(0.078)		
Pressure Bids Oct 23		0.201		
<b>Governance Services</b>				
Pressures approved via protocol	0.425	0.104	0.148	
<b>Savings</b>				
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)		
<b>NET SERVICE EXPENDITURE</b>	<b>457.488</b>	<b>501.870</b>	<b>524.995</b>	<b>546.214</b>
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
<b>TOTAL CORPORATE EXPENDITURE</b>	<b>43.958</b>	<b>47.135</b>	<b>58.372</b>	<b>68.383</b>
<b>TOTAL PLANNED EXPENDITURE</b>	<b>501.446</b>	<b>549.005</b>	<b>583.367</b>	<b>614.597</b>
<b>CUMULATIVE DEFICIT/(SURPLUS)</b>	<b>0.000</b>	<b>27.700</b>	<b>50.814</b>	<b>64.698</b>
<b>ANNUAL DEFICIT/(SURPLUS)</b>	<b>0.000</b>	<b>27.700</b>	<b>23.114</b>	<b>13.884</b>

## Appendix 2 - Capital Programme Update

### 1 Background

- 1.1 Through 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 for the council to continue to deliver services as efficiently as possible, rather than rationing through prioritisation. 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: supporting the Council's aim of reaching carbon neutrality from our activities as soon as possible and in any event by 2050 in an appropriate and cost-efficient way.
- 1.2 At Full Council in February 2023 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 June 2023 to reflect the 2022/23 outturn, project and programme reprofiles and approved variations, revising the gross programme to £651.575m to 2032/33. For planning purposes, the first 3 years of the programme, to 2025/26 are considered approved, whilst the remaining years are indicative to represent the longer-term planning for capital investment.
- 1.3 The financial outlook for local authorities is increasingly challenging, with factors such as the volatile economic situation, undefined impact of national reforms and uncertain funding allocations leaving much uncertainty about the Council's future financial position. Capital investment decisions have a direct impact on the council's revenue budget, particularly relating to borrowing costs, and are therefore to be considered in the context of their impact on the MTFP.

### 2 Variations to the Current Approved Programme

- 2.1 The programme has been updated for approved variations and other approved updates since the State of the County in June 2023. These are summarised in the table below with the detailed capital programme provided at Annex A.

Table 1 - Capital Programme (gross) movements (£m)	MTFP Programme			MTFP +1 Year	2027/28 to 2032/33	Total
	2023/24	2024/25	2025/26	2026/27		
Approved programme at State of the County 2023	88.852	91.777	80.239	68.148	322.559	651.575
Other Approved Variations (see 2.2)	18.977	5.923	-	-	-	24.900
Highways Maintenance Investment (see 2.3)	-	5.100	5.100	5.100	30.600	45.900
<b>Total Revised Programme</b>	<b>107.829</b>	<b>102.800</b>	<b>85.339</b>	<b>73.248</b>	<b>353.159</b>	<b>722.375</b>

- 2.2 **Approved Variations:** A gross increase to the programme of £9.200m relating to fully funded schemes having a net nil impact on the capital programme due to the identification of developer contributions and specific grant funding in accordance with the Capital Strategy. In addition, a total increase to the Highways Structural Maintenance programme of £15.700m in 2023/24 was approved by Cabinet in June 2023 and Full Council in July 2023.

- £5.100m to maintain approved 'steady state' road condition target rates of 4% (A Roads), 4% (B&C Roads) and 14% (Unclassified Roads) being in 'red' condition.
- £5.600m spend on additional highways maintenance, comprising £2.500m patching work and £3.100m drainage work, to be funded from the Priority Outcomes and Transformation Reserve set aside for one-off investment.
- £5.000m to provide early improvement and resilience.

The total approved variations are summarised in Table 2 below:

<b>Table 2 – Approved Capital Variations Gross (£m)</b>	<b>Total</b>
Eastbourne/South Wealden Walking & Cycling Package (funding from developer contributions)	0.343
Eastbourne Town Centre Phase 2a (funding from Active Travel England grant)	0.750
Area Wide Traffic Management Schemes – Eastbourne Liveable Town Centre (funding from Active Travel England grant)	0.274
Area Wide Traffic Management Schemes – Schools Streets (funding from Active Travel England grant)	0.200
Community Match Fund (funding from parish council contributions)	0.009
Youth Investment Fund (funded by specific grant funding)	7.624
Highways Maintenance Investment – maintain steady state (funded from borrowing)	5.100
Highways Maintenance Investment – additional maintenance (funded from reserves)	5.600
Highways Maintenance Investment – early improvement and resilience (funded from borrowing)	5.000
<b>Total</b>	<b>24.900</b>

2.3 **Highways Maintenance Investment:** In order to maintain approved road condition target rates in the future, the £5.100 additional investment identified above has been assumed on an ongoing basis to be funded from borrowing. Further one-off investment in 2024/25 is to be considered as part of the RPPR process, giving consideration to the impact on the Council's revenue budget.

### 3 Funding Update

3.1 Table 3 below provides an updated capital programme funding position to reflect the capital programme updates and their associated funding assumptions outlined above.

<b>Table 3 - Capital Programme Funding Update (£m)</b>	<b>MTFP Programme</b>			<b>MTFP +1 Year</b>	<b>2027/28 to 2032/33</b>	<b>Total</b>
	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>		
<b>Gross Expenditure</b>	<b>107.829</b>	<b>102.800</b>	<b>85.339</b>	<b>73.248</b>	<b>353.159</b>	<b>722.375</b>
Specific Funding	(16.372)	(36.994)	(8.828)	(1.041)	(0.202)	<b>(63.437)</b>
Formula Grants	(31.966)	(21.044)	(17.475)	(22.218)	(112.320)	<b>(205.023)</b>
Capital Receipts	(0.817)	(8.676)	(5.327)	-	-	<b>(14.820)</b>
Reserves and Revenue Set Aside	(20.369)	(3.454)	(7.317)	(6.694)	(10.657)	<b>(48.491)</b>
Developer Contributions Target	-	-	-	(2.663)	(15.975)	<b>(18.638)</b>
<b>Borrowing Requirement</b>	<b>38.305</b>	<b>32.632</b>	<b>46.392</b>	<b>40.632</b>	<b>214.005</b>	<b>371.966</b>

3.2 The updated capital programme has a borrowing requirement for the period 2023/24 to 2032/33 of £372m, which represents 51% of the total gross programme funding. This is an increase of £56m compared to that reported in the State of the County 2023 of £316m due to the additional highways

maintenance investment as described in section 2 of this report. The Capital Strategy seeks to maximise the application of other funding sources in order to reduce the council's borrowing requirement which has a long term revenue implication.

- 3.3 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.

#### **4 Conclusion and Next Steps**

- 4.1 Work will be progressed as part of the RPPR process to ensure continued compliance with the Capital Strategy principles and 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, as well as reviewing latest guidance and best practice.
- 4.2 A £7.5m ongoing risk provision was approved in February 2023 to mitigate against capital programme risks, representing more than 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, these risks as reported at Budget 2023 include:
- Excess inflationary pressures on construction costs
  - Uncertainty about delivery of projects in the programme, e.g. highways and infrastructure requirements
  - Any as yet unquantifiable impact of supply issues and cost increases
  - Any as yet unknown requirements,
  - Residual project provision (previously removed) if required; and
  - Uncertainty regarding the level of government grants and the ability to meet developer contribution targets.
- 4.3 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.
- 4.4 Decisions on future capital investment should be considered in the context of the impact on the Treasury Management (TM) capacity to fund the investment and the revenue budget, whereby the cost of funding and Minimum Revenue Provision needs to be included within the MTFP. The current capital programme already requires borrowing in future years, which together with the Minimum Revenue Provision accounting requirements, will need the TM budget to be increased beyond the current MTFP. The impact of the proposals within this update on the cost of borrowing have been included within MTFP update at Appendix 1.

## Annex A – Detailed Capital Programme

Capital Programme (gross) (£m)	MTFP Programme			MTFP+1 Year	2027/28 to 2032/33	Total
	2023/24	2024/25	2025/26	2026/27		
<b>Adult Social Care:</b>						
House Adaptations	0.050	0.050	0.050	-	-	<b>0.150</b>
Learning Disability Support Living Scheme	2.177	2.914	0.854	0.104	-	<b>6.049</b>
Greenacres	0.140	-	-	-	-	<b>0.140</b>
<b>Adult Social Care Total</b>	<b>2.367</b>	<b>2.964</b>	<b>0.904</b>	<b>0.104</b>	-	<b>6.339</b>
<b>Business Services:</b>						
Salix Contract	0.350	0.350	-	-	-	<b>0.700</b>
Lansdowne Secure Unit – Phase 2	0.065	-	-	-	-	<b>0.065</b>
Youth Investment Fund	2.745	4.879	-	-	-	<b>7.624</b>
Special Educational Needs	1.692	1.347	-	-	-	<b>3.039</b>
Special Educational Needs – Grove Park	5.422	8.000	5.000	0.429	-	<b>18.851</b>
Disability Children’s Homes	0.716	0.024	-	-	-	<b>0.740</b>
Westfield Land	0.053	-	-	-	-	<b>0.053</b>
Schools Basic Need	1.931	0.837	11.833	19.022	30.155	<b>63.778</b>
Capital Building Improvements (Schools)	5.594	4.199	4.182	3.982	24.092	<b>42.049</b>
Capital Building Improvements (Corporate)	3.509	4.640	4.640	4.640	27.320	<b>44.749</b>
IT & Digital Strategy Implementation	4.742	5.319	7.187	7.872	47.836	<b>72.956</b>
IT & Digital Strategy Implementation - MBOS	3.332	-	-	-	-	<b>3.332</b>
IT & Digital Strategy Implementation - Utilising Automation	0.024	-	-	-	-	<b>0.024</b>
<b>Business Services Total</b>	<b>30.175</b>	<b>29.595</b>	<b>32.842</b>	<b>35.945</b>	<b>129.403</b>	<b>257.960</b>
<b>Children’s Services:</b>						
House Adaptations	0.050	0.050	0.050	-	-	<b>0.150</b>
School Delegated Capital	1.150	1.150	1.150	-	-	<b>3.450</b>
Conquest Centre Redevelopment	0.015	-	-	-	-	<b>0.015</b>
<b>Children’s Services Total</b>	<b>1.215</b>	<b>1.200</b>	<b>1.200</b>	-	-	<b>3.615</b>
<b>Communities, Economy &amp; Transport:</b>						
Broadband	0.160	0.100	5.257	-	-	<b>5.517</b>
Climate Emergency Works	3.095	5.459				<b>8.554</b>
Flood & Coastal Resilience Innovation Programme	0.943	0.930	0.989	0.683	-	<b>3.545</b>
Bexhill and Hastings Link Road – Complementary Measures	0.189	-	-	-	-	<b>0.189</b>
Economic Intervention Fund – Grants	0.175	0.300	0.300	0.300	0.783	<b>1.858</b>
Economic Intervention Fund – Loans	0.300	0.300	0.300	0.300	0.550	<b>1.750</b>
Stalled Sites	0.050	0.050	0.050	0.050	0.070	<b>0.270</b>
Upgrading Empty Commercial Properties	-	0.007	-	-	-	<b>0.007</b>
Community Match Fund	0.149	0.325	-	-	-	<b>0.474</b>

Community Road Safety Interventions	0.485	0.237	-	-	-	<b>0.722</b>
Newhaven Port Access Road	0.086	0.708	-	-	-	<b>0.794</b>
Real Time Passenger Information	0.070	0.094	0.061	-	-	<b>0.225</b>
Passenger Services Software	0.026	-	-	-	-	<b>0.026</b>
Bus Service Improvement Plan	3.245	18.680	-	-	-	<b>21.925</b>
Lewes Bus Station Replacement	0.004	-	-	-	-	<b>0.004</b>
Queensway Depot Development	0.504	-	-	-	-	<b>0.504</b>
The Keep	0.228	0.026	-	0.085	0.738	<b>1.077</b>
Other Integrated Transport Schemes	3.740	3.259	7.324	3.153	17.609	<b>35.085</b>
Area Wide Traffic Management Schemes – Eastbourne Liveable Town Centre	0.274	-	-	-	-	<b>0.274</b>
Area Wide Traffic Management Schemes – Schools Streets	0.200	-	-	-	-	<b>0.200</b>
Integrated Transport Schemes – A22 Corridor	0.100	-	-	-	-	<b>0.100</b>
Exeat Bridge Replacement	2.320	3.612	0.920	-	-	<b>6.852</b>
Libraries Basic Need	0.508	0.799	0.449	0.449	1.347	<b>3.552</b>
Peacehaven Library Refurbishment and Conversion	-	0.027	-	-	-	<b>0.027</b>
Highways Structural Maintenance	35.893	26.788	27.346	27.919	180.586	<b>298.532</b>
Bridge Assessment Strengthening	4.740	1.775	3.025	2.777	11.839	<b>24.156</b>
Street Lighting and Traffic Signals	4.686	3.839	3.888	0.989	7.023	<b>20.425</b>
Street Lighting and Traffic Signals – Salix Scheme	0.219	-	-	-	-	<b>0.219</b>
Visually Better Roads	1.293	-	-	-	-	<b>1.293</b>
Rights of Way Surface Repairs and Bridges	0.552	0.514	0.484	0.494	3.211	<b>5.255</b>
<b>Communities, Economy &amp; Transport (LEP Funded Schemes):</b>						
Eastbourne Town Centre Phase 2	3.296	0.750	-	-	-	<b>4.046</b>
Eastbourne/South Wealden Walking & Cycling Package	2.064	0.343	-	-	-	<b>2.407</b>
Hailsham/Polegate/Eastbourne Movement & Access Corridor	0.275	0.119	-	-	-	<b>0.394</b>
Hastings & Bexhill Movement & Access Package	4.203	-	-	-	-	<b>4.203</b>
<b>Communities, Economy &amp; Transport Total</b>	<b>74.072</b>	<b>69.041</b>	<b>50.393</b>	<b>37.199</b>	<b>223.756</b>	<b>454.461</b>
<b>Total Programme</b>	<b>107.829</b>	<b>102.800</b>	<b>85.339</b>	<b>73.248</b>	<b>353.159</b>	<b>722.375</b>