

<b>Report to:</b>	<b>Cabinet</b>
<b>Date:</b>	<b>13 November 2024</b>
<b>By:</b>	<b>Chief Executive</b>
<b>Title of report:</b>	<b>Reconciling Policy, Performance and Resources (RPPR) – update on planning for 2025/26 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 savings proposals set out in paragraph 4 and appendix 2;**
  - v. note the capital programme update as set out in paragraph 5 and appendix 3;**
  - vi. note recent lobbying activity and agree to continue pressing Government for sustainable funding to meet the needs of the residents of East Sussex, particularly in light of the immediate review of funding in light of local deprivation and need; and**
  - vii. note our ongoing commitment to work with partners to make best use of the resources we have and to identify ways to mitigate the impact of savings proposals wherever possible.**
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## **1. Background**

1.1 The County Council provides a diverse and essential range of support to East Sussex residents, businesses and communities, particularly care services for the most vulnerable children and adults which make up over two thirds of our net revenue budget. The Council spends over £540m net (over £1bn gross) each year on services which make a daily difference to lives and livelihoods and delivers both local and national priorities. We are committed to strong partnership working to ensure we make the very best of the resources we have available as well as seeking to minimise, wherever possible, the impact of making necessary savings.

1.2 However, despite our efficient and effective services and partnerships, there remains a fundamental mismatch between the needs of East Sussex residents for essential statutory support, the level of demand, the cost of delivering these services, and the funding we expect to have, even after factoring in some additional short term national support. Councils across the country, including ESCC, have experienced a rapid escalation in both demand and costs as a result of national factors beyond local control. In particular, ongoing growth and complexity of need and increased costs in children's social care, special educational

needs and disability (SEND), home to school transport and adult social care, due to increased need, demographic change and national market conditions. The legacy of Covid and more recent cost of living increases has been both increased demand for a range of services and more complex needs, particularly in Children's Services.

1.3 These pressures are not unique to East Sussex but they are especially pronounced here because of the demographic make-up and needs of our population, the resources available to us, and the steps we have already had to take over many years to respond within limited and reduced resources, and funding mechanisms which do not properly reflect the level of need. East Sussex is ahead of the national ageing population trend and has pockets of significant deprivation which also impact on demand. The county differs substantially from the wider south east in this respect. East Sussex offer an exceptional natural environment in which to live and work but also places limitations on the development and infrastructure which support economic growth, prosperity and the related generation of business rates to help fund services. Earnings are below both the national and regional average.

1.4 Coupled with the significant needs within the county, we have fewer resources at our disposal than many other county councils. Our overall reserve balances have significantly reduced in recent years, and we have relatively limited assets. Our residents already experience relatively high Council Tax levels as there has been increasing reliance by Government on raising money to fund social care through this route. Business rates income is relatively flat, given the challenges in the local economy. Fundamentally, the national formula used to allocate funding to individual councils is long overdue for reform and does not reflect current local needs, particularly in places like East Sussex, with high demand for social care.

1.5 In September Cabinet considered an exceptional report, outside the usual Reconciling, Policy, Performance and Resources (RPPR) cycle, which set out the acute and growing financial challenge we face. A combination of national cost pressures and increasing local needs is impacting on the sustainability of the essential services the County Council provides, particularly to support our most vulnerable residents. The report set out the substantial shortfall in the funding available to the Council to respond to these escalating needs and costs, both in the current year and for the future. Cabinet considered and agreed the immediate steps needed in response to the deteriorating position including additional action, over and above the robust response already in place. Public consultations on an initial phase of savings proposals were agreed and are now underway, enabling us to better understand the impacts and issues to inform sound decision making later in the RPPR process. As signalled in September, we have also begin consulting with our staff where this has been necessary to progress potential savings.

1.6 This report provides our latest assessment of the financial outlook, including the potential impact of announcements made at the recent national Budget. It also provides, in line with our usual RPPR process, an overview of key national developments since the State of the County report in June which we need to take account of in our planning. The planning context has developed significantly since the general election and change of Government in July, as a result of national policy announcements and the developing economic picture, summarised at paragraph 2 below.

1.7 The updated assessment set out in this report confirms that the outlook remains highly challenging, with important decisions still to be made by the Government and information still to be received and assessed. The Government has acknowledged the substantial pressures on local authorities and the impact these are having on services for local people, and its first Budget signalled some additional support. But this was offset by additional costs, for the Council and our providers, as well as the uncertainty of major

financial and service reforms yet to come. Although welcome, the funding provided will be required to help meet future costs and is unlikely to make a fundamental difference to the overall underlying position we face. The impact on local businesses is yet to become clear.

1.8 The RPPR process, which brings together our policy, business and financial planning and risk management, is the tool we use to help us navigate a challenging and uncertain environment. It ensures we direct the resources we have on the evidence-based priorities we aim to deliver and where we will have most impact. The severe financial challenges we face present a renewed challenge to maintaining the decent and effective services our residents need and deserve. It is vital we maintain focus, through RPPR planning, 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.

## 2. Policy context update

2.1 The general election on 4 July, and subsequent change of Government, has led to some significant shifts in national policy which will impact on our planning, with further announcements expected in the coming months. The key areas in which there have been developments since the State of the County report, or in which further developments are expected, are detailed below.

2.2 **Government priorities** – The new Government has set out its intention to be ‘mission-led’ with a focus on five key missions covering economic growth, clean energy, improving the NHS, safer streets and increasing opportunity through education. The King’s Speech in July provided further detail on the Government’s legislative priorities with key Bills of relevance to ESCC including those focusing on Children’s Wellbeing, English Devolution, Planning and Infrastructure, Better Buses, Mental Health and Employment Rights. Some of this legislation has now been published, with further detail expected in the coming months.

2.3 **National economic context** – Inflation, as measured by the Consumer Prices Index (CPI), fell to 1.7% in the 12 months to September, a larger than anticipated reduction, which brought the rate below the Bank of England’s 2% target for the first time in three and a half years. However, the latest Office for Budget Responsibility (OBR) forecasts expect CPI to increase in the short term, averaging 2.6% in 2025, before gradually falling back to target. These projections are higher than previous OBR forecasts published in March 2024. Reflecting the reduced rate of inflation, the Bank of England made the first cut in interest rates since the Covid pandemic to 5% in August, a reduction of a quarter of a percentage point, and held rates at this level in September. Analysts have predicted a further reduction this year, with the next rates decision to be made by the Bank of England on 7 November. After remaining flat in 2023, the economy is expected to grow by just over 1% this year, rising to 2% in 2025, before falling to around 1.5% over the remainder of the OBR’s five year forecast.

2.4 Previous higher levels of inflation and cost of living pressures have continued to impact on households. In September, the Government announced another extension to the Household Support Fund to March 2025. Deployment of this funding in East Sussex was agreed by Lead Members in September. It was announced at the Budget in October that the Fund would be extended into 2025/26 and further detail is awaited. From winter 2024/25, Winter Fuel Payments for people of state pension age will be restricted to those receiving

Pension Credit or other means-tested benefits. The Deputy Prime Minister and Work and Pensions Secretary have written to local authorities in support of the Government's Pension Credit awareness drive to identify households not claiming the benefit and encourage pensioners to apply.

**2.5 Budget and Spending Review** – In July, alongside the outcomes of a Public Spending Audit, the Chancellor announced that the Government would undertake a two stage Spending Review, with phase 1 setting revised departmental spending totals for 2024/25 and 2025/26 at the Autumn Budget, followed by phase 2 - a multi-year Spending Review to report in spring 2025. The Government's longer term intention is to undertake Spending Reviews on a two year cycle, to inform three year department settlements. The Chancellor has also committed to one major Budget statement a year, to be delivered each autumn.

**2.6** The Chancellor delivered the Budget Statement on 30 October which focused on economic stability, public services and capital investment, with an overarching aim of driving economic growth. The Budget contained significant changes to taxation to raise additional revenue, notably an increase to the National Insurance contributions paid by employers, including those in the public sector. The Budget also confirmed that the National Living Wage will increase by 6.7% from April 2025, with a larger increase for employees aged under 21 as part of moving towards a single adult rate. This level of increase, plus the uplift to employer National Insurance contributions, will have significant impacts in the care sector.

**2.7** Government department spending is planned to grow by an average of 2% per year in real terms between 2023/24 and 2029/30. This sets the overall funding envelope for Phase 2 of the Spending Review, concluding in late spring 2025, which will set out a longer-term settlement for public services with a focus on reform. The Budget also set a 2% productivity, efficiency and savings target for Government departments and formally launched the new Office for Value for Money.

**2.8 Local government funding** – Financial pressures faced by councils across the country have continued to attract national attention. The majority of local authorities are experiencing significant increases in demand, notably 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 Budget Statement highlighted that councils face a combined funding gap of £6.2bn over the next two years to keep services at current levels.

**2.9** At the Budget the Chancellor provided some indications of the funding which will be available to local authorities for the coming year, although detail is awaited. There was welcome acknowledgement of the specific issues driving pressure on local authorities and the need for reforms in key areas, including increased focus on prevention. An additional £1.3bn grant funding for local government overall, including at least £600m new funding for social care, was announced. In addition, a £2.3bn increase in the Core Schools Grant will include £1bn for SEND in 2025/26. However, increases to the National Living Wage and National Insurance paid by employers will impact on our providers and, potentially, the costs of commissioning services, particularly in the care sector. Higher than expected inflation will further affect costs across a range of services. We will continue to assess the impact of these announcements for ESCC as we receive further detail from Government in the coming weeks. However, given the balance of funding and costs, it is already clear that the overall impact is likely to be limited and the Council will continue to face a substantial funding gap in the year ahead. Further detail on the potential impact of Budget announcements is set out in section 3.

2.10 Longer term, there remains considerable uncertainty. The Budget confirmed that there will be reform to local government funding arrangements in 2025, including the basis on which funding will be allocated to individual areas in future, to inform a longer term financial settlement for councils. Reforms to adult and children's social care and the SEND system will also be set out next year, with the potential for significant impacts, both financially and in service provision. There remain many unknowns which makes future planning very difficult.

2.11 The Government has committed to multi-year settlements for local authorities to support longer term planning, including simplifying the wider local funding landscape, reducing the number of grants and consolidating them into the Local Government Finance Settlement. The intention to end competitive bidding has also been set out. However, given the timescales for the Spending Review, another one year settlement is confirmed for 2025/26 with a multi-year settlement to follow from 2026/27. The Budget confirmed there will be reform of local government funding arrangements as part of this longer term settlement, indicating that this will include redistributing funding to ensure that it reflects an up-to-date assessment of need and local revenues. Government has already committed to reform of business rates but has ruled out reforming Council Tax.

2.12 A key foundation of Government's approach to local government finance is addressing the local audit backlog in England. Proposals, which will be set out in legislation, involve setting a series of backstop dates to clear the backlog of unaudited accounts, up to and including financial year 2027/28, to allow assurance to be rebuilt over several audit cycles.

2.13 **Workforce** – The broader economic context has been an important factor in pay negotiations. The Government has agreed a range of public sector pay uplifts in recent months. In October, the 2024/25 pay award for local government staff on single status grades was agreed, following negotiations between national employers and unions. There remains a competitive and challenging environment for recruitment and retention of staff in local government and a national recruitment campaign has been launched by the Local Government Association (LGA) to support local recruitment activity.

2.14 The Government has announced a new Employment Rights Bill which sets out a range of reforms, including establishment of a new Fair Pay Agreement in the adult social care sector and plans for a new 'Adult Social Care Negotiating Body' responsible for negotiating pay and conditions for care workers. The Bill also sets out the reinstatement of the School Support Staff Negotiation Body and 'day one' rights for workers, including protection against unfair dismissal, parental leave, flexible working arrangements and sick pay. The Bill also commits to end 'fire and rehire' practices and zero hours contracts, as well as the adoption of post-maternity leave protections. The Government is expected to hold a consultation on proposed reforms before implementation.

2.15 The draft Equality (Race and Disability) Bill, also announced in the King's Speech, will enshrine in law the full right to equal pay for ethnic minorities and disabled people and will mandate ethnicity and disability pay reporting for larger employers (those with 250+ employees).

2.16 **Children's services** – Significant pressures arising from demand and complexity of need continue to impact children's services nationally and locally. In the Autumn Budget it was confirmed that, in the short term, the Government will provide funding to continue testing children's social care reforms, including additional support for kinship and foster care. Plans for fundamental reform of the children's social care system will be set out in phase 2 of the Spending Review, including promoting early intervention to help children stay with their families where possible and addressing issues in the care market. The Secretary of State

has previously indicated her intention to address excess profit making by private residential care providers and it is likely that the development of Regional Care Co-operatives, bringing local authorities together to manage and develop the care market, will continue. The South East region was successful in bidding for one of the pathfinder projects and the County Council, as part of the project, will play an important role in shaping future delivery of this key development.

2.17 In response to ongoing pressures, the Council continues to embed a Valuing Care approach, focused on placement sufficiency and enhancing our ability to secure the right care for the right child for the right length of time. Connected Families Intervention Practitioners have continued to provide dedicated support to support families to stay together and improve the wellbeing and life chances of children, and additional funding has been invested in our in-house foster care programme. The Supporting Families transformation programme has also continued to develop a joined-up whole family, whole system approach to early intervention.

2.18 Demand and complexity in SEND also continues to rise. We remain concerned that the previous Government's SEND and Alternative Provision Improvement Plan does not address the underlying mismatch between the current legal framework and available resources. A recent joint study, commissioned by the County Councils Network and LGA, into an effective and financially sustainable approach to SEND in England, found that the 2014 reforms had failed to improve the educational outcomes for SEND pupils, despite costs trebling in a decade. The report stressed the importance of radical reform – recommending investment in therapists, educational psychologists and inclusion support within schools to reduce the reliance on specialist school places. As well as providing an initial uplift of funding in 2025/26 as set out above, the Government has confirmed its intention to bring forward plans to reform SEND provision to improve outcomes and address financial sustainability. 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.

2.19 The Children's Wellbeing Bill is expected to bring together a range of measures including requiring free breakfast clubs in primary schools (750 schools with primary aged pupils will be invited to take part in a pilot from April 2025), and local authorities to maintain registers of children not in school and to provide support to home educating parents. The Bill is also expected to require school co-operation with councils on admissions and SEND inclusion and to require all schools to teach the national curriculum.

2.20 In addition, the Government has launched a curriculum review and abandoned previous plans to create the Advanced British Standard. The Department for Education is also seeking expressions of interest from schools interested in converting unused classrooms to additional nursery capacity, as part of its commitment to continue the roll-out of additional funded hours of childcare announced by the previous Government. In inspection and regulation, Ofsted's single word grades for schools and children's social care services have been replaced with a broader assessment, and a new programme of inspections will look at how local services link up in response to domestic abuse.

2.21 Other national announcements relating to children and young people include the establishment of a Child Poverty Task Force to develop a Child Poverty Strategy for publication in spring 2025 and a 'youth guarantee' of access to training, an apprenticeship, or support to find work for all young people aged 18-21.

2.22 **Adult social care** - In July, the Chancellor announced that the adult social care charging reforms, previously postponed to October 2025, would not go ahead. Given our and other councils' significant concerns about the affordability and deliverability of these

reforms on this timescale, this 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 in need of care services can receive appropriate and timely care. The Government committed in its manifesto to create a National Care Service. Details have not yet been published, beyond suggesting this would be a long-term project underpinned by national standards, with the aim of delivering consistency of care across the country. Initial focus has been on a 'new deal for care workers' through a Fair Pay Agreement with engagement to inform this due to start soon. This, together with the reforms to workers' rights and the increase to the National Living Wage outlined above, has potentially significant implications for the care market.

2.23 Following a rapid review of the NHS, the Prime Minister signalled major reforms would be needed, which will also impact on social care and Public Health. The Government's 10 Year Health Plan, due to be published in spring 2025, will include moving from analogue to digital; shifting care from hospitals to communities; and moving focus from sickness to prevention. To inform the development of the plan, the Department for Health and Social Care has begun a national conversation on the future of the NHS. Ministers have indicated that a 10-Year Plan for social care will run alongside the 10-Year Plan for the NHS and that adult social care reforms will be announced within the next 12 months. In line with the focus on prevention, Government has committed to bringing forward legislation to strengthen controls on tobacco and vaping, including banning disposable vapes from June 2025 and introducing a new tax on vaping liquid from 2026.

2.24 Locally, we have supplied initial information to the Care Quality Commission as part of its assessment of how the Council meets its duties under the Care Act, to be carried out under its new local authority assessment programme. We expect a site visit as part of this process in the coming months, to be followed by an assessment report. Demand on our local acute hospitals remains high, creating ongoing challenges in maintaining the flow of discharges. The County Council, as a key member of the wider health and care system, is playing its part to mitigate the impact of these pressures.

2.25 **Devolution and local economic growth** – The Government has committed to deepening and widening devolution to all parts of the country through the English Devolution Bill, and to publishing an updated devolution framework, the full details of which are expected by the end of the year as part of a Devolution White Paper. Some aspects are expected to remain unchanged, particularly the Government's strong preference for a mayoral governance model and the reservation of certain powers for areas with this model. Shortly after the General Election, the Deputy Prime Minister wrote to all upper tier local authorities without a devolution agreement inviting them to submit initial devolution proposals. In September, the County Council, with the agreement of all five district and borough councils, submitted an expression of interest supporting exploring devolution on an East Sussex geography. Within the Budget, it was indicated that the forthcoming White Paper will also set out plans for Government to work with councils to move to 'simpler structures' and that it envisages 'efficiency savings from council reorganisation helping to meet the needs of local people'.

2.26 The Government has also published a Green Paper to inform the development of its Industrial Strategy. The document outlines plans for long-term sectoral growth and the Government's priority industries for investment, for consultation with businesses ahead of the final strategy being published in spring 2025 alongside the Spending Review. To align with the national Industrial Strategy, the Labour manifesto outlined a new statutory requirement for areas to produce Local Growth Plans, although details are yet to be confirmed, and the initial Government focus is on working with Mayoral Combined Authorities. In light of its focus on extending mayoral devolution, and working with Mayors and local leaders to deliver growth, the Budget indicated ministers are minded to cease

funding for the functions previously delivered by Local Enterprise Partnerships. Locally, the recently agreed East Sussex Economic Prosperity Strategy 2024-50 will act as a flexible and iterative economic growth strategy for the county, as the Government's plans become clearer.

2.27 Within the Budget it was confirmed that Levelling Up funding commitments made by the previous Government would largely be maintained. This includes funding to East Sussex districts and boroughs through Levelling Up Partnerships and the Long Term Plan for Towns. The UK Shared Prosperity Fund, which is also allocated to districts and boroughs, will continue for a further year at a reduced level. Government expects this transitional arrangement to allow local authorities to invest in local growth, in advance of wider reforms to the local growth funding landscape in phase 2 of the Spending Review.

2.28 A Get Britain Working White Paper will be published shortly, which will set out new plans to support people in returning to work. It is expected that this will focus on the root causes of ill-health-related inactivity, supporting young people who are not in education, employment, or training (NEET), and helping people to develop their career. Central government will also work with local authorities on the Connect to Work scheme, a new supported employment programme matching people with disabilities or health conditions into vacancies and supporting them in their roles.

2.29 In September, the Ministry for Housing, Communities and Local Government (MHCLG) announced a review of the role of the Office for Local Government (Oflog) by the end of 2024. In the meantime, Oflog has been asked to deliver its previous remit, but to pause the rollout of its current model of 'early warning conversations' while the Government considers its overall approach to early warnings and interventions.

2.30 **Transport** – The Government has pledged to repair one million more potholes a year nationally, in part with funding that had been earmarked for the A27 Arundel bypass in West Sussex, plans for which have been dropped following the Chancellor's statement on the public finances in July. The Budget confirmed updated national funding for roads maintenance. This has already been assumed as part of our modelling and will support our existing planned maintenance programme within the capital programme. The Chancellor also announced additional investment of £200 million in 2025/26 to accelerate the rollout of electric vehicle charging infrastructure, including funding to support local authorities to install on-street charge points across England, and an additional £100 million investment in cycling and walking infrastructure in 2025/26, to support local authorities to install cycling infrastructure and upgrade pavements and paths.

2.31 In addition, the Department for Transport (DfT) has announced the 'biggest overhaul to buses in a generation' through legislation that will give all local transport authorities the power to introduce a bus franchising system and reverses the ban on councils setting up and running their own bus companies. The Government has extended the bus fare cap, currently £2 to the end of December 2024, with a new cap from January to December 2025 at the higher rate of £3. Alongside this, there is an intention to develop a more sustainable model of Government support for the bus sector that is better value for taxpayers and bus passengers. On rail services, the Passenger Railway Services (Public Ownership) Bill, which would bring all passenger rail into national ownership under Great British Railways, as contracts with private operators expire, is currently progressing through Parliament.

2.32 **Environment and planning** – The Government views planning reform as a key enabler for its economic growth and housing ambitions. In July, amendments were made to the National Planning Policy Framework (NPPF) to remove the de facto ban on new onshore wind farms. Also in July, MHCLG launched a consultation on proposed reforms to the NPPF, outlining changes it aims to make to the policy to support the Government's target of building



1.5 million homes over the next five years. The proposals include changes to the methodology for determining housing targets, new mechanisms for cross-boundary strategic planning, taking a 'vision-led' rather than 'predict and provide' approach to transport planning and increases in planning fees. A response to this consultation is expected by the end of this year. Further to amending the NPPF, the Government's Planning and Infrastructure Bill, expected in early 2025, will seek to will make improvements to the planning system at a local level, modernising planning committees and increasing local planning authorities' capacity to deliver services.

2.33 The Budget reaffirmed the Government's commitment to move towards a zero-waste economy and implement the Collection and Packaging Reforms Programme, including Extended Producer Responsibility. A rapid review of the Environmental Improvement Plan will be completed by the end of the year. The review will inform the development of a new, statutory plan to protect and restore the natural environment and delivery plans to meet each of the Environment Act targets.

2.34 **Migration** – The new Government has indicated that there will be changes to the approach to asylum seekers and refugees. Whilst more detail is expected, some current known developments are a new Border Security Command and measures to strengthen border security, enforce immigration rules and increase returns. The impact of these changes on local areas remains to be seen. Early indications are that the new Government will continue with the general direction and principles of Full Dispersal.

2.35 We expect detail on the Government's approach on these and other key areas, 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 2025/26 and beyond.

### 3. Medium Term Financial Plan

3.1 Planning for 2025/26 and beyond remains highly challenging. With demand for services, and the cost of providing them, continuing to rise, the total level of expenditure required to deliver our services continues to grow. As the level of Government funding that ESCC will receive between 2025/26 – 2027/28 is yet to be confirmed (the provisional Local Government Settlement 2025/26 is not expected until late December 2024), the Medium Term Financial Plan (MTFP) has been updated for the best estimated available information.

3.2 The MTFP does not currently account for the impacts of the Budget Statement of 30 October 2024, the financial impacts of which will be worked through as further information and detailed council allocations are published.

3.3 The MTFP presented within the State of the County report in June estimated a deficit budget position by 2027/28 of £83.6m. Since then, the MTFP has been updated to include our latest assessment of 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 2027/28 of £84.6m.

Medium Term Financial Plan	2025/26	2026/27	2027/28
	£m	£m	£m
<b>Annual Budget Deficit / (Surplus)</b>	<b>42.619</b>	<b>14.064</b>	<b>13.598</b>
Carry Forward of 2024/25 Deficit	14.344		
<b>Annual Budget Deficit / (Surplus) after Carry Forward</b>	<b>56.963</b>	<b>14.064</b>	<b>13.598</b>
<b>Total Budget Deficit / (Surplus)</b>	<b>56.963</b>	<b>71.027</b>	<b>84.625</b>

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

3.5 As set out above, our estimated deficit for 2025/26 is £57.0m. Given the uncertainty around future funding levels, scenarios are being explored to bridge the deficit and present a balanced budget for 2025/26. Current identified options have the potential to reduce the 2025/26 deficit, as set out below:

	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Revised deficit</b>	<b>56.963</b>	<b>14.064</b>	<b>13.598</b>	<b>84.625</b>
<b>Scenarios currently being considered</b>				
Continuation of Adult Social Care (ASC) grant funding	(5.386)			(5.386)
Proceeds of Business Rates (NNDR) pooling	(2.194)	2.194		0.000
Council Tax: Premiums on second homes	(3.524)	(0.070)	(0.072)	(3.666)
Council Tax: Eastbourne Reduction Scheme Proposals	0.778			0.778
Reduction in contractual inflation in line with forecasts	(6.481)			(6.481)
Council Tax Flexibility: Add a further 3.00% to our current 1.99% assumption to get to <b>4.99%</b> (2.99% plus 2.00% ASC Precept) in all years	(11.138)	(12.254)	(13.476)	(36.868)
<b>Deficit/(surplus) after scenarios</b>	<b>29.018</b>	<b>3.934</b>	<b>0.050</b>	<b>33.002</b>

3.6 Given the scale of the remaining deficit, even if all the above scenarios materialise, at this point in the RPPR process it is not possible to present a balanced MTFP.

3.7 Cabinet requested in June that officers explore areas of search for savings as part of work to address the projected deficit. Departments have undertaken work to identify how savings could be delivered, identifying a total potential saving of £16.1m for 2025/26. The impact of the proposals is set out in the table below. This includes the c£4m of proposals set out to Cabinet in September. These proposals relate to all departments, and impact on both frontline and supporting services across the Council. More detail is provided in section 4:

<b>Department</b>	<b>Savings £m</b>			
	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>Total</b>
Adult Social Care & Health	8.930	2.525	0.000	<b>11.455</b>
Business Services	1.077	0.000	0.825	<b>1.902</b>
Children's Services	4.033	0.070	0.020	<b>4.123</b>
Communities, Economy & Transport	1.842	0.621	0.374	<b>2.837</b>
Governance Services	0.248	0.063	0.000	<b>0.311</b>
<b>Total</b>	<b>16.130</b>	<b>3.279</b>	<b>1.219</b>	<b>20.628</b>

3.8 The impact on the MTFP, should the savings proposals be delivered in full, is set out in the table below:

Medium Term Financial Plan After Savings	2025/26	2026/27	2027/28	Total
	£m	£m	£m	£m
<b>Deficit / Surplus after scenarios</b>	<b>29.018</b>	<b>3.934</b>	<b>0.050</b>	<b>33.002</b>
Savings	(16.130)	(3.279)	(1.219)	(20.628)
<b>Deficit / (Surplus) after savings</b>	<b>12.888</b>	<b>0.655</b>	<b>(1.169)</b>	<b>12.374</b>

3.9 As illustrated in the table above, even if the proposed savings are delivered in full, ESCC will face a deficit of £12.9m for 2025/26 after likely scenarios, and £12.4m at the end of the MTFP period, subject to any impact from the recent Budget Statement.

3.10 On 30 October, The Chancellor delivered the Autumn Budget Statement, announcing an increase in local government funding for 2025/26:

- Additional £1.3bn grant funding for local government, including £600m for social care and £700m of un-ringfenced resources, with the allocation of this funding to be determined in the Provisional Local Government Settlement in December.
- A £1bn increase to SEND and Alternative Provision funding, equivalent to 6% real growth, that will reduce councils' SEND deficits. This will not impact on the Council's MTFP in 2025/26 due to the statutory override that allows SEND deficits to be excluded from councils' revenue budgets.
- £233m additional spending in 2025/26 on homelessness, paid to district and borough councils, bringing total spend to £1bn.
- £1.1bn of new Extended Producer Responsibility funding in 2025/26 through the implementation of the scheme to improve recycling outcomes from January 2025.

3.11 While ESCC welcomes the additional funding, there were a number of other developments which will increase the financial risk to the Council for 2025/26 and beyond:

- From April 2025, the National Insurance rate for employers will rise from 13.8% on earnings above £9,100 per year to 15% on earnings above £5,000 per year. It is understood that the increased cost to public sector organisations will be funded, although the mechanism has not been announced.
- The National Living Wage will rise by 6.7%, from £11.44 to £12.21 from April 2025. For 18 to 20-year-olds, the minimum wage will rise by 16% from £8.60 to £10, and for apprentices, the minimum wage will rise from £6.40 to £7.55 (up 18%). Whilst not directly impacting on the Council's pay costs, the impact will be felt by service providers, particularly in social care.
- Inflation (CPI) is higher than reported in the Spring Budget, throughout the forecast, which will add the Council's non-pay and contractual inflation costs.
- Government plans to reform local authority funding and take a more targeted approach to the distribution of funding, in particular to areas of increased need based on levels of deprivation, could risk impacting the funding the Council will receive in 2025/26 and beyond. Our current modelling assumes that existing grants will carry forward on the same basis, but the impact of reforms means this is not expected to be the case. A policy statement is expected from MHCLG by end of November which will provide more detail although, until the provisional local government settlement is issued on 19 December, significant uncertainty remains and the opportunity to lobby will be significant.

3.12 It is not possible to calculate the financial impact to the Council of the Budget until we receive detailed allocations in the provisional financial statement. However, there is nothing in the Budget that would suggest ESCC should stop the work currently being undertaken to address future deficits.

3.13 The Council reported a projected overspend for 2024/25 of £9.4m at Quarter 1, which will require a further draw on strategic reserves. The updated projected revenue outturn at Quarter 2, which will be available in December, will provide a further indication of the likely impact. The latest projected reserve balances as at 1 April 2029 are set out in the table below. This position reflects the additional draw to balance 2024/25, based on the Quarter 1 forecast, but is prior to any draw on balances required to set a balanced budget for 2025/26.

Reserves Balance (£m)	Balance at 1 Apr 2024	Estimated balance at 1 Apr 2025	Estimated balance at 1 Apr 2029
	£m	£m	£m
<b>Earmarked Reserves:</b>			
<b>Held on behalf of others or statutorily ringfenced</b>	<b>31.3</b>	<b>27.8</b>	<b>29.6</b>
<b>Named Service Reserves</b>			
Waste Reserve	19.5	18.9	11.8
Capital Programme Reserve	9.9	9.5	0.0
Insurance Reserve	7.4	7.4	7.2
Adult Social Care Reform Reserve	3.0	0.6	0.0
<b>Subtotal named service reserves</b>	<b>39.8</b>	<b>36.4</b>	<b>19.0</b>
<b>Strategic Reserves</b>			
Priority Outcomes and Transformation	7.3	2.6	1.8
Financial Management	35.8	7.6	5.4
<b>Subtotal strategic reserves</b>	<b>43.1</b>	<b>10.2</b>	<b>7.2</b>
<b>Total Earmarked Reserves</b>	<b>114.2</b>	<b>74.4</b>	<b>55.8</b>
<b>General Fund Balance</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>
<b>TOTAL RESERVES</b>	<b>124.2</b>	<b>84.4</b>	<b>65.8</b>

3.14 The projected level of strategic reserves of £10.2m as of 1 April 2025 means that the Council will have very limited scope to use reserves to address the budget deficit or any emergent pressure, without further action over and above current steps. We continue to take a range of robust measures to contain costs in-year, including the implementation of stringent spending and recruitment controls on top of our existing robust governance and financial management systems. These measures will have some impact but the difference they will make will be limited in the context of the overall deficit and ongoing pressures on services.

#### 4. Savings

4.1 In light of the substantial projected deficit forecast in the State of the County report, which has since grown as set out above, Cabinet requested in June that officers explore areas of search for savings with a focus on:

- Discretionary and non-statutory preventative services;

- Directly provided services;
- Support services and back office functions;
- Income generation.

4.2 Departments have undertaken work to identify how savings could be delivered, guided by these areas of search. As reported in September, there are significant constraints, as the majority of the Council's budget is now spent on delivering or supporting statutory services and meeting other statutory duties, leaving fewer areas for consideration. Many discretionary areas of work have already been reduced or removed in previous rounds of savings. Some areas of work are funded through ringfenced grants with specific criteria. There are also restrictions on actions that can be taken at pace given ongoing contracts and commitments. The approach taken in each service area is detailed below at 4.6 onwards, with the detailed proposals set out in appendix 2.

4.3 It was clear in September, when Cabinet agreed to begin a number of consultations on proposals to reduce services, that this would be the first phase, and that further savings proposals would be needed as we work towards bridging the 2025/26 financial gap. The Budget has not removed or reduced the requirement to identify savings given the legal requirement to balance the budget. Further difficult choices are required to address the expected financial gap for the coming year. Following further work, this report now sets out the next phase of savings proposals to be considered. This broader set of proposals affects a range of frontline and supporting services and has further significant and wide ranging impacts – on residents, partners and staff. It is important to restate that savings are being brought forward out of necessity given the financial position we face. They are all tough choices. There are no easy options and these are not proposals that we would want to make.

4.4 The additional proposals set out, if implemented, would not fully close the funding gap we expect to have. After many years of service reductions, transformation and efficiencies, this reflects the very limited opportunity to make further savings whilst still meeting our statutory duties and basic operating requirements. The savings proposed would, however, make a significant contribution towards bridging the deficit.

4.5 Ahead of further detailed funding announcements we will continue to take all opportunities to impress on Government the position faced by ESCC, the impacts on the people, businesses and communities of the county, and the financial and service reforms needed, and we have been engaging the support of local MPs in making this case.

### **Adult Social Care and Health**

4.6 Savings proposals for Adult Social Care and Health have been developed taking into account five priority areas to protect as far as possible. As set out in September, these include the community care budget; maintaining a sufficient workforce to manage the increase in demand and carry out statutory assessments, including financial assessments; and working with the care market to ensure the availability of appropriate and best value care. In addition, infrastructure funding for the VCSE and support for unpaid carers has been protected as far as possible, recognising the significant contribution they make to managing demand for services.

4.7 A number of savings proposals have already been progressed to public consultation with Cabinet's agreement, where they would entail significant changes to services. These are included and highlighted in appendix 2. Additional proposals now brought forward focus on the following themes:

- Reducing capacity and improving efficiency in management and support functions
- Budget reductions and reallocations
- Optimising charging and income

- Review of service models
- Refocusing of external grants to better align with Council priorities, while still in line with grant conditions
- Seeking efficiencies in contracts

## **Children's Services**

4.8 Children's Services' focus remains on taking forward our programmes of work to address the ongoing significant pressure on the availability and cost of suitable care placements for looked after children. We also want to continue investment in prevention where we have good evidence that it is having an impact on managing demand and reducing pressures on statutory services such as safely reducing the numbers of children in care and on child protection plans.

4.9 In identifying further savings, we have incorporated anticipated cost reductions from the above work and we have reviewed the few remaining non-statutory areas of provision within the department. We have also looked at our support services to identify potential for further savings. Detailed proposals are set out in appendix 2 with key areas of focus being:

- Support services – reducing capacity, including through consolidating functions across the divisions within the department and reductions in staff support costs;
- Maximising income – including through our traded services and performance-related grants; and
- Reviewing service models in home to school transport and Buzz Active.

4.10 As set out in the appendix, the proposed savings would reduce the department's capacity to deliver improvements, transform services and respond to new demands. Reduced capacity will also impact on the resilience and responsiveness of a range of support services and the outcomes which can be delivered.

## **Communities, Economy and Transport**

4.11 A large proportion (72%) of the Communities, Economy and Transport department budget is committed to the major, long-term contracts covering highways maintenance and waste and the statutory requirement to provide concessionary fares. These commitments significantly limit the ability to make savings in these areas. In addition, the department provides a range of frontline services which deliver statutory requirements. The department has sought to identify and develop savings proposals primarily in areas of the budget which are not contractually committed, as well as in remaining areas of discretionary work. Opportunities for efficiencies or budget reductions have also been identified where possible.

4.12 The savings proposals set out in appendix 2 cover all divisions within the department, and impact on a range of frontline services. They focus on:

- reducing preventative work – including in Trading Standards and Road Safety;
- stopping non-statutory work – particularly in Economic Development;
- increasing the use of technology and other efficiencies – including in Libraries and the Registration Service;
- reducing the staff capacity and non-staffing budgets in a number of services – including Rights of Way, Planning and Waste;
- increasing income to ensure it offsets costs – including in parking and registration; and
- undertaking further reviews of service models to identify potential savings.

4.13 As set out in the appendix, these savings would have an impact on the services we offer to residents. This may include longer response times, reduced access or less work undertaken. A number of savings have impacts on partners, including district and borough councils. They also impact on the resilience of services to new or unexpected demands.

## **Business Services and Governance Services**

4.14 Business Services and Governance Services provide a range of essential support services for the organisation as a whole, including areas such as Human Resources (HR), Information Technology (IT) and Digital, Procurement, Finance, Legal Services, Communications and corporate governance functions. In doing so, the departments ensure the Council meets a wide range of statutory requirements. These support functions have been subject to significant savings over the past decade as back office services were reduced earlier and more significantly, in order to maintain funding for frontline services for as long and as far as possible. This means that these services are already run very leanly and include single points of failure.

4.15 The scale of the proposed savings across departments, set out in this report, necessitates significant change, and the necessary expertise and support will be needed to deliver the change required. This will create additional demand on the support services over the next 12-18 months alongside the usual business needs of the Council. Once agreed savings have been implemented, with support provided to manage the processes involved, it will then be possible to review the ongoing needs of the organisation and identify where further reductions in support functions can be made. The approach to savings proposals reflects these demands.

4.16 All services provided by these departments have been reviewed to identify where further reductions or efficiencies could be made. The proposals set out at appendix 2 focus on:

- Reductions in IT provision and maximising the use, efficiency and financial return of property assets;
- Reduced staff capacity in a range of teams providing support functions to the whole organisation and, in some cases, to partner organisations;
- Reduced support for business planning and performance improvement; and
- Reduced communications support for service priorities, residents' information needs and staff information needs.

4.17 Income generating assets and planned capital receipts are routinely incorporated into the core budget and the capital programme. As part of identifying further savings or sources of income, the full portfolio of assets has been reviewed to identify any further marginal financial gains in the 'sweating of assets', reflecting the level of property team capacity available to deliver on these (noting capacity levels referenced in 4.14). This most notably includes the planned closure of sections of County Hall to reduce running costs (albeit only marginally) and to generate income through the letting out of freed up space to third parties.

4.18 The savings proposed would bring the support budgets down to a level whereby any further reduction would impact on support to statutory and other customer facing services and the overall resilience of the organisation. Consequences would include:

- Increased risk of plant failure (e.g. heating, lighting, lifts)
- Increased risk of IT incidents (e.g. data loss, system or WiFi failure)
- Increased risk of challenge to procurement processes and delay in procuring services
- Risk of inability to provide key information and support to enable the Council to continue to function effectively with appropriate levels of governance (e.g. financial information, HR, legal)
- Risk of not meeting the communication needs of service departments and to the resilience of the Council's online information and services.

## **Savings - next steps**

4.19 The potential savings in 2025/26 from these proposals, if agreed, are set out in appendix 2. The savings identified to date have the potential to reduce the potential £29m 2025/26 financial gap, after scenarios, by £16m. This incorporates the £4m from proposals already brought forward in September and currently subject to public consultation, if they were implemented.

4.20 All savings proposals identified will be taken forward through our usual governance, decision making and HR processes. Progressing potential savings will entail consultations with our staff on restructures and potential redundancies. As noted by Cabinet in September, in some cases it has been necessary to begin these processes already in order to be in a position to implement agreed changes ahead of the new financial year and deliver a full year saving to support the budget position. We will work hard to minimise compulsory redundancies as far as possible, applying our comprehensive redeployment processes and support to retain valued staff within the organisation wherever we can. We currently estimate that in the region of 160 posts (130 full time equivalent) may be deleted as a result of savings proposals, although the picture will become clearer as service reviews and consultations progress.

4.21 Even if all identified savings were fully delivered, which is subject to further consultations and decisions, as well as delivery risks, a substantial gap of c£13m would remain for 2025/26, subject to any impact from the recent Budget Statement.

4.22 We will continue to work through the impacts of Budget announcements and await further detail and specific allocations through the financial policy statement expected from MHCLG later in November and the provisional Local Government Finance Settlement in December. This will enable us to confirm or amend our assumptions, and clarify the position in relation to specific grants, providing an updated deficit position. In light of this, options for setting a balanced budget for 2025/26 can be considered.

## **5. Capital programme**

5.1 The capital programme has been updated in accordance with Capital Strategy principles and the risk based review of the programme. Appendix 3 presents a revised programme of £670.0m, of which £210.6m is planned for delivery in the period to 2027/28. The programme will be updated further to reflect the impact of the Budget once detailed allocations are known.

5.2 The capital programme is funded from several sources and can be split into the elements that are funded from identified specific sources (such as grants, developer contributions and earmarked specific reserves), and elements considered to be Core Council Funded. Core Council Funded relates to those projects funded from Council resources that ultimately increases the Council's need to borrow.

5.3 In order to reduce the cost of borrowing appendix 3 proposes changes to the capital programme outside of normal Capital Strategy updates, to reduce the level of investment in Core Council Funded programmes. The recommendations made throughout the report are based on an assessment of risks and likely implications made by services of removing or reducing core funded programmes based on set criteria. The projected impact of this review is an annual reduction in borrowing costs of £3.9m by the end of the MTFP period.



## **6. Engagement, lobbying and communications**

6.1 We will continue to engage and communicate openly and widely with our residents, partners and staff on our approach to the financial position and the impacts of specific savings proposals, and to progress specific consultations where these are required.

6.2 The current financial position, and in particular the Government's recently announced review of how funding is targeted to reflect increased need in areas of deprivation, means it is essential that we continue to press Government as strongly as possible for additional funding and support to be provided to East Sussex. Since September this has included:

- writing to all local MPs to outline the urgency of the Council's financial situation, the requirement to make savings, and to seek their support in making the case to Government;
- the leaders of all ESCC's political groups meeting with all East Sussex MPs to reiterate the position and how they can help;
- a further meeting of a number of MPs with the Leaders of ESCC and district and borough councils to discuss the financial pressures facing all councils;
- officer engagement with officials at MHCLG; and
- continuing to contribute to national campaigning undertaken by the County Councils Network and LGA.

All of this activity has focused on standing up for the interests of East Sussex, and ensuring Government is fully aware of the unsustainable situation faced by the County Council, the consequences for local people, staff and partners, and the immediate and longer term steps needed to secure the sustainability of services which can meet local needs.

6.3 We will continue to press home these vital messages - individually and with our local, regional and national partners - ahead of the policy announcement expected by the end of November, the provisional financial settlement expected on 19 December, the final settlement in February and the longer term Spending Review in the spring. We will continue to call for immediate support with the impacts of current demands, costs 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, and we will work to influence reforms. And we will continue to make the case for a sustainable funding regime for local government, which is appropriately reflective of local need and the costs of delivering statutory services.

## **7. Looking ahead - conclusion**

7.1 The Council's financial position continues to be highly challenging, despite indications of some additional national support. This report outlines the substantial financial gap we continue to face which means we must propose further reductions to our services and the support we provide to local people.

7.2 Much is still to be determined around specific funding allocations for the coming year, and the funding outlook for 2026/27 onwards, the impact of new and ongoing national reforms, and the medium to longer term impact of the increases in demand and cost our services continue to experience.

7.3 Work will continue into the winter to understand the detailed funding picture as it emerges, the implications of national policy developments, and to refine our understanding of the county's needs. This analysis will feed into our ongoing business and financial planning, ahead of final proposals for the 2025/26 budget and Council Plan being brought to Cabinet in January for consideration, and Council in February for decision.

7.4 We will also progress the savings proposals set out to Cabinet through our consultation, governance and decision making processes, to ensure that Members have the information necessary to take budget decisions in the new year.

7.5 Members will continue to be involved in developing plans through Cabinet, County Council, Scrutiny Committees, and specific engagement sessions throughout the 2024/25 RPPR process.

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

## 1. Medium Term Financial Plan (MTFP) Update (November 2024)

- 1.1 The MTFP has been updated for regular calculated adjustments and the additional year of 2027/28, the movements are summarised below. The overall position includes a deficit of £14.344m carried forward from 2024/25 that was temporarily funded from a one-off contribution from reserves. The full MTFP is provided at Annex 1.

	Ref	Estimate (£m)			
		2025/26 Annual	2026/27 Annual	2027/28 Annual	Total Cumulative
<b>Council 6 February 2024 DEFICIT/(SURPLUS)</b>		<b>30.978</b>	<b>16.503</b>	<b>0.000</b>	<b>47.481</b>
CARRY FORWARD OF 2024/25 DEFICIT		14.344	0.000	0.000	14.344
<b>Total After Carry Forward</b>		<b>45.322</b>	<b>16.503</b>	<b>0.000</b>	<b>61.825</b>
<b>Normal Updates:</b>					
Council Tax Inflation				(8.010)	(8.010)
Council Tax Base	A			(5.948)	(5.948)
Business Rates Retention (inflation and growth)	B	(0.032)	(0.211)	(2.195)	(2.438)
Revenue Support Grant inflation update	C	(0.002)	(0.009)	(0.089)	(0.100)
Inflation for contracts (normal and contract specific)	D	0.032	0.210	15.116	15.358
CET: Waste Housing Growth	E	(0.048)	0.026	0.342	0.320
Treasury Management: Update		(0.100)	(0.100)	1.800	1.600
Treasury Management: Capital Programme Review	F	(0.800)	(2.000)	(1.100)	(3.900)
Treasury Management: Impact of SEN deficit		<i>tbc</i>	<i>tbc</i>	<i>tbc</i>	<i>tbc</i>
Pay award	G	1.491	0.567	5.555	7.613
Levies Increase	H			0.014	0.014
General Contingency	I		0.030	0.150	0.180
<b>Pressures added to / (removed from) the MTFP:</b>					
ASC: Growth & Demography				3.917	3.917
ASC: Service Demand	J	5.709			5.709
CSD: Growth & Demography				0.808	0.808
CSD: Home to School Transport Growth & Demography	K	5.908	1.926	1.858	9.692
CSD: Service Demand – Looked After Children	L	0.763	(4.328)	0.680	(2.885)
CET: Waste PFI additional income	M	(1.800)	0.400	0.700	(0.700)
Pressures approved by Protocol	N	0.520	1.050		1.570
<b>DEFICIT/(SURPLUS) AFTER NORMAL UPDATES</b>		<b>56.963</b>	<b>14.064</b>	<b>13.598</b>	<b>84.625</b>

<b>Updates to be considered – for review of likelihood and/or for local decision:</b>					
Continuation of Adult Social Care grant funding	O	(5.386)			(5.386)
Proceeds of NNDR Pooling	P	(2.194)	2.194	0.000	0.000
Council Tax: Premiums on Second Homes	Q	(3.524)	(0.070)	(0.072)	(3.666)
Council Tax: Eastbourne Reduction Scheme Proposals	R	0.778			0.778
Reduction in contractual inflation in line with forecasts	S	(6.481)			(6.481)
Council Tax Flexibility: <i>Add a further 3.00% to our current 1.99% assumption to get to 4.99% (2.99% plus 2.00% ASC Precept) in all years.</i>	A	(11.138)	(12.254)	(13.476)	(36.868)
<b>DEFICIT/(SURPLUS) AFTER UPDATES TBC</b>		<b>29.018</b>	<b>3.934</b>	<b>0.050</b>	<b>33.002</b>

## Normal Updates:

### A Council Tax Inflation and Base

The Government 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, however, this flexibility has not been confirmed for future years. Council Tax inflation is therefore currently assumed at 1.99% only for all years in MTFP, with potential continuation of the increased flexibility included as an update to be considered.

For every 1% increase in Council Tax charged, it is estimated to generate an additional £3.720m in 2024/25. Therefore, to fund the current deficit of £57.638m (before scenarios), there would need to be a council tax increase of approximately 17.50% (current base assumption of 1.99%, plus an additional 15.51% to fund the deficit). There would undoubtedly be an impact on collection rates, which is not factored into this calculation.

Council Tax base growth is being estimated at 1.5% for all years. Regression analysis suggests that the base position will continue to improve following reductions during the Covid-19 pandemic. Estimates will be updated based on submissions from District and Borough Council in December.

### B Business Rates Retention and Growth

Business rates have been updated for the additional year reflecting the latest inflation estimates by the Office of Budget Responsibility (OBR) published in March 2024.

Business rates will continue to be monitored along with the collection fund and reviewed alongside the District and Borough Councils latest collection forecasts to understand any further impacts.

### C Revenue Support Grant

The current planning assumptions for Revenue Support Grant (RSG) reflect latest inflation estimates each year ahead of any potential funding reform or multiyear settlement.

### D Inflation for contracts (normal and contract specific)

The inflation model as per the approved pressures protocol allows for contracts to be uplifted annually per the contract conditions but does not provide inflation for utilities and other running costs e.g. building maintenance, communications and software. Contractual negotiations, e.g. Foster Care and Concessionary Bus Fares are considered for inclusion within the MTFP by CMT.

The service inflation model has been updated for an additional year and reflects the latest inflation estimates by the Office of Budget Responsibility (OBR) published in March 2024. As per normal practice, the inflation model will be updated to reflect latest inflation due in October 2024. The table below shows changes in inflation estimates published in March 2024 compared to those included as part of the approved budget in February 2024.

	2024/25		2025/26		2026/27		2027/28	
	Nov 23	Mar 24	Nov 23	Mar 24	Nov 23	Mar 24	Nov 23	Mar 24
<b>CPI*</b>	3.33%	<b>1.65%</b>	1.60%	<b>1.63%</b>	1.43%	<b>1.64%</b>	1.78%	<b>1.98%</b>
<b>RPI*</b>	4.76%	<b>2.51%</b>	2.40%	<b>2.17%</b>	2.55%	<b>2.59%</b>	2.85%	<b>3.01%</b>
<b>RPIX*</b>	3.65%	<b>1.74%</b>	2.10%	<b>2.19%</b>	2.30%	<b>2.43%</b>	2.68%	<b>2.86%</b>
<b>NLW**</b>	£11.44	<b>£11.44</b>	£11.60	<b>£11.59</b>	£11.76	<b>£11.75</b>	£12.08	<b>£12.04</b>

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

*\*\*National Living Wage per hour. Contracts will not necessarily increase in line with the NLW; however, this would be a key driver for some contracts with a high element of staffing.*

The MTFP normal update includes inflation increases from 2025/26 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.

## **E CET: Waste Housing Growth**

The forecast pressure for 2027/28 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.

## **F Treasury Management**

The additional year of 2027/28 shows the budget estimated cost to support the borrowing required to fund the approved Capital Programme and Strategy.

In addition, the Capital Strategic Asset Board (CSAB) has conducted a capital programme risk review to consider the risks and implications of removing / reducing core funded programmes to seek reductions to the cost of borrowing that impact the MTFP position. The revised capital programme, including the impact of the capital programme risk review, would reduce the level of borrowing to £39.9m up to 2027/28, which is estimated to have a positive MTFP impact for cost of borrowing of £3.9m per annum by the end of the MTFP period.

A further update will be provided following the Q2 monitoring and Autumn Statement to factor in any reported slippage on the capital programme, changes to reserves forecasts and a forecast interest rate update in early November following the Autumn Statement.

## **G Pay Award Added Year and uplift**

Estimated based on the National Employers offer of £1,290 up to LMG2 SP10 and a 2.5% increase for higher grades for 2024/25 (now agreed for LGS for 2024/25) are higher on average than the flat rate 3% previously provided, and has an impact on future years. An estimate of the additional year of 2027/28 has been included and provision for an award of 2.5% in all years of the MTFP.

## **H Levies Increase**

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

## **I General Contingency**

This is calculated at an agreed formula of 1% of net budget less treasury management. The figures reflect the addition of 2027/28 and impacts of other changes.

## **Pressures added to / (removed from) the MTFP:**

### **J ASC: Services Growth & Demography and Demand**

Values for ASC growth and demography and additional demand have been included based on a continuation of current pressures.

### **K CSD: Services Growth & Demography**

Values for CSD general growth and demography have been included based on a continuation of current pressures, plus updated estimates for Home to School Transport as the annual average increase in the number of pupils requiring home to school transport continues to increase.

### **L CSD: Service Demand – Looked After Children**

Updated estimate of changes in demand; assumes lower case growth in LAC numbers.

### **M CET: Waste PFI Additional Income**

The budget requirement for 2025/26 can be reduced by £1.8m; mainly due to electricity and recycling income forecast above baseline assumptions, less an allowance to offset Highways streetlighting electricity overspend. Reducing electricity prices will result in annual pressures with £0.4m expected for 2026/27 and £0.7m for 2027/28.

### **N Pressures Protocol**

There has been an adjustment in the MTFP for a previously approved bid to reflect that the project is due to end in 2026/27, plus a number of bids that have been approved in principle by CMT, see table below:

<b>Pressures Protocol</b>	<b>2025/26 £m</b>	<b>2026/27 £m</b>	<b>2027/28 £m</b>	<b>Total £m</b>
Previously approved:				
CET: Access to Employment and Skills - adjustment		(0.200)		(0.200)
Approved by CMT:				
BSD: Occupational Health and Employee Assistance	0.036			0.036
CET: Statutory Concessionary Fares reimbursement increases		1.250		1.250
BSD: IT&D Microsoft 365 Licencing	0.351			0.351
BSD: Corporate ArcGIS Licencing	0.044			0.044
BSD: Controller of Premises for Corporate Estate	0.089			0.089
<b>TOTAL</b>	<b>0.520</b>	<b>1.050</b>	<b>0.000</b>	<b>1.570</b>

### Updates to be considered pre review of likely / less likely:

#### **O Continuation of Adult Social Care grant funding**

The Government provided additional, previous unannounced grant funding of £500m as part of the Local Government Settlement 2024/25, with the ESCC share being £5.386m. Future years allocations are uncertain, however, due to the ongoing pressures in the social care system, it is likely that this value will be rolled into future financial years.

#### **P Proceeds of NNDR Pooling**

Confirmation has been received that pooling will continue into 2026/27. The council is working with ESFRS and Districts & Boroughs to submit the application.

#### **Q Council Tax: Premiums on Second Homes**

Under the Levelling Up and Regeneration Act 2023, council tax billing authorities have been given the discretion to introduce a premium in respect of second homes (dwellings that are unoccupied but furnished) of up to 100%. Where a decision to impose a premium is made, it must be taken at least 12 months before the financial year to which it would apply, and therefore the earliest the change would take effect would be the 2025/26 financial year. The estimated impact on ESCC is provided in the scenarios based on reports from the billing authorities, with the full impact of these changes is to be assessed with District / Borough councils and reflected in the ongoing council tax assumptions.

#### **R Council Tax: Eastbourne Reduction Scheme Proposals**

Eastbourne Borough Council are currently consulting on changes to their Local Council Tax Reduction Scheme (LCTRS) for 2025/26 which will see a reduction on Council Tax income received by the County Council, estimated to be £0.778m. ESCC have submitted a response to the consultation following approval by the Lead member for Resources and Climate Change on 1 November.

#### **S Reduction in contractual inflation in line with forecasts**

The impact of lower than previously forecast inflation rates will need updating following the revised OBR rates.

## Annex 1 Medium Term Financial Plan

Medium Term Financial Plan	2024/25	2025/26	2026/27	2027/28
	Approved Budget	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
	£million	£million	£million	£million
<b>TAXATION &amp; GOVERNMENT FUNDING</b>		(538.102)	(545.458)	(560.822)
Council Tax	(352.015)	(9.515)	(13.483)	(13.958)
Adult Social Care Precept	(21.535)			
Business Rates (Inclusive of BR Pooling in 2022/23)	(102.469)	1.676	(1.809)	(2.195)
Social Care Grant	(45.393)			
ASC Market Sustainability and Improvement Grant	(11.312)			
Services Grant	(0.478)			
Revenue Support Grant	(4.346)	(0.071)	(0.072)	(0.089)
New Homes Bonus	(0.554)	0.554		
<b>TOTAL TAXATION &amp; GOVERNMENT FUNDING</b>	<b>(538.102)</b>	<b>(545.458)</b>	<b>(560.822)</b>	<b>(577.064)</b>
<b>SERVICE PLAN</b>				
Service Expenditure	457.488	515.467	558.368	581.794
<b>Inflation</b>				
Non-pay Inflation	28.222	15.783	16.220	15.094
Allocation of pay award and pensions to service departments	10.401	1.948		
<b>Adult Social Care</b>				
Better Care Fund - Discharge Funding	(2.035)	5.088		
Discharge Funding - New Burdens	2.035	(5.088)		
Growth & Demography	3.917	7.491	3.917	3.917
Future demand modelling net of attrition (Covid-related)	(0.365)			
Pressures approved via protocol: ASC Strategy	0.330	0.330		
Service Demand		5.709		
<b>Children's Services</b>				
Growth & Demography	0.973	0.808	0.808	0.808
Looked After Children Placements Covid-related	(0.347)	(0.519)		
Covid Grant Funding for Looked After Children Placements	(0.442)	0.519		
Family Safeguarding	(0.194)	(2.075)	(3.533)	
Net Operational Pressures incl. Careleavers and Locality		0.475	2.929	
Pressures approved via protocol (23/24)	0.124			
Looked After Children Demand	18.340	3.856	0.042	0.680
Locality Social Work and MASH	0.782			
IT & Digital Systems Development	0.044	0.039	0.144	
Foster Care Service	1.540			
Additional Staffing Capacity	0.645	(0.105)		
Subject Access Requests Resource	0.122			
Reprofile of Public Health Investment	(2.420)	0.459	(0.586)	
Home to School Transport Growth & Demography		5.908	1.926	1.858
<b>Communities, Environment &amp; Transport</b>				
Waste Housing Growth	0.265	0.307	0.414	0.342
Waste PFI Additional Income	(3.000)	1.200	0.400	0.700
Highways Contract Mobilisation	(2.313)			
Highways Contract Mobilisation (offset by Reserve Contribution)	0.817			
Pressures approved via protocol (23/24)	(0.800)			
Local Planning Advice Resourcing	0.090		(0.080)	

## Annex 1 Medium Term Financial Plan

Medium Term Financial Plan	2024/25	2025/26	2026/27	2027/28
	Approved Budget	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
	£million	£million	£million	£million
Access to Employment and Skills	0.200		(0.200)	
Local Nature Recovery Scheme		0.100		
Pan Sussex Tourism	0.225		(0.225)	
Highways Core - TUPE Updated Data	0.158			
Highways Core - Second Grass Cut	0.080			
Pressures approved via protocol 24/25: Statutory Concessionary Fares reimbursement increases			1.250	
<b>Business Services</b>				
Pressures approved via protocol (prior years)	(0.078)			
Modernising Back Office Systems (MBOS)	0.386			
Licences, including digital and robotics	0.403			
Pressures approved via protocol 24/25:				
Occupational Health and Employee Assistance		0.036		
IT&D Microsoft 365 Licencing		0.351		
Corporate ArcGIS Licencing		0.044		
Controller of Premises for Corporate Estate		0.089		
<b>Governance Services</b>				
Pressures approved via protocol incl. Coroners Services	0.567	0.148		
<b>Savings</b>				
Review of BSD Savings Options	(0.693)			
<b>NET SERVICE EXPENDITURE</b>	<b>515.467</b>	<b>558.368</b>	<b>581.794</b>	<b>605.193</b>
Corporate Expenditure	43.814	36.979	44.053	50.055
Treasury Management	(2.850)	3.700	0.400	0.700
General Contingency	0.390	0.040	0.150	0.150
Contingency for Potential Pay Award, Recruitment and Retention	(3.343)	4.413	5.419	5.555
Inflation Risk Provision	3.245	0.015	0.019	0.022
Provision for Energy Price Increase	(1.300)			
Pensions	(3.149)			
Movement in Reserves	0.144	(1.107)		
Levies & Grants	0.028	0.013	0.014	0.014
<b>TOTAL CORPORATE EXPENDITURE</b>	<b>36.979</b>	<b>44.053</b>	<b>50.055</b>	<b>56.496</b>
<b>TOTAL PLANNED EXPENDITURE</b>	<b>552.446</b>	<b>602.421</b>	<b>631.849</b>	<b>661.689</b>
<b>CUMULATIVE DEFICIT/(SURPLUS)</b>	<b>14.344</b>	<b>56.963</b>	<b>71.027</b>	<b>84.625</b>
<b>ANNUAL DEFICIT/(SURPLUS)</b>	<b>14.344</b>	<b>42.619</b>	<b>14.064</b>	<b>13.598</b>
One of use of Financial Management Reserve	(14.344)	14.344	0.000	0.000
<b>ANNUAL DEFICIT/(SURPLUS) AFTER USE OF RESERVES</b>	<b>0.000</b>	<b>56.963</b>	<b>14.064</b>	<b>13.598</b>



**Savings Proposals 2024/25 to 2027/28**

Department	Gross Cashable Saving £'000				
	2024/25	2025/26	2026/27	2027/28	Total
Adult Social Care and Health	1,510	7,420	2,525	0	<b>11,455</b>
Business Services	17	1,060	0	825	<b>1,902</b>
Children's Services	794	3,239	70	20	<b>4,123</b>
Communities, Economy and Transport	349	1,493	621	374	<b>2,837</b>
Governance Services	15	233	63	0	<b>311</b>
<b>Total</b>	<b>2,685</b>	<b>13,445</b>	<b>3,279</b>	<b>1,219</b>	<b>20,628</b>













### 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 2024 the target led basic need capital strategy of 20 years, supported by a 10-year planned capital programme was approved. The approved programme was further updated at State of the County in July 2024 to reflect the 2023/24 outturn, project and programme reprofiles and approved variations, revising the gross programme to £797.0m to 2033/34. For planning purposes, the first 3 years of the programme are considered approved, whilst the remaining years are indicative to represent the longer-term planning for capital investment.
- 1.3 The capital programme is funded from a number of sources, and can be split into the elements that are funded from identified specific sources (such as grants, developer contributions and earmarked specific reserves), and elements considered to be Core Council Funded. Core Council Funded relates to those projects funded from council resources that ultimately increases the Council's need to borrow.
- 1.4 The financial outlook for local authorities is increasingly challenging, with uncertain funding allocations, inflationary pressure on contracts and wages, increasing service demands and the impact of national reforms leaving much uncertainty about the Council's future financial position, with a large financial deficit being forecast as part of the RPPR planning process. 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.
- 1.5 This update proposes changes to the Capital Programme outside of normal Capital Strategy updates, to reduce the level of investment of core council funded programmes that increase the Council's borrowing requirement. The recommendations made throughout this update are based on an assessment of risks and likely implications made by services of removing / reducing core funded programmes based on set criteria.

### 2 Capital Programme Update

- 2.1 Table 1 below summarises the gross movements to the approved capital programme since State of the County in July 2024 and proposed updates to be made in accordance with Capital Strategy principles and the risk-based review of the programme. The updates provide a revised capital programme of £670.0m, of which £268.4m is planned for delivery in the period to 2027/28. The first three years of the programme over the MTFP period to 2027/28 are to be presented for approval, whilst the remaining years to 2034/35 are indicative to represent the longer-term planning for capital investment. A detailed capital programme that reflects all the proposals outlined in this update is provided at **Annex A**.



Table 1 - Capital Programme Gross Expenditure Updates	Ref:	Current Year 2024/25 £'000	MTFP Period			2028/29 to 2034/35 £'000	Total £'000
			2025/26 £'000	2026/27 £'000	2027/28 £'000		
<b>Approved Capital Programme (State of the County 2024)</b>		<b>108.305</b>	<b>116.650</b>	<b>67.960</b>	<b>72.251</b>	<b>431.879</b>	<b>797.045</b>
Approved Variations	A	0.931	2.710	0.039	-	-	<b>3.680</b>
Capital Programme Extension	B	-	-	-	1.150	35.185	<b>36.335</b>
Capital Programme Risk Review	D	-	(16.185)	(14.547)	(19.418)	(116.871)	<b>(167.021)</b>
<b>Total Updates</b>		<b>0.931</b>	<b>(13.475)</b>	<b>(14.508)</b>	<b>(18.268)</b>	<b>(81.686)</b>	<b>(127.006)</b>
<b>Revised Capital Programme</b>		<b>109.236</b>	<b>103.175</b>	<b>53.452</b>	<b>53.983</b>	<b>350.193</b>	<b>670.039</b>
Capital Slippage Risk Factor	C	(24.281)	(14.769)	(7.291)	(5.086)	51.427	<b>0.000</b>
<b>Approved Capital Programme (after Capital Slippage Risk Factor)</b>		<b>84.955</b>	<b>88.406</b>	<b>46.161</b>	<b>48.897</b>	<b>401.620</b>	<b>670.039</b>

## Normal Capital Strategy Updates

### A Approved Variations

There is a gross increase to the programme of £3.7m relating to fully funded schemes having a net nil impact on the capital programme borrowing due to the identification of specific funding in accordance with the Capital Strategy, as detailed in Table 2 below:

Table 2 – Approved Variations since State of the County 2024	Gross Variation (£m)
School Basic Need - National Wraparound Childcare Programme (funding from specific grant)	0.165
Hollington Youth Centre (funding from specific grant)	3.412
Children's Services Essential System Developments (funding from approved revenue contribution)	0.103
<b>Total Net Nil Approved Variations</b>	<b>3.680</b>

### B Capital Programme Extension

The capital programme has been updated to extend the programme by a further year to maintain a 10-year planning horizon. This extends annual envelopes of funding for ongoing programmes of work and those fully funded by grants by one year into 2034/35.

### C Capital Slippage Risk Factor

A capital slippage risk factor was applied to the capital programme from 2024/25 onwards to reflect likely slippage based on a risk assessment of historic levels of actual expenditure and slippage at a project/programme level and has been updated to reflect the latest capital proposals. The risk factor is held at a corporate level to enable services / project managers to manage project budgets at a local level, whilst ensuring greater robustness to the planning and monitoring process at a corporate level.

## Capital Programme Risk Review

### D Capital Programme Risk Review

The Capital Strategic Asset Board (CSAB) conducted a capital programme risk review, starting from an assumed base position of removing all core funded projects and providing the capital programme at funded levels only, to provide the maximum level of potential MTFP savings. This would reduce the capital programme by £129.2m over the period 2025/26 to 2027/28. Services then considered the risks and implications of removing / reducing core funded programmes from the capital programme based on set criteria. The outcome of the review is summarised below.

Remove/Reduce the following programmes:

- Remove Adults and Children's Carers House Adaptations programme and seek alternative funding sources.
- Reduce Special Educational Needs place planning to anticipated grant levels only.
- Reduce the Schools Basic Need programme to provide for temporary place requirements only over the MTFP period.
- Reduce the Integrated Transport Programme back to funded levels (DfT Grant and developer contributions) only.
- Remove the core-funded element of the Highways Structural Maintenance Programme and provide at DfT grant levels only.
- Remove the core-funded element of the Broadband programme, with the remaining committed programme requirement to be funded from gainshare funding held.
- Remove Economic Intervention Fund (Grants), Stalled Sites and Upgrading Empty Properties programmes.
- Remove future years allocation of the Newhaven Port Access Road project, to reflect anticipated project underspends and absorb future costs within other existing funded programmes.
- Remove Queensway Depot Programme.
- Remove the Climate Emergency Works programme, subject to review of alternative funding proposals\*

Maintain the following core-funded programmes:

- Capital Corporate Building Improvement programme to ensure essential health and safety works are maintained and to support pressure on the Council's revenue reactive maintenance budget.
- Special Educational Need Provision at Grove Park as this was approved on an invest to save business case basis. Options to maximise external funding from developer contributions will be explored.
- Children's Services Essential System as this was subject to an approved business case.
- Bridge / Structure Maintenance and Street Lighting Replacement programmes as these are critical to maintaining public safety.
- Rights of Way Surface Repairs and Bridges programme as this provides essential health and safety works to ensure public safety in line with statutory duty, although seek to maximise funding from alternative sources (e.g. developer contributions) where possible.
- Libraries Basic Need programme as this is essential to maintain libraries in a safe condition.
- Gypsy and Traveller Site Refurbishment programme as this is required to ensure that the council continues to offer sites and amenity block facilities that are safe and meet the basic needs of our Gypsy and Traveller community.
- Various projects funded by Local Enterprise Partnership Option 4 grant, as removal would result in the need to repay grant values; although seek to maximise funding from alternative sources (e.g. in-year grant underspends) where possible.

\*Proposals for reduced investment include removing climate emergency works from the capital programme, together with associated revenue spend. This would have an impact on meeting the corporate climate emergency targets. Corporate climate change work that could continue as part of business as usual includes:

- Producing the local nature recovery strategy for East Sussex and working with partners to deliver biodiversity net gain.
- Climate change adaptation through flood risk management on relevant highway schemes.
- Work to align relevant Council decisions with the organisation's climate change ambition where possible and appropriate.
- Carbon reduction that will be achieved through the Property planned maintenance programme, to ensure replacement of heating systems, window replacement, insulation and roof replacement are focused on energy reduction and carbon emissions.
- Training for site managers and controllers of premises on energy efficiency.
- Awareness-raising and engagement with staff and Members.
- Staff travel offers that promote cycling, as well as the use of public transport and electric vehicles.
- Bidding for external funding.
- Lobbying government for long-term and sustainable levels of funding.
- Monitoring and reporting annually on progress.

### 3 Capital Programme 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 and other more specific updates.

Table 3 – Capital Programme Funding Update	Ref:	Current Year 2024/25 £'000	MTFP Period			2028/29 to 2034/35 £'000	Total £'000
			2025/26 £'000	2026/27 £'000	2027/28 £'000		
<b>Gross Expenditure</b>		<b>84.955</b>	<b>88.406</b>	<b>46.161</b>	<b>48.897</b>	<b>401.620</b>	<b>670.039</b>
Specific Funding	E	(30.575)	(36.075)	(3.796)	(1.150)	-	<b>(71.596)</b>
Specific Developer Contributions	F	(3.613)	(2.022)	(2.179)	(2.512)	(0.100)	<b>(10.426)</b>
<b>Net Expenditure</b>		<b>50.767</b>	<b>50.309</b>	<b>40.186</b>	<b>45.235</b>	<b>401.520</b>	<b>588.017</b>
Formula Grants	G	(25.772)	(27.130)	(26.930)	(28.520)	(191.577)	<b>(299.929)</b>
Capital Receipts	H	(4.802)	(3.950)	(4.075)	(4.795)	-	<b>(17.622)</b>
Reserves & Revenue Set Aside	I	(11.391)	(0.440)	(0.385)	(0.452)	(6.383)	<b>(19.051)</b>
Capital Reserve	J	(1.558)	(2.589)	-	(3.836)	(5.884)	<b>(13.867)</b>
Developer Contribution Target	-	-	-	-	-	(17.601)	<b>(17.601)</b>
<b>Capital Programme Borrowing</b>	<b>K</b>	<b>7.244</b>	<b>16.200</b>	<b>8.796</b>	<b>7.632</b>	<b>180.075</b>	<b>219.947</b>

#### E Specific Funding

The approved programme is supported by £71.6m of scheme specific grants and external funding which is sourced and managed by services at a project level, in the main comprising of DfT grants for Bus Service Improvement Plan, social care capital grants towards supported living improvements; Youth Investment Fund grant towards youth centre improvements; Levelling Up Fund grant towards Exceat Bridge replacement; and Devolved Formula Capital grant toward schools delegated capital works.

#### F Developer Contributions

Developer contributions is a collective term used to refer to the Community Infrastructure Levy (CIL) and Section 106 planning obligations, being funding secured in support of the provision of infrastructure and to mitigate the impact of development, largely in respect of school places provision, transport and rights of way improvements, and libraries provision. The Council seeks to maximise the use of Developer Contributions to fund basic need requirements and unfunded infrastructure schemes (via net nil variation). For future planning purposes, capital programme includes a reasonable funding target for future years. An assessment of the current developer

contribution position has identified £0.983m of S106 to be added to the capital programme to fund basic need programmes and reduce the future years funding target.

### **G Formula Grants Update**

The capital programme is supported by £299.9m of non-specific government formula grant towards capital expenditure. Formula grant assumptions reflect best estimates but noting that there continues to be risk in relation to these grants as values for future years are still yet to be announced. The level of assumed formula grants will continue to be reviewed to ensure that they represent prudent estimates and updated once the detailed implications of any announcements are known, noting that changes in funding formula could change the level of grants anticipated and impact on the level of borrowing. In accordance with Capital Strategy principles, formula grants are used to fund the approved Basic Need capital programme and reduce the Council's need to borrow.

### **H Capital Receipts**

Property Services hold a schedule of capital receipts available to support the capital programme, which is reviewed regularly with estimates being based on Property Officers' professional judgment on a site by site basis. In accordance with Capital Strategy principles, the profile of capital receipt funding has been updated to prioritise funding towards assets with the shortest useful life, such as IT equipment, to reduce the requirement to borrow for assets that attract a greater annual Minimum Revenue Provision cost on the revenue budget.

### **I Reserves and Revenue Set Aside**

The Council can use revenue resources to fund capital projects, where these have been approved as part of the budget setting process, an approved business case or approved variation. This includes specific reserves, payback from invest to save schemes and revenue contributions. The revised profile of reserve and revenue funding of the capital programme reflects the wider review of Council reserves to ensure usages provides best value.

### **J Capital Programme Reserve**

The Council also holds a Capital Programme Reserve to support the capital programme to reduce the need to borrow, that has a consequential increase in pressure on revenue budgets. In accordance with Capital Strategy principles, the profile of capital reserve funding has been updated to prioritise funding towards assets with the shortest useful life, such as IT equipment, to reduce the requirement to borrow for assets that attract a greater annual Minimum Revenue Provision cost on the revenue budget.

### **K Capital Programme Borrowing**

The updated capital programme has a total borrowing requirement of £219.9m, of which £39.9m is anticipated over the period to 2027/28. This presents a decrease in required borrowing of £39.1m over the period to 2027/28 compared to that reported in the State of the County 2024 due to the updates presented in this report, largely being the impact of the capital programme risk review, capital programme reprofiles and their impact on the slippage risk factor.

## **4 Impact on the Revenue Medium Term Financial Plan and Treasury Management Capacity**

- 4.1 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 position, whereby the cost of funding and Minimum Revenue Provision needs to be included within the MTFP. The proposed capital programme has been prepared to seek reductions in the Council's borrowing requirement to support the revenue budget position, whilst considering the level of risk associated to removing/reducing investment.

4.2 Current TM modelling for the direct costs of borrowing estimates that **for every £10m of additional borrowing, there would be an associated revenue cost of approximately £750,000 per year over the full life of the asset** (based on a 30 year asset life), although the value and profile of costs will vary dependent on a number of variables such as timing, internal balances and interest rates. As highlighted at budget setting in February 2024 the current planned programme borrowing requirement will need Treasury Management budget increases outside the current MTFP period.

4.3 The revised capital programme, including the impact of the capital programme risk review, would reduce the level of borrowing to £39.9m up to 2027/28, which is estimated to have a positive MTFP impact for cost of borrowing of £3.9m as detailed in Table 4 below. Treasury Management modelling takes a holistic approach considering a number of variable factors including availability of cash balances and interest rates impacting borrowing costs and return on investments. Therefore any updates to the MTFP will consider the overall impact on the TM budget.

Table 4 – Cost of Borrowing Impact on the MTFP	MTFP Period			Total £'000
	2025/26 £'000	2026/27 £'000	2027/28 £'000	
Normal Capital Strategy Updates	-	-	-	<b>0.000</b>
Capital Programme Risk Review	(0.800)	(2.000)	(1.100)	<b>(3.900)</b>
<b>Total Impact on the MTFP</b>	(0.800)	(2.000)	(1.100)	<b>(3.900)</b>

## 5 Risk Provision Update

5.1 A £7.5m ongoing risk provision was approved in February 2024 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. Its utilisation, if approved by CSAB would, therefore, require additional borrowing and be reported through the RPPR process and quarterly monitoring in the normal way.

5.2 There are several risks and uncertainties regarding the programme to 2027/28 and beyond which have necessitated holding a risk provision. These risks previously reported include:

- 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.

5.3 There may be increased risks following the proposed recommendations throughout this report, particularly relating to reductions in the capital programme. Potential risks include reputational, impact of service delivery and revenue budgetary implications. All recommendations have been made based on an assessment of risk against the level of borrowing reductions in an environment of significant revenue pressure. The level of risk associated to the capital programme and required risk provision will continue to be monitored as part of the ongoing RPPR process.

## 6 Capital Strategy

6.1 The CIPFA (Chartered Institute of Public Finance and Accountancy) Prudential Code was includes the requirement for Local Authorities to produce a Capital Strategy. The Council's current Capital Strategy covers the period 2024/25 to 2044/45 and was approved as part of

RPPR 2023/24. The Capital Strategy has been reviewed to ensure it continues to reflect emerging risks, principles and corporate priorities, and informed by decisions made as part of the RPPR process.

## Annex A – Detailed Capital Programme

Detailed Capital Programme (Gross Expenditure)	Current Year 2024/25 £'000	MTFP Period			2028/29 to 2034/35 £'000	Total £'000
		2025/26 £'000	2026/27 £'000	2027/28 £'0000		
<b>Adult Social Care</b>						
Adults House Adaptations	0.050	-	-	-	-	<b>0.050</b>
Learning Disability Support Living Scheme	3.700	1.256	0.081	-	-	<b>5.037</b>
Greenacres	0.070	0.070	-	-	-	<b>0.140</b>
<b>Adult Social Care Total</b>	<b>3.820</b>	<b>1.326</b>	<b>0.081</b>	-	-	<b>5.227</b>
<b>Business Services</b>						
SALIX Contract	0.350	-	-	-	-	<b>0.350</b>
Lansdowne Secure Unit	0.039	-	-	-	-	<b>0.039</b>
Youth Investment Fund	7.003	-	-	-	-	<b>7.003</b>
Hollington Youth Centre	0.663	2.710	0.039	-	-	<b>3.412</b>
Disability Children's Home	0.024	-	-	-	-	<b>0.024</b>
Westfield Land	0.017	-	-	-	-	<b>0.017</b>
Special Educational Needs Provision	0.525	0.500	0.500	0.500	-	<b>2.025</b>
Special Educational Needs Provision Grove Park	1.300	11.000	3.390	1.430	-	<b>17.120</b>
Schools Basic Need Provision	0.518	0.400	0.512	5.941	54.668	<b>62.039</b>
Capital Building Improvement (Schools)	5.781	4.589	4.389	4.389	30.723	<b>49.871</b>
Capital Building Improvement (Corporate)	4.401	4.000	4.000	4.000	28.000	<b>44.401</b>
IT&Digital Strategy Implementation	6.399	6.409	4.075	8.631	45.720	<b>71.234</b>
IT & Digital Strategy Implementation – Oracle Implementation	9.634	-	-	-	-	<b>9.634</b>
IT&D – Utilising Automation	0.024	-	-	-	-	<b>0.024</b>
<b>Business Services Total</b>	<b>36.678</b>	<b>29.608</b>	<b>16.905</b>	<b>24.891</b>	<b>159.111</b>	<b>267.193</b>
<b>Children's Services</b>						
Children's House Adaptations	0.050	-	-	-	-	<b>0.050</b>
Schools Delegated Capital	1.150	1.150	1.150	1.150	-	<b>4.600</b>
Children's Services Essential System Developments	0.839	0.885	0.958	0.774	-	<b>3.456</b>
<b>Children's Services Total</b>	<b>2.039</b>	<b>2.035</b>	<b>2.108</b>	<b>1.924</b>	-	<b>8.106</b>
<b>Communities, Economy and Transport</b>						
Broadband	0.065	1.945	-	-	-	<b>2.010</b>
Bexhill and Hastings Link Road Complementary Measures	0.241	-	-	-	-	<b>0.241</b>
Economic Intervention Fund – Grants	-	-	-	-	-	<b>0.000</b>
Economic Intervention Fund – Loans	-	0.300	0.300	0.300	0.797	<b>1.697</b>
Upgrading Empty Commercial Properties	-	-	-	-	-	<b>0.000</b>

Growing Places Fund Loan Scheme	-	-	-	-	4.958	<b>4.958</b>
Community Match Fund	0.379	0.066	-	-	-	<b>0.445</b>
Community Road Safety Interventions	0.547	-	-	-	-	<b>0.547</b>
Newhaven Port Access Road	0.135	-	-	-	-	<b>0.135</b>
Real Time Passenger Information	0.180	0.131	-	-	-	<b>0.311</b>
Passenger Services Software	0.005	-	-	-	-	<b>0.005</b>
Bus Service Improvement Plan - Bus Prioritisation	6.933	11.380	-	-	-	<b>18.313</b>
Bus Service Improvement Plan - Passenger Transport	1.251	-	-	-	-	<b>1.251</b>
Queensway Depot Development	0.120	-	-	-	-	<b>0.120</b>
The Keep	0.172	0.040	0.085	0.152	0.628	<b>1.077</b>
Other Integrated Transport Schemes	2.957	4.595	4.818	3.523	20.587	<b>36.480</b>
A22 Corridor Package	0.100	-	-	-	-	<b>0.100</b>
Excerpt Bridge Replacement	5.340	0.880	-	-	-	<b>6.220</b>
Schools Streets	0.150	-	-	-	-	<b>0.150</b>
Eastbourne Liveable Town Centre	0.316	-	-	-	-	<b>0.316</b>
Hastings Town Centre Public Realm and Green Connections	0.706	8.624	-	-	-	<b>9.330</b>
Libraries Basic Need	0.773	0.550	0.467	0.449	0.898	<b>3.137</b>
Highways Structural Maintenance	24.704	19.100	19.100	19.101	133.707	<b>215.712</b>
Bridge Assessment and Strengthening	7.945	2.901	2.901	1.830	14.447	<b>30.024</b>
Street Lighting Replacement Programme	3.835	3.988	3.429	1.041	8.790	<b>21.083</b>
Rights of Way Programme	0.588	0.643	0.662	0.702	5.780	<b>8.375</b>
Gypsy and Traveller Site Refurbishment	0.070	0.070	0.070	0.070	0.490	<b>0.770</b>
Visibly Better Roads	0.504	-	-	-	-	<b>0.504</b>
Local Electric Vehicle Infrastructure	0.400	2.298	1.843	-	-	<b>4.541</b>
Flood & Coastal Resilience Innovation Programme	0.758	0.989	0.683	-	-	<b>2.430</b>
Flood Management and SuDS in Schools	0.218	-	-	-	-	<b>0.218</b>
Climate Emergency Works	3.336	-	-	-	-	<b>3.336</b>
Eastbourne Town Centre Phase 2a	2.079	1.746	-	-	-	<b>3.825</b>
Eastbourne Town Centre Phase 2b	0.022	5.050	-	-	-	<b>5.072</b>
Eastbourne / South Wealden Walking & Cycling Package	0.990	1.328	-	-	-	<b>2.318</b>
Hailsham / Polegate / Eastbourne Movement & Access Corridor	0.134	-	-	-	-	<b>0.134</b>
Hastings / Bexhill Movement and Access Package	0.746	3.582	-	-	-	<b>4.328</b>
<b>Communities, Economy and Transport Total</b>	<b>66.699</b>	<b>70.206</b>	<b>34.358</b>	<b>27.168</b>	<b>191.082</b>	<b>389.513</b>
<b>Capital Programme Total</b>	<b>109.236</b>	<b>103.175</b>	<b>53.452</b>	<b>53.983</b>	<b>350.193</b>	<b>670.039</b>