

County Council
14 February 2020

**Revenue Budget 2020/21,
Capital Strategy 2020-25
and Treasury Management
Strategy Statement
2020/21**

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Revenue Budget 2020/21, Capital Strategy 2020/25 and Treasury Management Strategy Statement 2020/21

Executive Summary

This report sets out how the balanced budget for 2020/21 supports the delivery of the key priorities within 'The West Sussex Plan'.

This budget provides value for money and forms part of the approach for financial stability over the medium to long term. The report also provides an update on the Medium Term Financial Strategy (MTFS) for the subsequent three year period to 2023/24. Despite significant overall reductions in government funding since 2009/10, the Council continues to make progress in delivering its ambitions on behalf of our residents, while achieving this within the resources available to us.

Within the revenue budget for 2020/21 we propose additional funding for both younger and older residents across the county. The total funding growth for Children and Young People is **£32.0m** (including £12.4m for demand growth together with a further £12.0m for the Children First Improvement Programme). For Adults and Health the funding growth is **£10.3m**. In addition, **£2.6m** has been added to the Fire and Rescue Service budget specifically for the Fire Improvement Programme.

The proposed budget keeps within the 2% reasonableness threshold for core council tax rises and uses the flexibility to raise a further 2% precept for Adult Social Care (ASC). Both of these were announced in the Chancellor of the Exchequer's Spending Round 2019 (SR19) and confirmed in the Provisional Local Government Finance Settlement for 2020/21. Using these flexibilities provides us with much needed certainty on funding, at a time when the future for local government finance is undergoing considerable change, adding to the uncertainty about resourcing our future plans.

The County Council continues to focus on the areas which will make the biggest difference to the lives of its residents and the future prosperity of the county. To have a realistic chance of achieving these ambitious objectives in the context of the continuing low levels of public finances, as well as meeting the growing demand of our statutory responsibilities, we propose a core council tax rise of **1.99% plus an additional 2% Adult Social Care precept, giving a proposed total council tax rise of 3.99%** for 2020/21.

The proposed 2020/21 budget includes the 2% precept specifically for adult social care, to continue to support social care provision for West Sussex, for the benefit of the increasing number of local residents who rely on our support. The Government has also provided additional funds for 2020/21 through the Social Care Grant. However, adequate longer term funding for all social care, both locally and nationally, persists as a major concern. We therefore welcome the Government's proposals to initiate cross party talks to seek a long term reform of adult social care as one of its priorities.

Net revenue expenditure of £593.857m is proposed for 2020/21, an increase of £18.4m (3.2%) compared with 2019/20. The budget reflects spending pressures such as pay and prices, costs arising from the National Living Wage and the pressures faced in Adults' and Children's Social Care Services as well as within the Fire and Rescue Service, following the inspection in November 2018.

Following engagement with members, including a full members' briefing in June 2019 as well as being reviewed by scrutiny committees, a number of Cabinet-level decisions have already been published on key savings proposals, in order to achieve a balanced budget. This is in keeping with the approach to make savings decisions as early as possible, providing as much notice as possible to those affected and maximising the prospect for savings delivery. The savings included in these decisions form a part of the budget for 2020/21 and are set out in Appendix 3 to Annex 1.

The Capital Strategy (Annex 2(a) included in the agenda) is presented alongside the budget report for approval by the County Council. It sets out a high-level, long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the Council's key priorities in the West Sussex Plan and provides details of the Council's five-year capital programme. The Capital Strategy includes the Council's Flexible use of Capital Receipts Strategy, also for approval by the County Council.

The Treasury Management Strategy Statement 2020/21, as set out in Annex 2(b) included in the agenda, is presented alongside the budget report for approval by the County Council.

Section One: Introduction

- 1.1 Despite the difficult financial context that faces West Sussex County Council, we have continued to focus our resources on the key priorities identified in the West Sussex Plan, which sets out our ambition and vision for the residents and communities of West Sussex.
- 1.2 As part of our improvement journey, East Sussex County Council will be a formal improvement partner for the leadership, culture and governance of West Sussex County Council. As part of this approach, Becky Shaw, the Chief Executive of East Sussex took on the role of joint chief executive of both councils in January 2020. At the same time Hampshire County Council is an improvement partner to drive forward the specific improvements in Children's services led by John Coughlan, Chief Executive of Hampshire County Council as the Commissioner for Children's Services. These two arrangements will run alongside each other.
- 1.3 In 2019, national inspectorates required improvements of the Council's Children's services and Fire and Rescue services. To fund the Children's services improvement journey adequately, the MTFS includes £12m temporary and permanent investment in 2020/21. This recognises the continuing challenges a number of younger residents and their families face and aims to ensure the Council continues to play a key role in helping them to be safe and secure. Fire and Rescue services have also developed an improvement plan to respond effectively to the inspector's recommendations. In support of this, the Council made £1.8m available in 2019/20 plus £1.2m continuing funding to address the concerns raised with particular statutory functions.
- 1.4 Our improvement journey includes the redesign of business processes to transform services, reduce costs or manage demand. Part of the funding for this work to achieve these ongoing improvements is from the flexible use of capital receipts. The Flexible Use of Capital Receipts Strategy, which is included in the Capital Strategy, outlines the approach.

- 1.5 The Chancellor's Spending Round 2019 (SR19) announcement in early September 2019 set out broad spending plans for the single year of 2020/21 ahead of a promised three year Spending Review in 2020. SR19 increased public spending by £13.8bn, including £3.5bn for local government. This increase is the fastest increase in day-to-day spending in 15 years and the first Spending Review in that time to protect each government department's funding in real terms. The increase in spending remained within the Chancellor's fiscal rules, which gave headroom to increase borrowing by £15bn.
- 1.6 Since 2010, local authorities have faced unprecedented financial challenges. The Institute of Fiscal Studies (IFS) identified that by 2017/18, councils' funding per person fell to 25% lower than 2009/10 levels and rose slightly to 23% lower in 2019/20. In West Sussex, reductions to our core financial support are evident. In 2019/20, the Council's core grant funding is £155m lower than in 2010/11 and it receives no Revenue Support Grant (RSG).
- 1.7 The current financial climate has presented the Council with difficult fiscal choices when setting the budget for 2020/21 and looking ahead across the Medium Term Financial Strategy (MTFS) period. Collectively, we have scrutinised the approach to delivering services more efficiently to our residents, focusing on the policy outcomes we want to achieve. A significant amount of analysis and work has informed these savings, supporting our continuing objective that the Council lives within its means, provides value for money and aims to be financially stable over the medium to long term.
- 1.8 During the summer and autumn of 2019, the Executive Leadership Team (ELT) and the Cabinet have been preparing the MTFS for 2020/21 to 2023/24. The Performance and Finance Scrutiny Committee received updates on the MTFS on 3 October 2019 and 5 December 2019. These papers were publicly available in a timely fashion.

Section Two: National Context for Public Finances

New Government

- 2.1 The outcome of the General Election on 12 December 2019 was a new Conservative government with a large majority. The new government's most significant policy proposals are focused on Brexit, plus additional resourcing for the NHS, schools, and the police.
- 2.2 The election's timing removed three significant events from the calendar:
 - the Chancellor's Autumn Budget Statement was cancelled;
 - the Office for Budget Responsibility (OBR) did not publish its independent five year forecast of the UK economy and whether the Government would hit its fiscal targets; and
 - the Ministry of Housing, Communities and Local Government (MHCLG) had to delay the Provisional Local Government Finance Settlement until 20 December 2019.
- 2.3 The consequences of these are that:
 - the Chancellor is proposing to present a detailed Budget for 2020/21 and outline plans and prospects for future years on 11 March 2020;
 - the OBR is also expected to publish its Economic and Fiscal Outlook in March

2020;

- the Spending Round 2019 (SR19) provided the outline for the Government's spending plans, focused on 2020/21 only.

2.4 The other indicators of the Government's intentions for local government services were in the Conservative manifesto and outlined in the Queen's Speech on 19 December 2019. The main revenue funding terms include maintaining the £1bn increase in social care grant funding announced for 2020/21 throughout this parliament, and a £500m a year pothole fund (which is likely to replace 2018/19's £400m Roads Fund). The Conservative manifesto also made capital spending pledges to invest in infrastructure, including: £29bn for roads; £1bn for a fast-charge network for electric vehicles such that there are charging points every 30 miles; £4bn on flood defences; and £0.35bn for a Cycling Infrastructure Fund. On social care, there was no Social Care Bill, but a commitment to reform and to find a cross-party consensus on devising a strategy.

2.5 The Queen's Speech also included the following Government commitments:

- A commitment to English Devolution, with more devolution deals and Mayoral Combined Authorities.
- Emphasis of the importance of business rates to local government funding and pledges for a fundamental review and increase to the retail discount relief (including extending its scope). The income lost from these reliefs is expected to be offset by increased s31 grant payments.
- A move to three-yearly business rates revaluations, beginning in 2021 and that the changes will not affect local authorities' funding positions.
- Subject to economic conditions, to increase the National Living Wage to two-thirds of median earnings (around £10.50 by 2024) and apply it to those aged from 21 by the end of the Parliament (compared to 25 currently).
- A new National Disability Strategy to transform the lives of disabled people using all levers of Government, followed by a Green Paper considering the associated benefits system issues.
- A minimum award length for Personal Independence Payments, aimed at increasing certainty for those with disabilities about how often they can be assessed unless their circumstances change.
- The Domestic Abuse Bill adds a duty on local authorities to support victims of domestic abuse and their children in refuges and other safe accommodation, while still transforming the response to domestic abuse, ensuring support for victims and bringing offenders to justice.
- Local authorities will have to deliver the minimum per pupil funding in their area as part of the existing Government commitment to deliver a single national formula.
- Teachers' starting pay will increase to £30,000 from 2022. However there was no announcement of new schools' funding to support this rise.
- Boost Ofsted inspection to reassure parents about the quality of schools.

2.6 The consequences of these commitments means that local authorities will have to rely on increases in revenues from council tax and business rates to meet the rising demands for and costs of local public services. As the IFS's annual report shows, these revenues are unlikely to keep up with rising demands and costs, even if council tax rates increase at 4% each year. To avoid further service cuts, local authorities will either need to improve productivity by more

than they have managed historically, or somehow generate additional revenues.

Local government funding and spending 2019/20

- 2.7 In 2019/20, councils have three main sources of revenue: council tax, retained business rates and Government grant. Over three quarters of that funding now comes from local sources. In addition, many local authorities have used income from sales, fees and charges to protect service budgets where they were able to. Government policy has driven these changes by reducing grants, transferring more funding responsibility to local areas and applying downward pressure on council tax. Consequently, in 2017/18, funding per person fell to levels that were 25% lower than in 2009/10, rising slightly to 23% lower in 2019/20.
- 2.8 The amount spent by local authorities nationally on social care continues to grow. Of the £49bn total net expenditure, the share spent on social care has grown to 38% on adults and 19% on children. This spending pattern has arisen due to the overall reductions in local government funding and intensifying demands for social care. Local authorities have responded by focusing resources on statutory and acute services at the expense of other, discretionary services. Councils have made similar changes to spending patterns within services to: protect acute services and those with rising demands; limit spending reductions where services can raise revenues; and reduce spending more severely in the remaining, discretionary services.

Local government funding 2020/21

Local Government Financial Settlement

- 2.9 The Provisional Local Government Financial Settlement, published on 20 December is for one year only, in line with the announcements in SR19. Overall, the Provisional Settlement proposes to increase councils' core spending power in 2020/21 by £2.9bn to £49.1bn. At the time of publishing the budget papers, the final Local Government Finance Settlement is still outstanding.
- 2.10 The biggest elements are: £1.6bn assumed increase in council tax and £1.0bn increase in Social Care Support Grant. In addition, Settlement Funding Assessment (comprising retained business rates, tariff and top up adjustments and RSG) increased by £237m in line with September 2019 CPI inflation, Business Rate Cap Grant increased by £100m, the Improved Better Care Fund increased by £240m by absorbing the Winter Pressures Grant, New Homes Bonus reduced by £11m and the Rural Services Delivery Grant remained unchanged.

Other local government grants

- 2.11 For other local government grants, outside those mentioned in the Provisional Settlement, we have had confirmation of the continuation of the Troubled Families Grant, an inflationary increase to Public Health Grant and the £500m pothole grant. However, we have not yet received total amounts, or the allocations to individual local authorities.
- 2.12 Key funding announcements for West Sussex County Council in the Provisional Settlement are:

Settlement Funding Assessment	£79.257m
Business Rate Cap Grant (Section 31)	£3.177m
Improved Better Care Fund	£20.006m
Social care support grant	£17.343m
New Homes Bonus	£3.713m

Local government funding outlook for 2021/22 and beyond

- 2.13 The Provisional Settlement confirmed the new government will continue with the reform of the business rates retention system and the Fair Funding Review, albeit to a delayed implementation date of April 2021. The changes will increase the proportion of business rates retained locally from 50% to 75%. This increased amount would replace about £6bn of Government grants to the sector including the Public Health Grant, which is currently ring-fenced and will be replaced by a share of retained business rates as a general revenue resource.
- 2.14 Social care funding, has proved a very difficult subject for Central Government and repeated commitments to publish a Green Paper have not been met. However, the new Conservative government has promised that within its first 100 days to 'beginning cross party talks to find an enduring solution to the challenge of social care.'
- 2.15 The proposed local government finance system reforms will initially affect individual local authorities' resources in two ways: Government decisions about the total funding available to local authorities through the new system and how it is likely to change; and the determination of each authority's share of that total based on its spending needs relative to all other authorities. As the government has MPs from a wide range of constituencies, the dynamics of the Fair Funding Review could also change to reflect their broader priorities. Over the longer term, Government decisions about the share of local business rates that each authority can retain will affect their ability to raise and retain resources locally.
- 2.16 From 2021/22 onwards, most local authority funding will come from council tax and business rates. Projections by the IFS indicate that revenues will not keep up with demand and cost increases, without continued large council tax rises (i.e. double the rate of inflation) plus further efficiency increases. So, a council's financial sustainability is likely to continue to exhibit a strong dependence on how it manages the demographic changes in its area, as well as its ability to continue to achieve savings and raise revenues from local taxes and other sources.

National performance of public services

Overview

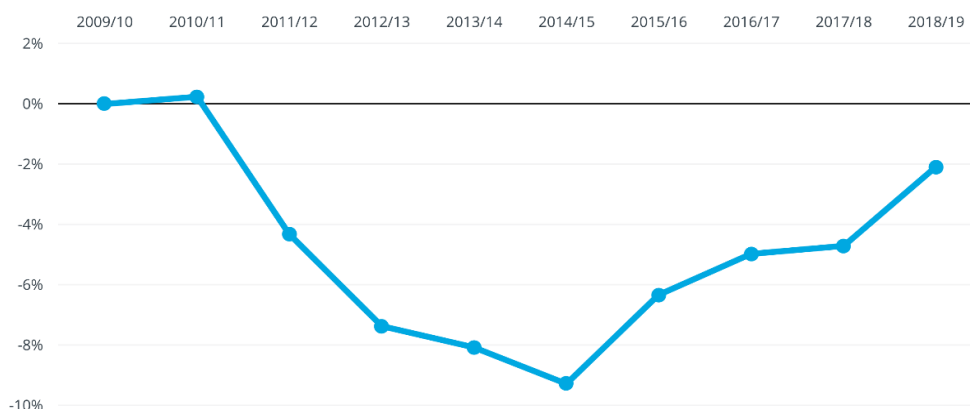
- 2.17 Most public services are now provided with fewer resources than in 2010. This has largely been achieved by limiting staff pay and raising productivity. Analysis by the Institute for Government (IfG) indicates this is now approaching, or has reached, its limit and services may struggle to make further efficiencies or even to sustain the efficiencies they have already achieved.

- 2.18 IfG's projections show that over the next five years, demand for many public services will rise faster than population growth. Demand is rising particularly quickly in health and care services due to: the ageing population; more people with multiple health conditions; and rising life expectancy for people with physical and learning disabilities. These increasing pressures mean that national and local government face difficult choices, including: reducing the scope or quality of services; increasing how much people pay directly for services; cutting other spending; and raising taxes.
- 2.19 Since 2010, most public services have become more efficient. The key contributor to this was the public sector pay cap, which kept wage growth below the rate of inflation. Analysis of the extent that spending has fallen behind demand indicates most public services have also improved staff productivity. However, these efficiencies have not been enough to bridge the growing gap between spending and demand, so the quality and scope of public services has had to decline. For example, more people in need now rely on informal social care from family and friends.
- 2.20 Public bodies have also asked individuals to contribute more towards services, by asking users to pay directly and increasing charges. They have asked individuals to take more responsibility for services too. For example, across the country many volunteers and community groups now run library services.
- 2.21 Some public bodies have prioritised services in favour of the most critical ones. The police have given priority to the most serious crimes and those they are likely to solve, while reducing neighbourhood patrols. Similarly, local authority food hygiene and health and safety teams have prioritised inspecting the businesses most likely to cause consumers harm.
- 2.22 A consequence of rising demand outpacing funding is public services are using one-off resources and are overspending. In several cases, public services have had to draw on one-off resources to maintain spending. Local authorities have repeatedly spent more than they budgeted to on social care. For example, they overspent their budgets on children's social care every year since 2010/11 and on adult social care between 2014/15 and 2016/17. These overspends have necessitated deeper cuts in other local services' budgets.

Adult social care

- 2.23 Real terms spending on adult social care in England has fallen by 2% since 2009/10. This contrasts with the period from 2001/02 to 2009/10, when the average real terms spending increase was 5.7% each year. Initially, local authorities made efficiencies through the fees paid to providers. However, this proved unsustainable after 2015 when there was a reversal of this trend as shown in Figure 1.

Figure 1: Real terms change in adult social care spending

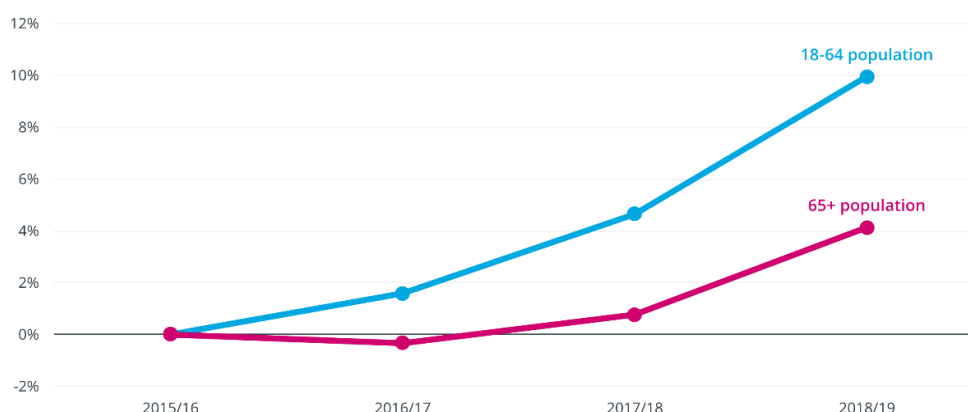


Source: Institute for Government analysis of NHS Digital, 'Adult Social Care Activity and Finance Report, England 2018-19', Appendix B, Table 4.



- 2.24 Demand for publicly funded adult social care is likely to continue rising faster than the money local authorities have for it. Figures from both the Association of Directors of Adult Social Services (ADASS) and MHCLG for 2019/20 suggest spending on adult social care will continue rising.
- 2.25 Figure 2 shows requests for support have been rising since 2015/16. Nearly two thirds of people receiving adult social care are aged 65 or over and the number in this group has increased significantly over the past decade. Demand for services for adults over 65 rose by 4%, while demand for services for working age adults rose by 10%. The more acute nature for younger adults' needs for support with physical or mental health problems or learning disabilities means that this support is on average, roughly twice as costly as that spent on adults over 65. The demand for spending on this group nationally has led to spending on over 65s falling 18% despite a 20% rise in this population.

Figure 2: Increase in requests for adult social care support



Source: Institute for Government analysis of NHS Digital, 'Adult Social Care Activity and Finance Report, England 2017/18', Table 8.



- 2.26 Nationally, past reductions in social workers' pay and care homes' fees helped local authorities limit cuts to adult social care services even as budgets reduced. However, some of these efforts have proved unsustainable and neither strategy can be pushed further. Planned national living wage rises will

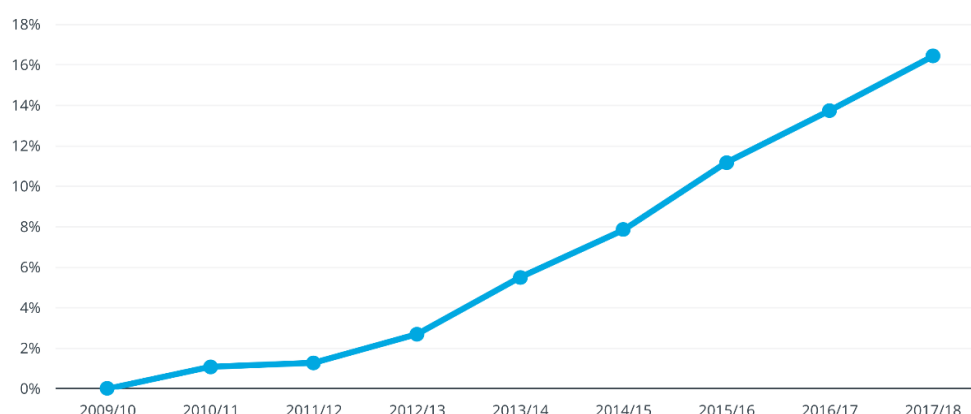
increase pay for many care workers and even without this, local authorities would have struggled to hold down pay due to providers' ability to recruit and retain staff. Local authorities also have little scope to reduce the fees they pay providers any further, without compromising the quality of care or forcing care homes to close. A study by the Competition and Markets Authority found local authorities paid roughly 10% below the full cost of care home places. As a result, care homes that rely most on local authority clients could risk financial failure.

- 2.27 In West Sussex, our approach to making adult social care services more financially sustainable is by aiming to improve care outcomes. Our aim is to promote independence for longer in later life and invest in preventative services. Most importantly, not only will this achieve better outcomes for our residents but it will also have the effect of reducing the overall demand, particularly for residential services.

Children's social care

- 2.28 Demand for children's social care services is rising. While local authorities have persistently overspent on these services the increase in spending has not kept pace with demand. IfG projects that if demand does not grow faster than projected, the additional money the Chancellor announced in SR19 should enable local authorities to meet it.
- 2.29 Specialist children's social care services, such as supporting disabled children, protecting children from harm and taking responsibility for children looked-after cater to less than 10% of the child population. While the child population has increased by just under 6% since 2009/10, children's social care spending has risen by 16% (see Figure 3). This has meant wider children's services, such as children's centres, services for young people and youth justice have faced budget cuts of 56%.

Figure 3: Change in spending on children's social care



Source: Institute for Government analysis of Department for Education, 'LA and School Expenditure', Table 2.



- 2.30 The main drivers of children's social care spend are volume and complexity of need. While it is unclear whether the recent growth in the number of children looked after will continue, local indications are that it will. In addition, there is evidence nationally that social workers are dealing with more complex cases. For example, the age of children looked after has increased in recent years.

Between 2009/10 and 2017/18, the number aged under four entering care rose by 8%, while those aged 16 and over grew by 78%. Older children are more likely to have been in difficult circumstances for longer and often have a greater need for support. In 2019 the National Audit Office (NAO) reported that older children taken into care “often have more complex needs and as a result are harder to place into foster care and are more likely to go into residential care, which is more costly”. Rising complexity may explain the increase in residential care placements. Between 2014/15 and 2017/18, the number of residential care placements grew by 20%, compared with a 9% increase in the total number of children looked after.

- 2.31 There is evidence that local authorities have managed to reduce what they pay independent care homes and have held down social worker pay, helping to meet growing demands in some areas, as spending has not increased as rapidly. In response to growing demand for children’s social care, there is evidence local authorities have focused their resources on those most in need. There is also some evidence that local authorities are prioritising their activities to serve the most vulnerable children, even if that leads to a lower-quality service elsewhere.
- 2.32 Despite their efforts to ration and prioritise services, local authorities have consistently overspent on children’s services. According to the NAO, 63% of local authorities overspent on these services in 2010/11 and this rose to 91% by 2017/18 (with the total overspend quadrupling from £237m to £957m). While local authorities overspent on other areas during the period, children’s services is the only area which has overspent in every year since 2010/11. The biggest contributor was children looked after, where local authorities exceeded their total planned budgets by £686m, which is consistent with the pattern in West Sussex too.

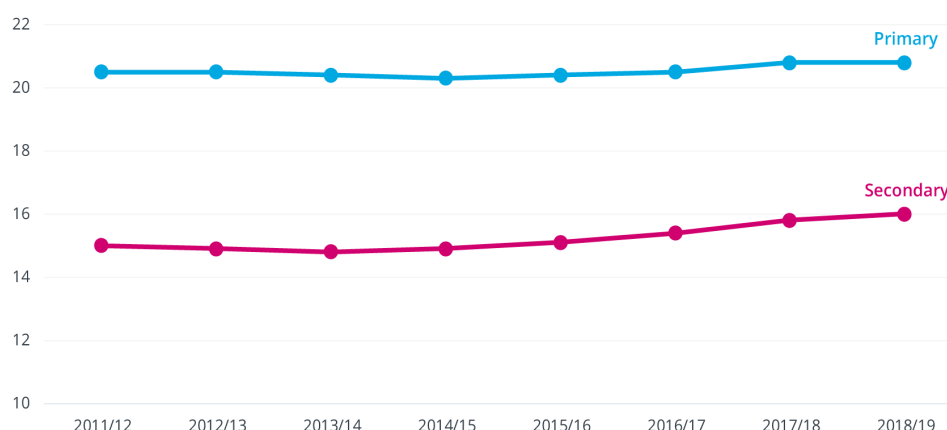
Schools

- 2.33 Schools have faced pressure to make efficiencies in the last three years. The coalition government initially protected per-pupil funding until 2015/16, but schools experienced annual declines in funding between 2015/16 and 2017/18. The growing share of pupils with special educational needs has put further pressure on schools. Schools have managed these pressures through the public sector pay cap, which has kept staff wages down, and by becoming more productive. There are now more pupils per teacher in secondary schools, while pupil attainment has been at least maintained.
- 2.34 The previous government’s school spending announcement in September 2019 will help to relieve the immediate pressures. By 2022/23, per-pupil funding will be almost back to 2009/10 levels in real terms. Some of this money will be used to address clear pressures, such as boosting starting salaries to address teacher recruitment problems. However it is still not clear how the government expects schools to deliver within the available funding.
- 2.35 The Institute for Fiscal Studies (IFS) estimates that total spending on schools fell by 8% between 2009/10 and 2018/19, primarily due to cuts to services for schools by local authorities facing their own pressures. Such spending, which includes educational psychologists and transport, fell by 57% in real terms per pupil across this period. Spending cuts may have resulted in new financial pressures for schools, as they may now pay for some services out of their own

budgets that were previously provided for them (or they may no longer provide these services).

- 2.36 Currently mainstream schools educate 6.73 million pupils, which is over 10% more than in 2009/10. The pupil number figures may understate the increase in demands placed on schools. One reason is the recent increase in the share of pupils receiving support for special educational needs (SEN). Between 2009/10 and 2016/17, the share of pupils with an SEN statement or Education, Health and Care Plan (EHCP) held steady at 2.8%. Over the last two years, this figure rose to 3.1%. In January 2019, 271,165 pupils had an SEN statement or EHCP, almost 30,000 more than in January 2017. The rise in children receiving statements or plans represents an additional financial pressure that schools and local authorities have borne.
- 2.37 Schools' main expense is staff. About 65% of school spending is on teachers, supply teachers and teaching assistants plus 10% on other staff. Primary school teacher numbers rose broadly in line with pupil numbers until 2016/17, when it levelled off while pupil numbers continued to rise. Secondary school teacher numbers fell roughly in line with pupils between 2010/11 and 2014/15. Since 2014/15, pupil numbers have risen, while teacher numbers have continued to fall. Figure 4 shows the impact on pupil:teacher ratios in primary schools (small increase from 20.5 to 20.8) and secondary schools (more significant increase from 15 to 16).
- 2.38 Since 2010, schools have made savings on teachers' pay and there is limited evidence of savings on the goods and services they buy. Teachers have been asked to do more, while being paid less in real terms. This does not look sustainable, which the government seems to have acknowledged by announcing a substantial rise in per-pupil funding over the next three years. Schools face growing recruitment and retention problems, with the government consistently missing recruitment targets for trainee teachers.
- 2.39 Pupil numbers are predicted to rise more slowly than the promised increase in school funding. The new three-year settlement, set out in September 2019, will increase school funding by 14.2% in real terms (10.3% per pupil in real terms) between 2018/19 and 2022/23. This is a substantial change from the 4.1% real terms cuts to per-pupil spending between 2015/16 and 2018/19.

Figure 4: Pupil:teacher ratios in primary and secondary schools

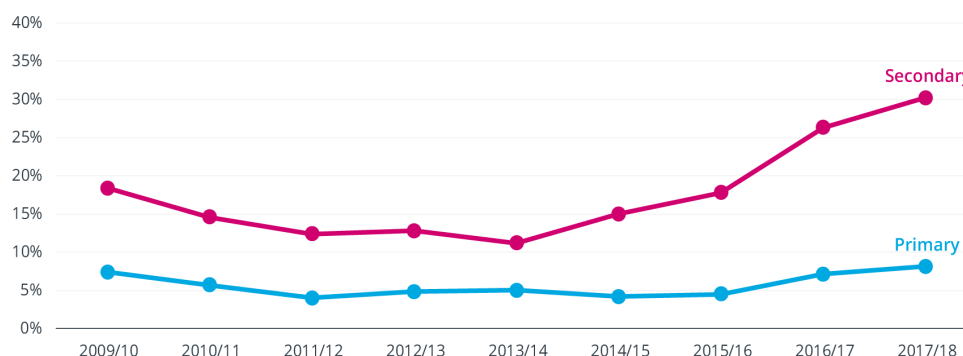


Source: Institute for Government analysis of Department for Education, 'Schools workforce census', Table 17a.

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- 2.40 Rising cumulative deficits in schools (when schools consistently run in-year deficits) indicate they have been unable to improve their efficiency enough to live within their funding. Schools appear to have consistently had to spend more than they received to provide services. Figure 5 shows the average deficit among maintained secondary schools rose from £192,000 in 2009/10 to £484,000 in 2017/18. This was driven by a rise in schools having a deficit from 18% in 2009/10 to 30% in 2017/18.

Figure 5: Share of maintained schools with a cumulative deficit



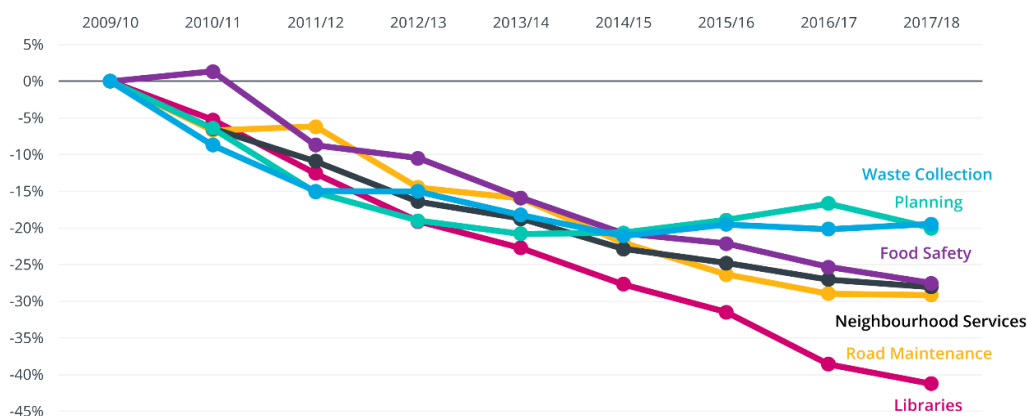
Source: Institute for Government analysis of Department for Education, LA and school expenditure: 2017 to 2018 financial year, Table 5.



- 2.41 The growing incidence of cumulative deficits is a current challenge. Schools will also face some unavoidable cost pressures over the next few years, such as the increase in teachers' pensions schemes contributions. While variations in spending and educational outcomes imply there could be efficiencies to find in some schools, these schools may struggle to manage budgets better or may be constrained by their premises. Furthermore, DfE's estimates of possible efficiencies have not been matched with a practical understanding of how, and how quickly, schools are able to make them.

Other local authority services

- 2.42 Spending on other local authority services, such as highways, environment and community services, has been cut sharply since 2009/10, as shown in Figure 6. Local authorities prioritised spending on social care for adults and children, at the expense of spending on other services. Councils have managed the cuts by delivering these services more efficiently: reducing spending on staff and asking them to do more. In many cases, where that has not been enough, they have charged users more or have been forced into reducing their spending on non-statutory services, such as highways maintenance, planning services and reviewing the library provision. Where comparative data has been available, public satisfaction with these services appears to have declined only slightly.

Figure 6: Change in total spending on other local authority services

Source: Institute for Government analysis of Ministry of Housing, Communities and Local Government, 'Revenue Expenditure and Financing England', RO2 and RO5.



2.43 There is no sign demand for these services has fallen as local authorities have cut spending. As the population increased by 6.4% between 2010 and 2018, demand for some of these services will have risen too. Most direct indicators for England also suggest other demand is rising, for example:

- the total motor vehicle mileage rose by 8.2% between 2010 and 2018, implying a greater need for road maintenance;
- the number of food businesses rose by 7.2% between 2009/10 and 2018/19, implying a greater need for food inspections; and
- the number of planning applications submitted rose by 0.8% between 2009/10 and 2017/18, implying a greater need for planning officers.

Financial resilience of local authorities

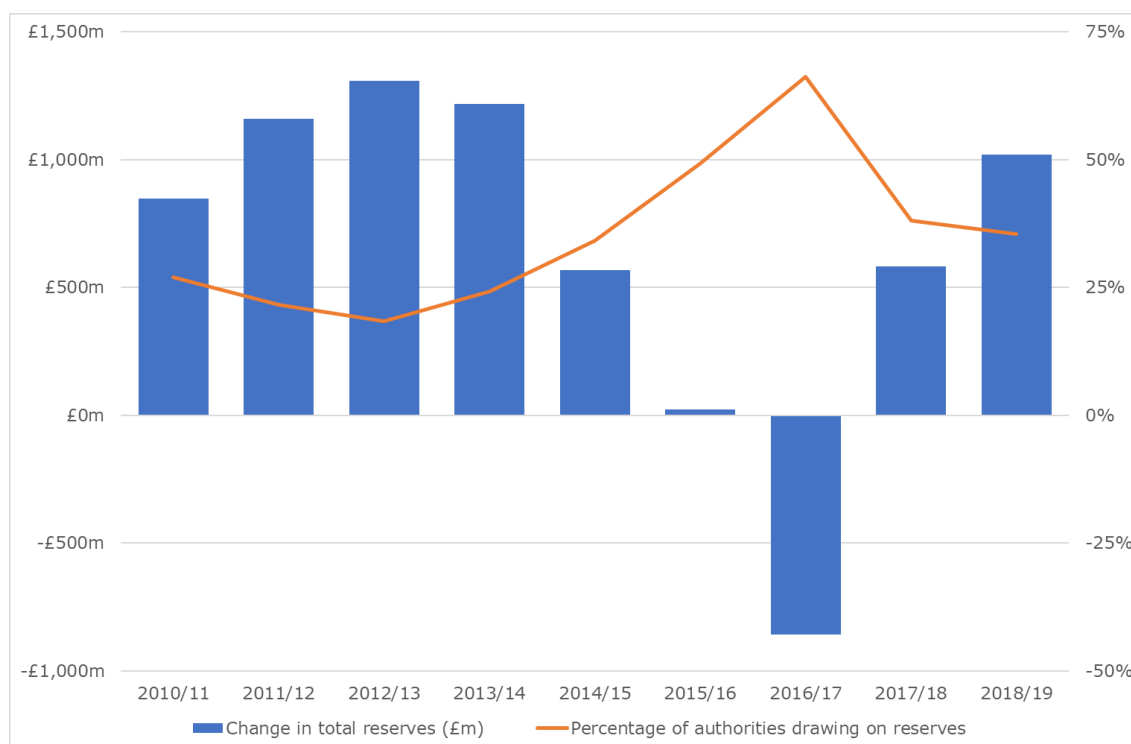
2.44 Over the past decade, local authorities have adjusted to an increasingly difficult financial reality. The NAO estimated government cuts to local authority grants amounted to 49% between 2010/11 and 2017/18. The level of cuts reduced to around 46% over the two years to 2019/20 mainly due to increases in the improved Better Care Fund and other Adult Social Care grants. Since 2016/17 these overall reductions in grant funding were balanced by a shift to greater reliance on council tax, including the Adult Social Care precept, so that total spending power for all councils stayed broadly level. Throughout this, mitigations to the general trajectory of reducing funding have been time limited, which has created substantial uncertainty about future funding. This has made it difficult for local authorities to plan ahead. The extra funding announced for 2020/21 has only given some temporary respite ahead of the changes anticipated in the reforms to business rates retention and fair funding due for implementation from April 2021.

2.45 A key indicator of local authorities' ability to absorb future financial shocks is their levels of reserves. Since 2009/10, shire district councils have increased their levels of reserves, while single tier and county councils that all provide social care have found it much more difficult. This difficulty could be due to: tight budgets leaving little scope to replenish reserves; spending on invest to save projects to gain benefits in subsequent years; short term pressures

requiring planned withdrawals from reserves to balance the year's budget; or unplanned withdrawals in response to budget overspends arising in year.

- 2.46 The NAO calculated that local authorities' unplanned withdrawals from reserves (either to use reserves without budgeting to, or to use more than they budgeted for) rose from £114m in 2010/11 to £658m in 2016/17. This issue was most pronounced in social care authorities. In 2016/17, 100 social care authorities drew a total £1,261m from their reserves (£603m planned, £658m unplanned), while 52 added a total £403m to their reserves (£53m planned, £350m unplanned). NAO concluded that this trend suggested social care authorities were increasingly using reserves to top up day-to-day spending, having struggled to implement savings plans, manage demand pressures or other costs.
- 2.47 Figure 7 shows the position began to ease after 2017/18, which was the second year of the adult social care precept bringing increased funding and easing some budget pressures in these services. However, while there has been a net replenishment of reserves by social care authorities, a third have still needed to draw on reserves.

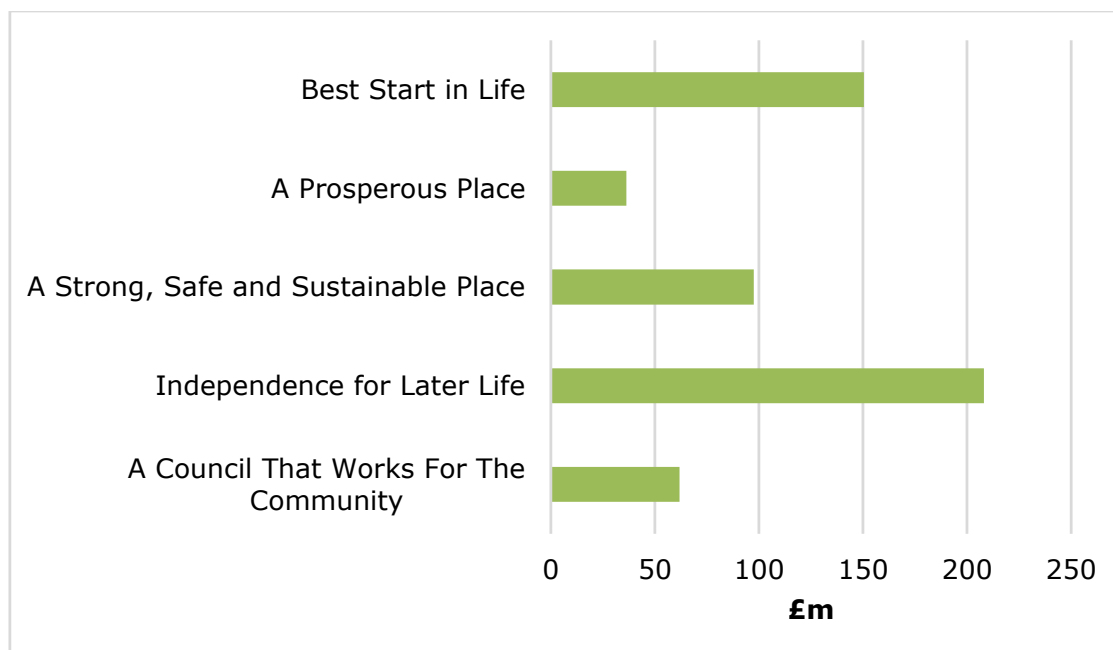
Figure 7: Social care authorities' use of reserves



Section Three: Local Context – The West Sussex Plan and our Budget

The West Sussex Plan Priorities

- 3.1 This section describes how the budget for 2020/21 supports the agreed aims of the County Council from the West Sussex Plan agreed by the Council in October 2017. Figure 8 shows how our 2020/21 budget provides resources to support the themes in the West Sussex Plan.

Figure 8: How the 2020/21 budget supports our aims

Best Start in Life

- 3.2 As set out in the West Sussex Plan, the children born and being raised in West Sussex are our future – we look to them for a sustainable one. Therefore, it is only right that children are at the centre of everything we do. It is our job to make sure every child in West Sussex is given the opportunity to reach their potential. We will give them the foundations they need to be able to do that. In one way or another we are there at every stage of their lives and even before; supporting parents and families. It is also vital that every school in the county offers each child the education they deserve.
- 3.3 We know school is not just about education but also about the wraparound support and care our schools provide. Children and young people cannot thrive unless they feel safe and secure at home. It is our duty to protect those children and young people, supporting them to cope with life's pressures and supporting their families to make sure they are able to enjoy a childhood free from harm.
- 3.4 The key financial challenges facing the Council for achieving our target outcomes for a **Best Start in Life** are set out in the following paragraphs.

Education and Funding for High Needs

- 3.5 2020/21 is the third year of the new national funding formula for mainstream schools under the Dedicated Schools Grant (DSG). Final allocations for next year have been announced, which include pupil growth, and West Sussex schools are set to gain £29.7m (6.5%) through a 4% increase in most of the national funding formula unit rates and an increase in the Minimum per Pupil Funding levels to £3,750 for primary schools and £5,000 for secondary schools. School budgets continue to be under pressure due, in the main, to the full year effect of the 2.75% teachers' pay award in September 2019 and an increase in the teachers' pensions employers contribution rate from 16.48% to 23.6% in the same month. Although the Government has announced that there will be

additional specific grant funding available to meet the costs of the September 2019 pay award above 2%, as well as the increased employer pension rates there is no guarantee that this will be cost neutral at an individual school level.

- 3.6 Funding pressures affecting the High Needs Block within the Dedicated Schools Grant (DSG) have continued to grow over the last five years since the implementation of the Children and Families Act 2014 resulting in increased requests for:
- Education Health and Care Needs Assessments (EHCNAs);
 - pre-16 specialist placements (special schools, Special Support Centres (SSCs) and Independent and Non-Maintained Special Schools (INMSS));
 - post-16 High Needs placements in special schools, colleges of Further Education or Independent Specialist Providers (ISP); and
 - personal budgets and exceptional needs expenditure to meet very complex needs.
- 3.7 Our High Needs funding from the Department for Education rose by £3.0m (3.6%) in 2019/20 and is set to rise by a further £8.4m (10.4%) in 2020/21. These funding increases are welcome, but are not sufficient to meet the increasing costs of providing for the number of children with education health and care plans (EHCPs). In March 2015, 3,423 children and young people in West Sussex had EHCPs and by March 2019 this number had risen by 55% to 5,297 - an increase of 1,874; 515 in 2015/16, 573 in 2016/17, 401 in 2017/18, and 385 in 2018/19. In the first six months of 2019/20 these numbers have risen by a further 242.
- 3.8 With very limited funds now remaining in DSG reserves this shortfall in DSG funding is beginning to place significant pressure on the Local Authority in the current financial year. Indeed, the DSG reserve is expected to go into deficit at some point over the next 12 months, and will be required to be repaid from future years' DSG allocations. If this is not possible and the deficit exceeds 1% of total DSG (circa £6.3m) the County Council will be required to report to the Department for Education on how the DSG account will be brought back into balance. As at the end of 2018/19, 31 other local authorities were in this position and this number is expected to be significantly higher at the end of the current financial year.
- 3.9 In the meantime, the Council continues to adopt a long-term approach to this issue. For instance, as part of the new Special Educational Needs and Disabilities (SEND) and Inclusion Strategy 2019-2024, which builds on the SEND strategy for 2016-2019 and the outcomes of the 2018 Ofsted/CQC SEND local area inspection, we will continue to fund a range of initiatives including increasing the offer of therapies in our special schools, increasing the number of classrooms in our maintained special schools and creating additional Special Support Centres (SSCs) in our mainstream schools. These initiatives will help to minimise growth in SEND demand by targeted early intervention; develop new SEND places (particularly with mainstream education providers) within the county and make sure funding is in place to support the transport needs for those children with particular requirements, ensuring their ability to access education throughout their time at school. Additional funding has also been found for three new SEND school advisors, whose main role will be to embed the inclusion agenda in our mainstream schools and to challenge and support our specialist provision.

Children's Social Care

- 3.10 A key element of our budget provides for children and families who are vulnerable and that the County Council has a duty to support. These services were judged to be inadequate by Ofsted in May 2019 and as a result children's services have begun an improvement journey. In order to ensure the improvement is adequately funded, a combination of temporary and permanent investment of **£12m** is being provided in 2020/21. This is in recognition of the continuing challenges faced by a number of younger residents and their families in West Sussex and to ensure that the County Council continues to play a key role in helping them to be safe and secure.
- 3.11 Demand for placements for children looked after (CLA) has increased at a faster rate during 2019/20 than the budget had planned for, and placement volumes are now at unprecedented levels. This creates a knock-on impact for 2020/21, where the budget for CLA is being increased by **£12.4m** to recognise both the full year effect of this increase and the projected demand growth which is estimated to occur in 2020/21. It is worth noting that the number of children looked after per 10,000 population in West Sussex remains at a level below that of our statistical neighbours (West Sussex 44 per 10,000 at the end of November 2019 compared with statistical neighbours 51 per 10,000 population at the end of March 2019).
- 3.12 During the course of the next financial year, we will continue to develop and implement our Commissioning Strategy for Children's Social Care. The strategy aims to improve our placement planning arrangements, partly by guiding our supply chain on the nature of the care solutions we require over the long-term and partly with the objective of enhancing market management. Currently around 45% of placements are purchased externally, the average cost of which has risen by over 40% since 2014/15. Consequently, by commissioning from the market more effectively, there is obvious potential to deliver greater value for money.
- 3.13 During 2019/20, a review was undertaken on the residential units that the County Council operates, taking into account care needs, market conditions and cost effectiveness. The outcome of this has led to some remodelling at some of the homes, part of which is due to be carried out during 2020/21, and a new delivery model designed to maximise the use of our own resources and deliver cost reductions in the external placements budget. Until the homes return to operational status, temporary funding of £1.8m is provided within the 2020/21 budget. For future years, reductions in the external placement budget will fund the County Council's increased operating costs.
- 3.14 Within Early Help, a more targeted approach will be adopted that identifies and works with children and families to become resilient and divert them from more costly social care interventions. Through this review, some rationalisation of the buildings that the Service operates from, as well as a corresponding reduction in staff numbers, is expected to deliver £1.95m of savings over the next two financial years.

A Prosperous Place

- 3.15 For West Sussex to continue to thrive we know we need to support our businesses. We have a wonderful diverse business community in West Sussex;

something we should celebrate in supporting them to stay and grow here. To do this we need to put in place support to ensure this is a place where doing business works and works well, contributing to the employment opportunities for local residents.

- 3.16 Working with our district and borough partners is crucial in our determination to support the business community. That means attracting businesses and people who want to work in our county and then providing them with the tools they need to help them grow their businesses.
- 3.17 Some of the key areas in relation to achieving our target outcomes for a **Prosperous Place** are set out in the following paragraphs.

Highways and Infrastructure

- 3.18 Our roads and highways are a key element of the supporting infrastructure needed for economic growth. Alongside the significant planned capital investment in the Highways and Infrastructure portfolio (£200m over five years), we will invest over £9m of revenue funding each year in highways support and maintenance.
- 3.19 We are developing proposals to improve infrastructure and bid for other sources of funding. This work will require sufficient resource to produce feasibility studies, enabling the Council to develop sound project proposals for submission for funding.

75% Business Rate Pilot

- 3.20 The successful West Sussex business rate pilot in 2019/20 offers a potential gain of up to £19m for one-year. All of the extra business rates growth will be pooled by participating local authorities and used to make a strategic investment in our digital infrastructure, which will help underpin the County's economy.
- 3.21 In order to take advantage of increasingly rapid advances in digital technology, the County needs digital infrastructure to match that available in other economies nationwide. This will require investment from commercial infrastructure suppliers who will target both urban and rural locations.
- 3.22 Increasing the availability of high quality core fibre network will hopefully attract commercial investment in innovative access networks to counter the constraining factors of topology and varying population densities in the County's rural areas.
- 3.23 However, to fully address the digital infrastructure needs of the wider County and the concerns of commercial investors in providing more services to residents and businesses, it is clear that there is no single solution. Therefore, the West Sussex Full Fibre Programme (WSFFP) is an agile and iterative work programme identifying and responding to new opportunities to increase investment in furthering the County's digital ambitions. From this "umbrella" programme flows individual projects to support the County's wider ambitions.
- 3.24 The £19m estimated funding from the Business Rates Retention Pilot scheme has been earmarked to support the WSFFP to increase availability of gigabit capable connectivity in West Sussex.

- 3.25 The WSFFP currently comprises three work strands aimed at increasing coverage of gigabit-capable full fibre infrastructure in three distinct geographical areas: Rural, Coastal, North to South (in the east of the county) and some cross cutting enabling initiatives. Currently the strands comprise three active projects and potentially two more contracts called-off by district and borough councils from the West Sussex Gigabit framework (which commenced in May 2018).

A Strong, Safe and Sustainable Place

- 3.26 We know we are only as strong as our communities. To make real change in our communities we need to empower those living in them to make changes themselves. There are many examples of our communities working brilliantly to support each other and to solve issues that are unique to them, so we need to continue to nurture and support this work. One example of how we do this is by our recent initiative 'Improving Our Places and Spaces – Supporting Resilient Communities' launched in July 2019.
- 3.27 Some of the key financial challenges facing the Council in relation to achieving our target outcomes for a **Strong, Safe and Sustainable Place** are set out in the following paragraphs.

Fire and Rescue Service

- 3.28 West Sussex County Council is the Fire and Rescue Authority (FRA) for West Sussex and is responsible for a wide range of services that help to make West Sussex safer. The majority of the work is directed by legislation and established practice, including the Fire and Rescue Services Act 2004 which broadly requires the provision, training and equipping of a fire service to undertake the following core functions:
- firefighting
 - fire prevention
 - fire protection activities
 - rescuing people from road traffic accidents
 - other emergency activities.
- 3.29 We are also responsible for enforcing fire safety law in public and commercial buildings and domestic flats with common areas through the Regulatory Reform (Fire Safety) Order 2005. As part of a broader emergency role, we are a designated Category 1 responder under the Civil Contingencies Act 2004 requiring us to work with other public sector organisations, such as Police, Ambulance and Local Authorities, to plan and respond to other emergencies such as flooding.
- 3.30 The Fire and Rescue service was inspected by Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) in November 2018. The full Inspection Report for West Sussex Fire and Rescue Service was published on 20 June 2019. The report looked at how well the Service is protecting the public, preventing and responding to fires and other emergencies, and how well we look after staff. The report found that the effectiveness of West Sussex Fire and Rescue Service "requires improvement", efficiency "requires improvement" and the way it looks after its people is "inadequate".

- 3.31 West Sussex Fire and Rescue Service (WSFRS) have developed an improvement plan to effectively respond to the recommendations of the HMICFRS and to ensure we can provide our residents and communities with confidence in our actions. In support of this, £1.8m was made available in 2019/20 and we will be investing a further £1.6m in continuing funding with further one-off funding of £0.1m, to address the concerns raised with particular reference to the delivery of our statutory functions.
- 3.32 Further investment is required in order to address the longer-term improvement of the service, in particular in relation to the emergency response availability of fire engines. The ability for our frontline fire engines to all be available remains a challenge.
- 3.33 To address response capability and availability directly, a further £0.9m has been identified to bolster:
- risk management and training capacity to ensure we have firefighters with the skills necessary to maintain a resilient service in particular those qualified to drive appliances and to provide for continuing 'Hot Fire Training' on the cessation of the current agreement with Gatwick Airport; and
 - investment in supporting the retained duty system and with the introduction of posts to manage the availability of firefighters and to further invest in firefighter availability across the service to support response performance.

Waste and Recycling

- 3.34 Over £55m of our net revenue budget is dedicated to supporting our waste disposal and recycling infrastructure. Our continuing aim is to act in a sustainable way and minimise the use of landfill sites because of their cost and environmental impact. In 2018, the West Sussex Waste Partnership (WSWP) carried out a waste composition analysis, which identified over 40% (by weight) of the residual black bag waste to be food waste. This is by far the biggest element of the residual waste bin.
- 3.35 Table 1 shows the main components of West Sussex's residual waste collections in recent years.

Table 1: Main residual waste collection components

Material Stream	2016	2017	2018
Food waste	27.5%	31.6%	40.2%
Target recyclables	19.2%	17.7%	14.3%
Plastic film (including carrier bags)	12.9%	12.9%	7.8%
Non-recyclable paper/card	8.3%	6.9%	6.3%
Dense plastic	2.8%	8.8%	1.8%
Sanitary (including nappies)	6.6%	5.8%	6.0%

- 3.36 With the costs of waste collection and waste treatment and disposal increasing, the Council has been exploring with WSWP ways in which we can further influence the waste hierarchy, to reduce, reuse and recycle as much waste as possible and further divert waste from landfill.

- 3.37 Trials will be undertaken in 2020 to demonstrate that the introduction of weekly food and absorbent hygiene product waste collections, maintaining fortnightly comingled recycling collections and reducing the frequency of residual waste collections to three weekly, will not only reduce the overall volume of waste collected, but will also improve recycling performance and ultimately deliver savings in the future for the authority.

Sustainable Green Energy

- 3.38 Alongside the focus on waste, our proposed spending will continue to enhance plans for developing other sustainable technologies, particularly solar energy and battery storage for power. Our capital programme provides the means to invest in this technology and our revenue budget incorporates the projected benefit both from lower energy bills and also extra revenue income from electricity sales. This includes direct revenue savings to some of our schools where the installation of solar panels is technically feasible. We are one of the most forward thinking counties in the country in undertaking this important investment and we have already installed solar panels at over 70 of our school sites.

Independence for Later Life

- 3.39 In West Sussex we have an ageing population which will continue to grow. During the next 10 years it is forecast the number of people at age 65+ will rise by over 40,000, which will result in this group representing around 26% of the population compared to 23% currently. Moreover, most of that increase will be at age 75+, which is the point when people's care needs become significantly more expensive to meet.
- 3.40 As a Council we are actively working towards promoting independence, because we know that this leads to better care outcomes for people. This will also help make the Adult Social Care budget more financially sustainable and so from both these perspectives, it is a key priority for the Council.
- 3.41 Some of the key financial challenges facing the Council in relation to achieving our target outcomes for **Independence for Later Life** are set out in the following paragraphs.

Adult Social Care

- 3.42 Revenue raised from the Adult Social Care precept will continue to be invested in this critical area. This revenue will be supplemented with additional resources from the improved Better Care Fund (iBCF), which will enable greater investment in technology, hospital discharge services and the engagement of a partner to help deliver an ambitious improvement programme. Allied to demand management initiatives which will support the Adult Social Care Vision and Strategy, these will aim to promote independence and so keep residents within community settings for longer.
- 3.43 The Council has invested additionally in preventative services over the last few years. We believe we are now starting to see the benefits of this investment, with the proportion of older people receiving formal social care per head of population reducing. When combined with our plans for 2020/21, this should allow us to absorb demand pressures of £2m, so reducing the level of increase

necessary in the Adults and Health portfolio budget. We expect demand absorption benefits to increase over the period of the MTFS, so we will continue to monitor this area closely because of its potential to ease the level of financial pressure seen every year on care costs, which is the largest element of the Council's budget.

- 3.44 We will also continue to work with our Clinical Commissioning Group (CCG) and other NHS partners to ensure better outcomes for residents, based on recognition that we all serve the same community.

A Council that Works for the Community

- 3.45 The Council's purpose is to serve the people living and working in West Sussex as well as visitors. We are working closely with partners, other local councils, the health service and other organisations, to continue to improve the services our residents receive.
- 3.46 We will work in partnership with other county councils as part of our improvement journey. East Sussex will help us address our leadership, culture and governance, and Hampshire will help us make specific improvements in Children's services.
- 3.47 Some of the key financial challenges the Council faces in relation to achieving our target outcomes for a **Council that Works for our Community** are set out in the following paragraphs.
- 3.48 We will ensure the Council's long-term financial health by focusing our spending on achieving the priorities in the West Sussex Plan. Our efficiency savings have focused on how we can maintain or improve the outcomes for our residents, by organising ourselves and collaborating with partners in new and innovative ways.
- 3.49 We recognise the need to control our costs. We are conducting an extensive review of the value for money of our existing contracts to identify where savings might be possible.
- 3.50 We are reviewing our income generation activities to align them more closely to the priority outcomes in the West Sussex Plan. This work has already identified opportunities and we will continue to learn from other local authorities, to find areas where we can make further progress.
- 3.51 This budget continues to provide for local communities to become even more engaged in determining how local projects can be agreed and funded through a crowd-funding platform. In January we reached the milestone of successfully funding over 100 community projects since we launched this platform in May 2018. For an investment of around £0.245m from our Community Infrastructure Fund, we have so far leveraged in excess of £0.512m in public and other donations, meaning that over £0.750m in total has been pledged to support our communities across West Sussex.
- 3.52 Finally, this budget gives us the means to consider re-purposing some of our key buildings resulting in more efficient usage with the potential to dispose of some of our underused assets. This will enable us to make savings and focus our capital funding to modernise the retained parts of the estate.

Section Four: Medium Term Financial Strategy 2020/21 to 2023/24

2019/20 Budget Position

- 4.1 Despite saving £216m between 2010/11 and 2018/19, the Council had to make several very difficult decisions to set a balanced budget for 2019/20. That budget has already come under severe pressure. Our current forecast outturn net financial position is £16.0m overspend on services, less £8.6m additional, largely one-off funding mitigations, to give £7.4m forecast outturn overspend to be met from reserves. Significant elements of the forecast overspend include demand pressures relating to: the Children First Improvement Plan and the Fire Improvement Plan; higher numbers of placements for children looked after; and non-delivery of transformation and other savings. While some of the spending pressures the Council is experiencing are short term, many of them will continue and increase in 2020/21 and beyond.
- 4.2 The continuing demand pressures experienced by our services are reflected in our MTFS planning, as set out in paragraphs 4.5 to 4.10.

Next Four Financial Years: 2020/21 to 2023/24

- 4.3 A net budget gap of £36.4m was previously reported to the Performance and Finance Scrutiny Committee at its December meeting. The current position is as set out in Table 2. Note, that 2021/22 onwards are shaded in the following tables as due to the delay in the spending review the settlement for 2020/21 is for one year only.

Table 2: Movement in Budget Gap – from December MTFS

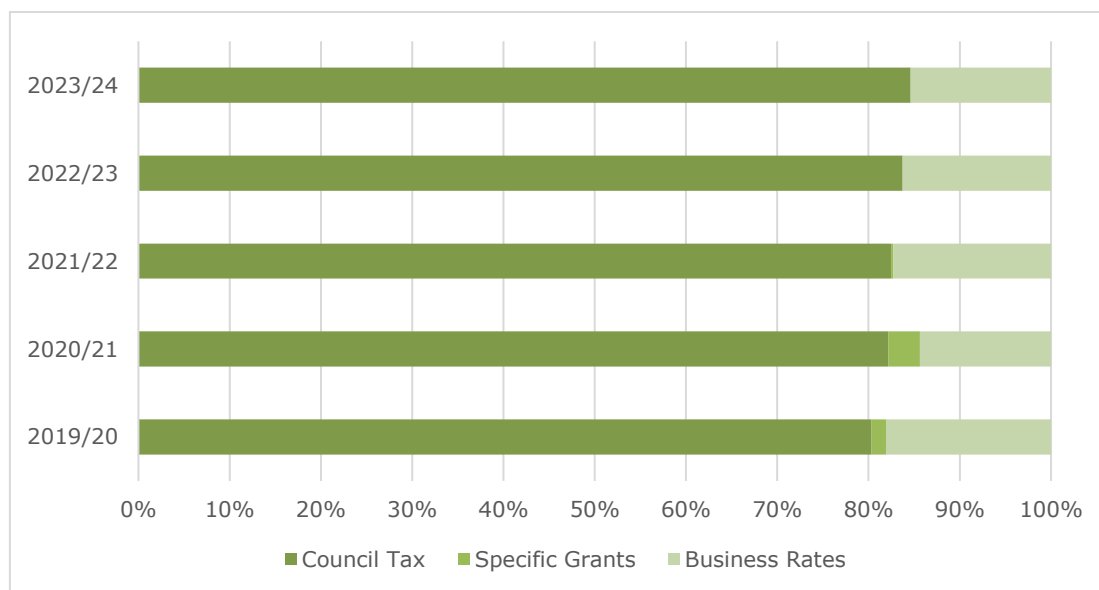
	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	Total £m
Net Budget Gap	2.2	15.4	10.4	8.4	36.4
Increased contingency	3.4	-3.4			0.0
Contribution to Budget Management Reserve	3.0	2.0	2.0	2.0	9.0
Highways maintenance (£0.5m ongoing only)	1.0	-0.5			0.5
Expenditure funded from capital receipts flexibility	-5.3	5.3			0.0
Reversal of in-house special educational placements funding	-1.8				-1.8
Removal of LA contribution to DSG	-1.0				-1.0
Reduction in one-off funding for Children's residential review pressure	-1.0	1.0			0.0
Other changes	-1.8	-0.1	2.6	2.7	3.4
Changes to savings	1.3	-5.1	2.0	0.3	-1.5
Updated budget gap	0.0	14.6	17.0	13.4	45.0

- 4.4 The MTFS estimates of the budget shortfall will be updated during the course of next year. An additional year (2024/25) will also be factored in to ensure we have a four year outlook with future finances to plan over the medium term, avoiding a 'short term' perspective.

Demand Pressures and Funding Changes

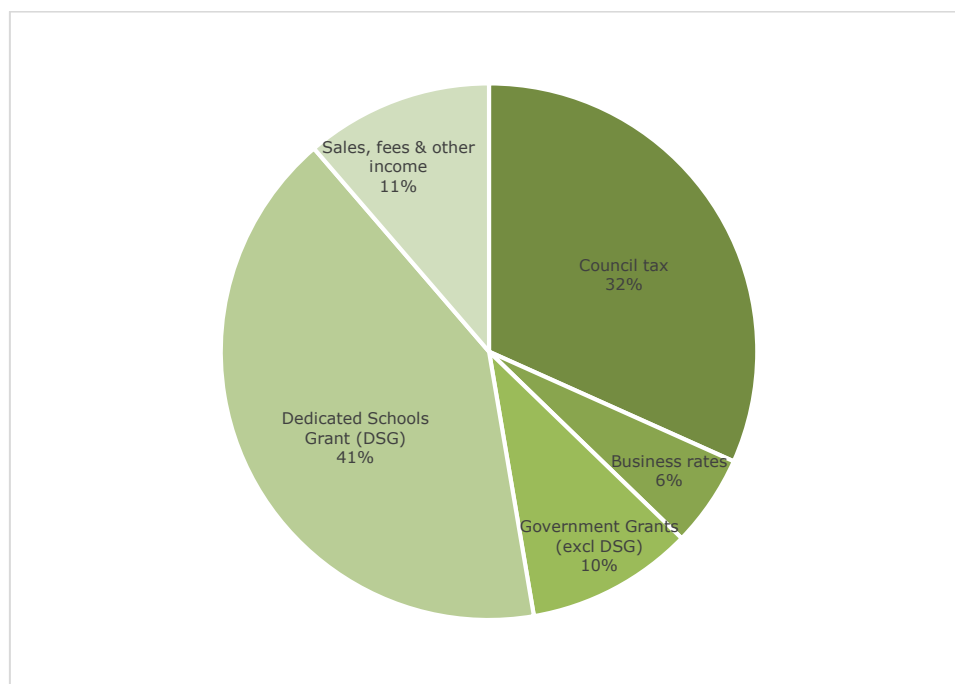
- 4.5 Figure 9 below illustrates the sources of funding for the budget and how they change over time. We await details of how the allocation made to County Councils will change when the Government introduces the increase to 75% business rates retention in 2021/22 and also the Fair Funding Review.

Figure 9: Net Sources of Revenue Funding



- 4.6 Figure 10 shows the gross sources of funding for 2020/21, as set out below:

Figure 10: Gross Sources of Revenue Funding 2020/21



- 4.7 Table 3 sets out the year on year change in the forecast budget. When the new national business rates scheme is introduced across the country from 1 April 2021, the extra funding from the move to 75% local share of business rates is expected to be financially neutral, with either new duties given to local authorities or other funding streams reduced correspondingly.
- 4.8 Table 3 shows that 2020/21 is balanced with savings of £18.4m. However, over the four year MTFS period, allowing for known budget pressures and estimated funding, there is a net shortfall in the budget of £45m after an assumed increase in council tax of 1.99% for 2021/22 to 2023/24.

Table 3: Change in budget requirements

	2020/21	2021/22	2022/23	2023/24	Total
	£m	£m	£m	£m	£m
Opening budget b/fwd	575.5	593.8	611.4	623.3	
Demand Pressures:					
- Adults & Health	6.5	0.7	4.5	6.1	17.8
- Children & Young People	28.4	-4.6	2.9	2.2	28.9
- Economy & Corporate Resources	5.8	2.2	0.1	0.1	8.2
- Education & Skills	0.9	0.6	0.4	0.4	2.3
- Environment	-1.3	0.0	0.0	0.0	-1.3
- Finance	2.0	1.0	0.5	0.5	4.0
- Fire & Rescue and Communities	1.8	2.3	0.1	0.1	4.3
- Highways & Infrastructure	2.0	-0.5	0.0	0.0	1.5
- Leader	0.0	0.0	0.0	0.0	0.0
Pay and Price Inflation	10.6	13.1	14.4	14.8	52.9
Capital financing	0.3	1.0	2.7	1.1	5.1
Contingency	3.4	-3.4			0.0
Budget Management Reserve replenishment	3.0	3.0	3.0	3.0	12.0
Business Rates Growth Reserve		1.1	0.3	0.3	1.7
Other changes e.g. portfolio reserve transfers	-7.6	-0.1			-7.7
Adjustment re 2019/20 Business Rates Pilot	-19.1				-19.1
Additional responsibilities for 75% Business Rates		26.4			26.4
Savings available	-18.4	-10.6			-29.0
Net Expenditure Requirement	593.8	626.0	640.3	651.9	
Available Funding b/fwd	575.5	593.8	611.4	623.3	
Change in Settlement Funding Assessment including Business Rates	-19.3	27.2	1.4	1.4	10.7
Social Care Grant	12.1	-17.2			-5.1

	2020/21	2021/22	2022/23	2023/24	Total
	£m	£m	£m	£m	£m
Other changes to funding	-0.2	-9.0	-7.2	-4.5	-20.9
Increase in Council tax	25.7	16.6	17.7	18.3	78.3
Available Funding	593.8	611.4	623.3	638.5	
Savings/Funding still to be found	0.0	-14.6	-17.0	-13.4	-45.0

- 4.9 As explained earlier in the report, the future of government funding is uncertain and it is not known if central government will continue to make available to local government the same quantum of funding as in 2020/21. The assumptions will be reviewed during 2020/21 as government policies emerge.
- 4.10 The budget is based on a number of funding assumptions and any changes from either the district and borough councils or contained in the Government's Local Government final Finance Settlement will be managed through the Budget Management Reserve. This avoids late changes to the budget. The approval of these changes is delegated to the Director of Finance and Support Services as set out in recommendation (6).

Service Pressures

- 4.11 Detail of some of the demand pressures on services have been outlined in the context of the West Sussex Plan above (paragraphs 3.1 to 3.52). The detailed changes to portfolio budgets for 2020/21 are outlined in paragraphs 5.1 to 5.56 below.

Inflation

- 4.12 The total included for pay and price increases is £10.6m, as shown in column 2 of Appendix 2. The budget does not provide for a general or across the board inflation uplift but focuses on the key areas to target the provision for areas most under pressure. The approach to allowing for price rises has been as follows:
- A 2.0% increase for pay budgets, with a further £1.1m held in the contingency budget to cover the impact of an increase in the National Living Wage following the Chancellor's announcement in September 2019.
 - A range of inflationary increases have been included for high value contracts, dependent on the specific index included within the contract.
 - A 0% inflationary assumption on 'low priority' items.
 - There remains a middle category of inflation where for 2020/21 the October CPI of 1.5% has been assumed.
 - An assumed 2.1% on areas of discretion over income.
- 4.13 Overall, other than the inflationary adjustments set out in 4.12 above, service budgets are cash-limited and therefore no resources are included centrally to adjust those cash-limits if actual inflation experienced in individual service areas exceeds the allowance made. In this event, services will be required to manage within the proposed cash limited budget. If, over the longer term, actual inflation exceeds the Council's assumptions in the MTFS, this could potentially add significantly to the budget pressures we face.

Sources of Financing

- 4.14 The proposed budget continues to support the West Sussex Plan priorities and is set against the background of continuing reduced levels of public finances and means the Council must continue to plan for a tight financial position.

Settlement Funding Assessment

- 4.15 The Provisional Local Government Finance Settlement, announced on 20 December 2019, confirmed the main elements of our core funding, as outlined in SR19. These include our core funding from the Government (known as the Settlement Funding Allocation or SFA). Our SFA is £78.0m in 2019/20 and rises to £79.3m in 2020/21 as shown in Table 4 below.

Table 4: Settlement Funding Assessment

	2019/20 £m	2020/21 £m	Change £m	Change %
West Sussex	78.0	79.3	1.3	1.6
England	14,559.6	14,796.9	237.3	1.6

- 4.16 Table 4 shows a 1.6% increase in year-on-year SFA funding for West Sussex from 2019/20 to 2020/21. This is consistent with the national figures, and in line with CPI inflation at September 2019.
- 4.17 The settlement was broadly in line with our expectations as trailed in SR19 and a technical consultation on the Provisional Settlement issued in October 2019, whose focus was the method for allocating the increased Social Care Support Grant.
- 4.18 Figure 11 below shows the cumulative change in our SFA from the Government since 2015/16, compared with:
- the national average;
 - all shire counties with fire and rescue responsibilities;
 - the South East region
- 4.19 This shows that West Sussex has fared worse than all these groups in comparison, with almost a 50% reduction in our core funding.

Figure 11: How West Sussex compares for reductions in core funding since 2015/16



Note: SCFIR = Shire Counties with Fire and Rescue responsibilities

Business Rates: Baseline Funding Allocation

- 4.20 The Government publishes its allocations on the assumption business rates rise with the inflationary increase it imposes, but should the rates rise at a quicker pace the Council will benefit via its 10% share of the total County take from business rates.
- 4.21 The County's 2020/21 budget has been based on assumed figures and reflects an inflationary increase of 1.6%. For 2020/21, the accumulated local growth from business rates, above government assumptions, adds an estimated £2.7m to the funding available. West Sussex district and borough councils have now provided their final business rates estimates for 2020/21 and these are currently being verified.
- 4.22 For several years, the Chancellor has limited the increase in business rates by an amount less than RPI. This has reduced the sum collectable by local authorities for retention. The Government has made good this difference by providing compensating grants. The Provisional Settlement nationally includes £500m compensation for under indexing in 2020/21, of which £3.2m relates to West Sussex.

Business Rate Pooling

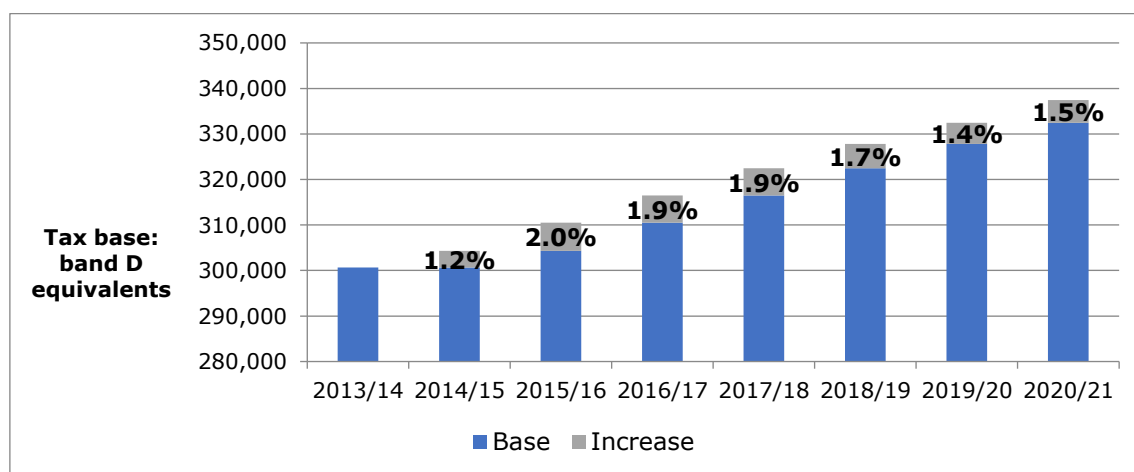
- 4.23 In 2019/20, the county and the districts and borough councils in West Sussex were approved by Government to pilot the retention of an increased share of business rates, resulting in the share retained increasing from 50% to 75%. The pilot is anticipated to provide an overall net gain to West Sussex authorities of up to £19m, though the exact gain will be dependent on the final local business rate take for 2019/20. The gain has been committed to improving the digital infrastructure in the County to support the West Sussex Full Fibre Programme (WSFFP).

- 4.24 On 18 September 2019, MHCLG wrote to authorities advising them that the 2019/20 pilot arrangements for 75% business rates retention would not continue beyond 2019/20. Instead they would revert to a 50% business retention arrangement unless specific instruction was received by 25 October 2019 requesting the pool to be revoked. This also coincided with the deadline for submitting any new proposals for business rate pooling in 2020/21.
- 4.25 Based upon the latest forecasts for non-domestic rate proceeds, a county-wide pool was considered financially unviable and a request was submitted to the MHCLG revoking the arrangement for 2020/21. Concurrently, a proposal for a new pool was submitted consisting of the County Council and Adur, Arun and Horsham District Councils. The pooling scheme under the 50% retention model allows authorities to pool their business rate proceeds and ensures that they are treated as if they were a single entity for the purposes of calculating tariffs, top-ups, levies and safety net payments. This approach has several potential advantages not least reducing the levy paid to the Government and ensuring more funds from the proceeds of business rates stay within the area. The new pooling arrangement for 2020/21 has been confirmed as part of the Provisional Local Government Finance Settlement and is expected to deliver around £4m for investment in projects for the benefit of the whole county across all the districts and boroughs and the County Council. Therefore, this spending is treated wholly outside of the MTFS.

West Sussex Local Tax Base 2020/21

- 4.26 The budget assumes a 1.5% increase per annum in the council tax base (this is worth around £7.2m for 2020/21), which is in line with the latest figure received from the district and borough councils. Figure 12 below shows how the assumed increase in tax base next year compares with previous years.

Figure 12: Change in the County Council's tax base



- 4.27 Assumptions for the future years will be reviewed during next year when the MTFS is refreshed.

Collection Fund

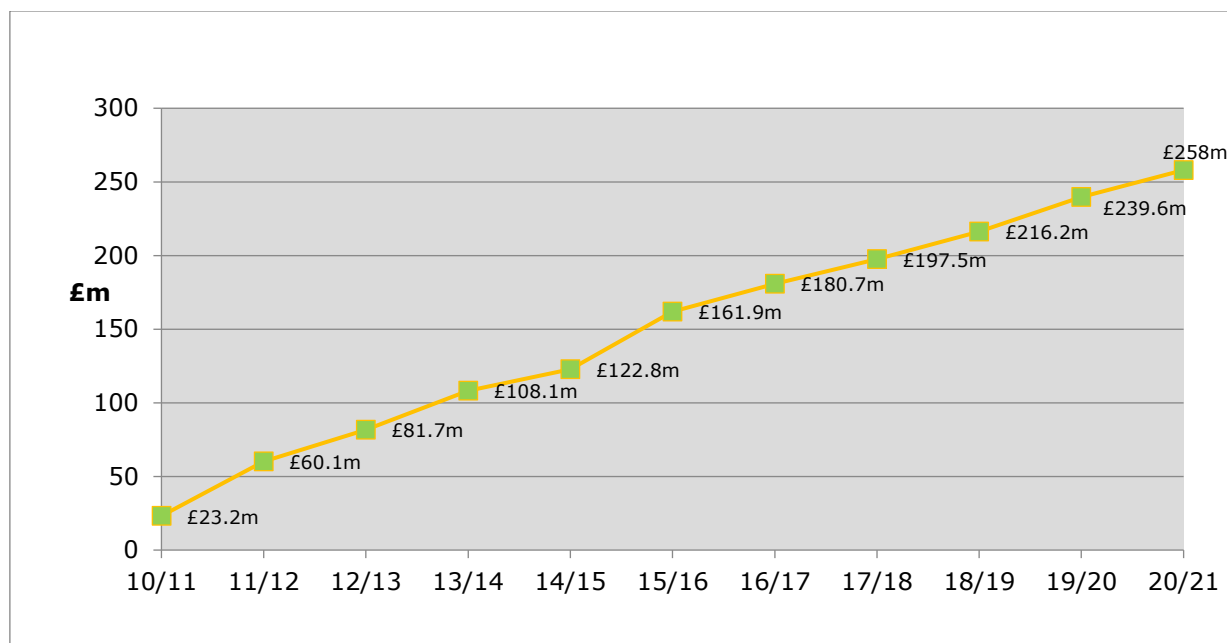
- 4.28 District and borough councils operate a collection fund for both council tax and business rates, which they are responsible for collecting. The actual tax collected may be more or less than expected, meaning that a surplus or deficit must then be allocated to the responsible local authorities in the following year. The surpluses or deficits for council tax and business rates are currently being verified, so for budget purposes we have assumed a total surplus of £2.0m for council tax and for business rates. Again, the budget assumes any variation from the assumed funding, when verified, will continue to be adjusted through the Budget Management Reserve. This avoids late changes to the budget.

Special and Specific Grants

- 4.29 Some grants have been announced and all known sums are set out in Appendix 4 of the Budget Pack. The overall change for those grants included within portfolio budgets is a rise of £51.8m or 7.1% compared to last year, which includes changes in:
- Improved Better Care Fund, an increase of £3.3m to £19.9m, or 20.0%, which now includes the Winter Pressures grant.
 - The Dedicated Schools Grant (DSG), which has increased by £38.8m to £635.9m or 6.5%. This is largely due to an improved funding allocation to mainstream schools through the new National Funding Formula (£24.5m), an increase in mainstream and SEND pupil numbers (£6.0m), additional funding for special educational needs (£7.6m) and early years (£1.8m), offset by a reduction in central school services funding (£1.1m).
 - In addition to the DSG, schools in West Sussex have also been allocated additional grant income next year of £12.4m to cover the increased cost of teachers' pension employer contributions and also an increase of £1.6m to £4.3m for teachers pay.
- 4.30 Appendix 4 also highlights a number of non-portfolio specific grants, this includes Social Care Support Grant of **£17.3m** and New Homes Bonus funding of **£3.2m**. These are used as part of the County's overall core funding, rather than being allocated to a specific service.

Savings Work

- 4.31 Since 2010, and including the proposed savings within the 2020/21 budget, the authority will have achieved savings of around £260m (see Figure 13), though maintaining this level of saving is proving more difficult each year.

Figure 13: Cumulative Savings by West Sussex County Council

Section Five: Revenue Budget Proposals for 2020/21

- 5.1 After considering the Provisional Financial Settlement announcement, the budget assumptions for price inflation, business rates and council tax and the savings proposals, net revenue expenditure of £593.9m is proposed for 2020/21, an increase of £18.4m (3.2%) compared to 2019/20, as shown in Table 5 below. The net revenue expenditure shown is based on the most up to date information at the time of writing and may be subject to change. This is because information is still being verified in some instances regarding funding, such as from the district and borough councils on business rates proceeds.

Table 5: Summary of Change in Net Budget

Item	£m	£m	%
Approved net revenue expenditure 2019/20		575.469	
Allowance for price rises	10.640		1.8
Commitments and service changes	46.099		8.0
Commitments and non-service changes	-1.213		-0.2
Business Rates Pilot – 2019/20 one off provision	-19.141		-3.3
Balancing the budget	-18.397		-3.2
Transfers between Portfolios	0.400		0.1
Net increase		18.388	3.2
Net revenue expenditure 2020/21		593.857	

Changes to Portfolio Budgets

- 5.2 The proposed changes to the budget for 2020/21 are explained by portfolio in the following paragraphs. These changes include growth to meet changing

demand pressures of £25.7m, the pay and price changes of £10.6m (detailed in paragraph 4.12 above) and balancing the budget activities of £18.4m.

Adults and Health

- 5.3 The Adults and Health budget for 2020/21 allows for net expenditure of **£209.4m**, which is a net increase of **£3.1m** compared with 2019/20. Around 95% of this relates to the cost of funding the social care needs of residents who meet the national eligibility criteria introduced by the Care Act in April 2015.
- 5.4 As a contribution towards paying for that growth, the budget proposes that the County Council takes advantage of its ability to raise an additional 2% precept for adult social care. This is expected to generate an extra £9.3m, all of which will be passported into service spending in line with the approach that the County Council has taken since the freedom to levy the precept became available in 2016/17. This is demonstrated in Table 6.

Table 6: Adults Social Care Precept

Item	£m	£m
1. Adults and Health budget 2019/20		206.3
Add: Growth items including inflation (£3.1m), Demand pressures (£4.1m), National Living Wage (£2.1m), iBCF adjustment (£1.0m), transfers between portfolios/reserves (£0.1m)	10.4	
Less: Savings (-£6.6m), other changes (-£0.7m)	-7.3	
Total changes		3.1
Adults and Health budget 2020/21		209.4
2. Items making the budget 'higher than it would otherwise have been' Excluding savings, transfers between portfolios/reserves and other changes		
Inflation (£3.1m), Demand pressures (£4.1m), National Living Wage (£2.1m), iBCF adjustment (£1.0m)		
Total		10.3
3. Value of 2% adult social care precept income		9.3
4. Value of additional County Council contribution (i.e. £10.3m less £9.3m)		1.0

- 5.5 The growth is the County Council's response to significant service-related pressures:
- Growth in demand for adult social care is at unprecedented levels, both because of increasing numbers of older people and from customers with disabilities. Currently in the region of 14,000 people receive a service from adult social care, of whom approximately 9,000 have eligible care needs. Based on demography, it is forecast that the latter will grow by around 160 in 2020/21.
 - Increasing life expectancy and medical advances mean that more people are living with more complex conditions, increasing cost pressures across all care groups. For example, average placement costs for residential care for older people are now over £660 per week, which represents a rise in real terms of over 2% per year during the last five years. Over that period the corresponding increase for the average non-residential package has been

- more than 2.5%, taking the typical weekly cost to around £250.
 - Pay is the largest element of care providers' costs and so the impact of the National Living Wage (NLW) continues to create knock-on implications for the County Council. The Government announced an intention in September 2019 for the NLW to rise to "two thirds of median earnings within five years" and for the age threshold to be lowered from 25 to 21. Despite this being caveated as "provided economic conditions allow", the strength of that commitment represents a financial risk for the County Council. If implemented at the rates reported, it will result in an increase of around £2.30 per hour by 2024/25. Not being a member of the EU may adversely affect the availability of care workers especially in markets where demand often exceeds supply. Whilst there is a choice for the County Council, the combination of these factors leaves it with limited option other than to plan to pay fee increases to providers at a level greater than an inflationary uplift. For 2020/21, the NLW rate has been confirmed at £8.72, an increase of 51p or 6.2%.
- 5.6 These pressures affect all local authorities with responsibilities for adult social care and have led to the County Council reprioritising its budget such that the proportion allocated to the portfolio has risen from 36% in 2016/17 to 37.4% in 2020/21. In view of the implications for other service areas, continuing increases at that rate will not be sustainable and so an equally strong driver is the Adult Social Care Vision and Strategy which was approved in April 2019. Its overriding aim is to promote independence, recognising that this leads to better care outcomes for people and makes better use of money by reducing expenditure on formal social care. In 2020/21 that priority will be supported by new contracts for technology enabled care and hospital discharge services as well as by additional extra care housing schemes.
- 5.7 The return on that investment will grow over time, since its primary focus will be around influencing future care needs. However, there will be some more immediate benefits and in 2020/21 this is expected to allow £2m of demand pressure to be managed within the limits of existing resources. That return will rise in future years and is enabling further demand absorption assumptions to be built into each year of the Medium Term Financial Strategy.
- 5.8 When set in that context, it is unfortunate that the Government's Green Paper on adult social care continues to be delayed, especially as they confirmed in October 2018 that "in the longer term, the Government is committed to putting social care on a fairer and more sustainable footing". It is to be hoped that there will soon be more certainty about what this might mean. Welcome though it is that the Improved Better Care Fund (into which the Winter Pressures Grant is being transferred) and the Better Care Fund are both being extended into 2020/21, in status these remain one-off allocations and so are no substitute for a sustainable on-going settlement.
- 5.9 Similar uncertainty applies to the Public Health Grant, where the announcement in the Spending Review 2019 of a "real terms increase" in resources has yet to be followed with a confirmed grant amount and as there is a likelihood that at least part of this will be required to be spent on new responsibilities. Pending clarity on both of those fronts, the budget provides for equivalent spending to 2019/20, but it may be that an element of opportunity will arise in due course within an expenditure area that is subject to a grant that remains ring-fenced.

- 5.10 Savings of **£6.6m** are included to balance the County Council's overall budget, as described in Appendix 3.
- 5.11 The key explanations of the changes in the 2020/21 budget are shown in Table 7.

Table 7: Adults and Health Budget Changes

Item	£m
Growth for the effect of population change and rising complexity of needs	4.1
Growth for the National Living Wage	2.1
Improved Better Care Fund adjustment	1.0
Pay and price allowance	3.1
Transfers between portfolios	0.2
Reserves transfers	-0.1
Savings	-6.6
Other changes	-0.7
Net change	3.1

Children and Young People

- 5.12 The Children and Young People's budget for 2020/21 allows for net expenditure of **£129.6m**, which is a net increase of **£28.4m** compared with 2019/20. Around 82% of this is spent on responsibilities relating to children's social care, including the staffing teams carrying out those responsibilities. Around 7% in 2020/21 will be spent on improvement activities and the remaining 11% is spent on early help services, children's mental health services (in partnership with Health) and services designed to reduce youth offending.
- 5.13 The main reasons for that growth are as follows:
- Children's services were rated as inadequate by Ofsted in May 2019. As a result, the Children First improvement programme has been initiated. In order to ensure that the required improvement occurs in a timely manner and is sustained, funding to the value of £12m has been made available - £5.1m on a permanent basis and £6.9m temporarily. With this funding, a team of experienced senior improvement leads has been appointed on a fixed term basis to oversee and manage the improvement programme. Some of the additional services this funding will buy are – social work practice improvement expertise, improved social worker recruitment and retention, leadership development, and change/project management support. Part of the improvement funding has also been transferred to other portfolios because the support for improvement includes corporate responsibilities such as HR, Communications and Customer Services.
 - Demand for placements for children looked after has risen significantly in 2019/20. In recognition of the full year impact of new placements starting last financial year and to account for the demand growth forecast in 2020/21, an additional £12.4m has been allocated for placements.
 - An additional £1.8m has been allocated to the portfolio on a temporary basis,

as a result of the review into the Council's residential children's homes to improve the quality of placements and increase the range and number of placements available. Once the residential estate returns to fully operational status, reductions in the external placement budget will fund the County Council's increased operating costs.

- For Early Help, £1.95m is being added to the budget in 2020/21 to enable savings undelivered in 2019/20 to be reprofiled across the next two financial years. For 2020/21 the expectation is that £1m of savings will be delivered, followed by the remaining £0.95m in 2021/22. The outcome of the Early Help review will be a more targeted service supporting vulnerable children and families. Savings will be achieved through a rationalisation of the buildings that the Service operates from, leading to a reduction in the number of staff required to deliver the new service.

5.14 Savings of **£1.9m** are included to balance the County Council's overall budget as described in Appendix 3.

5.15 The key explanations of changes in the 2020/21 budget for the portfolio are shown in Table 8.

Table 8: Children and Young People Budget Changes

Item	£m
Demand growth – placements for children looked after	12.4
Children First improvement programme	12.0
Undelivered 2019/20 savings	3.7
Funding for additional external placements whilst review of residential children's homes is underway	1.8
Intensive planning team	0.2
Reversal of temporary funding added in 2019/20 for Cissbury Lodge, including £0.4m Social Care Support Grant	-1.0
Increased grant for Unaccompanied Asylum Seeking Children	-0.4
Pay and price rise allowance	1.9
Transfers between portfolios	-0.3
Savings	-1.9
Net change	28.4

5.16 Following the Ofsted outcome and the result of the Commissioner's review of Children's Services, 2020/21 is likely to be a challenging year for the Council. At the same time as improving its Children's Services, it is also required to make preparations to move those Services into an alternative delivery model which will have operational independence from the Council. Through this proposed budget, the Council is demonstrating a significant level of investment in Children's Services – however even the proposed budget is not without a level of risk. Although demand growth in placements for children looked after is allowed for, such an estimate can only rely on assumptions about the key cost drivers and hence there is also a critical dependency on the ability of the Service to influence those cost drivers. In that respect there are some initiatives planned which, if implemented early in 2020/21, should have the effect of reducing the risk facing the Council's budget. Until that work has been completed, formal savings expectations will not be finalised. The areas that will be targeted are as follows:

- development of a commissioning strategy;
- review of foster care allowances. Potential to require interim funding until level of independent foster care placements reduced;
- review of arrangements in relation to placement panels and organisational structures.

5.17 In addition, careful planning and management of any redundancy costs which may arise from the Early Help review will be required if the savings planned for within this budget are to be delivered in full.

Economy and Corporate Resources

- 5.18 The Economy and Corporate Resources budget provides for net spending of **£52.8m**, which is a net increase of **£4.2m** compared with 2019/20. The majority of this budget relates to the Cabinet Member's responsibility for a range of support service functions, including customer services, together with outsourced contracts for support services and information technology. It also covers the costs of economic growth and One Public Estate programmes.
- 5.19 Legal Services has seen growth of £1m in order to meet the increasing demand from rising childcare cases. As of September 2019 the number of cases had risen to 117 from 94, 12 months previously. In addition the cessation of the ORBIS Legal arrangement with neighbouring authorities has meant that the expected saving in 2019/20 is now thought to be unachievable.
- 5.20 The HR function continues to experience pressure from the level of organisational change and challenges in relation to the Fire and Children's improvement plans. In order to address this, additional resource has been identified. In addition, savings previously expected in 2019/20 to be delivered within the service, particularly around staff terms and conditions, are unachievable.
- 5.21 The Council has also recognised that there is an increased requirement to address the condition of County Council buildings and additional funding has been identified to address the reactive maintenance budgets managed by the Facility Management Team.
- 5.22 We will continue to review our major contracts and strive to get best value for money from our current arrangements with our outsourced services provider.
- 5.23 The organisation has been pursuing a whole council design approach to service redesign and it is critical to ensuring a future sustainable budget. This approach has been reviewed and refreshed to focus on the delivery of tangible financial benefits and to support service redesign being delivered through the service directorates.
- 5.24 We have reframed the mandate of the programme which is now charged with delivering four cross cutting service redesign programmes that will deliver benefits and utilise the opportunities available from the implementation and use of technology and a move towards more digital ways of delivering services. The mandate will also include the provision of change services to support the service directorates deliver against their own challenging agendas.
- 5.25 Key cross cutting programmes include:

- Smartcore – preparing for and delivering the implementation of a refreshed ERP system to support back-office transformation and improvement of our back-office processes. Change will be delivered through increased self-serve, changes in processes and policy and improved use of information and data
- Support Focus – reviewing the admin and service support activity across the organisation to rationalise and automate activity delivering improved performance and cost of service provision. Change will be delivered through a rigorous assessment of service levels required, elimination of duplication, automation and improvement of processes and redeployment of work
- Customer Digital – undertaking digital redesign of end to end processes to enhance customer experience and reduce the cost of service delivery. Change will be delivered through increased channel shift, improvements to information available to customers, automation of digital processes and a shift of work closer to the customer to improve customer experience
- Digital ways of working – implementing digital ways of working to enhance agile working, unlock capacity and deliver performance from investments already made in refreshed technology applications.

5.26 Savings will be delivered over a number of years. It is expected that the £2.4m target for 2020/21 and a further £2.5m in 2021/22 will be achieved from these programmes, with further changes planned for future years.

5.27 It is anticipated that up to £4.9m be drawn down from the Service Transformation Reserve to contribute towards this programme, including £1.5m for the procurement of a new business management solution and £3.0m for the transformation of services, including redundancy costs.

Table 9: Economy and Corporate Resources Budget Changes

Item	£m
Additional Funding to meet Childcare Cases	1.0
Reversal of undelivered ORBIS saving relating to 2019/20	0.3
Additional IT costs needed to deliver our digital strategy	0.5
Demand pressure within reactive maintenance budget	0.4
Reversal of staff charged to capital within Facilities Management	0.2
Additional HR Capacity for Children's Services improvement plan	0.8
Reversal of undelivered HR saving relating to 2019/20	0.8
Reversal of undelivered Whole Council Design saving relating to 2019/20	1.5
Pay and Price allowance	1.2
Reserves transfers	1.9
Savings	-2.8
Transformation (£0.7m) and Customer Experience (£1.4m) expenditure funded on a one-off basis for 2020/21 from capital receipts as set out in the Capital Strategy (Annex 2a)	-2.1
Other service changes	0.5
Net change	4.2

Education and Skills

- 5.28 The Education budget for 2020/21 allows for net expenditure of **£20.8m**, which is a net increase of **£1.0m** compared with 2019/20. In line with the West Sussex Plan 2017/2022, we will continue to work to ensure young people are ready for school and ready for work. The key explanations of the changes for the 2020/21 budget are shown in Table 10.

Table 10: Education and Skills Budget Changes

Item	£m
Home to School Transport to meet the increasing number of High Needs pupils and living wage pressures	1.4
Crawley Schools PFI for inflationary pressure	0.3
Removal of LA contribution to DSG	-1.0
Impact of increased capacity for in-house special educational placements	-1.8
Transfer between portfolios	0.2
Pay and price allowance	0.5
Reserves transfers	1.8
Savings	-0.4
Net change	1.0

- 5.29 Based on an assumption that the number of pupils identified as needing additional support through an Education Health and Care Plan (EHCP) will continue to rise at the current rate it is projected that expenditure in High Needs is set to increase by at least a further £7.3m in 2020/21. Since the current year's budget also includes one-off funding of £1.0m from the Local Authority and £2.4m from DSG reserves, this means that our underlying budget pressure next year stands at £10.7m.
- 5.30 With our High Needs DSG funding expected to increase by £8.4m in 2020/21, this leaves a budgeted shortfall on High Needs of £2.3m next year. The County Council has therefore requested a transfer of £2.4m from the Schools DSG block to the High Needs DSG block. This represents 0.5% of the total Schools block, and a decision is expected to be made by the Secretary of State for Education in early February. Based on current projections it is unlikely that there will be any funds remaining in DSG reserves at the end of 2019/20 and therefore the remaining £0.7m required to bridge the shortfall will result in the DSG reserves going into deficit.
- 5.31 The Home to School transport budget continues to come under pressure as a result of the continuing rise in SEND placements and higher contractual costs due to a growing shortage of drivers and the increased wage costs of escorts. £1.0m has been allocated to the portfolio to meet existing pressures in 2019/20 and a further £0.4m to meet growth in 2020/21.
- 5.32 The £1.8m transferred to reserves last year to help fund the creation of additional Special Support Centres in our mainstream schools in the capital programme has been reversed for 2020/21, and these funds together with the £1.0m one-off contribution to High Needs DSG in 2019/20 have been removed from the portfolio. Funding for Special Support Centres will be provided

through existing grants and all funding for High Needs will be met through the DSG.

- 5.33 Planned savings total **£0.4m**. These include officer decisions in relation to a SEND transport review of solo taxis and improved trading income from schools (£0.3m), and strategic decisions in relation to a reduction in the Post-16 Support Service (£0.1m).
- 5.34 The Dedicated Schools Grant settlement has increased by **£38.8m** (6.5%) to £635.9m across both the Children and Young People (£49.1m) and Education and Skills portfolios (£586.8m) as per paragraph 4.29.

Environment

- 5.35 The Environment budget provides for net spending of **£60.4m**, which is a net decrease of **£2.7m** compared with 2019/20. Working with customers and partners the Waste Management team will continue their work to reduce waste going to landfill through education aimed at changing customer behaviour, as well as the use of alternative disposal routes such as the Refuse Derived Fuel (RDF) contract and separate food waste collections.
- 5.36 Whilst there has been an increase in the cost of insurance provision at the Mechanical and Biological Treatment Plant (MBT) due to the existing provider withdrawing from the market, continuing work to refine the processes at the plant and further increase the amount of waste that can be diverted from landfill along with the commercial agreements that sit behind these arrangements, are expected to deliver benefits to the council.
- 5.37 Last year the council took the decision to move away from the locally agreed payments made to district and borough councils in respect of recycling credits and move to a rate of £61.12 per tonne. Legal advice has since clarified that there is no requirement for the County Council to pay credits to the district and borough councils and it is therefore proposed to remove this support.
- 5.38 The County Council will set aside £2m to support district and borough councils who commit to implementing a new service model for refuse and recycling collection, to a specification and timetable agreed with WSCC, including separate food waste collection.
- 5.39 The energy and sustainability teams continue to drive innovative and sustainable solutions to delivering the energy that the County requires particularly through the investment in our own renewable energy sources. 2019/20 has seen the service continue to expand the number of small scale installations at our schools. In addition, work is also progressing on feasibility work to deliver a large scale battery installation at Halewick Lane.
- 5.40 Table 11 explains the key changes in the 2020/21 budget.

Table 11: Environment Budget Changes

Item	£m
Increase in insurance premium for the Mechanical and Biological Treatment Plant	0.7
Recycling credits initiatives with the district and boroughs funded on a one-off basis from capital receipts for 2020/21 as set out in the Capital Strategy (Annex 2a)	-2.0
Pay and price allowance	1.8
Reserves transfers	-0.2
Savings	-3.2
Other service changes	0.2
Net change	-2.7

Finance

- 5.41 The Finance budget provides for net spending of **£13.9m**, which is a net increase of **£1.3m** compared with 2019/20. The majority of this budget relates to the Cabinet Member's responsibility for the Finance and Procurement functions. It also covers the capital planning and projects and asset management and estates teams, as well as various corporate items, for example insurance and precept payments levied by external bodies.
- 5.42 The County Council continues to invest in resource to better manage the commercial arrangements with its suppliers. Growth has been provided for within the Procurement and Contract Team however this is offset by the savings anticipated from increased control of spend through online purchases and greater commercialisation of frameworks that we procure.
- 5.43 The requirement to deliver the ambitious capital programme set by the County Council has meant that we have identified additional resource to bring forward the feasibility work to ensure that the pace of delivery can be maintained.
- 5.44 Table 12 outlines the key changes for the 2020/21 budget.

Table 12: Finance Budget Changes

Item	£m
Contribution to Insurance Fund	0.5
Increased Resource for Procurement & Contract Management	0.3
Additional resource for feasibility work	0.5
Reversal of staff charged to capital	0.3
Pay and price allowance	0.3
Transfers between portfolios	0.3
Reserves transfers	-0.6
Savings	-1.0
Other service changes	0.7
Net change	1.3

Fire & Rescue and Communities

- 5.45 The portfolio budget provides for net spending of **£35.7m**, which is a net increase of **£0.7m** compared with 2019/20. The budget includes the WSFRS which aims to provide an assured 24/7 emergency response service around the County. WSFRS also has a dedicated resilience and emergency team which along with the Council's support to community functions works to promote resilience and capacity across the localities of West Sussex. The portfolio also includes the County Council's Library Service, Archive Service and Registration Service which are all directed to provide excellent services to the county's residents.

- 5.46 Following Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) report in June the County Council has set aside **£1.7m** to address the areas of concern within the report. However further investment will be required in order to address the longer term improvement of the service, in particular in relation to the emergency response availability of fire engines, which remains a challenge. A further **£0.9m** has been added to the budget for 2020/21 to address risk management and training capacity alongside investment in supporting the retained duty system.

- 5.47 The budget provides for the continuation of the service provided by the Technical Rescue Unit following the removal of the Home Office Grant that supported this service. It also addresses the shortfall in grant funding from the Home Office to meet the increase in employer's contribution to the Fire Fighters pension fund.

- 5.48 On 4 December 2019 the provision of the Fire and Rescue Control Centre transferred from East Sussex Fire and Rescue service to Surrey County Council. The efficiencies in delivering the joint control centre and the associated provision of IT support is expected to deliver a £1m saving to the Council.

- 5.49 The Library and Registrars services have experienced ongoing pressures following changes to the National Living Wage and a HM Revenue and Customs ruling that VAT is chargeable on income that is not related to the provision of a Registrar at a ceremony, resulting in a one year pressure in 2020/21 as most of the income has already been received in 2019/20.

- 5.50 Table 13 outlines the key changes for the 2020/21 budget.

Table 13: Fire & Rescue and Communities Budget Changes

Item	£m
Fire Improvement Programme	2.6
Council funding to reinstate budget up to the previous grant level for Fire Service Grant (Technical Rescue Unit)	0.4
Council funding to address shortfall in government grant relating to Fire Service Pensions	0.2
Libraries and Registrars pay and income pressures	0.5
Fire improvement expenditure funded on a one-off basis from capital receipts for 2020/21 as set out in the Capital Strategy (Annex 2a)	-1.2
Pay and price allowance	0.8
Savings	-1.9
Transfers between portfolios	-0.7
Net change	0.7

Highways and Infrastructure

5.51 The Highways and Infrastructure budget provides for net spending of **£35.4m**, which is a net increase of **£2.5m** compared with 2019/20. This budget maintains and delivers highways and other infrastructure which businesses and local communities need to support economic growth and allows our customers to access services across the County. We will maintain, improve and, where appropriate, expand the highways network for the benefit of all residents and visitors to West Sussex. The net increase includes an additional **£1.0m**, of which £0.5m is ongoing and £0.5m is temporary, funded from higher than anticipated New Homes Bonus grant. This investment will increase the highways maintenance budget and contribute to reinstating the winter maintenance routes and ensuring that routine weed spraying can be carried out during the summer months.

5.52 Table 14 outlines the key changes for the 2020/21 budget.

Table 14: Highways and Infrastructure Budget Changes

Item	£m
Investment in highway maintenance	1.0
Pay and price allowance	0.9
Reserves transfers	0.4
Savings	-0.5
Other service changes	0.7
Net change	2.5

Leader

5.53 The Leader budget provides for net spending of **£1.4m**, which is the same level of spend as 2019/20. This budget supports the costs of running the Chief Executive's office and Policy.

5.54 There have been no significant changes for 2020/21.

Non-Portfolio

- 5.55 For completeness, corporate items for commitments and service changes are given in Table 15.

Table 15: Non-Portfolio Budget Changes

Item	£m
Transfers to and from earmarked reserves (net), including the removal of the Social Care Grant (-£5.2m), transfer from the Service Transformation Reserve (-£4.9m) and a contribution to the Budget Management Reserve to partially replenish the reserve following its use in 2019/20 (+£3.0m)	-6.8
Removal of transfer to earmarked reserves re 75% Business Rates Pilot	-18.1
Increase in the revenue contribution to capital	0.9
Increase in the capital financing costs including an increase in the interest payable on the additional external borrowing undertaken in 2019/20	1.0
Increase in contingency to deal with potential volatility in demand pressures, impact of changes to the National Living Wage following the Chancellor's announcement in September and any additional pressures that may arise when considering funds required for the Improvement Plans for Fire and Rescue Services and Children's Services.	3.4
Forecast increase in the investment income budget reflecting both an anticipated higher cash balance and an improved return on the Council's longer term investments	-1.0
Reallocation of the LGPS Lump Sum payment which started in 2019/20 from non-portfolio budget to the service portfolios	0.5
Net change	-20.1

- 5.56 The contingency budget is generally held to cushion the impact of unexpected events or emergencies arising during the year, which were not known about at the time the budget was approved. For 2020/21, the Council has added a further £3.4m to the contingency budget to cover additional pressures the Council may face, including £1.1m held for the National Living Wage as set out in paragraph 4.12.

Section Six: Future Financial Risks

- 6.1 There are a number of major sources of change ahead from the external environment. These offer varying degrees of opportunity but also potential financial risk and instability over the medium term.
- The potential impact from implementing the decision to leave the European Union and its influence on the UK's economic performance and the state of the nation's public finances and the availability of people in areas like social care which have become heavily dependent on EU nationals. Any impact is likely to feed into the next Spending Review which will set national spending allocations for local authorities from 1 April 2021.
 - The Government's Fair Funding Review (FFR) of the needs assessment for local authorities will underpin how the Government allocates resources among local authorities. The FFR is expected to determine local authorities'

needs in relative, not absolute terms. As such the outcome of the FFR will affect the allocations of funding under the new, proposed 75% business rate retention scheme. The other significant factor in this will be the Government's determination of the total amount of funding for local government as a whole, including funds raised from council tax. It is a considerable time since any similar reviews were undertaken and this could mean significant change and volatility with funding. The MTFS assumes significant losses are the probable outcome from the FFR. This is based on experience with past reviews, where authorities with a much better than average local tax base (such as West Sussex) tend to be penalised with the Government assuming local council tax can replace government funding.

- The Government's implementation of the 75% business rate retention system is linked to the wider fair funding review. This is anticipated to be done in a way that is cost neutral nationally, but with differences arising at local levels. County councils are expected to increase their share of local business rates from the current 10% allocation, but will lose other funding streams to maintain the overall national cost neutral position. In the long run, such a change provides an opportunity to increase the funding derived from the growth in business rates. However in the short term, there are three consequences to highlight:
 - it will involve a reset of the business rate system and therefore a loss of part of the real term growth in business rates revenue we currently use to help support the base budget;
 - additional reliance on a volatile income source (business rates) which can vary from year-to-year for many reasons places a greater emphasis on ensuring the Council's reserves are strong and able to provide a short term safety net for any sudden drop in this source of income; and
 - while the scheme is expected to be designed to operate in a cost neutral way nationally, at local authority level, there will invariably be 'winners and losers'.
- There remains considerable uncertainty over future funding arrangements for adult social care. Although Government committed in October 2018 to "putting social care on fairer and more sustainable footing", the repeated postponement of the Green Paper on adult social care leaves the service heavily dependent on non-recurrent sources of funding such as the Improved Better Care Fund. Until there is a parallel Long Term Plan to that of the NHS, the contribution of adult social care to the overall health and care system will not be maximised and by encouraging short term decision making it adds to the risks that the County Council faces.
- The implications of the next Spending Review for local government funding are unclear. The Spending Review sets the overall framework of funding allocations to Government Departments and the national total for local authorities and is due to come into effect from 1 April 2021. The degree of any further austerity with public finance and how it will impact on the Council's funding, can only be informed by our best estimates until the Spending Review is announced.
- Service budgets already include an allowance for inflation, where appropriate. But there remains a risk that either through general

inflationary pressures or due to contractual matters, additional costs could add to service pressures in 2020/21. Also, in the longer term, if actual inflation exceeds the Council's assumptions in the MTFS, this could potentially add significantly to the budget pressures we face.

- The demographic profile within West Sussex indicates that we have a higher and growing proportion of older people, which will bring increased demand for services, particularly adults' social care. In addition to this, we are also facing growing demand pressures from increased complexity of care needs, both of which may result in additional financial pressures.
- Within social care growing demand, whether from children looked after, people with a disability or older people, is a major risk. Part of this is the result of population growth, but equally relevant as cost drivers are rising complexity of needs and market-related pressures because of competition for service provision. The proposed increase in the National Living Wage to £10.50 per hour by 2024/25 will add further to this mix of factors. In Children's there are specific risks because of the outcome of the Ofsted inspection and the planned transfer of services into an alternative delivery model that will have operational independence from the Council. Experience from other local authorities who have found themselves in this situation indicates that this can prove costly. For Adults and Health a key priority will be promotion of independence because of its potential to deliver better care outcomes and make more cost effective use of money. However, this will be aimed at influencing the care needs of future customers, which makes both the quantum of benefits and the speed at which they will accumulate subject to inevitable uncertainty. Although the assumptions in the MTFS about the ability of adult social care to absorb demand pressure have been abated to reflect this reality, the challenge of delivering transformational change is among the main reasons why the Adults and Health budget will continue to require very close monitoring.
- Changes in legislation or accounting policies in the future may have a financial impact for the Council. Any developments will be closely monitored and if there is any impact, these could potentially be mitigated through reserves.
- The Council will continue to keep the MTFS under review given the high degree of uncertainty surrounding the potential impact from government policy, and the wider considerations on the state of public finances in future.

Section Seven: Robustness of Estimates, Adequacy of Reserves and the Management of Risk

- 7.1 Section 25 of the Local Government Act 2003 requires each Chief Financial Officer to report to their authority about the robustness of estimates and the adequacy of reserves when determining their budget and level of council tax. Each authority is required to consider their Chief Financial Officer's report when setting the level of council tax. The Director of Finance and Support Services has provided the following assurance:

'By the end of 2019/20 the County Council will have delivered nearly £240m of savings since austerity began with public finances in 2010. Setting a balanced budget has become more challenging each year as we

deal with uncertainty in government funding as well as increasing demand and costs in our social care services.'

2019/20 financial position

'The current year's budget has come under intense pressure and we forecast to overspend by £16m on service budgets due to rises in demand and non-achievement of savings, although the use of capital receipts flexibilities will reduce the drawdown on reserves to between £7m and £8m. This drawdown on reserves will have an impact on the Council's financial resilience.

'At the end of 2019/20 we are anticipating the Budget Management Reserve will be £14.7m, a reduction of £10.8m from last year's budget report. This reduction reflects the impact of the projected overspend for 2019/20 and the settlement of the highway's procurement litigation earlier this year.

'In total we are projecting we will hold earmarked reserves (excluding schools and the General Fund) of £144.0m at the end of 2019/20, a reduction of £21.3m compared to the forecast included in 2019/20 budget report (£165.4m). This largely relates to a reduction in the Budget Management Reserve resulting from in year pressures, the use of Social Care Support Grant for the Children's improvement plan, along with movements on several other reserves.

Reserves

'We hold reserves for different purposes. We have reserves that are ring-fenced for specific purposes to comply with statutory regulations, reserves that are earmarked for specific initiatives that can be met by one-off sources of money and general reserves to deal with the financial risks outlined in the previous section.

'We hold the Budget Management Reserve and the General Fund Reserve to protect the Council's position against known and unknown risks. The Budget Management Reserve is used to provide a stable platform for service planning as the MTFS is developed and it is the first call on the Council resources to deal with the any unforeseen expenditure in year if the revenue contingency budget was exhausted. It provides a safety net against a number of critical assumptions around funding, the non or late delivery of savings in 2020/21 and any legislative or accounting changes imposing new burdens.

'As part of the budget strategy for 2020/21 the replenishment of the Budget Management Reserve has been built into the MTFS. In addition, the Capital Infrastructure Reserve, previously held for A27 works, has been consolidated into the Budget Management Reserve. These funds were set aside many years ago, when the then Government suggested that some financial contribution would be required if we wanted the existing A27 Chichester by-pass upgraded. This contribution is no longer needed as we anticipate that any future plans, as well as most likely being several years away, will be fully funded through the Government's road programme. We anticipate the balance on the Budget Management Reserve will be £32.3m at the end of 2020/21.

'The budget does not provide specific funding for any unforeseeable, extraordinary items of major expenditure, for example, the implications of flooding within the county. Subject to the magnitude of the extraordinary event, if such an event were to occur, it would have to be funded from the existing General Fund Reserve (with a balance estimated at £20.3m by 31st March 2020) if the general revenue contingency budget was exhausted.

'Against such a challenging financial background, it will therefore be crucial that reserves, both general and earmarked, continue to be managed in the medium term in a way that gives due regard to the need to set a legally balanced budget.

'The overall projected levels of usable reserves and balances are reviewed annually and are deemed to be adequate and earmarked reserves (excluding schools) are forecast to stand at £142.9m by 31st March 2021 and a further £20.3m held in the General Fund.

Managing 2020/21 budget

'The savings proposals for 2020/21, £18.4m in total, take account of the ongoing effects of the current year's financial position. These savings have been assessed as robust, with reliable plans supporting them. The key savings proposals, worth approximately £5.0m (of which £2.5m relates to savings approved in previous financial years), were approved via Cabinet Member decisions following previews at the relevant Scrutiny Committee. Early agreement of savings plans allows maximum time for them to be implemented, reducing the risk of non-delivery. In recent years West Sussex County Council has a good track record (in excess of 90%) in delivering its planned savings. However, for 2019/20, we are anticipating only realising 73% of our planned savings because the two services under improvement plans have not been required to make any additional savings that may impact on service delivery. For this reason the proposed savings plans have been revised during the autumn to ensure that the reduced savings are deliverable. The general contingency for the revenue budget is £6.8m an increase of £3.4m from 2019/20. Given the size of the expected overspend in 2019/20, it is prudent to increase the contingency in the revenue budget. This increase in the contingency will hopefully cover any potential volatility of demand forecasting within social care services, the potential impact of the New Living Wage increase announced in the autumn and any other significant inflationary increases which cannot be met from service budgets.

'On-going robust financial management, strict budgetary control and the on-going monitoring of both savings and investment delivery plans, with processes in place to promote these during the next year is necessary to ensure this budget is delivered. We have done this in previous years, and I believe our processes are robust for this purpose going forward.

'To strengthen the Council's commitment to spending within our means, this coming year, Executive Directors and Directors will be required to sign off their budgets as being robust and fit for purpose.

CIPFA Financial Resilience Index

'A financial resilience index for local authorities has recently been published by CIPFA to provide reassurance to councils who are financially stable as well as to prompt challenge where it may be needed. The index applies 15 measures, including areas such as reserves, flexibility with budget and reliance on different funding sources, including fees and charges. It compares the outcome for each authority to peer groups. It does not translate these 15 measures into any 'overall assessment' or make specific comment on the results. The index showed the Council has good resilience in terms of a strong council tax base and at the end of March 2019 had a reasonable level of overall reserves (earmarked and general reserves) when compared to other counties. The information contained in the index has been considered when reaching an overall opinion.

Conclusion

'For the reasons listed in this section, I am comfortable as the County Council Chief Financial Officer that the Council is operating prudently and has sufficient financial resilience to deal with the risks highlighted within the budget report.

Katharine Eberhart
Section 151 Officer'

Section Eight: Precept and Council Tax

- 8.1 The 2020/21 council tax base is 337,580.90 Band D equivalents, and is set out across the district and borough councils in Table 16 below. The table also shows the sums due under precepts from the respective authorities.

Table 16: Tax Base and Precept 2020/21

District/Borough Council	Tax base	Precept
Adur	21,381.40	£30,762,275.44
Arun	62,244.00	£89,552,932.56
Chichester	54,133.30	£77,883,744.04
Crawley	35,811.90	£51,524,013.01
Horsham	63,029.00	£90,682,343.46
Mid Sussex	61,711.60	£88,786,947.38
Worthing	39,269.70	£56,498,888.18
Total	337,580.90	£485,691,144.07

- 8.2 The impact of a 1.99% increase in Council Tax for General Fund purposes and a further 2% for Adult Social Care, considered in the budget proposals outlined in the previous paragraphs, imply a precept requirement of £485.691m and a Band D council tax of £1,438.74.
- 8.3 The budget embodies the core principles of living within our means, protecting the vulnerable and bearing down vigorously on administration costs.

Section Nine: Equality Act Considerations

- 9.1 The County Council formulates its budget proposals having regard to the duties under the Equality Act 2010 and the likely impact on those with protected characteristics, as set out in the Treating People as Individuals Policy.
- 9.2 In the assessment of individual proposals and in the overall assessment of its plans for savings across portfolios the County Council must have regard to the public sector equality duty. This will ensure that all decisions that will be finally taken include an understanding of the likely impact upon persons with protected characteristics and the steps that are planned to mitigate any adverse impact or otherwise address the commitments the County Council has to its duty. Appendix 3 also mentions any requirement for an Equality Impact Assessment as part of the decision on the saving.
- 9.3 The budget approval does not constitute a final decision about what the Council's service priorities and service budget commitments will be, or about what sums must be saved within each service portfolio. Specific executive decisions will be taken by the relevant portfolio holders and directors, and shall be made based on a clear understanding of what the potential impacts of doing one thing rather than another will be for the residents of West Sussex. It will be open to directors and Cabinet Members at the time of taking those decisions to choose to spend more on one activity and less on another or, where necessary, to go back to County Council and invite it to reconsider the allocations to different service budgets within the overall Council budget that has been set.
- 9.4 An overarching Equality Impact Assessment has been carried out and is set out at Annex 3.

Section Ten: Other Issues

Human Resources Implications

- 10.1 The savings proposals already submitted and agreed by Cabinet Members and those specified within the budget indicate a potential impact for up to 11FTE, where known. This figure may change as plans develop over the coming months. This currently equates to approximately 0.2% of our active workforce as at the end of December 2019. Full consultation has and will continue to occur when needed.

Legal Implications

- 10.2 The County Council has a legal obligation to deliver a balanced budget within a prescribed timeframe each year. This is part of the set of legal obligations within the Local Government and Finance Acts 1992 and 2003 which also describe the factors and financial considerations which must, in law, inform the calculation of the budget and any council tax precept. The Chief Financial Officer has a responsibility to give formal notice to the Council if those provisions are at risk of not being adhered to. Ultimately the Secretary of State has powers of intervention in local authorities which fail to meet their fiduciary duty. This report outlines how the budget will be balanced with £18.4m of savings. Despite the challenge of reduced government funding we

continue to invest in priority areas to deliver the aims of the West Sussex Plan to benefit our residents.

Recommended

That, taking account of the priorities contained in the approved West Sussex Plan, the Medium Term Financial Strategy, the Provisional Local Government Finance Settlement and the results of internal and external consultation, the following items be approved:

- (1) An increase in council tax in 2020/21 comprising:
 - 2.00% for Adults' Social Care, plus
 - 1.99% to support other General Fund services
 - making a total increase of 3.99%
- (2) Net revenue expenditure in 2020/21 of £593.857m (as set out in paragraph 5.1 and Appendix 1).
- (3)
 - (a) Capital Strategy, setting out capital expenditure and proposed method of financing for the core programme and the income generating initiatives (which will be subject to their own business cases) for the period 2020/21 to 2024/25, as set out in Annex 2(a).
 - (b) Flexible Use of Capital Receipts Strategy, outlining how the Council proposes to use the flexibility to apply capital receipts to fund transformation projects, as set out within the Capital Strategy, Annex 2(a), section 7.
 - (c) Treasury Management Strategy Statement 2020/21, as set out in Annex 2(b).
 - (d) Prudential Indicators, as set out in Annex 2(c).
- (4) The Director of Finance and Support Services' assessment of the robustness of estimates and adequacy of reserves (Section 7).
- (5) The following amounts be approved for the financial year 2020/21 in accordance with Section 42A of the Local Government Finance Act 1992:
 - (a) That the budget requirement to meet net expenditure of the County Council for the financial year 2020/21 is £593.857m, and the council tax requirement for 2020/21 is £485.691m.
 - (b) That the following sums be payable for the year into the County Council's revenue fund:

Business Rates Retention Scheme	£85.110m
New Homes Bonus Grant	£3.713m
Social Care Support Grant	£17.343m
Net surplus from District and Borough Collection Funds	£2.000m

- (c) The council tax base for the year 2020/21 is the aggregate amount calculated by the billing authorities to which the County Council issues precepts totalling 337,580.90 Band D equivalents.
- (d) The amount of council tax being the budget requirement at 5(a) above, less the amounts receivable in 5(b) above, all divided by the council tax base at 5(c) above, shall be **£1,438.74** to the nearest penny for Band D.
- (e) The amount of council tax payable for dwellings listed in a particular valuation band, calculated in accordance with the proportion set out in Section 5(1) of the Act, shall be as follows:

Band	Amount	Band	Amount
A	£959.16	E	£1,758.46
B	£1,119.02	F	£2,078.18
C	£1,278.88	G	£2,397.90
D	£1,438.74	H	£2,877.48

- (f) That the district and borough councils be requested to make payments totalling £485.691m to West Sussex County Council of sums due under precepts calculated in proportion to their council tax Band D equivalents as follows:

Adur District Council	£30,762,275.44
Arun District Council	£89,552,932.56
Chichester District Council	£77,883,744.04
Crawley Borough Council	£51,524,013.01
Horsham District Council	£90,682,343.46
Mid Sussex District Council	£88,786,947.38
Worthing Borough Council	£56,498,888.18

- (g) That the district councils be required to make payments of precept by equal instalments of the above sums due on or before:

6 April 2020	5 May 2020	5 June 2020
6 July 2020	5 August 2020	7 September 2020
5 October 2020	5 November 2020	7 December 2020
5 January 2021	5 February 2021	5 March 2021

- (h) Additionally, it is noted that payments be made by the district and borough councils (or to them) in respect of the estimated surplus/(deficit) on their collection funds on 31 March 2020:

Council Tax * **Business Rates ***

Adur District Council
Arun District Council
Chichester District Council
Crawley Borough Council
Horsham District Council
Mid Sussex District Council
Worthing Borough Council

(*Figures from districts and borough councils being verified)

- (6) The delegation to the Director of Finance and Support Services of authority to make changes to the report on net revenue expenditure or to the precepts required:
- as a result of a change in the council tax base notified by the district and borough councils,
 - arising from updated information from the district and borough councils to the council tax collection funds and business rates forecast and collection funds, or
 - arising from any funding announcements from central government.

All such changes of funding (positive or negative) to be applied through the Budget Management Reserve.

Jeremy Hunt

Cabinet Member for Finance

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Appendices

- 1 Summary of Revenue Budget and Precept 2020/21
- 2 Analysis of Changes
- 3 Balancing the Budget
- 4 Grants Towards Specific Services
- 5 Reserves
- 6 Detailed Portfolio Pages
 - Adults and Health
 - Children and Young People
 - Economy and Corporate Resources
 - Education and Skills
 - Environment

Finance
Fire & Rescue and Communities
Highways and Infrastructure
Leader

Annex 2(a) – Capital Strategy 2020/25

Annex 2(b) – Treasury Management Strategy Statement 2020/21

Annex 2(c) – Prudential Indicators 2020/21 to 2024/25

Annex 3 – Equality Impact Assessment

Annex 4 – Member comments considered by Cabinet

Background Papers

None

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APPENDIX 1

Agenda Item 7
Annex 1

SUMMARY OF REVENUE BUDGET AND PRECEPT 2020/21

Total Net Expenditure 2019/20 ¹		SERVICE	Total Net Expenditure 2020/21	
Amount	Amount per Council Taxpayer (Band D equivalent)		Amount	Amount per Council Taxpayer (Band D equivalent)
£000	£		£000	£
206,368	620.78	Adults and Health	209,423	620.36
101,123	304.19	Children and Young People	129,571	383.82
48,645	146.33	Economy and Corporate Resources	52,805	156.42
19,780	59.50	Education and Skills	20,815	61.66
63,126	189.89	Environment	60,378	178.86
12,548	37.75	Finance	13,892	41.15
35,017	105.34	Fire & Rescue and Communities	35,732	105.85
32,926	99.05	Highways and Infrastructure	35,401	104.87
1,437	4.32	Leader	1,452	4.30
520,970	1,567.15	SERVICE TOTALS	559,469	1,657.29
27,700	83.33	Capital Financing Costs	28,719	85.07
1,032	3.10	Revenue Contribution to Capital Outlay - County Council	2,377	7.04
1,000	3.01	Revenue Contribution to Capital Outlay - Business Rates Pilot ²	500	1.48
-2,503	-7.53	Investment Income	-2,970	-8.80
3,400	10.23	General Contingency	6,832	20.24
25	0.07	Care Leavers Council Tax Support	25	0.07
5,704	17.16	Transfers to/from (-) Earmarked Reserves - County Council	-595	-1.76
18,141	54.57	Transfers to/from (-) Earmarked Reserves - Business Rates Pilot ²	-500	-1.48
54,499	163.94	NON-SERVICE TOTALS	34,388	101.86
575,469	1,731.09	NET EXPENDITURE	593,857	1,759.15
-85,226	-256.37	Business Rates Retention Scheme - County Council	-85,110	-252.12
-19,141	-57.58	Business Rates - Gains from 75% Pilot ²	0	0.00
-3,933	-11.83	New Homes Bonus Grant	-3,713	-11.00
-5,243	-15.77	Social Care Support Grant	-17,343	-51.37
-2,279	-6.86	Council Tax Collection Fund Surplus (-) / Deficit	-2,000	-5.92
294	0.89	Business Rates Collection Fund Surplus (-) / Deficit	0	0.00
459,941	1,383.57	PRECEPT	485,691	1,438.74
4.99%		Increase in Council Tax Band D on Previous Year	3.99%	
332,430.70		Council Tax Band D Equivalents	337,580.90	

¹ The 2019/20 comparators have been restated from the 2019/20 Budget Book to reflect the change in political structure which came into force during 2019/20

² Gains from the 75% business rates retention pilot scheme in 2019/20 were pooled for joint investment with Districts and Boroughs. This pilot has been revoked for 2020/21, and whilst a limited pool is proposed any additional receipts will not be levied until the end of the financial year and will be ringfenced for the pool and so are excluded from budgetary figures.

APPENDIX 2

ANALYSIS OF CHANGES

PORTFOLIO	Budget 2019/20	Effective Change in Spending ¹				Change in Central Government Funding Arrangements	Transfers between Portfolios	Overall Change in Spending <i>col 5+6+7</i>	Budget 2020/21 <i>col 1 + col 8</i>
		Pay and Prices	Committed and Service Changes	Balancing the Budget (Appendix 3)	Total <i>col 2 + 3 + 4</i>				
	column 1	column 2	column 3	column 4	column 5	column 6	column 7	column 8	column 9
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Adults and Health	206,368	3,139	6,314	-6,564	2,889		166	3,055	209,423
Children and Young People	101,123	1,917	28,726	-1,869	28,774		-326	28,448	129,571
Economy and Corporate Resources	48,645	1,151	5,778	-2,775	4,154		6	4,160	52,805
Education and Skills	19,780	561	647	-444	764		271	1,035	20,815
Environment	63,126	1,747	-1,245	-3,217	-2,715		-33	-2,748	60,378
Finance	12,548	342	1,638	-955	1,025		319	1,344	13,892
Fire & Rescue and Communities	35,017	835	2,426	-1,865	1,396		-681	715	35,732
Highways and Infrastructure	32,926	920	1,815	-450	2,285		190	2,475	35,401
Leader	1,437	28	0	-8	20		-5	15	1,452
SERVICE TOTALS	520,970	10,640	46,099	-18,147	38,592	0	-93	38,499	559,469
Capital Financing Costs	27,700		1,019		1,019			1,019	28,719
Revenue Contribution to Capital Outlay - County Council	1,032		1,345		1,345			1,345	2,377
Revenue Contribution to Capital Outlay - Business Rates Pilot	1,000		-500		-500			-500	500
Investment Income	-2,503		-710	-250	-960		493	-467	-2,970
General Contingency	3,400		3,432		3,432			3,432	6,832
Care Leavers Council Tax Support	25				0			0	25
Transfers to/from (-) Earmarked Reserves - County Council	5,704		-6,299		-6,299			-6,299	-595
Transfers to/from (-) Earmarked Reserves - Business Rates Pilot	18,141		-18,641		-18,641			-18,641	-500
NON-SERVICE TOTALS	54,499	0	-20,354	-250	-20,604	0	493	-20,111	34,388
NET EXPENDITURE	575,469	10,640	25,745	-18,397	17,988	0	400	18,388	593,857

¹ The effective change in spending is shown in greater detail in each portfolio section. This represents changes that will either be borne directly by the council taxpayer or via general financing grants from central government.

**APPENDIX 3
BALANCING THE BUDGET**

Activity	2020/21 £000	2021/22 £000	Total £000	Description	Estimated FTE impact (if known)	Equality Impact Assessment (EIA)
Adults and Health						
<i>Strategic Decisions:</i>						
Review in-house residential care		300	300	Planned savings from reviewing the County Council's in-house services in line with the Adult Social Care Vision and Strategy, which seeks to reduce reliance on residential care and deliver an increase in community-based care and accommodation that will support independence.	tbc	EIA already undertaken as part of Cabinet Member decision.
Reduce Local Assistance Network (LAN)	100		100	Reduction in funding for the LAN agreed by Cabinet at its meeting in December 2019 (decision report CAB05 (19/20)).	n/a	EIA already undertaken as part of Cabinet Member decision.
<i>Efficiencies:</i>						
Review options for in house provided services	180		180	Savings in the cost of day services in 2020/21 secured through Cabinet Member for Adults and Health decision report AH8 (18/19).	n/a - staffing changes already implemented	EIA already undertaken as part of Cabinet Member decision.
Housing Related Support	2,328		2,328	Planned reduction in expenditure on Housing Related Support as agreed in Cabinet Member for Adults and Health decision report AH11 (18/19).	n/a	EIA already undertaken as part of Cabinet Member decision.
Staffing Review	175		175	Savings within areas of activity, e.g. commissioning, where scope exists to deliver synergies by taking a more strategic approach. This is the second year of a plan approved as part of the 2019/20 budget to deliver an overall reduction in costs of £0.35m.	tbc	Usual EIA methodology will be used.
Lifelong Services	1,900		1,900	A Lifelong Service has been created to support individuals with lifelong disabilities or autism and other complex needs (acquired before the age of 25). By taking a more holistic view of customers throughout their lives and from promoting independence, better care outcomes and better value for money are expected to be delivered, for example from innovative approaches to high cost residential placements and greater use of community assets.	n/a	A specific EIA will be undertaken to assess the effect of any proposals on the service model.
Reprocurement of the Integrated Sexual Health Service (ISHS) contract	250		250	Efficiencies achieved as part of the reprocurement of the Integrated Sexual Health service, which commences in February 2020, to be re invested in wider council public health programmes.	n/a	Usual EIA methodology will be used.
General 1% reduction in staffing budgets	300		300	Increase in the turnover allowance from 5% to 6% for all posts in Adult social care, except in-house services. Its purpose is to challenge managers to become more creative when vacancies arise with the ultimate aim of promoting greater flexibility in the use of resources and co-working beyond individual service boundaries.	n/a	EIA not likely to be required.
Direct payments/review of assessments/support to self-funders	1,150		1,150	Planned savings from more active reviews of direct payments and assessments together with an improved support offer to self-funders to reduce the financial risks faced by the County Council after customers have depleted their wealth.	n/a	EIA not likely to be required.
Joint working with NHS		750	750	Potential savings from opportunities that are expected to be enabled by closer working relationships between health and social care, e.g. from improved market management if care is bought on a collaborative basis rather than a competitive one.	n/a	Usual EIA methodology will be used.
Actuarial review of pension contributions	181		181	Actuarial review of pension contributions resulting in a 1% annual reduction for a three year period from 1 April 2020.	n/a	EIA not likely to be required.
Sub-total Adults and Health	6,564	1,050	7,614			

**APPENDIX 3
BALANCING THE BUDGET**

Activity	2020/21 £000	2021/22 £000	Total £000	Description	Estimated FTE impact (if known)	Equality Impact Assessment (EIA)
Children and Young People						
<i>Efficiencies:</i>						
Early intervention reducing demand for high cost services	400		400	This saving represents the last year of cost reductions as a result of the Pause project, the outcome of which has been that fewer children have been taken into care than otherwise might have been expected.	n/a	Previous decisions to develop preventative services informed by EIA. Further assessment for specific proposals undertaken alongside any assessment of benefits realised to date.
Lifelong Services		2,000	2,000	A Lifelong Service has been created to support individuals with lifelong disabilities or autism and other complex needs (acquired before the age of 25). By taking a more holistic view of customers throughout their lives and from promoting independence, better care outcomes and better value for money are expected to be delivered, for example from innovative approaches to high cost residential placements and greater use of community assets.	n/a	A specific EIA will be undertaken to assess the effect of any proposals on the service model.
Lease of vacant properties to reduce intentionally homeless costs	100	100	200	The Council is proposing to enter into a lease arrangement with a registered housing provider, through which approximately 10 vacant Council-owned properties will be used to accommodate intentionally homeless families rather than bed & breakfast arrangements (decision report CAB08(19/20)).	n/a	EIA undertaken as part of Cabinet Member decision.
Early Help	1,000	950	1,950	The review of Early Help (previously referred to as Integrated Prevention and Earliest Help (IPEH)) had previously been expected to deliver £2.95m of savings in 2019/20. £1m has now been delivered, the savings shown here represent the remaining £1.95m reprofiled over 2020/21 and 2021/22. The review is designed to deliver a more targeted Early Help offer, focussed towards supporting the most vulnerable children and families. Through this review, some rationalisation of the buildings that the Service operates from as well as a corresponding reduction in staff numbers should be expected.	tbc	EIA undertaken as part of Cabinet Member decision.
Actuarial review of pensions contributions	369		369	Actuarial review of pension contributions resulting in a 1% annual reduction for a three year period from 1 April 2020.	n/a	EIA not likely to be required.
Sub-total Children and Young People	1,869	3,050	4,919			
Economy and Corporate Resources						
<i>Efficiencies:</i>						
Centralisation of Learning & Development	50		50	Consolidation of arrangements for training staff currently employed across the council.	n/a	EIA not likely to be required.
Lease cars to staff (salary sacrifice)	100	100	200	Savings in Employer's NI contributions as a result of the introduction of salary sacrifice schemes.	n/a	EIA not likely to be required.
Redesign of business processes	2,400	2,500	4,900	To be realised through investment in transformation.	tbc	Usual EIA methodology will be used where needed as a result of service change.
Print and post contracts	100		100	Reductions in spend across the Council in printing and reduced costs of postage linked to Digital Mailroom.	n/a	EIA not likely to be required.
Facilities Management - associated services		50	50	Review of facilities contracts (including security, grounds maintenance, cleaning, pest control).	tbc	Usual EIA methodology will be used.
Actuarial review of pensions contributions	125		125	Actuarial review of pension contributions resulting in a 1% annual reduction for a three year period from 1 April 2020.	n/a	EIA not likely to be required.
Sub-total Economy and Corporate Resources	2,775	2,650	5,425			

**APPENDIX 3
BALANCING THE BUDGET**

Activity	2020/21 £000	2021/22 £000	Total £000	Description	Estimated FTE impact (if known)	Equality Impact Assessment (EIA)
Education and Skills						
<i>Strategic Decisions:</i>						
Reduce post-16 support service	100	60	160	Plan to reduce the Post-16 Support service that provides interventions and careers guidance for young people Not in Education, Employment or Training (NEETs). Initial savings in 2020/21 will come from the holding of vacant posts so as not to impact on existing delivery targets included as part of existing European grant funded project. A consultation on the future structure and make-up of the reduced team is to be carried out during 2020.	tbc	Usual EIA methodology will be used.
<i>Efficiencies:</i>						
Improve School Trading Offer	125	150	275	A number of trading opportunities are being explored and to date these have delivered an additional revenue income of £0.225m from existing and new products. These opportunities will continue to be developed over the next two years with a view of increasing overall income by £0.500m.	n/a	EIA not likely to be required.
SEND Transport Review	200		200	Over 200 pupils receive solo taxi transport from home to school because of age, SEND or other circumstances e.g. behaviour. Analysis shows around 35% of pupils travelling alone have a solo due to needs. The others are due to geography/only child at the school. These cases have been reviewed and as a result 18 pupils are now sharing a taxi from September 2019. This will result in a saving of £0.2m in a full year.	n/a	Usual EIA methodology will be used.
Actuarial review of pensions contributions	19		19	Actuarial review of pension contributions resulting in a 1% annual reduction for a three year period from 1 April 2020.	n/a	EIA not likely to be required.
Sub-total Education and Skills	444	210	654			
Environment						
<i>Strategic Decision:</i>						
Review of the mobile Household Waste Recycling Sites (HWRS)		50	50	Changes to the service provision in Selsey and the Witterings.	n/a	Usual EIA methodology will be used where needed as a result of service change.
Reduce recycling credits	2,100		2,100	The payments to the D&Bs will cease however, £0.3m will be retained for work on initiatives with £2.0m made available in 2020/21 to be paid to D&Bs should they contribute to food waste and other specific recycling initiatives (decision report CAB06(19/20)).	n/a	EIA not likely to be required.
<i>Efficiencies:</i>						
Further savings on Viridor contract through negotiation	200		200	Following the financial review of the PFI model a benchmarking exercise was also undertaken which showed opportunities within the existing contract. Also, contract savings are possible in 2020/21 as a result of further negotiation with Viridor with regard to the operation of the HWRS.	n/a	EIA not likely to be required.
Expansion of solar installation programme	100		100	Income from the development of both existing and new solar farms, including installing solar panels in a number of WSCC schools. This will be delivered through schemes within the capital programme.	n/a	EIA not likely to be required.
Reduce waste going to landfill through further variations to Mechanical Biological Treatment facility	75		75	Saving from reducing tonnages going to landfill by utilising other disposal methods.	n/a	EIA not likely to be required.
Disposal savings as a result of Adur & Worthing decision to move to 2-Weekly collection	200		200	Savings in disposal costs as a result of extra recycling.	n/a	EIA not likely to be required.
Waste Disposal - Non Resident Restriction/Charge	250		250	Introduction of a permit scheme or introduce charging per visit for non West Sussex residents using the HWRS.	n/a	EIA not likely to be required.
Solar Farms/Battery Storage	100	900	1,000	Revised profile for delivery of Halewick Lane Battery Farm, some issues with funding of scheme could reduce full year savings, 2020/21 saving should be achievable.	n/a	EIA not likely to be required.

**APPENDIX 3
BALANCING THE BUDGET**

Activity	2020/21 £000	2021/22 £000	Total £000	Description	Estimated FTE impact (If known)	Equality Impact Assessment (EIA)
Planning fee income	150		150	Reflecting growth in volume of planning applications.	n/a	EIA not likely to be required as volume change.
Actuarial review of pensions contributions	42		42	Actuarial review of pension contributions resulting in a 1% annual reduction for a three year period from 1 April 2020.	n/a	EIA not likely to be required.
Sub-total Environment	3,217	950	4,167			
Finance						
<i>Efficiencies:</i>						
Income Generation - Investment Opportunities	500		500	£50m in the capital programme has been set aside for commercial investment where the objective is to generate rental income from commercial property and support the local economy.	n/a	Usual EIA methodology will be used.
Asset Strategy - reduction in business rates payable		100	100	Rationalisation in County Council building estate through implementation of the Asset Strategy will reduce business rate liability.	n/a	Usual EIA methodology will be used as part of the wider decision making process on use and continued use of public buildings.
Amazon business accounts	200		200	Greater control over spend via Amazon accounts, shift of spend into appropriate contracts and frameworks.	n/a	EIA not likely to be required.
Charging for Frameworks	100		100	Ensuring that frameworks we procure are open to use by other organisations and use of that framework will deliver a fee to the County Council.	n/a	EIA not likely to be required.
Apprenticeship Levy	100		100	Reduction in levy payable as a result of a reduced workforce.	n/a	EIA not likely to be required.
Actuarial review of pensions contributions	55		55	Actuarial review of pension contributions resulting in a 1% annual reduction for a three year period from 1 April 2020.	n/a	EIA not likely to be required.
Sub-total Finance	955	100	1,055			
Fire & Rescue and Communities						
<i>Strategic Decisions:</i>						
Reduced library opening hours	70		70	Reducing opening hours at 7 Libraries to close at 6pm instead of 7pm (decision report CAB04(19/20)).	n/a	Usual EIA methodology will be used.
Cessation of mobile library service	90		90	Digital technology has developed significantly since the advent of vehicle-based mobile library services, offering alternative ways of serving customers unable to reach a library building (decision report CAB04(19/20)).	1	Usual EIA methodology will be used.
Revised library logistic service	15		15	Minor adjustments to inter-library delivery service and working practices (decision report CAB04(19/20)).	n/a	EIA not likely to be required.
<i>Efficiencies:</i>						
Partnership & Communications Team	45		45	Limit level of 'local' resource available for community resilience programme.	1	Usual EIA methodology will be used.
Reduction in Community Safety funded activity	50		50	Reduce contribution to Youth Offending Service and Training capacity on safeguarding.	1	Usual EIA methodology will be used.
Revised arrangements to deliver Command and Mobilisation services	1,000		1,000	Alternative arrangements for delivering command and mobilisation to the Fire and Rescue Service.	n/a	EIA not likely to be required.
Procurement of contract for Fire Uniform	100		100	New contract to be let to deliver fire uniform and kit.	n/a	EIA not likely to be required.
Insourcing of fleet maintenance	100		100	Saving on insourcing of fleet maintenance service primarily by greater efficiency in purchasing parts.	n/a	Usual EIA methodology will be used.
Repurposing of key buildings	150	300	450	Savings to be achieved from more efficient usage of key buildings, with the potential to dispose underused assets.	tbc	Usual EIA methodology will be used.
Increased income from Registrars Services	150		150	Statutory charge for the issue of certificates has been raised and will result in additional income to the services.	n/a	EIA not likely to be required.

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**APPENDIX 3
BALANCING THE BUDGET**

Activity	2020/21 £000	2021/22 £000	Total £000	Description	Estimated FTE impact (if known)	Equality Impact Assessment (EIA)
Actuarial review of pensions contributions	95		95	Actuarial review of pension contributions resulting in a 1% annual reduction for a three year period from 1 April 2020.	n/a	EIA not likely to be required.
Sub-total Fire & Rescue and Communities	1,865	300	2,165			
Highways and Infrastructure						
<i>Efficiencies:</i>						
Cost Recovery (Street Works Permit Scheme)	20		20	Review of allocation of permit and street works activity costs to fees generated, including investment in additional resource to enhance compliance of works on the highway.	n/a	Usual EIA methodology will be used.
Staffing changes	100		100	Expected savings from the directorate redesign.	6-8	EIA not likely to be required.
On street parking	300	1,400	1,700	Additional income expected from the implementation of the County Council's Parking Management Plan and annual increases in on-street parking charges.	n/a	Usual EIA methodology will be used.
Actuarial review of pensions contributions	30		30	Actuarial review of pension contributions resulting in a 1% annual reduction for a three year period from 1 April 2020.	n/a	EIA not likely to be required.
Sub-total Highways and Infrastructure	450	1,400	1,850			
Leader						
<i>Efficiencies:</i>						
Actuarial review of pensions contributions	8		8	Actuarial review of pension contributions resulting in a 1% annual reduction for a three year period from 1 April 2020.	n/a	EIA not likely to be required.
Sub-total Leader	8	0	8			
Corporate (Non Service)						
<i>Efficiencies:</i>						
Interest Income	250		250	Expected improved return from Treasury Management activities, within agreed strategy.	n/a	EIA not likely to be required.
Actuarial review of pensions contributions		900	900	Actuarial review of pension contributions resulting in a 1% annual reduction for a three year period from 1 April 2020. This saving will be attributed across portfolios as part of 2021/22 budget preparation.	n/a	EIA not likely to be required.
Sub-total Corporate (Non Service)	250	900	1,150			
Overall total	18,397	10,610	29,007			

Portfolio Summary:	2020/21 £000	2021/22 £000	Total £000
Adults and Health	6,564	1,050	7,614
Children and Young People	1,869	3,050	4,919
Economy and Corporate Resources	2,775	2,650	5,425
Education and Skills	444	210	654
Environment	3,217	950	4,167
Finance	955	100	1,055
Fire & Rescue and Communities	1,865	300	2,165
Highways and Infrastructure	450	1,400	1,850
Leader	8	0	8
Corporate (Non Service)	250	900	1,150
Total	18,397	10,610	29,007

APPENDIX 4
GRANTS TOWARDS SPECIFIC SERVICES

Portfolio and Grant	2019/20 Budget	2020/21 Budget	Change from 2019/20 Budget	
Specific Government Grants ¹	£000	£000	£000	%
<i>Adults and Health</i>				
Independent Living Fund	4,309	4,309	0	0.0
Local Reform and Community Voices	465	465	0	0.0
Social Care in Prison	68	68	0	0.0
Syrian Vulnerable Persons Resettlement Scheme	155	155	0	0.0
Public Health Grant	19,476	19,221	-255	-1.3
Improved Better Care Fund	16,575	19,878	3,303	19.9
Winter Pressures	3,304	0	-3,304	-100.0
War Pensions Scheme Disregard	153	153	0	0.0
Children of Alcohol Dependent Parents Grant	0	194	194	N/A
Rough Sleeping Grant	0	238	238	N/A
	44,505	44,681	176	0.4
<i>Children and Young People</i>				
Dedicated Schools Grant	48,124	49,124	1,000	2.1
Child Asylum Seekers	2,414	2,774	360	14.9
Adoption Support Fund	1,530	1,530	0	0.0
Asylum - Leaving Care	244	884	640	262.3
Public Health Grant	12,957	12,962	5	0.0
Troubled Families	1,190	1,190	0	0.0
Social Worker Intake Team	250	0	-250	-100.0
Staying Put	236	241	5	2.1
Youth Justice Good Practice	500	552	52	10.4
Improved Better Care Fund	128	128	0	0.0
Additional Asylum Seeking Children Capacity Grant	110	0	-110	-100.0
Social Care Support Grant	400	0	-400	-100.0
Extending Personal Advisor Offer (Care Leavers)	72	72	0	0.0
	68,155	69,457	1,302	1.9
<i>Economy and Corporate Resources</i>				
Local Enterprise Partnership Core Funding	502	0	-502	-100.0
	502	0	-502	-100.0
<i>Education and Skills</i>				
Dedicated Schools Grant	548,974	586,801	37,827	6.9
16-19 Sixth Form Grant	15,666	13,403	-2,263	-14.4
Pupil Premium Grant	13,442	13,723	281	2.1
Crawley Schools PFI	4,532	4,532	0	0.0
Extended Rights to Free Travel	449	417	-32	-7.1
Higher Education Funding Council for England	120	120	0	0.0
PE & Sports Grant	1,844	3,400	1,556	84.4
Universal Free School Meals	7,900	7,363	-537	-6.8
Skills Funding Agency	3,005	3,006	1	0.0
Moderation and Phonics Key Stage 2	27	27	0	0.0
School Improvement Monitoring and Brokerage Grant	750	800	50	6.7
European Structural and Investment Fund	233	168	-65	-27.9
Teachers Pensions Grant	0	12,403	12,403	N/A
Teachers Pay Grant	2,700	4,344	1,644	60.9
	599,642	650,507	50,865	8.5
<i>Environment</i>				
Waste PFI	2,124	2,124	0	0.0
Public Health Grant	47	0	-47	-100.0
	2,171	2,124	-47	-2.2
<i>Finance</i>				
Inshore Fisheries and Conservation Support	148	148	0	0.0
	148	148	0	0.0
<i>Fire & Rescue and Communities</i>				
Public Health Grant	535	832	297	55.5
Service and Maintenance Support	145	0	-145	-100.0
Fire Revenue Grant	2,300	2,199	-101	-4.4
	2,980	3,031	51	1.7

APPENDIX 4
GRANTS TOWARDS SPECIFIC SERVICES

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Portfolio and Grant	2019/20 Budget	2020/21 Budget	Change from 2019/20 Budget	
<i>Highways and Infrastructure</i>				
Street Lighting PFI	6,069	6,069	0	0.0
Bus Service Operators	436	436	0	0.0
Lead Local Flood Authority	66	66	0	0.0
Public Health Grant	50	50	0	0.0
	6,621	6,621	0	0.0
<i>Leader</i>				
Brexit Preparations Grant	88	0	-88	-100.0
	88	0	-88	-100.0
TOTAL SPECIFIC GOVERNMENT GRANTS	724,812	776,569	51,757	7.1

¹ Where final grant confirmations are outstanding, provisional 2020/21 allocations have been budgeted

Memo: Other Non-Service and Financing Grants	2019/20 Budget	2020/21 Budget	Change from 2019/20 Budget	
	£000	£000	£000	%
Business Rate Retention Scheme				
- Settlement Funding Assessment	77,986	79,257	1,271	1.6
- Business Rate Local Growth	1,722	2,676	954	55.4
- Business Rate Cap Grant (Section 31)	5,518	3,177	-2,341	-42.4
Business Rates - Gains from 75% Pilot ²	19,141	0	-19,141	-100.0
New Homes Bonus Grant	3,933	3,713	-220	-5.6
Social Care Support Grant	5,243	17,343	12,100	230.8
TOTAL OTHER NON-SERVICE AND FINANCING GRANTS	113,543	106,166	-7,377	-6.5

² Gains from the 75% business rates retention pilot scheme in 2019/20 were pooled for joint investment with Districts and Boroughs. This pilot has been revoked for 2020/21, and whilst a limited pool is proposed any additional receipts will not be levied until the end of the financial year and will be ringfenced for the pool and so are excluded from budgetary figures.

APPENDIX 5

RESERVES

Reserve	Projected balance at 31 March 2020 £000	Projected balance at 31 March 2021 £000	Description
Adult Social Care Support Grant	-1,517	-1,517	Earmarked as a contribution towards funding the cost of engaging a strategic partner to support the delivery of the Adults' Improvement Programme.
Budget Management	-14,738	-32,344	Held to guard against uncertainty and volatility over future Local Government finance settlements, business rate income and localisation of Council Tax benefits, as well as guarding against the risk of non delivery of savings.
Business Infrastructure	-656	-656	Reserve held to pump-prime local economic developments, through developing the broadband network, facilitating new business start-ups, and financing internal infrastructure improvements using local contractors where appropriate.
Business Rates Pilot	-20,082	-19,582	This reserve holds the gains from the 75% business rates retention pilot scheme from 2019/20. The gain will be invested jointly by the County Council and Districts/Boroughs on project work with economic benefit, but is reflected in the County's budget as the lead authority.
Capital Infrastructure	-12,028	0	This reserve was created to support capital plans over the longer term, thus avoiding the need to borrow and incurring the associated long term capital financing costs. In 2020/21, the balance of the reserve will be consolidated within the Budget Management Reserve.
Children First Improvement Plan	-500	-500	Reserve created from a contingency allocation in 2019/20 to support the delivery of the Children First Improvement Plan.
Contracts Reserve	-349	-349	Provides for potential claims arising from the settlement of contractual arrangements.
Deprivation of Liberty Safeguarding	-361	-361	Held to support the Council in undertaking its statutory duty to assess whether arrangements made for the care and/or treatment of an individual lacking capacity to consent amounts to a deprivation of liberty.
Economic Growth Reserve	-1,297	-1,297	Held to deliver the Economic Growth Plan 2018-2023.
Elections	-400	-600	To hold annual contributions built into the base revenue budget. Will be used to finance administrative costs in an election year.
Fire Inspection Improvements	-826	-826	Held for the Fire Service to fund the Fire Service Improvement Plan following the recommendations raised by the recent inspection by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS).
Highways Commuted Sums	-3,350	-3,972	Holds a balance of contributions received from developers in respect of future maintenance costs of non-standard highways infrastructure.
Infrastructure Works Feasibility	-60	-1,575	Reserve held to support the development of the County Council's Capital Programme.
Insurance	-5,356	-5,356	Held in respect of the Authority's self-funding insurance scheme, to provide for the risk of unknown future claims. The value of the reserve is subject to regular review by independent insurance advisers to assess its validity in consideration of historical and market trends.

APPENDIX 5

RESERVES

Reserve	Projected balance at 31 March 2020 £000	Projected balance at 31 March 2021 £000	Description
Interest Smoothing Account	-1,078	-1,078	Held to meet temporary shortfalls arising from fluctuations in interest rates, such as a reduction in investment returns or increased costs of borrowing, in line with the prudence principle in the financial strategy over matters over which the Council has little control.
Investment Property Sinking Fund	0	-100	Held to meet one off expenses associated with the maintenance of the Council's commercial investment property portfolio.
NNDR Appeals	-460	-460	To cover the council's share of any potential liability following successful business rates appeals.
On Street Parking	-1,091	-1,091	Represents the surplus of charges over enforcement and associated costs, which is used to finance on street parking development and eligible transport network expenditure.
One Public Estate	-100	-100	Reserve established in 2017/18 to hold the balance of Government grant funding received to develop plans for rationalising the public estate together with partners including District Councils, Health and Sussex Police.
Crawley Schools Private Finance Initiative (PFI)	-76	-76	The PFI reserves hold the surplus of government credits and other sources of finance over unitary charge payments and other expenditure in the early years of the respective contracts, to meet future expenditure over the life of the PFI arrangements. This equalises the costs to the taxpayer of building and maintaining the facilities over the duration of the contracts. This is underpinned by detailed financial models to ensure that the schemes remain solvent throughout their durations.
PFI Street Lighting	-23,574	-23,338	
PFI Waste Management	-10,679	-10,479	
Schools Sickness and Maternity Insurance Scheme	-2,085	-2,085	Holds the accumulated surplus on the Sickness and Maternity Insurance Scheme operated by the Authority for its maintained schools.
Service Transformation Fund	-10,734	-5,792	The Service Transformation Fund is held to meet the costs of major organisational transformation. It is used to fund short-term costs in order to deliver on-going savings, and as a source of investment to finance improvements to services so that they become more efficient and provide better outcomes.
Special Support Centres	-1,845	0	Revenue funding was set aside to help fund the creation of additional Special Support Centres in our mainstream schools, thereby negating any additional borrowing requirement. These funds have been applied to support schemes in the 2020/21 capital programme.
Statutory Duties Reserve	-2,437	-2,437	Holds funding to meet any obligations over and above that which the Authority has made provision for, such as those relating to payments made outside of payroll, and to meet any costs associated with the implementation of the General Data Protection Regulation (GDPR) and Health and Safety requirements.
Strategic Economic Plan	-785	-748	Held to support the progression of the economic priorities within the Coast to Capital Local Enterprise Partnership.
Street Works Permit Scheme	-660	-660	Street Works Permit surplus income transferred into reserve as the use of this income is restricted to supporting the delivery of the scheme in line with legislation.

APPENDIX 5

RESERVES

Reserve	Projected balance at 31 March 2020 £000	Projected balance at 31 March 2021 £000	Description
Unapplied Revenue Grants	-863	-863	The Unapplied Revenue Grants reserve represents the unspent balance on revenue grants which are received for specific purposes but where there are no outstanding conditions on the grant which could require its repayment. The grant has therefore been recognised in full in accordance with accounting standards, but the unapplied balance is held in a reserve to fund future expenditure plans relevant to the purpose of the grant.
Waste Management MRMC	-26,057	-24,707	An investment fund to meet the 25-year Materials Resource Management Contract (MRMC) with Biffa Waste Services Ltd for the treatment and disposal of waste, including the development of appropriate facilities.
TOTAL EARMARKED RESERVES (NON SCHOOLS)	-144,044	-142,949	
Dedicated Schools Grant (DSG)	1,493	1,493	DSG is ring-fenced and can only be applied to finance expenditure on schools. This includes individual school budgets and an element of central expenditure on educational services provided on an authority-wide basis.
School Balances	-15,173	-15,173	The School Balances reserve holds net underspending on locally managed budgets.
TOTAL EARMARKED RESERVES (SCHOOLS & NON SCHOOLS)	-157,724	-156,629	
General Fund	-20,286	-20,286	The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment.
Capital Grants Unapplied	-32,124	-32,124	Holds the unspent balance on capital grants which are received for specific purposes where there are no outstanding conditions on the grant which could require its repayment.
TOTAL USABLE RESERVES	-210,134	-209,039	

APPENDIX 6

ADULTS AND HEALTH

REVENUE BUDGET 2020/21

Net Expenditure 2019/20 £000		Gross Expenditure 2020/21 £000	Sales, Fees and Charges 2020/21 £000	Other Income 2020/21 £000	Specific Government Grants 2020/21 £000	Net Expenditure 2020/21 £000	Net Expenditure Change from 2019/20 %
Older People							
<i>Commissioned Costs</i>							
21,207	Nursing Care (OP)	37,654	-17,208	0	0	20,446	-3.6%
35,799	Residential Care (OP)	74,025	-24,228	-2,561	-13,167	34,069	-4.8%
12,712	Personal Budgets - Council Managed (OP)	25,285	-7,245	-1,861	-1,626	14,553	14.5%
5,911	Personal Budgets - Direct Payments (OP)	7,346	-1,569	0	-49	5,728	-3.1%
<i>Other Costs</i>							
2,250	In-House Day and Residential Care (OP)	2,896	-116	0	-392	2,388	6.1%
9,715	Social Care Activities (OP)	15,888	0	-4,810	-1,262	9,816	1.0%
87,594		163,094	-50,366	-9,232	-16,496	87,000	-0.7%
Physical and Sensory Impairment							
<i>Commissioned Costs</i>							
1,524	Nursing Care (PSI)	2,468	-279	0	0	2,189	43.6%
4,946	Residential Care (PSI)	7,009	-787	0	0	6,222	25.8%
3,754	Personal Budgets - Council Managed (PSI)	5,750	-1,126	0	-104	4,520	20.4%
8,218	Personal budgets - Direct Payments (PSI)	9,922	-820	0	-1,021	8,081	-1.7%
612	Social care activities (PSI)	621	0	0	0	621	1.5%
19,054		25,770	-3,012	0	-1,125	21,633	13.5%
Learning Disabilities							
762	Nursing Care (LD)	1,283	-128	0	0	1,155	51.6%
41,708	Residential Care (LD)	43,861	-3,186	0	-104	40,571	-2.7%
30,512	Personal Budgets - Council Managed (LD)	39,486	-2,686	0	-2,555	34,245	12.2%
6,965	Personal Budgets - Direct Payments (LD)	9,036	-543	0	-1,167	7,326	5.2%
0	Preventative Services (LD)	1,382	0	-1,382	0	0	N/A
	In-House Day and Residential Care						
10,277	Recharges (LD)	10,345	0	0	0	10,345	0.7%
3,368	Health Services (LD)	3,805	0	-403	-128	3,274	-2.8%
<i>Other Costs</i>							
3,191	Social Care Activities (LD)	3,312	0	0	0	3,312	3.8%
-18,616	CCG Contribution to Pooled Budget	0	0	-19,063	0	-19,063	2.4%
78,167		112,510	-6,543	-20,848	-3,954	81,165	3.8%

APPENDIX 6

ADULTS AND HEALTH

REVENUE BUDGET 2020/21

Net Expenditure 2019/20 £000		Gross Expenditure 2020/21 £000	Sales, Fees and Charges 2020/21 £000	Other Income 2020/21 £000	Specific Government Grants 2020/21 £000	Net Expenditure 2020/21 £000	Net Expenditure Change from 2019/20 %
Working Age Mental Health							
<i>Commissioned Costs</i>							
1,514	Nursing Care (MH)	1,739	-73	0	0	1,666	10.0%
7,172	Residential Care (MH)	9,016	-599	0	0	8,417	17.4%
2,474	Personal Budgets - Council Managed (MH)	3,182	-228	0	-33	2,921	18.1%
961	Personal Budgets - Direct Payments (MH)	1,052	-67	0	-19	966	0.5%
-12,121	Recharges To Health	0	0	-13,970	0	-13,970	15.3%
<i>Other Costs</i>							
0	Social Care Activities (MH)	2,594	0	-2,594	0	0	N/A
8,821	County Council Contribution to Pooled Budget	9,185	0	0	0	9,185	4.1%
8,821		26,768	-967	-16,564	-52	9,185	4.1%
Assistive Equipment and Technology							
0	Community Equipment	8,794	0	-8,794	0	0	N/A
0	Telecare	874	0	-874	0	0	N/A
0		9,668	0	-9,668	0	0	N/A
Universal Services							
0	Community Reablement Service	2,648	0	-2,648	0	0	N/A
0	Occupational Therapy & Sensory Services	6,040	0	-5,623	-417	0	N/A
0	Meals on Wheels	934	-934	0	0	0	N/A
2,055	Support for Carers	4,858	0	-1,938	-870	2,050	-0.2%
0	Information and Early Intervention	753	0	-753	0	0	N/A
2,055		15,233	-934	-10,962	-1,287	2,050	-0.2%

APPENDIX 6

ADULTS AND HEALTH

REVENUE BUDGET 2020/21

Net Expenditure 2019/20 £000		Gross Expenditure 2020/21 £000	Sales, Fees and Charges 2020/21 £000	Other Income 2020/21 £000	Specific Government Grants 2020/21 £000	Net Expenditure 2020/21 £000	Net Expenditure Change from 2019/20 %
	Other Responsibilities						
	Independent Mental Capacity						
1,354	Act/Deprivation of Liberty Safeguarding	1,442	0	0	-122	1,320	-2.5%
200	Local Assistance Network	100	0	0	0	100	-50.0%
4,260	Housing Related Support	2,691	0	-175	-175	2,341	-45.0%
792	Safeguarding	1,232	0	-222	-215	795	0.4%
2,667	Commissioning and Service Delivery	3,016	0	-211	-604	2,201	-17.5%
341	Blue Badge Scheme	454	-93	-64	0	297	-12.9%
0	Syrian Refugees	155	0	0	-155	0	N/A
1,053	Mortuary Services	1,337	0	-1	0	1,336	26.9%
10,667		10,427	-93	-673	-1,271	8,390	-21.3%
	Public Health						
0	Staffing & Development	3,149	0	0	-3,149	0	N/A
	Health Intelligence, Economic Evaluation &						
0	Needs Assessment	39	0	0	-39	0	N/A
0	Health Protection & Quality Programme	110	0	0	-110	0	N/A
0	Integrated Sexual Health Services	4,799	0	0	-4,799	0	N/A
0	Starting Well	10	0	0	-10	0	N/A
0	Living Well	4,058	0	0	-4,058	0	N/A
10	Ageing Well	2,024	0	-245	-1,779	0	-100.0%
0	Drugs and Alcohol Action Team	6,327	-14	-104	-6,209	0	N/A
0	Health Watch	343	0	0	-343	0	N/A
10		20,859	-14	-349	-20,496	0	-100.0%
206,368	PORTFOLIO TOTAL	384,329	-61,929	-68,296	-44,681	209,423	1.5%

ADULTS AND HEALTH

CHANGE IN SPENDING

As analysed in the table below, the increase in spending is £3.055m or 1.5%

	£000	£000	%
Allowance for Pay and Price Increases			
Pay and price rise allowance		3,139	1.5
Committed and Service Changes			
Adults demand pressure	4,080		
National Living Wage	2,100		
Improved Better Care Fund adjustment	1,000		
Post Mortem and Mortuary Facilities Fees	200		
Rising trend in means-tested customer contributions towards social care	-1,000		
Reduction in application of the Adult Social Care and Health Demand Pressures Reserve	-66		
		6,314	3.1
Balancing the Budget			
As detailed in Appendix 3		-6,564	-3.2
Transfers between Portfolios			
Transfer from non-portfolio of prior-year reduction in pension contributions attributable to lump sum pre payment	-111		
Review of recharge arrangements for internal transport provision	83		
Pay protection for Resilience & Emergencies Advisor transferring to Fire & Rescue and Communities	-14		
Realignment of Public Health Grant to reflect current spending patterns	250		
Removal of recharge from libraries due to Blue Badge collection service ceasing	-42		
		166	0.1
TOTAL CHANGE IN SPENDING		3,055	1.5

APPENDIX 6

CHILDREN AND YOUNG PEOPLE

REVENUE BUDGET 2020/21

Net Expenditure 2019/20 £000		Gross Expenditure 2020/21 £000	Sales, Fees and Charges 2020/21 £000	Other Income 2020/21 £000	Specific Government Grants 2020/21 £000	Net Expenditure 2020/21 £000	Net Expenditure Change from 2019/20 %
<u>Local Authority Funding</u>							
Services for Children with Disabilities							
5,653	In House Residential and Fostercare	6,201	0	0	0	6,201	9.7%
3,915	Externally Commissioned Residential and Fostercare	7,316	0	-261	0	7,055	80.2%
1,859	Disability Short Breaks	2,073	0	0	0	2,073	11.5%
3,359	Direct Payments	4,075	0	-192	0	3,883	15.6%
847	Client Expenditure	867	0	-72	0	795	-6.1%
Services for Children without Disabilities							
6,815	In House Residential and Fostercare	8,487	0	0	0	8,487	24.5%
14,437	Externally Commissioned Residential and Fostercare	21,699	0	-46	0	21,653	50.0%
4,883	Adoption and Special Guardianship	5,059	0	-81	0	4,978	1.9%
318	Complex Adolescents	303	0	0	0	303	-4.7%
699	Client Expenditure	699	0	0	0	699	0.0%
813	Supervised Contact	1,086	0	0	0	1,086	33.6%
Services for Asylum Seekers							
484	In House Residential and Fostercare	494	0	0	0	494	2.1%
2,505	Externally Commissioned Residential and Fostercare	2,912	0	0	0	2,912	16.2%
274	Client Expenditure	267	0	0	0	267	-2.6%
-2,658	Asylum Grant	0	0	0	-3,658	-3,658	37.6%
37,554	Social Care Activities	51,889	0	-234	-1,630	50,025	33.2%
Services for Care Leavers							
2,883	Care Leavers Accommodation and Support	5,219	0	-57	-241	4,921	70.7%
1,205	Care Leavers Staffing	1,294	0	0	-72	1,222	1.4%

APPENDIX 6

CHILDREN AND YOUNG PEOPLE

REVENUE BUDGET 2020/21

Net Expenditure 2019/20		Gross Expenditure 2020/21	Sales, Fees and Charges 2020/21	Other Income 2020/21	Specific Government Grants 2020/21	Net Expenditure 2020/21	Net Expenditure Change from 2019/20
£000		£000	£000	£000	£000	£000	%
1,597	Children's Safeguarding	1,852	0	-127	0	1,725	8.0%
753	Youth Offending Service	1,532	0	-226	-552	754	0.1%
1,282	Child and Adolescent Mental Health Services	2,085	0	-801	0	1,284	0.2%
	Early Help & Prevention						
8,275	Early Help	13,399	0	-1,169	-3,353	8,877	7.3%
0	Healthy Child Programme	10,799	0	0	-10,799	0	N/A
2,031	Intentionally Homeless	2,671	0	-600	0	2,071	2.0%
1,187	Domestic Abuse Services	1,312	0	0	0	1,312	10.5%
153	Young Carers	466	0	-286	-28	152	-0.7%
101,123	Local Authority Funding	154,056	0	-4,152	-20,333	129,571	28.1%
	<u>Dedicated Schools Grant Funding</u>						
	DSG Early Years						
4,561	2 year old entitlement	4,617	0	0	0	4,617	1.2%
40,171	3 and 4 year old entitlement	41,869	0	0	0	41,869	4.2%
1,145	Early Years Central Expenditure	1,144	0	0	0	1,144	-0.1%
	Other DSG						
1,173	Early Help	673	0	0	0	673	-42.6%
1,074	Children's Social Care	821	0	0	0	821	-23.6%
-48,124	Dedicated Schools Grant	0	0	0	-49,124	-49,124	2.1%
0	Dedicated Schools Grant and Other Schools Funding	49,124	0	0	-49,124	0	N/A
101,123	PORTFOLIO TOTAL	203,180	0	-4,152	-69,457	129,571	28.1%

CHILDREN AND YOUNG PEOPLE

CHANGE IN SPENDING

As analysed in the table below, the increase in spending is £28.448m or 28.1%

	£000	£000	%
Allowance for Pay and Price Increases			
Pay and price rise allowance		1,917	1.9
Committed and Service Changes			
Demand Growth - Children Looked After Placements	12,430		
Cissbury Lodge - removal of temporary funding	-600		
Children First Improvement Programme - Ongoing	5,138		
Children First Improvement Programme - One-off	6,873		
Undelivered 2019/20 savings - Early Help	1,950		
Undelivered 2019/20 savings - Fostering, Children Looked After & Public Law Outline	1,230		
Undelivered 2019/20 savings – Lifelong Services	500		
Childrens Residential Review	1,800		
Funding for Intensive Planning Team	195		
Social Care Support Grant Expenditure	-400		
Increased grant income for Unaccompanied Asylum Seeking Children	-360		
Reduction in application of the High Needs Strategic Planning Fund reserve	-30		
		28,726	28.4
Committed and Service Changes (Dedicated Schools Grant)			
Reduction in DSG Central Historic Commitments Expenditure	-753		
Reduction in DSG Central Historic Commitments grant allocation 2020/21	753		
		0	0.0
Balancing the Budget			
As detailed in Appendix 3		-1,869	-1.8
Transfers between Portfolios			
Transfer from non-portfolio of prior-year reduction in pension contributions attributable to lump sum pre payment	-190		
Consolidate Social Care Support Grant	400		
Virtual school teacher to Education and Skills	-51		
Review of recharge arrangements for internal transport provision	-236		
Positions funded by Children's Improvement Programme	-82		
Children's Workforce Team to Economy and Corporate Resources	-167		
		-326	-0.3
TOTAL CHANGE IN SPENDING		28,448	28.1

APPENDIX 6

ECONOMY AND CORPORATE RESOURCES

REVENUE BUDGET 2020/21

Net Expenditure 2019/20 £000		Gross Expenditure 2020/21 £000	Sales, Fees and Charges 2020/21 £000	Other Income 2020/21 £000	Specific Government Grants 2020/21 £000	Net Expenditure 2020/21 £000	Net Expenditure Change from 2019/20 %
	Commercial Services						
20,693	Commercial Services	22,757	-550	-8	0	22,199	7.3%
	Support Services						
2,032	Information Technology	2,076	0	0	0	2,076	2.2%
87	Information Technology Strategic Client	87	0	0	0	87	0.0%
6,979	Facilities Management	8,038	-243	-174	0	7,621	9.2%
-13	Catering Service	427	-403	-20	0	4	-130.8%
4,906	Human Resources & Organisational Change	6,521	-3	-106	0	6,412	30.7%
734	Transformation Portfolio Office	0	0	0	0	0	-100.0%
1,500	Whole Council Design	2,542	0	0	0	2,542	69.5%
4,652	Legal Services	6,524	-484	-105	0	5,935	27.6%
1,211	Democratic Services	1,392	0	-122	0	1,270	4.9%
26	Elections	26	0	0	0	26	0.0%
1,409	Members Allowances and Expenses	1,434	0	0	0	1,434	1.8%
1,500	Communications	1,577	-58	0	0	1,519	1.3%
1,303	Customer Experience	61	0	-5	0	56	-95.7%
26,326	Support Services Total	30,705	-1,191	-532	0	28,982	10.1%
	Economy						
287	Digital Infrastructure	949	0	-631	0	318	10.8%
268	Economic Growth	333	-27	0	0	306	14.2%
250	One Public Estate	215	0	0	0	215	-14.0%
814	Economic Development	914	0	-132	0	782	-3.9%
7	Leader Programme	54	0	-51	0	3	-57.1%
1,626	Economy Total	2,465	-27	-814	0	1,624	-0.1%
48,645	PORTFOLIO TOTAL	55,927	-1,768	-1,354	0	52,805	8.6%

ECONOMY AND CORPORATE RESOURCES

CHANGE IN SPENDING

As analysed in the table below, the increase in spending is £4.16m or 8.6%

	£000	£000	%
Allowance for Pay and Price Increases			
Pay and price rise allowance		1,151	2.4
Committed and Service Changes			
Additional IT costs needed to deliver our digital strategy	500		
Removal of staff capitalisation budget - Facilities Management	250		
Facilities Management - Maintenance and Cleaning	350		
Democratic Services undelivered anticipated income	50		
Independent Visitor Scheme	100		
Human Resources - Childrens Services Improvement Programme	745		
Reduced income from Pensions Fund to contracted services	100		
Human Resources undelivered saving	750		
Human Resources cost of payroll changes arising from policy changes	100		
2019/20 undelivered Legal Services ORBIS saving	250		
Legal Services Childcare Cases	1,000		
2019/20 undelivered Whole Council Design savings	1,500		
Investment in Capita Contract	339		
Expenditure financed by Capital Receipts - Transformation Portfolio Office	-742		
Expenditure financed by Capital Receipts - Customer Experience	-1,419		
Net reduction in application of the Strategic Economic Plan reserve	-16		
Reduction in application of the Sustainable Investment reserve	-21		
Increase in application of the Service Transformation Fund	1,942		
		5,778	11.9
Balancing the Budget			
As detailed in Appendix 3		-2,775	-5.7
Transfers between Portfolios			
Part year funding for Information Technology position transferring from Fire and Rescue	25		
Transfer from non-portfolio of prior-year reduction in pension contributions attributable to lump sum pre payment	-64		
West Sussex Connection publications transfer from Finance	-15		
Adjustment to Catering Recharge	1		
Apprenticeship Levy saving reassigned from Finance	-175		
Review of recharge arrangements for internal transport provision	-84		
Adjustment to Free School Meal eligibility service recharge from Education and Skills	34		
Childrens Workforce Team from Children and Young People	167		
Positions funded by the Children's Improvement Programme	50		
Wide Area Network budget to Information Technology from Fire & Rescue and Communities	70		
Apprenticeships to Education and Skills	-3		
		6	0.0
TOTAL CHANGE IN SPENDING		4,160	8.6

APPENDIX 6

EDUCATION AND SKILLS

REVENUE BUDGET 2020/21

Net Expenditure 2019/20 £000		Gross Expenditure 2020/21 £000	Sales, Fees and Charges 2020/21 £000	Other Income 2020/21 £000	Specific Government Grants 2020/21 £000	Net Expenditure 2020/21 £000	Net Expenditure Change from 2019/20 %
Local Authority Funding							
School Budgets							
0	Government Grants to Schools	32,735	0	0	-32,735	0	N/A
Education and Skills Service							
1,875	Director of Education	2,081	0	-113	0	1,968	5.0%
1,285	Post-16 & Compliance	1,400	0	-24	-168	1,208	-6.0%
-178	School Effectiveness	855	0	-195	-827	-167	-6.2%
1,513	Inclusion	1,526	0	0	0	1,526	0.9%
74	Pupil Entitlement	108	0	-44	0	64	-13.5%
School Transport							
369	Transport Management	369	0	0	0	369	0.0%
3,259	Mainstream Transport	3,655	-124	-25	0	3,506	7.6%
12,025	SEND Transport	14,017	0	-123	-417	13,477	12.1%
178	Post-16 Transport	285	-104	0	0	181	1.7%
309	School Crossing Patrols	316	0	-1	0	315	1.9%
Support to Schools							
-14	School Catering	7,629	-152	-151	-7,363	-37	164.3%
1,000	Crawley PFI	7,191	0	-1,285	-4,532	1,374	37.4%
0	Pupil Premium (Children Looked After)	1,233	0	0	-1,233	0	N/A
1,152	School Redundancies & Pensions	1,316	0	-7	-120	1,189	3.2%
Other							
-40	Adult Education	3,081	-62	0	-3,058	-39	-2.5%
1,059	LA Contribution to DSG	0	0	0	0	0	-100.0%
-1,604	Overheads & Recharges	-1,638	0	0	0	-1,638	2.1%
22,262	Local Authority Funding	76,159	-442	-1,968	-50,453	23,296	4.6%

APPENDIX 6

EDUCATION AND SKILLS

REVENUE BUDGET 2020/21

Net Expenditure 2019/20 £000		Gross Expenditure 2020/21 £000	Sales, Fees and Charges 2020/21 £000	Other Income 2020/21 £000	Specific Government Grants 2020/21 £000	Net Expenditure 2020/21 £000	Net Expenditure Change from 2019/20 %
<u>Dedicated Schools Grant Funding</u>							
School Budgets							
461,649	Mainstream Schools	501,533	0	0	-12,392	489,141	6.0%
35,326	Special Schools & APC	40,463	0	0	-861	39,602	12.1%
Education and Skills							
954	Director of Education	990	0	0	0	990	3.8%
393	Post-16 & Compliance	404	0	0	0	404	2.8%
990	School Effectiveness	940	0	0	0	940	-5.1%
2,297	Inclusion	2,779	-18	0	0	2,761	20.2%
1,806	Pupil Entitlement	1,930	0	-114	0	1,816	0.6%
431	Capital Planning & Transport	454	0	0	0	454	5.3%
Special Educational Needs							
22,065	Independent & Non-Maintained Schools	24,623	0	0	0	24,623	11.6%
732	Other Local Authority Schools	1,168	0	0	0	1,168	59.6%
5,144	Post-16 Placements	5,316	0	0	0	5,316	3.3%
6,795	Alternative Provision	7,073	0	-279	0	6,794	0.0%
1,325	Specialist Support	2,674	0	0	0	2,674	101.8%
Support to Schools							
794	Collaborative Inclusion & Improvement	581	0	0	0	581	-26.8%
2,700	Growth Fund	2,900	0	0	0	2,900	7.4%
648	Transport (Alternative Provision)	648	0	0	0	648	0.0%
132	School Catering	63	0	0	0	63	-52.3%
980	School Redundancies & Pensions	981	0	0	0	981	0.1%
822	Other Support to Schools	851	0	0	0	851	3.5%
Other							
-1,059	LA Contribution to DSG	0	0	0	0	0	-100.0%
1,568	Overheads & Recharges	1,613	0	0	0	1,613	2.9%
Government Grant							
-548,974	Dedicated Schools Grant	0	0	0	-586,801	-586,801	6.9%
-2,482	Dedicated Schools Grant	597,984	-18	-393	-600,054	-2,481	0.0%
19,780	PORTFOLIO TOTAL	674,143	-460	-2,361	-650,507	20,815	5.2%

EDUCATION AND SKILLS

CHANGE IN SPENDING

As analysed in the table below, the increase in spending is £1.035m or 5.2%

	£000	£000	%
Allowance for Pay and Price Increases			
Pay and price rise allowance		561	2.8
Committed and Service Changes			
Home to School Transport pressures 2019/20	1,000		
Home to School Transport pressures 2020/21	400		
Crawley Schools PFI (Private Finance Initiative)	300		
Educational Psychologists	59		
Removal of 2019/20 Local Authority contribution to DSG	-1,059		
Increased capacity for in-house special educational needs placements	-1,845		
Removal of 2019/20 transfer to the Special Support Centre Reserve	1,845		
Reduction in application of the Crawley Schools PFI Reserve	-53		
		647	3.3
Balancing the Budget			
As detailed in Appendix 3		-444	-2.2
Funding from Central Government			
Expenditure:			
Directly allocated to schools	40,309		
Increase in cost of business rates	208		
Special educational needs placements	7,479		
Special educational needs support programmes	1,754		
SEND and Inclusion Strategy	420		
Replace one-off Local Authority contribution in 2019/20	1,059		
Central block reductions still to be confirmed	-319		
Other minor variations	-47		
Financed by:			
Dedicated Schools Grant	-37,827		
16-19 Sixth Form Grant	2,263		
Teachers Pay Grant	-1,643		
Teachers Pensions Grant	-12,403		
PE & Sports Grant	-1,556		
Pupil Premium Grant	-281		
Universal Free School Meals	537		
European Structural and Investment Fund	65		
Extended Rights to Free Travel	32		
School Improvement Monitoring & Brokerage Grant	-50		
		0	0.0
Transfers between Portfolios			
Edge-ucate Software Licence from Finance	19		
Adjustment to Catering Recharge	-1		
Transfer from non-portfolio of prior-year reduction in pension contributions attributable to lump sum pre payment	-9		
Virtual school teacher from Childrens and Young People	51		
Virtual school postition funded by the Childrens Improvement Programme	32		
Review of recharge arrangements for internal transport provision	210		
Adjustment to Free School Meal eligibility service recharge to Economy and Corporate Resources	-34		
Apprenticeships from Economy and Corporate Resources	3		
		271	1.4
TOTAL CHANGE IN SPENDING		1,035	5.2

APPENDIX 6

ENVIRONMENT

REVENUE BUDGET 2020/21

Net Expenditure 2019/20 £000		Gross Expenditure 2020/21 £000	Sales, Fees and Charges 2020/21 £000	Other Income 2020/21 £000	Specific Government Grants 2020/21 £000	Net Expenditure 2020/21 £000	Net Expenditure Change from 2019/20 %
Environment and Public Protection							
2,282	Energy and Sustainability	4,940	-2,443	-293	0	2,204	-3.4%
23,630	Waste Recycling	22,905	-1,934	-668	-2,124	18,179	-23.1%
33,852	Waste Disposal	37,076	-446	-11	0	36,619	8.2%
994	Waste Strategy and Support	1,059	0	0	0	1,059	6.5%
1,172	Trading Standards	1,360	-34	-11	0	1,315	12.2%
61,930		67,340	-4,857	-983	-2,124	59,376	-4.1%
Other Responsibilities							
1,408	Countryside Services (Including Public Rights of Way)	1,467	-18	-16	0	1,433	1.8%
-212	Planning Services	3,302	-2,638	-1,095	0	-431	103.3%
63,126	PORTFOLIO TOTAL	72,109	-7,513	-2,094	-2,124	60,378	-4.4%

ENVIRONMENT

CHANGE IN SPENDING

As analysed in the table below, the decrease in spending is £2.748m or 4.4%

	£000	£000	%
Allowance for Pay and Price Increases			
Pay and price rise allowance		1,747	2.8
Committed and Service Changes			
Increase in energy prices	100		
Increased insurance premium for Mechanical and Biological Treatment site	700		
2019/20 undelivered Trading Standards income target	137		
District and Borough recycling initiatives to be funded from capital receipts	-2,000		
Net reduction in application of the Waste Management Material Resource Management Contract (MRMC) reserve	-150		
Reduction in application of the Highways and Education Buildings Reserve	-32		
		-1,245	-2.0
Balancing the Budget			
As detailed in Appendix 3		-3,217	-5.1
Transfers between Portfolios			
Transfer from non-portfolio of prior-year reduction in pension contributions attributable to lump sum pre payment	-21		
Review of recharge arrangements for internal transport provision	-59		
Realignment of Public Health Grant to reflect current spending patterns	47		
		-33	-0.1
TOTAL CHANGE IN SPENDING		-2,748	-4.4

APPENDIX 6

FINANCE

REVENUE BUDGET 2020/21

Net Expenditure 2019/20 £000		Gross Expenditure 2020/21 £000	Sales, Fees and Charges 2020/21 £000	Other Income 2020/21 £000	Specific Government Grants 2020/21 £000	Net Expenditure 2020/21 £000	Net Expenditure Change from 2019/20 %
Finance							
2,503	Finance	4,422	-552	-337	0	3,533	41.2%
583	Internal Audit	595	0	0	0	595	2.1%
	Strategic Procurement and Contract						
1,217	Management	1,620	-232	0	0	1,388	14.1%
1,228	Intelligence and Performance	1,171	0	0	0	1,171	-4.6%
1,696	Levies and Precepts	1,885	0	0	-148	1,737	2.4%
325	Fees and Other Payments	380	0	-49	0	331	1.8%
40	Council Tax Hardship Fund	40	0	0	0	40	0.0%
-316	Insurance	170	0	0	0	170	-153.8%
7,276		10,283	-784	-386	-148	8,965	23.2%
Asset & Capital Programme							
5,272	Capital and Infrastructure (Property)	9,212	-2,681	-1,604	0	4,927	-6.5%
12,548	PORTFOLIO TOTAL	19,495	-3,465	-1,990	-148	13,892	10.7%

FINANCE

CHANGE IN SPENDING

As analysed in the table below, the increase in spending is £1.344m or 10.7%

	£000	£000	%
Allowance for Pay and Price Increases			
Pay and price rise allowance		342	2.7
Committed and Service Changes			
Contribution to the Insurance Fund	500		
Removal of Staff Capitalisation budgets - Capital & Infrastructure	150		
Removal of Staff Capitalisation budgets - Procurement	123		
Write down of Finance income budget	100		
Increase in staffing requirement for Procurement and Contract Mangement	320		
2019/20 undelivered saving - Procurement Card saving	460		
Increase in Corporate Feasibility budget	500		
Net increase in transfer to the Infrastructure Works Feasibility Reserve	<u>-515</u>		
		1,638	13.1
Balancing the Budget			
As detailed in Appendix 3		-955	-7.6
Transfers between Portfolios			
Edge-ucate software licence to Education and Skills	-19		
Transfer from non-portfolio of prior-year reduction in pension contributions attributable to lump sum pre payment	-27		
West Sussex Connection publications transfer to Economy and Corporate Resources	15		
Apprenticeship Levy saving reassigned to Economy and Corporate Resources	175		
Executive Director of Resources position from Fire & Rescue and Communities	202		
Review of recharge arrangements for internal transport provision	<u>-27</u>		
		319	2.5
TOTAL CHANGE IN SPENDING		<u>1,344</u>	<u>10.7</u>

APPENDIX 6

FIRE & RESCUE AND COMMUNITIES

REVENUE BUDGET 2020/21

Net Expenditure 2019/20 £000		Gross Expenditure 2020/21 £000	Sales, Fees and Charges 2020/21 £000	Other Income 2020/21 £000	Specific Government Grants 2020/21 £000	Net Expenditure 2020/21 £000	Net Expenditure Change from 2019/20 %
	Fire & Rescue						
-549	Management	2,156	0	0	-1,727	429	-178.1%
26,396	Fire Operations	27,793	-353	-50	-949	26,441	0.2%
25,847		29,949	-353	-50	-2,676	26,870	4.0%
	Information and Regulatory Services						
6,907	Library Service	7,733	-565	-66	-105	6,997	1.3%
711	Record Office	816	-48	0	0	768	8.0%
-666	Registration of Births, Deaths and Marriages	1,343	-2,024	-134	0	-815	22.4%
6,952		9,892	-2,637	-200	-105	6,950	0.0%
	Communities						
1,807	Communities and Partnerships	1,880	0	-110	-250	1,520	-15.9%
196	Community Safety and Wellbeing	903	-378	-350	0	175	-10.7%
140	County Local Committees	141	0	0	0	141	0.7%
75	Edes House	76	0	0	0	76	1.3%
2,218		3,000	-378	-460	-250	1,912	-13.8%
35,017	PORTFOLIO TOTAL	42,841	-3,368	-710	-3,031	35,732	2.0%

FIRE & RESCUE AND COMMUNITIES

CHANGE IN SPENDING

As analysed in the table below, the increase in spending is £0.715m or 2%

	£000	£000	%
Allowance for Pay and Price Increases			
Pay and price rise allowance		835	2.4
Committed and Service Changes			
Funding for the Fire and Rescue Technical Rescue Unit following removal of grant	350		
2019/20 undelivered Libraries income targets	150		
Resourcing implications of HMICFRS (Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services)	396		
Fire Improvement Plan - Phase 1	1,200		
Fire Improvement Plan - Phase 1 one off costs	100		
VAT charges in Registration Service	100		
Fire Improvement Plan - Phase 2	900		
Fire Pension - grant shortfall	200		
Expenditure financed by Capital Receipts - Fire Improvement Plan - Phase 1	-1,200		
Libraries - National Living Wage/pay grade transition	230		
		2,426	6.9
Balancing the Budget			
As detailed in Appendix 3		-1,865	-5.3
Transfers between Portfolios			
Part year funding for Information Technology position transferring to Economy and Corporate Resources	-25		
Transfer from non-portfolio of prior-year reduction in pension contributions attributable to lump sum pre payment	-44		
Executive Director of Resources position to Finance	-202		
Review of recharge arrangements for internal transport provision	-99		
Wide Area Network budget to Information Technology - Economy and Corporate Resources	-70		
Removal of Blue Badge library collection service recharge to Adults and Health	42		
Realignment of Public Health Grant to reflect current spending patterns	-297		
Pay Protection for Resilience & Emergencies Advisor transferring from Adults and Health	14		
		-681	-1.9
TOTAL CHANGE IN SPENDING		715	2.0

APPENDIX 6

HIGHWAYS AND INFRASTRUCTURE

REVENUE BUDGET 2020/21

Net Expenditure 2019/20		Gross Expenditure 2020/21	Sales, Fees and Charges 2020/21	Other Income 2020/21	Specific Government Grants 2020/21	Net Expenditure 2020/21	Net Expenditure Change from 2019/20
£000		£000	£000	£000	£000	£000	%
Highways Service							
2,738	Highways Service	4,651	-1,603	-365	0	2,683	-2.0%
8,707	Highways Maintenance	9,834	0	0	-66	9,768	12.2%
0	West Sussex Permit Scheme	1,427	-1,427	0	0	0	N/A
8,215	Street Lighting PFI	15,083	0	-101	-6,069	8,913	8.5%
19,660		30,995	-3,030	-466	-6,135	21,364	8.7%
Transport and Countryside							
10,943	National Concessionary Fares Scheme	11,915	0	-930	-19	10,966	0.2%
434	3in1 Concessionary Fares Scheme	342	0	0	0	342	-21.2%
867	Public Transport Support	1,963	0	-736	-355	872	0.6%
416	Safe and Sustainable Transport	667	-150	-116	-50	351	-15.6%
901	Transport Bureau	1,071	-30	0	-62	979	8.7%
0	Parking Strategy	247	0	-247	0	0	N/A
0	On Street Car Parking	5,832	-5,567	-265	0	0	N/A
0	Sussex Safer Roads Partnership	2,520	-2,420	-100	0	0	N/A
13,561		24,557	-8,167	-2,394	-486	13,510	-0.4%
Other Responsibilities							
-95	Management and Central	1	0	-90	0	-89	-6.3%
-200	Fleet Management	630	-14	0	0	616	-408.0%
-295		631	-14	-90	0	527	-278.6%
32,926	PORTFOLIO TOTAL	56,183	-11,211	-2,950	-6,621	35,401	7.5%

HIGHWAYS AND INFRASTRUCTURE

CHANGE IN SPENDING

As analysed in the table below, the increase in spending is £2.475m or 7.5%

	£000	£000	%
Allowance for Pay and Price Increases			
Pay and price rise allowance		920	2.8
Committed and Service Changes			
Investment in highway maintenance	978		
Delay to Street Lighting LED implementation (Crawley)	100		
Review of transport recharges	350		
Net increase in application of the Street Lighting PFI reserve	397		
Net reduction in application of the Highways Commuted Sums reserve	<u>-10</u>		
		1,815	5.5
Balancing the Budget			
As detailed in Appendix 3		-450	-1.4
Transfers between Portfolios			
Transfer from non-portfolio of prior-year reduction in pension contributions attributable to lump sum pre payment	-23		
Review of recharge arrangements for internal transport provision	<u>213</u>		
		190	0.6
TOTAL CHANGE IN SPENDING		<u><u>2,475</u></u>	<u><u>7.5</u></u>

APPENDIX 6

LEADER

REVENUE BUDGET 2020/21

Net Expenditure 2019/20 £000		Gross Expenditure 2020/21 £000	Sales, Fees and Charges 2020/21 £000	Other Income 2020/21 £000	Specific Government Grants 2020/21 £000	Net Expenditure 2020/21 £000	Net Expenditure Change from 2019/20 %
Chief Executive							
591	Chief Executive	540	0	0	0	540	-8.6%
278	Policy Team	283	0	0	0	283	1.8%
568	Personal Assistants	629	0	0	0	629	10.7%
1,437 PORTFOLIO TOTAL		1,452	0	0	0	1,452	1.0%

LEADER

CHANGE IN SPENDING

As analysed in the table below, the increase in spending is £0.015m or 1%

	£000	£000	%
Allowance for Pay and Price Increases			
Pay and price rise allowance		28	1.9
Balancing the Budget			
As detailed in Appendix 3		-8	-0.6
Transfers between Portfolios			
Review of recharge arrangements for internal transport provision	-1		
Transfer from non-portfolio of prior-year reduction in pension contributions attributable to lump sum pre payment	-4		
		-5	-0.3
TOTAL CHANGE IN SPENDING		15	1.0

Capital Strategy 2020-25

1. Purpose

- 1.1. The West Sussex Capital Strategy 2020-25 sets out the Council's purpose and objectives from its strategic capital investment. The Capital Strategy is informed and led by the Council's Asset Management Strategy, which collates service ambitions and requirements and integrates them with corporate asset management and investment objectives. Both the Asset Strategy and Capital Strategy are aligned with the West Sussex Plan, the Council's vision for and commitment to the communities of West Sussex. The Council sets out its plan to deliver and fund these strategies over the medium term through its five-year Capital Programme.
- 1.2. The Capital Strategy sets out how the priorities emerging from service and corporate strategies will realistically be delivered. It establishes the controls and prioritisation process by which different schemes from across the Council's services are selected to be brought forward in the capital delivery plan.
- 1.3. The Capital Strategy sets out the optimum affordable level of investment against the available resources to fund and deliver projects. It provides a long-term view of the capital investment requirements (capital borrowing and revenue viability/feasibility funding) in the Medium Term Financial Strategy (MTFS).
- 1.4. The Capital Strategy provides a baseline for capital investment decisions and a frame of reference for service project development.

2. Background

- 2.1. In December 2015, the County Council adopted a new capital governance approach, establishing a five-year capital investment programme. The new governance arrangements established an effective framework for capital control, monitoring delivery and reporting benefits.
- 2.2. In July 2018, the Cabinet Member for Finance and Resources approved an Asset Management Strategy (AMS) to guide the Council's approach to managing its property estate. The AMS provides an overview of the priorities for managing and developing the land and property estate over the next 20-30 years. The AMS is supplemented by a suite of service-level asset strategies setting out predicted demand growth and service requirements where land and property considerations will be required. The AMS is based on the following objectives:
 - to plan and manage property as a corporate resource for the benefit of the people of West Sussex;
 - to provide the right property, fit for purpose, in the right place, to meet current service needs and plan for the future;
 - to acquire, manage, maintain and dispose of property effectively, efficiently and sustainably, together with optimising financial return and commercial opportunities;
 - to use land and buildings to stimulate development and growth; and,
 - to promote joint working where it will provide benefit for service delivery and in securing efficiencies.

- 2.3. The Council continually reviews its capital programme priorities to ensure that delivery is optimised against the objectives of the AMS and Capital Strategy. As such, the aim of this Capital Strategy is to engage all elected members of the County Council in understanding the long-term policy objectives and resulting governance procedures, resource requirements and appetite for risk in relation to capital investment. This approach is part of embedding the AMS and improving the capital programme governance and management.
- 2.4. The Capital Strategy provides:
- high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to service provision (section 3);
 - corporate governance arrangements for capital investment (section 4);
 - expected costs and funding of the capital programme, including projected debt related to capital activity and associated interest costs and payback period (MRP policy) (section 5);
 - arrangements for non-treasury (commercial) investments (section 6);
 - an overview of the Council's Flexible Use of Capital Receipts Strategy (section 7);
 - the key risks associated with the capital programme (section 8); and
 - knowledge and training (section 9).

3. Long-Term Capital Objectives and Priorities

- 3.1. The capital programme aims to invest in the delivery of the Council's vision for the county and its commitment to the communities of West Sussex. The West Sussex Plan 2017-2022 sets out the five priority areas for the Council - Best Start in Life, A Prosperous Place, Strong, Safe and Sustainable Place, Independent for Later Life and A Council that Works for the Community. Individual Service Business Plans identify how each service will deliver the vision for their area of responsibility, and each service's AMS sets out its land, property and other fixed asset requirements and opportunities to deliver those strategies.
- 3.2. The capital programme is the delivery mechanism for priority projects. Evaluation of projects for inclusion in the capital programme include consideration of: alignment to the West Sussex Plan priorities; delivery of statutory obligations; affordability, value for money and ability to deliver on time and to budget.
- 3.3. The current whole capital programme includes proposed investment in the following priority areas:
- Giving Children the Best Start in Life
 - Basic Need - additional school places
 - Special Educational Needs and Disabilities (SEND) Strategy – increased provision for children with SEND
 - Schools capital maintenance
 - A Prosperous Place
 - Growth Programme – targeted investment in key areas to improve the public realm and connectivity

- Horsham Enterprise Park – development of a key strategic site to provide high value jobs, business opportunities and new housing
 - Digital Infrastructure and Connectivity – investment in the infrastructure to enable businesses and residents to benefit from the latest digital technology
 - Highways Major Projects – investment in key infrastructure to support development across the county
 - Highways Improvement – a programme of junction improvements to help reduce congestion
- A Strong, Safe, and Sustainable Place
 - Solar farms and battery storage – a programme of sustainable energy projects on unused Council land
 - Schools solar programme - reducing energy bills for schools and providing a financial return
 - Fire and Rescue Service Fleet and Equipment – a programme of investment in new vehicles and equipment
- Independence for Later Life
 - In-House Day Centres – investment in the County Council’s in-house adult’s services provision
- A Council that Works for the Community
 - Footway Improvements Programme – in targeted key areas aimed at reducing slips, trips and falls in public places
 - LED Streetlighting – reducing the County Council’s carbon impact and utility bill
 - Operation Watershed – a grant programme funding local community groups to build their resilience and reduce the risk of flooding
 - Commercial Property Investment – securing long-term assets for capital growth and revenue income
 - Asset Management (block) allocations – ensuring maintenance of corporate properties and highways
- 3.4. The County Council’s whole capital programme (outlined in Appendix A) provides direct service provision through new community assets such as schools and highways, cost-avoidance activities which minimise the future cost of services to local taxpayers along with investment in assets (Income Generating Initiatives) which also generate a cashable return and thus make a contribution to reducing the Council’s net operating costs.
- 3.5. Cost avoidance schemes are designed to reduce the expected ongoing net revenue costs of a service by more than the capital financing costs of the scheme. Cost avoidance schemes are subject to business case analysis, including risk and return profiles, to assess this. The Capital Programme 2020/21 to 2024/15 includes £57.2m investment in cost avoidance schemes. Examples of these schemes include extra care housing for vulnerable adults, special support centres for children and young adults with SEND and support for recycling initiatives.
- 3.6. The Council’s consideration of Income Generating Initiative assets for investment does not just refer to the financial aspects of yield and profit and

the balance that asset might bring to an authority's overall investment strategy included in the Commercial Property Strategy, but also to its contribution to meeting the objectives of the West Sussex Plan, such as regeneration, environmental considerations, business rates growth and amelioration of local market failure. Examples of these activities include (as explored in more detail in Section 6):

- County Gigabit
- Your Energy Sussex
- Investment Property
- Horsham Enterprise Park
- Street-Lighting LED programme

- 3.7. Projects put forward for investment as Income Generating Initiatives are subject to enhanced decision making requirements and scrutiny before inclusion in the capital programme and before release of funding, as outlined in the Council's Commercial Property Strategy and as set out in Section 6.

4. Corporate Governance Arrangements for Capital Investment

- 4.1. Members set priorities for capital investment and delegate detailed planning to officers, who prepare a draft capital programme for approval by the County Council. The aim is a sufficiently long-term programme, aligned to corporate priorities and Asset Management Strategies. The programme is reviewed and approved by the County Council each year at its budget setting meeting and Financial Regulations (Financial Regulation B, paragraphs 2.2 – 2.4) set out the associated governance arrangements.
- 4.2. Options appraisal and prioritisation of projects is based on the HM Treasury Green Book five-case business case model, adapted to meet local requirements¹. Individual projects are initially supported by Strategic Outline Cases (SOCs) describing the purpose of the scheme, the options to achieve it, its anticipated cost, delivery mechanism and benefits.
- 4.3. An established officer governance process reviews SOC's to ensure their quality. Next, Cabinet Members consider the draft Capital programme. Following this, Cabinet recommends the Capital Programme to County Council for approval at its budget setting meeting.
- 4.4. Projects included in the five year Capital Programme will be developed into a more detailed Full Business Case (FBC) to demonstrate the costs and benefits of the project and seek approval to implement it.
- 4.5. All proposed SOC's, FBC's and project changes are reviewed at officer 'Programme Board' meetings and recommended to the decision-maker for approval. Member approvals are required for significant and high value projects and changes and projects costing over £0.5m are subject to Key Decision before proceeding. For lower value or less significant changes, senior

¹ HM Treasury's Green Book Five-Case Model, is as follows:

Strategic – there is a robust "case for change" which meets corporate objectives

Economic – the scheme delivers value for money

Financial – the scheme is affordable within capital and revenue resources

Commercial – procurement arrangements and any deal structure have been considered

Management – ensuring strong arrangements for the set-up and delivery of the project

officers have authority to approve, within agreed limits previously approved by the Council. Table 1 summarises the limits for senior officer approvals.

Table 1: Senior officer approval limits

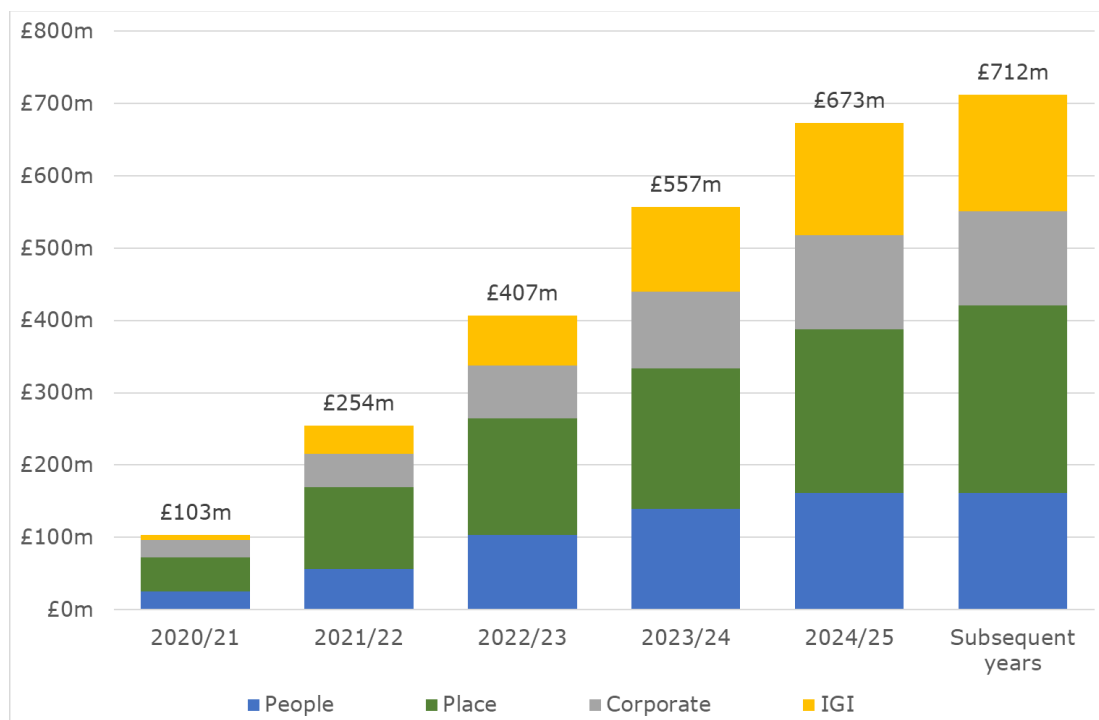
Limit	Approval
(i) where the level of investment or variation is no more than 5% of the total project cost or no greater than £250,000;	Senior officer decides
(ii) Where, not fitting within (i), the level of investment or variation is no more than 10% of the total project cost or no greater than £500,000 and (iii) Where the decision has not previously been marked by the relevant Cabinet Member for decision by the Cabinet Member	Senior officer will consult the Cabinet Member before deciding
(iv) Where the matter has been the subject of previous Cabinet Member decision delegating further decisions to the Executive Director	Executive Director decides
(v) Where the relevant Executive Director, in discussion with the Cabinet Member, does not consider the matter to be politically sensitive and so the use of officer delegation would be appropriate	Executive Director decides

- 4.6. As well as the large schemes and development projects that make up much of the Capital Programme, the Council invests in maintaining its core business and allocates grants. The Maintenance Block Allocations include programmes of property and highways asset maintenance, fleet and equipment asset replacement and other comparable projects. Grant Allocation programmes are to community groups. The County Council approves these allocations through the appropriate governance processes.
- 4.7. Review of the Capital Programme performance management is part of the core business of the Cabinet and the Performance and Finance Select Committee (PFSC) each quarter. Select committees may also consider individual projects. A quarterly performance report on the Capital Programme is published in the Members' Bulletin and linked to the Members' Information Network database.
- 4.8. The Capital Programme is constrained by the affordability of borrowing within the revenue budget, and the Council's finite delivery capacity. Therefore, the Council is developing a robust methodology to prioritise projects in future years.

5. Cost and Funding of the Capital Programme

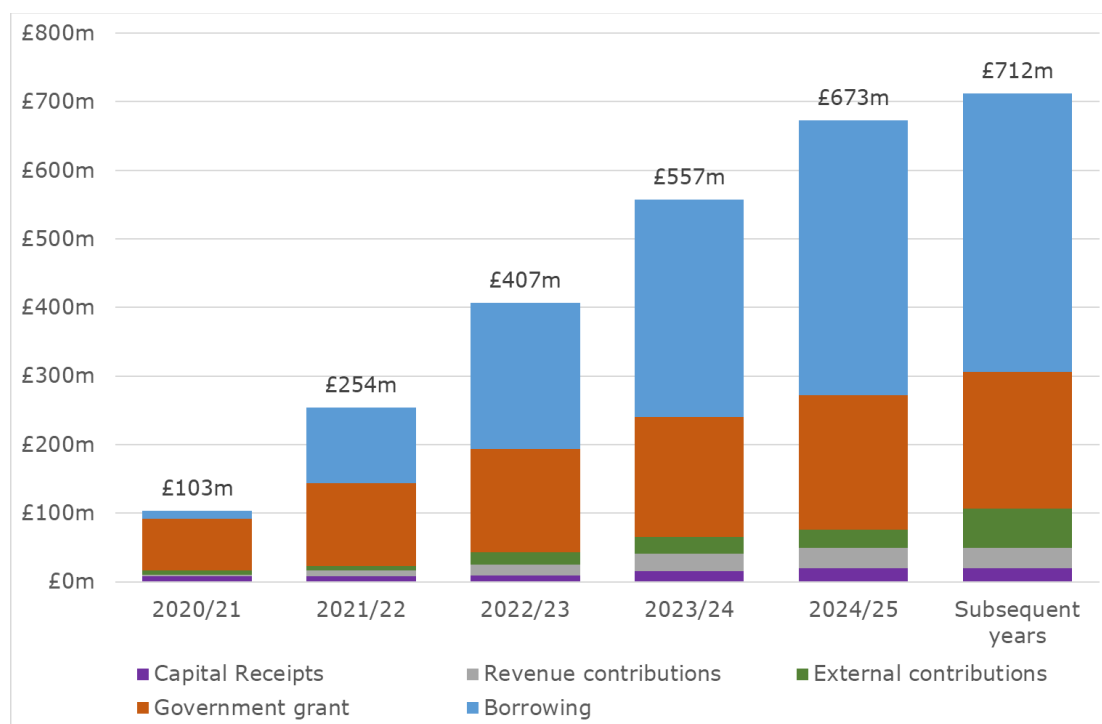
- 5.1. The total value of schemes in the 2020/21 to 2024/25 capital programme is £712.3m. This comprises £551.0m of the core programme and £161.3m Income Generating Initiatives (IGI) as set out by theme in Figure 1 and by portfolio in Appendix A.

Figure 1: Capital programme expenditure 2020/21 to 2024/25 and subsequent years



- 5.2. Capital expenditure may be financed from a range of internal and external sources. Internal sources include: capital receipts, revenue contributions, reserves and internal borrowing. External sources include: private sector contributions, such as S106/CIL developer contributions, Government grants (which may be ring-fenced for specific purposes or non-ring-fenced and available for general application by the County Council) and external borrowing. The programme reflects capital spending plans at the date of formal member approval (14 February 2020). During the year additional funding (for instance, capital grants or developer contributions) may become available, which the Council considers through the appropriate governance processes.
- 5.3. Figure 2 shows the assumed funding profile for the capital programme.

Figure 2: Capital programme funding 2020/21 to 2024/25 and subsequent years



- 5.4. Capital plans, outlined in paragraph 5.3, show a borrowing requirement of £11.6m is required to finance the Council's capital expenditure plans in 2020/21, including:
- borrowing of £4.2m to support the core programme; and
 - additional borrowing of £7.4m for IGI schemes.
- 5.5. The total borrowing to finance the core and IGI capital programme is £406m. The equivalent figure in the 2019/20 to 2023/24 Capital Programme is £344m. Details of the funding are set out in the Treasury Management Strategy.
- 5.6. The revenue impact (capital financing cost as a percentage of net revenue streams) of the recommended borrowing strategy for the Council's core capital programme (excluding IGI schemes, PFI and finance leases) is outlined below in Table 2. As part of the capital financing cost, the Council has to make an annual contribution from revenue for the repayment of long-term borrowing, known as the Minimum Revenue Provision (MRP). Appendix B sets out the Council's MRP Statement for 2020/21. The impact of the change in borrowing is the proportion of net revenue expenditure accounted for by capital financing costs changes only marginally over the five years of the Capital Programme when compared with the 2019/20 to 2023/24 Capital Programme.

Table 2: Revenue impact of the core Capital Programme borrowing strategy

	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Net Revenue Expenditure	593.9	611.4	623.3	638.5	650.0
Capital Financing (core)					
- MRP	10.4	10.8	12.5	14.3	15.9
- Interest	18.1	17.9	17.6	17.6	19.0
Total	28.5	28.7	30.1	31.9	34.9
% Ratio	4.8%	4.7%	4.8%	5.0%	5.4%

- 5.7. The implications of the capital programme outlined in paragraphs 5.1 to 5.3 in terms of the Council's Authorised Borrowing Limit, and Operational Boundary, are detailed in the Treasury Management Strategy Statement which is set out in Annex 2(b) of the main budget report.
- 5.8. The Council has considered long term capital planning and the implications this will have on both the level of borrowing and the revenue budget. As at 31 March 2019 the Council had external loans with the Public Works Loans Board (PWLb) totalling £388.8m, with a maturity profile which stretches out to 2060. The Council took advantage of historically low borrowing rates offered by the PWLB and borrowed an additional £100m during the first quarter of 2019/20. Appendix C sets out the Council's borrowing profile to 2069, taking into account the recent borrowing, and assumes that from 2025/26 onwards the Council has an annual core programme borrowing requirement of £20m and continues to hold useable reserves, provisions and working capital (£140m each year from 2039/40 onwards).
- 5.9. Within the IGI borrowing figures, the borrowing need gradually reduces over the period to 2069, due to both the application of capital receipts generated by some of the IGI projects, along with other projects generating revenue returns to reduce the associated borrowing need.
- 5.10. A list of the relevant Prudential Indicators for 2020/21 to 2024/25 is set out in Annex 2(c) of the main budget report, including the commercial investment indicators.

6. Non-Treasury (Commercial) Investments

- 6.1. The Council's capital investment plans (Section 3) includes a portfolio of IGI projects, or non-treasury (commercial) investments. This portfolio will generate a revenue return to the Council, which will meet the West Sussex Plan (2017-2022) objectives of supporting financial sustainability and protecting the provision of services to the county's residents. The Council's IGI projects are only agreed when supported by approved business cases and subject to members' obtaining appropriate assurance regarding the security of capital sums involved.
- 6.2. Examples of the Council's non-treasury, IGI, investments include (but are not limited to) the following.
- The purchase of land and property for investment purposes.

- Working in partnership with other councils to improve energy efficiency and reducing energy costs for the local residents and small to medium-sized businesses in Sussex (including solar farms and solar panel installations).
 - Third party loans and investments made for service purposes.
- 6.3. Business cases for all schemes set out the economic or regeneration benefits for the community, together with the funding arrangements and all associated revenue costs (for instance the cost of borrowing) applicable to the schemes. Business cases demonstrate the ongoing stewardship, sustainability, affordability and benefits of any proposed project. Funding arrangements may include (but are not limited to) the following:
- External borrowing; when evidenced that any income return will first cover all associated revenue (capital financing) costs.
 - Share capital in companies associated with the project(s).
 - Capital receipts generated by the project(s).
- 6.4. As part of a previous Capital Programme, the Council invested £35m in Commercial Property as part of a planned £50m investment over the period 2018/19 to 2022/23. This expenditure is to meet the objectives of the West Sussex Plan, along with maintaining and growing the capital value of the investment. The Council's Commercial Property strategy includes the following principles.
- Ensuring the portfolio of assets is prudently balanced to minimise the risk of income fluctuation and loss of capital value. This will be achieved by investing in a range of asset types and in a range of locations.
 - Ensuring that the rate of return exceeds that which could be achieved through traditional sources of investments.
 - A comprehensive due diligence process to minimise the risks in building an investment portfolio, to ensure both the quality of the asset and the incumbent tenant. This would include building and site specific surveys, estimates of future maintenance costs and estimates of any future capital refurbishment requirements.
 - Appropriate governance arrangements to ensure decisions are made in a streamlined and efficient way, within a transparent and risk aware environment.
- 6.5. The Council acts prudently in making IGI investments, including a rigorous evaluation of potential opportunities and risks against the principles outlined above. The Council considers the assessment of income generating initiatives and the associated capital financing costs over the life-cycle of the project prior to making any changes, including the impact on the Prudential Indicators (Annex 2(c) within the main budget report).
- 6.6. The Council's IGI investments forecast to achieve a contribution net of capital financing costs (MRP and interest) of £1.7m in 2019/20 as shown in Table 3.

Table 3: Financial performance of IGI investments 2019/20

IGI scheme type	Investment to date £m	Capital financing costs £m	Forecast income £m	Net contribution £m
Investment properties	34.890	1.262	1.956	0.694
All solar & battery storage projects	18.018	0.973	2.020	1.047
Total	52.908	2.235	3.976	1.741

7. Flexible Use of Capital Receipts Strategy 2020/21

- 7.1. In October 2019 the Council approved the flexibility to apply up to £7.0m of capital receipts to fund transformation projects as enabled by the Secretary of State's Direction and outlined in the Government's Statutory Guidance on the flexible use of capital receipts.
- 7.2. The Council proposes to use these powers again in 2020/21 to fund up to £10.0m qualifying transformation expenditure, although only £5.3m of use of the capital receipts flexibility is built into the proposed budget. Appendix E shows the transformation projects to which it proposes to use flexible capital receipts funding and the impact of the use of this funding on the Council's Prudential Indicators. Should availability of suitable, qualifying projects and funding allow, the Council will consider amending the projects it will fund through flexible use of capital receipts and report the change through the Total Performance Monitor.
- 7.3. Transformation projects funded by the Council's flexible use of capital receipts will continue to be reviewed to ensure the initiative will either transform service delivery improving outcomes, generate future savings or reduce future costs.

8. Risks

- 8.1. Preparation, financing and delivery of a multi-year capital programme involves a series of risks. Table 4 sets out the major risks and their mitigations.

Table 4: Capital programme risks and mitigations

Key Risk	Mitigations
Schemes taken forward do not support West Sussex Plan objectives	<ul style="list-style-type: none"> • Service Strategies and Asset Management Strategy aligned with West Sussex Plan • Member engagement in Capital Strategy development and in shaping prioritisation of the programme. • Member scrutiny ahead of County Council approval
High priority scheme not reflected in existing capital plans	<ul style="list-style-type: none"> • Yearly review of priorities • Governance flexibility to amend priorities in-year

Key Risk	Mitigations
Availability of feasibility and other revenue funding constrains approved capital plans	<ul style="list-style-type: none"> • Creation of Feasibility Reserve • Outline Business Cases to include feasibility funding requirement • Feasibility of future programmes to be funded on basis of capital and revenue requirements
Schemes' total costs are above budget	<ul style="list-style-type: none"> • Comprehensive viability/ feasibility studies undertaken before capital estimates are included in the funded programme • Budgets managed by SRO and programme sponsors within defined functional programmes
Lack of capacity prevents timely delivery of schemes	<ul style="list-style-type: none"> • Use of multi-disciplinary consultancy (MDC) for professional services • Monthly highlight reports for timely identification and resolution of resource issues
Unaffordability of financing costs in revenue budget	<ul style="list-style-type: none"> • Preparation of Treasury Management Strategy and Prudential Indicators • MTFS budgets reflect ongoing revenue costs of capital programme
IGI schemes fail to generate an adequate revenue return	<ul style="list-style-type: none"> • Rigorous evaluation and scrutiny of business cases before making investments. • Regular monitoring of income against relevant costs.
Expiry of time limited S106 contributions	<ul style="list-style-type: none"> • Monitoring system in place to ensure that contributions are spent within appropriate time period
Spending is not in line with grant conditions (e.g. Local Growth Fund)	<ul style="list-style-type: none"> • Monitoring of spending against agreed profiles and grant conditions • Negotiation with grant-awarding bodies where conditions may not be met
Interest rate volatility regarding borrowing	<ul style="list-style-type: none"> • Regular monitoring of interest rates • Use of external advisors • Review forward borrowing possibilities
Implications of wider economic environment both on delivery and financing of the capital programme	<ul style="list-style-type: none"> • Regular monitoring and awareness

9. Knowledge and Training

- 9.1. Comprehensive Capital Programme and Project Management training was undertaken during the summer of 2016, reaching the majority of Programme and Project Managers following the implementation of governance arrangements in December 2015. Further Project Management and Business

Case development training was undertaken ahead of a review of capital governance and management arrangements. Further training and support will be put in place following implementation of the review. The Capital Programme Office provides advice and support to programme and project managers on an ongoing basis.

- 9.2. The Council uses professional advisory services as necessary in the preparation and delivery of its capital programme. For example, these include:
- Faithfull + Gould (multi-disciplinary consultant)
 - WSP (highways and public realm consultant)
 - Savills (property advisory services)
 - Montagu Evans (valuers)
 - Link (treasury management advisory)
- 9.3. CIPFA's Treasury Management Code of Practice requires that staff with responsibility for treasury management and property investment receive adequate training. Staff undertake regular professional training to ensure their skills are kept up to date. Future training needs are periodically reviewed as part of staff appraisals and personal development plans. Training options for officers include professional qualifications from CIPFA and other appropriate organisations; attendance at workshops and seminars run by the Council's appointed treasury management advisor; and on the job training.

Jeremy Hunt

Cabinet Member for Finance

Contact: Nick Carroll 033 022 23567

Appendices

Appendix A – Capital Programme Portfolio Pages
Appendix B – Minimum Revenue Provision (MRP) Statement 2020/21
Appendix C – Illustrative External Debt/Internal Borrowing Projections
Appendix D – Graphical Illustration of Debt Projections to March 2069
Appendix E – Projects to be funded from flexible use of capital receipts

Background papers

[Statutory Guidance on the Flexible Use of Capital Receipts \(updated\)
Department for Communities and Local Government, March 2016](#)

CAPITAL PROGRAMME 2020/21 - 2024/25

2019/20 £000	CORE CAPITAL PROGRAMME (Expenditure)	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Subsequent £000	Total £000
1,705	Adults and Health	3,210	7,388	9,855	7,445	1,300	0	29,198
200	Children & Young People	1,500	3,000	7,200	1,500	700	0	13,900
6,824	Economy and Corporate Resources	13,072	13,100	16,265	23,502	20,585	0	86,524
37,494	Education and Skills	20,133	21,502	29,337	27,364	20,129	0	118,465
539	Environment	234	803	2,830	1,700	1,000	0	6,567
7,052	Finance	10,516	9,544	10,989	9,423	3,252	0	43,724
3,188	Fire and Rescue and Communities	5,311	9,792	11,550	12,100	13,976	0	52,729
35,129	Highways and Infrastructure	42,063	54,694	33,948	18,788	17,190	33,215	199,898
92,131	TOTAL PROGRAMME	96,039	119,823	121,974	101,822	78,132	33,215	551,005

2019/20 £000	INCOME GENERATING INITIATIVES (Expenditure)	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Subsequent £000	Total £000
6,239	Economy and Corporate Resources	200	1,416	0	0	0	0	1,616
1,344	Environment	5,453	7,000	5,000	14,746	13,000	0	45,199
718	Finance	700	19,000	22,515	30,023	21,447	0	93,685
150	Highways and Infrastructure	1,000	3,490	3,490	3,490	3,490	5,830	20,790
8,451	TOTAL PROGRAMME	7,353	30,906	31,005	48,259	37,937	5,830	161,290

100,582	Total Capital Programme	103,392	150,729	152,979	150,081	116,069	39,045	712,295
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2019/20 £000	FINANCING	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Subsequent £000	Total £000
9,150	Capital Receipts	7,861	650	650	6,600	3,900	0	19,661
6,780	External Contributions including S106	6,062	56	11,273	6,727	2,662	30,815	57,595
12,720	Ringfenced Government Grant	21,788	23,986	9,076	3,645	1,500	2,400	62,395
69,510	Non-Ringfenced Government Grant	53,226	21,578	21,068	20,596	20,160	0	136,628
532	Revenue Contributions to Capital Outlay	2,377	2,332	2,532	1,732	1,532	0	10,505
0	Revenue Contributions to Capital Outlay from 75% Pilot	500	3,100	5,641	7,500	2,400	0	19,141
0	Core Borrowing	4,225	68,121	71,734	57,222	49,278	0	250,580
1,890	IGI Borrowing	7,353	30,906	31,005	46,059	34,637	5,830	155,790
100,582	TOTAL PROGRAMME	103,392	150,729	152,979	150,081	116,069	39,045	712,295

CAPITAL PROGRAMME 2020/21

FINANCED FROM	£000	£000	%
External Sources and Service Portfolio Direct Funding			
Government Grants			
Adults and Health	1,089		
Economy and Corporate Resources	6,211		
Education and Skills	1,360		
Highways and Infrastructure	13,128		
		21,788	21.07%
External Contributions			
Education and Skills	941		
Finance	357		
Highways and Infrastructure	4,764		
		6,062	5.86%
Total		27,850	26.94%
Corporate Funding			
- Capital Receipts	7,861		
- Government Grant	53,226		
- Revenue Contributions to Capital Outlay	2,377		
- Revenue Contributions to Capital Outlay from 75% Pilot	500		
- Borrowing - Corporate	11,578		
Total Corporate Funding		75,542	73.06%
TOTAL CAPITAL PAYMENTS		103,392	100%

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Adults and Health

CAPITAL PROGRAMME 2020/21 to 2024/25

Project	Approved Budget Profiled							
	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Subsequent £000	Total £000
In-Flight Projects								
NHS Transfer/A Place to Live - 38 Alinora Crescent	21	0	0	0	0	0	0	0
Westergate Extra Care	750	750	0	0	0	0	0	750
Tempe	4	0	0	0	0	0	0	0
Stonepillow Resource Hub	188	0	0	0	0	0	0	0
Choices For The Future	742	500	1,388	0	0	0	0	1,888
Total In-Flight Approved Projects	1,705	1,250	1,388	0	0	0	0	2,638
Proposed Projects*								
In House Social Care	0	0	0	0	0	0	0	0
A Place to Live	0	0	0	455	445	1,300	0	2,200
East Grinstead Extra Care Housing	0	960	0	0	0	0	0	960
Adult In-House Day Services Part B	0	0	2,000	1,400	0	0	0	3,400
Adults In-House Residential Services Phase 1	0	0	2,000	3,000	5,000	0	0	10,000
Adult Services - Hobbs Field	0	1,000	2,000	5,000	2,000	0	0	10,000
Total Proposed Starts List	0	1,960	6,000	9,855	7,445	1,300	0	26,560
TOTAL PROGRAMME	1,705	3,210	7,388	9,855	7,445	1,300	0	29,198
Financing	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Subsequent £000	Total £000
Sources of Funding								
A Place to Live Grant	21	0	0	0	0	0	0	0
NHS Capital Grant	750	1,089	0	0	445	300	0	1,834
DAAT Grant	188	0	0	0	0	0	0	0
Corporate Resources	746	2,121	7,388	9,855	7,000	1,000	0	27,364
Total Funding	1,705	3,210	7,388	9,855	7,445	1,300	0	29,198

* All projects approved subject to business case

Children and Young People

CAPITAL PROGRAMME 2020/21 to 2024/25

Project	Approved Budget Profiled							
	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Subsequent £000	Total £000
In-Flight Projects								
Cissbury Lodge	200	100	0	0	0	0	0	100
Total In-Flight Approved Projects	200	100	0	0	0	0	0	100
Proposed Projects*								
Children's Social Care – Phase 1	0	1,400	3,000	4,200	0	0	0	8,600
Children's Social Care – Phase 2	0	0	0	3,000	1,500	700	0	5,200
Total Proposed Starts List	0	1,400	3,000	7,200	1,500	700	0	13,800
TOTAL PROGRAMME	200	1,500	3,000	7,200	1,500	700	0	13,900
Financing	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Subsequent £000	Total £000
Sources of Funding								
Corporate Resources	200	1,500	3,000	7,200	1,500	700	0	13,900
Total Funding	200	1,500	3,000	7,200	1,500	700	0	13,900

* All projects approved subject to business case

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Economy and Corporate Resources

CAPITAL PROGRAMME 2020/21 to 2024/25

Project	Approved Budget Profiled							
	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Subsequent £000	Total £000
In-Flight Projects								
Crawley Growth Programme	590	0	0	0	0	0	0	0
Worthing Public Realm	270	0	0	0	0	0	0	0
Burgess Hill Growth Programme	664	570	0	0	0	0	0	570
Transformation Projects	5,300	5,361	0	0	0	0	0	5,361
Total In-Flight Approved Projects	6,824	5,931	0	0	0	0	0	5,931
Proposed Projects*								
Digital Infrastructure (Business Rates Pilot)	0	0	0	3,141	4,000	2,400	0	9,541
Rural Connectivity (Business Rates Pilot)	0	500	2,000	2,000	3,500	0	0	8,000
Converged Fibre (Business Rates Pilot)	0	2,000	1,100	1,100	0	0	0	4,200
Crawley Growth Programme	0	2,641	3,314	2,424	6,500	6,585	0	21,464
Growth Programme	0	0	0	0	5,400	11,600	0	17,000
Worthing Growth Programme	0	1,000	1,000	2,600	0	0	0	4,600
Burgess Hill Growth Programme	0	1,000	3,666	5,000	4,102	0	0	13,768
Chichester Southern Gateway - GP	0	0	2,020	0	0	0	0	2,020
Total Proposed Starts List	0	7,141	13,100	16,265	23,502	20,585	0	80,593
TOTAL PROGRAMME	6,824	13,072	13,100	16,265	23,502	20,585	0	86,524
Financing	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Subsequent £000	Total £000
Sources of Funding								
Local Enterprise Partnership (LEP) Grant	1,254	6,211	5,686	5,000	0	0	0	16,897
Corporate Resources	5,570	6,361	4,314	5,024	11,900	16,600	0	44,199
External Contributions	0	0	0	600	4,102	1,585	0	6,287
Revenue Contribution to Capital Outlay (RCCO)	0	500	3,100	5,641	7,500	2,400	0	19,141
Total Funding	6,824	13,072	13,100	16,265	23,502	20,585	0	86,524
Income Generating Initiatives	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Subsequent £000	Total £000
In-Flight Income Generating Projects								
Gigabit	5,366	200	1,416	0	0	0	0	1,616
Creative Bognor	873	0	0	0	0	0	0	0
Total IGI Projects	6,239	200	1,416	0	0	0	0	1,616

* All projects approved subject to business case

Education and Skills

CAPITAL PROGRAMME 2020/21 to 2024/25

Project	Approved Budget Profiled							
	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Subsequent £000	Total £000
In-Flight Projects								
Basic Need Programme	23,444	2,557	846	0	0	0	0	3,403
Safeguarding in Schools	619	0	0	0	0	0	0	0
Schools Access Initiative	336	0	0	0	0	0	0	0
Community Schools Capital Maintenance Grant	10,770	0	0	0	0	0	0	0
Devolved Formula Capital Grant	1,200	160	0	0	0	0	0	160
SEND Programme	645	818	0	0	0	0	0	818
Woodlands Mead College - Design Fees	300	200	0	0	0	0	0	200
Ifield Community College - Furniture	90	0	0	0	0	0	0	0
The Weald Community School - All Weather Pitch	90	0	0	0	0	0	0	0
Total In-Flight Approved Projects	37,494	3,735	846	0	0	0	0	4,581
Proposed Projects*								
Future Years Basic Need	0	5,000	7,155	10,000	10,000	13,496	0	45,651
Future Years Capital Maintenance	0	7,353	7,301	6,761	5,819	5,383	0	32,617
Future Years Devolved Formula Capital Grant	0	1,200	1,200	1,200	1,200	1,200	0	6,000
SEND Development Programme	0	1,845	0	3,876	3,845	0	0	9,566
Titnore Lane - Land	0	0	0	0	0	50	0	50
Woodlands Mead	0	1,000	5,000	7,500	6,500	0	0	20,000
Total Proposed Starts List	0	16,398	20,656	29,337	27,364	20,129	0	113,884
TOTAL PROGRAMME	37,494	20,133	21,502	29,337	27,364	20,129	0	118,465
Financing	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Subsequent £000	Total £000
Sources of Funding								
Basic Need Grant	27,127	8,584	8,065	0	0	0	0	16,649
Capital Maintenance Grant	7,809	7,403	6,801	6,291	5,819	5,383	0	31,697
Devolved Formula Capital Grant	1,200	1,360	1,200	1,200	1,200	1,200	0	6,160
Healthy Pupils Capital Grant	66	0	0	0	0	0	0	0
Special Educational Needs & Development Grant (SEND)	398	0	0	2,876	2,000	0	0	4,876
Corporate Resources	0	0	5,436	18,970	18,345	12,469	0	55,220
External Contributions	894	941	0	0	0	1,077	0	2,018
Revenue Contribution to Capital Outlay (RCCO)	0	1,845	0	0	0	0	0	1,845
Total Funding	37,494	20,133	21,502	29,337	27,364	20,129	0	118,465

* All projects approved subject to business case

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Environment

CAPITAL PROGRAMME 2020/21 to 2024/25

Project	Approved Budget Profiled							
	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Subsequent £000	Total £000
In-Flight Projects								
General After Care Works	15	34	27	0	0	0	0	61
Faygate	79	100	476	0	0	0	0	576
Downslink	71	0	0	0	0	0	0	0
Carbon Reduction Programme	374	100	0	0	0	0	0	100
Total In-Flight Approved Projects	539	234	503	0	0	0	0	737
Baystone Farm	0	0	0	550	0	0	0	550
Faygate	0	0	0	280	500	0	0	780
Brookhurst Wood - Site HA	0	0	300	2,000	1,200	1,000	0	4,500
Total Proposed Starts List	0	0	300	2,830	1,700	1,000	0	5,830
TOTAL PROGRAMME	539	234	803	2,830	1,700	1,000	0	6,567
Financing	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Subsequent £000	Total £000
Sources of Funding								
Local Enterprise Partnership (LEP) Grant	20	0	0	0	0	0	0	0
Corporate Resources	519	234	503	830	500	0	0	2,067
Revenue Contribution to Capital Outlay (RCCO)	0	0	300	2,000	1,200	1,000	0	4,500
Total Funding	539	234	803	2,830	1,700	1,000	0	6,567
Income Generating Initiatives	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Subsequent £000	Total £000
In-Flight Income Generating Projects								
Your Energy Sussex - Schools Solar PV Programme	1,009	900	0	0	0	0	0	900
Your Energy Sussex - Westhampnett Solar Farm	70	0	0	0	0	0	0	0
Your Energy Sussex - Various Schemes	265	0	0	0	0	0	0	0
Your Energy Sussex - Halewick Lane	0	4,553	7,000	0	0	0	0	11,553
Total In-Flight Projects	1,344	5,453	7,000	0	0	0	0	12,453
Proposed Income Generating Projects *								
YES - Solar Farms and Battery Storage	0	0	0	5,000	14,746	13,000	0	32,746
Total Proposed Projects	0	0	0	5,000	14,746	13,000	0	32,746
Total IGI Projects	1,344	5,453	7,000	5,000	14,746	13,000	0	45,199

* All projects approved subject to business case

Finance

CAPITAL PROGRAMME 2020/21 to 2024/25

Project	Approved Budget Profiled							
	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Subsequent £000	Total £000
In-Flight Projects								
Accommodation Optimisation - County Hall	22	0	0	0	0	0	0	0
Sompting Waste Management	1	0	0	0	0	0	0	0
Structural Maintenance	4,112	0	0	0	0	0	0	0
Staff Capitalisation - Property	1,021	0	0	0	0	0	0	0
Gypsy Sites	184	0	0	0	0	0	0	0
Burrscrofte Demolition	440	0	0	0	0	0	0	0
Crawley County Buildings Demolition	100	757	0	0	0	0	0	757
Targeted Minor Asset Improvement Plan (CLOG)	614	100	0	0	0	0	0	100
County Hall Car Park	300	0	0	0	0	0	0	0
Chichester High School Demolition	73	357	0	0	0	0	0	357
Total In-Flight Approved Projects	6,867	1,214	0	0	0	0	0	1,214
Proposed Projects*								
Accessibility Audit	0	200	400	500	900	0	0	2,000
Capital Improvements Programme	185	6,000	4,430	7,263	6,584	0	0	24,277
Future Years Staff Capitalisation - Property	0	602	614	626	639	652	0	3,133
Future Years Structural Maintenance	0	2,200	2,300	2,300	1,000	2,300	0	10,100
Future years Gypsy Improvements Programme	0	300	300	300	300	300	0	1,500
Procurement of Business Management Solution	0	0	1,500	0	0	0	0	1,500
Total Proposed Starts List	185	9,302	9,544	10,989	9,423	3,252	0	42,510
TOTAL PROGRAMME	7,052	10,516	9,544	10,989	9,423	3,252	0	43,724
Financing	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Subsequent £000	Total £000
Sources of Funding								
Corporate Resources	6,979	10,159	8,044	10,989	9,423	3,252	0	41,867
External Contributions	73	357	0	0	0	0	0	357
Revenue Contribution to Capital Outlay (RCCO)	0	0	1,500	0	0	0	0	1,500
Total Funding	7,052	10,516	9,544	10,989	9,423	3,252	0	43,724
Income Generating Initiatives	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Subsequent £000	Total £000
In-Flight Income Generating Projects								
Propco: Barnham	116	0	0	0	0	0	0	0
Propco: Orchard Street	112	0	0	0	0	0	0	0
City Park Hove	47	0	0	0	0	0	0	0
Horsham Enterprise Park - Design fees	208	0	0	0	0	0	0	0
Total In-Flight Projects	483	0	0	0	0	0	0	0
Proposed Income Generating Projects *								
Investment Property Opportunities	0	0	5,000	5,000	6,023	0	0	16,023
Propco Future Schemes	0	0	1,000	1,000	1,500	1,500	0	5,000
Horsham Enterprise Park	235	250	500	4,015	0	0	0	4,765
Investment Opportunities	0	0	12,500	12,500	22,500	19,947	0	67,447
Midhurst Salt Barn	0	450	0	0	0	0	0	450
Total Proposed Projects	235	700	19,000	22,515	30,023	21,447	0	93,685
Total IGI Projects	718	700	19,000	22,515	30,023	21,447	0	93,685

* All projects approved subject to business case

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Fire and Rescue and Communities

CAPITAL PROGRAMME 2020/21 to 2024/25

Project	Approved Budget Profiled							
	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Subsequent £000	Total £000
In-Flight Projects								
Fleet	1,699	1,405	0	0	0	0	0	1,405
Fire Equipment	189	398	0	0	0	0	0	398
Horsham Combined Blue Light Centre - Design Fees	900	600	0	0	0	0	0	600
Worthing Community Hub	400	1,658	1,000	0	0	0	0	2,658
Total In-Flight Approved Projects	3,188	4,061	1,000	0	0	0	0	5,061
Proposed Projects*								
Future Community Hubs	0	0	1,442	0	0	0	0	1,442
Horsham Combined Blue Light Centre	0	500	2,000	6,300	7,300	5,000	0	21,100
Electric Vehicles	0	0	100	0	0	0	0	100
Future Years Fire Equipment	0	0	550	350	150	350	0	1,400
Future Years Fleet	0	0	2,200	2,900	3,900	8,626	0	17,626
Self-Service Library Terminals	0	500	500	0	0	0	0	1,000
Fire and Rescue Estate Improvements Programme	0	250	2,000	2,000	750	0	0	5,000
Total Proposed Starts List	0	1,250	8,792	11,550	12,100	13,976	0	47,668
TOTAL PROGRAMME	3,188	5,311	9,792	11,550	12,100	13,976	0	52,729
Financing	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Subsequent £000	Total £000
Sources of Funding								
Electric Vehicles Grant	0	0	100	0	0	0	0	100
Corporate Resources	3,188	5,311	9,692	11,550	12,100	13,976	0	52,629
Total Funding	3,188	5,311	9,792	11,550	12,100	13,976	0	52,729

* All projects approved subject to business case

Highways and Infrastructure

CAPITAL PROGRAMME 2020/21 to 2024/25

Project	Approved Budget Profiled							
	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Subsequent £000	Total £000
In-Flight Projects								
Annual Works Programme	25,589	3,257	0	0	0	0	0	3,257
A29 Re-alignment, Bognor Regis - Design Fees	249	0	0	0	0	0	0	0
A2300 Corridor Capacity Enhancement, Burgess Hill - Design Fees	2,356	800	0	0	0	0	0	800
A259 Corridor Capacity Enhancement, East Arun	1,034	8,197	9,833	3,961	0	0	0	21,991
A284 Lymminster Bypass	273	1,777	8,277	8,646	0	0	0	18,700
Flood Management	300	135	0	0	0	0	0	135
Operation Watershed	303	0	0	0	0	0	0	0
Staff Capitalisation 2019/20	1,444	0	0	0	0	0	0	0
West of Horsham	3,130	2,509	0	0	0	0	0	2,509
Total In-Flight Approved Projects	34,678	16,675	18,110	12,607	0	0	0	47,392
Proposed Projects*								
Annual Works Programme	0	13,777	15,777	14,777	14,777	14,777	0	73,885
A2300 Corridor capacity enhancement, Burgess Hill	0	7,200	8,100	2,980	0	0	0	18,280
A259 Clymptwick Bridge	0	0	0	0	0	1,000	0	1,000
A29 Re-alignment, Bognor Regis, Phase 1	451	1,000	8,900	1,050	0	0	0	10,950
A29 Re-alignment, Bognor Regis, Phase 2	0	0	0	0	0	0	33,215	33,215
Future Years Footways Improvement Programme	0	1,500	1,500	0	0	0	0	3,000
Staff Capitalisation - Highways	0	1,306	1,332	1,359	1,386	1,413	0	6,796
Future Years Traffic Signals Refurbishment Programme	0	250	250	0	0	0	0	500
On-Street Parking	0	100	425	0	0	0	0	525
South Road, Haywards Heath	0	0	0	875	2,625	0	0	3,500
Future Years Operation Watershed	0	255	300	300	0	0	0	855
Total Proposed Starts List	451	25,388	36,584	21,341	18,788	17,190	33,215	152,506
TOTAL PROGRAMME	35,129	42,063	54,694	33,948	18,788	17,190	33,215	199,898
Financing	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Subsequent £000	Total £000
Sources of Funding								
Flood & Coastal Erosion Grant	300	135	0	0	0	0	0	135
Local Enterprise Partnership (LEP) Grant	1,173	12,736	17,000	0	0	0	2,400	32,136
Local Transport Maintenance Grant	13,737	11,043	11,043	11,043	11,043	11,043	0	55,215
Local Integrated Transport Grant	3,734	3,734	3,734	3,734	3,734	3,734	0	18,670
Pothole Grant	772	0	0	0	0	0	0	0
Road Safety Grant	265	0	0	0	0	0	0	0
Rural Payments Agency Grant	158	257	0	0	0	0	0	257
Corporate Resources	9,177	9,394	22,861	8,498	1,386	2,413	0	44,552
External Contributions	5,813	4,764	56	10,673	2,625	0	30,815	48,933
Total Funding	35,129	42,063	54,694	33,948	18,788	17,190	33,215	199,898
Income Generating Initiatives	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Subsequent £000	Total £000
In-Flight Income Generating Projects								
LED Street Lighting	150	1,000	3,490	3,490	3,490	3,490	5,830	20,790
Total IGI Projects	150	1,000	3,490	3,490	3,490	3,490	5,830	20,790

* All projects approved subject to business case

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Minimum Revenue Provision (MRP) Statement – 2020/21

- 1.1 In accordance with the Local Authorities (Capital and Accounting) (England) Regulations 2003, the Council is required to make an annual contribution from revenue to repay long-term borrowing, namely its 'Minimum Revenue Provision (MRP)'. The 2008 amendment to these regulations gives local authorities the flexibility to set MRP at a level it considers to be prudent.
- 1.2 The Ministry of Housing, Communities and Local Government (MHCLG) has issued statutory guidance (updated 2018) on determining a prudent level of MRP, which presents four ready-made options for the calculation, but makes clear that other methodologies are permissible. The guidance distinguishes between historic capital expenditure notionally supported by central government through the provision of Revenue Support Grant ('supported borrowing'), and self-financed 'unsupported' borrowing. Transitory provisions of the MHCLG guidance permit the treatment of any self-financed borrowing prior to 1 April 2008 as supported for the purposes of the MRP calculation.
- 1.3 The Council has adopted the Asset Life Annuity method (MHCLG option 3b) for the calculation of MRP on unsupported borrowing. Under this approach, the Council fully expenses to the General Fund the cost of the asset initially financed through borrowing over a period equal to the useful life of that asset. Annuity rates are linked to rates published by the Public Works Loans Board (PWLB). MRP on outstanding supported borrowing is made on a 2% annuity basis over a 40-year period.
- 1.4 Private Finance Initiatives and leases may be arranged to finance the acquisition of non-current assets as an alternative to borrowing where this is financially or operationally advantageous and is in accordance with the strategy for the capital programme. In line with MHCLG guidance and to mitigate the impact of the move to International Financial Reporting Standards (IFRS) on the Council's revenue account, it is the policy of West Sussex County Council to make an annual MRP charge equal to the portion of the PFI unitary charge or lease payment taken to the Balance Sheet to reduce the liability. However, where a lease premium is made (and immediately taken to write down the Balance Sheet liability), the Council shall spread the MRP charge over the useful life of the asset.
- 1.5 This statement takes immediate effect, and MRP in the current financial year shall be calculated in accordance with the methodology set out above.

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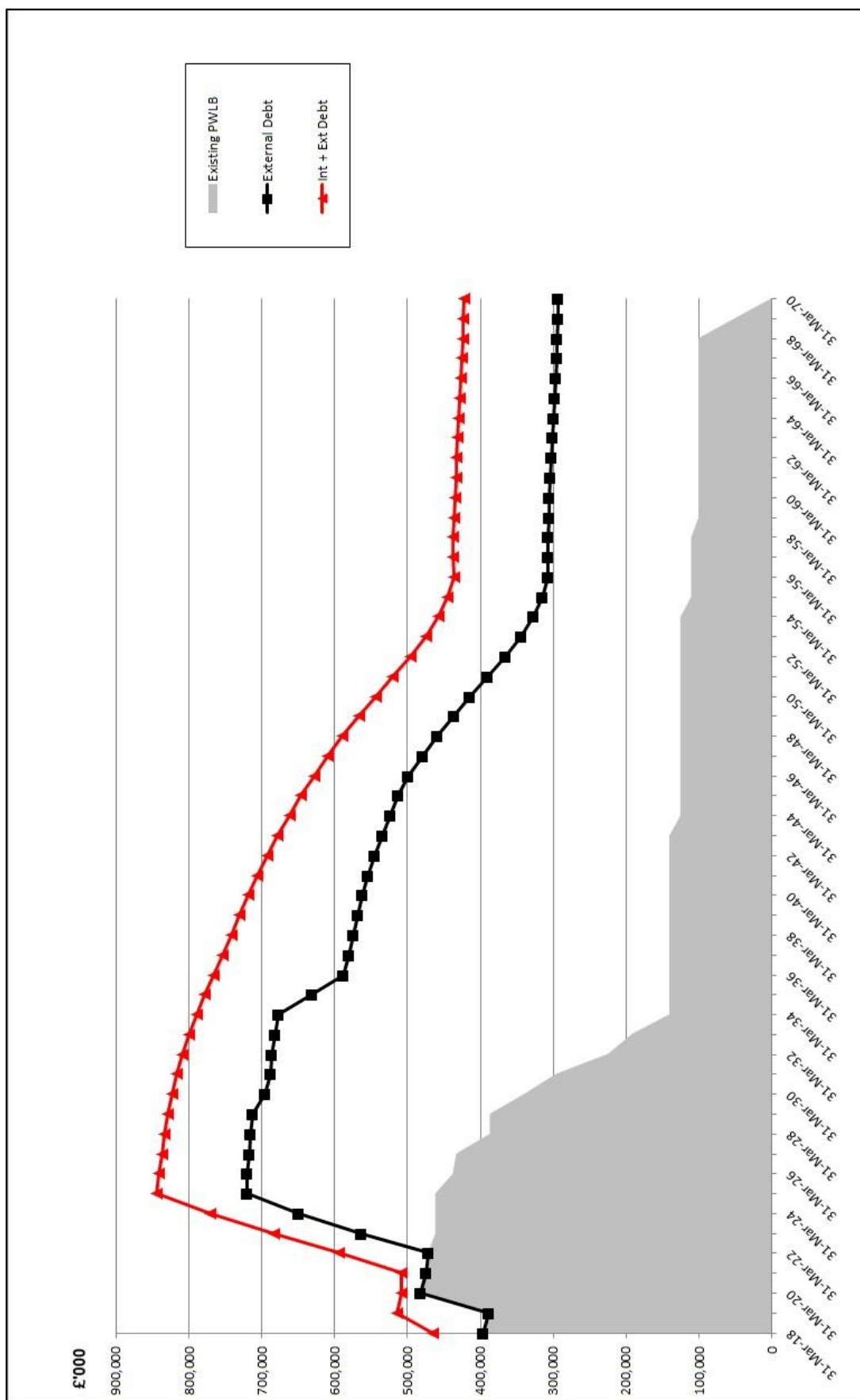
Illustrative External Debt/Internal Borrowing Projections
(Excluding short-term borrowing from the Chichester Harbour Conservancy)

Year Ending	Existing PWL Debt £'m	Core Borrowing (New) £'m	IGI Borrowing (New) £'m	New Borrowing (Total) £'m	Internal Borrowing £'m	Total Borrowing £'m
31 March 2019	388.8	0.0	0.0	0.0	125.3	514.1
31 March 2020	481.8	0.0	0.0	0.0	25.8	507.6
31 March 2021	474.8	0.0	0.0	0.0	32.8	507.6
31 March 2022	471.3	0.0	0.0	0.0	123.3	594.6
31 March 2023	461.3	0.0	102.6	102.6	119.2	683.1
31 March 2024	461.3	3.7	184.7	188.4	121.3	771.0
31 March 2025	461.3	35.3	223.6	258.9	123.7	843.9
31 March 2026	437.2	64.7	217.4	282.1	121.6	840.9
31 March 2027	432.5	73.4	211.0	284.4	120.0	836.9
31 March 2028	386.4	122.9	205.9	328.8	118.2	833.4
31 March 2029	386.4	125.7	200.7	326.4	116.1	828.9
31 March 2030	339.2	160.7	195.4	356.1	127.9	823.2
31 March 2031	295.9	202.9	189.8	392.7	127.9	816.5
31 March 2032	224.9	276.7	184.1	460.8	122.9	808.6
31 March 2033	192.2	311.1	178.2	489.3	118.0	799.5
31 March 2034	140.0	364.4	172.1	536.5	113.0	789.5
31 March 2035	140.0	324.5	165.8	490.3	147.9	778.2
31 March 2036	140.0	288.4	159.3	447.7	177.9	765.6
31 March 2037	140.0	288.2	152.6	440.8	172.9	753.7
31 March 2038	140.0	288.5	145.7	434.2	168.0	742.2
31 March 2039	140.0	289.1	138.5	427.6	163.0	730.6
31 March 2040	140.0	290.0	131.2	421.2	157.9	719.1
31 March 2041	140.0	290.0	123.6	413.6	153.0	706.6
31 March 2042	140.0	289.0	115.8	404.8	148.0	692.8
31 March 2043	140.0	286.8	108.0	394.8	143.0	677.8
31 March 2044	125.0	299.2	100.0	399.2	138.0	662.2
31 March 2045	125.0	295.5	92.6	388.1	133.0	646.1
31 March 2046	125.0	288.6	84.9	373.5	130.0	628.5
31 March 2047	125.0	277.5	77.0	354.5	130.0	609.5
31 March 2048	125.0	265.1	68.8	333.9	130.0	588.9
31 March 2049	125.0	251.4	60.3	311.7	130.0	566.7
31 March 2050	125.0	237.7	51.5	289.2	130.0	544.2
31 March 2051	125.0	222.6	42.7	265.3	130.0	520.3
31 March 2052	125.0	206.3	34.0	240.3	130.0	495.3
31 March 2053	125.0	192.3	26.9	219.2	130.0	474.2
31 March 2054	125.0	181.3	21.2	202.5	130.0	457.5
31 March 2055	110.0	187.4	17.8	205.2	130.0	445.2
31 March 2056	110.0	180.1	16.6	196.7	130.0	436.7
31 March 2057	110.0	182.1	15.4	197.5	130.0	437.5
31 March 2058	110.0	183.2	14.2	197.4	130.0	437.4
31 March 2059	100.0	193.3	13.0	206.3	130.0	436.3
31 March 2060	100.0	193.4	11.9	205.3	130.0	435.3
31 March 2061	100.0	193.0	10.6	203.6	130.0	433.6
31 March 2062	100.0	193.0	9.3	202.3	130.0	432.3
31 March 2063	100.0	193.0	8.0	201.0	130.0	431.0
31 March 2064	100.0	193.0	6.7	199.7	130.0	429.7
31 March 2065	100.0	193.0	5.3	198.3	130.0	428.3
31 March 2066	100.0	193.0	3.9	196.9	130.0	426.9

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Year Ending	Existing PWL Debt £'m	Core Borrowing (New) £'m	IGI Borrowing (New) £'m	New Borrowing (Total) £'m	Internal Borrowing £'m	Total Borrowing £'m
31 March 2067	100.0	193.0	2.5	195.5	130.0	425.5
31 March 2068	100.0	193.0	1.3	194.3	130.0	424.3
31 March 2069	50.0	243.0	0.0	243.0	130.0	423.0
31 March 2070	0.0	293.0	0.0	293.0	130.0	423.0

Graphical Illustrative of Debt Projections to 31 March 2070



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Projects to be funded from flexible use of capital receipts

The Council intends to apply £5.3m capital receipts in 2020/21 to fund the following transformation projects for which it has received robust business cases.

Project description and aims	Qualifying expenditure	Budgeted expenditure £m	Forecast savings* £m
Transformation expenditure	Investment in transformation across the whole council, including: <ul style="list-style-type: none"> our work anywhere right service right place 	0.7	2.4 (Payback period less than 1 year)
Customer Experience	Investment in specific projects across the Council to improve customer-facing work processes.	1.4	
Recycling credits	Initiatives with the district and boroughs to incentivise recycling and reduce demand pressure on the Council's Waste service	2.0	The main purpose of this expenditure is to reduce demand pressure
Fire improvement	Investment required to effectively respond to the recommendations of the HMICFRS report published in June 2019 particularly in areas surrounding Fire Safety, prevention and protection	1.2	The expenditure is on wholly transformational work to improve the service
Total		5.3	2.4

* In most instances the on-going savings do not depend solely on this investment. Delivering the forecast savings will also require the focus of other, existing resources

Expenditure on further activities to which the Council could potentially apply flexible use of capital receipts include the following.

Support for young people not in education, employment or training	£0.032m
Waste recycling	£0.147m
Support for transformation projects	£0.294m
Customer experience – right service, right place	£2.286m
Customer experience – IT and project support	£0.473m
Customer experience – smartphone upgrades	£0.128m
Smartcore information systems	£1.500m
Community Hubs – relocation costs	£0.048m
Support increase in foster care capacity	£0.034m
Total potential further activities	£4.942m

Impact on Prudential Indicators

The incremental impact on the Council's Prudential Indicators of £5.3m additional Capital Expenditure in 2020/21 due to its Flexible use of Capital Receipts Strategy is as follows.

Prudential Indicator	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Capital Financing Requirement	+£4.2m	+£1.0m	-£0.1m	-£0.1m	-£0.1m
Operational Boundary	-	-	+£5.1m	-£0.1m	-£0.1m
Authorised Borrowing Limit	+£5.1m	-£0.1m	-£0.1m	-	-

Treasury Management Strategy Statement (2020/21)

1 Background

- 1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as:

“The management of the Council’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.
- 1.2 In accordance with the CIPFA definition, the Council’s treasury management function aims to manage risk; the successful identification, control and monitoring of risk are integral elements to treasury management activities and include credit and counterparty risk, liquidity risk, market and interest rate risk, refinancing risk and legal and regulatory risk.
- 1.3 The Council is required to operate a balanced budget which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in counterparties, financial instruments or externally managed pooled funds commensurate with the Council’s risk appetite, providing adequate liquidity initially before considering investment return.
- 1.4 The second main function of the treasury management service is the funding of the Council’s capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning, to ensure the Council can meet its capital spending obligations. The management of longer term cash may involve the arrangement of long and/or short term loans (external borrowing) or may use longer term cash flow surpluses in lieu of external borrowing (internal borrowing). On occasion, when it is prudent and economic, any external debt previously drawn may be repaid and/or restructured to meet the Council’s risk or cost objectives.
- 1.5 The contribution the treasury management function makes to the Council is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The resulting treasury operations generate interest costs in relation to external debt and income arising from investments, both of which affecting the available revenue budget. Furthermore, since cash balances generally arise from the Council’s earmarked reserves and working balances, it remains paramount to ensure adequate security of the sums invested, as any loss of principal will in effect result in a loss to the General Fund Balance.
- 1.6 Additionally the Council’s commercial initiatives or loans to third parties will impact on the treasury function; these activities are generally classed as non-treasury investments (usually arising from capital expenditure) and are separate from the day-to-day treasury management activities. Further details are set out in the annual Capital Strategy report (see Section 2).

2 Reporting Requirements

2.1 **Capital Strategy:** CIPFA's revised 2017 Prudential and Treasury Management Codes require all local authorities to prepare a separate Capital Strategy report which provides the following:

- A high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- An overview of how the associated risk is managed; and
- The implications for future financial sustainability.

2.2 The aim of the Capital Strategy is to ensure that all elected members of the County Council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite. The Capital Strategy is reported alongside the Budget Report and the Treasury Management Strategy Statement for Council approval. Details of the Council's borrowing needs arising from the capital plans along with associated Prudential Indicators are also set out in the Capital Strategy.

2.3 Non-treasury investments will be reported through the Capital Strategy. This ensures the separation of the core treasury management function for investments made under statutory provisions granted to the Council under the Local Government Act 2003 (governed by security, liquidity and yield principles) from the Council's commercialism policies where investments are usually driven by expenditure on an asset. To demonstrate proportionality between the Council's treasury management operations and non-treasury Income Generating Initiatives (IGIs), high-level comparators are shown in Sections 5 and 6 of this report.

2.4 **Treasury Management Reporting:** In accordance with CIPFA's 'Treasury Management Code of Practice' the Council is required to receive and approve, as a minimum, three main reports each year, which incorporates a variety of policies, estimates and actuals, including:

- (a) The Treasury Management Strategy Statement (TMSS) detailing how the Council's investments and borrowings are to be organised; including the annual investment strategy which approves the parameters on how treasury investments are to be managed. Details of the Council's capital plans (including relevant prudential indicators) and the Minimum Revenue Provision (MRP) policy (how residual capital expenditure is charged to revenue over time) are set out in the Council's Capital Strategy.
- (b) A Mid-Year Treasury Management Report – Updating the Council with the progress of the capital position, treasury management activity and performance, and whether any policies and/or prudential and treasury indicators require revision; delegated to the Performance and Finance Select Committee in accordance with governance arrangements approved in February 2014. Additionally, the Regulation, Audit and Accounts Committee receive quarterly reports on compliance with the treasury management strategy.

- (c) An Annual Treasury Management Report – Providing details of actual treasury operation as compared to the estimates within the strategy, together with a selection of actual prudential and treasury indicators; delegated to the Performance and Finance Select Committee as approved by County Council in July 2018.
- 2.5 Before recommendation to County Council, the TMSS report receives appropriate scrutiny from the Performance and Finance Select Committee. In addition, the Council maintains a Treasury Management Panel comprising the Cabinet Member for Finance and four other elected members. The Panel functions as an advisory body supporting the Director of Finance and Support Services in implementing the Council's borrowing and investment strategies and reviewing all treasury management reports.
- 2.6 Treasury management issues reported within the attached 2020/21 TMSS include the Council's:

Capital Issues:

- A summary of capital expenditure plans up to 31 March 2025; and
- Associated capital financing plans, including forecasts of the Council's future borrowing requirement.

Treasury Management Issues:

- Current treasury position (**attached at Appendix A**);
 - Treasury indicators which limit the treasury risk and activities of the Council;
 - Prospects for interest rates as provided by the Council's treasury management advisor (**attached at Appendix B**);
 - The borrowing and repayment strategy;
 - Policy on borrowing in advance of need;
 - Debt rescheduling;
 - The investment strategy;
 - Creditworthiness policy; and
 - Policy on the use of external service providers.
- 2.7 These elements cover the requirements of the Local Government Act 2003; CIPFA's Prudential and Treasury Management Codes; and the Ministry of Housing, Communities and Local Government's (MHCLG) Investment Guidance.

3 Training

- 3.1 CIPFA's Code of Practice requires the Director of Finance and Support Services to ensure that members involved with treasury management receive adequate training in treasury management. Future training for members responsible for the scrutiny of the Council's treasury management policies and activities, and members acting in an advisory role to the Director of Finance and Support Services remain under constant review.
- 3.2 Additionally, the training needs of treasury management officers are periodically reviewed as part of staff appraisals and personal development plans. Ongoing training options for officers include professional qualifications

from CIPFA and other appropriate organisations; attendance at workshops and seminars run by the Council's appointed treasury management advisor; and on the job training in line with the approved Treasury Management Practices (TMPs) as provided by the Principal Finance Officer (Treasury Management & Insurance).

4 Treasury Management Advisors

4.1 The Council uses Link Asset Services (Treasury Solutions) as its external treasury management advisor. The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and therefore will ensure that undue reliance is not placed upon its external service providers. The Council recognises however that there is value in employing external providers of treasury management services in order to acquire access to a wide range of specialist skills and resources including:

- Credit advice;
- Investment advice;
- Debt management advice;
- Capital and financial accounting advice; and
- Economic and interest rate forecasting.

4.2 The Council will ensure that the terms of the appointment of external treasury management advisors and the methods by which their value will be assessed are properly agreed and documented, and subject to regular review. A three year contract with Link Asset Services commenced on 1 November 2016, which was extended for an additional two years up to 31 October 2021 following a review of the service received (undertaken in 2019/20).

5 Capital Programme (2020/21 to 2024/25)

5.1 The Council's capital expenditure and financing plans as contained within the approved Capital Programme set out in the Capital Strategy are key drivers of treasury management activity. The output of the Capital Programme is reflected in the Council's prudential indicators (which are included within the Capital Strategy) which are designed to provide members with an overview and confirm such expenditure and financing plans are both affordable and prudent.

5.2 The table below is a summary of the Council's capital expenditure plans, both those agreed previously and those forming part of the current budget cycle for approval by County Council in February 2020:

Capital Expenditure by Service	2019/20 Estimate £'m	2020/21 Estimate £'m	2021/22 Estimate £'m	2022/23 Estimate £'m	2023/24 Estimate £'m	2024/25 Est. (i) £'m
Adults and Health	1.7	3.2	7.4	9.9	7.4	1.3
Children & Young People	0.2	1.5	3.0	7.2	1.5	0.7
Economy and Corporate Resources	6.8	13.1	13.1	16.2	23.5	20.6
Education & Skills	37.5	20.1	21.5	29.4	27.4	20.1
Environment	0.5	0.2	0.8	2.9	1.7	1.0
Finance	7.1	10.5	9.5	11.0	9.4	3.3
Fire & Rescue and Communities	3.2	5.3	9.8	11.5	12.1	14.0
Highways and Infrastructure	35.1	42.1	54.7	33.9	18.8	50.4
Core Programme	92.1	96.0	119.8	122.0	101.8	111.4
Income Generating Initiatives (ii)	8.5	7.4	30.9	31.0	48.3	43.7
Total Capital Expenditure	100.6	103.4	150.7	153.0	150.1	155.1

(i) 2024/25 estimate includes subsequent years spend.

(ii) IGI's represent the Council's non-treasury (commercial) investment plans.

5.3 Capital expenditure as reported above may be financed from a range of external and internal sources. External sources include private sector contributions (such as s106 developer contributions) as well as government grants; internal sources include capital receipts, revenue contributions and reserves set aside for capital purposes.

5.4 Borrowing is required to meet the cost of any capital expenditure not financed by internal and/or external funding sources. The table below summarises how the Council's capital expenditure plans will be financed across the period through to 2024/25, with any funding shortfall resulting in a borrowing requirement:

Financing the Capital Programme	2019/20 Estimate £'m	2020/21 Estimate £'m	2021/22 Estimate £'m	2022/23 Estimate £'m	2023/24 Estimate £'m	2024/25 Estimate £'m
Capital Expenditure	100.6	103.4	150.7	153.0	150.1	155.1
Government Grants	-82.2	-75.0	-45.6	-30.1	-24.2	-24.1
External Contributions	-6.8	-6.0	-0.1	-11.3	-6.7	-33.5
Capital Receipts	-9.2	-7.9	-0.6	-0.6	-6.6	-3.9
Revenue Funding	-0.5	-2.9	-5.4	-8.2	-9.3	-3.9
Financing (Excl. Borrowing)	-98.7	-91.8	-51.7	-50.2	-46.8	-65.4
Borrowing (Core)	0.0	-4.2	-68.1	-71.8	-57.2	-49.3
Borrowing (IGIs)	-1.9	-7.4	-30.9	-31.0	-46.1	-40.4
Total Financing	-100.6	-103.4	-150.7	-153.0	-150.1	-155.1

- 5.5 The above financing table excludes other long-term liabilities, such as existing PFI schemes (Crawley Schools; Street Lighting and Waste Management) and leasing arrangements which already include borrowing instruments within their contractual terms; and so the Council is not required to separately borrow for them.

6 Borrowing and Repayment Strategy

- 6.1 The capital expenditure plans set out in Section 5 provide details of the service activity of the Council. The treasury management function ensures that the cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the Council's cash flow and, where capital plans require, the organisation of appropriate borrowing facilities.
- 6.2 The borrowing strategy covers the relevant prudential and treasury indicators, and the current and projected debt positions. The key objectives of the Council's current borrowing strategy are:
- (1) Ensure that future external debt is affordable within revenue budget constraints; with the timing of when to arrange new debt governed by the Council's long-term cash flow forecasts (as per the requirements of the capital plans through to 2024/25); and
 - (2) Potentially borrowing in advance of need so that external debt (fixed-rate funding) is arranged whilst interest rates are lower than they are projected to be over the next few years.

- 6.3 For all new external debt arrangements, the Council will first ensure that due diligence is given to both the affordability of such debt in the revenue budget and the future plans regarding the repayment of the debt; including the possible use of capital receipts or as per the agreed terms and conditions of any new debt arrangements (including 'annuity' and 'equal instalments of principal' loan structures).
- 6.4 **Approved Funding Sources:** The Council's primary objective when borrowing money is to strike an appropriately low risk balance between securing low interest borrowing costs whilst achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term capital plans change is a secondary objective.
- 6.5 There is no counterparty risk associated with borrowing, except that associated with money laundering. In conjunction with advice received from its treasury management advisor the Council will keep under review the following fixed or variable rate long-term and short-term (in lieu of long-term) borrowing options as sources of finance for the approved capital programme, including:
- Borrowing against internal resources held by the Council (including usable reserves and working capital) in lieu of external borrowing;
 - Public Works Loan Board (PWLB) and any successor body;
 - Borrowing from other UK local authorities (particularly with regard to borrowing for Income Generating Initiatives on a short-term basis);
 - Borrowing from the money markets (institutional lenders authorised by the Prudential Regulation Authority and/or the Financial Conduct Authority to operate in the UK);
 - Borrowing from multilateral development banks; and
 - Borrowing from the UK Municipal Bond Agency plc and/or other special purpose companies created to enable local authority bond issue.
- 6.6 Capital finance may additionally be raised by other methods that are not borrowing but may be classed as other debt liabilities (including leasing).
- 6.7 **Current Portfolio Position:** At 30 November 2019 the Council had external loans with the PWLB totalling £481.8m. Given the significant borrowing requirement in the approved capital programme, the total externally amount borrowed (£481.8m) includes £100m new PWLB debt taken by the Council in April and June 2019 at an average borrowing rate of 2.22%. As a consequence of this additional PWLB debt the Council's internal borrowing is forecast to reduce to £25.8m by the end of 2019/20, as set out in paragraphs 6.11 and 6.12.
- 6.8 During October 2019 HM Treasury and the PWLB announced an increase in the margin over UK Gilt yields of 1.0% on top of the current 0.8% margin the Council had paid prior to this date for new borrowing from the PWLB. The Council has previously relied on the PWLB as its only source of funding, with approved alternative market borrowing options (including forward starting loans and bond issuance via the UK Municipal Bond Agency) being held under consideration. In light of the unexpected increase to the cost of PWLB borrowing, the Director of Finance and Support Service will continue to assess the benefits of approved market loan alternatives during 2020/21.

6.9 Capital plans (paragraph 5.4) highlight that a borrowing requirement of £11.6m is required to finance the Council's capital expenditure plans in 2020/21 including:

- Borrowing of up to £4.2m relating to the core programme; and
- Additional borrowing of up to £7.4m relating to IGIs.

6.10 In accordance with CIPFA's Prudential Code, the Council's underlying borrowing need (the total historic outstanding capital expenditure which has not yet been financed) is represented by its Capital Financing Requirement (CFR). Capital expenditure financed through debt is subject to a minimum revenue provision charge (the Minimum Revenue Policy) which is set out in the Capital Strategy.

6.11 An analysis of the Council's levels of usable reserves, provisions and working balances show these are likely to be sufficient to continue with an internal borrowing strategy throughout 2020/21 and 2021/22, with the need to externally borrow for the capital programme from 2022/23 onwards. The table below details the estimates of these year-end balances through to 2024/25, assuming no new additional external debt or optional refinancing of existing debt is arranged:

Balance Sheet Projections (at 31 March)	2019/20 Estimate £'m	2020/21 Estimate £'m	2021/22 Estimate £'m	2022/23 Estimate £'m	2023/24 Estimate £'m	2024/25 Estimate £'m
Capital Financing Requirement (Non-IGIs)	533.3	528.1	581.5	636.6	675.5	705.1
CFR (IGIs)	76.3	82.1	111.4	140.2	184.7	223.6
Capital Financing Requirement	609.6	610.2	692.9	776.8	860.2	928.7
Less: PFI Schemes and Leases (i)	-96.5	-97.1	-92.8	-88.2	-83.7	-79.3
Borrowing CFR (ii)	513.1	513.1	600.1	688.6	776.5	849.4
Existing Borrowing Profile (PWLb)	-481.8	-474.8	-471.3	-461.3	-461.3	-461.3
Short-Term Borrowing (iii)	-5.5	-5.5	-5.5	-5.5	-5.5	-5.5
Under Borrowing	25.8	32.8	123.3	221.8	309.7	382.6

- (i) International Financial Reporting Standards (IFRS)16 requires the Council to account for lessee operating leases (off Balance Sheet) as finance leases from 1 April 2020. The Council currently estimates that leases totalling £4.8m will be added to the Balance Sheet from 1 April 2020 as a result of IFRS16; and as such have been included in the above (and subsequent) tables in Section 6.

- (ii) The 'Borrowing CFR' excludes other long-term liabilities (PFI schemes and finance leases) that form part of the Council's total borrowing requirement.
- (iii) Money held and invested on behalf of the Chichester Harbour Conservancy (CHC) and its associated charities; repayable to CHC on any given notice.

Balance Sheet Projections (continued)	2019/20 Estimate £'m	2020/21 Estimate £'m	2021/22 Estimate £'m	2022/23 Estimate £'m	2023/24 Estimate £'m	2024/25 Estimate £'m
Under Borrowing	25.8	32.8	123.3	221.8	309.7	382.6
Usable Reserves	-210.1	-208.9	-149.9	-139.2	-138.8	-138.7
Provisions	-15.0	-15.0	-15.0	-15.0	-15.0	-15.0
Working Capital	-65.0	-65.0	-65.0	-65.0	-67.5	-70.0
Funding required for investments greater than one year	75.0	100.0	100.0	100.0	100.0	100.0
Short Term Investment (-) / External Borrowing (cumulative)	-189.3	-156.1	-6.6	102.6	188.4	258.9

6.12 The Council has previously approved that a proportion of its usable reserves (including PFI/MRMC reserve balances) are held in long-term strategic investments; as a result the Council's external debt and internal borrowing projections (including CFR forecasts; and internal borrowing as a percentage of the CFR) are summarised below:

Debt Projections	2019/20 Estimate £'m	2020/21 Estimate £'m	2021/22 Estimate £'m	2022/23 Estimate £'m	2023/24 Estimate £'m	2024/25 Estimate £'m
Gross External Debt (1-Apr)	492.8	583.8	577.4	569.6	657.6	738.9
New Debt (2019/20)	100.0	0.0	0.0	0.0	0.0	0.0
Repayment of Existing Debt	-7.0	-7.0	-3.5	-10.0	0.0	0.0
CHC Movement	0.6	0.0	0.0	0.0	0.0	0.0
External Debt (Core Borrowing)	n/a	0.0	0.0	0.0	3.7	31.6
External Debt (IGIs)	n/a	0.0	0.0	102.6	82.1	38.9
PFI/Finance Lease Movement	-2.6	0.6	-4.3	-4.6	-4.5	-4.4

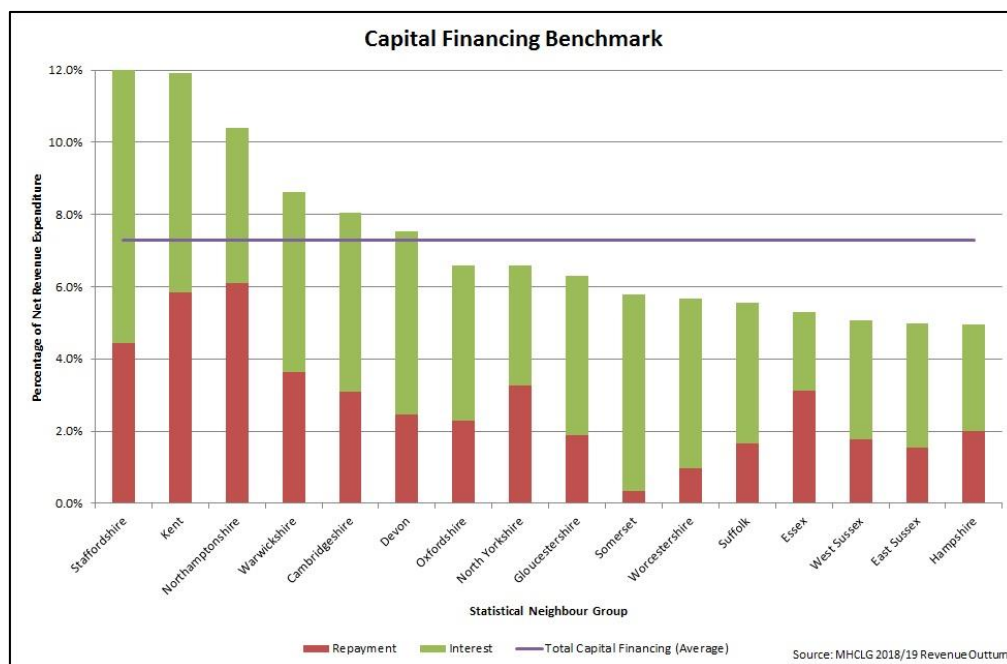
Debt Projections	2019/20 Estimate £'m	2020/21 Estimate £'m	2021/22 Estimate £'m	2022/23 Estimate £'m	2023/24 Estimate £'m	2024/25 Estimate £'m
Gross External Debt (31-Mar)	583.8	577.4	569.6	657.6	738.9	805.0
Gross External Debt (31-Mar)	583.8	577.4	569.6	657.6	738.9	805.0
Internal Borrowing (at 31 March)	25.8	32.8	123.3	119.2	121.3	123.7
Capital Financing Requirement	609.6	610.2	692.9	776.8	860.2	928.7
Internal Borrowing (%)	4.2%	5.4%	17.8%	15.3%	14.1%	13.3%

6.13 As shown in the table above, under the Council's current capital plans, usable reserves and long-term strategic investment assumptions, it is forecast that the Council will be required to externally borrow in 2022/23 which reflects the need to ensure that cash (useable reserves and working capital) is available to increase the long-term investment limit from £75m to £100m up to 2024/25 (as set out in paragraphs 7.3 and 7.49). Whilst the continuation of an internal borrowing strategy in 2020/21 remains prudent, the continued benefits will be regularly monitored against the potential for incurring additional costs through deferring external borrowing into future years when long-term borrowing rates are forecast to rise (**Appendix B**).

6.14 **Revenue Impact:** The revenue impact (capital financing cost as a percentage of net revenue streams) of the recommended borrowing strategy relating to the Council's capital programme (excluding service funded Income Generating Initiatives, PFI schemes and Finance Leases) is outlined below:

	2019/20 Actual £'m	2020/21 Estimate £'m	2021/22 Estimate £'m	2022/23 Estimate £'m	2023/24 Estimate £'m	2024/25 Estimate £'m
Net Revenue Expenditure	575.5	593.9	611.4	623.3	638.5	650.0
Capital Financing Charges	28.2	28.5	28.7	30.1	31.9	34.9
% Ratio	4.9%	4.8%	4.7%	4.8%	5.0%	5.4%

6.15 The Council has recently undertaken an internal benchmarking exercise to compare its level of capital financing against other county councils in our statistical neighbour group at 31 March 2019 (the most recent available information). The results of the benchmarking exercise are included below for information:



- 6.16 Based on the core capital programme, the Council's Capital Financing ratio as compared with Net Revenue Expenditure (as shown in paragraph 6.14) is forecast to remain below the benchmark group average (circa 7%) throughout the period 2019/20 to 2024/25.
- 6.17 In accordance with this recommended borrowing strategy, the Council forecasts that the costs of long-term external borrowing (interest charges) in 2020/21 will be:
- PWLB Borrowing: £19.5m (unchanged from 2019/20); of which £1.4m will be service funded from Income Generating Initiatives.
 - PFI schemes and finance leases: £9.7m (£9.9m in 2019/20)
- 6.18 **Borrowing in Advance of Need:** A decision to borrow in advance will be within forward approved CFR estimates and arranged to take advantage of favourable borrowing rates (given such rates are forecast to rise in the future) thereby ensuring that value for money can be demonstrated and that the Council can ensure the security of such funds. Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through quarterly compliance reports (and annual report to the Performance and Finance Select Committee).
- 6.19 The Authorised Borrowing Limit (paragraph 6.22) constrains borrowing in advance of future capital need by limiting such borrowing to within CFR estimates over a three year planning period, therefore confirming that it is not being taken for revenue profit (investment of the extra sums borrowed) or speculative purposes.
- 6.20 **Limits to Borrowing Activity:** Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. These indicators ensure that the Council's gross external debt does not, except in the short-term, exceed the total of the CFR in the preceding year plus estimates for any additional CFR for 2020/21 and the

following two financial years. Based on the gross external debt projections (paragraph 6.12) the Director of Finance and Support Services reports that the Council complied with these prudential indicators in 2019/20 and does not envisage any non-compliance over the period of the capital programme.

- 6.21 The 'Operational Boundary' is the limit (Prudential Indicator) beyond which external debt is not normally expected to exceed, as set out below:

Operational Boundary	Estimate 2019/20 £'m	Estimate 2020/21 £'m	Estimate 2021/22 £'m	Estimate 2022/23 £'m	Estimate 2023/24 £'m	Estimate 2024/25 £'m
External Debt (including CHC)	487.3	480.3	476.8	466.8	470.5	502.1
Income Generating Initiatives (IGIs)	0.0	0.0	0.0	102.6	184.7	223.6
PFI Schemes/ Finance Leases	96.5	97.1	92.8	88.2	83.7	79.3
Operational Boundary	583.8	577.4	569.6	657.6	738.9	805.0

- 6.22 The 'Authorised Borrowing Limit' is a further key Prudential Indicator that reports the maximum level of borrowing. This represents the limit beyond which external debt (including overdrawn bank balances and short-term borrowing undertaken for unexpected cash flow movements) is prohibited, as approved by County Council. It reflects the level of external debt which, whilst not desired, could be afforded in the short-term (e.g. when borrowing in advance of capital need) but is not desirable in the long term.

- 6.23 This limit is a statutory limit determined under Section 3(1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans or those of a specific council; although to-date this power has not yet been exercised.

Authorised Borrowing Limit	Estimate 2019/20 £'m	Estimate 2020/21 £'m	Estimate 2021/22 £'m	Estimate 2022/23 £'m	Estimate 2023/24 £'m	Estimate 2024/25 £'m
Gross Debt, including IGIs (i)	553.6	600.5	686.1	756.8	761.3	765.7
PFI Schemes / Finance Leases	96.5	97.1	92.8	88.2	83.7	79.3
Authorised Borrowing Limit	650.1	697.6	778.9	845.0	845.0	845.0

- (i) Gross debt estimates allow for external borrowing in advance of need for up to a maximum of two years; furthermore gross debt includes additional headroom (£40m) for unexpected cash flow movements. For example, the 'Authorised Borrowing Limit' for 2020/21 (£697.6m) equals the maximum external debt forecast in any one

financial year over a three year period (i.e. the 'Operational Boundary' over the period 2020/21 to 2022/23; therefore £657.6m for 2022/23) plus £40m.

- (ii) The Authorised Borrowing Limit as reported above (£845.0m in 2024/25) is £100m higher than the equivalent limit approved in the 2019/20 Treasury Management Strategy reflecting the additional borrowing requirement built into the recommended Capital Programme (2020/21 to 2024/25).

- 6.24 In addition, the 'Maturity Structure of External Borrowing' Treasury Indicator are limits that highlight the existence of any large concentrations of external debt needing to be replaced at times of uncertainty over interest rates, and is designed to protect against excessive exposures to interest rate changes in any one period, in particular over the course of the next ten years. It is calculated as the amount of projected debt that is maturing in each period as a percentage of total projected external debt. The maturity period of borrowing is determined by reference to the earliest date on which the lender can require payment.
- 6.25 The upper and lower limits for the maturity structure of external debt in 2020/21 (with actual split as at 30 November 2019 included for comparison) are set out below:

Debt Maturity	Actual 30/11/19	Lower Limit 2020/21	Upper Limit 2020/21
Over 30 Years	26%	0%	40%
Over 25 to 30 Years	0%	0%	25%
Over 20 to 25 Years	3%	0%	25%
Over 15 to 20 Years	0%	0%	25%
Over 10 to 15 Years	51%	0%	65%
Over 5 to 10 Years	16%	0%	45%
Over 1 to 5 Years	3%	0%	35%
Under 12 Months	1%	0%	25%

- 6.26 **Borrowing for Cash-flow Purposes:** The Council continues to approve the use of short-term loans (normally for up to one to three months) to cover unexpected cash-flow shortages. Short-term borrowing for cash-flow purposes, up to a maximum of £40m, will be limited to the following external funding sources:
- Borrowing from other UK local authorities (excluding Police and Crime Commissioners, Fire Authorities and Local Authority Pension Funds);
 - Borrowing from the money markets (financial institutions authorised by the Prudential Regulation Authority to operate in the UK).
- 6.27 Additionally, the Council holds and invests money on behalf of third parties including the Chichester Harbour Conservancy and its associated charities. The Council reports any such money as short-term borrowing given the requirement that it is available for repayment at any future point in time.
- 6.28 **Debt Rescheduling:** Depending on the interest rates during 2020/21, there may be opportunities to reschedule some of the council's debt. However, if any repayment or rescheduling of existing PWLB debt was approved the rationale would be one or more of the following:

- The generation of cash savings and/or discounted cash flow savings;
- Helping to fulfil the treasury management strategy;
- Enhancing the balance of the debt portfolio (amending the maturity profile and/or the balance of volatility).

6.29 **Reporting:** All borrowing and rescheduling activity will be reported to the Performance and Finance Select Committee (within the Mid-Year Review and/or Annual Treasury Management reports); and to the Regulation, Audit and Accounts Committee and Treasury Management Panel within the prescribed compliance reports.

7 Annual Investment Strategy (Treasury Investments)

- 7.1 CIPFA and the MHCLG have extended the meaning of 'investments' to include both financial and non-financial investments. This section deals solely with financial investments, as managed by the Council's Treasury Management Team. Non-financial investments are dealt with in the separate Capital Strategy report.
- 7.2 The Council's main treasury management activity continues to be the investment of its surplus funds, representing income received in advance of expenditure plus balances and reserves held. All treasury investments are made under statutory provisions granted to the Council by the Local Government Act 2003 (Section 12; 'Power to Invest').
- 7.3 The Director of Finance and Support Services, in consultation with the Cabinet Member for Finance and the Treasury Management Panel, recommends that a continuation of the existing investment strategy be approved in 2020/21; subject to the following changes:
- (1) An increase to the maximum limit for the total invested in short-term Money Market Funds from £115m to £150m. To be utilised only in exceptional circumstances for the management of the Council's daily cash flows, given increased investment balances in 2020/21 following the additional PWLB borrowing undertaken in 2019.
 - (2) An increase in the maximum limit for the total invested greater than one year from £75m to £100m; again based on increased investment balances over a two to three year investment horizon.
 - (3) The inclusion of Imperial Treasury Services (appointed representative of Frank Investments Ltd) as an additional approved money market broker in the arrangement of investments and borrowings (regulated by the Financial Conduct Authority; FCA No. 627697).
- 7.4 At 30 November 2019 the Council's investments amounted to £308.2m (**Appendix A**). In the past twelve months the Council's average investment balance was circa £275m (including the additional £100m PWLB borrowing approved during the first quarter of 2019/20) and is forecast to average around £280m throughout 2020/21.

- 7.5 The Council's investment policy has regard to the CIPFA Treasury Management Code of Practice and MHCLG's Guidance on Local Government Investments. The Council's investment priorities will be the security first, liquidity second and then investment return ('SLY' investment principles). Accordingly the Council will look to strike an appropriate balance between risks and return; minimising the risk of incurring losses from defaults against the risk of receiving unsuitably low investment income.
- 7.6 In accordance with the CIPFA and MHCLG guidance, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of high creditworthy counterparties which also enables diversification and thus avoidance of concentration risks. In assessing credit ratings (as provided by Link Asset Services) the Council employs the 'Lowest Common Denominator (LCD)' approach, meaning that it uses the lowest rating of those published by Fitch Ratings Ltd, Moody's Investors Service Ltd or Standard & Poor's.
- 7.7 Credit ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of markets. To achieve this consideration the Council will engage with its treasury management advisors to maintain a monitor on market pricing such as 'credit default swaps' and overlay that information on top of credit ratings.
- 7.8 Other information sources used will include the financial press, share price and other such information pertaining to institutions (banks, corporates etc.) in order to establish the most robust scrutiny process on the suitability of potential investment counterparties. The Council continues to remain alert for any signs of credit or market distress that might adversely affect its treasury management activities and corrective action will be taken when deemed appropriate to ensure the security of the total investment portfolio.
- 7.9 Accordingly, the Director of Finance and Support Services will comply with the following policies when investing funds, whether directly or via the London money market. Investments arranged via the London money market will be made through approved brokers. The list of approved brokers in 2020/21 comprises:
- BGC Partners (including Martin Brokers)
 - Imperial Treasury Services
 - Institutional Cash Distributors (ICD) Ltd
 - King and Shaxson Limited
 - Tradition (UK) Limited
 - TP ICAP plc (including ICAP and Tullett Prebon Europe Ltd)
- 7.10 **Creditworthiness Policy:** The primary objective governing the Council's investment criteria is the security of its investments, although the yield or investment return is also a key consideration (paragraph 7.5). After this objective the Council will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in and the criteria for choosing investment counterparties with adequate security (including monitoring their security); and
- It has sufficient liquidity in its investments; for this purpose it will set out procedures for determining maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

- 7.11 The credit risks associated with making unsecured bank deposits remain evident (due to bail-in legislation) relative to the risks of other investment options available to the Council (including bank secured, local authority and non-bank corporate deposits). In addition to the risks associated with bail-in, the largest UK banks (those with more than £25bn of retail/Small and Medium-sized Enterprise (SME) deposits) are required by UK law to separate core retail banking services from their investment and international banking activities; this being known as 'ring-fencing'. Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt-up. Several banks are very close to the threshold so may come into scope in the future regardless.
- 7.12 Ring-fencing is a regulatory initiative created in response to the global financial crisis to improve the resilience and resolvability of banks by changing their structure. In general, simpler activities offered from within a ring-fenced bank will be focused on lower risk, day-to-day core transactions; whilst more complex and 'riskier' activities are required to be housed in a separate non-ring-fenced bank. This is intended to ensure that an entity's core activities are not adversely affected by the acts or omissions of other members of its group.
- 7.13 While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The probability of a bail-in of a ring-fenced bank is smaller than a non-ring-fenced entity from the same banking group; but the loss incurred as a result of a bail-in would likely be higher. This is because retail (ring-fenced) banks will typically have more capital to protect against losses, but fewer wholesale deposits and senior unsecured creditors to share losses with. The Council will continue to assess the new-formed entities in the same way that it does others and those with sufficiently high ratings (and other credit metrics considered, paragraphs 7.7 and 7.8) will be considered for investment purposes.
- 7.14 At 30 November 2019, 50% of the Council's investment portfolio is invested in short-term unsecured bank deposits and short-term money market funds (excluding externally managed pooled funds) in accordance with the policies as contained within the 2019/20 TMSS. The Director of Finance and Support Services confirms that the Council will not be holding any investment at 31 March 2020 that will be in breach of the recommended 2020/21 strategy.
- 7.15 Under MHCLG Investment Guidance investments are categorised as either '**Specified**', '**Non Specified**' (both categories being approved as suitable for Council treasury investment) or '**Loans**'. Specified investments are designed to offer high security and high liquidity, with the minimum of formalities. The MHCLG Guidance defines specified investments as those:
- Denominated in Sterling;

- With a maximum maturity of one year (365 days);
- Not defined as capital expenditure by legislation; and
- Invested with one of:
 - The UK Government (including Gilts, Treasury Bills and DMADF).
 - A local authority in England, Wales, Scotland or Northern Ireland.
 - An institution or investment scheme of 'high credit quality'.
 - Supranational Institutions (e.g. The European Investment Bank).

7.16 For investments to be regarded as specified, the Council defines 'high credit quality' as institutions and securities meeting the following criteria:

- (a) UK Institutions (Banks, Building Societies and Corporates): Minimum long-term credit rating of **A-**; rated by at least two of the three rating agencies; Fitch, Moody's and Standard & Poor's (S&P).
- (b) Non-UK Banks: Minimum long-term credit rating of **A+**; rated by at least two of the three rating agencies (Country holding a sovereign rating of at least **AA+**).
- (c) Non-UK Corporates: Minimum long-term credit rating of **A-**; rated by at least two of the three rating agencies (Country holding a sovereign rating of at least **AA+**).
- (d) Money Market Funds: Holding a **AAA** credit rating; rated by at least two of the three rating agencies and holding assets exceeding £1bn. The Council approves the use of Money Market Funds that operate under a Constant Net Asset Valuation (funds that invest exclusively in government securities) or operate under a Low Volatility Net Asset Valuation (all other short-term liquidity funds).
- (e) UK Local Authorities: Assumed **AA-** rating (unless actual rating exists from any of the three rating agencies).
- (f) UK Registered Social Landlords (formerly Housing Associations): Minimum long-term credit rating of **A-**; rated by at least one of the three rating agencies.
- (g) Externally Managed Pooled Funds: Holding a **AAA** credit rating; rated by at least one of the three rating agencies.

7.17 Any investment not meeting the 'Specified' investment criteria listed above will be treated as if it were unrated ('Non-Specified' investment; paragraph 7.45). For secured investments the credit rating relevant to the specific investment (covered bonds) or underlying collateral (reverse repurchase agreements) will be used as opposed to the individual rating of the bank/building society issuing the security.

7.18 **Monitoring Credit Quality:** Credit rating information is supplied by Link Asset Services (the Council's treasury advisor) on all active counterparties that comply with the criteria listed above. Any counterparty failing to meet the criteria will be omitted from the counterparty (dealing) list. Any rating changes, rating 'watches' (notification of a likely change) or rating 'outlooks'

(notification of the longer term bias outside the central rating view) are provided to officers almost immediately they occur and this information is considered before actual dealing arrangements. Where an institution has its credit rating downgraded so that it fails to meet any of the approved investment criteria then:

- No new investments will be made after the date of notification;
- Any existing investments that can be immediately recalled or sold at no cost (financial penalty) will be;
- Full consideration will be given to the recall or sale of all other existing investments with the affected counterparty; and
- Details will be reported to the Director of Finance and Support Services, the Cabinet Member for Finance and Treasury Management Panel members (and all authorised signatories).

7.19 Where an institution is placed on negative rating watch (notification of a possible rating downgrade) the reasons for the rating action will be evaluated. Unless there is sufficient cushion to absorb a two-notch downgrade to the long-term credit rating (to remain at or above the Council's minimum approved rating criteria) then decisions on new investments will be subject to approval by the Director of Finance and Support Services. This policy will not apply to negative 'outlooks', which indicate a longer term view rather than an imminent change to an institution's rating.

7.20 If an institution is placed on negative rating watch and is at (or likely to fall below) the Council's minimum rating criteria then no investments will be arranged until the outcome of the review is announced. Again, this policy will not apply to negative 'outlooks'.

7.21 Additional requirements under the CIPFA Treasury Management Code require the Council to supplement credit rating information. Whilst the above policies rely primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use; additional market information (see paragraphs 7.7 and 7.8) will be applied before making any specific investment decisions from the approved pool of counterparties. This additional market information will be applied to compare the relative security of differing investment counterparties.

7.22 The Director of Finance and Support Services and the Council's treasury management advisor will continue to analyse and monitor market indicators and credit developments on a regular basis and respond as necessary to ensure the security of the capital sums invested. No investments will be made with an organisation if there are substantive concerns about its credit quality, even though it may meet the approved minimum credit rating criteria (as set out in paragraphs 7.16 and 7.25).

7.23 **Liquidity Management:** The Council uses purpose-built short-term cash flow forecasting software (SAP Treasury Management Module) to determine the maximum period for which funds may prudently be invested. The cash flow forecast is entered on a prudent basis with income under-estimated and expenditure over-estimated. Additionally, the Council seeks to maintain a smooth profile of maturing investments, allowing it to cover unexpected items of expenditure and to react to favourable market conditions as they arise.

Monetary limits on long-term investments are set by reference to the Council's Medium Term Financial Strategy (MTFS) and long-term forecasts of usable reserve balances.

7.24 To assist liquidity management the Council operates a number of interest paying bank call (instant-access) accounts and money market funds where cash is deposited at competitive overnight interest rates and can be withdrawn without notice; these funds are therefore highly liquid.

7.25 **Investment Policy:** The Director of Finance and Support Services will undertake the most appropriate form of investments in keeping with the approved strategy objectives, income and risk management requirements and the Council's Treasury Indicators. Accordingly the Council may invest its surplus funds over a range of maturity periods with any of the approved counterparty types listed below, subject to maximum monetary and duration limits (covering both 'Specified' and 'Non-Specified' investments) as shown, to ensure that prudent diversification of the investment portfolio is achieved:

(a) **Unsecured Bank Deposits**

Credit Rating	Cash Limit (i)	Time Limit (i)
AAA	£15m	2 Years
AA+	£15m	1 Year
AA	£15m	1 Year
AA-	£15m	1 Year
A+	£15m	1 Year
A	£15m	6 Months
A-	£15m	100 Day
RBS Banking Group: Ring Fenced Bank only (Part Nationalised)	£15m	1 Year
Money Market Funds	£25m (ii)	Overnight
BBB+ (or below)	No Approval	No Approval

(i) Maximum exposure limits (monetary and time) approved per individual financial institution holding an applicable credit rating.

(ii) Maximum monetary limits per fund approved as £25m or 0.5% of the fund's total assets under management (AUM), whichever is lower.

(b) **Other Internally Managed Investments** (Bank Secured, Government Issues, UK Local Authorities and Non-Bank)

Institution/ Issue Credit Rating	Cash Limit (iii)	Time Limit (iii)
UK Government	Unlimited	50 Years
Local Authorities	£25m	20 Years
AAA	£25m	10 Years
AA+	£25m	5 Years
AA	£25m	4 Years
AA-	£25m	3 Years
A+	£15m	2 Years

Institution/ Issue Credit Rating	Cash Limit (iii)	Time Limit (iii)
A	£15m	1 Year
A-	£15m	6 Months
BBB+	£10m	100 Days
Money Market Funds	£25m (iv)	Overnight
Housing Associations (rated A- or higher)	£15m	5 Years
BBB (or below)	No Approval	No Approval

- (iii) Maximum exposure limits (monetary and time) approved per individual Local Authority, Housing Association, financial institution (secured bond) and applicably rated non-financial institution.
- (iv) Maximum monetary limits per fund that invest in **government securities only** approved as £25m or 2% of the fund's total assets under management (AUM), whichever is lower.

(c) Externally Managed Investments

Externally Managed	Cash Limit	Time Limit
Pooled Funds	See Note (v)	No Defined Maturity. Withdrawals made on: - Liquidity requirements - Fund performance

- (v) Maximum monetary limits for externally managed pooled funds (including ultra-short dated bond, equity, multi-asset and property funds) will be approved as £25m (AAA rated funds), £15m (all other funds) or 5% of the fund's total assets under management (AUM), whichever is lower.

- 7.26 **Bank Unsecured:** Includes bank current accounts, call (instant-access) accounts, notice accounts, fixed-term deposits, certificate of deposits and senior unsecured bonds with banks and building societies, other than multilateral development banks (for example the European Investment Bank). These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail.
- 7.27 **Bank Secured:** Includes covered bonds, reverse repurchase agreements (repos) and other collateralised arrangements with banks and building societies. These investment types are secured against the bank's assets, which consequently limits the potential losses in the unlikely event of insolvency and means that they are exempt from bail-in. Covered bonds will be considered when secured against a 'pool' of residential and/or low loan-to-value mortgages held by the issuing bank. Covered bonds differ from mortgage or asset-backed securities because the bank which issues the bond remains responsible at all times for paying dividends and repaying capital. The Council's investments are therefore protected firstly by having a direct call on the 'pool' and secondly by a call on the general assets of the issuer.
- 7.28 The Council accepts repo/reverse repo as a form of collateralised lending and will be based on the GMRA 2000 ('Global Master Repo Agreement'). Should any investment counterparty not meet the Council's senior unsecured rating (as

set out in paragraph 7.25) then a 102% collateralisation will be required. Acceptable collateral will include index linked gilts, conventional gilts, UK treasury bills, delivery by value (a basket of gilts covering differing maturity periods) and corporate bonds (subject to a minimum A- bond issue rating).

- 7.29 For secured bank deposits, where there is no investment specific credit rating but the collateral upon which the investment is secured has a credit rating, then the higher of the collateral credit rating or the counterparty credit rating will be used in determining monetary and duration limits (as set out in paragraph 7.25). The combined secured and unsecured investments in any one bank will not exceed the monetary limit approved for secured investments.
- 7.30 **Government Backed:** Loans, deposits, bonds and/or bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in and there is an insignificant risk of insolvency; for example statutory provisions set out in the Local Government Act 2003 preventing a UK local authority default. Investments with UK local authorities can be made for up to twenty years (but may include early repayment conditions for both lender and borrower).
- 7.31 In any future period of significant market stress the Council will maintain required levels of security by restricting new investments to those organisations of high credit quality only and reducing maximum duration limits in accordance with the prevailing market conditions. If there are insufficient financial institutions of high credit quality then the Council's surplus cash will be deposited with the UK Government, via the Debt Management Office (DMO) and UK treasury bills, or other local authorities.
- 7.32 **Registered Social Landlords (RSLs):** Loans, deposits and/or bonds either issued on an unsecured basis, or guaranteed by or secured against the assets of the RSL (formerly known as Housing Associations). These bodies are tightly regulated by Homes England and the Regulator of Social Housing; and as providers of public services they retain a likelihood of receiving government support if needed.
- 7.33 **Corporates:** Loans, bonds and/or commercial paper issued by companies other than banks, building societies and RSLs. These investments are not subject to bail-in but are exposed to the risk of the company going insolvent. The Council approves the use of investments issued by corporates that hold credit ratings in accordance with the approved investment policy (as set out in paragraphs 7.16 and 7.25) up to a maximum of £15m per company (£10m for corporates rated BBB+).
- 7.34 **Money Market Funds:** Pooled investment vehicles consisting of unsecured money market deposits and similar instruments, unless the fund consists of government securities only (paragraph 7.36). Such funds have the advantage of providing wide diversification of investment risks and high liquidity, coupled with the services of a professional fund manager. Fees of between 0.10% and 0.20% per annum are deducted from the interest paid to the Council.
- 7.35 The Council continues to use short-term money market funds that offer same-day liquidity and aim for no (or very low) asset value volatility as an alternative

to instant access bank accounts, subject to approved monetary limits per fund set as £25m or 0.5% of the fund's total assets under management (calculated against the previous working day's closing assets total) whichever is lower.

- 7.36 In times of significant market stress the Council may consider the use of money market funds that invest in government securities only as an alternative to Debt Management Office (DMO) deposits, up to a limit per fund of £25m or 2% of the fund's total assets under management, whichever lower (calculated as per paragraph 7.35). Such funds will be treated as a separate counterparty to a standard cash money market fund provided by the same sponsor.
- 7.37 **Externally Managed Pooled Funds:** Shares in diversified investment vehicles which may consist any of the investment types listed above (paragraphs 7.26 to 7.33) plus (but not limited to) equity shares, emerging market debt, and infrastructure/property. These funds allow the Council to diversify its investment portfolio into asset classes other than cash without the need to own and manage the underlying investments (undertaken by a professional fund manager in return for a fee).
- 7.38 Ultra-short dated bond funds (enhanced cash funds) provide an alternative to short-term money market funds in the management of cash-flow liquidity (up to 12 months) with the potential of increasing investment returns; whilst introducing the potential for short-term capital volatility not evident in money market funds. Equity, multi-asset and property funds provide the potential for enhanced returns over the longer-term, but are significantly more volatile when viewed in the short-term. Consequently all externally managed pooled funds may experience times of displaying capital losses when viewed over a short-term horizon, contravening 'SLY' investment principles.
- 7.39 Selection of funds will be subject to credit risk appraisal undertaken by the Director of Finance and Support Services and will be reported to the Cabinet Member for Finance and the Treasury Management Panel. The Council's current investments in such funds are listed in **Appendix A**.
- 7.40 Because these funds have no defined maturity date and may be subject to experiencing periods of capital loss, their performance and continued suitability in meeting the Council's investment objectives will be regularly monitored by the Director of Finance and Support Services. Any compliance issues arising from pooled fund investments (for instance periods of capital loss) will be reported within quarterly compliance reports to the Regulation, Audit and Accounts Committee.
- 7.41 **The Council's Main Provider of Banking Services:** The Council currently banks with Lloyds Bank plc (Lloyds ring-fenced bank), the contract being effective up to 30 September 2022. Lloyds currently meets the Council's minimum credit criteria. However, should its credit rating fall below the minimum rating criteria as prescribed in this strategy report (paragraph 7.16) the provider may continue to be used for short-term (overnight) liquidity requirements and business continuity arrangements.
- 7.42 Balances held within current accounts will be aggregated together with investments held with the Council's banker on a daily basis, and should remain within set counterparty monetary limits as prescribed within this strategy report

(paragraphs 7.25 and 7.43). Occasionally however, the Council is in receipt of 'large' amounts of income which cannot be deposited into separate investment counterparties due to intra-day dealing deadlines. In such instances the Council approves that an operational breach of the Council's main banker's set monetary limits may occur for a maximum period of one working day, with corrective action being taken on the next available working day as appropriate.

- 7.43 **Country, Group and Sector Limits:** Due care will be taken to consider the county, group and sector exposure (in addition to duration and monetary exposure). Specific limits for which investments may be placed are set out below:

Limit Type	Cash Limit
UK Central Government	Unlimited
Any single UK Local Authority (excluding individual Fire Authorities and Police and Crime Commissioners)	£25m
Any single financial institution, including UK building societies	£25m
Any single corporate or RSL: Rated A- or above	£15m
Any single corporate (including RSLs): Rated BBB+	£10m
Maximum % invested in UK domiciled institutions/organisations	100%
Maximum investment amount per banking group	£25m
Maximum corporate exposure	£50m
Maximum RSL exposure (rated above A-)	£25m
Maximum money market fund exposure (excluding pooled funds)	£150m
Maximum externally managed pooled fund exposure	£100m
Maximum investment total for non-UK countries	£90m
Maximum investment per individual non-UK country	£30m
Maximum invested in negotiable instruments held in a broker's (including King & Shaxson) nominee account	£100m

- 7.44 Investments in multilateral development banks, short-term money market funds and externally managed pooled funds do not count against the limit for any single non-UK country as shown above (£30m), since the risk is diversified across many countries.

- 7.45 **Non-Specified Investments:** Any investment not meeting the MHCLG definition of a 'Specified' investment (or 'Loan') is classified as 'Non-Specified'. Having considered the rationale and risks associated with non-specified investments, the following have been determined appropriate for the Council's use:

- Long-term (greater than one year) investments
- Investments with credit ratings below A- (corporates)
- Investments in externally managed pooled funds (not rated AAA)
- Investments denominated in foreign currencies (Euros)
- Investments that are defined by legislation as capital expenditure

- 7.46 The following monetary limits will be applied to Non-Specified treasury investments in 2020/21; including an increase to the maximum amount approved as being available for long-term investment from £75m to £100m (see paragraph 7.3):

Investment Type	Cash Limit
Total long-term investments (greater than one year)	£100m
Total investments with corporates rated below A-	£30m
Investment Type	Cash Limit
Total investments within externally managed pooled funds, including ultra-short dated bond funds (not rated AAA);	£60m
Total investments denominated in foreign currencies	£2.8m
Total investments defined as capital expenditure	£0.2m

7.47 **Long-Term Investments:** Long-term investments including gilts, covered bonds, corporate bonds, supranational bank bonds, local authority loans, RSLs deposits/bonds, externally managed pooled funds and an equity investment with the UK Municipal Bond Agency are approved by the Council. At 30 November 2019 the Council had £74.5m invested for greater than one year. The maximum monetary limit for long-term investments with any one organisation is set at £15m (£25m for individual UK local authorities).

7.48 As required by the Prudential Code, the Council is required to set limits for total funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for the early sale of an investment (potentially incurring additional costs) and are based on the availability of funds after each year-end (as detailed in the Council's Balance Sheet Projections; paragraph 6.11).

7.49 The resulting treasury indicator for long-term investments is shown below:

Treasury Indicator (i)	Upper Limit 2019/20	Upper Limit 2020/21	Upper Limit 2021/22	Upper Limit 2022/23	Upper Limit 2023/24	Upper Limit 2024/25
Maximum Invested for a Year or longer	£75m	£100m	£100m	£100m	£100m	£100m

(i) Limits for future years to be reviewed on an annual basis.

7.50 No long-term investment will be arranged with any bank or building society on an unsecured basis.

7.51 **Non-Sterling Investments:** Occasionally the Council may receive grant funding denominated in Euros and subsequently incurs expenditure in Euros. To remove the exchange rate risk associated with converting such funds into Sterling, these can be held in a Euro denominated bank account. The Director of Finance and Support Services may therefore make investments denominated in Euros up to a maximum limit of €3.3m (£2.8m equivalent based on a 1.1786 exchange rate).

7.52 **Investments Defined as Capital Expenditure:** Investments defined by legislation as capital expenditure, such as company shares, are covered by the Council's non-treasury (commercial) investment policy as set out in the Capital

Strategy. The Council does however hold an equity investment in the UK Municipal Bond Agency plc; a capital finance company established in 2014 by the Local Government Association. This capital investment was originally approved in February 2015 in light of the Council's significant borrowing requirement in the period up to 2025, having the aim of providing the Council with a borrowing alternative to the PWLB.

- 7.53 **Policy on Financial Derivatives:** The Council has previously made use of financial derivatives that are embedded into investments, to reduce interest rate risks through the use of forward dated deals and to increase income through the use of callable deposits. The 'General Power of Competence' in Section 1 of the Localism Act 2011 removed much of the uncertainty over local authorities' use of standalone financial derivatives (those not embedded into an investment), including swaps and options. The CIPFA Treasury Management Code of Practice requires the Council to clearly state their policy on the use of financial derivatives in the annual strategy.
- 7.54 The Council does not intend to use standalone financial derivatives unless they can be clearly demonstrated to reduce the overall level of financial risks the Council is exposed to. Embedded derivatives, including those present in externally managed pooled funds and forward starting investments, will not be subject to this policy; however the risks they present will be managed in line with the overall treasury risk management strategy. Should this position change the Director of Finance and Support Services, after seeking a legal opinion on the use of standalone financial derivatives, will develop a detailed and robust risk management framework governing their use and will ensure that treasury management officers have the appropriate training.
- 7.55 **Ethical Investments:** Statutory guidance issued by CIPFA and MHCLG makes clear that all treasury investments must adopt security, liquidity and yield (SLY) principles; ethical issues must then play a subordinate role to those priorities. Nevertheless, there are a growing number of financial institutions and fund managers promoting Environmental, Social and Governance (ESG) products. The Director of Finance and Support Services will consider such investments when deemed appropriate within the Council's overall treasury management policies and objectives.
- 7.56 **Loans:** Loans to third parties (individuals and/or non-rated companies) will be approved based on the economic and social benefits to the Council and the residents of West Sussex; or following an external credit assessment of the company involved. At 31 March 2019 the Council had one outstanding loan with the Littlehampton Harbour Board, which commenced in March 2015 and is being repaid annually over a period of twenty years. Interest applicable to this loan is being received to fully recover costs incurred by the Council and not to generate additional income.

8 Investment Income (2020/21)

- 8.1 Interest forecasts provided by Link Asset Services (**Appendix B**) show the potential of one 0.25% increase to Bank of England's Bank Rate during the last quarter of 2020/21. Given the current level of economic uncertainties the Director of Finance and Support Services has calculated expected 2020/21

investment income based on the assumption that Bank Rate will average around 0.75% throughout the financial year.

- 8.2 The Council is expected to have an average investment portfolio of £280m throughout 2020/21 (paragraph 7.4). Given the Council's Bank Rate forecast and the continuation of the Council's 2019/20 investment strategy (including approval to invest up to £100m in long-term investments and externally managed pooled funds) it is forecast that the portfolio will attract an average interest rate of 1.36%.
- 8.3 The Council therefore expects to receive investment income totalling £3.0m in 2020/21 (as shown in the table below); representing an increase from 2019/20 as a result of both the higher average investment portfolio and higher interest rate of return (due to additional long-term investments):

Investment	Average Portfolio £'m	Interest Rate (%)	Interest £'m
Liquidity Portfolio	70.0	0.69	0.5
Short-Term Investment Portfolio	125.0	0.94	1.2
Long-Term Investment Portfolio	85.0	2.54	2.1
Gross Interest Return	280.0	1.36	3.8
Less transfers to specific reserves	n/a	n/a	-0.8
Investment Income (2020/21)	n/a	n/a	3.0

- 8.4 If actual levels of investments and interest rates differ from the forecasts then performance against the budget will be correspondingly different. Given the constraints on the Council's 2020/21 revenue budget, the Director of Finance and Support Services will monitor the investment income budget throughout the period and report any changes to the above forecast within monthly Total Performance Monitors (TPMs).

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Appendices

Appendix A West Sussex County Council - Treasury Portfolio (30/11/19)
Appendix B Economic and Interest Rate Forecast (Link Asset Services)

Background Papers

None

West Sussex County Council - Treasury Portfolio (30/11/19)

Gross External Debt

External Borrowing	30/11/19 £'m
Fixed Rate: Public Works Loan Board (PWLB)	481.6
Fixed Rate: PWLB (on behalf of the Littlehampton Harbour Board)	0.2
Variable Rate: Short-Term (<i>Chichester Harbour Conservancy</i>)	4.6
Total External Borrowing	486.4

Other Long Term Liabilities (i)	30/11/19 £'m
Private Finance Initiatives (PFI)	94.8
Finance Leases	1.6
Total Other Long-Term Liabilities	96.4

Total Gross External Debt **582.8**

(i) Other Long Term Liabilities: Expected position at 31 March 2020.

Treasury Investments

Internally Managed Investments	30/11/19 £'m
Bank Secured: Long-Term Covered Bond	10.0
Bank Unsecured: Short-Term Cash Deposits (Fixed-Term)	82.1
Bank Unsecured: Short-Term Cash Deposits (Notice Accounts)	14.9
Bank Unsecured: Short-Term Certificate of Deposits	10.0
Bank Unsecured: Money Market Funds	47.4
Local Authority: Long-Term Investments	15.0
Local Authority: Short-Term Investments	55.0
Registered Social Landlords: Long-Term Investments	10.0
Total Internally Managed Investments	244.4

Externally Managed Investments	30/11/19 £'m
Multi-Asset Income Funds	15.4
Property Funds	23.8
Ultra-Short Dated Bond Funds	24.6
Total Externally Managed Investments	63.8

Total Treasury Investments **308.2**

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Economic and Interest Rate Forecast (Link Asset Services)

1 Prospect for Interest Rates

- 1.1 The Council has appointed Link Asset Services (Treasury Solutions) as its treasury advisor and part of their service is to assist the Council in formulating a view on interest rates. The following table gives their central view (updated November 2019):

Rate (%)	Dec 2019	Mar 2020	Jun 2020	Sep 2020	Dec 2020	Mar 2021	Jun 2021	Sep 2021	Dec 2021	Mar 2022	Jun 2022	Sep 2022	Dec 2022	Mar 2023
Bank Rate	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25	1.25	1.25	1.25
3-Mth LIBID	0.70	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.30	1.30
6-Mth LIBID	0.80	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40	1.50	1.50	1.50	1.50
12-Mth LIBID	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60	1.70	1.70	1.70	1.70
5-Yr PWLB	2.30	2.40	2.40	2.50	2.50	2.60	2.70	2.80	2.90	2.90	3.00	3.10	3.20	3.20
10-Yr PWLB	2.60	2.70	2.70	2.70	2.80	2.90	3.00	3.10	3.20	3.20	3.30	3.30	3.40	3.50
25-Yr PWLB	3.20	3.30	3.40	3.40	3.50	3.60	3.70	3.70	3.80	3.90	4.00	4.00	4.10	4.10
50-yr PWLB	3.10	3.20	3.30	3.30	3.40	3.50	3.60	3.60	3.70	3.80	3.90	3.90	4.00	4.00

- 1.2 The interest rate forecasts provided by Link Asset Services are predicated on an assumption of an agreement being reached on Brexit between the UK and the EU. On this basis, while UK Gross Domestic Product (GDP) growth is likely to be subdued in 2019 and 2020 due to all the uncertainties around Brexit depressing consumer and business confidence, an agreement on the detailed terms of a trade deal is likely to lead to a boost to the rate of growth in subsequent years which could in turn increase inflationary pressures in the economy and so cause the Bank of England to resume a series of gentle increases in Bank Rate. Just how fast and how far those increases will occur and rise to will be dependent on future economic data. The Link Asset Services forecasts as presented above therefore assume a modest recovery in the rate and timing of stronger growth and in the corresponding response by the Bank in raising rates.

- 1.3 Risks to this interest rate forecast on differing Brexit outcomes include:

- In the event of an orderly non-agreement exit in December 2020 it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall (impacting on borrowing rates).
- If there was a disorderly Brexit then any cut in Bank Rate would likely to last for a longer period and also depress short and medium gilt yields correspondingly. Quantitative easing could also be restarted by the Bank of England and it is possible that the government could act to protect economic growth by implementing additional fiscal stimulus.

- 1.4 A further risk to interest rate forecasts is that all central banks are now working in very different economic conditions than before the 2008 financial crash, as there has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed since 2008. This means that the neutral rate of interest in an economy (that being the rate that is neither expansionary nor deflationary) is difficult to determine definitively in this new environment; although central banks have made statements that they expect it to be much lower than before 2008. Going forward central banks could therefore either over or under do increases in central interest rates in their efforts to maintain effective monetary policy.
- 1.5 Borrowing Rates: As shown in the above forecasts provided by Link Asset Services, the overall longer run future trend is for UK gilt yields, and consequently Public Works Loan Board (PWLB) rates to rise, albeit gently. From time to time however, gilt yields can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment; such volatility could occur at any time during the forecast period.
- 1.6 In addition, PWLB rates are subject to ad-hoc decisions by HM Treasury to change the margin over gilt yields charged in PWLB rates; as demonstrated in October 2019 when HM Treasury unexpectedly announced their decision to increase the margin over gilt yields by an additional 1% (to 180 basis points) on loans lent to local authorities; having the aim of increasing PWLB borrowing rates back to 2018 levels. It remains unclear whether or not this extra 100 basis points margin would be reversed if gilt yields were to rise back up again by over 100bps within the next year or so.
- 1.7 Other downside/upside risks to the current forecasts for UK gilt yields, and therefore corresponding PWLB borrowing rates, include:

Downside Risks	Upside Risks
<ul style="list-style-type: none"> • Brexit – if it were to cause significant economic disruption and a major downturn in the rate of growth (<i>however there would appear to be a majority consensus in the Commons against any form of non-agreement exit so the chance of this occurring has diminished</i>). • Bank of England takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate. 	<ul style="list-style-type: none"> • Brexit – if agreement was reached all round that removed all threats of economic and political disruption between the EU and the UK. • The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.

Downside Risks	Upside Risks
<ul style="list-style-type: none"> • A potential for a re-run of the 2008 financial crisis centred on huge debt accumulated by corporations during the decade of low interest rates; as stated by the IMF in a report issued in October 2019 on the World Economic Outlook which also flagged up a synchronised slowdown in world growth. At the same time the deputy Governor of the Bank of England also flagged up the dangers of banks and the shadow banking sector lending to corporates, especially highly leveraged corporates, which had risen back up to near pre-2008 levels. • A resurgence of the Eurozone sovereign debt crisis given concerns centred on various EU minority governments dependent on coalitions which could prove fragile (<i>including, Austria, Belgium, Germany, Italy, Netherlands, Portugal, Spain and Sweden</i>); and weak capitalisation of some European banks, particularly Italian banks • Geopolitical risks, for example in North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows. 	<ul style="list-style-type: none"> • UK inflation, whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

- 1.8 Economic and interest rate forecasting remains difficult with so many influences weighing on UK gilt yields and PWLB rates. The above forecasts (and Bank of England monetary policy decisions) will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.
- 1.9 Full details of economic commentaries and interest rate forecasts as provided by Link Asset Services are held by the Director of Finance Support Services (Financial Reporting: Treasury Management Team).

2 Investment and Borrowing Rates

- 2.1 Investment returns are likely to remain low during 2020/21 with little increase in the following two years. Based on the current Link Asset Services central assumptions for interest rates, the suggested budgeted earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

Average Earnings per Financial Year	Nov-19 Forecast
2019/20	0.75%
2020/21	0.75%
2021/22	1.00%
2022/23	1.25%
2023/24	1.50%
2024/25	1.75%
Later years	2.25%

- 2.2 If major progress was however made with an agreed Brexit including the terms of a trade deal with the EU during 2020 (or soon after) then there is upside potential for investment income over the above periods.
- 2.3 **Borrowing Advice:** Borrowing interest rates were on a major falling trend during the first half of 2019/20; significantly narrowing the 'cost of carry' effecting revenue budgets (that being the difference between higher borrowing costs and lower investment returns). Whilst this gave local authorities the opportunity to take new borrowing from the PWLB (as opposed to the policy of avoiding new borrowing by running down spare cash balances) the unexpected increase of 100 bps in PWLB rates implemented in October 2019 requires local authorities to revisit their borrowing and risk management strategies.
- 2.4 Now that the gap between longer term PWLB borrowing rates and investment rates has once again materially widened, consideration should be given to sourcing funding at cheaper rates from the following:
- Local authorities (primarily for shorter dated maturities);
 - Financial institutions (primarily insurance companies and pension funds but also some banks, out of spot or forward dates); and/or
 - Municipal Bonds Agency (no issuance at present but there is potential).
- 2.5 In addition, authorities who have recently taken new PWLB borrowing could temporarily return to a policy of internal borrowing in 2020/21, thereby minimising the resulting revenue costs whilst other funding sources as an alternative to the PWLB are considered. This policy would however need to be carefully reviewed to avoid incurring higher borrowing costs in the future at times when it may not be possible to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

PRUDENTIAL INDICATORS (2020/21 TO 2024/25)							
Capital Programme	Actual 31-Mar-19 £000	Estimate 2019/20 £000	Estimate 2020/21 £000	Estimate 2021/22 £000	Estimate 2022/23 £000	Estimate 2023/24 £000	Estimate 2024/25 £000
Capital Expenditure - Service (Core)	75,888	92,131	96,039	119,823	121,974	101,822	111,347
Income Generating Initiatives (Commercial Investment)	42,613	8,451	7,353	30,906	31,005	48,259	43,767
Capital Expenditure (i)	118,501	100,582	103,392	150,729	152,979	150,081	155,114
Capital Financing Requirement (CFR) - Service	545,615	533,263	528,112	581,518	636,620	675,557	705,134
CFR - Income Generating Initiatives (Commercial)	72,563	76,332	82,087	111,434	140,241	184,678	223,624
Capital Financing Requirement (Closing Balance)	618,178	609,595	610,199	692,953	776,860	860,235	928,758
Gross External Debt	393,811	487,335	480,319	476,803	466,787	470,455	502,030
Income Generating Initiatives (Commercial)	0	0	0	0	102,648	184,678	223,624
PFI Schemes and Finance Leases	99,055	96,440	97,104	92,813	88,229	83,747	79,378
Actual Debt/Operational Boundary (ii)	492,866	583,775	577,423	569,616	657,664	738,880	805,033
Gross External Debt (inc. Commercial)		553,685	600,560	686,067	756,804	761,286	765,655
PFI Schemes and Finance Leases		96,440	97,104	92,813	88,229	83,747	79,378
Authorised Borrowing Limit	N/A	650,125	697,664	778,880	845,033	845,033	845,033
Revenue Impact	Actual 31-Mar-19 £000	Estimate 2019/20 £000	Estimate 2020/21 £000	Estimate 2021/22 £000	Estimate 2022/23 £000	Estimate 2023/24 £000	Estimate 2024/25 £000
Capital Financing Costs (Corporately Funded)	27,155	28,190	28,524	28,700	30,091	31,921	34,891
Net Revenue Expenditure	533,943	575,469	593,857	611,435	623,329	638,520	650,000
Ratio (%)	5.1%	4.9%	4.8%	4.7%	4.8%	5.0%	5.4%
(i) 2018/19 actual capital expenditure includes PFI notional investment, as per Note 6 of the Council's "Statement of Accounts"							
(ii) The <i>Operational Boundary</i> represents the Council's forecast of its gross external debt (including PFI and Finance Lease liabilities)							
Commercial Investments (iii)		Estimate 2019/20 £000	Estimate 2020/21 £000	Estimate 2021/22 £000	Estimate 2022/23 £000	Estimate 2023/24 £000	Estimate 2024/25 £000
Forecast Income		3,976	4,069	4,447	5,982	7,378	10,111
Net Revenue Expenditure		575,469	593,857	611,435	623,329	638,520	650,000
Commercial Income to Net Service Ratio (%)		0.7%	0.7%	0.7%	1.0%	1.2%	1.6%
Forecast Income		3,976	4,069	4,447	5,982	7,378	10,111
Cost of Borrowing (Capital Financing)		2,236	2,318	2,662	4,108	5,510	8,289
Investment Cover Ratio		1.8	1.8	1.7	1.5	1.3	1.2
(iii) New investment property opportunities and Your Energy Sussex (inc. solar farms and solar panels) income generating schemes only.							
TREASURY MANAGEMENT INDICATORS							
Maximum % Gross Borrowing at Fixed and Vairiable Rates	Actual 31-Mar-19 £000	Estimate 2019/20 £000	Estimate 2020/21 £000	Estimate 2021/22 £000	Estimate 2022/23 £000	Estimate 2023/24 £000	Estimate 2024/25 £000
Maximum % Gross Borrowing at Fixed Rates	99%	100%	100%	100%	100%	100%	100%
Maximum % Gross Borrowing at Variable Rates	1%	25%	25%	25%	25%	25%	25%
Internal Borrowing Forecast	Actual 31-Mar-19 £000	Estimate 2019/20 £000	Estimate 2020/21 £000	Estimate 2021/22 £000	Estimate 2022/23 £000	Estimate 2023/24 £000	Estimate 2024/25 £000
Under/Over(-) Borrowing (iv)	125,312	25,820	32,776	123,337	119,196	121,355	123,725
Under/Over(-) Borrowing as a % of CFR	20.3%	4.2%	5.4%	17.8%	15.3%	14.1%	13.3%
Maturity Structure of External Debt	Actual 31-Mar-19	Lower Limit 2019/20	Upper Limit 2019/20	Lower Limit 2020/21	Upper Limit 2020/21		
Debt Maturity (v):							
Over 30 Years	6%	0%	40%	0%	40%		
Over 25 to 30 Years	0%	0%	25%	0%	25%		
Over 20 to 25 Years	4%	0%	25%	0%	25%		
Over 15 to 20 Years	0%	0%	25%	0%	25%		
Over 10 to 15 Years	63%	0%	65%	0%	65%		
Over 5 to 10 Years	19%	0%	45%	0%	45%		
Over 1 to 5 Years	5%	0%	35%	0%	35%		
Under 12 months	3%	0%	25%	0%	25%		
(iv) The Council's forecast levels of internal borrowing based on gross external debt projections.							
(v) These percentages reflect maximum values to allow for new external and/or debt restructuring. They do not reflect actual maturity values.							
Upper Limit for Principal Sums Invested over 365 Days	Actual 31-Mar-19	Upper Limit 2019/20	Upper Limit 2020/21	Upper Limit 2021/22	Upper Limit 2022/23	Upper Limit 2023/24	Upper Limit 2024/25
Maximum invested for a year or longer (vi)	£67.2m	£75m	£100m	£100m	£100m	£100m	£100m
(vi) Limits for future years to be reviewed on an annual basis.							

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Equality Impact Report: Budget 2020/21

Implementation date 1 April 2020 – 31 March 2021
EIR completed by: Nick Carroll Tel: 0330 222 3567

1 Decide whether this report is needed and, if so, describe how you have assessed the impact of the proposal.

- 1.1. One of the County Council's most significant strategic decisions is the budget and the service plans and commitments which it is designed to deliver. In setting the budget the County Council must be aware of and consider a range of statutory and other legal responsibilities. These responsibilities must inform the decision to set the budget and the Council must explain how it undertakes that process of consideration. The public sector equality duty is an important element of this process for delivering a rational and lawful budget.
- 1.2. The public sector equality duty is the duty to have regard to the impact of proposals on persons and groups with protected characteristics. The Council discharges the public sector equality duty through several measures, particularly by applying detailed consideration of such impacts arising from the planning and implementation of service changes, especially where those changes reduce current service levels or reduce the funds available to deliver them. The public sector equality duty impact is best understood and assessed using detailed service and customer information held or secured by those leading, planning and implementing service change. The information is used to support the decisions which generate service plans. The County Council takes the budget decision on the basis that this arrangement for discharging the public sector equality duty is in place.
- 1.3. Where statutory or some other customer or public consultation is required to help the impact assessment work, this is included as part of change planning and implementation. Where specific service user data is required to better understand the potential impact on those with protected characteristics, this is secured. Different levels of assessment or different forms of data gathering are used dependent upon the needs of the particular service plan under consideration. The overall budget proposal explains how these different approaches apply in relation to the body of service plans.
- 1.4. The Cabinet Report in July considered a list of major, strategic savings, requiring a Cabinet Member decision, in July 2019 and agreed to progress some initiatives in the autumn. Where required to inform the decision proposed, the Council followed a clear process of consultation, including the range of legal responsibilities to be met. All the proposals for Cabinet Member decision were available for pre-scrutiny by the relevant Select Committee, including consideration of the information from consultations and impact assessments. In December 2019, the Performance and Finance Select Committee considered the plans for all savings proposals.
- 1.5. The Medium Term Financial Strategy report provided to the Performance and Finance Select Committee in October 2019 (updated in December) set out the considerable financial challenges the County Council faces in 2020/21 and for the following years. While the Council has received notification of some funding increases in 2020/21, it continues to face service demand pressures, especially in social care for adults and children, that are rising much more

steeply. This means the Council must consider further significant reductions to achieve a balanced budget. Impact assessment is undertaken in that context.

- 1.6. The scale of savings planned for 2020/21, at £18.4m does also need to be viewed in the context of a draft overall net revenue budget of around £594m and future investment to meet service demand and other pressures which is estimated to increase the net budget by around £76m by 2023/24 compared to 2019/20, despite assumed continued reductions in funding support provided by the Government.
- 1.7. The savings measures included in the budget report to balance the budget contain further information on how the equality impact work will be addressed as part of each proposed saving.
- 1.8. The background to the budget for 2020/21 is continued further increases in demand pressures for acute and essential services on which many of our more vulnerable residents rely and that these demand increases will outstrip any Government funding changes. As such, a programme of well-considered and planned savings is essential to ensure the Council achieves its legal duty to approve a realistic and balanced budget, with the minimum adverse impact for residents.

Settlement Funding Assessment 2019/20 to 2020/21

	2019/20 £m	2020/21 £m	Change £m	Change %
West Sussex	78.0	79.3	1.3	1.6
England	14,559.6	14,796.9	237.3	1.6

- 1.9. 2020/21 is the first year for a decade when the County Council's core funding (Settlement Funding Assessment) has not decreased. Over this period, the Council has had to make £240m of savings and needs to find £18.4m more in 2020/21. Adding to the increasing difficulty in identifying and implementing yet more savings, the Council also faces the continuing and intensifying pressure from the significant rising demand for council services. For example, West Sussex has a high and increasing proportion of the population are aged over 65 at 23.0%, compared with the average for England of 18.4%. For people over 85, the proportions are 3.5% of the population in West Sussex compared to 2.5% for England.
- 1.10. The emphasis in budget planning continues to be on delivering efficiencies, cost reductions and income generation with a view to protecting front line services along with the West Sussex Plan priorities. The Council's over-arching aim has been to avoid arbitrary or across the board budget reductions, as these would not reflect the Council's priorities and would be more difficult to assess in terms of impact on the broad range of responsibilities, including the public sector equality duty. Instead the Council has focused on specific measures to both understand impacts and address any adverse impacts for services or support. In all cases, unless stated otherwise, each service prepares an impact assessment to inform the eventual decision based on the Council's standard approach to its public sector equality duty so that the decision making has full regard to such assessment.

2 Describe any negative impact for customers or residents.

- 2.1. Accumulated service reductions and funding constraints, combined with service demand pressures will present risks of negative customer impact. Efforts have been made when compiling the savings programme to minimise the impact on residents generally and on those with a protected characteristic. A key example of introducing measures to manage the ever higher demand for services would be £1.9m efficiencies in Adults and Health for Lifelong Services, through supporting individuals with lifelong disabilities or autism and other complex needs. By taking a more holistic view of customers throughout their lives and from promoting independence, better care outcomes and better value for money are expected to be delivered, for example from innovative approaches to high cost residential placements and greater use of community assets.
- 2.2. Of the total savings planned for 2020/21 a significant number arise from measures that are deemed to be efficiencies from the following broad categories:
- Contractual (£3.7m)
 - Savings arising from procurement work, collaboration with procurement or improved contractual terms
 - Fees, charges and other income streams (£1.8m)
 - Opportunities to increase income via increased charges, cost recovery or new avenues such as sponsorship or commercial income from property
 - Operational Changes (£13.5m)
 - Optimising all opportunities within current arrangements to deliver better value for money, such as by changing processes.
- 2.3. The above areas would be expected to have no or only a minimal impact on any group with a protected characteristic.
- 2.4. Strategic decisions, where the relevant Cabinet Member has made a decision in a key area amount to around £5m. Every effort has been made to indicate the nature of these decisions at an early point in planning for 2020/21, to provide for consultation and maximise consideration of measures to mitigate any adverse effects of the proposals.
- 2.5. The Council has made efforts to continue to provide residents with a core service, even in areas where a reduction to a discretionary activity has needed to be considered. Work will be done on equalities impacts and how to mitigate any potentially harmful effects within the individual case for decisions to be taken and their implementation.

3 Describe any positive effects which may offset any negative impact.

- 3.1. The report highlights significant continued or new investment in services to support the West Sussex Plan priorities and which should result in a positive impact for residents including those with a protected characteristic.

- 3.2. For example, within the 2020/21 revenue budget to support the **Best Start in Life and Independence for Later Life** aims, additional funding is proposed for both younger and older residents across the county to meet the forecast rising demands on these services. For Children and Young People the additional funding is £28.4m (28%), for Adults and Health, the increase in funding is £3.1m (1%). While these represent the net sums, the gross funding increase to meet the existing and ongoing demands placed upon these services is £32.0m for Children and Young People and £10.3m for Adults and Health.
- 3.3. Due to the increasing demand for these acute services, the Council has again had to propose to raise the Adults Social Care precept by the maximum 2% permitted for 2020/21. The Council has spent the amounts raised from this precept to help meet the rising cost pressures and demand from increasing customer numbers and complexity in Adults Social Care.
- 3.4. The additional funding for Children's services includes £12.0m investment in the Children First Improvement Plan and £12.4m allocated to meet demand for placements.
- 3.5. Longer term, the County Council is working on service transformation plans to address the issue of rising demand coupled with reduced Government funding to continue to protect priority services as far as possible.
- 3.6. Service transformation, led by relevant Executive Directors and Directors, will be critical to ensuring a future sustainable budget. The Whole Council Design approach has been reviewed. West Sussex County Council does not have the capacity to deliver all the projects in the original programme at the same time. The Council will focus on Service Redesign and refresh its view of priority activities. Further development work to agree detailed benefits is being undertaken with the relevant Executive Directors and Directors who will lead the projects. At this early stage in delivery, £2.4m of this target is provided for in next year's budget, to follow mobilisation late in the current financial year.
- 3.7. The Council is also seeking to enhance its income streams, such as from business rates, where the county, district and borough councils benefit from additional revenues arising from economic growth under the business rate retention system. This assumption, coupled with a council tax rise of 1.99% for core services and 2.00% for the Adults Social Care precept means that other funding streams are being used to offset the continuing reduction in our core financial support from Government. The Council's total proposed increase in council tax is 3.99% and has been set at a rate just below the level where a referendum would be required. This increase generates an additional £25.7m, which helps protect services and mitigates the financial impact of reduction on our core funding from Government.
- 3.8. As well as the revenue budget, the County Council will be asked to approve an updated capital programme for 2020/21 to 2024/25. The capital programme sets out how the County Council proposes to invest in assets to deliver the Council's vision for and its commitment to West Sussex. For example, the capital programme includes the provision of modern, maintained and fit for purpose educational facilities, providing the correct numbers of school places in the correct locations, giving an environment where children can thrive.

- 3.9. The Council is committed to ensuring continued economic growth and prosperity, working with our partners to understand the needs of businesses and provide the infrastructure and skills for them to succeed and grow in West Sussex. The capital programme proposes a package of works designed to stimulate economic growth, directly providing or contributing to the creation of over 10,000 jobs, delivering nearly 600,000 square metres of commercial floorspace in key locations and unlocking the potential for over 15,000 new homes. These investments provide a basis for a stronger financial position from which to develop plans for services.

4 Describe whether and how the proposal helps to eliminate discrimination, harassment and victimisation.

- 4.1. One of the key aims of developing specific savings proposals, rather than simply assume across the board budget cuts, is to plan savings that balance the budget on the basis of protecting front-line services and delivering West Sussex plan priorities.
- 4.2. In preparing the savings outlined, it is believed that no individual group whether it be by age, sex, race, disability, gender reassignment (including transgender), sexual orientation, religion or belief or any other identifiable group will suffer from discrimination, harassment or victimisation as a direct consequence. The focus on elimination will be addressed in service plan and implementation.

5 Describe whether and how the proposal helps to advance equality of opportunity between people who share a protected characteristic and those who do not.

- 5.1. The savings identified by services will be expected to maintain equality of opportunity between people who share a protected characteristic and those who do not. This is part of the work that will take place ahead of the individual equality impact work on each saving area.

6 Describe whether and how the proposal helps to foster good relations between persons who share a protected characteristic and those who do not.

- 6.1. The savings identified by services will be expected, where possible, to foster good relations between persons who share a protected characteristic and those who do not.
- 6.2. This is part of the work that will take place ahead of the individual equality impact work on each service area.

7 What changes were made to the proposal as a result? If none, explain why.

- 7.1. Strategic savings decisions were published in July 2019 (in the forward plan) and where appropriate, had a consultation phase as well as being previewed at the relevant Select Committee. Changes to proposals will have been addressed in the evaluation of consultation and representations and recorded in specific decision reports or identified for clarification in service plan implementation. One example is the decision to close seven libraries an hour earlier, at 6pm, when footfall is lowest, rather than close smaller libraries.

8 Explain how the impact will be monitored to make sure it continues to meet the equality duty owed to customers and say who will be responsible for this.

- 8.1. Monitoring will be through equality impact work at individual service level and also business planning and performance framework planning processes. Hence each Directorate will be responsible for monitoring the impact on their own services

Katherine Eberhart

Director of Finance and Support Services

13 January 2020

Member comments considered by Cabinet on 28 January 2020

Comments from the Members' Budget up-date session 16/01/20

General comments on the revenue budget

Members raised a number of questions to clarify specific issues in the budget:

- Capital receipts flexibility.
- Financial resilience in relation to the amount of reserves.
- Loss of funding experienced over last five years.

Improvement Plans, Transformation and environmental targets:

- changes need to be made to the ethos of the Council in relation to becoming more efficient and using different working methods. The changes will need investment and the budget for this needs to be reflected in the Improvement Plans and Transformation Programme.
- also the impact of environmental and sustainability targets need to be reflected in a clear strategy and closer working with other authorities to achieve these.

Adults and Health

Points raised about the review of direct payments and self-funders and needing better control over assessments and over-payments.

Children's Services

Members expressed concern over the review of Early Help and the savings to be made. Requested that the review includes:

- consultation with users and an understanding of the impact this will have on families and the need to manage the process so that families understand any proposed changes.
- work with partner organisations to understand issues across the whole county,
- work with schools to ensure they have the necessary support available.
- transport links/issues to be considered.
- effect on rural communities.

Environment, Highways and Communities

Members requested any change in service standards to be communicated to the public.

Fire & Rescue Service

Members supported the need to continue to lobby the Government for a review of the funding formula and the development of the new training facilities at the Horsham site.

Capital Programme

Members raised the quality of the Council's own assets as an issue and requested whether budget could be found to improve facilities.

Also requested whether thought could be given to using some of the budget set aside for Income Generating Initiatives (IGIs) to improve our own assets – buildings and highways and to meet the environmental/sustainability targets.

Comments from Performance and Finance Scrutiny Committee 22/01/20

National and Local Context and Medium-Term Financial Strategy

The Committee supported the budget process that had been used to develop the 2020/21 budget and recommend that this process of early and improved member engagement is repeated in future years.

The Committee strongly supported the continuing lobbying of the Government to undertake a funding review and provide fair funding to the County Council.

Recommended that the West Sussex Plan and priorities are reviewed by the Cabinet and that the proposed plan is brought to the Performance and Finance Scrutiny Committee (PFSC) for scrutiny as soon as possible.

Recognised the lack of transparency and complex nature over the future of Business Rates and supported the requirement to seek clarity over this.

The Committee request that the Cabinet Member for Environment consider introducing methane targets and support the promotion of the food waste reduction programme following the results of the pilot project currently being undertaken.

The Committee request that the Chief Executive provide a briefing on the requirements of the budget accountability for Executive Directors and Directors.

The Committee recommend that the corporate risk register is reviewed by the scrutiny committee's Business Planning Group meetings in order to identify future priorities for scrutiny.

Portfolio-specific comments

Adults and Health

The Committee supported the need to develop a long-term plan for the service and supported progressing the plans around independent living.

Children's and Young People Services and Education and Skills

The Committee noted that the Children First Strategic Approach is still to be scrutinised and that PFSC members would be invited to the Children and Young People's Services Scrutiny Committee meeting on 4 March to contribute to the debate.

Requested that officers provide further information on the split between permanent and temporary funding for 2018/19, 2019/20 and 2020/21 included within the Children First improvement programme.

Recognised the pressures on home to school transport and support a review and scrutiny in this area whilst ensuring the needs of children are maintained.

Economy and Corporate Relations

The Committee recognised that it will be receiving a report in March 2020 on the Whole Council Design Programme Review and future focus and requested that the report includes information on how much has been spent to date and the savings made as well as future spend and savings targets.

The Committee also expressed concerns over the One Public Estate programme and the progress being made.

Highways and Infrastructure

The Committee recommend that the Cabinet Member for Highways and Infrastructure carries out a review on the systems and processes around the repair of pot holes including the quality of repairs, timeliness and inclusion of all repairs required in an area into one job.

The Committee requested that when the Environment, Communities and Fire Scrutiny Committee (ECFSC) scrutinises highways maintenance standards at a future meeting that pot holes, white lines, signage and cats eyes are included within the review. Also requested that the Committee examine the outcomes achieved of the £30m investment in highways undertaken approximately five years ago.

Capital Strategy

The Committee requested that the Business Planning Group consider the effectiveness of using consultants to deliver the capital programme.

Recommended that the Cabinet Member for Finance reviews the resources needed to meet the Capital Programme.

Requested that the transparency and messaging around specific projects within the capital programme are improved.

The Committee requested further information on the progress of community hubs and One Public Estate Projects be shared with the Committee.

Requested that ECFSC reviews the funding of the backlog of highways works in the capital programme and review whether the capital budget is sufficient to meet need.

In relation to the knowledge and training of capital programme project managers, the Committee requested that appraisal monitoring figures are included within the future quarterly workforce reports to PFSC.

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