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Chief Executive

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21 January 2019

**Cabinet**

A meeting of the Cabinet will be held at **2.15 pm** on **Tuesday, 29 January 2019** at **County Hall, Chichester**.

**Nathan Elvery**
Chief Executive

## Agenda

1. **Declarations of Interest**

Members and officers must declare any pecuniary or personal interest in any business on the agenda. They should also make declarations at any stage such an interest becomes apparent during the meeting. Consideration should be given to leaving the meeting if the nature of the interest warrants it. If in doubt please contact Democratic Services before the meeting.

2. **Minutes** (Pages 3 - 4)

The Cabinet is asked to agree the minutes of the meeting held on 30 January 2018 (attached, cream paper).

3. **Urgent Matters**

Items not on the agenda which the Chairman of the meeting is of the opinion should be considered as a matter of urgency by reason of special circumstances.

4. **Approval of the County Council's Revenue Budget 2019/20 and Capital Programme 2019/20 to 2023/24** (Pages 5 - 170)

Report by Director of Finance, Performance and Procurement.

The attached report sets out the Medium Term Financial Strategy (MTFS) 2019/20 to 2022/23, the Revenue Budget 2019/20, the Capital Strategy 2019/20 to 2023/24 and the Treasury Management Strategy Statement 2019/20.

The Chairman of the Performance and Finance Select Committee has been invited to join the meeting for this item. A summary of the comments and recommendations made by the Select Committee at its meeting on 17 January 2019 on the draft budget proposals is attached.

The Cabinet is asked to endorse the Medium Term Financial Strategy 2019/20 to 2022/23, Revenue Budget 2019/20, Capital Strategy 2019/20 to 2023/24 and Treasury Management Strategy Statement 2019/20 for endorsement by County Council on 15 February 2019.

5. **Date of Next Meeting**

The next meeting of the Cabinet will be held on Tuesday 28 January 2020 .

**To all members of the Cabinet**

Agenda Item 2

*Unconfirmed Minutes to be confirmed at the next meeting of Cabinet.*

**Cabinet**

30 January 2018 - At a meeting of the Cabinet held at County Hall, Chichester.

Present: Mrs Goldsmith (Chairman), Mr Burrett, Mr Hillier, Mr Hunt, Mrs Jupp, Mrs Kennard, Mr Lanzer, Mrs Urquhart.

Also present: Mr Montyn (Chairman of Performance & Finance Select Committee (PFSC)).

Officers present: Nathan Elvery, Lee Harris, Kim Curry, Katharine Eberhart, Katherine De La Mora.

**PART I**

**Declarations of Interest**

28. There were no declarations of interest.

**Minutes**

29. Resolved - that the minutes of the meeting held on 28 November 2017 be approved as a correct record and signed by the Chairman.

**Medium Term Financial Strategy 2018/19 to 2021/22 and Revenue Budget 2018/19**

30. The Cabinet considered a report by the Director of Finance, Procurement and Performance setting out the Medium Term Financial Strategy 2018/19 to 2021/22 and the Revenue Budget for 2018/19 (copy appended to the signed version of the minutes). The report was introduced by Louise Goldsmith, Leader, who highlighted the increased challenge in budget setting every year due to the uncertainty in future finances. The County Council was however delivering good quality services to its residents and was setting a £533m budget for 2018/19 to continue to deliver these services.

31. Jeremy Hunt, Cabinet Member for Finance and Resources highlighted that the Capital Programme and Savings Schedule had been approved by Cabinet and County Council in December. Mr Hunt highlighted the key points in the report including the following:

- The MTFS and Revenue Budget supported the five key aims of the West Sussex Plan.
- The report was recommending an additional 1% Council Tax increase following the announcement in the provisional financial settlement in December, taking the total proposed increase to 4.95%. In light of future uncertainty on funding from central government the extra 1% was needed to underpin the County Council's key services.
- Despite the challenges ahead, there had been budget increases in the Adults & Health, Children and Young People and Environment portfolios.
- Thanked staff for the high quality services they continue to deliver to residents.

*Unconfirmed Minutes to be confirmed at the next meeting of Cabinet.*

32. Katharine Eberhart, Director of Finance, Procurement and Performance highlighted that the Business Rate information was outstanding from the District and Boroughs and would be tabled at County Council on 16 February with any variances being managed through the Budget Management Reserve. Additional savings were outlined in Appendix 3 and had been discussed at the Performance and Finance Select Committee in January. Reserves had also been reviewed to ensure they were at a sufficient level to keep the County Council safe, taking into account the future uncertainties around Business Rate retention and the Fairer Funding Review.

34 Pieter Montyn, Chairman of Performance and Finance Select Committee, confirmed that there had been a robust discussion at the Select Committee on 18 January and highlighted the following key points.

- The Committee supported the continued lobbying of Central Government on funding for schools and Adults Social Care.
- The Committee recognised the need to work with partners on homelessness and affordable housing.
- The Committee supported the additional 1% increase in Council Tax, requesting that further detail be provided at County Council on 16 February on the plans for this additional income.

35. The Cabinet fully supported the budget and thanked officers and the Cabinet Member for Finance and Resources for developing a robust budget.

36. The Cabinet supported the additional 1% Council Tax increase and the proposals for its expenditure, recognising that this was necessary to be able to continue to provide vital services to residents. An overhaul of Local Authority Funding was required from government for a more long term solution to the funding issues, however in the meantime, the County Council had a duty to do the best for their residents and would continue to campaign for fairer funding for the County Council.

37. Resolved – that the Cabinet endorses the County Council Draft Budget for 2018/19, as set out in Annex 1, 2 and 3, for approval by County Council on 16 February 2018

**Dates of Future Meetings**

38. The next meeting is scheduled for 29 January 2019

The meeting closed at 2.40 p.m.

Chairman

| Cabinet | Ref No: CAB01(18/19) |
|---|---|
| **29 January 2019** | **Key Decision: Yes** |
| **Medium Term Financial Strategy (MTFS) 2019/20 to 2022/23, Revenue Budget 2019/20, Capital Strategy 2019/20 to 2023/24 and Treasury Management Strategy Statement 2019/20** | **Part I** |
| **Report by Director of Finance, Performance and Procurement** | **Electoral Division(s): All** |


## Summary

The revenue budget report set out how the balanced budget for 2019/20 supports the delivery of the key priorities within The West Sussex Plan, as set out in Section 3 of the report. The budget provides value for money and forms part of the approach for financial stability over the medium to longer term. The report also provides an update on the Medium Term Financial Strategy for the following three year period.

The capital strategy sets out the long-term capital investment policy objectives of the council linking the strategy to The West Sussex Plan, as set out in Section 3 of the report, the planned investment over the next five years and the associated funding implications of this investment. The Treasury Management Strategy Statement 2019/20 is also included as part of the papers.


## West Sussex Plan: Policy Impact and Context

Both the revenue budget and the capital strategy support the agreed priorities of the County Council and full details are set out in Section 3 of both reports.

## Financial Impact

The report sets out the financial impact of the both the revenue budget and the capital strategy.

## Recommendations

Cabinet is asked to endorse the County Council Budget for 2019/20, as set out in Annexes 1, 2 and 3, for approval by County Council on 15 February 2019.

## 1. Background and Context

1.1 Cabinet is asked to endorse the revenue budget for 2019/20. The information in this report reflects Cabinet's priorities and strategic direction within the West Sussex Plan. The final budget will be taken to County Council for approval on 15 February 2019.

## 2. Revenue Budget 2019/20 to 2022/23

2.1 The Medium Term Financial Strategy for 2019/20 to 2022/23, including the revenue budget 2019/20, Capital Strategy 2019/20 to 2023/24, the Treasury Management Strategy Statement 2019/20 and supporting appendices are attached.

2.2 As Cabinet Members will be aware, some of the Government decisions are still to be confirmed (such as the final settlement). In addition, confirmation is awaited on the final figures from district and borough councils on the Council Tax Base, Business Rates forecast and the Collection Fund. If necessary, any material changes would be highlighted through supplementary papers and any potential impact would be managed through the Budget Management Reserve.

## 3. Consultation

3.1 The budget has been considered at Performance and Finance Committee on 17 January 2019 and discussions held at other Select Committees on savings.

3.2 Part of the background to the budget for 2019/20 is the consultation that has taken place over the summer 2018 in the 'What Matters to You' survey, setting out the priorities for the County Council which the budget supports.

## 4. Financial (revenue and capital) and Resource Implications

4.1 The financial and resource implications are set out in Annex 1.

## 5. Legal Implications

5.1 The legal implications are set out in Annex 1.

## 6. Risk Assessment Implications and Mitigations

6.1 The risk assessment implications and mitigations are set out in section nine of Annex 1.

## 7. Equality and Human Rights Assessment

7.1 Equality Act considerations are included in the report under section eight of Annex 1.

7.2 In taking its budget decisions the authority must have regard to the public sector equality duty. Within the savings schedule included at Annex 2 Appendix 3 of the Budget Report it is highlighted how the equality duty would be fulfilled in respect of each saving. This is consistent with the approach taken for the 2018/19 budget.

## 8. Social Value and Sustainability Assessment

8.1 The social value and sustainability implications of any key areas of the budget will be subject to individual consideration.

## 9. Crime and Disorder Reduction Assessment

9.1 None

**Katharine Eberhart**
Director of Finance, Performance and Procurement

**Contact Officer:** [Steve Harrison 033022 23391/Vicky Chuter 033022 23414]

**Annexes**

Annex 1 – Medium Term Financial Strategy (MTFS) 2019/20 to 2022/23 and Revenue Budget 2019/20

Annex 2 - Budget Pack:
- Appendix 1 – Summary of Revenue Budget and Precept 2019/20
- Appendix 2 – Analysis of Changes
- Appendix 3 – Balancing the Budget
- Appendix 4 – Grants Towards Specific Services
- Appendix 5 – Reserves
- Appendix 6 – Detailed Portfolio Budgets

Annex 3(a) - Capital Strategy 2019/20 to 2023/24
Annex 3(b) – Treasury Management Strategy Statement 2019/20
Annex 3(c) – Prudential Indicators 2019/20

Annex 4 – Equality Impact Assessment

Annex 5 – Comments and recommendations from Performance and Finance Select Committee

**Background papers**

None

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**MEDIUM TERM FINANCIAL STRATEGY (MTFS) 2019/20 TO 2022/23 and REVENUE BUDGET 2019/20**

**REPORT BY DIRECTOR OF FINANCE, PERFORMANCE AND PROCUREMENT**

## EXECUTIVE SUMMARY OF BUDGET REPORT

This report sets out how the balanced budget for 2019/20 supports the delivery of the key priorities within *The West Sussex Plan*, which are a **best start in life, a prosperous place, a strong, safe and sustainable place, independence for later life** and being **a council that works for the community**. 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 following three year period. Despite continuous reductions in Government funding, the Council continues to make progress in delivering its ambitions on behalf of our residents, whilst achieving this within the resources available to our organisation.

Within the revenue budget for 2019/20, 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. The total new growth for Children and Young People is £6.1m, whilst for Adults and Health is £7.3m which provides additional funding to meet the existing and ongoing demands placed upon these services.

The proposed budget utilises the flexibility introduced by the finance settlement last year, and confirmed for a further year in the provisional Local Government Finance settlement for next year, of permitting an extra 1% core council tax rise, allowing an increase of up to 2.99% before requiring a referendum. Using the additional flexibility of an extra 1% increase does provide some much needed certainty on funding, at a time when the Government’s future plans over the funding support it provides are very uncertain. Government is currently reviewing the method behind funding allocations (the Fair Funding Review), which is expected to be implemented in 2020/21.

The settlement again confirmed that the Adult Social Care (ASC) precept continues to apply, with the flexibility to raise the precept by no more than an extra 6% over the three year period 2017/18 to 2019/20. The County Council has previously levied 4% for the ASC, meaning it has the capacity to levy a further 2% in 2019/20, at which point the current precept arrangements come to an end.

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. However, to have a realistic chance of achieving its ambitious objectives in the context of the continuing reduction in public finances, as well as meeting our statutory responsibilities, a council tax rise of **4.99%** is proposed for 2019/20.

The Council **proposes** to protect Adults’ Social Care services via providing additional funds, through this 2% rise in the Adults’ Social Care precept element of the council tax. The 2019/20 budget therefore proposes to include the 2% precept specifically for Adult Social Care, which continues to support the long term future of social care provision for West Sussex, for the benefit of the increasing number of local residents who rely on our support. Government has also provided some additional funds, via the improved Better Care Fund (iBCF), but adequate funding for all social care continues to be a major concern over the longer term.

There has been no information from Government about the status of the Adult Social Care Levy after 2019/20, and therefore future council tax assumptions contained in the following years do not include any additional sums arising from further increases to the Levy. Government has promised to bring out its green paper on the future of adult social care 'soon' but no firm date has been announced.

Net revenue expenditure of £574.919m is proposed for 2019/20, an increase of £41.0m (7.7%) compared with 2018/19. The increase reflects the expected additional sum through the successful business rate pilot of up to £19.1m which will be used to fund the digital infrastructure project in conjunction with the districts and boroughs. The budget also reflects spending pressures such as pay/prices, costs arising from the National Living Wage and the pressures faced in Adults' and Children's Social Care Services.

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 saving delivery. The savings included in these decisions form a part of the budget for 2019/20 and are set out in Appendix 3.

From 2019/20, the Council is required to prepare a separate Capital Strategy, setting out a high level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services. Details regarding the Council's five year capital programme are set out in the Capital Strategy (Annex 3(a)) which is presented alongside the budget report for Council approval.

The Treasury Management Strategy Statement 2019/20 is also included within the budget report, as set out in Annex 3(b).

**RECOMMENDED**

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

1 An increase in council tax in 2019/20 comprising:
- **2.00%** for **Adults' Social Care,** plus
- **2.99%** to support **other General Fund services**
- making a total increase of **4.99%**

2 Net revenue expenditure in 2019/20 of **£574.919m** (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 2019/20 to 2023/24, as set out in Annex 3(a).

b. Treasury Management Strategy Statement 2019/20, as set out in Annex 3(b).

c. Prudential Indicators, as set out in Annex 3(c).

4 The Director of Finance, Performance and Procurement's assessment of the robustness of estimates and adequacy of reserves (paragraph 6.1).

5 The following amounts be approved for the financial year 2019/20 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 2019/20 is **£574.919m**, and the council tax requirement for 2019/20 is **£459.941m**.

b. That the following sums be payable for the year into the County Council's revenue fund:

| | |
|---|---|
| Business Rates Retention Scheme – County Council | £84.745m |
| Business Rates Retention Scheme – 75% Business Rates Pilot | £19.141m |
| New Homes Bonus Grant | £3.932m |
| Social Care Support Grant | £5.243m |
| Net surplus from District and Borough Collection Funds | £1.917m |

c. The council tax base for the year 2019/20 is the aggregate amount calculated by the billing authorities to which the County Council issues precepts totalling *332,430.70* 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 **£1,383.57** 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:

| Valuation Band | Amount | Valuation Band | Amount |
|---|---|---|---|
| A | £922.38 | E | £1,691.03 |
| B | £1,076.11 | F | £1,998.49 |
| C | £1,229.84 | G | £2,305.95 |
| D | £1,383.57 | H | £2,767.14 |

f. That the district councils be requested to make payments totalling £459.941m 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 | £29,324,766.15 |

| | |
|---|---|
| Arun District Council | £84,786,553.17 |
| Chichester District Council | £73,799,070.37 |
| Crawley Borough Council | £48,724,216.19 |
| Horsham District Council | £86,040,067.59 |
| Mid Sussex District Council | £83,993,075.78 |
| Worthing Borough Council | £53,273,394.35 |

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

| | | |
|---|---|---|
| 5 April 2019 | 7 May 2019 | 5 June 2019 |
| 5 July 2019 | 5 August 2019 | 5 September 2019 |
| 7 October 2019 | 5 November 2019 | 5 December 2019 |
| 6 January 2020 | 5 February 2020 | 5 March 2020 |

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 2019:

| | Council Tax* | Business Rates* |
|---|---|---|
| Adur District Council | *(179,583.56)* | *(140,629.24)* |
| Arun District Council | *243,000.00* | *(103,000.00)* |
| Chichester District Council | *(165,877.00)* | *5,988.00* |
| Crawley Borough Council | *278,109.43* | *20,485.00* |
| Horsham District Council | *1,562,000.00* | *(44,000.00)* |
| Mid Sussex District Council | *592,900.00* | *0.00* |
| Worthing Borough Council | *(51,768.65)* | *(100,912.80)* |

** Note that these figures (council tax base, council tax and business rates collection funds) may not represent the final figures from the district and borough councils and may change. To avoid late changes to the budget, all subsequent changes of funding (positive or adverse) will be applied to the Budget Management Reserve.*

**CONTENTS**

## 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 approved West Sussex Plan, which sets out our ambition and vision for the residents and communities of West Sussex.

1.2 As part of the Chancellor's budget announcement at the end of October, the Office for Budget Responsibility (OBR) produced an update of its economic outlook. OBR stated that "the big picture is one of relatively steady growth of around 1½ per cent a year. We are slightly more pessimistic than the average of external forecasters, particularly in the later years." On inflation, OBR predicted it would fall back in 2019 as the impact of higher oil prices fades and thanks to policy measures on duties and energy prices. On public finances, overall OBR thought there had been little change since its previous estimates in March, "but this reflects the offsetting effects of a significant underlying improvement in the public finances and the Government's decision to use almost all that improvement to boost public spending". The increased public spending relates, in large part, to the announcement over the summer of extra investment in the NHS of £20bn.

1.3 Paul Johnson, the head of the Institute for Fiscal Studies (IFS), in his analysis of the budget stated that "many public services are going to feel squeezed for some time to come. *[Government*] Cuts are not about to be reversed".

1.4 Since 2010, local authorities have faced unprecedented challenges on their finances. The Institute of Fiscal Studies identified that Councils' spending on services fell around **18%** (or 22% per person) in real-terms between 2009/10 and 2015/16. Reductions to our core financial support are evident in 2019/20, with the Revenue Support Grant (RSG) element of our funding from Government now reduced to **£0**. This compares with £92.6m in RSG support five years ago, in 2014/15.

1.5 The current financial climate has presented the Council with difficult fiscal choices when setting the budget for 2019/20 and looking ahead across the MTFS period. Collectively, we have scrutinised the approach to delivering services to our residents, focusing on the policy outcomes we want to achieve, rather than the existing structures. A significant amount of analysis and work has informed these savings, supporting our aspiration that this County Council can live within its means, provides value for money and aims to be financially stable over the medium to long term. In developing efficiency proposals we have balanced the budget for 2019/20 without reliance on the use of our financial reserves.

1.6 During the summer and autumn of 2018, the Executive Leadership Team (ELT) and the Cabinet have been preparing the Medium Term Financial Strategy (MTFS) for 2019/20 to 2022/23. The MTFS was then reviewed by the Performance and Finance Select Committee on 5 October 2018, with an additional update on 22 November 2018. These papers were available in the public arena in a timely fashion.

**SECTION TWO: NATIONAL CONTEXT FOR PUBLIC FINANCES**

2.1 Whilst the provisional finance settlement for local authorities covering 2019/20 is outlined in paragraph 2.10 below, the funding for 2020/21 onwards is much less certain. The **Autumn Budget** from the Chancellor, announced on 31 October 2018, contained little detail over future funding prospects after 31 March 2020, when spending allocations as set out in the current Spending Review come to an end.

2.2 However, there were a number of announcements made by the Chancellor in the Budget relating to extra one-off funding nationally:

Social Care Funding

- £650m additional grant funding for adult social care in 2019/20. This consists of £410m for both Adults and Children's Social Care and £240m solely for Adults, the latter sum being a repeat in 2019/20 of an allocation made for 2018/19 to assist with 'winter pressures' and the issue of bed blocking.

  With regard to the £410m, the Budget states that "where necessary, local councils should use this funding to ensure that adult social care pressures do not create additional demand on the NHS. Local councils can also use it to improve their social care offer for older people, people with disabilities and children."

  As part of the finance settlement Government has announced provisional allocations with the total to West Sussex being **£8.9m**. Of this total £3.3m is conditional on local authorities alleviating winter pressures on the NHS.

Children's Service Programme

- £84m on children's service programme, over five years, to be payable to 20 authorities (yet to be named) and targeted at helping more children stay home with their families.

Highways Maintenance

- £420m in 2018/19 for potholes that will be allocated to highways authorities, resulting in an additional **£6.083m** for the County. This allocation will need to be spent by the end of March 2019 i.e. in the current financial year. Plans are underway regarding its use to maximise benefit.

Schools Capital

- Schools: £400m in-year increase in capital funding to each school, averaging £10,000 for primary and £50,000 for secondary schools. Further details are awaited on the allocation of this funding and the share to West Sussex schools.

2.3 **Adult social care** – The additional funds announced in the budget statement are welcomed but are **one-off only**. The budget also stated that

"In the longer term, the government is committed to putting social care on a fairer and more sustainable footing and will set out proposals for adult social care in the forthcoming green paper". We still await Government's proposals and a firm commitment to a date for the Green Paper.

2.4 The Local Government Association recently announced its own consultation on how to pay for Adults Social care. The LGA estimates that adult social care services face a £3.5 billion funding gap by 2025, just to maintain existing standards of care, while latest figures show that councils in England receive 1.8 million new requests for adult social care a year – the equivalent of nearly 5,000 a day.

2.5 **A new national funding formula for schools** was introduced in 2018/19, with the county's schools receiving an additional **£12.8m** (3%) as a result. In July 2018 it was announced that the units of funding used to calculate the amount of monies allocated to schools in West Sussex is set to rise in 2019/20 by 1.7% to £3,741 for primary school pupils and by 2.8% to £4,889 for secondary age pupils. This equates to an additional **£9.9m** (2.2%) for West Sussex schools next year. Despite this increase our schools remain amongst the lowest funded in the country. We will therefore continue to make the case to central Government of the urgent need for more resources for our schools.

2.6 In recognition of the cost pressures that Local Authorities are experiencing on the high needs element of the DSG, the Secretary of State for Education announced as part of the **DSG settlement** on 17 December 2018 an additional £250m of high needs funding to be paid over two years (2018/19 and 2019/20). As a result, West Sussex is set to receive a further **£1.8m** in both of these years.

2.7 Within **Public Health**, the council also needed to plan for the consequences of the Government's announcement in the Autumn Statement 2015 that local authorities "funding for public health would be reduced by an average of 3.9% in real terms per annum until 2020". For 2019/20 this will result in a further cut of **£0.9m** to the Public Health Grant.

2.8 The **two year national pay deal** for NJC staff agreed last year has also added to the budget pressures we face for 2019/20. A number of lower grades in particular are benefitting from significant increases and amalgamation of grades. Despite Government no longer applying a formal public sector pay cap, it has not provided additional funding in support of the higher wage settlement. Therefore local authorities will have to accommodate this extra spending pressure from within the reducing funding resources from central Government.

2.9 Due to changes announced by HM Treasury in September, the discount rate for unfunded public sector pension schemes including NHS, Teachers, Police and Fire has changed. For the **Fire Service**, this, combined with the earlier announcement at Budget 2016 (a reduction in the discount rate from 3% to 2.8%), has resulted in a reduction to the discount rate from 3% to 2.4%, and has the effect of increasing the employer contributions (to include ill-health costs) from 17.6% to 30.2% from April 2019. HM Treasury have provided one off grant funding to mitigate the impact for 2019/20, with funding beyond 2019/20 being subject to the Spending Review.

2.10 Key points emerging from the provisional **Local Provisional Government Finance Settlement** announced on 13 December 2018 are:

- A continuation of the additional flexibility to raise the council tax from the current 2% before a referendum is required to 3%, reflecting the inflationary pressures being faced by the Local Government sector; and

- Government published two further consultations: on reforms to the business rates retention system and the new approach to distributing funding through the Review of Relative Needs and Resources. Both will impact on our future funding from 1 April 2020.

- Government has cancelled our 'negative' RSG allocation of minus **£2.6m**. Nevertheless, the County Council has suffered a reduction in the RSG from £12.1m in 2018/19 to £0m for 2019/20 and therefore no longer receives any Revenue Support Grant from Government towards the services it provides for the residents and communities of West Sussex.

- The West Sussex bid (made jointly with all our District and Boroughs) to become a pilot area in 2019/20 for 75% business rate retention has been accepted. This offers a potential gain of up to **£19.1m** for one-year, though further work needs to be done to confirm this figure. The funds will be used collaboratively with other authorities, on the basis of the submission to Government that an identified project offering economic benefit would be funded, that may not otherwise proceed. This gain is therefore not able to be applied to fund any budget shortfall. All of the extra business rates growth retained (estimated at **£19.1m for 2019/20)** will be pooled by participating local authorities and used to make a strategic investment in the county's economic infrastructure. It is anticipated the funds will be applied to enhance the digital infrastructure and connectivity for business and residents in the county.

2.11 Government also publishes, within the Provisional Settlement, what it calls an analysis of 'spending power' by each authority. This makes assumptions around each authority's total resources, including local council tax funding and combines these with the funding allocations made by Government. The overall total is then termed the 'spending power'. This calculation shows West Sussex increasing its spending power by £26.2m or 4.8% in 2019/20, compared with a national change of 2.8%.

2.12 This analysis by Government includes not only Government grant but also assumptions it makes on additional funds raised from council tax including the levels of increase in the tax base and of the tax itself. West Sussex's better than average tax base, and funds raised via the Adults Social Care Levy, help place West Sussex County Council in a better position than many other comparable authorities on this analysis. However, on the other hand it must be recognised that West Sussex also faces considerable spending pressures. Funds raised for the Care Levy must be applied to the additional budget pressures we face on Adults Social care. We have a high and increasing proportion over 65 year olds within the County. Our proportion of over 65 year olds is 22.6%, compared with the national average of 18% of the population.

2.13 Due to the absence of any Spending Review plans after 31 March 2020, and despite the announcement of a Fair Funding consultation, there is obviously **uncertainty surrounding the future Government funding** available for public services after 2020. The authority accepted the offer of a four year settlement from Government covering the period 2016/17 to 2019/20, and with this budget this arrangement now comes to an end. Government is looking to overhaul the funding system for local authorities from 1 April 2020 onwards, via its **Fair Funding Review** and changes to the business rate retention scheme, which adds yet further uncertainty into future funding.

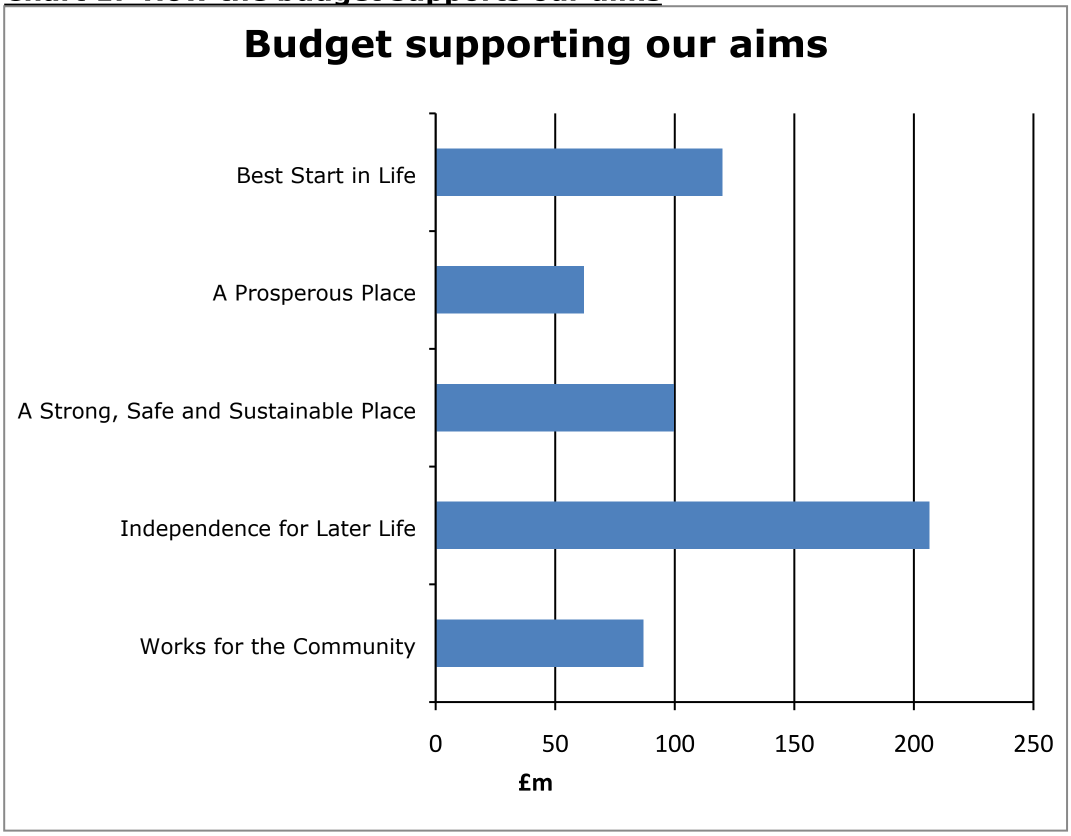
2.14 Economic uncertainty also exists until the details are clearer on the **UK's arrangements to leave the EU** and what impact it may have on public finances.

## SECTION THREE: LOCAL CONTEXT – THE WEST SUSSEX PLAN AND OUR BUDGET

### The West Sussex Plan Priorities

3.1 **Paragraphs 3.2 to 3.37** describe how the budget for 2019/20 supports the agreed aims of the County Council from the West Sussex Plan agreed by the Council in October 2017. Our budget for 2019/20 sets out to support the themes in the West Sussex Plan as per the chart below:

**Chart 1: How the 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 and every child the education he or she deserves.

3.3 We know that school is not just about education but 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 in relation to 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 2019/20 is the second year of the new national funding formula for mainstream schools under the Dedicated Schools Grant (DSG). Although West Sussex schools are set to gain £9.9m (2.2%) through an increase in the pupil led units of funding within the formula, they are also set to lose £2m through a change in the calculation of the growth factor element of the new formula next year. School budgets continue to be under pressure in 2019/20 due, in the main, to the full year effect of the 3.5% teachers pay award in September 2018, a proposed increase in the teachers pensions employers contribution rate from 16.48% to 23.6% in September 2019, and expected increases in energy costs of up to 15% for electricity and 23% for gas. Although the government has announced that there will be additional specific funding available to meet the costs of the pay award above 1% and 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 four 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 HN placements in special schools, colleges of Further Education or Independent Specialist Providers (ISP).
- Personal budgets and exceptional needs expenditure to meet very complex needs.

3.7 Our High Needs funding from the Department for Education rose by £1.2m (1.6%) in 2018/19 and is set to rise by a further **£3m** (3.6%) in 2019/20. These funding increases 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 2018 this number had risen by 43% to 4,912 - an increase of 1,489; 515 in 2015/16, 573 in 2016/17 and 401 in 2017/18. In the first six months of 2018/19 these numbers have risen by a further 184.

3.8 With limited funds now remaining in DSG reserves this shortfall in DSG funding is beginning to place significant pressure on the Local Authority budget from 2019/20 onwards, of an estimated £6.0m per annum. Recent research has shown that 94% of surveyed County Councils are expecting a deficit on their DSG High Needs block this year, and therefore the Council, together with other Local Authorities from the Societies of County Treasurers and the Society of London Treasurers, has asked the Department for Education to carry out a post-implementation review of the Children and Families Act 2014 and to provide a more sustainable level of funding for the longer term in order to properly resource its policy objectives.

3.9 In the meantime, the Council continues to adopt a long-term approach to this issue. For instance, we will continue to fund a range of initiatives within our developing Special Educational Needs and Disabilities (SEND) Strategy including increasing the offer of therapies in our Special Schools and the creation of 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.

*Children's Social Care*

3.10 A key element of our budget supports the critical work of our children's social care workforce and structures. This is an area where there is a national shortage of qualified staff, which is among the reasons why caseloads locally have risen to unsustainable levels. As a result we will provide an increase in investment of **£5.5m** in 2019/20. This is in recognition of the continuing challenges faced by a small number of the 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, especially when our looked after children leave care.

3.11 To help facilitate the growth in Children's social care, a more targeted approach is being adopted that identifies and works with children and families, often at the earliest possible ages, to support their development and ensure their future is as bright as possible, and that they are able to live independent lives. In that way the new service will retain the core strengths of the existing provision and continue to deliver the outcomes that the County Council needs, despite the reduction in resources.

3.12 Building on foundations that have been laid in 2018/19, we will, during the course of the next financial year, continue implementing 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 40% of placements are purchased externally, the average cost of which has risen by approaching 30% since 2014/15. Consequently by commissioning from the market more effectively, there is obvious potential to deliver greater value for money. This will also provide natural opportunity to assess how best to utilise the residential units that the County Council operates, taking into account care needs, market conditions and cost effectiveness.

**A Prosperous Place**

3.13 For West Sussex to continue to thrive we know we need to support our businesses. We have a wonderful diverse business community here 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.

3.14 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 giving them the tools they need to help them grow their businesses.

3.15 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*

3.16 Our roads and highways are a key element of the supporting infrastructure needed for economic growth. Alongside the significant (£189m over five years) capital investment in the Highways & Infrastructure portfolio, we will invest over £8m of revenue funding, per annum, in highways support and maintenance.

3.17 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*

3.18 The successful West Sussex business rate pilot 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 the county's economic infrastructure. It is anticipated the funds will be applied to enhance the digital infrastructure and connectivity for businesses and residents in the county.

**A Strong, Safe and Sustainable Place**

3.19 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 so 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.

3.20 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.

*Waste and Recycling*

3.21 Over £60m of our net revenue budget is dedicated to supporting our waste disposal and recycling infrastructure.

3.22 The 2017/18 DEFRA performance statistics have just been released and these show that our recycling rates have significantly improved over the past 12 months, however, this is largely due to a strong wood recycling market which is volatile and could easily be affected in future years should this market fall away. Our continuing aim is to act in a sustainable way and minimise the use of landfill sites because of their cost and environmental impact. Whilst the statistics show that the amount delivered to landfill has significantly reduced the county still ranks 29th out of 31 disposal authorities and therefore represents a significant opportunity for improvement.

3.23 Our efficiency programme includes a number of proposals; from simple things like more black bag sorting at Household Waste Recycling sites (separating out more recyclable material), to continuing our work to ensure more waste can be treated as Refuse Derived Fuel (RDF); to working with our District and Borough partners on how our waste collection frequencies can incentivise a greater level of recycling. Working with the West Sussex Waste Partnership (WSWP), a strategy will be developed to focus on not only sustaining current performance but also the delivery of any future targets. These targets are likely to be the achievement of 55% recycling by 2025 and 65% by 2035. The WSWP is looking to tackle food waste in the first instance through its Fight Against Food Waste campaign. As 70% of food waste is avoidable, our strategy is to try and prevent it from being wasted in the first place. Waste prevention is the preferred solution as it is more economical and sustainable. Alongside the food waste prevention campaign, the WSWP is looking to undertake trials of separate food waste collections to further reduce the amount of waste we send to landfill.

*Sustainable Green Energy*

3.24 Alongside this 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 will provide the means by which the investment in this technology can take place and our revenue budget incorporates the projected benefit both from lower energy bills and also extra revenue income from the sale of electricity. 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.

**Independence for Later Life**

3.25 In West Sussex we have an ageing population which will continue to grow. During the next 10 years it is forecast that 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 the current 23%. Moreover, the majority of that increase will be at age 75+, which is the point when people’s care needs become significantly more expensive to meet.

3.26 As a County Council we welcome the opportunity to work creatively and closely with our partners to support and look after our older community to help them stay independent for longer. We will work with our communities to embrace technology now, and in the future, to continue to develop and grow the support that we, as a community, are able to offer our older residents. Our ambition is that West Sussex will continue to be a great place to grow older.

3.27 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*

3.28 The funds from the Adult Social Care precept will continue to be invested in this critical area. These will be supplemented with additional resources from the improved Better Care Fund (iBCF), which will enable greater investment in technology, carer support and falls prevention. Allied to demand management reduction initiatives which are part of the Adult Social Care Improvement Plan, these will aim to promote independence and so keep residents within community settings for longer.

3.29 The County Council has invested in all of these areas 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 now showing a downwards trajectory. In 2019/20 this should allow us to absorb demand pressures of £2m, so reducing the level of increase that is necessary in the Adults and Health portfolio. We will continue to monitor this area closely but if we can support the management of demand, in line with residents' wishes to be independent for longer, then we believe it will help ease the level of financial pressure seen every year on this, the largest, element of the Council's budget.

3.30 We will also continue to work with our Clinical Commissioning Groups (CCGs) and other NHS partners to ensure better outcomes for residents, including in respect of Delayed Transfers of Care (DTOCs). This is being supported by funding from the iBCF, which is promoting a greater system-wide approach based on recognition that we all serve the same community.

**A Council that Works for the Community**

3.31 The purpose of the County Council 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.

3.32 Some of the key financial challenges facing the Council in relation to achieving our target outcomes for a Council that Works for our Community are set out in the following paragraphs.

3.33 Our spending will aim to ensure the long-term financial health of the County Council, focusing on the priorities contained within the approved West Sussex Plan. Our efficiency savings have focused on outputs – how we can maintain or improve the outcomes for our residents by organising ourselves and collaborating with partners in new and innovative ways.

3.34 We recognise the need to control our costs. We have an extensive programme of work underway to review the value for money of our existing contracts and to identify where savings might be possible, using the latest tools and techniques.

3.35 We are continuing to review our existing income generation activities with the aim of aligning them more closely to achieving our priority outcomes as set out in the West Sussex Plan. This work has already identified opportunities and we will continue to examine, as well as learn from other local authorities, where additional progress can be made.

3.36 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.

3.37 Finally, this budget will give us the means to look at and potentially re-purpose some of our key community buildings. We are committed to ensuring the best use of our community assets; that they can be used (where feasible) for several purposes and so become vibrant place hubs. In doing so, we are likely to be able to reduce usage, or potentially dispose, of some of our asset base, making savings whilst using our capital funding to modernise retained parts of the estate.

## SECTION FOUR: MEDIUM TERM FINANCIAL STRATEGY 2019/20 TO 2022/23

### 2018/19 Budget Position

4.1 Demand pressures, particularly within social care and home to school transport, are a significant factor in the current financial year. Our 2018/19 in-year budget position is showing a forecast overspend by the year end of around **£0.6m** [0.1% of net budget for 2018/19], after mitigating actions have been taken. Further work will continue over the remainder of the year with the aim of balancing this position.

4.2 The demand pressures experienced by our services are reflected in our MTFS planning, as set out in paragraphs 4.5 to 4.8.

### Next Four Financial Years: 2019/20 to 2022/23

4.3 A gross budget gap of around £145m was previously reported to the Performance and Finance Select Committee at its October meeting. This estimate was before either any increase to council tax, or any budgetary savings by the County Council were included. This figure dropped to £92.4m when factoring in a council tax rise over the four year period. This is set out in Table 1. Note, that 2020/21 onwards are shaded in the following tables as they are beyond the current fixed settlement period.

**Table 1: Movement in Budget Gap – from October MTFS**

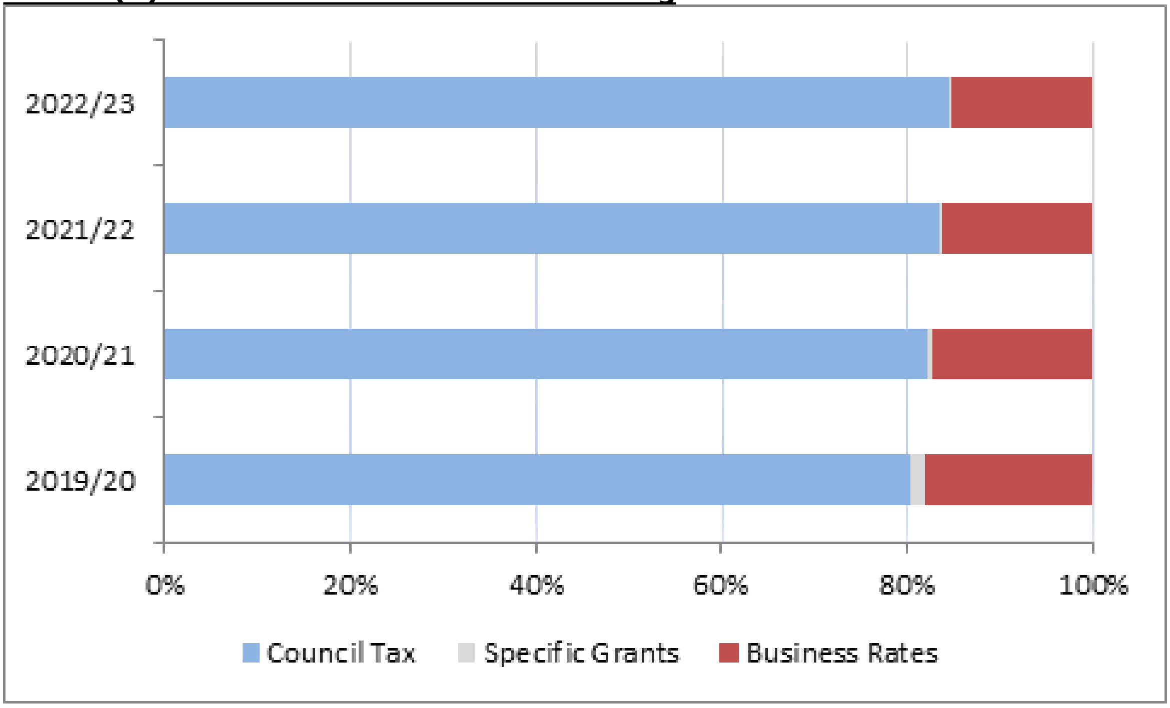
| | 2019/20 £m | 2020/21 £m | 2021/22 £m | 2022/23 £m | Total £m |
|---|---|---|---|---|---|
| October PFSC gross budget gap | 50.9 | 39.2 | 28.7 | 26.3 | 145.1 |
| Less Council Tax increase | -22.0 | -9.7 | -10.3 | -10.7 | -52.7 |
| Gap before savings | 28.9 | 29.5 | 18.4 | 15.6 | 92.4 |
| Less other changes | -5.0 | -0.5 | -1.4 | 0.1 | -6.8 |
| Less savings | -23.9 | -15.6 | | | -39.5 |
| Updated budget gap | 0 | 13.4 | 17.0 | 15.7 | **46.1** |

4.4 The Medium Term Financial Strategy estimates of the budget shortfall will be updated during the course of next year, both the gross shortfall and the estimated shortfall allowing for potential council tax rises and savings. An additional year (2023/24) 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 Chart 2(a) 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 Government introduces the increase to 75% business rates retention in 2020/21 and also the Fair Funding Review.

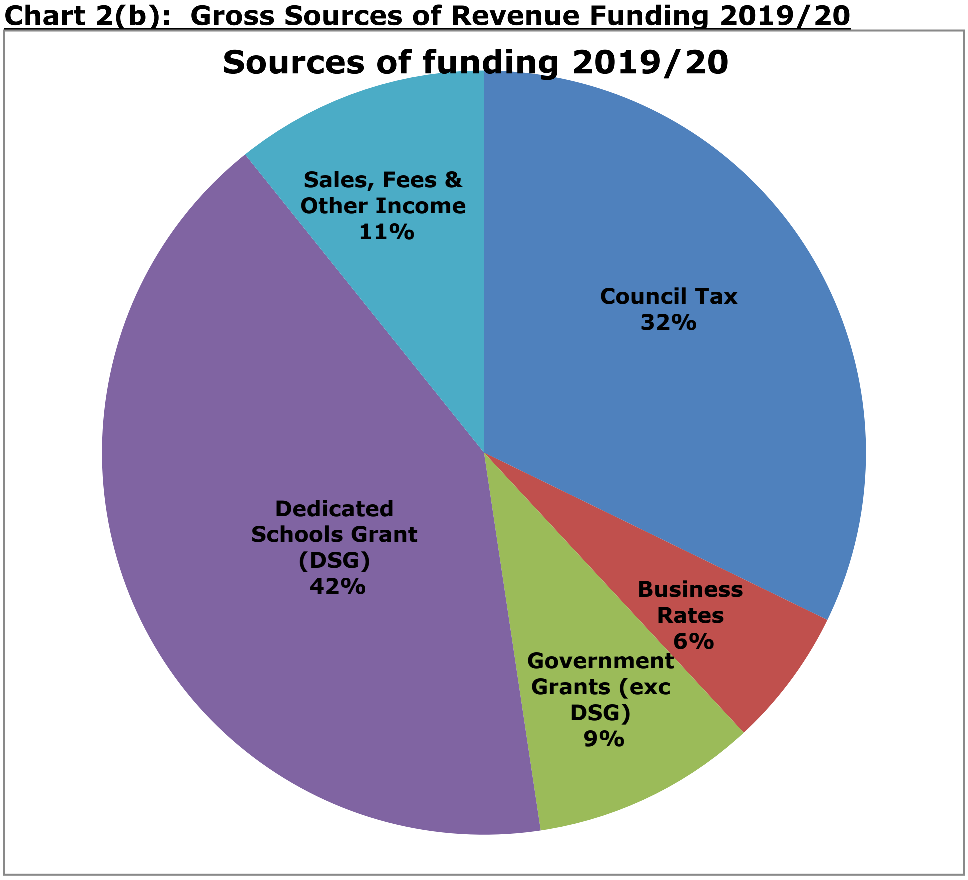
**Chart 2(a): Net Sources of Revenue Funding**




(Note: 2019/20 includes the implications of the 75% business rates retention pilot)

4.6 Chart 2(b) shows the gross sources of funding for 2019/20, including fees and charges and Dedicated Schools Grant along with Council Tax and Business Rates and other Government Grants. This demonstrates that the council generates a significant % from its own fees and charges to help fund council services.

**Chart 2(b): Gross Sources of Revenue Funding 2019/20**



4.7 Table 2 below sets outs the year on year change in the forecast budget, with the introduction of the new one off business rate pilot scheme of 75% funding for 2019/20 shown as a footnote at the bottom of the table. This £19.1m gain will be a one-off amount, to be spent on the bid submitted for additional digital infrastructure work. When the new national business rates scheme is introduced across the country from 1 April 2020, 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 The table below shows that 2019/20 is balanced with savings of **£23.9m**. However, over the four year MTFS period, allowing for known budget pressures and estimated funding, there is a shortfall in the budget of £85.6m, before any savings are identified and included.

**Table 2: Change in budget requirements**

| | 2019/20 £m | 2020/21 £m | 2021/22 £m | 2022/23 £m | Total £m |
|---|---|---|---|---|---|
| **Opening budget b/fwd** | **533.9** | **555.8** | **555.5** | **567.9** | |
| Demand and Inflation (gross of savings): | | | | | |
| - Adults & Health | 16.2 | 11.4 | 10.0 | 9.7 | 47.3 |
| - Children & Young People | 10.7 | 5.5 | 4.5 | 4.2 | 24.9 |
| - Corporate Relations | 0.4 | 1.6 | 1.9 | 1.8 | 5.7 |
| - Education & Skills | 7.0 | 7.4 | 7.0 | 7.0 | 28.4 |
| - Environment | 1.7 | 2.0 | 1.9 | 2.0 | 7.6 |
| - Finance & Resources | -1.3 | 0.1 | 0.2 | 0.2 | -0.8 |
| - Highways & Infrastructure | 0.2 | 1.0 | 1.0 | 1.0 | 3.2 |
| - Leader (including Economy) | 0.3 | 0.1 | 0.0 | 0.0 | 0.4 |
| - Safer, Stronger Communities | 1.9 | 0.9 | 1.4 | 0.8 | 5.0 |
| Other Changes | 8.7 | -1.3 | 1.5 | 3.0 | 11.9 |
| **Net Expenditure Requirement** | **579.7** | **584.5** | **584.9** | **597.6** | |
| | | | | | |
| **Available Funding b/fwd** | **533.9** | **555.8** | **555.5** | **567.9** | |
| Change in Settlement Funding Assessment including Business Rates | -9.9 | -2.1 | 2.2 | 2.2 | -7.6 |
| Other changes to funding | 9.8 | -7.9 | -0.1 | 1.1 | 2.9 |
| Increase in Council Tax | 22.0 | 9.7 | 10.3 | 10.7 | 52.7 |
| **Available Funding** | **555.8** | **555.5** | **567.9** | **581.9** | |
| Savings | -23.9 | -15.6 | | | -39.5 |
| Needed to balance the budget | Nil | -13.4 | -17.0 | -15.7 | -46.1 |
| **Gross shortfall** | **-23.9** | **-29.0** | **-17.0** | **-15.7** | **-85.6** |

| Footnote: | | |
|---|---|---|
| Available Funding | **555.8** | |
| Business Rates – Gains from 75% Pilot | **19.1** | (to be applied to digital infrastructure in line with bid to Government |
| Revised Available funding (as per Appendix 1) | **574.9** | |

**Service Pressures**

4.9 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 3.37). The detailed changes to portfolio budgets for 2019/20 are outlined in paragraphs 5.1 to 5.48 below.

**Inflation**

4.10 The total addition included for pay and price increases is **£13.9m**, 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 on the NJC pay budgets, in line with the two year pay award agreed in 2017.
- 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 2019/20 of 1.0% has been assumed.
- An assumed 2.3% on areas of discretion over income.

4.11 Overall, other than the inflationary adjustments set out in 4.10 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**

4.12 The proposed budget continues to support the objectives of the *West Sussex Plan* and is set against the background of continuing reductions in public finances and means the County Council must continue to plan for significantly reduced resources.

**Settlement Funding Assessment**

4.13 The local government four year finance settlement offer was previously announced in February 2016, and the County Council agreed to accept the Government's offer to fix key elements of the County's core funding until 31

March 2020. This has the advantage of providing for improved certainty in funding, and therefore a more stable platform for service planning and future transformation to ensure the financial sustainability of the authority.

4.14 The Provisional Finance Settlement, announced on 13 December 2018 confirmed the sums expected per the fixed settlement and within the budget for our core funding from Government (known as the Settlement Funding Allocation or SFA). The SFA is £88.4m in the current year but falls to **£78.0m** in 2019/20, as shown in Table 3 below.

**Table 3: Settlement Funding Assessment**

| FUNDING ITEM | 2018/19 £m | 2019/20 £m | Change £m | Change % |
|---|---|---|---|---|
| West Sussex: Settlement Funding Assessment | **88.4** | **78.0** | **-10.4** | **-11.7** |
| England: Settlement Funding Assessment | **16,943.1** | **15,958.2** | **-984.9** | **-5.8** |

4.15 The figures in table 3 show an **11.7% decrease** in year-on-year core funding for West Sussex in 2019/20. As expected this is worse than the national figures, which show a 5.8% decrease overall in 2019/20.

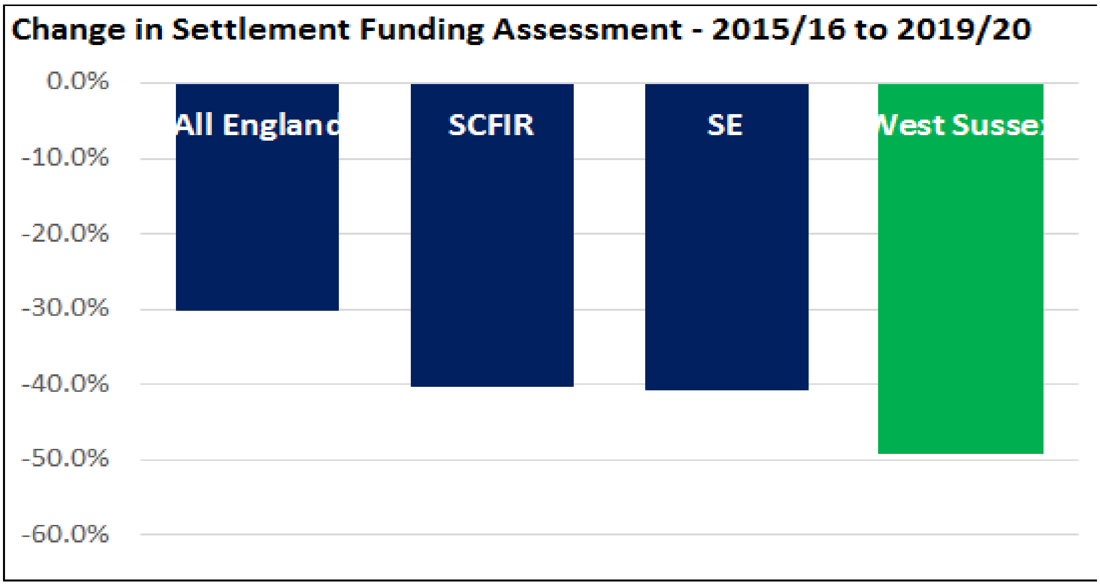
4.16 The settlement was broadly in line with our expectations. A sum of **£1.2m** extra was announced by Government as a share of the national surplus on business rate levy account. This is a new and unexpected payment to authorities. A levy is made on the 'excess' growth in business rates incurred at individual authorities. This is normally used to pay for any safety net payment needed by authorities whose business rates have declined sharply. With the account being in surplus, a one-off dividend has been made to benefit authorities. However, the payment is being made in 2018/19 and will therefore be applied in the current year and not to the 2019/20 budget.

4.17 Chart 3 below shows the cumulative change in our SFA from Government over the last four years compared with:

- The national average;
- All Shire Counties with Fire and Rescue Responsibilities;
- The South East region

4.18 This shows that West Sussex has fared worse than all these groups in comparison, with almost a 50% reduction in our core funding.

**Chart 3: 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**

4.19 West Sussex Districts and Boroughs have not yet confirmed their final business rate estimates for 2019/20. 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.

4.20 The County's 2019/20 budget has been based on assumed figures including growth in business rates of an extra 2% in real terms. For 2019/20, the accumulated local growth from business rates, above Government assumptions, adds an estimated **£2.9m** to the funding available.

4.21 The Chancellor has limited the increase in business rates by an amount less than RPI. As local government is now part funded by local business rates this approach reduced the sum available to local authorities. Government has made good this difference by providing funds to compensate. The Settlement provisionally sets this compensation at **£2.5m** in 2019/20, though a final figure will be confirmed when estimates of the business rate take for 2019/20 is supplied by Districts and Boroughs.

**Business Rate Pooling**

4.22 West Sussex County Council and the Districts and Boroughs made a joint bid to be a pilot area for 75% business rates retention in 2019/20. This is entirely separate from one of the Government's proposed plans to fund us from 2020 by allowing us to retain 75% of business rate growth, rather than the current 50%. This pilot bid has been successful and is being taken forward by Government. If confirmed by the final settlement, the County Council will form a new business rate pilot under the proposed 75% share of business rates, and all West Sussex Districts and Boroughs will also be a part of the piloting arrangement.

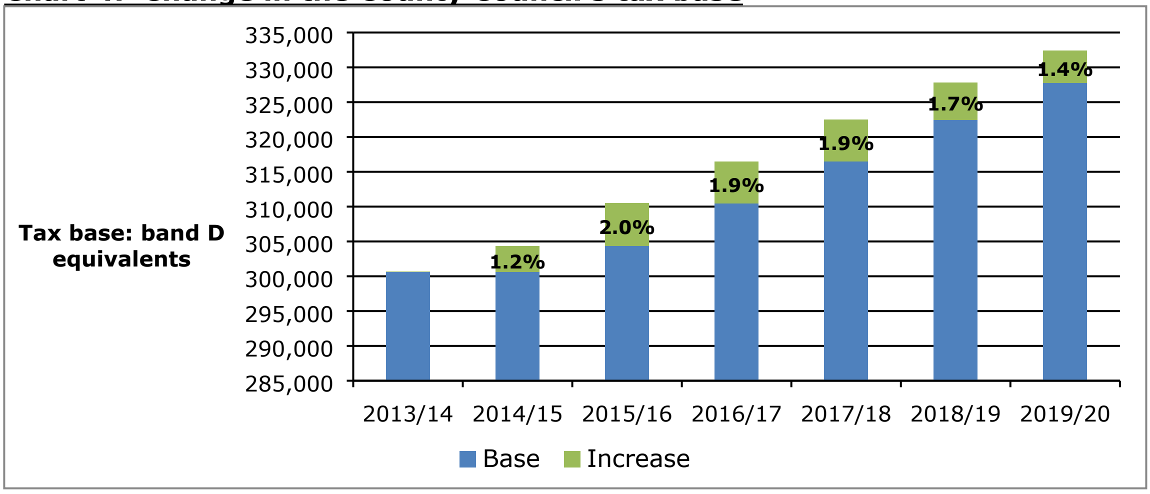
4.23 The pilot bid is anticipated to provide an overall net gain to West Sussex authorities of up to **£19m**, though the exact gain will be dependent on the local business rate take during 2019/20. The gain arises from retaining a greater share of our local business rates in West Sussex. The winning bid submitted jointly by the West Sussex authorities outlined how the gain would be applied to significantly improve digital infrastructure in the County.

4.24 The County Council, along with Adur/Worthing, Arun and Chichester District/Borough Councils has been operating a business rate pool since 2015/16. This pool will now cease and be replaced by the new pilot scheme. The gain from pooling since 2015/16 is about £11m subject to confirmation of the expected gain in 2019/20 at the year-end. This gain has been invested in a number of local projects for the benefit of the whole County across the District/Borough authorities and the County Council. Therefore, this spending is treated wholly outside of the MTFS.

## West Sussex Local Tax Base 2019/20

4.25 The budget assumes a 1.5% increase per annum in the council tax base (this is worth around **£6.8m** for 2019/20). Chart 4 below shows how the assumed increase in tax base next year compares with previous years.

**Chart 4: Change in the County Council's tax base**




4.26 The latest figure received from our Districts and Boroughs indicates a tax base increase of 1.4%, as shown in the chart above. If this remains the case, this is lower than the 1.5% assumed for budget preparation and service planning. However, the authority will continue to apply its Budget Management Reserve to cover the difference to avoid sudden and late reductions causing last minute service cuts. A 1.7% rise has been assumed for 2020/21 onwards within the Medium Term Financial Strategy. Assumptions will be reviewed during next year when the MTFS is refreshed.

## Collection Fund

4.27 Districts 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 not yet all confirmed by our Districts and Borough partners, but for budget purposes we have assumed a total surplus of **£3.0m** for council tax and for business rates. The latest figure received from our District and Boroughs indicates a surplus of £1.9m, £1.1m short of our assumption. Again, the budget assumes any variation from the assumed funding, when finally confirmed by the Districts and Boroughs will continue to be adjusted through the Budget Management Reserve.

4.28 The budget is based on a number of funding assumptions and any changes from either the information from the District and Borough councils or contained in the Government's final settlement will be managed through the Budget Management Reserve. This avoids late changes to the budget.

**Special and Specific Grants**

4.29 Most grants have now 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 3.4% or **£23.9m**, which includes changes in:

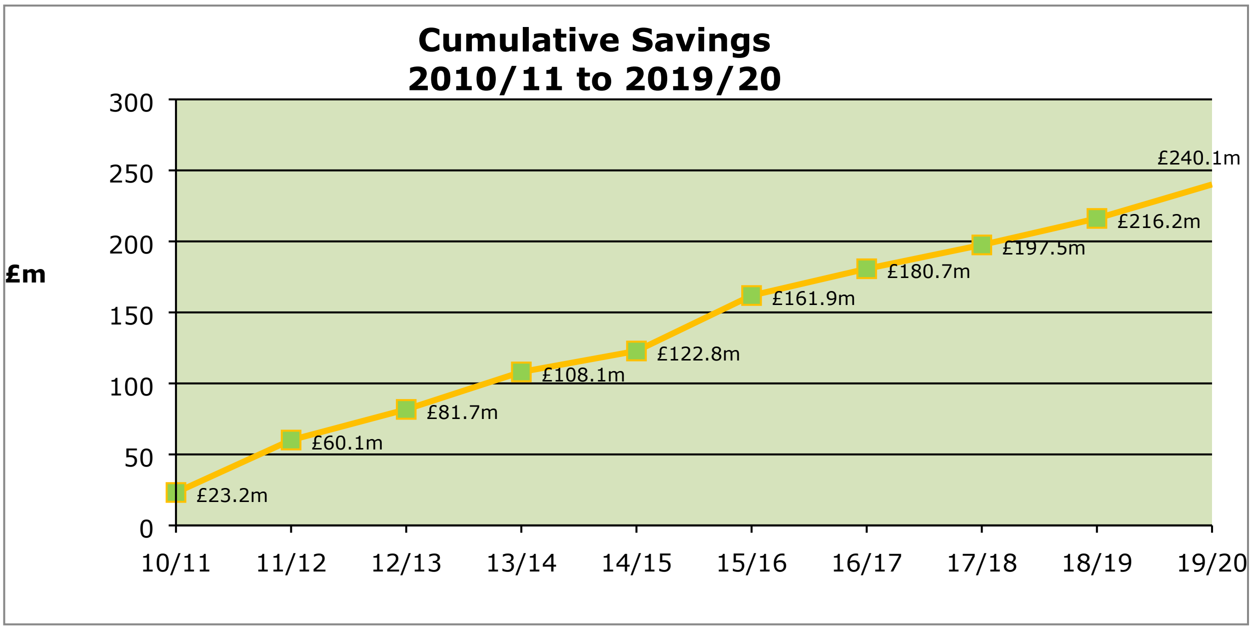
- Improved Better Care Fund, an increase of **£2.3m** to £16.7m, or 15.8%.
- The Dedicated Schools Grant, which has increased by **£15.4m** to £597.1m or 2.6%. This is largely due to an improved funding allocation through the new National Funding Formula (£8.9m), an increase in mainstream and SEND pupil numbers (£6.0m), and additional funding for special educational needs (£1.8m) offset by a reduction in early years funding to reflect the number of free entitlement hours taken up per the January 2018 census (-£1.3m).
- The Public Health Grant has reduced by **£0.9m** to £33.1m, or 2.6%.

4.30 Appendix 4 also highlights a number of non-portfolio specific grants, this includes New Homes Bonus funding of £3.9m. 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 2019/20 budget, the authority will have achieved savings of around £240m (see Chart 5), though maintaining this level of saving is proving more difficult each year.

**Chart 5: Cumulative Savings by West Sussex County Council**



## SECTION FIVE: REVENUE BUDGET PROPOSALS FOR 2019/20

5.1 After considering the Financial Settlement announcement, the budget assumptions for price inflation, business rates and council tax and the savings proposals, net revenue expenditure of £574.919m is proposed for 2019/20, an increase of £41.0m (7.7%) compared to 2018/19, as shown in Table 4 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 awaited in some instances regarding funding, such as from Districts/Boroughs on business rate proceeds and the final settlement from Government.

**Table 4: Summary of Change in Net Budget**

| ITEM | £m | £m | % |
|---|---|---|---|
| Approved net revenue expenditure 2018/19 | | 533.943 | |
| Allowance for price rises | 13.891 | | 2.6 |
| Commitments and service changes | 25.269 | | 4.7 |
| Commitments and non-service changes | 5.710 | | 1.1 |
| Business Rates Pilot | 19.141 | | 3.6 |
| Balancing the budget | -23.935 | | -4.5 |
| Change in Central Government Funding | 0.900 | | 0.2 |
| Net increase | | 40.976 | 7.7 |
| **Net revenue expenditure 2019/20** | | **574.919** | |

### Changes to Portfolio Budgets

5.2 The proposed changes to the budget for 2019/20 are explained by portfolio in the following paragraphs. These changes include growth to meet changing demand pressures of £50.1m, the price changes of £13.9m (detailed in paragraph 4.10 above) and balancing the budget activities of £23.9m.

*Adults and Health*

5.3 The Adults and Health budget for 2019/20 allows for net expenditure of **£206.4m,** which is a net increase of **£11.6m** compared with 2018/19. Around 95% of this relates to the cost of funding the social care needs of residents who meet the national eligibility criteria that were introduced by the Care Act in April 2015. While that is a statutory requirement, the West Sussex Plan priority of Independence in Later Life remains an equally strong influence. Its ambition for the county to "continue to be a great place to grow older", is central to the proportion of the net revenue budget allocated to the portfolio having risen from less than 32% in 2015/16 to around 36% in 2019/20.

5.4 That 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 customers with disabilities. Currently around 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 130 in 2019/20.

- Increasing life expectancy means that more people are living with more complex conditions, increasing cost pressures across all care groups. Within older people, for example, average weekly placement costs for residential care have risen in real terms by 3% per year during the last five years. Over that period the corresponding increase for the average non-residential package has been almost 2.3%. There is little likelihood of either of those rates reducing in the immediate future.

- Pay is the largest element of care providers' costs and so the impact of the National Living Wage continues to create knock-on implications for the County Council. In line with past practice, the budget recognises this pressure and will enable fee increases to be paid to providers which allows for it. Whilst this is a matter of choice for the County Council, in reality options are limited because it is competing for care in markets where it is a minority buyer and where demand from an affluent private market and the NHS is buoyant.

5.5 Based on historical trend, growth of £9.3m would have been required in 2019/20, but as a result of demand management initiatives linked to the Adult Social Care Improvement Plan, this figure has reduced by £2.0m. These will be supported by an increase in investment in technology, carers and falls prevention with the objective of promoting independence and thus reducing expenditure on formal social care. In that way the amount that needs to be funded additionally reduces to £7.3m.

5.6 Compounding the County Council's challenge, Government's Green Paper on adult social care continues to be delayed. Having originally been due in the "summer of 2017", the latest indication is that the paper will be out by April 2019. Despite that the Chancellor of the Exchequer's Budget Report in October 2018 confirmed that "in the longer term, the Government is committed to putting social care on fairer and more sustainable footing". Given that intention, it is unfortunate that there is no certainty about what this might mean. Although Government's announcement of an additional, non-ring-fenced **£5.6m** of support for social care in 2019/20 is welcome, this is a one-off allocation and so is no substitute for a sustainable on-going settlement.

5.7 At the same time, Government has still not made any commitment to retain the Improved Better Care Fund (iBCF) beyond 2019/20 and this makes it imprudent for the County Council to assume that it will be available to help support base budget costs. This reverses a decision made as part of the 2018/19 budget, when we had assumed that funding would continue, and requires an extra £3.6m to be allocated to the portfolio. The corollary to this is that an increased amount of money will be available next year through the iBCF to invest in service improvement.

5.8 Savings of **£4.6m** are included to balance the County Council's overall budget, as described in Appendix 3.

5.9 The key explanations of the changes in the 2019/20 budget are shown in Table 5 below:

**Table 5: Adults and Health Budget Changes**

| ITEM | £m |
|---|---|
| Growth for the effect of population change and rising complexity of needs | 3.9 |
| Growth for the National Living Wage | 3.4 |
| Improved Better Care Fund adjustment | 3.6 |
| Pay and price allowance | 4.7 |
| Transfers between portfolios | 0.8 |
| Transfers to reserves | -0.6 |
| Savings | -4.6 |
| Other changes | 0.4 |
| **Net change** | **11.6** |

5.10 As a contribution towards paying for the net growth, the budget proposes that the County Council again takes advantage of its ability to raise an additional 2% precept for adult social care. This is the final year of the three year freedom provided by Government, for which the County Council's plans are in excess of the requirements that it will face, as Table 6 below highlights.

**Table 6: Adults Social Care Precept**

| ITEM | £m | £m |
|---|---|---|
| **1.Adults and Health budget 2019/20**<br><br>Add: Growth items including inflation (£4.7m), Demand pressures (£3.9m), National Living Wage (£3.4m), iBCF adjustments (£3.6m), transfers between portfolios (£0.8m), other changes (£0.4m)<br>Less: Savings (-£4.6m), reserves transfers (-£0.6m),<br>**Total changes** | <br><br>16.8<br>-5.2 | 194.8<br><br><br>**11.6** |
| **Adults and Health budget 2019/20** | | **206.4** |
| **2.Items making the budget "higher than it would otherwise have been"** ***Excluding savings, reserves transfers and transfers between portfolios***<br>Inflation (£4.7m), Demand pressures (£3.9m), National Living Wage (£3.4m), iBCF adjustment (£3.6m)<br>**Total** | | **15.6** |
| **3. Value of 2% adult social care precept income** | | **8.8** |
| ***4. Value of additional County Council contribution*** (i.e.£15.6m less £8.8m) | | **6.8** |

*Children and Young People*

5.11 The Children & Young People's budget for 2019/20 allows for net expenditure of **£100.2m**, which is a net increase of **£4.3m** compared with 2018/19. Around 85% of this is spent on responsibilities relating to children's social care, including the staffing teams carrying out those responsibilities. The remaining 15% is spent on early help services, children's mental health services (in partnership with Health) and services designed to reduce youth offending. Reflecting the ambitions of the West Sussex Plan in relation to Best Start in Life, net growth of **£4.3m** is planned for the budget. This represents an increase of 4.5% and will be the fourth consecutive year that the portfolio budget has been increased.

5.12 The main reasons for that growth are as follows:

- Demand for children's social care both nationally and locally is continuing to rise significantly. This has manifested itself in higher workloads which, coming at the same time as national shortages of qualified social workers, have led to unsustainably high caseloads for West Sussex social care staff. In order to address this, there has been an increase in the social care establishment of 50 new posts, including 37 social workers, as well as an annual retention payment for staff in hard-to-recruit-to teams. The full financial impact of the scheme has led to the children's social care budget being increased by **£5.5m,** in part funded by savings from the holistic review of the Integrated Prevention and Earliest Help service, as detailed in savings schedule (Appendix 3).

- The increasing complexity of needs of the young people requiring care remains a substantial driver of costs. Unit costs of external placements have increased by nearly 30% since 2014/15. At the same time, the number of families accessing the Intentionally Homeless Service continues to increase with the net cost of support likely to be higher because of the impact of Universal Credit. As a result, an additional **£0.6m** is being allocated to the portfolio in recognition of these pressures.

- An additional **£0.5m** has been allocated to the portfolio on a temporary basis, recognising that Beechfield Secure Children's Home remains closed and therefore will not achieve the surplus of income above expenditure previously budgeted for within the portfolio. The funding is expected to be removed in 2020/21 once a formal final decision is made about the future of Beechfield.

- Cissbury Lodge is a Council-run residential home for children with disabilities, which has been closed since October 2018. The building work required for the home to be made fit for purpose will be completed in the 2019 calendar year. Those children who have been temporarily rehomed in external residential placements will then be moved back to Cissbury Lodge. In addition, whilst efforts have been made to redeploy affected staff into funded vacancies elsewhere in the Council, this has not been possible in the majority of cases. Together those two factors will cause a temporary net pressure for the portfolio of **£1.0m** in 2019/20, £0.4m of which will be met from the Social Care Support Grant. As with Beechfield, this funding is expected to be withdrawn in 2020/21 once Cissbury Lodge is fully operational.

5.13 Savings of **£6.4m** are included to balance the County Council's overall budget as described in Appendix 3. **£0.6m** of these are necessary because the amount of grant the County Council expects to receive in 2019/20 from the Government's Troubled Families Initiative will be reducing as the programme comes towards its end in 2020/21.

5.14 The key explanations of changes in the 2019/20 budget for the portfolio are shown in Table 7 below:

**Table 7: Children and Young People Budget Changes**

| ITEM | £m |
|---|---|
| Additional investment in children's social work | 5.5 |
| Growth due to demand and rising complexity of needs | 0.6 |
| Budget mitigation for Beechfield/Cissbury Lodge | 1.1 |
| Reversal of Public Health Grant funding | 1.1 |
| Pay and price allowance | 2.2 |
| Transfers between portfolios | -0.2 |
| Savings | -6.4 |
| Other changes | 0.4 |
| **Net change** | **4.3** |

*Corporate Relations*

5.15 The Corporate Relations budget provides for net spending of **£44.5m**, which is a net increase of **£0.1m** compared with 2018/19. The majority of this relates to the Cabinet Member's responsibility for a range of enabling service functions together with outsourced contracts for support services and information technology. It also covers costs of democracy, including elections and members' allowances.

5.16 The portfolio has seen growth in order to create a team to meet the Council's obligations under the new General Data Protection Regulations (GDPR). The saving anticipated to be delivered through changes to business mileage has been deferred and will now be delivered through a more complete review of staff terms and conditions.

5.17 Work continues to further integrate legal services into the Orbis partnership (with East Sussex, Brighton and Surrey) and deliver efficiencies in providing legal support to the council. The contracts team will work with Capita in order to deliver services more efficiently and to drive savings out through the delivery of the new IT strategy. The HR function will be looking to review the arrangements for accessing agency staff across the Council, both in terms of rates through the contractual arrangements, and more appropriate use of temporary contracts within the council. Learning and Development services will be reviewed with a view to consolidate the function and to provide a consistency in charging for training provided.

5.18 Savings of £1.5m attributable to the Whole Council Design will be driven from within the portfolio, with details as set out below:

- The **West Sussex Way** sets out our pathway in rising to our cultural, performance and financial challenges that we must face in delivering our priorities to 2022. Through **Whole Council Design (WCD)** of our service models, we can transform and improve the performance of our services and achieve significant financial benefits over the next three financial years, whilst ensuring our resources are spent on achieving the **West Sussex Plan** outcomes for our residents.

- To facilitate transformation and supporting activity, the Council held £11.5m in the Service Transformation Reserve as at 31 March 2018. During this year, £3.9m is scheduled for investment predominantly in Step Up (the enabling programme ahead of Whole Council Design), with a further £1.1m being used to generate savings through the voluntary severance scheme; this leaves £6.5m available to support further investment.

- **Whole Council Design** will build on the achievements of the Step Up Programme. From one-off investment initially estimated at £13m for Whole Council Design, annual (recurring) savings of a minimum £17m are targeted by 2022. At this early stage in delivery, £1.5m of this target is provided for in next year, following mobilisation late in the current financial year. Over the next twelve months, as projects are mobilised and benefits realised, the MTFS will be updated to reflect progress.

- To secure the performance and financial benefits of the **Whole Council Design** programme, a further £6.5m will be transferred from Budget Management on 1 April 2019, of which £3m will be transferred to the revenue portfolio budget as an indication of spend and £3.5m into the Service Transformation Reserves. When allowing for the forecast closing balance on the Service Transformation reserve of £6.5m at year end, the total funds available for investment will be £13m. These funds will be allocated as resourcing (£5m), ICT investment (£5m) and early severance costs (£3m). Amongst items included in this investment will be replacing the council's core IT systems, including financial management and HR. Any further investment needs will be funded through the top-slicing of transformational savings (over and above the £1.5m budgeted from 2019/20).

- Transformation inevitably involves significant up-front investment to deliver ongoing savings, and lead-in times have been recognised as far as possible in the above profiles.

- Through the Council's Transformation Board, governance arrangements will ensure that value for money can be assured, in line with our way of working. The progression of the programme and its benefits realisation will be highlighted through the Council's quarterly total performance monitor.

- A consequence of service redesign, and of other service changes and reductions proposed in the budget, is that our workforce will reduce; it should be expected that much of the £17m WCD savings target referred to earlier will be achieved through improved efficiency and effectiveness, reducing significantly our staffing requirement. Natural wastage (turnover), appropriate redeployment and proactive vacancy management will assist to some degree, but nonetheless, we need to make appropriate provision for managing this change and the costs involved, hence £3m is allocated early severance.

- The use of these funds and the Council's exposure to future early severance liabilities will be closely monitored, with updates fed into future reporting. Government also acknowledges the difficulties that authorities can experience in managing such up-front costs and as a result, special provisions apply for their capitalisation. These flexibilities remain open to the County Council for the two-year period 2020/22 and their suitability will be kept under review, in light of our financial outlook and the challenges ahead.

**Table 8: Corporate Relations Budget Changes**

| ITEM | £m |
|---|---|
| General Data Protection Regulation Team | 0.1 |
| Additional IT costs | 1.3 |
| Demand pressure within reactive maintenance budget | 0.2 |
| Reversal of business mileage saving | 0.2 |
| Pay and Price allowance | 1.0 |
| Transfers between portfolios | -1.4 |
| Transfers from reserves | 2.0 |
| Savings | -3.3 |
| **Net change** | **0.1** |

*Education and Skills*

5.19 The Education budget for 2019/20 allows for net expenditure of **£19.8m**, which is a net increase of **£6.0m** compared with 2018/19. 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 2019/20 budget are shown in Table 9 below:

**Table 9: Education and Skills Budget Changes**

| ITEM | £m |
|---|---|
| Growth for the impact of increased demand for High Needs educational placements | 4.0 |
| Redistribution of central share costs previously charged to DSG | 1.5 |
| Home to School Transport to meet the increasing number of High Needs pupils and living wage pressures | 2.4 |
| Replacement funding for Special Educational Needs Assessment Team (SENAT) following cessation of SEND Reform grant | 0.4 |
| Other pressures | 0.1 |
| Removal of one-off funding received in 2018/19 to develop proposals relating to social mobility | -0.2 |
| Pay and price allowance | 0.5 |
| Transfers to reserves | -1.8 |
| Savings | -0.9 |
| **Net change** | **6.0** |

5.20 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 a further **£5.5m** in 2019/20. Since the current year's budget also includes one-off funding of £2.2m from the DSG Schools block and £0.8m from DSG reserves, this means that our underlying budget pressure next year stands at **£8.5m**.

5.21 With our High Needs DSG funding expected to increase by **£1.2m** in 2019/20, this leaves a budgeted shortfall on High Needs of £5.5m next year. £1.5m of this can be mitigated through the County Council now picking up corporate overhead costs that have previously been funded through the DSG. An additional £4.0m is being allocated to the portfolio in recognition of the remaining High Needs demand costs that are forecast to arise in 2019/20.

5.22 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. **£2.0m** has been allocated to the portfolio to meet existing pressures in 2018/19 and a further £0.4m to meet growth in 2019/20.

5.23 The increase in requests for Education Health and Care Needs Assessments (EHCNAs) has meant that more staff have been required in the Special Educational Needs Assessment Team (SENAT) to carry these out. The additional staff have been funded through the SEND Reform grant but with this grant set to end in March 2019, alternative base budget funding of **£0.4m** is required for next year.

5.24 Other pressures (£0.1m) within the portfolio include 2 new associate education advisors for the Multi Agency Safeguarding hub, and an increase in the revenue cost of the education capital planning team, which have been partially offset by additional income within Home to School transport following the increase in post-16 transport charges in September 2018.

5.25 The additional £1.8m DSG funding announced by the Secretary of State (see paragraph 2.6) in December 2018 meant that the County Council's High Needs DSG allocation for 2019/20 increased by £3m rather than £1.2m. This additional £1.8m from DSG can be used to help meet the £4m High Needs demand costs in 2019/20 (paragraph 5.21), and therefore the County Council funding that has been replaced by these additional DSG monies has been transferred to reserves to help fund the creation of additional Special Support Centres in our mainstream schools in the capital programme.

5.26 Planned savings total £0.9m. These include officer decisions in relation to the reprioritisation of budgets within the High Needs block and improved trading income from schools (£0.7m), and strategic decisions on the development of additional Special Support Centres at mainstream schools and the removal of non-statutory age pupils from Home to School Transport eligibility (£0.2m).

5.27 The Dedicated Schools Grant has increased by **£15.4m** (2.6%) to £597.1m across both the Children and Young People (£48.1m) and Education and Skills portfolios (£549.0m) as per paragraph 4.29.

*Environment*

5.28 The Environment budget provides for net spending of **£62.0m**, which is a net decrease of **£1.4m** compared with 2018/19. 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. Continuing work with our Mechanical and Biological Treatment (MBT) contractor to develop the plant is expected to increase production of RDF that can be diverted from landfill by 48,000 tonnes; delivering both towards our waste diversion and recycling targets and saving the council £0.3m per annum.

5.29 In addition 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 the council £0.8m.

5.30 The council has taken the decision to move away from the locally agreed payments made to Districts and Boroughs in respect of recycling credits and move to a rate of £61.12 per tonne based on a calculation method in the Environmental Protection (Waste Recycling) Payments (England) Regulations 2006. This change along with the retention of any additional income from the sale of recyclates will deliver a saving of **£1.2m**.

5.31 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. 2018/19 has seen the service expand the number of small scale installations at our schools saving the schools an estimated **£50k** per annum and delivering the council a saving of **£90k** in 2019/20. Work is also progressing on feasibility work to deliver large scale battery installations at a number of sites across the County.

5.32 The key explanations of the changes for the 2019/20 budget are shown in Table 10 below:

**Table 10: Environment Budget Changes**

| ITEM | £m |
|---|---|
| Pay and price allowance | 1.8 |
| Transfers between portfolios | 0.2 |
| Transfers to reserves | -0.6 |
| Savings | -3.1 |
| Other changes | 0.3 |
| **Net change** | **-1.4** |

*Finance and Resources*

5.33 The Finance and Resources budget provides for net spending of **£12.8m**, which is a net decrease of **£2.8m** compared with 2018/19. The majority of this relates to the Cabinet Member's responsibility for the Finance, Procurement and Performance 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.

5.34 Transfers between portfolios in the main represent the movement of budgets as a result of the change in Cabinet responsibilities and the creation of the Corporate Relations portfolio. The key explanations of the changes for the 2019/20 budget are shown in Table 11 below:

**Table 11: Finance and Resources Budget Changes**

| ITEM | £m |
|---|---|
| Removal of one-off additional feasibility funding | -0.8 |
| Removal of one-off hardship funding | -0.1 |
| Increase in precepts and levies | 0.1 |
| Pay and price allowance | 0.3 |
| Transfers to reserves | -1.2 |
| Transfers between portfolios | 0.4 |
| Savings | -1.5 |
| **Net change** | **-2.8** |

*Highways and Infrastructure*

5.35 The Highways and Infrastructure budget provides for net spending of **£32.9m**, which is a net decrease of **£2.0m** compared with 2018/19. This 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.

5.36 One-off funding of £0.5m utilised during 2018/19 to deliver a white lines and signage programme to improve the safety of the council's roads is removed from the budget in 2019/20. Planned savings total £2.1m and include £0.5m linked to reducing demand for concessionary travel, a review of highway operation service levels (£0.4m), removal of public bus service subsidies which do not impinge upon school transport (£0.3m) and a review of on-street parking charges (£0.4m).

5.37 The key explanations of the changes for the 2019/20 budget are shown in Table 12 below:

**Table 12: Highways and Infrastructure Budget Changes**

| ITEM | £m |
|---|---|
| Removal of one-off funding to deliver a white lines and signage programme to improve the safety of the council's roads | -0.5 |
| Pay and price allowance | 0.8 |
| Transfers between portfolios | -0.3 |
| Transfers from reserves | 0.2 |
| Savings | -2.1 |
| Other changes | -0.1 |
| **Net change** | **-2.0** |

*Leader (including Economy)*

5.38 The Leader budget provides for net spending of **£4.0m**, which is a net increase of **£0.1m** compared with 2018/19. This budget supports economic development and the costs of running the Chief Executive's office. Spending on economic development contributes to meeting the commitments set out in the Economic Strategy for West Sussex 2012-2020 and continuing to work collaboratively with our partners. We will work with Members, communities, businesses, partners and other County Council Services to understand and support the progress of local priorities.

5.39 The key explanations of the changes for the 2019/20 budget are shown in Table 13 below:

**Table 13: Leader (including Economy) Budget Changes**

| ITEM | £m |
|---|---|
| Pay and price allowance | 0.1 |
| Transfers between portfolios | 0.2 |
| Savings | -0.2 |
| **Net change** | **0.1** |

*Safer, Stronger Communities*

5.40 The portfolio budget provides for net spending of **£37.9m**, which is a net increase of **£0.7m** compared with 2018/19. 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, Registration and Customer services which are all directed to provide excellent services to the county's residents.

5.41 The one off funding given to promote work supporting the homeless has been reversed from the portfolio. A change to the funding available via the Public Health Grant has also led to a review of services previously funded via the grant and a reduction in the Intervention and Prevention work is anticipated.

5.42 The success of the crowd funding site introduced this year has meant that projects previously supported by the council can now raise funds on this platform.

5.43 Funding has also been allocated to the portfolio to continue work with and grow our volunteer network and infrastructure

5.44 The key explanations of the changes for the 2018/19 budget are shown in Table 14 below:

**Table 14: Safer, Stronger Communities Budget Changes**

| ITEM | £m |
|---|---|
| Reversal of one off funding to work with district and borough partners to develop options to address homelessness issues | -0.6 |
| Reversal of Public Health Grant Funding | 1.0 |
| Additional Funding to support Volunteers | 0.2 |
| Pay and price allowance | 1.1 |
| Transfers between portfolios | 0.2 |
| Savings | -1.3 |
| Other changes | 0.1 |

| | |
|---|---|
| **Net change** | **0.7** |

*Non Portfolio*

5.45 For completeness, corporate items for commitments and service changes are given below in Table 15:

**Table 15: Non-Portfolio Budget Changes**

| ITEM | £m |
|---|---|
| Transfers to and from earmarked reserves (net) | 6.9 |
| Transfers to and from earmarked reserves re 75% Business Rates Pilot | 18.1 |
| Reduction in the revenue contribution to capital | -0.3 |
| Capital financing costs | 0.3 |
| Reduction in contingency | -0.2 |
| Forecast increase in the investment income budget following the 0.25% increase in the base rate in August 2018 along with a saving arising from paying the LGPS contributions for 2019/20 in one lump sum up front | -0.6 |
| **Net change** | **24.2** |

5.46 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. In addition, any late changes to the savings which are required to balance the budget will also be funded from the contingency budget.

5.47 In the papers reviewed by the Performance and Finance Select Committee on 17 January 2019, the contingency was set at £3.6m. As a result of the Home Office decision to remove the New Dimensions Grant from 2020/21, and subsequent discussion at Environment, Communities and Fire Select Committee, the proposed saving in the Safer, Stronger Communities portfolio of £0.2m to reduce the spend on the Search and Rescue team to the grant level has now been deferred. The contingency has been reduced by £0.2m in order to maintain a balanced budget.

5.48 In addition, £25,000 has been included within the non portfolio budget for council tax support for care leavers.

**SECTION SIX: ROBUSTNESS OF ESTIMATES, ADEQUACY OF RESERVES AND THE MANAGEMENT OF RISK**

6.1 Section 25 of the Local Government Act 2003 requires Chief Financial Officers to report to their authorities about the robustness of estimates and the adequacy of reserves when determining their budget and level of council tax. Authorities are required to consider their Chief Financial Officers' reports when setting the level of council tax. The Director of Finance, Performance and Procurement has provided the following assurance:

*By the end of 2019/20 the County Council will have delivered around £240m of savings since austerity began with public finances.*

*The savings proposals for 2019/20,* ***£23.9m*** *in total, have been assessed as robust with reliable plans supporting them and £4.2m of these were approved via Cabinet Member decisions following previews at the relevant Select Committee. Early agreement of savings plans allows maximum time for them to be delivered, reducing the risk of non-delivery. For subsequent plans, there is time to further refine estimates to ensure robustness and consider any ability to bring plans forward to realise earlier savings.*

*Transformation work will be the key to ensuring a future sustainable budget and the foundations for that work have been laid as set out in paragraph 5.18 above.*

*All of the above comments are made in the context of a planning assumption that the Council will agree to a council tax increase of 4.99% in 2019/20 followed by 1.99% in 2020/21, covering two of the four years of the MTFS period. Of course, changing finances, new opportunities for service delivery or changes to the funding regime for councils due by 2020 may mitigate future requirements on council tax, but that remains to be seen and therefore cannot be relied on.*

*This budget reinforces the need for 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. We have done this in previous years and I believe our processes are robust for this purpose going forward.*

*I have also taken account of the estimated sum held within the budget management reserve, which provides a safety net against a number of critical assumptions around funding, the non or late delivery of savings in 2019/20 and any legislative or accounting changes imposing new burdens. The use of the budget management reserve provides a stable platform for our future service planning. The budget management reserve avoids any late swings in the funding available to services by underwriting budget funding assumptions. Assumptions can therefore be made around funding at an earlier stage in the budget process, knowing this reserve can address any shortfall that develops late in the process.*

*The overall projected levels of reserves and balances are reviewed annually and are deemed to be adequate and forecast to stand at £179.8m by 31st March 2019.*

*The general contingency for the revenue budget is £3.4m. Although this is assessed as adequate for the risks it is expected to cover, the contingency has been used to mitigate the impact of the late removal of £0.2m saving within the Safer, Stronger Communities portfolio relating to the Search and Rescue team. The Cabinet Member will need to ensure work is undertaken urgently to identify alternative savings to replenish the contingency. In addition, the contingency caters for any other significant inflationary increases which cannot be met from service budgets. Risks from the external environment are mentioned below.*

*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 existing general reserves (with a balance estimated at £20.3m by 31st March 2019) if the general contingency were exhausted.*

*The expected future introduction of 75% business rate retention funding to finance local authorities from 1 April 2020 also highlights the need to strengthen reserves. Whilst we don't know the full details of the new system, we do know that business rates are a very volatile income source, varying considerably with the business cycle. The County's reliance on funding from this source is likely to be increased several fold, when implemented. To maintain a stable service provision, over the long term, against that background will require measures to ensure reserves remain robust and cater for this additional risk, including careful stewardship of the budget management reserve.*

*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.*

*A financial resilience index for local authorities has been under development by CIPFA over the summer following the financial challenges faced by other local authorities. The index applies 15 measures, including areas such as reserves, flexibility with budget and ratios on funding sources and compares the outcome for each authority. It does not translate these 15 measures into any 'overall assessment' or make specific comment on the results. It is expected that there will be a requirement in future budgets to comment on the results of this CIPFA resilience index. As this index is still in development this requirement is not yet in place for the 2019/20 budget.*

*More will be said about the index, and what it means, in future budgets. For the reasons listed in this section, I am comfortable as the County Council Chief Financial Officer that the authority is operating prudently and has strong financial resilience and that this is taken into account when preparing the 2019/20 budget and medium term service and financial plans. However, the CIPFA resilience index* *will be carefully monitored, and the position it indicates that reserves are changing or being used slightly quicker than the typical County Council will be monitored if confirmed when the index is finalised.*

***Katharine Eberhart***
***Section 151 Officer***

## SECTION SEVEN: PRECEPT AND COUNCIL TAX

7.1 The 2019/20 council tax base is **332,430.70** 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 2019/20**

| DISTRICT/BOROUGH COUNCIL | TAX BASE | PRECEPT £ |
|---|---|---|
| Adur | 21,195.00 | £29,324,766.15 |
| Arun | 61,281.00 | £84,786,553.17 |
| Chichester | 53,339.60 | £73,799,070.37 |
| Crawley | 35,216.30 | £48,724,216.19 |
| Horsham | 62,187.00 | £86,040,067.59 |
| Mid Sussex | 60,707.50 | £83,993,075.78 |
| Worthing | 38,504.30 | £53,273,394.35 |
| **Total** | **332,430.70** | **£459,941,143.60** |

7.2 The impact of a 2.99% 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 **£459.941m** and a Band D council tax of **£1,383.57**.

7.3 The budget embodies the core principles of living within our means, protecting the vulnerable and bearing down vigorously on administration costs.

**SECTION EIGHT: EQUALITY ACT CONSIDERATIONS**

8.1 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.

8.2 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.

8.3 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.

8.4 An overarching Equality Impact Assessment has been carried out and is set out at Annex 4.

**SECTION NINE: FUTURE FINANCIAL RISKS**

9.1 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. These include:

- 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. Any impact is likely to feed into the next Spending Review which will set national spending allocations for local authorities from 1 April 2020.

- The Government's review of the needs assessment for local authorities, called the Fair Funding Review (FFR). This assessment underlies how Government allocates resources, and is expected to impact on the starting point for the new funding system under 75% proposed business rate retention scheme. It is a considerable time since any similar review was undertaken, which may 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 Government assuming local council tax can replace Government funding.

- The Government's implementation of the 75% business rate retention system (this is different from the 75% Business Rate pilot scheme for 2019/20) and linked to the wider review of fairer funding for local government mentioned above. This is anticipated to be done in a cost neutral way nationally. County Councils are expected to increase their share of local business rates from the current 10% allocation, but will lose other funding streams to keep this change cost neutral.

  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 rate 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 county's reserves are strong and able to provide a short term safety net for any sudden drop in this source of income.
  - Whilst 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".

- What the next Spending Review has in store for local government funding. This sets the overall framework of funding allocations to Government Departments and the national total for local authorities. The next Spending Review is due to come into effect from 1 April 2020. The degree of any further austerity with public finance and how it will impact on County Council 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 2019/20. 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 of the county indicates that we have a higher and growing proportion of older people, which will bring increased demand for council services, in particular 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.

- 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.

9.2 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 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 65FTE, where known. This figure may change as plans develop over the coming months. This currently equates to approximately 1.1% of our workforce as at the end of December. 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 £23.9m 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.

**KATHARINE EBERHART**
**Director of Finance, Performance and Procurement**

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**SUMMARY OF REVENUE BUDGET AND PRECEPT 2019/20**

| Total Net Expenditure 2018/19 [1] | | | Total Net Expenditure 2019/20 | |
|---|---|---|---|---|
| Amount | Amount per Council Taxpayer (Band D equivalent) | SERVICE | Amount | Amount per Council Taxpayer (Band D equivalent) |
| £000 | £ | | £000 | £ |
| 194,773 | 594.17 | Adults and Health | 206,368 | 620.78 |
| 95,843 | 292.37 | Children and Young People | 100,187 | 301.38 |
| 44,423 | 135.52 | Corporate Relations | 44,503 | 133.87 |
| 13,717 | 41.84 | Education and Skills | 19,780 | 59.50 |
| 63,350 | 193.25 | Environment | 61,954 | 186.37 |
| 15,604 | 47.60 | Finance and Resources | 12,798 | 38.50 |
| 34,902 | 106.47 | Highways and Infrastructure | 32,926 | 99.05 |
| 3,893 | 11.88 | Leader (including Economy) | 4,026 | 12.11 |
| 37,273 | 113.70 | Safer, Stronger Communities | 37,928 | 114.09 |
| **503,778** | **1,536.80** | **SERVICE TOTALS** | **520,470** | **1,565.65** |
| 27,400 | 83.59 | Capital Financing Costs | 27,700 | 83.33 |
| 2,332 | 7.11 | Revenue Contribution to Capital Outlay - County Council | 1,032 | 3.10 |
| 0 | 0.00 | Revenue Contribution to Capital Outlay - Business Rates Pilot [2] | 1,000 | 3.01 |
| -1,903 | -5.80 | Investment Income | -2,503 | -7.53 |
| 3,610 | 11.01 | General Contingency | 3,400 | 10.23 |
| 0 | 0.00 | Care Leavers Council Tax Support | 25 | 0.07 |
| -1,274 | -3.89 | Transfers to/from (-) Earmarked Reserves - County Council | 5,654 | 17.01 |
| 0 | 0.00 | Transfers to/from (-) Earmarked Reserves - Business Rates Pilot [2] | 18,141 | 54.57 |
| **30,165** | **92.02** | **NON-SERVICE TOTALS** | **54,449** | **163.79** |
| **533,943** | **1,628.82** | **NET EXPENDITURE** | **574,919** | **1,729.44** |
| -82,145 | -250.59 | Business Rates Retention Scheme - County Council | -84,745 | -254.92 |
| 0 | 0.00 | Business Rates - Gains from 75% Pilot [2] | -19,141 | -57.58 |
| -12,122 | -36.98 | Revenue Support Grant | 0 | 0.00 |
| -4,102 | -12.51 | New Homes Bonus Grant | -3,932 | -11.83 |
| 0 | 0.00 | Social Care Support Grant | -5,243 | -15.77 |
| -3,557 | -10.85 | Council Tax Collection Fund Surplus (-) / Deficit | -2,279 | -6.86 |
| -36 | -0.11 | Business Rates Collection Fund Surplus (-) / Deficit | 362 | 1.09 |
| **431,981** | **1,317.78** | **PRECEPT** | **459,941** | **1,383.57** |
| | **4.95%** | Increase in Council Tax Band D on Previous Year | | **4.99%** |
| **327,809.60** | | Council Tax Band D Equivalents | **332,430.70** | |

[1] The 2018/19 comparators have been restated from the 2018/19 Budget Book to reflect the change in political structure which came into force during 2018/19

[2] Increased business rates in relation to a joint bid with Districts and Boroughs to be a pilot area for 75% business rates retention in 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

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## ANALYSIS OF CHANGES

| PORTFOLIO | **Budget 2018/19** | Effective Change in Spending [1] | | | | Change in Central Government Funding Arrangements | Transfers between Portfolios | **Overall Change in Spending *col 5+6+7*** | **Budget 2019/20 *col 1 + col 8*** |
|---|---|---|---|---|---|---|---|---|---|
| | | Pay and Prices | Committed and Service Changes | Balancing the Budget (Appendix 3) | **Total *col 2 + 3 + 4*** | | | | |
| | **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 | **194,773** | 6,024 | 8,548 | -4,635 | **9,937** | 900 | 758 | **11,595** | **206,368** |
| Children and Young People | **95,843** | 2,198 | 8,692 | -6,360 | **4,530** | | -186 | **4,344** | **100,187** |
| Corporate Relations | **44,423** | 994 | 3,776 | -3,339 | **1,431** | | -1,351 | **80** | **44,503** |
| Education and Skills | **13,717** | 549 | 6,429 | -911 | **6,067** | | -4 | **6,063** | **19,780** |
| Environment | **63,350** | 1,843 | -381 | -3,065 | **-1,603** | | 207 | **-1,396** | **61,954** |
| Finance and Resources | **15,604** | 296 | -2,033 | -1,463 | **-3,200** | | 394 | **-2,806** | **12,798** |
| Highways and Infrastructure | **34,902** | 818 | -396 | -2,148 | **-1,726** | | -250 | **-1,976** | **32,926** |
| Leader (including Economy) | **3,893** | 87 | -34 | -150 | **-97** | | 230 | **133** | **4,026** |
| Safer, Stronger Communities | **37,273** | 1,082 | 668 | -1,264 | **486** | | 169 | **655** | **37,928** |
| **SERVICE TOTALS** | **503,778** | **13,891** | **25,269** | **-23,335** | **15,825** | **900** | **-33** | **16,692** | **520,470** |
| Capital Financing Costs | **27,400** | | 300 | | **300** | | | **300** | **27,700** |
| Revenue Contribution to Capital Outlay - County Council | **2,332** | | -1,300 | | **-1,300** | | | **-1,300** | **1,032** |
| Revenue Contribution to Capital Outlay - Business Rates Pilot | **0** | | 1,000 | | **1,000** | | | **1,000** | **1,000** |
| Investment Income | **-1,903** | | | -600 | **-600** | | | **-600** | **-2,503** |
| General Contingency | **3,610** | | -243 | | **-243** | | 33 | **-210** | **3,400** |
| Care Leavers Council Tax Support | **0** | | 25 | | **25** | | | **25** | **25** |
| Transfers to/from (-) Earmarked Reserves - County Council | **-1,274** | | 6,928 | | **6,928** | | | **6,928** | **5,654** |
| Transfers to/from (-) Earmarked Reserves - Business Rates Pilot | **0** | | 18,141 | | **18,141** | | | **18,141** | **18,141** |
| **NON-SERVICE TOTALS** | **30,165** | **0** | **24,851** | **-600** | **24,251** | **0** | **33** | **24,284** | **54,449** |
| **NET EXPENDITURE** | **533,943** | **13,891** | **50,120** | **-23,935** | **40,076** | **900** | **0** | **40,976** | **574,919** |

[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.

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| Activity | Balancing the Budget 2019/20 £000 | 2020/21 £000 | Total £000 | Description | Estimated FTE impact (if known) | Equality Impact Assessment (EIA) |
|---|---|---|---|---|---|---|
| **Adults and Health** | | | | | | |
| ***Strategic Decisions:*** | | | | | | |
| Review options for in house provided services **(Published Cabinet Member decision)** | 320 | 180 | 500 | A Cabinet Member decision was taken in October 2018 which secures this saving. | up to 20 | EIA already undertaken as part of Cabinet Member decision |
| Use of the Minimum Income Guarantee for working age adults - higher customer contributions for around 1700 people **(Published Cabinet Member decision)** | 300 | | 300 | People receiving local authority arranged care and support other than in a care home need to retain a certain level of income to cover their living costs. Under the Care Act 2014, charges must not reduce people's income below a certain amount, which is known as the Minimum Income Guarantee (MIG). This a figure that the Department of Health (DH) specifies. For working age adults, the County Council currently allows a higher level of MIG, whereas if the DH guidance amount was followed instead a higher client contribution would be collected. Around 1700 people would be affected by such a change, which will generate additional income of circa £0.3m per year (after allowing for pooled budget implications which will benefit the Clinical Commissioning Groups or CCGs). For a single person the increase in contribution is likely to be around £5 per week, however the system will remain means-tested and so the change in arrangements will only apply to those who are assessed to pay a contribution. | n/a | EIA already undertaken as part of Cabinet Member decision |
| Local Assistance Network **(Published Cabinet Member decision)** | 600 | | 600 | As a predominantly discretionary service, it is proposed to reduce the budget for the Local Assistance Network from £0.8m to £0.2m. | n/a | EIA already undertaken as part of Cabinet Member decision |
| Housing Related Support **(Published Cabinet Member decision)** | 1,740 | 2,328 | 4,068 | Planned reduction in expenditure on Housing Related Support. A core budget of £2.3m will be retained from 2020/21 onwards to fund the County Council's statutory responsibilities and to support key preventative services. | n/a | EIA already undertaken as part of Cabinet Member decision |
| | | | | | | |
| ***Efficiencies:*** | | | | | | |
| Joint working arrangements with the NHS | | 1,500 | 1,500 | Government expects health and social care to integrate by 2020. The saving arises from the opportunities this should create, e.g. from efficiencies in use of staff resources and from improved market management because care should be bought on a collaborative basis rather than a competitive one. | tbc | Usual EIA methodology will be used. |

BALANCING THE BUDGET

| Activity | Balancing the Budget 2019/20 £000 | 2020/21 £000 | Total £000 | Description | Estimated FTE impact (if known) | Equality Impact Assessment (EIA) |
|---|---|---|---|---|---|---|
| Revenue savings from capital investment re Westergate | 100 | | 100 | Estimated annual revenue savings arising from the £1.5m capital grant agreed by the County Council to support the 60 unit extra care housing scheme at Westergate. | n/a | EIA already undertaken as part of process |
| Staffing Review - across Children, Adults, Families, Health and Education (CAFHE) | 175 | 175 | 350 | Across CAFHE there are areas of activity, e.g. commissioning and business support, where scope exists to take a more strategic approach. This is expected to lead to some pooling of staff and the delivery of synergies. £0.35m is a broad order estimate of the saving that this ought to realise across the whole of the directorate. | tbc | Usual EIA methodology will be used. |
| Public Health Grant reduction plan: | | | | | | |
| - Contract reductions | 152 | | 152 | Reduction in expenditure across a range of contracts, including 4 Sight, Integrated Sexual Health Services and information and advice. | n/a | Usual EIA methodology will be used. |
| - Staffing reductions | 425 | | 425 | Saving arising from a removal of vacant posts in Public Health. | 3-4 | EIA not likely to be needed. |
| - Reprioritisation of Public Health budget | 323 | | 323 | The County Council has been incurring costs in other portfolios for Public Health related work which has been funded by the Public Health Grant. The budget proposals provide for some of these activities, which fall outside of Health, to be no longer directly funded from the Public Health Grant. In turn, this releases part of the Public Health Grant enabling an effective increase in direct service expenditure within the Portfolio. In order to help manage the impact of the reduction in the PHG in 2019/20, £0.3m of the opportunity that this presents will not be used, but applied as a saving. | n/a | EIA not likely to be needed - saving achievable from funds released elsewhere |
| Reform of Lifelong Services (split between Adults, Children's and Education remains subject to confirmation) | 500 | 500 | 1,000 | 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, 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. The benefits of this will fall across Adults, Children's and Education, so some reprofiliing of savings between those services is likely to become necessary in due course. | n/a | Specific EIA will be undertaken to assess effect of any proposals and any changes to the service model to early intervention and focus on independence on those with protected characteristics. |
| Reprocurement of the Integrated Sexual Health Service (ISHS) contract | | 250 | 250 | Reprocurement of the Integrated Sexual Health service with savings through the introduction of postal service for testing. | n/a | Usual EIA methodology will be used. |
| **Sub-total Adults and Health** | **4,635** | **4,933** | **9,568** | | | |
| | | | | | | |
| **Children and Young People** | | | | | | |
| ***Strategic Decisions:*** | | | | | | |
| Provision of care leavers accommodation **(Published Cabinet Member decision)** | 390 | | 390 | The County Council has a statutory responsibility to provide accommodation services for care leavers, most of which is obtained from the external market. Due to rising unit costs and a lack of suitable supply, the County Council is planning to make arrangements to acquire properties which will be suitable for care leavers. These will be subject to production of a business case, for which one of the requirements will be a return on investment. | n/a | Usual EIA methodology will be used. New accommodation provision will provide positive opportunities. |

## BALANCING THE BUDGET

| Activity | Balancing the Budget | | | Description | Estimated FTE impact (if known) | Equality Impact Assessment (EIA) |
|---|---|---|---|---|---|---|
| | 2019/20 £000 | 2020/21 £000 | Total £000 | | | |
| IPEH: New proposals, including absorption of Think Family Grant (**£0.56m: Published Cabinet Member decision**) | 2,950 | 1,950 | 4,900 | Savings proposals are based on a holistic review of IPEH and will include £560k of savings in relation to the loss of Think Family Grant previously agreed through Cabinet Member decision CYP05 (18/19). | tbc | EIA will be considered as part of the Cabinet Member decision. |
| ***Efficiencies:*** | | | | | | |
| Growth in numbers of in-house foster carers as part of the Fostering Improvement Plan | 300 | 70 | 370 | The aim of the fostering improvement plan is to improve the availability of in-house foster carers and reduce the reliance on externally commissioned care. As the latter tends to cost more, reductions in overall expenditure can be anticipated from this work. | n/a | Usual EIA methodology will be used. |
| Implement Children Looked After commissioning strategy | 840 | | 840 | There are a number of new approaches to commissioning care for Children Looked After within the children's commissioning strategy to ensure that the right care is delivered at the right time and place and at best value for money. These include stronger interventions with children at risk of requiring care including parent and child placements as well as schemes to enhance greater independence for older children. Through these initiatives, reduced expenditure is expected to be the result. | n/a | Usual EIA methodology will be used. |
| Early intervention reducing demand for high cost services | 350 | 400 | 750 | The implementation of the improved Integrated Prevention and Earliest Help service (IPEH) will result in earlier interventions with families and young people before they reach crisis point. This will have the outcome of reducing demand for the most expensive services enabling savings to be achieved. | n/a | Previous decisions to develop preventative services informed by EIAs. Further assessment for specific proposals undertaken alongside any assessment of benefits realised to date. |
| Healthy Child Programme procurement | 250 | | 250 | The procurement of the Healthy Child Programme has allowed the Public Health Grant to become the funding source for part of the Integrated Prevention and Earliest Help service rather than the County Council. Savings have been delivered as part of this, the level of which will continue to increase in 2019/20. | n/a | Usual EIA methodology will be used. |
| Public Law Outline and client expenditure (S17) - embedding of process improvements made in 2017/18 | 280 | | 280 | Improved processes in 2017/18 led to this budget underspending by £290k. This is expected to be available on a recurring basis. | n/a | EIA not likely to be required. |
| Reform of Lifelong Services (split between Adults, Children's and Education remains subject to confirmation) | 500 | 1,000 | 1,500 | 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, 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. The benefits of this will fall across Adults, Children's and Education, so some reprofiliing of savings between those services is likely to become necessary in due course. | n/a | Specific EIA will be undertaken to assess effect of any proposals and any changes to the service model to early intervention and focus on independence on those with protected characteristics. |

**BALANCING THE BUDGET**

| Activity | Balancing the Budget 2019/20 £000 | 2020/21 £000 | Total £000 | Description | Estimated FTE impact (if known) | Equality Impact Assessment (EIA) |
|---|---|---|---|---|---|---|
| Lifelong Services - review of high cost placements | | 500 | 500 | Specific savings target from the review of high cost placements. | n/a | Usual EIA methodology will be used. |
| Use of 'Public Health Grant to support the IPEH budget | 500 | | 500 | Use of the Public Health Grant to fund eligible expenditure in IPEH that otherwise would need to be funded by the County Council. | n/a | Usual EIA methodology will be used. |
| **Sub-total Children and Young People** | **6,360** | **3,920** | **10,280** | | | |
| | | | | | | |
| **Corporate Relations** | | | | | | |
| ***Efficiencies:*** | | | | | | |
| Provision of Legal Services via the ORBIS partnership | 250 | 200 | 450 | Greater collaboration through the ORBIS Partnership is expected to reduce demand for external advice and deliver efficiencies. | n/a | EIA not likely to be required |
| EProcurement of MFD contract | 100 | | 100 | Full year saving from the eProcurement of the MFD contract completed in 2017/18. | n/a | N/A - saving decision made |
| Implementation of IT Strategy | 200 | | 200 | savings arising from the delivery of the IT strategy and the links to the outsourced contract. | n/a | EIA not likely to be required |
| Closer management of the Capita Contract | 200 | 200 | 400 | Further efficiencies from outsourced contracts. | n/a | EIA not likely to be required |
| Review Accounts Payable workflow | 50 | | 50 | Process improvement allowing for savings to be realised from the SSO contract. | n/a | EIA not likely to be required |
| Increased digitalisation of support to Members | 10 | | 10 | Benefit of digital approach to Member agendas and reports. | n/a | EIA not likely to be required |
| Centralisation of Learning & Development | 169 | 50 | 219 | Consolidation of arrangements for training staff currently employed across the council. | n/a | EIA not likely to be required |
| Ensure appropriate use of agency staff | 400 | 200 | 600 | More efficient and appropriate use of agency staff. | n/a | EIA not likely to be required |
| Review of Staff Terms and Conditions | 180 | 1,000 | 1,180 | Comprehensive review of employee terms and conditions. | n/a | Usual EIA methodology will be used as part of consultation processes. |
| Cessation of the Outplacement contract | 85 | | 85 | Contract not to be renewed on expiry in March 2019, alongside changes to policy and guidance. | n/a | EIA not likely to be required |
| Deletion of HR&OC vacant posts | 70 | | 70 | Release vacant posts from structure following review of the recent restructure. | 1 | EIA not likely to be required |
| Charging PVI Sector training | 100 | | 100 | Review of charging for training delivered to external organisations. | n/a | EIA not likely to be required |
| Stop refreshments at training sessions | 25 | | 25 | Requiring attendees to provide their own refreshments at training events. | n/a | EIA not likely to be required |
| Reduce CLT development costs | | 70 | 70 | Reduction in costs associated with the provision of training and development of senior management. | n/a | EIA not likely to be required |

# BALANCING THE BUDGET

| Activity | Balancing the Budget 2019/20 £000 | 2020/21 £000 | Total £000 | Description | Estimated FTE impact (if known) | Equality Impact Assessment (EIA) |
|---|---|---|---|---|---|---|
| Facilities Management - associated services | | 50 | 50 | Review of facilities contracts (including security, grounds maintenance, cleaning, pest control). | n/a | EIA not likely to be required |
| Whole Council Design | 1,500 | | 1,500 | To be realised via the Whole Council Design work and through investment in transformation. | tbc | Usual EIA methodology will be used where needed as a result of service changes. |
| **Sub-total Corporate Relations** | **3,339** | **1,770** | **5,109** | | | |
| | | | | | | |
| **Education and Skills** | | | | | | |
| ***Strategic Decisions:*** | | | | | | |
| ~~Transport for pre-school age children~~ Savings | 70 | 50 | 120 | The Cabinet Member is considering an alternative strategy to delivery this saving. | n/a | Usual EIA methodology will be used. |
| Developing additional SSCs **(Published Cabinet Member decision)** | 131 | 829 | 960 | Net saving from reduced number of placements being made in Independent and Non-maintained sector following the opening of four new Special Support Centres attached to mainstream schools (2 nursery and 2 primary) from September 2019. Additionally it is planned to open a further 4 SSCs in September 2020, and 3 in September 2021. | n/a | Usual EIA methodology will be used. |
| | | | | | | |
| ***Efficiencies:*** | | | | | | |
| Improve School Trading Offer | 150 | 275 | 425 | A number of trading opportunities are being explored in order to deliver additional revenue income of £0.425m from existing and new products. This will be dependent on the success of initial pilots in 2018/19 and a developed traded model structure (eg ability to trade beyond the County's boundaries). | n/a | EIA not likely to be required |
| Reprioritisation of budgets in High Needs Block | 560 | | 560 | On-going savings from 2018/19 plus removal of residential funding stream to Littlegreen School following its conversion to an academy from January 2019. | n/a | N/A - saving decision made |
| **Sub-total Education and Skills** | **911** | **1,154** | **2,065** | | | |
| | | | | | | |
| **Environment** | | | | | | |
| ***Strategic Decisions:*** | | | | | | |
| Waste Deal with Ds&Bs - to link with future of recycling credits **(Published Cabinet Member decision)** | 1,200 | | 1,200 | The phased withdrawal of support to District and Boroughs through the current recycling credit regime. | n/a | EIA was not required. |
| | | | | | | |
| ***Efficiencies:*** | | | | | | |
| Move to 100% diversion from landfill via Refuse Derived Fuel (RDF) Contract | 300 | 300 | 600 | Further savings in the RDF contract can be achieved following the development of the MBT (Mechanical Biological Treatment) and Site Ha to allow additional RDF to be diverted from Landfill. | n/a | EIA not likely to be required. |
| Further savings on Viridor contract through negotiation | 150 | 200 | 350 | 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. |

# BALANCING THE BUDGET

| Activity | Balancing the Budget 2019/20 £000 | 2020/21 £000 | Total £000 | Description | Estimated FTE impact (if known) | Equality Impact Assessment (EIA) |
|---|---|---|---|---|---|---|
| Reprocurements of energy/water contracts | 50 | | 50 | Agreed framework in place for procurement (Crown Commercial Services). | n/a | EIA not likely to be required. |
| Expansion of solar installation programme | 90 | 100 | 190 | 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 MBT facility | 725 | 75 | 800 | Saving from reducing tonnages going to landfill by utilising other disposal methods - i.e. increase of RDF. | n/a | EIA not likely to be required. |
| Permits for commercial vehicles, vans and trailers for use of Household Waste Recycling Centres (HWRCs) | 100 | | 100 | A reduction in tonnage due to the implementation of permits for commercial vehicles. | n/a | Usual EIA methodology will be used. |
| Review of countryside agreements and PROW operational budgets | 70 | | 70 | A review of operational budgets, including lease arrangements for countryside facilities. | n/a | Usual EIA methodology will be used. |
| Biffa agreed saving | 130 | | 130 | Contract saving in relation to the operation of the MBT (Mechanical Biological Treatment). | n/a | EIA not likely to be required. |
| Disposal savings as a result of Adur & Worthing decision to move to 2-Weekly collection | 100 | 200 | 300 | Savings in disposal costs as a result of extra recycling. | n/a | Usual EIA methodology will be used. |
| 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. |
| Planning fee income | 150 | 150 | 300 | Reflecting growth in volume of highway agreements. | n/a | EIA not likely to be required - volume change. |
| **Sub-total Environment** | **3,065** | **1,275** | **4,340** | | | |
| | | | | | | |
| **Finance and Resources** | | | | | | |
| ***Efficiencies:*** | | | | | | |
| Income Generation - Investment Opportunities | 500 | 500 | 1,000 | £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 | | 250 | 250 | 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. |
| Insight & Performance restructure | 150 | | 150 | Restructure savings. | 3 or 4 | EIA not likely to be required. |
| Purchasing Card spending - target 10% on contracted spend | 460 | | 460 | Cards used for everyday transaction. More effective and consistent use of the P card purchases/transactions will produce savings, plus additional corporate monitoring to ensure value for money is maximised. | n/a | EIA not likely to be required - process changes. |

| Activity | Balancing the Budget 2019/20 £000 | 2020/21 £000 | Total £000 | Description | Estimated FTE impact (if known) | Equality Impact Assessment (EIA) |
|---|---|---|---|---|---|---|
| Advertising/sponsorship opportunities | 50 | | 50 | The County Council will engage with external parties to boost existing (and create new) revenue schemes from advertising and sponsorship opportunities on West Sussex assets. | n/a | EIA not likely to be required. |
| Reduce Hardship Fund to reflect current demand | 105 | | 105 | This budget supports some of the work by Districts and Boroughs on their council tax support schemes,. The reduction to the budget is to a level more in line with demand seen in recent years. | n/a | EIA not likely to be required - aligning budget to demand levels. |
| Reduction in subscriptions | 23 | | 23 | Savings following a review of the professional services that the County Council subscribes to. | n/a | EIA not likely to be required. |
| Increased utilisation of the Apprenticeship levy | 175 | 30 | 205 | Increased utilisation of the Levy to meet the costs of training currently found within base budget. | n/a | EIA not likely to be required. |
| Crawley PFI Review | | 200 | 200 | Greater efficiencies with respect to the delivery of services within the Crawley Schools PFI contract. | n/a | EIA not likely to be required. |
| **Sub-total Finance and Resources** | **1,463** | **980** | **2,443** | | | |
| | | | | | | |
| **Highways and Infrastructure** | | | | | | |
| ***Strategic Decisions:*** | | | | | | |
| Review of non-statutory elements of the English National Concessionary Transport scheme | 50 | | 50 | Review of non-statutory rail travel element of concessionary travel scheme. | n/a | Usual EIA methodology will be used. |
| On Street Parking - changed date of annual increase **(Published Cabinet Member decision)** | 150 | | 150 | Change in date for annual on-street charge increase from April to September (effective September 2019). | n/a | EIA considered as part of Cabinet Member decision. |
| Reduction in public bus service subsidies which do not impinge upon school transport **(Published Cabinet Member decision)** | 300 | | 300 | Reduction in subsidies for unviable services where there is no link to providing transport for schools. | n/a | EIA considered as part of Cabinet Member decision. |
| | | | | | | |
| ***Efficiencies:*** | | | | | | |
| Cost Recovery (Street Works Permit Scheme) | 140 | 20 | 160 | 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 | 134 | 100 | 234 | Restructure savings. | 6-8 | EIA not likely to be required. |
| Highway operations service level review | 574 | | 574 | Savings from reprocurement of the Highways maintenance contract from: efficiencies in service delivery using innovative ways of working, review of service levels to align with neighbouring authorities following a benchmarking exercise. | n/a | EIA not likely to be required. |
| Income generation - examine scope to increase income from fees and charges, including sponsorship | 100 | 100 | 200 | Charging for services that we currently provide for free and providing opportunities for advertising on the highways and for sponsorship of highways activities. | n/a | EIA not likely to be required. |
| On-Street Parking - annual increase | 200 | | 200 | Annual increase in on-street charges from April 2019. | n/a | Usual EIA methodology will be used. |

# BALANCING THE BUDGET

| Activity | Balancing the Budget 2019/20 £000 | 2020/21 £000 | Total £000 | Description | Estimated FTE impact (if known) | Equality Impact Assessment (EIA) |
|---|---|---|---|---|---|---|
| Reduced level of demand for concessionary bus travel scheme | 500 | | 500 | Reflects reduced level of demand for concessionary travel. | n/a | Previous EIA work, but EIA may not be needed for update to reflect demand. |
| **Sub-total Highways and Infrastructure** | **2,148** | **220** | **2,368** | | | |
| | | | | | | |
| **Leader (including Economy)** | | | | | | |
| ***Efficiencies:*** | | | | | | |
| Policy team/Communications Team | 150 | | 150 | Restructure of the policy and communication team. | 3 | EIA not likely to be required. |
| | | | | | | |
| **Sub-total Leader (including Economy)** | **150** | **0** | **150** | | | |
| | | | | | | |
| **Safer, Stronger Communities** | | | | | | |
| ***Strategic Decisions:*** | | | | | | |
| Reduce Intervention and Prevention Team | 400 | | 400 | Restructure team and remove posts. Despite the reduction in spending,the teams are working on positive plans to continue to provide valuable courses such as Safe Drive Stay Alive. High risk home safety checks, safeguarding and Firewise scheme will continue. | 9 | Usual EIA methodology will be used. |
| Revised arrangements to deliver Command and Mobilisation services (Cabinet Key Decision to be published) | | 1,000 | 1,000 | Changed arrangements for delivering command and mobilisation to the Fire and Rescue Service. | n/a | EIA not likely to be required. |
| Reduce Community Initiative Fund | 140 | | 140 | Proposals to reduce the level of grants available subject to a review of CLCs in Spring 2019. | n/a | Usual EIA methodology will be used. |
| | | | | | | |
| ***Efficiencies:*** | | | | | | |
| Reduce media fund for physical and digital stock | 25 | | 25 | Increased utilisation of book stock leading to savings in stock replacement. | n/a | Past EIA work. Usual EIA methodology will be used. |
| Reduced support from the Business Resilience team | 100 | | 100 | Reduced support to the organisation from the Business Resilience Team and greater reliance on Services to deliver business continuity plans. | 3 | EIA not likely to be required. |
| Reduce staffing capacity in Community Safety and Wellbeing Service | 75 | | 75 | Restrict level of partnership service to partners. | 1 | Usual EIA methodology will be used. |
| Reduced Partnership & Comm Team | 195 | 45 | 240 | Limit level of 'local' resource available for community resilience programme. | 4 or 5 | Usual EIA methodology will be used. |
| Reduce Trading Standards Discretionary duties by 10% | 130 | | 130 | Removal of discretionary business support services. | 3 or 4 | Usual EIA methodology will be used. |
| Remove Big Society Grant Fund | 49 | | 49 | The cessation of the Big Society Fund. The expectation is that funding will be raised through 'Spacehive' the WSCC supported crowd funding platform. | n/a | Usual EIA methodology will be used. |
| Reduction in Community Safety Team | 50 | 50 | 100 | Reduce contribution to Youth Offending Service and Training capacity on safeguarding. | 1 or 2 | Usual EIA methodology will be used. |
| Restructure Fire Senior Team | 100 | | 100 | Restructure savings. | 1 | 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. |

BALANCING THE BUDGET

| Activity | Balancing the Budget 2019/20 £000 | 2020/21 £000 | Total £000 | Description | Estimated FTE impact (if known) | Equality Impact Assessment (EIA) |
|---|---|---|---|---|---|---|
| Move to deliver Regulatory services in partnership with D&Bs | | 100 | 100 | Working alongside D&B's to deliver enforcement and regulatory services. | n/a | Usual EIA methodology will be used. |
| **Sub-total Safer, Stronger Communities** | **1,264** | **1,295** | **2,559** | | | |
| | | | | | | |
| **Corporate (Non-Service)** | | | | | | |
| *Efficiencies:* | | | | | | |
| LGPS | 500 | | 500 | An upfront payment of the council's employers annual contribution can be made in April 2019, rather than the current monthly payment system via a percentage of the monthly payroll run for LGPS staff. This allows a cash flow benefit for the Pension Fund to be recognised, with the Fund benefiting from the ability to invest the cash immediately at the start of the year, rather than over the full 12 months. In turn the County Council can reduce its overall payment, to realise this benefit from this earlier payment, in agreement with the Fund actuary. | n/a | EIA not likely to be required. |
| Interest income | 100 | 100 | 200 | Expected improved return from Treasury Management activities income generation, within agreed strategy. | n/a | EIA not likely to be required. |
| **Sub-total Corporate (Non-Service)** | **600** | **100** | **700** | | | |
| **Overall Total** | **23,935** | **15,647** | **39,582** | | | |

| **Portfolio Summary:** | **2019/20 £000** | **2020/21 £000** | **Total £000** |
|---|---|---|---|
| Adults and Health | 4,635 | 4,933 | 9,568 |
| Children and Young People | 6,360 | 3,920 | 10,280 |
| Corporate Relations | 3,339 | 1,770 | 5,109 |
| Education and Skills | 911 | 1,154 | 2,065 |
| Environment | 3,065 | 1,275 | 4,340 |
| Finance and Resources | 1,463 | 980 | 2,443 |
| Highways and Infrastructure | 2,148 | 220 | 2,368 |
| Leader (including Economy) | 150 | 0 | 150 |
| Safer, Stronger Communities | 1,264 | 1,295 | 2,559 |
| Corporate (Non-Service) | 600 | 100 | 700 |
| **Total** | **23,935** | **15,647** | **39,582** |

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## GRANTS TOWARDS SPECIFIC SERVICES

| Portfolio and Grant | 2018/19 Budget | 2019/20 Budget | Change from 2018/19 Budget | |
|---|---|---|---|---|
| **Specific Government Grants** [1] | £000 | £000 | £000 | % |
| ***Adults and Health*** | | | | |
| Independent Living Fund | 4,444 | 4,309 | -135 | -3.0 |
| Local Reform and Community Voices | 458 | 465 | 7 | 1.5 |
| Social Care in Prison | 71 | 68 | -3 | -4.2 |
| Syrian Vulnerable Persons Resettlement Scheme | 155 | 155 | 0 | 0.0 |
| Public Health Grant | 12,891 | 13,541 | 650 | 5.0 |
| Improved Better Care Fund | 14,302 | 16,575 | 2,273 | 15.9 |
| Winter Pressures | 0 | 3,304 | 3,304 | N/A |
| War Pensions Scheme Disregard | 168 | 153 | -15 | -8.9 |
| | **32,489** | **38,570** | **6,081** | **18.7** |
| ***Children and Young People*** | | | | |
| Dedicated Schools Grant | 49,317 | 48,124 | -1,193 | -2.4 |
| Child Asylum Seekers | 2,214 | 2,414 | 200 | 9.0 |
| Adoption Support Fund | 1,530 | 1,530 | 0 | 0.0 |
| Asylum - Leaving Care | 244 | 244 | 0 | 0.0 |
| Public Health Grant | 13,449 | 12,957 | -492 | -3.7 |
| Think Family | 1,750 | 1,190 | -560 | -32.0 |
| Social Worker Intake Team | 250 | 250 | 0 | 0.0 |
| Staying Put | 231 | 236 | 5 | 2.2 |
| Youth Justice Good Practice | 554 | 500 | -54 | -9.7 |
| Improved Better Care Fund | 128 | 128 | 0 | 0.0 |
| Additional Asylum Seeking Children Capacity Grant | 162 | 110 | -52 | -32.1 |
| Social Care Support Grant | 0 | 400 | 400 | N/A |
| Extending Personal Advisor Offer (Care Leavers) | 0 | 72 | 72 | N/A |
| | **69,829** | **68,155** | **-1,674** | **-2.4** |
| ***Education and Skills*** | | | | |
| Dedicated Schools Grant | 532,381 | 548,974 | 16,593 | 3.1 |
| 16-19 Sixth Form Grant | 14,748 | 15,666 | 918 | 6.2 |
| Pupil Premium Grant | 14,838 | 13,442 | -1,396 | -9.4 |
| Crawley Schools PFI | 4,532 | 4,532 | 0 | 0.0 |
| Extended Rights to Free Travel | 358 | 449 | 91 | 25.4 |
| Golden Hellos | 100 | 0 | -100 | -100.0 |
| Higher Education Funding Council for England | 120 | 120 | 0 | 0.0 |
| PE & Sports | 1,844 | 1,844 | 0 | 0.0 |
| Universal Free School Meals | 7,900 | 7,900 | 0 | 0.0 |
| Skills Funding Agency | 3,005 | 3,005 | 0 | 0.0 |
| Moderation and Phonics Key Stage 2 | 61 | 27 | -34 | -55.7 |
| School Improvement Monitoring and Brokerage | 700 | 750 | 50 | 7.1 |
| European Structural and Investment Fund | 0 | 233 | 233 | N/A |
| Teachers Pay | 0 | 2,700 | 2,700 | N/A |
| | **580,587** | **599,642** | **19,055** | **3.3** |
| ***Environment*** | | | | |
| Waste PFI | 2,124 | 2,124 | 0 | 0.0 |
| Public Health Grant | 95 | 47 | -48 | -50.5 |
| | **2,219** | **2,171** | **-48** | **-2.2** |
| ***Finance and Resources*** | | | | |
| Inshore Fisheries and Conservation Support | 148 | 148 | 0 | 0.0 |
| | **148** | **148** | **0** | **0.0** |
| ***Highways and Infrastructure*** | | | | |
| Street Lighting PFI | 6,069 | 6,069 | 0 | 0.0 |
| Bus Service Operators | 436 | 436 | 0 | 0.0 |
| Lead Local Flood Authority | 62 | 66 | 4 | 6.5 |
| Public Health Grant | 100 | 50 | -50 | -50.0 |
| | **6,667** | **6,621** | **-46** | **-0.7** |
| ***Leader (including Economy)*** | | | | |
| Local Enterprise Partnership Core Funding | 502 | 502 | 0 | 0.0 |
| | **502** | **502** | **0** | **0.0** |
| ***Safer, Stronger Communities*** | | | | |
| Public Health Grant | 7,427 | 6,470 | -957 | -12.9 |
| Service and Maintenance Support | 145 | 145 | 0 | 0.0 |
| Fire Revenue Grant | 822 | 2,300 | 1,478 | 179.8 |
| | **8,394** | **8,915** | **521** | **6.2** |
| **TOTAL SPECIFIC GOVERNMENT GRANTS** | **700,835** | **724,724** | **23,889** | **3.4** |

[1] Where final grant confirmations are outstanding, provisional 2019/20 allocations have been budgeted

**GRANTS TOWARDS SPECIFIC SERVICES**

| Memo: Other Non-Service and Financing Grants | 2018/19 Budget | 2019/20 Budget | Change from 2018/19 Budget | |
|---|---|---|---|---|
| | £000 | £000 | £000 | % |
| Business Rate Retention Scheme | | | | |
| - Settlement Funding Assessment | 76,239 | 77,986 | 1,747 | 2.3 |
| - Business Rate Local Growth | 2,115 | 2,839 | 724 | 34.2 |
| - Business Rate Cap Grant (Section 31) | 3,791 | 3,920 | 129 | 3.4 |
| Business Rates - Gains from 75% Pilot | 0 | 19,141 | 19,141 | N/A |
| Revenue Support Grant | 12,122 | 0 | -12,122 | -100.0 |
| New Homes Bonus Grant | 4,102 | 3,932 | -170 | -4.1 |
| Social Care Support Grant | 0 | 5,243 | 5,243 | N/A |
| **TOTAL OTHER NON-SERVICE AND FINANCING GRANTS** | **98,369** | **113,061** | **14,692** | **14.9** |

# RESERVES

| Reserve | Projected balance at 31 March 2019 £000 | Projected balance at 31 March 2020 £000 | Description |
|---|---|---|---|
| Adult Social Care and Health Demand Pressures | -66 | 0 | This reserve has been used in the support of the Adults and Health portfolio managing its demand pressures, particularly through a focus on prevention. |
| Adult Social Care Support Grant 2018/19 | -1,765 | -1,765 | In February 2018 the government announced an additional £150m for Adult Social Care Services in 2018/19 which was allocated to councils based on their relative needs. £2.065m was designated to West Sussex and is held in the reserve. |
| Adult Social Care Transformation Fund | -246 | -246 | A one-off Adult Social Care grant was announced as part of the 2017/18 settlement. The funding is worth £241m nationally and £3.3m to West Sussex. These funds have been used to pump-prime transformational investment in adult social care, with spending decisions to be taken through the Corporate Transformation Board. The remaining balance will continue to be used in this way. |
| Budget Management | -29,290 | -24,638 | 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. Projected balance at 31 March 2020 includes planned application of £6.5m to Whole Council Design work in 2019/20. |
| Business Infrastructure | -706 | -706 | 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 | 0 | -18,141 | Increased business rates in relation to a joint bid with Districts and Boroughs to be a pilot area for 75% business rates retention in 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 | -12,028 | Held to support capital plans over the longer term, such as the A27 scheme, thus avoiding the need to borrow and incurring the associated long term capital financing costs. |
| Contract Settlement | -203 | -203 | Provides for potential claims arising from the settlement of contractual arrangements. |
| Deprivation of Liberty Safeguarding | -900 | -900 | Held to support the Council in undertaking its statutory assessments of 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. |
| Elections | -200 | -400 | To hold annual contributions built into the base revenue budget. Will be used to finance administrative costs in an election year. |
| Highways and Education Buildings | -32 | -32 | Held to cover any outstanding shortfall within the Education Basic Need programme as a result of the DfE grant shortfall, along with providing improvements on the highway. |
| Highways Commuted Sums | -3,057 | -3,669 | Holds a balance of contributions received from developers in respect of future maintenance costs of non-standard highways infrastructure. |

## RESERVES

| Reserve | Projected balance at 31 March 2019 £000 | Projected balance at 31 March 2020 £000 | Description |
|---|---|---|---|
| Infrastructure Works Feasibility | -648 | -1,648 | Reserve created to support the development of the County Council's Capital Programme. The reserve will be utilised during 2019/20 and beyond, although spending plans have yet to be fully developed and so projected balances as at 31 March 2020 do not currently reflect spending to be incurred during the year. |
| Insurance | -6,446 | -6,446 | 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. |
| Interest Smoothing Account | -830 | -830 | 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 prudency principle in the financial strategy over matters over which the Council has little control. |
| NNDR Appeals | -460 | -460 | To cover the council's share of any potential liability following successful business rates appeals. |
| On Street Parking | -526 | -526 | 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 | -215 | -215 | 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) | -6,696 | -6,643 | 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 | -19,703 | -19,864 | |
| PFI Waste Management | -12,415 | -12,415 | |
| 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: | | | The Service Transformation reserves are held to meet the costs of major organisational transformation. They are 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. From 2019/20, the reserves will be split as follows:<br>-ICT: to cover replacement and new technologies and equipment.<br>-Resourcing: to cover all other resourcing (capacity, skills and supporting needs) to ensure successful project and programme delivery.<br>-Early severance: to cover the costs arising from workforce reduction.<br>Balances will total £13m as at 1 April 2019; spending profiles are currently being developed and the projected balances as at 31 March 2020 assume £3m will be applied during the course of next year, purely as an indication of spend. |
| -ICT | | -4,000 | |
| -Resourcing | -6,500 | -4,000 | |
| -Early Severance | | -2,000 | |

# RESERVES

| Reserve | Projected balance at 31 March 2019 £000 | Projected balance at 31 March 2020 £000 | Description |
|---|---|---|---|
| Social Care Support | 0 | -5,243 | This holds the County Council's share of the £410m Social Care Support Grant announced by Government in the 2018 Budget. Although it is currently shown as an earmarked reserve, the intention is to use it to support expenditure in the Adults' and Children's portfolios in relation to demand pressures and to invest in service sustainability. |
| Special Support Centres | 0 | -1,845 | Revenue funding set aside to help fund the creation of additional Special Support Centres in our mainstream schools in the capital programme. These funds will help to reduce our borrowing requirements. |
| Statutory Duties Reserve | -1,712 | -1,712 | 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 | -1,295 | -1,210 | Held to support the progression of the economic priorities within the Coast to Capital Local Enterprise Partnership. |
| Street Works Permit Scheme | -871 | -871 | 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. |
| Sustainable Investment Fund | -21 | 0 | This reserve was created from funding for Be The Business and the Social Enterprise Fund, with the aim to encourage match funding to enhance the opportunity to support West Sussex businesses. |
| Unapplied Revenue Grants | -1,800 | -1,770 | The Unapplied Revenue Grant 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 | -27,915 | -25,915 | 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)** | **-139,928** | **-163,723** | |
| Dedicated Schools Grant (DSG) | -5,046 | -5,046 | 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 | -14,556 | -14,556 | The School Balances reserve holds net underspending on locally managed budgets. |
| **TOTAL EARMARKED RESERVES (SCHOOLS & NON SCHOOLS)** | **-159,530** | **-183,325** | |

## RESERVES

| Reserve | Projected balance at 31 March 2019 £000 | Projected balance at 31 March 2020 £000 | Description |
|---|---|---|---|
| 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 at the end of the financial year. |
| **TOTAL USABLE RESERVES** | **-179,816** | **-203,611** | |

# ADULTS AND HEALTH

**REVENUE BUDGET 2019/20**

| **Net Expenditure 2018/19** | | Gross Expenditure 2019/20 | Sales, Fees and Charges 2019/20 | Other Income 2019/20 | Specific Government Grants 2019/20 | **Net Expenditure 2019/20** | Net Expenditure Change from 2018/19 |
|---|---|---|---|---|---|---|---|
| **£000** | | £000 | £000 | £000 | £000 | **£000** | % |
| | **Older People** | | | | | | |
| | *Commissioned Costs* | | | | | | |
| **21,866** | Nursing Care (OP) | 36,160 | -14,953 | 0 | 0 | **21,207** | -3.0% |
| **29,568** | Residential Care (OP) | 69,332 | -19,398 | -622 | -13,513 | **35,799** | 21.1% |
| **15,216** | Personal Budgets - Council Managed (OP) | 21,462 | -6,032 | -1,839 | -879 | **12,712** | -16.5% |
| **4,610** | Personal Budgets - Direct Payments (OP) | 7,483 | -1,458 | 0 | -114 | **5,911** | 28.2% |
| | *Other Costs* | | | | | | |
| **2,511** | In-House Day and Residential Care | 2,771 | -106 | -27 | -388 | **2,250** | -10.4% |
| **10,390** | Social Care Activities (OP) | 16,428 | 0 | -4,840 | -1,261 | **10,327** | -0.6% |
| **84,161** | | 153,636 | -41,947 | -7,328 | -16,155 | **88,206** | 4.8% |
| | **Physical and Sensory Impairment** | | | | | | |
| | *Commissioned Costs* | | | | | | |
| **1,167** | Nursing Care (PSI) | 1,730 | -206 | 0 | 0 | **1,524** | 30.6% |
| **3,954** | Residential Care (PSI) | 5,622 | -676 | 0 | 0 | **4,946** | 25.1% |
| **3,024** | Personal Budgets - Council Managed (PSI) | 4,494 | -637 | 0 | -103 | **3,754** | 24.1% |
| **7,832** | Personal budgets - Direct Payments (PSI) | 9,910 | -624 | 0 | -1,068 | **8,218** | 4.9% |
| **15,977** | | 21,756 | -2,143 | 0 | -1,171 | **18,442** | 15.4% |
| | **Learning Disabilities** | | | | | | |
| **982** | Nursing Care (LD) | 888 | -126 | 0 | 0 | **762** | -22.4% |
| **38,570** | Residential Care (LD) | 46,314 | -3,406 | 0 | -1,200 | **41,708** | 8.1% |
| **27,082** | Personal Budgets - Council Managed (LD) | 35,053 | -2,718 | 0 | -2,432 | **29,903** | 10.4% |
| **6,129** | Personal Budgets - Direct Payments (LD) | 8,599 | -550 | 0 | -1,084 | **6,965** | 13.6% |
| **711** | Preventative Services (LD) | 1,362 | 0 | -1,362 | 0 | **0** | -100.0% |
| **9,718** | In-House Day and Residential Care Recharges (LD) | 10,277 | 0 | 0 | 0 | **10,277** | 5.8% |
| **3,767** | Health Services (LD) | 4,476 | 0 | -380 | -125 | **3,971** | 5.4% |
| | *Other Costs* | | | | | | |
| **3,144** | Social Care Activities (LD) | 3,191 | 0 | 0 | 0 | **3,191** | 1.5% |
| **-17,729** | CCG Contribution to Pooled Budget | 0 | 0 | -18,616 | 0 | **-18,616** | 5.0% |
| **72,374** | | 110,160 | -6,800 | -20,358 | -4,841 | **78,161** | 8.0% |

# ADULTS AND HEALTH

**REVENUE BUDGET 2019/20**

| **Net Expenditure 2018/19** | | Gross Expenditure 2019/20 | Sales, Fees and Charges 2019/20 | Other Income 2019/20 | Specific Government Grants 2019/20 | **Net Expenditure 2019/20** | Net Expenditure Change from 2018/19 |
|---|---|---|---|---|---|---|---|
| **£000** | | £000 | £000 | £000 | £000 | **£000** | % |
| | **Working Age Mental Health** | | | | | | |
| | *Commissioned Costs* | | | | | | |
| **1,129** | Nursing Care (MH) | 1,588 | -74 | 0 | 0 | **1,514** | 34.1% |
| **5,445** | Residential Care (MH) | 7,736 | -564 | 0 | 0 | **7,172** | 31.7% |
| **2,009** | Personal Budgets - Council Managed (MH) | 2,713 | -207 | 0 | -32 | **2,474** | 23.1% |
| **805** | Personal Budgets - Direct Payments (MH) | 1,054 | -62 | 0 | -31 | **961** | 19.4% |
| **-9,388** | Recharges To Health | 0 | 0 | -12,121 | 0 | **-12,121** | 29.1% |
| | *Other Costs* | | | | | | |
| **0** | Social Care Activities (MH) | 2,602 | 0 | -2,602 | 0 | **0** | N/A |
| **8,711** | County Council Contribution to Pooled Budget | 8,821 | 0 | 0 | 0 | **8,821** | 1.3% |
| **8,711** | | 24,514 | -907 | -14,723 | -63 | **8,821** | 1.3% |
| | **Assistive Equipment and Technology** | | | | | | |
| **0** | Community Equipment | 7,435 | 0 | -7,435 | 0 | **0** | N/A |
| **0** | Telecare | 861 | 0 | -861 | 0 | **0** | N/A |
| **0** | | 8,296 | 0 | -8,296 | 0 | **0** | N/A |
| | **Universal Services** | | | | | | |
| **0** | Community Reablement Service | 2,635 | 0 | -2,635 | 0 | **0** | N/A |
| **0** | Occupational Therapy & Sensory Services | 4,945 | 0 | -4,554 | -391 | **0** | N/A |
| **0** | Meals on Wheels | 720 | -720 | 0 | 0 | **0** | N/A |
| **2,243** | Support for Carers | 4,736 | 0 | -1,824 | -857 | **2,055** | -8.4% |
| **0** | Information and Early Intervention | 741 | 0 | -741 | 0 | **0** | N/A |
| **2,243** | | 13,777 | -720 | -9,754 | -1,248 | **2,055** | -8.4% |

## ADULTS AND HEALTH

**REVENUE BUDGET 2019/20**

| Net Expenditure 2018/19 | | Gross Expenditure 2019/20 | Sales, Fees and Charges 2019/20 | Other Income 2019/20 | Specific Government Grants 2019/20 | Net Expenditure 2019/20 | Net Expenditure Change from 2018/19 |
|---|---|---|---|---|---|---|---|
| **£000** | | £000 | £000 | £000 | £000 | **£000** | % |
| | **Other Responsibilities** | | | | | | |
| **1,345** | Independent Mental Capacity Act/Deprivation of Liberty Safeguarding | 1,466 | 0 | 0 | -112 | **1,354** | 0.7% |
| **807** | Local Assistance Network | 200 | 0 | 0 | 0 | **200** | -75.2% |
| **5,902** | Housing Related Support | 4,656 | 0 | -396 | 0 | **4,260** | -27.8% |
| **0** | Lifelong Services | 1,267 | 0 | -894 | 0 | **373** | N/A |
| **367** | Safeguarding | 1,214 | 0 | -222 | -200 | **792** | 115.8% |
| **2,520** | Commissioning and Service Delivery | 2,734 | 0 | -203 | -231 | **2,300** | -8.7% |
| **351** | Blue Badge Scheme | 488 | -13 | -134 | 0 | **341** | -2.8% |
| **0** | Syrian Refugees | 155 | 0 | 0 | -155 | **0** | N/A |
| **0** | Mortuary Services | 1,054 | 0 | -1 | 0 | **1,053** | N/A |
| **11,292** | | 13,234 | -13 | -1,850 | -698 | **10,673** | -5.5% |
| | **Public Health** | | | | | | |
| **0** | Staffing and Development | 2,830 | 0 | 0 | -2,830 | **0** | N/A |
| **0** | Health Intelligence, Economic Evaluation and Needs Assessment | 40 | 0 | 0 | -40 | **0** | N/A |
| **0** | Health Protection and Quality Programme | 157 | 0 | 0 | -157 | **0** | N/A |
| **0** | Integrated Sexual Health Services | 5,149 | 0 | 0 | -5,149 | **0** | N/A |
| **0** | Starting Well | 92 | 0 | 0 | -92 | **0** | N/A |
| **0** | Living Well | 3,953 | 0 | 0 | -3,953 | **0** | N/A |
| **15** | Ageing Well | 2,075 | 0 | -245 | -1,820 | **10** | -33.3% |
| **0** | Health Watch | 353 | 0 | 0 | -353 | **0** | N/A |
| **15** | | 14,649 | 0 | -245 | -14,394 | **10** | -33.3% |
| **194,773** | **PORTFOLIO TOTAL** | **360,022** | **-52,530** | **-62,554** | **-38,570** | **206,368** | **6.0%** |

# ADULTS AND HEALTH

## CHANGE IN SPENDING

As analysed in the table below, the increase in spending is £11.595m or 6%

| | £000 | £000 | % |
|---|---|---|---|
| **Allowance for Pay and Price Increases** | | | |
| Pay and price rise allowance | 4,724 | | |
| Improved Better Care Fund Adjustment | 1,300 | | |
| | | 6,024 | 3.1 |
| **Committed and Service Changes** | | | |
| Adults demand pressure | 3,950 | | |
| National Living Wage | 3,400 | | |
| Improved Better Care Fund Adjustment | 2,300 | | |
| Rising trend in means-tested customer contributions towards social care | -500 | | |
| Net reduction in application of Adult Social Care and Health Demand Pressures Reserve | -602 | | |
| | | 8,548 | 4.4 |
| **Balancing the Budget** - detail provided in Appendix 3 | | | |
| Strategic Decisions | -2,960 | | |
| Efficiencies | -1,675 | | |
| | | -4,635 | -2.4 |
| **Funding from Central Government** | | | |
| Reduction in the Public Health Grant | | 900 | 0.5 |
| **Transfers between Portfolios** | | | |
| Supported Housing Southwark Judgement Quick Access Beds funding to Children and Young People | -37 | | |
| Direct Payments Support Service contract saving to Finance and Resources | -126 | | |
| Reduction in agency staffing contracts to Finance and Resources | -25 | | |
| Transfer of HM Coroner service from Safer, Stronger Communities | 1,049 | | |
| Direct Payment Prepaid Card contract funding from Children and Young People | 12 | | |
| Realignment of pay awards | 57 | | |
| Driver and vehicle service increased charge from Highways and Infrastructure | 59 | | |
| Transfer of funding to Children and Young People for Directorate purposes | -200 | | |
| Personal Assistant position to Leader | -31 | | |
| | | 758 | 0.4 |
| **TOTAL CHANGE IN SPENDING** | | **11,595** | **6.0** |

# CHILDREN AND YOUNG PEOPLE

**REVENUE BUDGET 2019/20**

| **Net Expenditure 2018/19** | | Gross Expenditure 2019/20 | Sales, Fees and Charges 2019/20 | Other Income 2019/20 | Specific Government Grants 2019/20 | **Net Expenditure 2019/20** | Net Expenditure Change from 2018/19 |
|---|---|---|---|---|---|---|---|
| **£000** | | £000 | £000 | £000 | £000 | **£000** | % |
| | **Local Authority Funding** | | | | | | |
| | **Services for Children with Disabilities** | | | | | | |
| **5,970** | In House Residential and Fostercare | 5,678 | 0 | -25 | 0 | **5,653** | -5.3% |
| **3,468** | Externally Commissioned Residential and Fostercare | 4,674 | 0 | -359 | -400 | **3,915** | 12.9% |
| **1,743** | Disability Short Breaks | 1,859 | 0 | 0 | 0 | **1,859** | 6.7% |
| **3,386** | Direct Payments | 3,726 | 0 | -367 | 0 | **3,359** | -0.8% |
| **883** | Client Expenditure | 858 | 0 | -11 | 0 | **847** | -4.1% |
| | **Services for Children without Disabilities** | | | | | | |
| **7,291** | In House Residential and Fostercare | 6,815 | 0 | 0 | 0 | **6,815** | -6.5% |
| **14,569** | Externally Commissioned Residential and Fostercare | 14,487 | 0 | -50 | 0 | **14,437** | -0.9% |
| **4,409** | Adoption and Special Guardianship | 4,964 | 0 | -81 | 0 | **4,883** | 10.8% |
| **400** | Complex Adolescents | 318 | 0 | 0 | 0 | **318** | -20.5% |
| **816** | Client Expenditure | 699 | 0 | 0 | 0 | **699** | -14.3% |
| **824** | Supervised Contact | 813 | 0 | 0 | 0 | **813** | -1.3% |
| | **Services for Asylum Seekers** | | | | | | |
| **750** | In House Residential and Fostercare | 484 | 0 | 0 | 0 | **484** | -35.5% |
| **2,371** | Externally Commissioned Residential and Fostercare | 2,505 | 0 | 0 | 0 | **2,505** | 5.7% |
| **260** | Client Expenditure | 274 | 0 | 0 | 0 | **274** | 5.4% |
| **-2,620** | Asylum Grant | 0 | 0 | 0 | -2,658 | **-2,658** | 1.5% |
| **31,771** | **Social Care Activities** | 39,859 | 0 | -129 | -1,990 | **37,740** | 18.8% |
| | **Services for Care Leavers** | | | | | | |
| **2,704** | Care Leavers Accommodation and Support | 3,181 | 0 | -62 | -236 | **2,883** | 6.6% |
| **1,113** | Care Leavers Staffing | 1,277 | 0 | 0 | -72 | **1,205** | 8.3% |

# CHILDREN AND YOUNG PEOPLE

**REVENUE BUDGET 2019/20**

| Net Expenditure 2018/19 | | Gross Expenditure 2019/20 | Sales, Fees and Charges 2019/20 | Other Income 2019/20 | Specific Government Grants 2019/20 | Net Expenditure 2019/20 | Net Expenditure Change from 2018/19 |
|---|---|---|---|---|---|---|---|
| £000 | | £000 | £000 | £000 | £000 | £000 | % |
| 1,709 | **Children's Safeguarding** | 1,699 | 0 | -102 | 0 | 1,597 | -6.6% |
| 802 | **Youth Offending Service** | 1,479 | 0 | -226 | -500 | 753 | -6.1% |
| 1,102 | **Child and Adolescent Mental Health Services** | 1,845 | 0 | -749 | 0 | 1,096 | -0.5% |
| | **Integrated Prevention and Earliest Help Services** | | | | | | |
| 10,059 | Integrated Prevention and Earliest Help | 12,400 | 0 | -772 | -3,353 | 8,275 | -17.7% |
| 0 | Healthy Child Programme | 10,794 | 0 | 0 | -10,794 | 0 | N/A |
| 1,563 | Intentionally Homeless | 2,581 | 0 | -550 | 0 | 2,031 | 29.9% |
| 336 | Domestic Abuse Services | 251 | 0 | 0 | 0 | 251 | -25.3% |
| 164 | Young Carers | 463 | 0 | -282 | -28 | 153 | -6.7% |
| 95,843 | **Local Authority Funding** | 123,983 | 0 | -3,765 | -20,031 | 100,187 | 4.5% |
| | **Dedicated Schools Grant Funding** | | | | | | |
| | **DSG Early Years** | | | | | | |
| 4,702 | 2 year old entitlement | 4,561 | 0 | 0 | 0 | 4,561 | -3.0% |
| 41,342 | 3 and 4 year old entitlement | 40,171 | 0 | 0 | 0 | 40,171 | -2.8% |
| 1,134 | Early Years Central Expenditure | 1,145 | 0 | 0 | 0 | 1,145 | 1.0% |
| | **Other DSG** | | | | | | |
| 1,065 | Integrated Prevention & Earliest Help | 1,173 | 0 | 0 | 0 | 1,173 | 10.1% |
| 1,074 | Children's Social Care | 1,074 | 0 | 0 | 0 | 1,074 | 0.0% |
| -49,317 | **Dedicated Schools Grant** | 0 | 0 | 0 | -48,124 | -48,124 | -2.4% |
| 0 | **Dedicated Schools Grant and Other Schools Funding** | 48,124 | 0 | 0 | -48,124 | 0 | N/A |
| **95,843** | **PORTFOLIO TOTAL** | **172,107** | **0** | **-3,765** | **-68,155** | **100,187** | **4.5%** |

# CHILDREN AND YOUNG PEOPLE

## CHANGE IN SPENDING

As analysed in the table below, the increase in spending is £4.344m or 4.5%

| | £000 | £000 | % |
|---|---|---|---|
| **Allowance for Pay and Price Increases** | | | |
| Pay and price rise allowance | | 2,198 | 2.3 |
| **Committed and Service Changes** | | | |
| Demand Growth - Children Looked After Placements | 170 | | |
| Demand Growth - Intentionally Homeless | 300 | | |
| Children's Social Worker Recruitment and Retention | 190 | | |
| Adoption - Interagency Fee Increases | 90 | | |
| Reduction of Think Family income | 560 | | |
| Adjustment to Public Health Grant recharges | 992 | | |
| Increase in Asylum Grant income | -200 | | |
| Additional investment in children's social work | 5,500 | | |
| Temporary budget mitigation for Beechfield closure | 460 | | |
| Utilisation of High Needs Strategic Planning Fund reserve | 30 | | |
| Temporary budget mitigation for Cissbury Lodge closure | 1,000 | | |
| Social Care Support Grant funding for Cissbury Lodge closure | -400 | | |
| | | 8,692 | 9.1 |
| **Committed and Service Changes (Dedicated Schools Grant)** | | | |
| Expenditure: | | | |
| Integrated Prevention and Earliest Help staffing | 108 | | |
| Reduction in Early Years expenditure following January 2018 census numbers | -1,301 | | |
| Financed by: | | | |
| Central Schools Services block grant | -108 | | |
| Reduction to Early Years grant allocation 2019/20 | 1,301 | | |
| | | 0 | 0.0 |
| **Balancing the Budget** - detail provided in Appendix 3 | | | |
| Strategic Decisions | -3,340 | | |
| Efficiencies | -3,020 | | |
| | | -6,360 | -6.6 |
| **Transfers between Portfolios** | | | |
| Family Support Lead position to Education and Skills | -42 | | |
| Transfer of Capita Supervised Contact Team from Corporate Relations | 39 | | |
| Direct Payment Prepaid Card contract funding to Adults and Health | -12 | | |
| Realignment of pay awards | -109 | | |
| Two Contract Officer positions from Education and Skills | 85 | | |
| Supported Housing Southwark Judgement Quick Access Beds funding from Adults and Health | 37 | | |
| Adjustment to Domestic Abuse Support recharge with Safer, Stronger Communities | -130 | | |
| Reduction in agency staffing contracts to Finance and Resources | -160 | | |
| Communications position to Leader | -38 | | |
| Transfer of funding from Adults and Health for directorate purposes | 200 | | |
| Personal Assistant positions to Leader | -56 | | |
| | | -186 | -0.2 |
| **TOTAL CHANGE IN SPENDING** | | **4,344** | **4.5** |

# CORPORATE RELATIONS

**REVENUE BUDGET 2019/20**

| Net Expenditure 2018/19 |  | Gross Expenditure 2019/20 | Sales, Fees and Charges 2019/20 | Other Income 2019/20 | Specific Government Grants 2019/20 | Net Expenditure 2019/20 | Net Expenditure Change from 2018/19 |
|---|---|---|---|---|---|---|---|
| £000 |  | £000 | £000 | £000 | £000 | £000 | % |
|  | **Commercial Services** |  |  |  |  |  |  |
| **22,291** | Commercial Services | 21,339 | -637 | -9 | 0 | **20,693** | -7.2% |
|  | **Information Technology** |  |  |  |  |  |  |
| **1,815** | Information Technology | 2,032 | 0 | 0 | 0 | **2,032** | 12.0% |
| **87** | Information Technology Strategic Client | 87 | 0 | 0 | 0 | **87** | 0.0% |
| **1,902** |  | 2,119 | 0 | 0 | 0 | **2,119** | 11.4% |
|  | **Digital Infrastructure** |  |  |  |  |  |  |
| **292** | Digital Infrastructure | 368 | 0 | -81 | 0 | **287** | -1.7% |
|  | **Facilities Management** |  |  |  |  |  |  |
| **6,640** | Facilities Management | 7,582 | -138 | -465 | 0 | **6,979** | 5.1% |
|  | **Catering Service** |  |  |  |  |  |  |
| **26** | Catering Service | 388 | -297 | -104 | 0 | **-13** | -150.0% |
|  | **Human Resources and Organisational Change** |  |  |  |  |  |  |
| **6,056** | Human Resources and Organisational Change | 5,013 | -3 | -104 | 0 | **4,906** | -19.0% |
|  | **Transformation Portfolio Office** |  |  |  |  |  |  |
| **0** | Transformation Portfolio Office | 734 | 0 | 0 | 0 | **734** | N/A |
| **0** | Whole Council Design | 1,500 | 0 | 0 | 0 | **1,500** | N/A |
| **0** |  | 2,234 | 0 | 0 | 0 | **2,234** | N/A |
|  | **Legal Services** |  |  |  |  |  |  |
| **4,686** | Legal Services | 5,231 | -474 | -105 | 0 | **4,652** | -0.7% |
|  | **Democratic Services** |  |  |  |  |  |  |
| **1,070** | Democratic Services | 1,383 | 0 | -172 | 0 | **1,211** | 13.2% |
| **26** | Elections | 26 | 0 | 0 | 0 | **26** | 0.0% |
| **1,434** | Members Allowances and Expenses | 1,409 | 0 | 0 | 0 | **1,409** | -1.7% |
| **2,530** |  | 2,818 | 0 | -172 | 0 | **2,646** | 4.6% |
| **44,423** | **PORTFOLIO TOTAL** | **47,092** | **-1,549** | **-1,040** | **0** | **44,503** | **0.2%** |

# CORPORATE RELATIONS

## CHANGE IN SPENDING

As analysed in the table below, the increase in spending is £0.08m or 0.2%

| | £000 | £000 | % |
|---|---|---|---|
| **Allowance for Pay and Price Increases** | | | |
| Pay and price rise allowance | | 994 | 2.2 |
| **Committed and Service Changes** | | | |
| Office 365 migration | 114 | | |
| Electronic Records Management | 54 | | |
| General Data Protection Regulation staffing costs | 150 | | |
| Increase to Property Reactive Maintenance Budget | 150 | | |
| Business Mileage - deferral of 2018/19 efficiency saving | 200 | | |
| IT Licences for Whole Council Design | 400 | | |
| Reduction in application of Business Infrastructure Reserve | -292 | | |
| Utilisation of Service Transformation Reserve | 3,000 | | |
| | | 3,776 | 8.5 |
| **Balancing the Budget** - detail provided in Appendix 3 | | | |
| Efficiencies | | -3,339 | -7.5 |
| **Transfers between Portfolios** | | | |
| Customer Experience to Safer, Stronger Communities | -236 | | |
| Transfer of Capita Supervised Contact Team to Children and Young People | -39 | | |
| Property Services redesign from Safer, Stronger Communities | 91 | | |
| Property Services redesign from Finance and Resources | 11 | | |
| Realignment of pay awards | -84 | | |
| Senior Management Group realignment of pay from Finance and Resources | 22 | | |
| Personal Assistants to Leader | -390 | | |
| Commercial Marketing position from Leader | 33 | | |
| Fire and Rescue Information Technology position from Safer, Stronger Communities | 23 | | |
| Adjustment to DSG recharge to Education and Skills | -33 | | |
| General Data Protection Regulations position from Safer, Stronger Communities | 49 | | |
| Refuse service to Environment | -144 | | |
| Digital Infrastructure from Leader | 170 | | |
| Digital Infrastructure from Finance and Resources | 50 | | |
| Mosaic Licences efficiency saving to Finance and Resources | -80 | | |
| Reduction in agency staffing contracts to Finance and Resources | -7 | | |
| Property Services redesign from Safer, Stronger Communities | 99 | | |
| Commercial Marketing to Finance and Resources | -10 | | |
| Contract Management to Finance and Resources | -876 | | |
| | | -1,351 | -3.0 |
| **TOTAL CHANGE IN SPENDING** | | **80** | **0.2** |

# EDUCATION AND SKILLS

**REVENUE BUDGET 2019/20**

| **Net Expenditure 2018/19** | | Gross Expenditure 2019/20 | Sales, Fees and Charges 2019/20 | Other Income 2019/20 | Specific Government Grants 2019/20 | **Net Expenditure 2019/20** | Net Expenditure Change from 2018/19 |
|---|---|---|---|---|---|---|---|
| **£000** | | £000 | £000 | £000 | £000 | **£000** | % |
| | **Local Authority Funding** | | | | | | |
| | **School Budgets** | | | | | | |
| **1** | Government Grants to Schools | 16,804 | 0 | 0 | -16,804 | **0** | -100.0% |
| | **Education and Skills Service** | | | | | | |
| **60** | Director of Education | 64 | 0 | 0 | 0 | **64** | 6.7% |
| **1,132** | Post-16 and Compliance | 1,454 | 0 | 0 | -233 | **1,221** | 7.9% |
| **945** | School Effectiveness | 2,297 | 0 | -135 | -777 | **1,385** | 46.6% |
| **1,201** | Inclusion | 1,513 | 0 | 0 | 0 | **1,513** | 26.0% |
| **0** | Pupil Entitlement | 74 | 0 | 0 | 0 | **74** | N/A |
| | **School Transport** | | | | | | |
| **369** | Transport Management | 369 | 0 | 0 | 0 | **369** | 0.0% |
| **2,930** | Mainstream Transport | 3,420 | -121 | -40 | 0 | **3,259** | 11.2% |
| **9,674** | SEND Transport | 12,644 | 0 | -170 | -449 | **12,025** | 24.3% |
| **191** | Post-16 Transport | 282 | -104 | 0 | 0 | **178** | -6.8% |
| **303** | School Crossing Patrols | 310 | 0 | -1 | 0 | **309** | 2.0% |
| | **Support to Schools** | | | | | | |
| **-18** | School Catering | 8,278 | -157 | -235 | -7,900 | **-14** | -22.2% |
| **850** | Crawley PFI | 5,532 | 0 | 0 | -4,532 | **1,000** | 17.6% |
| **0** | Pupil Premium (Children Looked After) | 1,182 | 0 | 0 | -1,182 | **0** | N/A |
| **1,313** | School Redundancies and Pensions | 1,486 | 0 | -7 | -120 | **1,359** | 3.5% |
| | **Other** | | | | | | |
| **-38** | Adult Education | 3,080 | -62 | 0 | -3,058 | **-40** | 5.3% |
| **0** | LA Contribution to DSG | 1,059 | 0 | 0 | 0 | **1,059** | N/A |
| **-2,236** | Overheads and Recharges | -1,499 | 0 | 0 | 0 | **-1,499** | -33.0% |
| **16,677** | **Local Authority Funding** | 58,349 | -444 | -588 | -35,055 | **22,262** | 33.5% |

# EDUCATION AND SKILLS

**REVENUE BUDGET 2019/20**

| Net Expenditure 2018/19 £000 | | Gross Expenditure 2019/20 £000 | Sales, Fees and Charges 2019/20 £000 | Other Income 2019/20 £000 | Specific Government Grants 2019/20 £000 | Net Expenditure 2019/20 £000 | Net Expenditure Change from 2018/19 % |
|---|---|---|---|---|---|---|---|
| | **Dedicated Schools Grant Funding** | | | | | | |
| | **School Budgets** | | | | | | |
| **446,060** | Mainstream Schools | 473,578 | 0 | 0 | -13,029 | **460,549** | 3.2% |
| **34,334** | Special Schools and APC | 37,910 | 0 | 0 | -2,584 | **35,326** | 2.9% |
| | **Education and Skills** | | | | | | |
| **538** | Director of Education | 541 | 0 | 0 | 0 | **541** | 0.6% |
| **386** | Post-16 and Compliance | 414 | 0 | -21 | 0 | **393** | 1.8% |
| **1,906** | School Effectiveness | 1,403 | 0 | 0 | 0 | **1,403** | -26.4% |
| **2,277** | Inclusion | 2,315 | -18 | 0 | 0 | **2,297** | 0.9% |
| **1,798** | Pupil Entitlement | 1,918 | 0 | -112 | 0 | **1,806** | 0.4% |
| **265** | Capital Planning and Transport | 431 | 0 | 0 | 0 | **431** | 62.6% |
| | **Special Educational Needs** | | | | | | |
| **18,695** | Independent and Non-Maintained Schools | 22,065 | 0 | 0 | 0 | **22,065** | 18.0% |
| **563** | Other Local Authority Schools | 732 | 0 | 0 | 0 | **732** | 30.0% |
| **4,278** | Post-16 Placements | 5,144 | 0 | 0 | 0 | **5,144** | 20.2% |
| **6,802** | Alternative Provision | 7,035 | 0 | -240 | 0 | **6,795** | -0.1% |
| **1,168** | Specialist Support | 1,325 | 0 | 0 | 0 | **1,325** | 13.4% |
| | **Support to Schools** | | | | | | |
| **931** | Collaborative Inclusion and Improvement | 794 | 0 | 0 | 0 | **794** | -14.7% |
| **3,800** | Growth Fund | 3,800 | 0 | 0 | 0 | **3,800** | 0.0% |
| **648** | Transport (Alternative Provision) | 648 | 0 | 0 | 0 | **648** | 0.0% |
| **132** | School Catering | 132 | 0 | 0 | 0 | **132** | 0.0% |
| **980** | School Redundancies and Pensions | 980 | 0 | 0 | 0 | **980** | 0.0% |
| **907** | Other Support to Schools | 822 | 0 | 0 | 0 | **822** | -9.4% |
| | **Other** | | | | | | |
| **0** | LA Contribution to DSG | -1,059 | 0 | 0 | 0 | **-1,059** | N/A |
| **3,053** | Overheads and Recharges | 1,568 | 0 | 0 | 0 | **1,568** | -48.6% |
| | **Government Grant** | | | | | | |
| **-532,481** | Dedicated Schools Grant | 0 | 0 | 0 | -548,974 | **-548,974** | 3.1% |
| **-2,960** | **Dedicated Schools Grant** | 562,496 | -18 | -373 | -564,587 | **-2,482** | -16.1% |
| **13,717** | **PORTFOLIO TOTAL** | **620,845** | **-462** | **-961** | **-599,642** | **19,780** | **44.2%** |

# EDUCATION AND SKILLS

## CHANGE IN SPENDING

As analysed in the table below, the increase in spending is £6.063m or 44.2%

| | £000 | £000 | % |
|---|---|---|---|
| **Allowance for Pay and Price Increases** | | | |
| Pay and price rise allowance | | 549 | 4.0 |
| **Committed and Service Changes** | | | |
| Home to School Transport pressures 2018/19 | 2,000 | | |
| Home to School Transport pressures 2019/20 | 400 | | |
| Post-16 School Transport Review | -18 | | |
| Increased demand for independent special educational needs placements | 2,155 | | |
| Increased capacity for in-house special educational needs placements | 1,845 | | |
| Redistribution of historical DSG central share costs | 1,500 | | |
| Replacement funding for SENAT following cessation of SEND Reform grant | 360 | | |
| Removal of 2018/19 one year funding for Social Mobility | -200 | | |
| Associate Education Advisors | 75 | | |
| Education Capital Planning Team | 104 | | |
| 2019/20 Transfer to Special Support Centre Reserve | -1,845 | | |
| Utilisation of Crawley Schools PFI (Private Finance Initiative) Reserve | 53 | | |
| | | 6,429 | 46.9 |
| **Balancing the Budget** - detail provided in Appendix 3 | | | |
| Strategic Decisions | -201 | | |
| Efficiencies | -710 | | |
| | | -911 | -6.6 |
| **Funding from Central Government** | | | |
| Expenditure: | | | |
| Directly allocated to schools | 15,605 | | |
| Special educational needs placements | 3,030 | | |
| Increase in cost of business rates | 300 | | |
| Not in Education, Employment or Training (NEET) | 233 | | |
| Home to School Transport | 91 | | |
| Support to schools | -244 | | |
| Other minor variations | 40 | | |
| Financed by: | | | |
| Dedicated Schools Grant | -16,493 | | |
| 16-19 Sixth Form Grant | -1,018 | | |
| Teachers Pay Grant | -2,700 | | |
| Pupil Premium Grant | 1,396 | | |
| European Structural and Investment Fund | -233 | | |
| Extended Rights to Free Travel | -91 | | |
| School Improvement Monitoring & Brokerage Grant | -50 | | |
| Golden Hellos | 100 | | |
| Moderation and Phonics Key Stage 2 | 34 | | |
| | | 0 | 0.0 |
| **Transfers between Portfolios** | | | |
| Family Support Lead position from Children and Young People | 42 | | |
| Adjustment to DSG recharge from Corporate Relations | 33 | | |
| Two Contract positions to Children and Young People | -85 | | |
| Six School Support positions to Finance and Resources | -183 | | |
| Two Traded Services positions from Finance and Resources | 104 | | |
| Reduction in agency staffing contracts to Finance and Resources | -7 | | |
| Driver and vehicle service increased charge from Highways and Infrastructure | 92 | | |
| | | -4 | 0.0 |
| **TOTAL CHANGE IN SPENDING** | | **6,063** | **44.2** |

## ENVIRONMENT

**REVENUE BUDGET 2019/20**

| **Net Expenditure 2018/19** | | Gross Expenditure 2019/20 | Sales, Fees and Charges 2019/20 | Other Income 2019/20 | Specific Government Grants 2019/20 | **Net Expenditure 2019/20** | Net Expenditure Change from 2018/19 |
|---|---|---|---|---|---|---|---|
| **£000** | | £000 | £000 | £000 | £000 | **£000** | % |
| | **Energy, Waste and Environment** | | | | | | |
| **2,727** | Energy and Sustainability | 3,766 | -1,195 | -289 | 0 | **2,282** | -16.3% |
| **24,508** | Waste Recycling | 28,305 | -2,100 | -451 | -2,124 | **23,630** | -3.6% |
| **33,089** | Waste Disposal | 34,439 | -446 | -141 | 0 | **33,852** | 2.3% |
| **985** | Waste Strategy and Support | 994 | 0 | 0 | 0 | **994** | 0.9% |
| **61,309** | | 67,504 | -3,741 | -881 | -2,124 | **60,758** | -0.9% |
| | **Other Responsibilities** | | | | | | |
| **1,421** | Countryside Services (Including Public Rights of Way) | 1,490 | -18 | -17 | -47 | **1,408** | -0.9% |
| **620** | Planning Services | 3,315 | -2,434 | -1,093 | 0 | **-212** | -134.2% |
| **63,350** | **PORTFOLIO TOTAL** | **72,309** | **-6,193** | **-1,991** | **-2,171** | **61,954** | **-2.2%** |

# ENVIRONMENT

## CHANGE IN SPENDING

As analysed in the table below, the decrease in spending is £1.396m or 2.2%

| | £000 | £000 | % |
|---|---|---|---|
| **Allowance for Pay and Price Increases** | | | |
| Pay and price rise allowance | | 1,843 | 2.9 |
| **Committed and Service Changes** | | | |
| Removal of 2018/19 one year funding for solar energy and tariff funding | -200 | | |
| Capitalisation of solar energy project staffing costs | -100 | | |
| Changes to commercial waste arrangements | -90 | | |
| Improved management of closed landfill sites | -50 | | |
| Part removalof Materials Recycling Facility (MRF) saving | 600 | | |
| Adjustment of Public Health Service recharges | 48 | | |
| Net increase in application from the Waste Management Material Resource Management Contract (MRMC) reserve | 200 | | |
| Net reduction in application of Highways Commuted Sums reserve | -500 | | |
| Reduction in application of Highways and Education Buildings reserve | -246 | | |
| Net reduction in application of Strategic Economic Plan (SEP) reserve | -43 | | |
| | | -381 | -0.6 |
| **Balancing the Budget** - detail provided in Appendix 3 | | | |
| Strategic Decisions | -1,200 | | |
| Efficiencies | -1,865 | | |
| | | -3,065 | -4.8 |
| **Transfers between Portfolios** | | | |
| Realignment of pay awards | 114 | | |
| Refuse service from Corporate Relations | 144 | | |
| Increase to Climate Change Levy (Street Lighting) to Highways and Infrastructure | -49 | | |
| Reduction in agency staffing contracts to Finance and Resources | -2 | | |
| | | 207 | 0.3 |
| **TOTAL CHANGE IN SPENDING** | | **-1,396** | **-2.2** |

# FINANCE AND RESOURCES

**REVENUE BUDGET 2019/20**

| **Net Expenditure 2018/19** | | Gross Expenditure 2019/20 | Sales, Fees and Charges 2019/20 | Other Income 2019/20 | Specific Government Grants 2019/20 | **Net Expenditure 2019/20** | Net Expenditure Change from 2018/19 |
|---|---|---|---|---|---|---|---|
| **£000** | | £000 | £000 | £000 | £000 | **£000** | % |
| | **Finance** | | | | | | N/A |
| **2,437** | Finance | 3,521 | -736 | -282 | 0 | **2,503** | 2.7% |
| **583** | Internal Audit | 583 | 0 | 0 | 0 | **583** | 0.0% |
| **-150** | Strategic Procurement and Contract Management | 1,656 | -316 | -123 | 0 | **1,217** | -911.3% |
| **1,362** | Intelligence and Performance | 1,228 | 0 | 0 | 0 | **1,228** | -9.8% |
| **1,798** | Levies and Precepts | 1,844 | 0 | 0 | -148 | **1,696** | -5.7% |
| **423** | Fees and Other Payments | 373 | 0 | -48 | 0 | **325** | -23.2% |
| **49** | Big Society Fund | 0 | 0 | 0 | 0 | **0** | -100.0% |
| **245** | Council Tax Hardship Fund | 40 | 0 | 0 | 0 | **40** | -83.7% |
| **-269** | Insurance | -316 | 0 | 0 | 0 | **-316** | 17.5% |
| **973** | Customer Experience | 0 | 0 | 0 | 0 | **0** | -100.0% |
| **68** | Complaints Team | 0 | 0 | 0 | 0 | **0** | -100.0% |
| **7,519** | | 8,929 | -1,052 | -453 | -148 | **7,276** | -3.2% |
| | **Asset & Capital Programme** | | | | | | |
| **8,085** | Capital and Infrastructure (Property) | 8,352 | -2,138 | -692 | 0 | **5,522** | -31.7% |
| **15,604** | **PORTFOLIO TOTAL** | **17,281** | **-3,190** | **-1,145** | **-148** | **12,798** | **-18.0%** |

# FINANCE AND RESOURCES

## CHANGE IN SPENDING

As analysed in the table below, the decrease in spending is £2.806m or 18%

| | £000 | £000 | % |
|---|---|---|---|
| **Allowance for Pay and Price Increases** | | | |
| Pay and price rise allowance | | 296 | 1.9 |
| **Committed and Service Changes** | | | |
| Removal of 2018/19 one year funding for additional feasibility works | -800 | | |
| Removal of 2018/19 one year funding for Council Tax Hardship Fund | -100 | | |
| Increase in Local Flood Levy | 16 | | |
| Littlehampton Harbour Levy - pontoon charges | 40 | | |
| Reduction in application of Business Infrastructure reserve | -189 | | |
| 2019/20 transfer to Infrastructure Works Feasibility reserve | -1,000 | | |
| | | -2,033 | -13.0 |
| **Balancing the Budget** - detail provided in Appendix 3 | | | |
| Efficiencies | | -1,463 | -9.4 |
| **Transfers between Portfolios** | | | |
| Property Services redesign to Corporate Relations | -11 | | |
| Digital Infrastructure to Corporate Relations | -50 | | |
| Customer Experience to Safer, Stronger Communities | -973 | | |
| Complaints Team to Safer, Stronger Communities | -68 | | |
| Big Society Fund to Safer, Stronger Communities | -49 | | |
| Contribution to Local Enterprise Partnership from Leader | 110 | | |
| Realignment of pay awards | -102 | | |
| Senior Management Group realignment of pay to Corporate Relations | -22 | | |
| Direct Payments Support Service contract saving from Adults and Health | 126 | | |
| Mosaic Licences efficiency saving from Corporate Relations | 80 | | |
| Street Lighting re-financing efficiency saving from Highways and Infrastructure | 165 | | |
| Reduction in agency staffing contracts from various portfolios | 223 | | |
| Contract Management from Corporate Relations | 876 | | |
| Commercial Marketing from Corporate Relations | 10 | | |
| Six School Support positions from Education and Skills | 183 | | |
| Two Traded Services positions to Education and Skills | -104 | | |
| | | 394 | 2.5 |
| **TOTAL CHANGE IN SPENDING** | | **-2,806** | **-18.0** |

# HIGHWAYS AND INFRASTRUCTURE

**REVENUE BUDGET 2019/20**

| Net Expenditure 2018/19 | | Gross Expenditure 2019/20 | Sales, Fees and Charges 2019/20 | Other Income 2019/20 | Specific Government Grants 2019/20 | Net Expenditure 2019/20 | Net Expenditure Change from 2018/19 |
|---|---|---|---|---|---|---|---|
| **£000** | | £000 | £000 | £000 | £000 | **£000** | % |
| | **Highways Service** | | | | | | |
| **2,932** | Highways Service | 6,369 | -1,624 | -2,007 | 0 | **2,738** | -6.6% |
| **9,597** | Highways Maintenance | 8,773 | 0 | 0 | -66 | **8,707** | -9.3% |
| **0** | West Sussex Permit Scheme | 1,427 | -1,427 | 0 | 0 | **0** | N/A |
| **7,785** | Street Lighting PFI | 14,628 | 0 | -344 | -6,069 | **8,215** | 5.5% |
| **20,314** | | 31,197 | -3,051 | -2,351 | -6,135 | **19,660** | -3.2% |
| | **Transport and Countryside** | | | | | | |
| **11,657** | National Concessionary Fares Scheme | 11,557 | 0 | -614 | 0 | **10,943** | -6.1% |
| **425** | 3in1 Concessionary Fares Scheme | 434 | 0 | 0 | 0 | **434** | 2.1% |
| **1,155** | Public Transport Support | 2,311 | 0 | -1,070 | -374 | **867** | -24.9% |
| **381** | Safe and Sustainable Transport | 676 | -85 | -125 | -50 | **416** | 9.2% |
| **847** | Transport Bureau | 992 | -29 | 0 | -62 | **901** | 6.4% |
| **-74** | Parking Strategy | 243 | 0 | -243 | 0 | **0** | -100.0% |
| **-1** | On Street Car Parking | 4,043 | -4,000 | -43 | 0 | **0** | -100.0% |
| **0** | Sussex Safer Roads Partnership | 2,520 | -2,520 | 0 | 0 | **0** | N/A |
| **14,390** | | 22,776 | -6,634 | -2,095 | -486 | **13,561** | -5.8% |
| | **Other Responsibilities** | | | | | | |
| **400** | Management and Central | -6 | 0 | -89 | 0 | **-95** | -123.8% |
| **-202** | Fleet Management | -186 | -14 | 0 | 0 | **-200** | -1.0% |
| **198** | | -192 | -14 | -89 | 0 | **-295** | -249.0% |
| **34,902** | **PORTFOLIO TOTAL** | **53,781** | **-9,699** | **-4,535** | **-6,621** | **32,926** | **-5.7%** |

# HIGHWAYS AND INFRASTRUCTURE

## CHANGE IN SPENDING

As analysed in the table below, the decrease in spending is £1.976m or 5.7%

| | £000 | £000 | % |
|---|---|---|---|
| **Allowance for Pay and Price Increases** | | | |
| Pay and price rise allowance | | 818 | 2.3 |
| **Committed and Service Changes** | | | |
| Removal of 2018/19 one year funding for white lines and signage programme of works | -500 | | |
| Re-financing of Street Lighting PFI (Private Finance Initiative) contract | -75 | | |
| Adjustment of Public Health Service recharges | 50 | | |
| Removal of Executive Assistant position | -63 | | |
| Net increase in application of Street Lighting PFI reserve | 310 | | |
| Net reduction in application of Highways Commuted Sums reserve | -118 | | |
| | | -396 | -1.1 |
| **Balancing the Budget** - detail provided in Appendix 3 | | | |
| Strategic Decisions | -500 | | |
| Efficiencies | -1,648 | | |
| | | -2,148 | -6.2 |
| **Transfers between Portfolios** | | | |
| Realignment of pay awards | 22 | | |
| Increase to Climate Change Levy (Street Lighting) from Environment | 49 | | |
| Street Lighting re-financing efficiency saving to Finance and Resources | -165 | | |
| Reduction in agency staffing contracts to Finance and Resources | -5 | | |
| Driver and vehicle service increased charge to Adults and Health | -59 | | |
| Driver and vehicle service increased charge to Education and Skills | -92 | | |
| | | -250 | -0.7 |
| **TOTAL CHANGE IN SPENDING** | | **-1,976** | **-5.7** |

# LEADER (INCLUDING ECONOMY)

**REVENUE BUDGET 2019/20**

| Net Expenditure 2018/19 £000 | | Gross Expenditure 2019/20 £000 | Sales, Fees and Charges 2019/20 £000 | Other Income 2019/20 £000 | Specific Government Grants 2019/20 £000 | Net Expenditure 2019/20 £000 | Net Expenditure Change from 2018/19 % |
|---|---|---|---|---|---|---|---|
| | **Economy, Planning and Place** | | | | | | |
| **1,379** | Economic Development | 1,245 | -27 | -136 | 0 | **1,082** | -21.5% |
| **6** | Leader Programme | 109 | 0 | -102 | 0 | **7** | 16.7% |
| **0** | Supporting Economic Development | 502 | 0 | 0 | -502 | **0** | N/A |
| **1,385** | | 1,856 | -27 | -238 | -502 | **1,089** | -21.4% |
| | **Other Responsibilities** | | | | | | |
| **685** | Chief Executive | 591 | 0 | 0 | 0 | **591** | -13.7% |
| **1,823** | Policy and Communications | 1,787 | -9 | 0 | 0 | **1,778** | -2.5% |
| **0** | Personal Assistants | 568 | 0 | 0 | 0 | **568** | N/A |
| **2,508** | | 2,946 | -9 | 0 | 0 | **2,937** | 17.1% |
| **3,893** | **PORTFOLIO TOTAL** | **4,802** | **-36** | **-238** | **-502** | **4,026** | **3.4%** |

# LEADER (INCLUDING ECONOMY)

## CHANGE IN SPENDING

As analysed in the table below, the increase in spending is £0.133m or 3.4%

| | £000 | £000 | % |
|---|---|---|---|
| **Allowance for Pay and Price Increases** | | | |
| Pay and price rise allowance | | 87 | 2.2 |
| **Committed and Service Changes** | | | |
| Part removal of 2018/19 one year funding for Horsham Enterprise Park | -23 | | |
| Net increase in application of Strategic Economic Plan (SEP) reserve | 3 | | |
| Net reduction in application of Sustainable Investment reserve | -14 | | |
| | | -34 | -0.9 |
| **Balancing the Budget** - detail provided in Appendix 3 | | | |
| Efficiencies | | -150 | -3.9 |
| **Transfers between Portfolios** | | | |
| Fire and Rescue Communications staff from Safer, Stronger Communities | 85 | | |
| Contribution to Local Enterprise Partnership to Finance and Resources | -110 | | |
| Realignment of pay awards | -9 | | |
| Personal Assistants from Corporate Relations | 390 | | |
| Fire and Rescue administrative position from Safer, Stronger Communities | 27 | | |
| Commercial Marketing position to Corporate Relations | -33 | | |
| Digital Infrastructure to Corporate Relations | -170 | | |
| Reduction in agency staffing contracts to Finance and Resources | -1 | | |
| Edes House staffing to Safer, Stronger Communities | -74 | | |
| Communications position from Children and Young People | 38 | | |
| Personal Assistant from Adults and Health | 31 | | |
| Personal Assistants from Children and Young People | 56 | | |
| | | 230 | 5.9 |
| **TOTAL CHANGE IN SPENDING** | | **133** | **3.4** |

# SAFER, STRONGER COMMUNITIES

**REVENUE BUDGET 2019/20**

| Net Expenditure 2018/19 £000 | | Gross Expenditure 2019/20 £000 | Sales, Fees and Charges 2019/20 £000 | Other Income 2019/20 £000 | Specific Government Grants 2019/20 £000 | Net Expenditure 2019/20 £000 | Net Expenditure Change from 2018/19 % |
|---|---|---|---|---|---|---|---|
| | **Fire and Public Protection** | | | | | | |
| **1,326** | Management | 1,021 | 0 | -92 | -1,478 | **-549** | -141.4% |
| **18,015** | Fire Operations | 19,787 | 0 | -50 | -1,084 | **18,653** | 3.5% |
| **7,291** | Public Protection (Including Trading Standards) | 9,312 | -385 | -99 | -413 | **8,415** | 15.4% |
| **26,632** | | 30,120 | -385 | -241 | -2,975 | **26,519** | -0.4% |
| | **Information and Regulatory Services** | | | | | | |
| **6,612** | Library Service | 7,693 | -670 | -111 | -5 | **6,907** | 4.5% |
| **692** | Record Office | 758 | -47 | 0 | 0 | **711** | 2.7% |
| **1,049** | HM Coroner | 0 | 0 | 0 | 0 | **0** | -100.0% |
| **-815** | Registration of Births, Deaths and Marriages | 1,327 | -1,833 | -160 | 0 | **-666** | -18.3% |
| **7,538** | | 9,778 | -2,550 | -271 | -5 | **6,952** | -7.8% |
| | **Family Operations** | | | | | | |
| **5,935** | Drugs and Alcohol Action Team | 6,053 | -14 | -104 | 0 | **5,935** | 0.0% |
| **-5,935** | Public Health Grant | 0 | 0 | 0 | -5,935 | **-5,935** | 0.0% |
| **0** | | 6,053 | -14 | -104 | -5,935 | **0** | N/A |
| | **Communities** | | | | | | |
| **2,220** | Communities and Partnerships | 1,915 | 0 | -108 | 0 | **1,807** | -18.6% |
| **218** | Community Safety and Wellbeing | 918 | -372 | -350 | 0 | **196** | -10.1% |
| **0** | Customer Experience | 1,308 | 0 | -5 | 0 | **1,303** | |
| **385** | Domestic Abuse | 936 | 0 | 0 | 0 | **936** | 143.1% |
| **280** | County Local Committees | 140 | 0 | 0 | 0 | **140** | -50.0% |
| **0** | Edes House | 75 | 0 | 0 | 0 | **75** | N/A |
| **3,103** | | 5,292 | -372 | -463 | 0 | **4,457** | 43.6% |
| **37,273** | **PORTFOLIO TOTAL** | **51,243** | **-3,321** | **-1,079** | **-8,915** | **37,928** | **1.8%** |

# SAFER, STRONGER COMMUNITIES

## CHANGE IN SPENDING

As analysed in the table below, the increase in spending is £0.655m or 1.8%

| | £000 | £000 | % |
|---|---|---|---|
| **Allowance for Pay and Price Increases** | | | |
| Pay and price rise allowance | | | |
| | | 1,082 | 2.9 |
| **Committed and Service Changes** | | | |
| Removal of 2018/19 one year funding for Homelessness | -600 | | |
| Increase in Voluntary Sector Funding | 200 | | |
| Adjustment to Public Health Service Recharge | 957 | | |
| Impact of decision regarding future call mobilising arrangements | 111 | | |
| | | 668 | 1.8 |
| **Balancing the Budget** - detail provided in Appendix 3 | | | |
| Strategic Decisions | -540 | | |
| Efficiencies | -724 | | |
| | | -1,264 | -3.4 |
| **Funding from Central Government** | | | |
| Increase in Firefighters Pensions employers contributions | 1,478 | | |
| Increase in Fire Revenue Grant | -1,478 | | |
| | | 0 | 0.0 |
| **Transfers between Portfolios** | | | |
| Big Society Fund from Finance and Resources | 49 | | |
| Realignment of pay awards | 78 | | |
| Customer Experience from Corporate Relations | 236 | | |
| Fire and Rescue Communications staff to Leader | -85 | | |
| Property Services redesign to Corporate Relations | -91 | | |
| Fire and Rescue Information Technology position to Corporate Relations | -23 | | |
| Fire and Rescue administrative position to Leader | -27 | | |
| General Data Protection Regulations position to Corporate Relations | -49 | | |
| Adjustment to Domestic Abuse Support recharge with Children and Young People | 130 | | |
| Reduction in agency staffing contracts to Finance and Resources | -16 | | |
| Property Services redesign to Corporate Relations | -99 | | |
| Complaints Team from Finance and Resources | 68 | | |
| Transfer of HM Coroner service to Adults and Health | -1,049 | | |
| Customer Experience from Finance and Resources | 973 | | |
| Edes House staffing from Leader | 74 | | |
| | | 169 | 0.5 |
| **TOTAL CHANGE IN SPENDING** | | **655** | **1.8** |

**Capital Strategy 2019/20 to 2023/24**

## 1 Introduction

1.1 In December 2017 CIPFA issued revised Prudential and Treasury Management Codes. As a consequence, from 2019/20 all local authorities are required to prepare a separate Capital Strategy report. The aim of this 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.

1.2 The Capital Strategy is reported alongside the budget report and the Treasury Management Strategy Statement for Council approval. This ensures the separation of the core treasury function under security, liquidity and yield principles; and the policy and commercialism investments usually driven by expenditure on an asset.

1.3 The Capital Strategy will provide the following:

- The corporate governance arrangements for these types of activities (section 2);
- A high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of service (section 3);
- The expected income, costs and resulting contribution (section 4);
- The debt related to the activity and the associated interest costs and the payback period (MRP policy) (section 5);
- For non-treasury investments, the cost against the current market value (section 6);
- The risks associated with each activity (section 7);and
- Knowledge and training (section 8).

1.4 The Council will ensure that the concepts of proportionality as detailed within the CIPFA Codes of Practice (Prudential Code and Treasury Management Code) and the MHCLG "Statutory Guidance on Local Government Investments" are adhered to. The Director of Finance, Performance and Procurement will continually assess whether the Council is overdependent on its non-treasury (profit-generating) activities in achieving a balanced revenue budget and report on contingency plans, should the Council fail to meet the expected net profits.

1.5 A capital strategy is the foundation of a proper long-term planning of capital investment in assets and how it is to be delivered. The strategy should link in to the Council's overall corporate objectives and strategic priorities and align with the Council's Asset Management Strategy. The strategy provides a set of objectives and a framework, within CIPFA codes and statutory legislation, by which new capital projects are evaluated and investment decisions made whilst ensuring funding is targeted towards meeting the Council's priorities.

## 2 Corporate Governance arrangements

2.1 Priorities for capital investment are set by members, with the detailed planning delegated to officers, who prepare a draft capital programme for ultimate approval by the full County Council. The associated governance arrangements are set out in the Financial Regulations (Financial Regulation B, paragraphs 2.2 – 2.4).

2.2 Projects that have had a Strategic Outline Case (SOC) and are included in the approved five-year capital programme are considered to be in the pipeline. The preferred option/s will be developed into a Full Business Case (FBC) for a decision to proceed, in accordance with the approved capital programme governance, before the project can enter into the delivery stage. Schemes costing over £0.5m are also subject to a Cabinet Member Key Decision before proceeding.

2.3 Each of the projects in delivery is subject to monthly highlight reports produced by the Project Manager. The highlight reports are scrutinised through the capital governance arrangements and provide a RAG rating for each project. Individual highlight reports are collated into a single Performance Report. The Performance Report also includes a benefits realisation framework and identifies at least one benefit to be tracked throughout the lifecycle of each project's investment as well as beyond the project's completion. Project benefits and measures are set out in each project's Full Business Case, along with review dates for monitoring their delivery.

2.4 Performance towards converting pipeline projects to delivery stage, through delivery of the approved project and the tracking of benefits is scrutinised through the capital governance arrangements. Progress is reported to Cabinet Board and Performance and Finance Select Committee through the Quarterly Capital Performance Report.

2.5 The capital programme covers a five-year period—with some recognised demand pressures extending beyond this period in line with the Asset Strategy. The capital programme is constrained by the affordability of borrowing within the revenue budget, and the Council's finite delivery capacity. Therefore, robust prioritisation methodology to prioritise projects in future years is under development.

2.6 For approval under the governance arrangements, schemes are assessed on the basis of business cases which follow the Treasury Green Book Five-Case Model, as set out below:

**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

## 3 Council's Corporate Objectives and Priorities

3.1 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**. The capital programme sets out how the County Council proposes to invest in the delivery of the Council's vision for the county and its commitment to the communities of West Sussex. The capital programme is aligned to the plan priorities, as set out in the paragraphs below.

<u>Giving Children the Best Start in Life</u>

The County Council is committed to ensuring that every child in West Sussex reaches their potential and aims to provide them with the foundation to do that. A key element of that is the provision of modern, maintained and fit for purpose educational facilities. The capital programme ensures that the correct numbers of school places are provided in the correct locations. The Council may also invest in residential facilities for children and care leavers where there is a strong business case to do so.

The capital programme also provides £6.7m for implementation of the SEND Strategy, focusing on provision for children with autistic spectrum disorder and social, emotional and mental health needs.

We will also plan a wide programme of schools capital maintenance works across the West Sussex schools estate to ensure that schools remain structurally safe, secure and provide an environment where children are able to thrive.

A Prosperous Place

West Sussex has a dynamic business community and we are 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, by providing and contributing to significant job creation, delivering additional commercial floorspace in key locations and unlocking the potential for the provision of new homes. The County Council's investment leverages funding from the government as well as other public sector and private sector partners, to support businesses in difficult economic times and to ensure that West Sussex remains open for business and thrives.

In December 2016, the County Council purchased the former Novartis site in Horsham. We continue to plan, working with a range of external advisors, with up to £50m investment, including the site purchase in 2016/17, **of Horsham Enterprise Park**. The project aims to create high value jobs and business and provide new housing in the area.

The West Sussex local government area has been awarded pilot status in 2019/20 to trial the proposed 75% business rates retention scheme. The County Council and the Districts and Boroughs made a joint submission to Government seeking pilot status, and news of the success of this bid was contained in the provisional finance settlement announced on 13 December 2018. The extra business rates growth retained (estimated at **£19.1m** for 2019/20**)** will be pooled by participating local authorities and used to make a strategic investment in the county's economic infrastructure. It is anticipated the funds will be applied to enhance the digital infrastructure and connectivity for business and residents in the county, starting in 2020/21.

A Strong, Safe, and Sustainable Place

£44.5m further investment in an innovative sustainable energy programme of works is proposed to provide a revenue return for the County Council. As part of the Your Energy Sussex partnership, the County Council is proposing to invest in the installation of **Solar farms and battery storage** on unused Council land. In addition a **schools solar programme** will install solar panels on the schools estate helping to reduce energy bills for schools and provide a return on investment for the County Council.

**Horsham Combined Blue-Light Centre**: work in partnership with the district council to relocate the fire station, create residential development space in the town centre and provide income-generating training facilities.

Independence for Later Life

The County Council is committed to working closely with partners to enable older people to remain independent for longer. It aims to provide the technology and support structure to ensure that West Sussex remains a great place to grow older, by keeping people safe and secure. It also aims to address social isolation by trying to keep older residents connected within their communities.

A Council that Works for the Community

The County Council is committed to serving the people of West Sussex, making it easier and better when they contact us and improving services to meet their needs. The County Council is acutely aware that it is a guardian of its residents' money and aims to ensure that everything it does is best value for money.

The capital programme continues to invest in priority areas for local communities, including a continuation of the **Footway Improvements** programme (£4.5m) to address the condition of our footway assets in key areas across the county, aimed at reducing the number of slip, trips and falls in public places and helping to keep people safe and secure.

The County Council has secured government investment and partnership engagement in a programme of works called the **One Public Estate** (OPE). Detailed planning has continued throughout 2018/19 and the programme aims to: improve service delivery through co-location and integration of services, rationalise the public estate, generate revenue savings and reductions in running costs, release land for new housing, jobs and economic growth, and secure capital receipts from the disposal of surplus land and assets. There is a capital allocation to deliver a wide range of projects. Initial schemes in progress that have been approved include:

- **Worthing (Centenary House):** Redevelopment of the site to provide new accommodation for WSCC and Sussex Police, a multi-agency hub offering integrated and co-located public services, a new library and Coroner's Court, community facilities, new housing and commercial or employment space.
- **Shoreham (Pond Road):** Redevelopment of derelict care home, existing health centre and existing library to provide new multi-

agency hub (including health), new library and community facilities, new housing and commercial space.

- **Regeneration of Crawley Town Centre:** The focus for WSCC is the redevelopment of County Buildings, Telford Place, Crawley Town Hall and the Library to provide extra commercial space and several hundred new homes. The project has now been expanded to include the fire station and Crawley College.
- **Chichester (Southern Gateway regeneration):** This project centres on the redevelopment and regeneration of the Southern Gateway in Chichester, focusing on the area around the railway and bus stations, the former law courts, the WSCC-owned former Kingsham School, the Police Station and the canal frontage.
- **The Brow, Burgess Hill:** Redevelopment of The Brow, to provide new housing and a new health centre, potentially with co-located social care services.
- **Hurst Road, Horsham:** Releasing fire station at Hurst Road, Horsham for redevelopment.
- Further schemes are under development, including at **Littlehampton Drayton** where work is underway to develop a joint-highways and 'blue-light' emergency services fleet maintenance facility.

A programme of capital works to support the remodelling of **Community Hubs** (£5m) services is proposed. The programme will aim to transform existing sites into economic enablers, social hubs, cultural centres and digital connectors, whilst enhancing their role in supporting reading and learning for all ages.

£12m has already been included in the 2018/19 capital programme for the phased **purchase of commercial property**. A further £38m remains available for investment in properties meeting return criteria. The purpose is to secure long-term assets, which will not only produce capital growth but also revenue income for the County Council.

The capital programme continues to invest in the services that keep people safe, with a £13.8m investment in **Corporate and Fire Fleet** vehicles and £1.8m of **Fire Equipment** to support the work of the Fire and Rescue Service.

3.2 The capital programme comprises large schemes and development projects supplemented by routine investment in the core business of the Council. This latter activity is managed through asset management plans. Funding for such work is made through annual "block allocations" which are refreshed annually. Block allocations include property and highways asset maintenance, fleet and equipment asset replacement and other comparable projects. Block allocations are approved by the County Council on the basis of a summary business case and subsequently planned and budgeted within the approved control totals.

3.3 The main new schemes introduced into the programme since the last approval by County Council in December 2017 are investment in LED Street Lighting (£22m), which provides for more energy-efficient lamps whose brightness can more easily be controlled, and in-house social care (£3m), leaving the County Council at less risk of market volatility in cost and supply of care places. Funding has also been provided for improved SEND provision at Woodlands Meed School, Burgess Hill (£20m) and the Horsham Combined Blue-Light Centre project (£25m). These are subject to final approval of a Full Business Case.

## 4 Expected Income, Costs and Resulting Contribution

4.1 The County Council's capital investment is not restricted to direct service provision through new community assets such as schools and highways. It also invests in Income Generating Initiatives—which generate a cashable return and thus reduce the Council's operating costs—and in cost-avoidance activities which minimise the future cost burden on local taxpayers. Examples of these activities include (as explored in more detail in Section 3):

<u>Income Generating Initiatives</u>
County Gigabit
Your Energy Sussex
Investment Property
Horsham Enterprise Park
Street-Lighting LED programme

<u>Cost Avoidance (Core Programme)</u>
SEND Development programme
In-house social care for care leavers
Woodlands Meed
Brookhurst Wood (Waste Infrastructure)
Operation Watershed
Community Hubs

4.2 Funding for Income Generating Initiatives is included in the capital programme, but is released only on approval of a Full Business Case. Cost-avoidance schemes are included within the core programme and are not subject to any additional governance.

## 5 Cost and Funding of Capital Strategy

5.1 The total value of schemes in the 2019/20—2023/24 capital programme is £705.0m. This comprises £534.7m of the "core programme" with the remaining £170.3m being "Income Generating Initiatives", as set out by portfolio in the table below. These latter schemes are intended to generate revenue income for the County Council, and the will proceed subject only to the approval of a business case.

| 18/19 | | 19/20 | 20/21 | 21/22 | 22/23 | 23/24 | Total |
|---|---|---|---|---|---|---|---|
| £m | | £m | £m | £m | £m | £m | £m |
| 1.0 | Adults and Health | 1.5 | 1.6 | 1.7 | 1.5 | 0.1 | 6.4 |
| 0.0 | Children & Young People | 0.0 | 1.0 | 1.0 | 1.0 | 0.0 | 3.0 |
| 1.2 | Corporate Relations | 1.3 | 16.0 | 2.1 | 0.0 | 0.0 | 19.4 |
| 29.0 | Education and Skills / Children & Young People | 31.3 | 30.5 | 38.8 | 18.9 | 15.1 | 134.6 |
| 0.7 | Environment | 1.2 | 3.0 | 2.3 | 0.0 | 0.0 | 6.5 |
| 5.3 | Finance and Resources | 7.0 | 16.3 | 17.5 | 16.0 | 13.7 | 70.5 |
| 38.7 | Highways and Infrastructure | 33.8 | 45.0 | 57.9 | 35.7 | 37.5 | 209.9 |
| 5.8 | Leader including Economy | 7.7 | 8.2 | 4.0 | 12.0 | 2.0 | 33.9 |
| 4.9 | Safer, Stronger Communities | 9.0 | 16.7 | 7.7 | 8.0 | 9.1 | 50.5 |
| **86.6** | **Total Core** | **92.8** | **138.3** | **133.0** | **93.1** | **77.5** | **534.7** |
| 5.3 | Corporate Relations | 2.4 | 1.0 | 0.0 | 0.0 | 0.0 | 3.4 |
| 7.2 | Environment | 2.7 | 13.0 | 7.8 | 14.9 | 9.1 | 47.5 |
| 12.4 | Finance and Resources | 10.1 | 18.0 | 20.0 | 10.1 | 8.7 | 66.9 |
| 0.0 | Highways and Infrastructure | 0.0 | 3.7 | 3.7 | 7.6 | 7.0 | 22.0 |
| 1.4 | Leader including Economy | 1.0 | 6.8 | 7.7 | 15.0 | 0.0 | 30.5 |
| **26.3** | **Total IGIs & Bold Ideas** | **16.2** | **42.5** | **39.2** | **47.6** | **24.8** | **170.3** |
| **112.9** | **Total Programme** | **109.0** | **180.8** | **172.2** | **140.7** | **102.3** | **705.0** |

Further details of the individual schemes by portfolio are set out in Appendix A.

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 (15 February 2019). During the course of the year additional funding (for instance, capital grants or developer contributions) may become available.

5.3 The assumed funding profile for the programme to 2023/24 is shown below:

| **18/19** | | **19/20** | **20/21** | **21/22** | **22/23** | **23/24** | **Total** |
|---|---|---|---|---|---|---|---|
| **£m** | | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** |
| 1.0 | Capital Receipts | 3.8 | 3.8 | 7.7 | 22.3 | 36.9 | 74.5 |
| 5.0 | External Contributions including S106 | 5.8 | 9.7 | 11.1 | 11.8 | 11.3 | 49.7 |
| 27.4 | Ringfenced Government Grant | 5.8 | 17.4 | 18.2 | 9.5 | 1.3 | 52.2 |
| 51.9 | Non-Ringfenced Government Grant | 64.9 | 20.4 | 19.8 | 19.4 | 18.9 | 143.4 |
| 5.1 | Revenue Contributions to Capital Outlay | 2.1 | 19.4 | 6.8 | 2.3 | 10.5 | 41.1 |
| 1.2 | Core Borrowing | 13.5 | 69.0 | 76.2 | 33.3 | 7.4 | 199.4 |
| 21.3 | IGI and Bold Ideas Borrowing | 13.1 | 41.1 | 32.4 | 42.1 | 16.0 | 144.7 |
| **112.9** | **Total Financing** | **109.0** | **180.8** | **172.2** | **140.7** | **102.3** | **705.0** |

5.4 Capital plans (set out in paragraph 5.3) highlight that a borrowing requirement of £26.6m is required to finance the Council's capital expenditure plans in 2019/20, including:

- Borrowing of up to £13.5m relating to the core programme; and
- Additional borrowing of up to £13.1m relating to Income Generating Initiatives.

5.5 <u>Revenue Impact</u>: The revenue impact (capital financing cost as a percentage of net revenue streams) of the recommended borrowing strategy relating to the Council's 'core' capital programme (excluding IGIs, Bold Ideas, PFI and Finance Leases) is outlined below:

| | 2019/20 Estimate £m | 2020/21 Estimate £m | 2021/22 Estimate £m | 2022/23 Estimate £m | 2023/24 Estimate £m |
|---|---|---|---|---|---|
| Net Revenue Expenditure | 574.9 | 580.9 | 593.3 | 607.3 | 620.0 |
| Capital Financing Charges – ***Excluding*** *IGIs, PFI and Finance Leases* | 27.3 | 27.8 | 29.9 | 32.6 | 33.8 |
| **% Ratio** | **4.8%** | **4.8%** | **5.0%** | **5.4%** | **5.5%** |

5.6 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 3(b) of the main budget report.

5.7 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 2018 the Council had external loans with the PWLB totalling £395.9m, with a maturity profile which stretches out to 2060. As originally approved within the 2018/19 Treasury Management Strategy Statement, the Council intends to repay any loan as it falls due; including the annual repayment of £7m in respect of the £70m PWLB loan taken out in April 2011. This can be demonstrated in Appendix C, which extends out to 2060 and assumes that from 2024/25 onwards the Council has an annual core programme borrowing requirement of £20m to cover our essential requirements and continues to hold useable reserves, provisions and working capital (£130m each year from 2039/40 onwards). This assumption is based on the Council's historic level of core borrowing and provides for essential core funded schemes only, and will be continually reviewed in the coming years. The Council's external core programme debt at the end of this period would be £313m, as at today's value, after utilising the internal cash balances relating to useable reserves, provisions and working capital. On a time value basis, taking into account the impact of inflation and other economic changes, the debt outstanding at 2060 is forecast to be around a quarter of its valuation at current prices (£77m). Appendix D graphically sets out the debt projections to 31 March 2060.

5.8 Within the IGI borrowing figures, the borrowing need gradually reduces over the period to 2060, 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.

5.9 A list of the relevant Prudential Indicators for 2019/20 to 2022/23 is set out in Annex 3(c) of the main budget report, including new commercial investment indicators.

## 6. Non-Treasury (Commercial) Investments

6.1 The Council's capital investment plans (Section 3) includes a portfolio of non-treasury (commercial) investments. This portfolio will generate a revenue return to the Council, which will meet the objectives of the West Sussex Plan (2017-2022) in supporting financial sustainability and protecting the provision of services to the residents of West Sussex. The Council's Income Generating Initiatives (and Bold Ideas) will only be agreed when supported by approved business cases and subject to members' obtaining appropriate assurance regarding the security of capital sums involved; scrutiny being undertaken by the Performance and Finance Select Committee.

6.2 Examples of the Council's non-treasury investments include (but are not limited to) the following:

- The purchase of land and property for investment purposes.
- Working in partnership with other Council's 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 will set-out the economic and/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 will demonstrate the ongoing stewardship, sustainability, affordability and benefits of any proposed project. Funding arrangements may include (but 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 the Capital Programme which was approved by County Council in February 2017, the Council planned to invest up to £50m in Commercial Property over the period 2018/19 to 2022/23; to meet the objectives of the West Sussex Plan (as set out in paragraph 3.1) along with maintaining and growing the capital value of the investment. The principles of the Council's Commercial Property strategy include:

- 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 assets 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; and
- 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 will act prudently in making any non-treasury (commercial) investment, including a rigorous evaluation of potential opportunities and risks against the principles outlined above. The assessment of the Council's income generating initiatives and the associated capital financing costs will be disclosed over the life-cycle of the MTFS as a minimum; but also assessed over the longer-term (as set out in the Prudential Indicators – Annex 3(c) within the main budget report).

## 7. Risks

7.1 Preparation, financing and delivery of a multi-year capital programme involves a series of risks. The major ones, and their mitigations, are set out below:

| Key Risk | Mitigation |
|---|---|
| Schemes' total costs are above budget | Preparation of monthly highlight reports scrutinised through the governance arrangements<br>Reporting via monthly Total Performance Monitor |
| Lack of capacity prevents timely delivery of schemes | Use of multi-disciplinary consultancy (MDC) for professional services<br>Monthly highlight reports for timely identification of slippage |
| Unaffordability of financing costs in revenue budget | Preparation of Treasury Management Strategy |
| Schemes taken forward | Inclusion of members on Capital & Assets |

| | |
|---|---|
| do not support West Sussex Plan objectives | Board to align prioritisation |
| High priority scheme not reflected in existing capital plans | Flexibility in capital governance to allow change in priorities |
| Expiry of time limited S106 contributions | 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) | Monitoring of spending against agreed profiles and grant conditions<br>Negotiation with grant-awarding bodies where conditions may not be met |
| Availability of feasibility and other revenue funding constrains capital plans | Creation of Feasibility Reserve<br>Outline Business Cases to include feasibility funding requirement |
| Outline Business Cases do not fully reflect cost of scheme | Rigorous challenge of Outline Business Cases through the capital programme governance arrangements |
| Interest rate volatility regarding borrowing | Regular monitoring of interest rates<br>Use of external advisors |
| Implications of Brexit both on delivery and financing of capital programme | Regular monitoring and awareness |

## 8. Knowledge and Training

8.1 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)
- Savills (property advisory services)
- Montagu Evans (valuers)
- Link (treasury management advisory)

8.2 CIPFA's Code of Practice requires that staff with responsibility for treasury management and property investment receive adequate training. Staff undergo regular professional training to ensure their skills are regularly updated. 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.

**Appendices**

Appendix A – Capital Programme Portfolio Pages

Appendix B – Minimum Revenue Provision (MRP) Statement 2019/20

Appendix C - Illustrative External Debt/Internal Borrowing Projections

Appendix D – Graphical Illustration of Debt Projections to March 2060

**CAPITAL PROGRAMME 2019/20 - 2023/24**

| 2018/19 £000 | CORE CAPITAL PROGRAMME (Expenditure) | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 | Total £000 |
|---|---|---|---|---|---|---|---|
| 1,009 | Adults and Health | 1,492 | 1,539 | 1,700 | 1,495 | 128 | 6,354 |
| 0 | Children and Young People | 0 | 1,000 | 1,000 | 1,000 | 0 | 3,000 |
| 1,181 | Corporate Relations | 1,282 | 16,000 | 2,141 | 0 | 0 | 19,423 |
| 28,966 | Education and Skills | 31,324 | 30,442 | 38,875 | 18,896 | 15,062 | 134,599 |
| 752 | Environment | 1,176 | 3,064 | 2,300 | 0 | 0 | 6,540 |
| 5,254 | Finance and Resources | 6,994 | 16,361 | 17,462 | 15,993 | 13,705 | 70,515 |
| 38,714 | Highways and Infrastructure | 33,830 | 44,981 | 57,869 | 35,746 | 37,463 | 209,889 |
| 5,787 | Leader (including Economy) | 7,670 | 8,278 | 4,000 | 12,000 | 2,000 | 33,948 |
| 4,889 | Safer, Stronger Communities | 9,042 | 16,663 | 7,650 | 7,996 | 9,144 | 50,495 |
| **86,552** | **TOTAL PROGRAMME** | **92,810** | **138,328** | **132,997** | **93,126** | **77,502** | **534,763** |

| 2018/19 £000 | INCOME GENERATING INITIATIVES & BOLD IDEAS (Expenditure) | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 | Total £000 |
|---|---|---|---|---|---|---|---|
| 5,310 | Corporate Relations | 2,370 | 1,000 | 0 | 0 | 0 | 3,370 |
| 7,280 | Environment | 2,700 | 13,000 | 7,800 | 14,924 | 9,036 | 47,460 |
| 12,366 | Finance and Resources | 10,115 | 18,000 | 20,000 | 10,076 | 8,729 | 66,920 |
| 0 | Highways and Infrastructure | 0 | 3,700 | 3,700 | 7,600 | 7,000 | 22,000 |
| 1,420 | Leader (including Economy) | 1,000 | 6,780 | 7,720 | 15,000 | 0 | 30,500 |
| **26,376** | **TOTAL PROGRAMME** | **16,185** | **42,480** | **39,220** | **47,600** | **24,765** | **170,250** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **112,928** | **Total Capital Programme** | **108,995** | **180,808** | **172,217** | **140,726** | **102,267** | **705,013** |

| 2018/19 £000 | FINANCING | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 | Total £000 |
|---|---|---|---|---|---|---|---|
| 1,000 | Capital Receipts | 3,850 | 3,750 | 7,750 | 22,250 | 36,852 | 74,452 |
| 5,014 | External Contributions including S106 | 5,812 | 9,732 | 11,050 | 11,820 | 11,300 | 49,714 |
| 27,461 | Ringfenced Government Grant | 5,856 | 17,349 | 18,210 | 9,490 | 1,328 | 52,233 |
| 51,901 | Non-Ringfenced Government Grant | 64,823 | 20,425 | 19,865 | 19,356 | 18,858 | 143,327 |
| 5,075 | Revenue Contributions to Capital Outlay | 1,032 | 3,432 | 4,632 | 2,377 | 10,532 | 22,005 |
| 0 | Revenue Contributions to Capital Outlay from 75% Pilot | 1,000 | 16,000 | 2,141 | 0 | 0 | 19,141 |
| 1,181 | Core Borrowing | 13,537 | 68,990 | 76,149 | 33,333 | 7,390 | 199,399 |
| 21,296 | IGI and Bold Ideas Borrowing | 13,085 | 41,130 | 32,420 | 42,100 | 16,007 | 144,742 |
| **112,928** | **TOTAL PROGRAMME** | **108,995** | **180,808** | **172,217** | **140,726** | **102,267** | **705,013** |

**CAPITAL PROGRAMME 2019/20**

| FINANCED FROM | £000 | £000 | % |
|---|---|---|---|
| **External Sources and Service Portfolio Direct Funding** | | | |
| **Government Grants** | | | |
| Adults and Health | 992 | | |
| Education and Skills | 1,550 | | |
| Leader (including Economy) | 734 | | |
| Highways and Infrastructure | 2,580 | | |
| | | 5,856 | 5.37% |
| **External Contributions** | | | |
| Education and Skills | 950 | | |
| Highways and Infrastructure | 4,141 | | |
| Leader (including Economy) | 721 | | |
| | | 5,812 | 5.33% |
| **Total** | | 11,668 | 10.71% |
| **Corporate Funding** | | | |
| - Capital Receipts | 3,850 | | |
| - Government Grant | 64,823 | | |
| - Revenue Contributions to Capital Outlay | 1,032 | | |
| - Revenue Contributions to Capital Outlay from 75% Pilot | 1,000 | | |
| - Borrowing - Corporate | 26,622 | | |
| **Total Corporate Funding** | | 97,327 | 89.29% |
| **TOTAL CAPITAL PAYMENTS** | | **108,995** | **100%** |

# Adults and Health

**CAPITAL PROGRAMME 2019/20 to 2023/24**

| Project | Approved Budget Profiled | | | | | |
|---|---|---|---|---|---|---|
| | 2018/19 £000 | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 |
| **In-Flight Projects** | | | | | | |
| Boundary Close | 136 | 0 | 0 | 0 | 0 | 0 |
| NHS Transfer/A Place to Live - 38 Alinora Crescent | 21 | 0 | 0 | 0 | 0 | 0 |
| Tempe | 102 | 0 | 0 | 0 | 0 | 0 |
| Westergate Extra Care | 750 | 750 | 0 | 0 | 0 | 0 |
| **Total In-Flight Approved Projects** | **1,009** | **750** | **0** | **0** | **0** | **0** |
| **Proposed Projects*** | | | | | | |
| In-House Social Care | 0 | 500 | 500 | 1,000 | 1,000 | 0 |
| NHS Capital Grants | 0 | 242 | 700 | 700 | 495 | 128 |
| Social Care Grant | 0 | 0 | 339 | 0 | 0 | 0 |
| **Total Proposed Starts List** | **0** | **742** | **1,539** | **1,700** | **1,495** | **128** |
| **TOTAL PROGRAMME** | **1,009** | **1,492** | **1,539** | **1,700** | **1,495** | **128** |

| Financing | 2018/19 £000 | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 |
|---|---|---|---|---|---|---|
| **Sources of Funding** | | | | | | |
| A Place to Live Grant | 21 | 0 | 0 | 0 | 0 | 0 |
| NHS Grant | 136 | 242 | 440 | 0 | 0 | 128 |
| Social Care Grant | 750 | 750 | 339 | 0 | 0 | 0 |
| Corporate Resources | 102 | 500 | 760 | 1,700 | 1,495 | 0 |
| External Contributions | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total Funding** | **1,009** | **1,492** | **1,539** | **1,700** | **1,495** | **128** |

* All projects approved subject to business case

# Children and Young People

**CAPITAL PROGRAMME 2019/20 to 2023/24**

| Project | Approved Budget Profiled | | | | | |
|---|---|---|---|---|---|---|
| | 2018/19 £000 | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 |
| **In-Flight Projects** | | | | | | |
| **Total In-Flight Approved Projects** | **0** | **0** | **0** | **0** | **0** | **0** |
| **Proposed Projects*** | | | | | | |
| Care Leavers Accommodation | 0 | 0 | 1,000 | 1,000 | 1,000 | 0 |
| **Total Proposed Starts List** | **0** | **0** | **1,000** | **1,000** | **1,000** | **0** |
| **TOTAL PROGRAMME** | **0** | **0** | **1,000** | **1,000** | **1,000** | **0** |

| Financing | 2018/19 £000 | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 |
|---|---|---|---|---|---|---|
| **Sources of Funding** | | | | | | |
| Corporate Resources | 0 | 0 | 1,000 | 1,000 | 1,000 | 0 |
| **Total Funding** | **0** | **0** | **1,000** | **1,000** | **1,000** | **0** |

* All projects approved subject to business case

# Corporate Relations

**CAPITAL PROGRAMME 2019/20 to 2023/24**

| Project | Approved Budget Profiled 2018/19 £000 | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 |
|---|---|---|---|---|---|---|
| **In-Flight Projects** | | | | | | |
| Broadband | 1,181 | 282 | 0 | 0 | 0 | 0 |
| **Total In-Flight Approved Projects** | **1,181** | **282** | **0** | **0** | **0** | **0** |
| **Proposed Projects*** | | | | | | |
| Digital Infrastructure (Business Rates Pilot) | 0 | 1,000 | 16,000 | 2,141 | 0 | 0 |
| **Total Proposed Starts List** | **0** | **1,000** | **16,000** | **2,141** | **0** | **0** |
| **TOTAL PROGRAMME** | **1,181** | **1,282** | **16,000** | **2,141** | **0** | **0** |

| Financing | 2018/19 £000 | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 |
|---|---|---|---|---|---|---|
| **Sources of Funding** | | | | | | |
| Corporate Resources | 744 | 1,282 | 16,000 | 2,141 | 0 | 0 |
| External Contributions | 437 | 0 | 0 | 0 | 0 | 0 |
| **Total Funding** | **1,181** | **1,282** | **16,000** | **2,141** | **0** | **0** |

| Income Generating Initiatives and Bold Ideas | Approved Budget Profiled 2018/19 £000 | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 |
|---|---|---|---|---|---|---|
| **In-Flight Income Generating Projects** | | | | | | |
| County Gigabit | 5,310 | 2,370 | 1,000 | 0 | 0 | 0 |
| **Total IGIs and Bold Ideas Projects** | **5,310** | **2,370** | **1,000** | **0** | **0** | **0** |

*** All projects approved subject to business case**

# Education and Skills

**CAPITAL PROGRAMME 2019/20 to 2023/24**

| Project | Approved Budget Profiled | | | | | |
|---|---|---|---|---|---|---|
| | 2018/19 £000 | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 |
| **In-Flight Projects** | | | | | | |
| Academies Programme | 131 | 0 | 0 | 0 | 0 | 0 |
| Age of Transfer - Storrington | 431 | 0 | 0 | 0 | 0 | 0 |
| Basic Need Programme | 18,899 | 14,904 | 3,100 | 0 | 0 | 0 |
| Community Schools Capital Maintenance Grant | 7,095 | 0 | 0 | 0 | 0 | 0 |
| Devolved Formula Capital Grant | 1,694 | 0 | 0 | 0 | 0 | 0 |
| Healthy Pupils Capital Fund | 466 | 0 | 0 | 0 | 0 | 0 |
| Schools Access Initiative | 250 | 250 | 0 | 0 | 0 | 0 |
| **Total In-Flight Approved Projects** | **28,966** | **15,154** | **3,100** | **0** | **0** | **0** |
| **Proposed Projects*** | | | | | | |
| Future Years Basic Need | 0 | 6,650 | 14,500 | 15,137 | 10,017 | 9,781 |
| Future Years Capital Maintenance | 0 | 6,720 | 6,187 | 5,538 | 5,034 | 4,081 |
| Future Years DFCG | 0 | 1,200 | 1,200 | 1,200 | 1,200 | 1,200 |
| Manor Green Primary SEND Provision | 0 | 250 | 200 | 0 | 0 | 0 |
| SEND Development Programme | 0 | 350 | 2,255 | 1,000 | 2,595 | 0 |
| Titnore Lane - Land | 0 | 0 | 0 | 0 | 50 | 0 |
| Woodlands Meed | 0 | 1,000 | 3,000 | 16,000 | 0 | 0 |
| **Total Proposed Starts List** | **0** | **16,170** | **27,342** | **38,875** | **18,896** | **15,062** |
| **TOTAL PROGRAMME** | **28,966** | **31,324** | **30,442** | **38,875** | **18,896** | **15,062** |

| Financing | 2018/19 £000 | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 |
|---|---|---|---|---|---|---|
| **Sources of Funding** | | | | | | |
| Basic Need Grant | 27,863 | 43,776 | 0 | 0 | 0 | 0 |
| Capital Maintenance Grant | 6,961 | 6,270 | 5,648 | 5,088 | 4,579 | 4,081 |
| Devolved Formula Capital Grant | 1,694 | 1,200 | 1,200 | 1,200 | 1,200 | 1,200 |
| Special Educational Needs & Development Grant (SEND) | 650 | 350 | 2,255 | 0 | 750 | 0 |
| Healthy Pupils Capital Grant | 466 | 0 | 0 | 0 | 0 | 0 |
| Government Grant - Woodlands Meed | 0 | 0 | 0 | 6,000 | 0 | 0 |
| Corporate Resources | -11,170 | -21,222 | 21,339 | 26,587 | 12,317 | 9,781 |
| External Contributions | 2,502 | 950 | 0 | 0 | 50 | 0 |
| **Total Funding** | **28,966** | **31,324** | **30,442** | **38,875** | **18,896** | **15,062** |

* All projects approved subject to business case

# Environment

**CAPITAL PROGRAMME 2019/20 to 2023/24**

| Project | Approved Budget Profiled | | | | | |
|---|---|---|---|---|---|---|
| | 2018/19 £000 | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 |
| **In-Flight Projects** | | | | | | |
| Carbon Reduction Programme | 582 | 0 | 0 | 0 | 0 | 0 |
| Downslink | 71 | 0 | 0 | 0 | 0 | 0 |
| Faygate | 18 | 643 | 0 | 0 | 0 | 0 |
| General Aftercare Works | 30 | 33 | 34 | 0 | 0 | 0 |
| Westhampnett Gas Scheme | 51 | 0 | 0 | 0 | 0 | 0 |
| **Total In-Flight Approved Projects** | **752** | **676** | **34** | **0** | **0** | **0** |
| **Proposed Projects*** | | | | | | |
| Baystone Farm | 0 | 0 | 550 | 0 | 0 | 0 |
| Faygate | 0 | 0 | 780 | 0 | 0 | 0 |
| Brookhurst Wood - Site HA | 0 | 500 | 1,700 | 2,300 | 0 | 0 |
| **Total Proposed Starts List** | **0** | **500** | **3,030** | **2,300** | **0** | **0** |
| **TOTAL PROGRAMME** | **752** | **1,176** | **3,064** | **2,300** | **0** | **0** |

| **Financing** | 2018/19 £000 | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 |
|---|---|---|---|---|---|---|
| **Sources of Funding** | | | | | | |
| Local Enterprise Partnership Grant | 20 | 0 | 0 | 0 | 0 | 0 |
| Corporate Resources | 732 | 1,176 | 3,064 | 2,300 | 0 | 0 |
| External Contributions | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total Funding** | **752** | **1,176** | **3,064** | **2,300** | **0** | **0** |

| Income Generating Initiatives and Bold Ideas | Approved Budget Profiled | | | | | |
|---|---|---|---|---|---|---|
| | 2018/19 £000 | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 |
| **In-Flight Income Generating Projects** | | | | | | |
| Your Energy Sussex - Halewick Lane | 293 | 0 | 0 | 0 | 0 | 0 |
| Your Energy Sussex - Schools Solar PV Programme | 4,673 | 0 | 0 | 0 | 0 | 0 |
| Your Energy Sussex - Westhampnett Solar Farm | 2,314 | 0 | 0 | 0 | 0 | 0 |
| **Total In-Flight Projects** | **7,280** | **0** | **0** | **0** | **0** | **0** |
| **Proposed Income Generating Projects *** | | | | | | |
| Waste Infrastructure | 0 | 0 | 1,200 | 1,800 | 0 | 0 |
| Your Energy Sussex - Solar Farms and Battery Storage | 0 | 2,700 | 11,800 | 6,000 | 14,924 | 9,036 |
| **Total Proposed Projects** | **0** | **2,700** | **13,000** | **7,800** | **14,924** | **9,036** |
| **Total IGIs and Bold Ideas Projects** | **7,280** | **2,700** | **13,000** | **7,800** | **14,924** | **9,036** |

* All projects approved subject to business case

# Finance and Resources

**CAPITAL PROGRAMME 2019/20 to 2023/24**

| Project | Approved Budget Profiled | | | | | |
|---|---|---|---|---|---|---|
| | 2018/19 £000 | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 |
| **In-Flight Projects** | | | | | | |
| Accommodation Optimisation - County Hall | 81 | 0 | 0 | 0 | 0 | 0 |
| Gypsy and Travellers Improvement Programme | 450 | 0 | 0 | 0 | 0 | 0 |
| Sompting Waste Management | 61 | 250 | 0 | 0 | 0 | 0 |
| Staff Capitalisation - Property | 1,225 | 0 | 0 | 0 | 0 | 0 |
| Structural Maintenance | 2,203 | 0 | 0 | 0 | 0 | 0 |
| Targeted Minor Asset Improvement Plan | 1,000 | 0 | 0 | 0 | 0 | 0 |
| Electric Vehicles | 59 | 0 | 0 | 0 | 0 | 0 |
| North Mundham Alternative Provision | 175 | 0 | 0 | 0 | 0 | 0 |
| **Total In-Flight Approved Projects** | **5,254** | **250** | **0** | **0** | **0** | **0** |
| **Proposed Projects*** | | | | | | |
| Accessibility Audit | 0 | 500 | 1,500 | 0 | 0 | 0 |
| Capital Improvements Programme | 0 | 1,173 | 5,320 | 7,000 | 8,110 | 1,300 |
| Future Years Staff Capitalisation - Property | 0 | 1,021 | 1,041 | 1,062 | 1,083 | 1,105 |
| Future Years Structural Maintenance | 0 | 3,500 | 2,200 | 2,300 | 2,300 | 1,000 |
| Future Years Gypsy and Travellers Improvement Programme | 0 | 150 | 300 | 300 | 300 | 300 |
| One Public Estate | 0 | 400 | 6,000 | 6,800 | 4,200 | 10,000 |
| **Total Proposed Starts List** | **0** | **6,744** | **16,361** | **17,462** | **15,993** | **13,705** |
| **TOTAL PROGRAMME** | **5,254** | **6,994** | **16,361** | **17,462** | **15,993** | **13,705** |

| Financing | 2018/19 £000 | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 |
|---|---|---|---|---|---|---|
| **Sources of Funding** | | | | | | |
| Corporate Resources | 5,254 | 6,994 | 16,361 | 17,462 | 15,993 | 13,705 |
| External Contributions | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total Funding** | **5,254** | **6,994** | **16,361** | **17,462** | **15,993** | **13,705** |

| Income Generating Initiatives and Bold Ideas | Approved Budget Profiled | | | | | |
|---|---|---|---|---|---|---|
| | 2018/19 £000 | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 |
| **In-Flight Income Generating Projects** | | | | | | |
| Propco: Barnham | 359 | 0 | 0 | 0 | 0 | 0 |
| Propco: Orchard Street | 83 | 115 | 0 | 0 | 0 | 0 |
| Investment Properties - Churchill Court, Manor Royal, Crawley | 11,924 | 0 | 0 | 0 | 0 | 0 |
| **Total In-Flight Projects** | **12,366** | **115** | **0** | **0** | **0** | **0** |
| **Proposed Income Generating Projects *** | | | | | | |
| Investment Property Opportunities | 0 | 10,000 | 13,000 | 13,000 | 2,076 | 0 |
| Propco Others | 0 | 0 | 5,000 | 7,000 | 8,000 | 8,729 |
| **Total Proposed Projects** | **0** | **10,000** | **18,000** | **20,000** | **10,076** | **8,729** |
| **Total IGIs and Bold Ideas Projects** | **12,366** | **10,115** | **18,000** | **20,000** | **10,076** | **8,729** |

* All projects approved subject to business case

# Highways and Infrastructure

**CAPITAL PROGRAMME 2019/20 to 2023/24**

| Project | Approved Budget Profiled | | | | | |
|---|---|---|---|---|---|---|
| | 2018/19 £000 | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 |
| **In-Flight Projects** | | | | | | |
| A2300 Corridor Enhancement Capacity, Burgess Hill | 1,030 | 1,020 | 0 | 0 | 0 | 0 |
| A259 Corridor Enhancement Capacity, East Arun | 5,313 | 6,899 | 1,311 | 0 | 0 | 0 |
| A284 Lyminster Bypass | 725 | 250 | 6,408 | 8,500 | 0 | 0 |
| Annual Works Programme | 24,082 | 2,858 | 0 | 0 | 0 | 0 |
| On-Street Parking | 200 | 0 | 0 | 0 | 0 | 0 |
| Crawley Transport Package Phase 1 | 135 | 0 | 0 | 0 | 0 | 0 |
| Flood Management | 120 | 148 | 258 | 0 | 0 | 0 |
| Footway Improvement Programme | 1,369 | 0 | 0 | 0 | 0 | 0 |
| National Cycle Network 2 | 258 | 0 | 0 | 0 | 0 | 0 |
| Operation Watershed | 300 | 0 | 0 | 0 | 0 | 0 |
| Pothole Action Fund | 2,392 | 0 | 0 | 0 | 0 | 0 |
| Road Safety Improvements | 893 | 1,532 | 0 | 0 | 0 | 0 |
| Shoreham Footbridge Replacement | 21 | 0 | 0 | 0 | 0 | 0 |
| Staff Capitalisation | 1,219 | 0 | 0 | 0 | 0 | 0 |
| West of Horsham | 625 | 1,666 | 4,011 | 0 | 0 | 0 |
| Worthing Sustainable Transport Package | 32 | 0 | 0 | 0 | 0 | 0 |
| **Total In-Flight Approved Projects** | **38,714** | **14,373** | **11,988** | **8,500** | **0** | **0** |
| **Proposed Projects*** | | | | | | |
| A2300 Corridor Enhancement Capacity, Burgess Hill | 0 | 0 | 3,110 | 8,210 | 9,210 | 0 |
| A259 Clympwick Bridge | 0 | 0 | 500 | 500 | 0 | 0 |
| A27 | 0 | 0 | 0 | 0 | 0 | 10,000 |
| A29 Re-alignment | 0 | 1,350 | 11,250 | 22,500 | 10,100 | 10,300 |
| Annual Works Programme | 0 | 14,777 | 14,777 | 14,777 | 14,777 | 14,777 |
| Development and Infrastructure Future Fund | 0 | 0 | 0 | 0 | 0 | 1,000 |
| Footways Improvement Programme | 0 | 1,500 | 1,500 | 1,500 | 0 | 0 |
| Future Years Operation Watershed | 0 | 300 | 300 | 300 | 300 | 0 |
| Future Years Staff Capitalisation | 0 | 1,280 | 1,306 | 1,332 | 1,359 | 1,386 |
| Traffic Signals Refurbishment Programme | 0 | 250 | 250 | 250 | 0 | 0 |
| **Total Proposed Starts List** | **0** | **19,457** | **32,993** | **49,369** | **35,746** | **37,463** |
| **TOTAL PROGRAMME** | **38,714** | **33,830** | **44,981** | **57,869** | **35,746** | **37,463** |

| Financing | 2018/19 £000 | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 |
|---|---|---|---|---|---|---|
| **Sources of Funding** | | | | | | |
| Flood and Coastal Erosion Grant | 120 | 148 | 258 | 0 | 0 | 0 |
| Pothole Grant | 2,570 | 0 | 0 | 0 | 0 | 0 |
| Road Safety Grant | 893 | 1,532 | 0 | 0 | 0 | 0 |
| Local Enterprise Partnership Grant | 5,039 | 900 | 12,707 | 8,610 | 7,540 | 0 |
| Local Transport Maintenance Grant | 11,043 | 11,043 | 11,043 | 11,043 | 11,043 | 11,043 |
| Additional Highways Maintenance Grant | 6,083 | 0 | 0 | 0 | 0 | 0 |
| Local Integrated Transport Grant | 3,734 | 3,734 | 3,734 | 3,734 | 3,734 | 3,734 |
| Local Transport Incentive Fund Grant | 2,300 | 0 | 0 | 0 | 0 | 0 |
| Corporate Resources | 4,889 | 12,332 | 8,871 | 23,432 | 1,659 | 11,386 |
| External Contributions | 2,043 | 4,141 | 8,368 | 11,050 | 11,770 | 11,300 |
| **Total Funding** | **38,714** | **33,830** | **44,981** | **57,869** | **35,746** | **37,463** |

| Income Generating Initiatives and Bold Ideas | Approved Budget Profiled | | | | | |
|---|---|---|---|---|---|---|
| | 2018/19 £000 | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 |
| **Proposed Income Generating Projects *** | | | | | | |
| LED Street lighting | 0 | 0 | 3,700 | 3,700 | 7,600 | 7,000 |
| **Total IGIs and Bold Ideas Projects** | **0** | **0** | **3,700** | **3,700** | **7,600** | **7,000** |

* All projects approved subject to business case

# Leader (including Economy)

**CAPITAL PROGRAMME 2019/20 to 2023/24**

| Project | Approved Budget Profiled | | | | | |
|---|---|---|---|---|---|---|
| | 2018/19 £000 | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 |
| **In-Flight Projects** | | | | | | |
| Broadband (Growth Is Digital) | 3 | 0 | 0 | 0 | 0 | 0 |
| Chichester University | 350 | 0 | 0 | 0 | 0 | 0 |
| Crawley Growth Programme | 1,280 | 796 | 1,164 | 0 | 0 | 0 |
| Worthing Public Realm | 231 | 169 | 0 | 0 | 0 | 0 |
| **Total In-Flight Approved Projects** | **1,864** | **965** | **1,164** | **0** | **0** | **0** |
| **Proposed Projects*** | | | | | | |
| Crawley Growth Programme | 3,923 | 6,105 | 4,114 | 0 | 0 | 0 |
| Growth Programme | 0 | 600 | 3,000 | 4,000 | 12,000 | 2,000 |
| **Total Proposed Starts List** | **3,923** | **6,705** | **7,114** | **4,000** | **12,000** | **2,000** |
| **TOTAL PROGRAMME** | **5,787** | **7,670** | **8,278** | **4,000** | **12,000** | **2,000** |

| Financing | 2018/19 £000 | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 |
|---|---|---|---|---|---|---|
| **Sources of Funding** | | | | | | |
| Local Enterprise Partnership Grant | 3,923 | 734 | 0 | 0 | 0 | 0 |
| Corporate Resources | 1,864 | 6,215 | 7,414 | 4,000 | 12,000 | 2,000 |
| External Contributions | 0 | 721 | 864 | 0 | 0 | 0 |
| **Total Funding** | **5,787** | **7,670** | **8,278** | **4,000** | **12,000** | **2,000** |

| Income Generating Initiatives (IGIs) and Bold | Approved Budget Profiled | | | | | |
|---|---|---|---|---|---|---|
| | 2018/19 £000 | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 |
| **In-Flight Income Generating Projects** | | | | | | |
| Bold Ideas - Creative Bognor | 900 | 0 | 0 | 0 | 0 | 0 |
| Horsham Enteprise Park | 520 | 0 | 0 | 0 | 0 | 0 |
| **Total In-Flight Projects** | **1,420** | **0** | **0** | **0** | **0** | **0** |
| **Proposed Income Generating Projects *** | | | | | | |
| Experience West Sussex | 0 | 0 | 500 | 0 | 0 | 0 |
| Horsham Enterprise Park | 0 | 1,000 | 6,280 | 7,720 | 15,000 | 0 |
| **Total Proposed Projects** | **0** | **1,000** | **6,780** | **7,720** | **15,000** | **0** |
| **Total IGIs and Bold Ideas Projects** | **1,420** | **1,000** | **6,780** | **7,720** | **15,000** | **0** |

* All projects approved subject to business case

# Safer, Stronger Communities

**CAPITAL PROGRAMME 2019/20 to 2023/24**

| Project | Approved Budget Profiled | | | | | |
|---|---|---|---|---|---|---|
| | 2018/19 £000 | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 |
| **In-Flight Projects** | | | | | | |
| Accommodation Pressures WSFRS | 114 | 0 | 0 | 0 | 0 | 0 |
| Breathing Apparatus - Cleaning Facilities | 50 | 0 | 0 | 0 | 0 | 0 |
| Energy Efficiency | 0 | 0 | 0 | 0 | 0 | 0 |
| Equalities and Diversity | 172 | 0 | 0 | 0 | 0 | 0 |
| Fire Equipment | 1,167 | 558 | 0 | 0 | 0 | 0 |
| Fleet | 3,286 | 2,000 | 1,405 | 0 | 0 | 0 |
| **Total In-Flight Approved Projects** | **4,789** | **2,558** | **1,405** | **0** | **0** | **0** |
| **Proposed Projects*** | | | | | | |
| Community Hubs | 0 | 3,000 | 2,000 | 0 | 0 | 0 |
| Future Years Fire Equipment | 0 | 400 | 350 | 350 | 350 | 344 |
| Future Years Fleet | 0 | 684 | 2,208 | 2,300 | 3,846 | 4,800 |
| Horsham Combined Blue Light Centre | 100 | 1,900 | 10,200 | 5,000 | 3,800 | 4,000 |
| Self-Service Library Terminals | 0 | 500 | 500 | 0 | 0 | 0 |
| **Total Proposed Starts List** | **100** | **6,484** | **15,258** | **7,650** | **7,996** | **9,144** |
| **TOTAL PROGRAMME** | **4,889** | **9,042** | **16,663** | **7,650** | **7,996** | **9,144** |

| Financing | 2018/19 £000 | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 |
|---|---|---|---|---|---|---|
| **Sources of Funding** | | | | | | |
| Fire Grant | 16 | 0 | 0 | 0 | 0 | 0 |
| YES Grant | 0 | 0 | 0 | 2,400 | 0 | 0 |
| Corporate Resources | 4,841 | 9,042 | 16,163 | 5,250 | 7,996 | 9,144 |
| External Contributions | 32 | 0 | 500 | 0 | 0 | 0 |
| **Total Funding** | **4,889** | **9,042** | **16,663** | **7,650** | **7,996** | **9,144** |

* All projects approved subject to business case

**Minimum Revenue Provision (MRP) Statement – 2019/20**

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 debt is repaid over a period equal to the useful life of the asset financed by the borrowing. 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 Finance 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.

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

| Year Ending | Existing PWLB 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 | 89.4 | 478.2 |
| 31 March 2020 | 381.8 | 0.0 | 0.0 | 0.0 | 114.6 | 496.4 |
| 31 March 2021 | 374.8 | 0.0 | 40.6 | 40.6 | 179.7 | 595.1 |
| 31 March 2022 | 371.3 | 17.1 | 122.8 | 139.9 | 178.8 | 690.0 |
| 31 March 2023 | 361.3 | 47.7 | 163.3 | 211.0 | 177.7 | 750.0 |
| 31 March 2024 | 361.3 | 58.0 | 195.5 | 253.5 | 160.0 | 774.8 |
| 31 March 2025 | 361.3 | 66.0 | 183.8 | 249.8 | 156.5 | 767.6 |
| 31 March 2026 | 337.2 | 96.3 | 171.3 | 267.6 | 154.0 | 758.8 |
| 31 March 2027 | 332.5 | 108.0 | 167.4 | 275.4 | 149.9 | 757.8 |
| 31 March 2028 | 286.4 | 158.2 | 163.4 | 321.6 | 147.9 | 755.9 |
| 31 March 2029 | 286.4 | 164.5 | 159.2 | 323.7 | 142.9 | 753.0 |
| 31 March 2030 | 239.2 | 216.9 | 154.9 | 371.8 | 137.9 | 748.9 |
| 31 March 2031 | 195.9 | 264.7 | 150.4 | 415.1 | 132.9 | 743.9 |
| 31 March 2032 | 124.9 | 339.2 | 145.8 | 485.0 | 127.9 | 737.8 |
| 31 March 2033 | 92.2 | 374.3 | 141.1 | 515.4 | 122.9 | 730.5 |
| 31 March 2034 | 40.0 | 428.3 | 136.2 | 564.5 | 117.9 | 722.4 |
| 31 March 2035 | 40.0 | 389.0 | 131.1 | 520.1 | 152.9 | 713.0 |
| 31 March 2036 | 40.0 | 388.7 | 125.9 | 514.6 | 147.9 | 702.5 |
| 31 March 2037 | 40.0 | 389.2 | 120.5 | 509.7 | 142.9 | 692.6 |
| 31 March 2038 | 40.0 | 390.4 | 114.9 | 505.3 | 137.9 | 683.2 |
| 31 March 2039 | 40.0 | 391.7 | 109.2 | 500.9 | 132.9 | 673.8 |
| 31 March 2040 | 40.0 | 391.4 | 103.2 | 494.6 | 130.0 | 664.6 |
| 31 March 2041 | 40.0 | 387.3 | 97.1 | 484.4 | 130.0 | 654.4 |
| 31 March 2042 | 40.0 | 382.2 | 90.9 | 473.1 | 130.0 | 643.1 |
| 31 March 2043 | 40.0 | 375.9 | 84.5 | 460.4 | 130.0 | 630.4 |
| 31 March 2044 | 25.0 | 384.3 | 77.9 | 462.2 | 130.0 | 617.2 |
| 31 March 2045 | 25.0 | 376.6 | 72.0 | 448.6 | 130.0 | 603.6 |
| 31 March 2046 | 25.0 | 367.8 | 66.1 | 433.9 | 130.0 | 588.9 |
| 31 March 2047 | 25.0 | 357.8 | 60.7 | 418.5 | 130.0 | 573.5 |
| 31 March 2048 | 25.0 | 346.5 | 55.5 | 402.0 | 130.0 | 557.0 |
| 31 March 2049 | 25.0 | 334.0 | 50.7 | 384.7 | 130.0 | 539.7 |
| 31 March 2050 | 25.0 | 321.6 | 46.2 | 367.8 | 130.0 | 522.8 |
| 31 March 2051 | 25.0 | 308.5 | 41.8 | 350.3 | 130.0 | 505.3 |
| 31 March 2052 | 25.0 | 297.8 | 37.8 | 335.6 | 130.0 | 490.6 |
| 31 March 2053 | 25.0 | 290.1 | 34.1 | 324.2 | 130.0 | 479.2 |
| 31 March 2054 | 25.0 | 283.5 | 31.4 | 314.9 | 130.0 | 469.9 |
| 31 March 2055 | 10.0 | 291.4 | 30.0 | 321.4 | 130.0 | 461.4 |
| 31 March 2056 | 10.0 | 283.2 | 28.5 | 311.7 | 130.0 | 451.7 |
| 31 March 2057 | 10.0 | 284.3 | 27.1 | 311.4 | 130.0 | 451.4 |
| 31 March 2058 | 10.0 | 284.5 | 25.5 | 310.0 | 130.0 | 450.0 |
| 31 March 2059 | 0.0 | 293.7 | 23.9 | 317.6 | 130.0 | 447.6 |
| 31 March 2060 | 0.0 | 292.9 | 22.2 | 315.1 | 130.0 | 445.1 |

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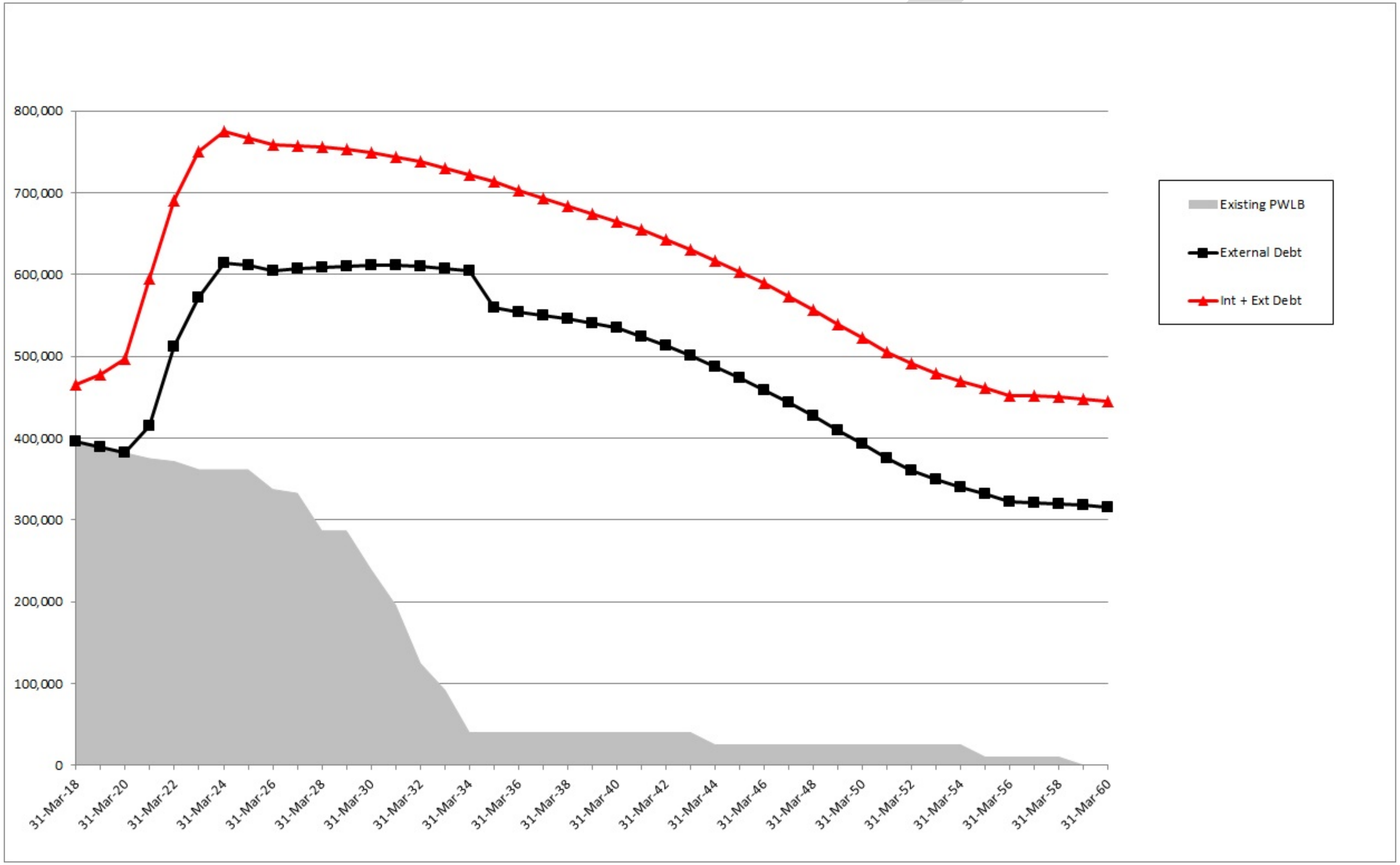
## Graphical Illustration of Debt Projections to 31 March 2060



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# Treasury Management Strategy Statement (2019/20)

## 1. Background

1.1 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.

1.2 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.

1.3 In December 2017 CIPFA issued revised Prudential and Treasury Management Codes. As a consequence, from 2019/20 all local authorities are required to prepare a separate Capital Strategy report which will provide the following:

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

1.4 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.

1.5 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".*

1.6 Treasury management aims to manage risk; accordingly 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.

1.7 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 treasury operations will see a balance of the interest costs of external debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

1.8 Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury investments (arising usually from capital expenditure) and are separate from the day-to-day treasury management activities. Further details are set out in the Capital Strategy.

1.9 Brexit: The Council's 2019/20 Treasury Management Strategy Statement is recommended on the assumption of an agreement being reached between the UK and the European Union (EU) in accordance with the original Brexit timetable. Both the borrowing and investment strategies contained within the attached report (including forecasts for investment income) may therefore need to be revisited if these current Brexit assumptions do not materialise.

1.10 During 2018 the overall balance of risks to the UK economy was neutral, based on a reasonably orderly Brexit through to the end of the original two-year negotiation period (March 2019) and the following transitional period ending around December 2020. The risks of a no-deal Brexit, or conversely a compromise agreement that removes all threats of economic and political disruption, may materially change market forecasts (in either direction) for both UK gilt yields (and related borrowing costs) and the path of the UK Bank Rate (and corresponding short-term investment rates). For example, in the event of an orderly non-agreement exit it is likely the Bank of England would take action to cut the UK Bank Rate from 0.75% in order to help economic growth deal with the adverse effect of this situation.

1.11 The Director of Finance, Performance and Procurement will keep under review the risks arising from various Brexit outcomes; including a negotiated deal by 29 March 2019, an extension to Article 50, or a no-deal scenario. In addition to differing economic and interest rate forecasts (for each scenario) and credit risks relating to approved counterparties (for example a UK sovereign downgrade following a no-deal Brexit would negatively impact UK banks), there are potential liquidity risks that on the date the UK leaves the European Union the Council is temporarily (or for an extended period in a no-deal scenario) unable to access funds invested with counterparties and/or externally managed pooled funds that operate in a non-UK jurisdiction.

1.12 Dependent on how the UK exits from the EU, the Director of Finance, Performance and Procurement may approve a temporary increase to the monetary limits (as contained within Section 7 of this report) for UK banks and UK-domiciled externally managed pooled funds to ensure effective cash flow management and liquidity arrangements on the Brexit leave date (and any immediate transitional period thereafter) is maintained. Additionally, the Council may lose access to specific counterparties named within the treasury management strategy (for example the European Investment Bank).

## 2. Reporting Requirements

2.1 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 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.

2.2 Before recommendation to County Council, the TMSS report received 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 Resources and four other elected members. The Panel functions as an advisory body supporting the Director of Finance, Performance and Procurement in implementing the Council's borrowing and investment strategies and reviewing all treasury management reports.

2.3 Treasury management issues reported within the attached 2019/20 TMSS include the Council's:

Capital Issues:
- Capital plans; and
- Borrowing and repayment strategy forecast projections.

Treasury Management Issues:
- Current treasury position (**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 (**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.

2.4 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) MRP and Investment Guidance.

## 3. Training

3.1 CIPFA's Code of Practice requires the Director of Finance, Performance and Procurement to ensure that members with responsibility for 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, Performance and Procurement, 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 (Link Treasury Services Ltd) 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. The contract with Link Asset Services commenced on 1 November 2016 and is subject to triennial reviews, with the next review scheduled during 2019/20 *(to include an option to extend for an additional two years following a review of the service received across the period)*.

## 5. Capital Programme (2019/20 to 2023/24)

5.1 The Council's capital expenditure and financing plans as contained within the approved Capital Programme set out in the Capital Strategy are the 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.

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 2019:

| Capital Expenditure by Service | 2018/19 Estimate £'m | 2019/20 Estimate £'m | 2020/21 Estimate £'m | 2021/22 Estimate £'m | 2022/23 Estimate £'m | 2023/24 Est. *(i)* £'m |
|---|---|---|---|---|---|---|
| Adults and Health | 1.0 | 1.5 | 1.6 | 1.7 | 1.5 | 0.1 |
| Children & Young People | 0.0 | 0.0 | 1.0 | 1.0 | 1.0 | 0.0 |
| Corporate Relations | 1.2 | 1.3 | 16.0 | 2.1 | 0.0 | 0.0 |
| Education & Skills | 29.0 | 31.3 | 30.5 | 38.8 | 18.9 | 15.1 |
| Environment | 0.7 | 1.2 | 3.0 | 2.3 | 0.0 | 0.0 |
| Finance and Resources | 5.3 | 7.0 | 16.3 | 17.5 | 16.0 | 13.7 |
| Highways and Infrastructure | 38.7 | 33.8 | 45.0 | 57.9 | 35.7 | 37.5 |
| Leader | 5.8 | 7.7 | 8.2 | 4.0 | 12.0 | 2.0 |
| Safer, Stronger Communities | 4.9 | 9.0 | 16.7 | 7.7 | 8.0 | 9.1 |
| **Core Programme** | **86.6** | **92.8** | **138.3** | **133.0** | **93.1** | **77.5** |
| Income Generating Initiatives *(ii)* | 26.3 | 16.2 | 42.5 | 39.2 | 47.6 | 24.8 |
| **Total Capital Expenditure** | **112.9** | **109.0** | **180.8** | **172.2** | **140.7** | **102.3** |

*(i) 2023/24 estimate includes subsequent years spend.*
*(ii) IGIs 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 2023/24, with any funding shortfall resulting in a borrowing requirement:

| Financing the Capital Programme | 2018/19 Estimate £'m | 2019/20 Estimate £'m | 2020/21 Estimate £'m | 2021/22 Estimate £'m | 2022/23 Estimate £'m | 2023/24 Estimate £'m |
|---|---|---|---|---|---|---|
| **Capital Expenditure** | **112.9** | **109.0** | **180.8** | **172.2** | **140.7** | **102.3** |
| Financed By: | | | | | | |
| Government Grants | -79.3 | -70.7 | -37.8 | -38.0 | -28.9 | -20.2 |
| External Contributions | -5.0 | -5.8 | -9.7 | -11.1 | -11.8 | -11.3 |
| Capital Receipts | -1.0 | -3.8 | -3.8 | -7.7 | -22.3 | -36.9 |
| Revenue Funding | -1.1 | -2.1 | -19.4 | -6.8 | -2.3 | -10.5 |
| Capital Expenditure Reserve | -4.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Financing (Excl. Borrowing)** | **-90.4** | **-82.4** | **-70.7** | **-63.6** | **-65.3** | **-78.9** |
| Borrowing (Core) | -1.2 | -13.5 | -69.0 | -76.2 | -33.3 | -7.4 |
| Borrowing (IGIs and Bold Ideas) | -21.3 | -13.1 | -41.1 | -32.4 | -42.1 | -16.0 |
| **Total Financing** | **-112.9** | **-109.0** | **-180.8** | **-172.2** | **-140.7** | **-102.3** |

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 2023/24); 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 <u>Approved Funding Sources</u>: 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 (including the European Investment Bank); and
- Borrowing from the UK Municipal Bond Agency plc and/or other special purpose companies created to enable local authority bond issue.

6.6 The Council is in the process of arranging forward starting loans in line with the approved 2018/19 borrowing strategy, where the interest rate is agreed in advance (fixed in context with current rates) but the cash is received in later years. The arrangement of such debt will therefore enable certainty of cost to be achieved without suffering an investment "cost of carry" in the intervening period. The approval to arrange forward starting loans will continue into 2019/20.

6.7 Capital finance may additionally be raised by other methods that are not borrowing but may be classed as other debt liabilities (including leasing).

6.8 Current Portfolio Position: In December 2010, County Council took a decision to introduce an internal borrowing strategy whereby the Council's capital borrowing need is not fully funded by external debt, but rather cash supporting the Council's usable reserves and working capital have been used as a temporary funding measure in lieu of external borrowing. The Council's internal borrowing at the end of 2017/18 amounted to £69.8m, and is forecast to rise to £89.4m by the end of 2018/19.

6.9 Capital plans (paragraph 5.4) highlight that a borrowing requirement of £26.6m is required to finance the Council's capital expenditure plans in 2019/20 including:

- Borrowing of up to £13.5m relating to the core programme; and
- Additional borrowing of up to £13.1m relating to Income Generating Initiatives.

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 maintain an internal borrowing strategy throughout 2019/20, with the need to externally borrow for the capital programme thereafter. The table below details the estimates of these year-end balances through to 2023/24, assuming no new external debt or optional refinancing of existing debt is arranged:

| Balance Sheet Projections (at 31 March) | 2018/19 Estimate £'m | 2019/20 Estimate £'m | 2020/21 Estimate £'m | 2021/22 Estimate £'m | 2022/23 Estimate £'m | 2023/24 Estimate £'m |
|---|---|---|---|---|---|---|
| Capital Financing Requirement | 549.8 | 550.1 | 605.5 | 666.1 | 681.5 | 669.6 |
| CFR – Commercial (IGIs) | 36.6 | 52.0 | 92.1 | 122.8 | 163.3 | 195.4 |
| **Capital Financing Requirement** | **586.4** | **602.1** | **697.6** | **788.9** | **844.8** | **865.0** |
| Less: PFI Schemes and Leases | -103.2 | -100.2 | -97.0 | -93.4 | -89.3 | -84.8 |
| **Borrowing CFR *(i)*** | **483.2** | **501.9** | **600.6** | **695.5** | **755.5** | **780.2** |
| Existing Borrowing Profile (PWLB) | -388.8 | -381.8 | -374.8 | -371.3 | -361.3 | -361.3 |
| Short-Term Borrowing *(ii)* | -5.0 | -5.5 | -5.5 | -5.5 | -5.5 | -5.5 |
| **Over(-) / Under Borrowing** | **89.4** | **114.6** | **220.3** | **318.7** | **388.7** | **413.4** |

| Balance Sheet Projections (at 31 March) | 2018/19 Estimate £'m | 2019/20 Estimate £'m | 2020/21 Estimate £'m | 2021/22 Estimate £'m | 2022/23 Estimate £'m | 2023/24 Estimate £'m |
|---|---|---|---|---|---|---|
| **Over(-) / Under Borrowing** | **89.4** | **114.6** | **220.3** | **318.7** | **388.7** | **413.4** |
| Usable Reserves | -179.8 | -203.6 | -143.4 | -140.8 | -138.0 | -120.0 |
| Provisions | -12.0 | -11.0 | -10.0 | -10.0 | -10.0 | -10.0 |
| Working Balances | -63.3 | -64.9 | -66.5 | -68.2 | -69.9 | -70.0 |
| **Investment(-) / Borrowing** | **-165.7** | **-164.9** | **0.4** | **99.7** | **170.8** | **213.4** |

(i) *The "Borrowing CFR" excludes other long-term liabilities (PFI schemes and finance leases) that form part of the Council's total borrowing requirement but include a borrowing facility so that the Council is not required to borrow separately for them.*

(ii) *Money held and invested on behalf of the Chichester Harbour Conservancy (CHC) and its associated charities; repayable to CHC on any given notice.*

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 | 2018/19 Estimate £'m | 2019/20 Estimate £'m | 2020/21 Estimate £'m | 2021/22 Estimate £'m | 2022/23 Estimate £'m | 2023/24 Estimate £'m |
|---|---|---|---|---|---|---|
| **Gross External Debt (1- Apr)** | **506.2** | **497.0** | **487.5** | **517.9** | **610.1** | **667.1** |
| Repayment of Existing Debt | -6.7 | -6.5 | -7.0 | -3.5 | -10.0 | 0.0 |
| External Debt (Core Borrowing) | 0.0 | 0.0 | 0.0 | 17.1 | 30.6 | 10.3 |
| External Debt (IGIs) | 0.0 | 0.0 | 40.6 | 82.2 | 40.5 | 32.1 |
| PFI/Finance Lease Movement | -2.5 | -3.0 | -3.2 | -3.6 | -4.1 | -4.5 |
| **Gross External Debt (31- Mar)** | **497.0** | **487.5** | **517.9** | **610.1** | **667.1** | **705.0** |
| Internal Borrowing (at 31 March) | 89.4 | 114.6 | 179.7 | 178.8 | 177.7 | 160.0 |
| **Capital Financing Requirement** | **586.4** | **602.1** | **697.6** | **788.9** | **844.8** | **865.0** |
| **Internal Borrowing (%)** | **15.2%** | **19.0%** | **25.8%** | **22.7%** | **21.0%** | **18.5%** |

6.13 The benefits of internal borrowing 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. Whilst this strategy has remained prudent against a continual backdrop of low investment returns and heightened counterparty risk, there will be a future point in time when internal borrowing will have to be externalised. 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 reintroduce external borrowing in 2020/21.

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 'core' capital programme (excluding IGIs, Bold Ideas, PFI and Finance Leases) is outlined below:

| | 2019/20 Estimate £'m | 2020/21 Estimate £'m | 2021/22 Estimate £'m | 2022/23 Estimate £'m | 2023/24 Estimate £'m |
|---|---|---|---|---|---|
| Net Revenue Expenditure | 574.9 | 580.9 | 593.3 | 607.3 | 620.0 |
| Capital Financing Charges – ***Excluding*** *IGIs, PFI and Finance Leases* | 27.3 | 27.8 | 29.9 | 32.6 | 33.8 |
| **% Ratio** | **4.8%** | **4.8%** | **5.0%** | **5.4%** | **5.5%** |

6.15 In accordance with this recommended borrowing strategy, the Council forecasts that the costs of external borrowing (interest charges) in 2019/20 will be:

- Core Programme: £17.5m (£17.8m in 2018/19)
- IGIs and Bold Ideas: Nil (unchanged from 2018/19)
- PFI schemes and finance leases: £9.7m (£9.9m in 2018/19)

6.16 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).

6.17 The Authorised Borrowing Limit (paragraph 6.20) constraints 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.

6.18 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. One of these is that the Council ensures that its 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 2019/20 and the following two financial years. Based on the gross external debt projections (paragraph 6.12) the Director of Finance, Performance and Procurement reports that the Council complied with this prudential indicator in 2018/19 and does not envisage difficulties over the period of the capital programme.

6.19 The "Operational Boundary" is the limit (Prudential Indicator) beyond which external debt is not normally expected to exceed, as set out in the table below:

| Operational Boundary | Estimate 2018/19 £'m | Estimate 2019/20 £'m | Estimate 2020/21 £'m | Estimate 2021/22 £'m | Estimate 2022/23 £'m | Estimate 2023/24 £'m |
|---|---|---|---|---|---|---|
| External Debt (including CHC) | 393.8 | 387.3 | 380.3 | 393.9 | 414.5 | 424.8 |
| Income Generating Initiatives (IGIs) | 0.0 | 0.0 | 40.6 | 122.8 | 163.3 | 195.4 |
| PFI Schemes/ Finance Leases | 103.2 | 100.2 | 97.0 | 93.4 | 89.3 | 84.8 |
| **Operational Boundary** | **497.0** | **487.5** | **517.9** | **610.1** | **667.1** | **705.0** |

6.20 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.

6.21 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 2018/19 £'m | Estimate 2019/20 £'m | Estimate 2020/21 £'m | Estimate 2021/22 £'m | Estimate 2022/23 £'m | Estimate 2023/24 £'m |
|---|---|---|---|---|---|---|
| Gross Debt (inc. IGIs) | 454.7 | 549.9 | 610.1 | 651.6 | 655.7 | 660.2 |
| PFI Schemes/ Finance Leases | 103.2 | 100.2 | 97.0 | 93.4 | 89.3 | 84.8 |
| **Authorised Borrowing Limit** | **557.9** | **650.1** | **707.1** | **745.0** | **745.0** | **745.0** |

*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 2019/20 (£650.1m) equals the maximum external debt forecast in any one financial year over a three year period (i.e. the "Operational Boundary" over the period 2019/20 to 2021/22; therefore £610.1m for 2021/22) plus £40m.*

6.22 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.

6.23 The upper and lower limits for the maturity structure of external debt in 2019/20 (with actual split as at 30 September 2018 included for comparison) are set out below:

| Treasury Management | Actual 30/09/18 | Lower Limit 2019/20 | Upper Limit 2019/20 |
|---|---|---|---|
| Debt Maturity: | | | |
| Over 30 Years | 6% | 0% | 40% |
| Over 25 to 30 Years | 0% | 0% | 25% |
| Over 20 to 25 Years | 4% | 0% | 25% |
| Over 15 to 20 Years | 8% | 0% | 25% |
| Over 10 to 15 Years | 54% | 0% | 65% |
| Over 5 to 10 Years | 19% | 0% | 45% |
| Over 1 to 5 Years | 6% | 0% | 35% |
| Under 12 Months | 3% | 0% | 25% |

6.24 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).

6.25 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.

6.26 Debt Rescheduling: As short-term borrowing rates will be considerably cheaper than long-term fixed interest rates there may be opportunities to generate savings by switching from long-term debt to short-term debt. Any savings generated will need to be considered in light of the Council's current treasury position (Balance Sheet projections; paragraph 6.11) and the actual cost of debt repayment (premiums incurred). The rationale for undertaking any debt repayment or rescheduling 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).

6.27 Reporting: All borrowing (and rescheduling) activity will be reported quarterly to the Regulation, Audit and Accounts Committee and Treasury Management Panel meetings within the prescribed compliance reports.

6.28 As at 31 March 2018 the Council had external loans with the PWLB totalling £395.9m, with a maturity profile which stretches out to 2059. As originally approved within the 2018/19 Treasury Management Strategy Statement, the Council intends to repay any loan as it falls due; including the annual repayment of £7m in respect of the £70m PWLB loan taken out in April 2011. A projection of the Council's longer term borrowing requirement up to 2060 is set out in the Capital Strategy and this assumes an annual core programme borrowing requirement of £20m from 2024/25 and useable reserves, provisions and working capital of £130m form 2039/40 onwards.

## 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 At 30 September 2018 the Council's investments amounted to £266.8m (**Appendix A**). In the past twelve months the Council's average investment balance was £293m (including Local Enterprise Partnership monies) but is forecast to average around £175m throughout 2019/20.

7.4 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.

7.5 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.

7.6 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.

7.7 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.

7.8 Accordingly, the Director of Finance, Performance and Procurement will comply with the following strategy 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 current list of approved brokers comprises:

- BGC Partners (including Martin Brokers)
- CBRE Limited
- Institutional Cash Distributors (ICD) Ltd
- King and Shaxson Limited
- Tradition (UK) Limited
- TP ICAP plc (including ICAP and Tullett Prebon Europe Ltd)

7.9 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 7.4). 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.

7.10 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, from January 2019 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.

7.11 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.

7.12 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 7.6 and 7.7) will be considered for investment purposes.

7.13 At 30 September 2018, 57% 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 2018/19 TMSS. The Director of Finance, Performance and Procurement confirms that the Council will not be holding any investment at 31 March 2019 that will be in breach of the recommended 2019/20 strategy.

7.14 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).

7.15 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. New EU regulations implemented in 2018/19 changed fund valuation methodology from only Constant Net Asset Valuation (CNAV) to both Low Volatility Net Asset Valuation (LVNAV) and CNAV. As a consequence the Council approves the use of Money Market Funds that operate under a CNAV (funds that invest exclusively in government securities) or operate under a LVNAV (all other 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.

7.16 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.

7.17 <u>Monitoring Credit Quality</u>: 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, Performance and Procurement, the Cabinet Member for Finance and Resources and Treasury Management Panel members (and all authorised signatories).

7.18 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, Performance and Procurement. This policy will not apply to negative 'outlooks', which indicate a longer term view rather than an imminent change to an institution's rating.

7.19 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'.

7.20 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 7.6 and 7.7) 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.

7.21 The Director of Finance, Performance and Procurement 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 7.15 and 7.25).

7.22 <u>Liquidity Management</u>: 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.

7.23 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.

7.24 <u>Investment Policy</u>: The Director of Finance, Performance and Procurement, in consultation with the Cabinet Member for Finance and Resources and the Treasury Management Panel, recommends a continuation of the existing investment strategy be approved in 2019/20.

7.25 The Director of Finance, Performance and Procurement 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:

| **Institution/Issue Credit Rating** | **Unsecured Bank Deposits** | | **Secured Bank, Government Issues, UK Local Authorities and Non-Bank** | |
|---|---|---|---|---|
| | **Cash Limit** | **Time Limit** | **Cash Limit** | **Time Limit** |
| UK Government | | | Unlimited | 50 Years |
| Local Authorities | | | £25m | 20 Years |
| AAA | £15m | 2 Years | £25m | 10 Years |
| AA+ | £15m | 1 Year | £25m | 5 Years |
| AA | £15m | 1 Year | £25m | 4 Years |
| AA- | £15m | 1 Year | £25m | 3 Years |
| A+ | £15m | 1 Year | £15m | 2 Years |
| A | £15m | 6 Months | £15m | 1 Year |
| A- | £15m | 100 Days | £15m | 6 Months |
| BBB+ | No Approval | | £10m | 100 Days |
| RBS Banking Group - Ring-Fenced Bank only *(Part Nationalised)* | £15m | 1 Year | (as AAA rating above) | |
| Money Market Funds | £25m *(i)* | Overnight | £25m *(ii)* | Overnight |
| Housing Associations (rated A- or higher) | | | £15m | 5 Years |

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

*(ii)* *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.*

| **Externally Managed** | **Cash Limit** | **Time Limit** |
|---|---|---|
| Pooled Funds | See Note *(iii)* | No Defined Maturity.<br>Withdrawals made on:<br>-Liquidity requirements<br>-Fund performance |

*(iii)* *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 Banks 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 Banks 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 <u>Government Backed</u>: 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; 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). The Director of Finance, Performance and Procurement will approve a local authority as suitable for long-term investment (greater than one year) before the investment is placed.

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 <u>Registered Social Landlords (RSLs)</u>: 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 the Homes and Communities Agency 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 7.15 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, Performance and Procurement and will be reported to the Cabinet Member for Finance and Resources 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, Performance and Procurement. 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 7.15) 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:

| | **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) | £115m |
| 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 2019/20; including a continuation of the £75m limit approved as being available for long-term investment (originally approved in 2018/19):

| **Investment Type** | **Cash Limit £'m** |
|---|---|
| Total long-term investments (greater than one year) | 75.0 |
| Total investments with corporates rated below A- | 30.0 |
| Total investments within externally managed pooled funds, including ultra-short dated bond funds (not rated AAA); | 60.0 |
| Total investments denominated in foreign currencies | 2.8 |
| Total investments defined as capital expenditure | 0.2 |

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. The maximum monetary limit for long-term investments with any one organisation is set at £15m (£25m for individual UK local authorities). At 30 September 2018 the Council had £58.1m invested for greater than one year including:

- £26.0m invested with three UK local authorities;
- £24.0m invested in externally managed property funds;
- £7.9 invested in a Nationwide Building Society covered bond; and
- £0.2m equity held with the UK Municipal Bond Agency.

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). The resulting treasury indicator is shown below:

| | Upper Limit 2018/19 | Upper Limit 2019/20 | Upper Limit 2020/21 | Upper Limit 2022/22 | Upper Limit 2022/23 | Upper Limit 2023/24 |
|---|---|---|---|---|---|---|
| Maximum Invested for a Year or longer (£) | £75m | £75m | £65m*(i)* | £55m | £45m | £45m |

*(i) Upper limits for future years to be reviewed on an annual basis.*

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

7.50 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, Performance and Procurement may therefore make investments denominated in Euros up to a maximum limit of €3.2m (£2.8m equivalent based on a 1.1428 exchange rate).

7.51 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 a £0.2m 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 viable borrowing alternative to the Public Works Loan Board (PWLB).

7.52 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.

7.53 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, Performance and Procurement, 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.

7.54 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 2018 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 (2019/20)

8.1 In accordance with interest forecasts provided by Link Asset Services (**Appendix B**) the Bank of England's Bank Rate is expected to average around 1.00% during 2019/20; a consequence of two 0.25% rate increase during the period (forecast in May 2019 and February 2020).

8.2 The Council is expected to have an average investment portfolio of £175m throughout 2019/20 (paragraph 7.3). Given the Bank Rate forecast and the continuation of the Council's 2018/19 investment strategy (approval to invest up to £75m in long-term local authority investments and externally managed pooled funds) it is forecast that the portfolio will attract an average interest rate of 1.69%. The Council therefore expects to receive investment income totalling £2.0m in 2019/20 (as shown in the table below):

| | Average Portfolio £'m | Interest Rate (%) | Interest £'m |
|---|---:|---:|---:|
| Liquidity Portfolio | 35.0 | 0.97 | 0.3 |
| Short-Term Investment Portfolio | 90.0 | 1.16 | 1.1 |
| Long-Term Investment Portfolio | 50.0 | 3.10 | 1.6 |
| **Gross Interest Return** | **175.0** | **1.69** | **3.0** |
| Less transfers to specific reserves | | | -1.0 |
| **Investment Income (2019/20)** | | | **2.0** |

8.3 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 2019/20 revenue budget, the Director of Finance, Performance and Procurement will monitor the investment income budget throughout the period and report any changes to the above forecast within monthly Total Performance Monitors (TPMs).

**Katharine Eberhart**
Director of Finance, Performance and Procurement

Contacts:
Vicky Chuter, ext no: 23414
Jon Clear, ext. no: 23378

**Appendices**

A West Sussex County Council - Treasury Portfolio

B Economic and Interest Rate Forecast (Link Asset Services)

**Background Papers**

None

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## West Sussex County Council - Treasury Portfolio

| | **30/09/18 Portfolio £'m** |
|---|---:|
| **External Borrowing:** | |
| - Fixed Rate: Public Works Loan Board (PWLB) | 392.1 |
| - Fixed Rate: PWLB (on behalf of the Littlehampton Harbour Board) | 0.3 |
| - Variable Rate: Short-Term *(Chichester Harbour Conservancy)* | 4.6 |
| **Total External Borrowing** | **397.0** |
| | |
| **Other Long Term Liabilities *(i)*:** | |
| - PFI | 101.5 |
| - Finance Leases | 1.7 |
| | |
| **Total Gross External Debt** | **500.2** |
| | |
| **Internally Managed Investments:** | |
| | |
| **(i) Bank Unsecured *(Short Term)*** | |
| - Cash Deposits (Fixed-Term) | 75.0 |
| - Cash Deposits (Notice Accounts) | 14.7 |
| - Certificate of Deposits | 10.0 |
| - Short Term Money Market Funds | 52.5 |
| | |
| **(ii) Bank Secured** | |
| - Long Term Covered Bonds | 7.9 |
| | |
| **(iii) Local Authority** | |
| - Short Term Investments | 42.0 |
| - Long Term Investments | 26.0 |
| | |
| **(iv) Non-Bank** | |
| - Corporate Bond (Senior Unsecured) | 4.5 |
| - UK Municipal Bond Agency: Long Term Equity | 0.2 |
| | |
| **Externally Managed Investments:** | |
| | |
| - Federated Cash Plus Fund (Ultra-Short Dated Bond Fund) | 10.0 |
| - Hermes Property Unit Trust (Property Fund) | 9.5 |
| - Lothbury Property Trust (Property Fund) | 4.8 |
| - The Local Authorities' Property Fund / CCLA (Property Fund) | 9.7 |
| | |
| **Total Investments** | **266.8** |

*(i) Other Long Term Liabilities: Expected position at 31 March 2019.*

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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 (Link Treasury Services Ltd) 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 2018):

| Link Asset Services Interest Rate View | Dec-18 | Mar-19 | Jun-19 | Sep-19 | Dec-19 | Mar-20 | Jun-20 | Sep-20 | Dec-20 | Mar-21 | Jun-21 | Sep-21 | Dec-21 | Mar-22 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Bank Rate View | 0.75% | 0.75% | 1.00% | 1.00% | 1.00% | 1.25% | 1.25% | 1.25% | 1.50% | 1.50% | 1.75% | 1.75% | 1.75% | 2.00% |
| 3 Month LIBID | 0.80% | 0.90% | 1.00% | 1.10% | 1.20% | 1.30% | 1.40% | 1.50% | 1.50% | 1.60% | 1.70% | 1.80% | 1.90% | 2.00% |
| 6 Month LIBID | 0.90% | 1.00% | 1.20% | 1.30% | 1.40% | 1.50% | 1.60% | 1.70% | 1.70% | 1.80% | 1.90% | 2.00% | 2.10% | 2.20% |
| 12 Month LIBID | 1.10% | 1.20% | 1.30% | 1.40% | 1.50% | 1.60% | 1.70% | 1.80% | 1.90% | 2.00% | 2.10% | 2.20% | 2.30% | 2.40% |
| 5yr PWLB Rate | 2.00% | 2.10% | 2.20% | 2.20% | 2.30% | 2.30% | 2.40% | 2.50% | 2.50% | 2.60% | 2.60% | 2.70% | 2.80% | 2.80% |
| 10yr PWLB Rate | 2.50% | 2.50% | 2.60% | 2.60% | 2.70% | 2.80% | 2.90% | 2.90% | 3.00% | 3.00% | 3.10% | 3.10% | 3.20% | 3.20% |
| 25yr PWLB Rate | 2.90% | 2.90% | 3.00% | 3.10% | 3.10% | 3.20% | 3.30% | 3.30% | 3.40% | 3.40% | 3.50% | 3.50% | 3.60% | 3.60% |
| 50yr PWLB Rate | 2.70% | 2.70% | 2.80% | 2.90% | 2.90% | 3.00% | 3.10% | 3.10% | 3.20% | 3.20% | 3.30% | 3.30% | 3.40% | 3.40% |

1.2 The flow of generally positive economic statistics after the quarter ending 30 June 2018 meant that it came as no surprise that the Bank of England's Monetary Policy Committee (MPC) came to a decision in August 2018 to make the first increase in Bank Rate above 0.5% since the financial crash (to 0.75%). At this meeting the MPC emphasised again that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate (where monetary policy is neither expansionary of contractionary) than before the crash; indeed they gave a figure for this of around 2.5% in ten years' time but they declined to give a medium term forecast.

1.3 UK Growth whilst remaining healthy since that meeting is expected to weaken somewhat during the last quarter of 2018. At their November 2018 meeting the MPC left the Bank Rate unchanged but expressed some concerns regarding future inflationary pressures. Against this backdrop Link Asset Services do not consider that the MPC will increase Bank Rate in February 2019 ahead of the March deadline for Brexit, but forecast the next increase in May 2019 (+0.25%) followed by increases in February and November 2020, before ending up at 2.0% in February 2022. However, the cautious pace of these rate increases is dependent on a reasonably orderly Brexit.

1.4 The overall longer run future trend is for UK gilt yields and PWLB borrowing rates to rise, albeit gently. However, over about the last 25 years we have been through a period of falling bond yields as inflation subsided to, and then stabilised at, much lower levels than before, and central banks implemented substantial quantitative easing purchases of government and other debt after the financial crash of 2008. Quantitative easing, conversely, also caused a rise in equity values as investors searched for higher returns and purchased riskier assets.

1.5 In 2016 we saw the start of a reversal of this trend with a sharp rise in bond yields after the US Presidential election in November 2016; yields then rose further as a result of the big increase in the US government deficit aimed at stimulating even stronger economic growth. That policy change also created concerns around a significant rise in inflationary pressures in an economy which was already running at remarkably low levels of unemployment. Unsurprisingly, the Fed has continued on its series of robust responses to combat its perception of rising inflationary pressures by repeatedly increasing the Fed rate to reach 2.00 – 2.25% in September 2018. It has also continued its policy of not fully reinvesting proceeds from bonds that it holds as a result of quantitative easing when they mature. We have therefore seen US 10-year bond Treasury yields rise above 3.2% during October 2018 and also seen investors causing a sharp fall in equity prices as they sold out of holding riskier assets.

1.6 Rising bond yields in the US have also caused some upward pressure on bond yields in the UK and other developed economies. However, the degree of that upward pressure has been dampened by how strong or weak the prospects for economic growth and rising inflation are in each country and on the degree of progress towards the reversal of monetary policy away from quantitative easing and other credit stimulus measures. From time to time, gilt yields (and therefore PWLB borrowing rates) can additionally 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.

1.7 Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. Interest rate forecasts (and future MPC 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.

## 2 Investment and Borrowing Rates

2.1 Investment returns are likely to remain low during 2019/20 but to be on a gently rising trend over the next few years. 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-18 Forecast** |
|---|---:|
| 2018/19 | 0.75% |
| 2019/20 | 1.00% |
| 2020/21 | 1.50% |
| 2021/22 | 1.75% |
| 2022/23 | 1.75% |
| 2023/24 | 2.00% |
| Later years | 2.50% |

2.2 Borrowing Advice: Borrowing rates have been volatile so far in 2018/19 and have increased modestly since the summer. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. This however needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

2.3 There will remain a cost of carry to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost – the difference between borrowing costs and investment returns.

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## PRUDENTIAL INDICATORS 2019/20

| Capital Programme | Actual 31-Mar-18 £000 | Estimate 2018/19 £000 | Estimate 2019/20 £000 | Estimate 2020/21 £000 | Estimate 2021/22 £000 | Estimate 2022/23 £000 | Estimate 2023/24 £000 |
|---|---|---|---|---|---|---|---|
| Capital Expenditure - Service (Core) | 87,346 | 86,552 | 92,810 | 138,328 | 132,997 | 93,126 | 77,502 |
| Income Generating Initiatives (Commercial Investment) | 11,420 | 26,376 | 16,185 | 42,480 | 39,220 | 47,600 | 24,765 |
| **Capital Expenditure (i)** | **98,766** | **112,928** | **108,995** | **180,808** | **172,217** | **140,726** | **102,267** |
| Capital Financing Requirement (CFR) - Service | 560,500 | 549,794 | 550,084 | 605,525 | 666,091 | 681,553 | 669,609 |
| CFR - Income Generating Initiatives (Commercial) | 15,404 | 36,608 | 52,016 | 92,114 | 122,816 | 163,292 | 195,383 |
| **Capital Financing Requirement (Closing Balance)** | **575,904** | **586,402** | **602,100** | **697,639** | **788,907** | **844,845** | **864,992** |
| Gross External Debt | 400,489 | 393,850 | 387,335 | 380,319 | 393,901 | 414,495 | 424,765 |
| Income Generating Initiatives (Commercial) | 0 | 0 | 0 | 40,587 | 122,816 | 163,292 | 195,383 |
| PFI Schemes and Finance Leases | 105,656 | 103,161 | 100,235 | 97,020 | 93,407 | 89,342 | 84,885 |
| **Actual Debt/Operational Boundary (ii)** | **506,145** | **497,011** | **487,570** | **517,926** | **610,125** | **667,130** | **705,033** |
| Gross External Debt (inc. Commercial) | | 454,765 | 549,890 | 610,110 | 651,626 | 655,690 | 660,148 |
| PFI Schemes and Finance Leases | | 103,161 | 100,235 | 97,020 | 93,407 | 89,342 | 84,885 |
| **Authorised Borrowing Limit** | **N/A** | **557,926** | **650,125** | **707,130** | **745,033** | **745,033** | **745,033** |

| Revenue Impact | Actual 2017/18 £000 | Estimate 2018/19 £000 | Estimate 2019/20 £000 | Estimate 2020/21 £000 | Estimate 2021/22 £000 | Estimate 2022/23 £000 | Estimate 2023/24 £000 |
|---|---|---|---|---|---|---|---|
| Capital Financing Costs (Corporately Funded) | 26,673 | 27,213 | 27,334 | 27,750 | 29,938 | 32,634 | 33,805 |
| Net Revenue Expenditure | 530,308 | 533,943 | 574,919 | 580,938 | 593,295 | 607,319 | 620,000 |
| **Ratio (%)** | **5.0%** | **5.1%** | **4.8%** | **4.8%** | **5.0%** | **5.4%** | **5.5%** |

(i) 2017/18 actual capital expenditure includes PFI notional investment, as per Note 6 of the Council's "Statement of Accounts"
(ii) The *Operational Boundary* represents the Council's forecast of its gross external debt (including PFI and Finance Lease liabilities)

| Commercial Investments (iii) | Actual 31-Mar-18 £000 | Estimate 2018/19 £000 | Estimate 2019/20 £000 | Estimate 2020/21 £000 | Estimate 2021/22 £000 | Estimate 2022/23 £000 | Estimate 2023/24 £000 |
|---|---|---|---|---|---|---|---|
| Forecast Income | | | 2,695 | 4,366 | 5,680 | 6,828 | 7,447 |
| Net Revenue Expenditure | | | 574,919 | 580,938 | 593,295 | 607,319 | 620,000 |
| **Commercial Income to Net Service Ratio (%)** | | | **0.5%** | **0.8%** | **1.0%** | **1.1%** | **1.2%** |
| Forecast Income | | | 2,695 | 4,366 | 5,680 | 6,828 | 7,447 |
| Cost of Borrowing (Capital Financing) | | | 1,594 | 2,174 | 3,471 | 4,502 | 5,585 |
| **Investment Cover Ratio** | | | **1.7** | **2.0** | **1.6** | **1.5** | **1.3** |

(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-18 £000 | Estimate 2018/19 £000 | Estimate 2019/20 £000 | Estimate 2020/21 £000 | Estimate 2021/22 £000 | Estimate 2022/23 £000 | Estimate 2023/24 £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-18 £000 | Estimate 2018/19 £000 | Estimate 2019/20 £000 | Estimate 2020/21 £000 | Estimate 2021/22 £000 | Estimate 2022/23 £000 | Estimate 2023/24 £000 |
|---|---|---|---|---|---|---|---|
| Under/Over(-) Borrowing (iv) | 69,759 | 89,391 | 114,530 | 179,713 | 178,783 | 177,716 | 159,959 |
| Under/Over(-) Borrowing as a % of CFR | 12.1% | 15.2% | 19.0% | 25.8% | 22.7% | 21.0% | 18.5% |

| Maturity Structure of External Debt | Actual 31-Mar-18 | Lower Limit 2018/19 | Upper Limit 2018/19 | Lower Limit 2019/20 | Upper Limit 2019/20 |
|---|---|---|---|---|---|
| Debt Maturity (v): | | | | | |
| Over 30 Years | 6% | 0% | 30% | 0% | 40% |
| Over 25 to 30 Years | 4% | 0% | 30% | 0% | 25% |
| Over 20 to 25 Years | 0% | 0% | 30% | 0% | 25% |
| Over 15 to 20 Years | 13% | 0% | 30% | 0% | 25% |
| Over 10 to 15 Years | 48% | 0% | 70% | 0% | 65% |
| Over 5 to 10 Years | 19% | 0% | 40% | 0% | 45% |
| Over 1 to 5 Years | 7% | 0% | 35% | 0% | 35% |
| Under 12 months | 3% | 0% | 25% | 0% | 25% |

(iv) The Council's gross external debt as compared with the Capital Financing Requirement
(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-18 | Upper Limit 2018/19 | Upper Limit 2019/20 | Upper Limit 2020/21 | Upper Limit 2021/22 | Upper Limit 2022/23 | Upper Limit 2023/24 |
|---|---|---|---|---|---|---|---|
| Maximum invested for a year or longer (£) | £33.8m | £75m | £75m | £65m (vi) | £55m | £45m | £45m |

(vi) The upper limits for future years to be reviewed on an annual basis.

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# Equality Impact Report Budget

| | |
|---|---|
| **Title of proposal** | Budget 20189/20 |
| **Date of implementation** | 1 April 2019 – 31 March 2020 |
| **EIR completed by:** | **Name: Steve Harrison**<br>**Tel: 03302 223391** |

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

The budget and the service plans and commitments which it is designed to deliver make up the most significant strategic decision of the County Council. In setting the budget the County Council must be aware of and consider a range of statutory and other legal responsibilities which must inform the decision and the Council must explain how that process of consideration is undertaken. The public sector equality duty is an important element of this process of delivering a rational and lawful budget.

The discharge of the public sector equality duty –the duty to have regard to the impact of proposals on persons and groups with protected characteristics – is achieved through a number of measures, most particularly the application of detailed consideration of such impact in relation to the planning and implementation of service changes, especially where those changes mean reductions in current service levels or reductions in the funds available to deliver them. That impact is best understood and assessed using detailed service and customer information held or secured by those leading the planning and implementation of service change. The information is then used to support the decisions which give effect to service plans. The budget decision is taken on the basis that this arrangement for discharging the public sector equality duty is in place.

Where statutory or some other customer or public consultation is required to help the impact assessment work, this will be 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 will be 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.

The County Council published a list of major (strategic) saving in the Autumn of 2018. These are savings plans where a Cabinet Member decision is required. Where identified as required to support the decision being proposed a clear process was followed of consultation to inform the decision, to include the range of legal responsibilities to be met. All of the proposals were available for pre-scrutiny by the relevant Select Committee, including consideration of the information from relevant consultations and impact assessment. The Performance and Finance Select Committee in November 2018 considered the plans for the consideration of all savings proposals.

The Medium Term Financial Strategy report provided to the Performance and Finance Select Committee in October (updated in November) set out the considerable financial challenges the County Council faces in 2019/20 and for the following three years. The authority now has a **£nil** allocation from the Government in terms of its Revenue Support Grant, a situation that means that further significant reductions must be considered to achieve a balanced budget. Impact assessment is undertaken in that context.

However, the scale of the savings for 2019/20 at £24m also needs to be seen in the context of an overall budget of around £575m per the draft budget and future investment to meet service demand and other pressures which is estimated to increase the net budget by around £48m by 2022/23 compared to the current year, despite assumed continued reductions in funding support provided by the Government.

The savings measures included in the budget papers to balance the budget contain a further reference to how the equality impact work will be addressed as part of each proposed saving.

The background to the budget for 2019/20 is continued reductions in our funding from Government and a further rise in demand pressures for essential services on which many of our more vulnerable residents rely. Given the legal duty to ensure the budget is realistic and balanced, a programme of planned and well considered savings is essential to ensure this is done with the minimum adverse impact for residents.

The context is a further reduction in our funding from Government which exceeds the national average reduction for 2018/19:

**Table: Settlement Funding Assessment**

| FUNDING ITEM | 2018/19 £m | 2019/20 £m | Change £m | Change % |
|---|---|---|---|---|
| West Sussex: Settlement Funding Assessment | **88.4** | **78.0** | **-10.4** | **-11.7** |
| England: Settlement Funding Assessment | **16,943.1** | **15,958.2** | **-984.9** | **-5.8** |

The average reduction is 5.8 % nationally in 2019/20, but is 11.7% for the County Council's core funding (the Settlement Funding Assessment). 2019/20's budget will be the tenth year the County Council has had to address reduced resources from Government. This has occurred at the same time significant pressure has been apparent from a rising demand for council services. For example, West Sussex has a high and increasing proportion over 65 year olds within the County. Our proportion of over 65 year olds is 22.6%, compared with the national average of 18% of the population.

The emphasis within the budget planning continues to be on delivering efficiency measures, cost reductions and income generation with a view to protecting front line services and council priorities to the maximum extent possible. The over-arching aim has been to avoid arbitrary or across the board budget reductions, as these would be more difficult to assess in terms of impact on the broad range of responsibilities, including the public sector equality duty. Instead the focus is on very specific measures in order to both understand impact and address any adverse impact for services or support. In all cases, unless stated otherwise, the service will prepare an impact assessment to inform the eventual decision based on the Council's standard approach to the 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.**

Service reductions and funding constraints, combined with service demand pressures will present risks of negative customer impact. Efforts have been made when compiling the two year savings programme to minimise the impact on residents generally and on those with a protected characteristic. For example:

Introducing measures to manage the pressure arising from ever higher demand for services. A key example would be £2.0m of additional demand is planned to be offset from demand management reduction initiatives linked to the Adult Social Care Improvement Plan. These will be supported by an increase in investment in technology, carers and falls prevention with the objective of promoting independence and thus reducing the need for expenditure on other areas of social care.

Of the total savings planned for 2019/20 a significant number arise from measures that are deemed to be efficiencies from the following broad categories:

- Contractual (£1.6m)
  - Savings arising from procurement work, collaboration with procurement or improved contractual terms
- Fees, charges and other income streams (£1.3m)
  - Opportunities to increase income via increased charges, cost recovery or new avenues such as sponsorship or commercial income from property
- Operational Changes (£10.8m)
  - Optimising all opportunities within current arrangements to deliver better value for money, such as by changing processes.
- Restructure (£1.6m)
  - Staffing restructure, removing vacant posts or other redesign of the service, including voluntary severance.

The above areas would be expected to have no or only a minimal impact on any group with a protected characteristic.

Strategic decisions, where the relevant Cabinet Member has made a decision in a key area amount to around £8.7m. Every effort has been made to indicate the nature of these decisions at an early point in planning for 2019/20, to provide for consultation and maximise consideration of measures to mitigate any adverse effects of the proposals.

Efforts have been made 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.

A number of the strategic decisions on savings which have been highlighted by the authority within its forward plan and member decision process will have a potentially adverse impact on some groups. This includes decisions around Supported Housing (budget reduction of £1.7m in 2019/20) and the Local Assistance Network (budget reduction of £0.6m in 2019/20). However, the County Council proposes to mitigate the impact by adopting a phased approach, working with its partners in the district and borough councils, service providers and the voluntary and community sector, to reconfigure existing service contracts. The County Council will explore alternative funding streams and develop other ways of supporting people who rely on these services with the supporting aim to minimise the potential risk of increased pressure in other areas.

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

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

For example, Within the revenue budget for 2019/20, 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. The net investment for Children and Young People is

£4.2m (4.8%) whilst for Adults and Health the net investment of £11.8m (6.1%) provides additional funding to meet the forecast demands on these services. These represent the net sums, whilst the total new gross investment for Children and Young People is £8.7m, whilst for Adults and Health the extra investment of £8.5m which provides additional funding to meet the existing and ongoing demands placed upon these services.

The authority will have raised the Adults Social Care Levy to the maximum permissible over three years. The 2% levy proposed in the draft budget takes the charge over the three years 2016/17, 2017/18 and 2018/19 to the maximum 6% allowed by Government. The sum generated from this levy has been fully invested in support of Adults Social Care, helping to meet the rising cost pressures and customer numbers, as shown within the budget report for each of the three years the Levy has been used.

Some of the additional costs within Children's services are being incurred due to the temporary close of Cissbury lodge, whilst building work is undertaken to ensure the property is fit for purpose in future as a residential premise for children with disabilities.

Longer term, the County Council is working on service transformation plans to address the issue of reduced Government funding whilst protecting services as far as possible.

Transformation work will be the key to ensuring a future sustainable budget and the foundations of that work have been established. From one-off investment initially estimated at £13m, annual (recurring) savings of a minimum £17m are targeted by 2022. At this early stage in delivery, £1.5m of this target is provided for in next year, following mobilisation late in the current financial year. The work on Whole Council Design (WCD) will focus on savings largely achieved through improved efficiency and effectiveness, reducing the Council's staffing requirement. Natural wastage (turnover), appropriate redeployment and proactive vacancy management will be used in this regard, with a view to minimising disruption to front line services.

The County Council is also seeking to enhance income streams, such as the returns via business rates, where the County Council and Districts/Boroughs benefit from additional revenues arising from economic growth under the business rate retention system. We have very positive assumptions about the growth in revenue from this source of funding. This assumption, couple with a council tax rise of 2.99% for core services and 2% for the Adults Social Care Levy means that other funding streams are being used to offset the continuing reduction in our core financial support from Government. The County Council's total increase in council tax is 4.99%, and has been set at a rate just below the level where a referendum would be required. This increase generates an additional £21.9m, which helps protect services and mitigates the financial impact of reduction on our core funding from Government.

West Sussex CC also submitted a pilot bid, in collaboration with the West Sussex Districts and Boroughs, to be a 75% business rate area for 2019/20. This does not directly benefit the County Council in the short term, as the estimated additional funds from a successful bid are earmarked for shared use with the Districts and Boroughs. However, the additional investment on project work which invests in the economy and makes West Sussex a more attractive location to do business will help build an economic base that will be of benefit to all residents.

As well as the revenue budget, the County Council will be asked to agree an updated capital programme for 2019 to 2024. The capital programme sets out how the County Council proposes to invest in the delivery of the Council's vision for the county and its commitment to the communities of West Sussex. This includes the provision of modern, maintained and fit for purpose educational facilities. The capital programme ensures that the correct numbers of school places are provided in the correct locations. The Council may also invest in residential facilities for children where there is a strong business case to do so. We will also plan a wide programme of schools capital maintenance works across the West Sussex schools estate to ensure that schools remain structurally safe and secure and provide an environment where children are able to thrive.

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.**

One of the key aims of developing specific savings proposals, rather than simply assume across the board budget savings, is that savings which balance the budget can be planned for on the basis of protecting front-line services and delivery of West Sussex plan priorities as far as possible.

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.**

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.**

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.
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.**

Strategic savings decisions were published in the Autumn (in the forward plan) and have had a consultation phase were appropriate 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 of identified for clarification in service plan implementation. One example is the decision to change the implementation timeline for changes to the Supported Housing contract arrangements.

**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.**

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 revenue measures.

| To be signed by a Director or Head of Service to confirm that they have read and approved the content. | | | |
|---|---|---|---|
| Name | | Date | 9th January 2019 |
| Your position | Director of Finance, Performance and Procurement | | |

**Draft Medium Term Financial Strategy (MTFS) 2019-20 to 2022/23, Draft Revenue Budget 2019/20, Draft Capital Strategy 2019/20 and Draft Treasury Management Strategy Statement 2019/**

**Comments for consideration by Cabinet 29 January 2019**

| **Comments from all member session held on 9 January 2019** |
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| Questions were asked about the proposed increase in Council Tax and whether national government had a realistic view of the pressures being faced by local government to provide services. A question was also asked about whether the government could be lobbied to remove the Council Tax capping limit so that local decisions could be made without any pre-determination of a Council Tax increase. |
| Questions were asked about the capital programme, the borrowing requirements and revenue commitment to fund the debt. Members were assured that the detail of the figures are included in the budget report but that the programme remains within the financial envelope approved at County Council in February 2018. |
| Concerns were expressed that the savings decisions already taken could result in increased expenditure in other budget areas and that this needs to be fully explored. This was raised again by Members with specific reference to decisions pre-viewed by the Health and Adult Social Care Select Committee in December 2018. Members were concerned that the unintended consequences, risks and costs have not been fully identified and reviewed. Other members also expressed concern regarding other savings decisions and the need for comprehensive financial and risk assessments being needed for all savings decisions. It was explained that risks and financial implications are identified by officers when pulling together a business case and that a summary of the findings should be included as part of a decision report. |
| Some concerns were expressed about decisions being taken forwards before scrutiny or a published decision, this was with particular reference to the Intervention and Prevention Team, and also recommendations from scrutiny not being taken into account. Members were assured that the correct governance processes are being followed. |
| Clarification was sought around the additional £19m received through the Business Rate Retention scheme and whether this had to be spent in 2019/20. Officers explained that this money was to be spent on the digitisation project and could be spent over a few years. The project is being developed and the profiling of expenditure would take place as part of the project planning, at the moment £1m is expected to be spent in 2019/20. |
| Members asked questions about the transformation programme and the implications this has for staffing numbers. Officers explained this is work in progress and would be reported through the 6mthly up-dates presented to PFSC as part of the Total Performance Monitor. |

**Comments from Performance and Finance Select Committee 17 January 2019**

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| **Medium Term Financial Strategy** |
| The committee welcomes bringing the work and review of savings proposals forward in 2020/21 in order to enable earlier consultation with stakeholders and input by the wider membership. The committee also supported the need for increased consultation and dialogue with all those affected and stressed the need for full impact assessments, including finance and risk, to take place. |
| The committee would like to see the Cabinet looking at more innovative ways to raise revenue as well as identifying savings to be made. They would like to see a balance between savings and increased revenue. |
| Cabinet Board need to look closely at proposals in relation to Council Tax and any future increases. |
| Need to continue to lobby Government for extra funding. |
| Recognise a dependency on Business Rate revenues in future which should be closely monitored. |
| **Revenue Budget Proposals** |
| Committee reiterated the need to continue to exert pressure on Government in relation to funding streams, particularly in relation to Adult Social Care and Education Fair Funding review. |
| Whole Council Design<br>• Need clear measurements to show how effectiveness and staff productivity has been improved.<br>• Outcomes achieved should be shared with members.<br>• Need a process put in place to monitor the progress of the programme (TPM)<br>• Welcome the member day on 22 March and encourage all to attend |
| Concerns were expressed over the savings included in the papers in relation to the Fire Intervention and Prevention Team, particularly the 'drive safe, stay alive' programme. Before any savings are made a review of alternative service provision is needed to ensure the service continues. |
| Re-iterated the need to review the savings proposals and identify any alternatives for providing services and also the need to undertake appropriate stakeholder engagement earlier in the budget process. |
| Members raised a number of queries around the Community Initiative Fund (CIF) and welcomed the future review that would be scrutinised by the Environment, Communities and Fire Select Committee. |
| **Capital Strategy** |
| Raised the need to look carefully at property investments and returns. Each case should be considered separately in terms of risks. If appropriate scrutiny of |

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| individual business cases should take place. |
| **Treasury Management Strategy** |
| The committee raised a reminder to all members that when considering and reviewing the capital programme the revenue implications of borrowing need to be considered. |
| **Overview** |
| Concerns were expressed regarding the risks around the savings decisions for:<br>• Local Assistance Network,<br>• Supported Housing,<br>• Integrated Prevention and Early Help (IPEH) Team<br>• Search and Rescue<br>• CIF funding<br>• Reduction of Youth Services<br>• Solar farms<br>• Income Generating Initiative (IGIs) property investments.<br><br>Commented that possible further savings may be found in the Communications budget. |

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