

Cabinet	
11 July 2019	Key Decision: No
Budget Update 2020/2021	Part I
Cabinet Member for Finance and Resources	Electoral Division(s): all
<p>Summary</p> <p>This report summarises the current situation regarding government funding, sets out the revised budget gap for 2020/21 to 2023/24 and presents proposals for consideration to help close that gap.</p> <p>Following eight years of austerity during which the Council has seen a reduction in core government funding of £155m, government had promised a three year Spending Review, a Fair Funding review and a review into Business Rates Reform all commencing in 2020/21. To date there has been no update from government regarding any of these proposals, or the long promised Green Paper on Adult Social Care. The Medium Term Financial Strategy (MTFS) assumes the referendum level for council tax for 2020/21 will be 2.0% and it is not known if government is minded to increase this level to increase councils' Spending Power. It should be noted the lack of certainty of future government funding creates difficulties when developing the MTFS. Given this lack of information, we have therefore based our budget gap proposals on the assumption that our government grant in 2020/21 is similar to the grant received in 2019/20.</p> <p>Assuming our grant is consistent and allowing for known pressures such as an increase in demand for social care services, inflation and wage increases, the current gap for the next four years is £75.5m. This is assuming an annual increase of 1.99% in council tax. The need to find these savings is in addition to the £239m of savings made since 2010. It is becoming increasingly difficult to find savings that do not impact front line services to residents.</p> <p>To make sure that sufficient time is allowed to ensure proposals are ready to be delivered for 2020/21, savings options have been developed during the spring. These options are presented to request endorsement to develop these proposals into full business cases, including risk mitigation plans, and to allow time for any necessary consultation and further consideration by the relevant Cabinet Member.</p>	
<p>West Sussex Plan: Policy Impact and Context</p> <p>The proposed savings proposals have been considered in the context of the West Sussex Plan priorities.</p>	
<p>Financial Impact</p> <p>There is no financial impact as a result of the recommendations in this report.</p>	
<p>Recommendations</p>	

1. That for the MTFS period from 2020/21 to 2023/34 a gap of £75.5m be noted, recognising the uncertainties that exist surrounding local government finance and funding levels, as well as local demand and other pressures.
2. To endorse, in principle, the strategic budget options outlined in paragraph 2.3 to 2.6 and set out in Appendix A and inclusion of these options in the forward plan.
3. To authorise the development of business cases for those endorsed budget options, including risk assessments, full mitigation plans, equality impact assessments and plans for consultation as required prior to their further consideration.

1 Introduction

- 1.1 The County Council has faced and addressed significant and sustained reductions in its funding for almost a decade. West Sussex County Council has had to make over £239m in savings since 2010 and seen our funding from central Government reduce by £155m over the same period. We need to make a further £75.5m million savings over the four years from April 2020. This has had a major adverse impact on the Council's ability to maintain the range and level of services provided to communities and residents, and on the ability of the Council to make progress against its key priorities within the **West Sussex Plan** – namely **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**.
- 1.2 Looking forward, there are unprecedented levels of uncertainty in national public spending prospects, as well as in the level of Government funding that the County Council can expect to receive in future. Long-awaited reforms of local government finance distribution systems have not yet been confirmed, various short-term funding arrangements are still in place and the previous multi-year settlement period comes to end this financial year – with no clarity as yet on what will follow.
- 1.3 On top of the funding challenges, demand for critical statutory services such as social care are increasing and the going market rate for the costs to deliver many of those services is adding further pressure. The Council has recognised that urgent improvements are needed in Children's services, following the recent Ofsted report, and improvements must also be secured in the Fire and Rescue Service following their inspection. Tackling such priorities inevitably increases the demand upon corporate capacity and resources required for other commitments and initiatives – yet the Council also needs to continue to invest if it is to modernise and transform services, to deliver benefits for residents.
- 1.4 This difficult and complex situation requires a change in approach regarding the budget strategy for 2020/21 onwards, to help demonstrate that, in setting the budget, the Council takes informed decisions in the best interests of its residents and communities, and to help manage expectations along the way. The approach involves:

- communicating a clear strategic focus and prioritising accordingly, in determining what strategic budget options should be developed further for consideration;
 - promoting wider public and other stakeholder engagement and understanding of the Council's financial challenges; and
 - securing early engagement from relevant stakeholders on the specific outline budget options under consideration.
- 1.5 These approaches for earlier and broader engagement were highlighted through scrutiny and planning for the 2019/20 budget. Cabinet has therefore developed the above approach, which underpins the budget timeline considered by Finance and Performance Select Committee on the 22nd May 2019.
- 1.6 This report provides the first opportunity for consideration of budget options in public. This is still at an early stage and no final decisions are being sought. Should the specific options being recommended be approved for further consideration, then additional work and consultation would be undertaken as reflected. The developed options would then be subject to further consideration and formal scrutiny, alongside the review and necessary updating of the Council's financial outlook. In this way, informed decisions can be reached, taking account of the relative impact of options and the need to balance the budget and protect the Council's financial position.

National Context and MTFs Funding Assumptions

- 1.7 When the Council set its 2019/20 budget in February, the Government was planning to implement three inter-related initiatives that would fundamentally reform the local government finance environment, these being:
- the Spending Review
 - the Fair Funding Review
 - Business Rates Retention Reforms
- Collectively these will determine:
- how much funding will be available to public services (including local government) as a whole
 - the means by which that funding will be shared across individual local authorities, based on new arrangements for assessing their spending needs and their ability for raising resources (such as through council tax)
 - how local business rates should be distributed
- 1.8 Since then the national picture has become more uncertain and changes at Government level are likely to have a bearing on the scope, timing and outcome of all three reviews. Currently, officer expectations are that a one-year Spending Review (or roll over) will be undertaken for 2020/21, and Fair Funding / Business Rate Reforms will be delayed until at least 2021/22. It is proposed that the budget plans will be developed on this understanding.
- 1.9 The MTFs assumes the referendum level for council tax increases for 2020/21 is 2%. This follows the end of the adult social care precept that allowed an increase of 6% over the preceding three years (2017/18, 2018/19 and 2019/20) and additional 1% on general taxation for each of the preceding two years (2018/19 and 2019/20). It is not known if government is intending to

increase the referendum level in the future in order to increase councils' Spending Power.

- 1.10 The County Council has adopted a neutral stance in the core funding assumptions underpinning its MTFS, i.e. it will be no worse off, but no better off, from any future Government funding/policy reforms. This is in line with other county councils' expectations and there is no information that justifies taking a different approach at this time. It is anticipated that there will be no further clarity from central government until the Chancellor's Autumn Statement.
- 1.11 Following on from the above, there is also no information on whether there will be any further continuation of the "one off" funding measures, over and above core funding, such as the Adult Social Care precept, the Improved Better Care Fund (iBCF) or Social Care Support Grant. The MTFS still assumes no continuation, as there is currently no prudent basis on which to assume otherwise. Modelling will be undertaken of potential scenarios, taking account of any information forthcoming from the Government. This will give a range of funding scenarios, to provide a range of assumptions, from worse case to better case. In the meantime, the County Council continues to lobby for early resolution of the funding uncertainties, with additional funding and flexibilities to be made available in recognition of upper tier pressures generally, and the specific challenges facing West Sussex.

2. Strategic Budget Options

Update on the Budget Gap

- 2.1 The table below sets out the gap for the next four years, showing movements on how that gap has changed since the February County Council Report. The gap is calculated after considering known increase in demand pressures since February and assumes a Council Tax increase of 1.99%. If we receive additional council tax flexibilities, it will offer an additional option to help close the Budget Gap.

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 * £m	Total £m
Budget Gap – February CC	29.0	17.0	15.7	14.9	76.6
Less available savings	-16.1				-16.1
Updated Budget Gap – February CC	12.9	17.0	15.7	14.9	60.5
Changes since February CC:					
Reduction in available savings	4.6				4.6
Permanent closure of Beechfield	0.5				0.5
Home to School Transport	1.0				1.0
OFSTED and HMICFRS	6.4				6.4
Other – under £0.5m	2.5				2.5
Budget Gap as at June 2019	27.9	17.0	15.7	14.9	75.5
*2023/24 not included in report to February County Council					

Proposals for tackling the Budget Gap: Strategic Budget Options

2.2 The priorities for spending are outlined in the West Sussex Plan. However, recognising the recent Ofsted report on Children’s Services and the recent HMICFRS inspection into the Fire and Rescue service, future spending plans will focus on:

- delivering a high level of Statutory services
- ensuring vulnerable adults and children are safe
- ensuring we run an efficient and effective Fire and Rescue Service to continue to keep residents safe
- delivering services to residents more efficiently, by integrating and joint-commissioning arrangements with partners.

2.3 Much work has been carried out with Directors to inform the Council’s financial strategy. A themed approach has been adopted, on the basis that the Council seeks to prioritise budgetary savings to be gained through transformation, efficiencies and income generation, ahead of service reductions. Work has been underway with Cabinet Members and Directors to help inform the Council’s financial strategy and to identify a range of potential strategic budget options. A themed approach has been adopted, on the basis that the Council seeks to prioritise budgetary savings to be gained through transformation, efficiencies and income generation, ahead of service reductions. The full themes are:

- Investment in services where needed
- Withdrawal or re-purposing of services (to align with corporate priorities and core offer – identifying what is non-core)
- Demand Management & Cost Avoidance
- Commissioning, Procurement & Contract Management
- Commercialism & Income Generation
- Use of Corporate Assets
- Transformation Savings: Whole Council Design

2.4 To underpin this approach, we have:

- focused on ensuring core levels of service are prioritised and protected, with clear sight on desired outcomes in line with the **West Sussex Plan**;
- challenged value for money, service delivery models, and equity in service provision (and charging) across the county and with neighbouring authorities; and
- factored in relevant national and local strategic/ policy developments.

2.5 This work has produced a list of Strategic Budget Options, summarised below and presented in more detail in **Appendix A**. Cabinet is requested, in principle, to support these Strategic Budget Options as entries into the forward plan and to authorise the development of business cases for those endorsed proposals. The business cases will include risk assessments, equality impact assessments and results of wider consultations where required, prior to further consideration of these proposals.

2.6 The list of budget options by portfolio is set out in the following table.

No.	Option
Cabinet Member for Adults and Health	
1	Review in-house residential and day care services
2	Review transport to care services
3	Limit inflationary increase in fees paid to care providers
4	Manage demand pressure - Older People
5	Reduce housing-related support
6	Reduce Local Assistance Network (LAN)
Cabinet Member for Education and Skills	
7	Reduce post-16 support service
8	Increase Special Support Centres in schools
Cabinet Member for Environment	
9	Reduce the number of household waste recycling sites (HWRS)
10	Withdraw the mobile HWRS service
11	Reintroduce charging for DIY waste at HWRSs
12	Reduce recycling credits
Cabinet Member for Safer, Stronger Communities	
13	Review Community Hubs Library Offer
Cabinet Member for Highways and Infrastructure	
14	Reduce Highways Place Based Services
15	Reduce supported Bus Services
16	Cease Discretionary Bus Passes
Cabinet Member for Corporate Relations	
17	Accelerate Whole Council Design
Cabinet Member for Finance and Resources	
18	Increase income from fees & charges

Review of the Capital Programme

- 2.7 Directors have also reviewed the ambition for the Capital Programme. Capital projects can be undertaken for a number of reasons including:
- Cost avoidance – the investment in an asset will lead to lower costs than commissioning a service (e.g. residential homes)
 - Income generation – the investment in an asset will lead to a net revenue benefit (e.g. solar farms)
 - Direct costs – an investment in an asset is necessary to keep our estate in sound working order
 - Regeneration schemes – an investment in a scheme leads to improved town centres for businesses and residents
- 2.8 The ambition of the Council is greater than allowed for in the current five year capital programme and will potentially require an increased borrowing envelope. The increased envelope will need to remain affordable, as defined by the Prudential Indicators, but is likely to need to increase beyond its current levels.

3. Consultation

- 3.1 A Budget Workshop Member day took place on 26th June during which members were provided with an opportunity to consider the various options prepared by Directors to address the budget gap. Members were able to seek further information about the possible impact of each proposal and were able to identify which options they supported. In addition, Members were able to carry out a simulated exercise which applied various service and council tax options to the current 2020/21 Budget Gap. The results of the exercise are summarised in **Appendix B** (to follow).
- 3.2 The Chairmen of the four Select Committees, as well as the leaders of the two minority groups on the Council, have been invited to attend the public meeting of the Cabinet and, if they so wish, to address the Cabinet on the options, as well as commenting on the output from the Member day.
- 3.3 Plans for formal public consultation will be formulated in relation to those options confirmed for further consideration which trigger a requirement for such consultation. The Forward Plan will set out which proposals will lead to formal consultation arrangements. Stakeholder and specific customer engagement may also be considered important to provide the fullest information base for future decisions in specific areas and those proposals will also be suitably identified within the Forward Plan.
- 3.4 All proposals will be available for further Member scrutiny in line with the usual arrangements prior to the final consideration by the Cabinet Member.
- 3.5 A further Budget Workshop Member Day is being planned for the autumn to review the Capital Programme and consider potential capital projects to inform the development of the Capital Programme prior to consideration by Full Council in February 2020.

4. Financial Consequences

- 4.1 As this is a Budget Report the financial consequences are covered within the body of the report.

5. Legal Implications

- 5.1 The County Council is required to set a balanced budget. The legal implications relating to the specific service proposals and other budget plans will be assessed through the development of business cases for each proposal. This will include advice on the need for public or more focused consultation in relation to specific proposals.

6. Risk Assessment Implications and Mitigations

- 6.1 Appendix A includes risk assessments of the implications and mitigations for the Strategic Budget options.

7. Other Options Considered (and reasons for not proposing)

- 7.1 Previous years' approaches to finding budget savings could have been followed. However, it was decided to develop a new process to reflect the feedback of Member and other partners to be engaged earlier in the process.

8. Equality and Human Rights Assessment

- 8.1 The public sector equality duty will be applied during the development of any proposal identified for further consideration.

9. Social Value and Sustainability Assessment

- 9.1 The Council's sustainability policy and the social value impact of each proposal will be applied during the development of any proposal identified for further consideration.

10. Crime and Disorder Reduction Assessment

- 10.1 Implications for the Council's responsibility in relation to crime prevention and reduction will be assessed in the development of business cases for each proposal.

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Appendices

Appendix A - List of Strategic Budget Options

Appendix B – Summary of Member Day Strategic Budget Options (to follow)