Revenue Budget 2020/21, Capital Strategy 2020/21 to 2024/25 and Treasury Management Strategy Statement 2020/21

EXECUTIVE SUMMARY

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

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

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

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

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

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

Net revenue expenditure of £593.755m is proposed for 2020/21, an increase of

£18.3m (3.2%) compared with 2019/20. The budget reflects spending pressures such as pay and prices, costs arising from the National Living Wage and the pressures faced in Adults' and Children's Social Care Services as well as within the Fire and Rescue Service, following the inspection in November 2018.

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

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

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

RECOMMENDED

That, taking account of the priorities contained in the approved West Sussex Plan, the 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 2020/21 comprising:

- 2.00% for Adults' Social Care, plus
- 1.99% to support other General Fund services
- making a total increase of 3.99%

(2) Net revenue expenditure in 2020/21 of £593.755m (as set out in paragraph 5.1 and Appendix 1).

(3) (a) Capital Strategy, setting out capital expenditure and proposed method of financing for the core programme and the income generating initiatives (which will be subject to their own business cases) for the period 2020/21 to 2024/25, as set out in Annex 2(a).

(b) Flexible Use of Capital Receipts Strategy, outlining how the Council proposes to use the flexibility to apply capital receipts to fund transformation projects, as set out within the Capital Strategy, Annex 2(a), section 7.

(c) Treasury Management Strategy Statement 2020/21, as set out in Annex 2(b).

(d) Prudential Indicators, as set out in Annex 2(c).

(4) The Director of Finance and Support Services' assessment of the robustness of estimates and adequacy of reserves (Section 7).

(5) The following amounts be approved for the financial year 2020/21 in accordance with Section 42A of the Local Government Finance Act 1992:

(a) That the budget requirement to meet net expenditure of the County Council for the financial year 2020/21 is £593.755m, and the council tax requirement for 2020/21 is £485.589m.

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

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

(c) The council tax base for the year 2020/21 is the aggregate amount calculated by the billing authorities to which the County Council issues precepts totalling 337,509.60 Band D equivalents.

(d) The amount of council tax being the budget requirement at 5(a) above, less the amounts receivable in 5(b) above, all divided by the council tax base at 5(c) above, shall be **£1,438.74** to the nearest penny for Band D.

(e) The amount of council tax payable for dwellings listed in a particular valuation band, calculated in accordance with the proportion set out in Section 5(1) of the Act, shall be as follows:

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

(f) That the district and borough councils be requested to make payments totalling £485.589m to West Sussex County Council of sums due under precepts calculated in proportion to their council tax Band D equivalents

as follows:

Adur District Council	£30,659,981.02
Arun District Council	£89,552,932.56
Chichester District Council	£77,883,744.04
Crawley Borough Council	£51,524,013.01
Horsham District Council	£90,682,343.46
Mid Sussex District Council	£88,786,947.38
Worthing Borough Council	£56,498,600.43

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

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

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

	Council Tax *	Business Rates *
Adur District Council		
Arun District Council		
Chichester District Council		
Crawley Borough Council		
Horsham District Council		
Mid Sussex District Council		
Worthing Borough Council		

(*Awaiting final confirmation from districts and borough councils)

(6) The delegation to the Director of Finance and Support Services of authority to make changes to the report on net revenue expenditure or to the precepts required:

- as a result of a change in the council tax base notified by the district and borough councils,
- arising from updated information from the district and borough councils to the council tax collection funds and business rates forecast and collection funds, or
- arising from any funding announcements from central government.

All such changes of funding (positive or negative) to be applied through the

Budget Management Reserve.

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

1.2 As part of our improvement journey, East Sussex County Council will be a formal improvement partner for the leadership, culture and governance of West Sussex County Council. As part of this approach, Becky Shaw, the Chief Executive of East Sussex takes on the role of joint chief executive of both councils in January 2020. At the same time Hampshire County Council will be an improvement partner to drive forward the specific improvements in Children's services led by John Coughlan, Chief Executive of Hampshire County Council as the Commissioner for Children's Services. These two arrangements will run alongside each other.

1.3 In 2019, national inspectorates required improvements of the Council's Children's services and Fire and Rescue services. To fund the Children's services improvement journey adequately, the MTFS includes £12m temporary and permanent investment in 2020/21. This recognises the continuing challenges a number of younger residents and their families face and aims to ensure the Council continues to play a key role in helping them to be safe and secure. Fire and Rescue services have also developed an improvement plan to respond effectively to the inspector's recommendations. In support of this, the Council made £1.8m available in 2019/20 plus £1.2m continuing funding to address the concerns raised with particular statutory functions.

1.4 Our improvement journey includes the redesign of business processes to transform services, reduce costs or manage demand. Part of the funding for this work to achieve these ongoing improvements is from the flexible use of capital receipts. The Flexible Use of Capital Receipts Strategy, which is included in the Capital Strategy, outlines the approach.

1.5 The Chancellor's Spending Round 2019 (SR19) announcement in early September 2019 set out broad spending plans for the single year of 2020/21 ahead of a promised three year Spending Review in 2020. SR19 increased public spending by £13.8bn, including £3.5bn for local government. This increase is the fastest increase in day-to-day spending in 15 years and the first Spending Review in that time to protect each government department's funding in real terms. The increase in spending remained within the Chancellor's fiscal rules, which gave headroom to increase borrowing by £15bn.

1.6 Since 2010, local authorities have faced unprecedented financial challenges. The Institute of Fiscal Studies (IFS) identified that by 2017/18, councils' funding per person fell to 25% lower than 2009/10

levels and rose slightly to 23% lower in 2019/20. In West Sussex, reductions to our core financial support are evident. In 2019/20, the Council's core grant funding is £155m lower than in 2010/11 and it receives no Revenue Support Grant (RSG).

1.7 The current financial climate has presented the Council with difficult fiscal choices when setting the budget for 2020/21 and looking ahead across the Medium Term Financial Strategy (MTFS) period. Collectively, we have scrutinised the approach to delivering services more efficiently to our residents, focusing on the policy outcomes we want to achieve. A significant amount of analysis and work has informed these savings, supporting our continuing objective that the Council lives within its means, provides value for money and aims to be financially stable over the medium to long term.

1.8 During the summer and autumn of 2019, the Executive Leadership Team (ELT) and the Cabinet have been preparing the MTFS for 2020/21 to 2023/24. The Performance and Finance Select Committee received updates on the MTFS on 3 October 2019 and 5 December 2019. These papers were publicly available in a timely fashion.

Section Two: National Context for Public Finances

New Government

2.1 The outcome of the General Election on 12 December 2019 was a new Conservative government with a large majority. The new government's most significant policy proposals are focused on Brexit, plus additional resourcing for the NHS, schools, and the police.

2.2 The election's timing removed three significant events from the calendar:

- the Chancellor's Autumn Budget Statement was cancelled;
- the Office for Budget Responsibility (OBR) did not publish its independent five year forecast of the UK economy and whether the Government would hit its fiscal targets; and
- the Ministry of Housing, Communities and Local Government (MHCLG) had to delay the Provisional Local Government Finance Settlement until 20 December 2019.

2.3 The consequences of these are that:

- the Chancellor is proposing to present a detailed Budget for 2020/21 and outline plans and prospects for future years on 11 March 2020;
- the OBR is also expected to publish its Economic and Fiscal Outlook in March 2020;
- the Spending Round 2019 (SR19) provided the outline for the Government's spending plans, focused on 2020/21 only.

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

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

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

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

Local government funding and spending 2019/20

2.7 In 2019/20, councils have three main sources of revenue: council tax, retained business rates and Government grant. Over three quarters of that funding now comes from local sources. In addition, many local authorities have used income from sales, fees and charges to protect service budgets where they were able to. Government policy has driven these changes by reducing grants, transferring more funding responsibility to local areas and applying downward pressure on council tax. Consequently, in 2017/18, funding per person fell to levels that were 25% lower than in 2009/10, rising slightly to 23% lower in 2019/20.

2.8 The amount spent by local authorities nationally on social care continues to grow. Of the £49bn total net expenditure, the share spent on social care has grown to 38% on adults and 19% on children. This spending pattern has arisen due to the overall reductions in local government funding and intensifying demands for social care. Local authorities have responded by focusing resources on statutory and acute services at the expense of other, discretionary services. Councils have made similar changes to spending patterns within services to: protect acute services and those with rising demands; limit spending reductions where services can raise revenues; and reduce spending more severely in the remaining, discretionary services.

Local government funding 2020/21

Local Government Financial Settlement

2.9 The Provisional Local Government Financial Settlement, published on 20 December is for one year only, in line with the announcements in SR19. Overall, the Provisional Settlement proposes to increase councils' core spending power in 2020/21 by £2.9bn to £49.1bn.

2.10 The biggest elements are: £1.6bn assumed increase in council tax and £1.0bn increase in Social Care Support Grant. In addition, Settlement Funding Assessment (comprising retained business rates, tariff and top up adjustments and RSG) increased by £237m in line with September 2019 CPI inflation, Business Rate Cap Grant increased by £100m, the Improved Better Care Fund increased by £240m by absorbing the Winter Pressures

Grant, New Homes Bonus reduced by £11m and the Rural Services Delivery Grant remained unchanged.

Other local government grants

2.11 For other local government grants, outside those mentioned in the Provisional Settlement, we have had confirmation of the continuation of the Troubled Families Grant, an inflationary increase to Public Health Grant and the £500m pothole grant. However, we have not yet received total amounts, or the allocations to individual local authorities.

2.12 Key funding announcements for West Sussex County Council in the Provisional Settlement are:

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

Local government funding outlook for 2021/22 and beyond

2.13 The Provisional Settlement confirmed the new government will continue with the reform of the business rates retention system and the Fair Funding Review, albeit to a delayed implementation date of April 2021. The changes will increase the proportion of business rates retained locally from 50% to 75%. This increased amount would replace about £6bn of Government grants to the sector including the Public Health Grant, which is currently ring-fenced and will be replaced by a share of retained business rates as a general revenue resource.

2.14 Social care funding, has proved a very difficult subject for Central Government and repeated commitments to publish a Green Paper have not been met. However, the new Conservative government has promised that within its first 100 days to 'beginning cross party talks to find an enduring solution to the challenge of social care.'

2.15 The proposed local government finance system reforms will initially affect individual local authorities' resources in two ways: Government decisions about the total funding available to local authorities through the new system and how it is likely to change; and the determination of each authority's share of that total based on its spending needs relative to all other authorities. As the government has MPs from a wide range of constituencies, the dynamics of the Fair Funding Review could also change to reflect their broader priorities. Over the longer term, Government decisions about the share of local business rates that each authority can retain will affect their ability to raise and retain resources locally.

2.16 From 2021/22 onwards, most local authority funding will come from council tax and business rates. Projections by the IFS indicate that revenues will not keep up with demand and cost increases, without continued large council tax rises (i.e. double the rate of inflation) plus further efficiency increases. So, a council's financial sustainability is likely to continue to exhibit a strong dependence on how it manages the demographic changes in its area, as well as its ability to continue to achieve savings and raise revenues from local taxes and other sources.

National performance of public services

Overview

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

2.18 IfG's projections show that over the next five years, demand for many public services will rise faster than population growth. Demand is rising particularly quickly in health and care services due to: the ageing population; more people with multiple health conditions; and rising life expectancy for people with physical and learning disabilities. These increasing pressures mean that national and local government face difficult choices, including: reducing the scope or quality of services; increasing how much people pay directly for services; cutting other spending; and raising taxes.

2.19 Since 2010, most public services have become more efficient. The key contributor to this was the public sector pay cap, which kept wage growth below the rate of inflation. Analysis of the extent that spending has fallen behind demand indicates most public services have also improved staff productivity. However, these efficiencies have not been enough to bridge the growing gap between spending and demand, so the quality and scope of public services has had to decline. For example, more people in need now rely on informal social care from family and friends.

2.20 Public bodies have also asked individuals to contribute more towards services, by asking users to pay directly and increasing charges. They have asked individuals to take more responsibility for services too. For example, across the country many volunteers and community groups now run library services.

2.21 Some public bodies have prioritised services in favour of the most critical ones. The police have given priority to the most serious crimes and those they are likely to solve, while reducing neighbourhood patrols. Similarly,

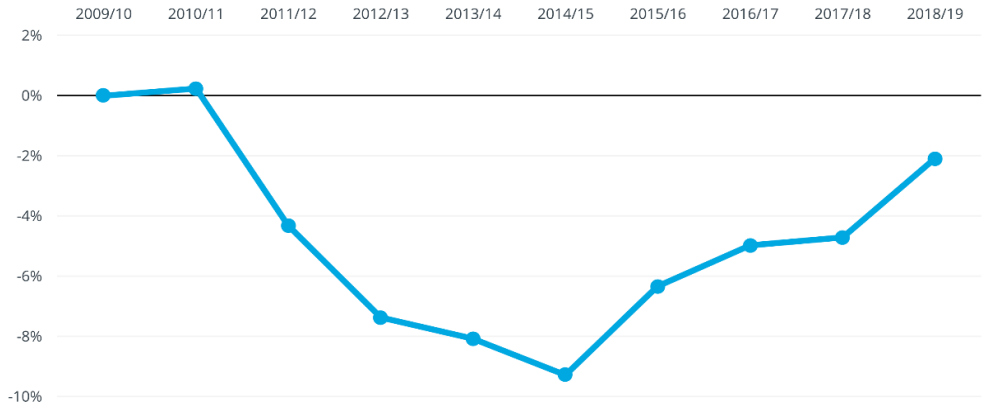
local authority food hygiene and health and safety teams have prioritised inspecting the businesses most likely to cause consumers harm.

2.22 A consequence of rising demand outpacing funding is public services are using one-off resources and are overspending. In several cases, public services have had to draw on one-off resources to maintain spending. Local authorities have repeatedly spent more than they budgeted to on social care. For example, they overspent their budgets on children's social care every year since 2010/11 and on adult social care between 2014/15 and 2016/17. These overspends have necessitated deeper cuts in other local services' budgets.

Adult social care

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

Figure 1: Real terms change in adult social care spending



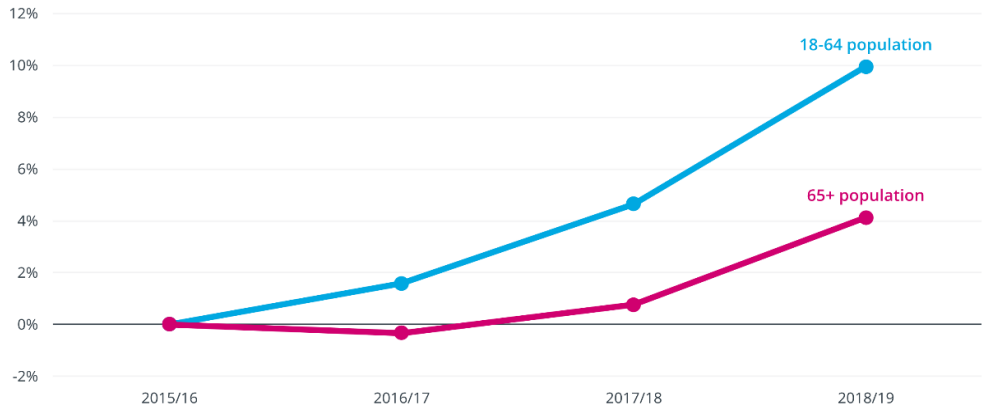
Source: Institute for Government analysis of NHS Digital, 'Adult Social Care Activity and Finance Report, England 2018-19', Appendix B, Table 4.

2.24 Demand for publicly funded adult social care is likely to continue rising faster than the money local authorities have for it. Figures from both the Association of Directors of Adult Social Services (ADASS) and MHCLG for 2019/20 suggest spending on adult social care will continue rising.

2.25 Figure 2 shows requests for support have been rising since 2015/16. Nearly two thirds of people receiving adult social care are aged 65 or over and the number in this group has increased significantly over the past decade. Demand for services for adults over 65 rose by 4%, while demand for services for working age adults rose by 10%. The more acute nature for younger adults' needs for support with physical or mental health problems or learning disabilities means that this support is on average,

roughly twice as costly as that spent on adults over 65. The demand for spending on this group nationally has led to spending on over 65s falling 18% despite a 20% rise in this population.

Figure 2: Increase in requests for adult social care support



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

2.26 Nationally, past reductions in social workers' pay and care homes' fees helped local authorities limit cuts to adult social care services even as budgets reduced. However, some of these efforts have proved unsustainable and neither strategy can be pushed further. Planned national living wage rises will increase pay for many care workers and even without this, local authorities would have struggled to hold down pay due to providers' ability to recruit and retain staff. Local authorities also have little scope to reduce the fees they pay providers any further, without compromising the quality of care or forcing care homes to close. A study by the Competition and Markets Authority found local authorities paid roughly 10% below the full cost of care home places. As a result, care homes that rely most on local authority clients could risk financial failure.

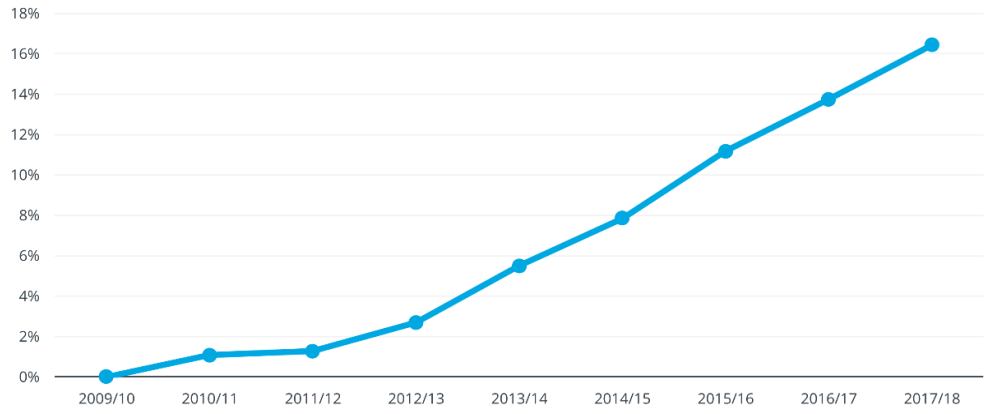
2.27 In West Sussex, our approach to making adult social care services more financially sustainable is by aiming to improve care outcomes. Our aim is to promote independence for longer in later life and invest in preventative services. Most importantly, not only will this achieve better outcomes for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

Children's social care

2.28 Demand for children's social care services is rising. While local authorities have persistently overspent on these services the increase in spending has not kept pace with demand. IfG projects that if demand does not grow faster than projected, the additional money the Chancellor announced in SR19 should enable local authorities to meet it.

2.29 Specialist children's social care services, such as supporting disabled children, protecting children from harm and taking responsibility for children looked-after cater to less than 10% of the child population. While the child population has increased by just under 6% since 2009/10, children's social care spending has risen by 16% (see Figure 3). This has meant wider children's services, such as children's centres, services for young people and youth justice have faced budget cuts of 56%.

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



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

2.30 The main drivers of children's social care spend are volume and complexity of need. While it is unclear whether the recent growth in the number of children looked after will continue, local indications are that it will. In addition, there is evidence nationally that social workers are dealing with more complex cases. For example, the age of children looked after has increased in recent years. Between 2009/10 and 2017/18, the number aged under four entering care rose by 8%, while those aged 16 and over grew by 78%. Older children are more likely to have been in difficult circumstances for longer and often have a greater need for support. In 2019 the National Audit Office (NAO) reported that older children taken into care "often have more complex needs and as a result are harder to place into foster care and are more likely to go into residential care, which is more costly". Rising complexity may explain the increase in residential care placements. Between 2014/15 and 2017/18, the number of residential care placements grew by 20%, compared with a 9% increase in the total number of children looked after.

2.31 There is evidence that local authorities have managed to reduce what they pay independent care homes and have held down social worker pay, helping to meet growing demands in some areas, as spending has not increased as rapidly. In response to growing demand for children's social care, there is evidence local authorities have focused their resources on those most in need. There is also some evidence that local authorities are

prioritising their activities to serve the most vulnerable children, even if that leads to a lower-quality service elsewhere.

2.32 Despite their efforts to ration and prioritise services, local authorities have consistently overspent on children's services. According to the NAO, 63% of local authorities overspent on these services in 2010/11 and this rose to 91% by 2017/18 (with the total overspend quadrupling from £237m to £957m). While local authorities overspent on other areas during the period, children's services is the only area which has overspent in every year since 2010/11. The biggest contributor was children looked after, where local authorities exceeded their total planned budgets by £686m, which is consistent with the pattern in West Sussex too.

Schools

2.33 Schools have faced pressure to make efficiencies in the last three years. The coalition government initially protected per-pupil funding until 2015/16, but schools experienced annual declines in funding between 2015/16 and 2017/18. The growing share of pupils with special educational needs has put further pressure on schools. Schools have managed these pressures through the public sector pay cap, which has kept staff wages down, and by becoming more productive. There are now more pupils per teacher in secondary schools, while pupil attainment has been at least maintained.

2.34 The previous government's school spending announcement in September 2019 will help to relieve the immediate pressures. By 2022/23, per-pupil funding will be almost back to 2009/10 levels in real terms. Some of this money will be used to address clear pressures, such as boosting starting salaries to address teacher recruitment problems. However it is still not clear how the government expects schools to deliver within the available funding.

2.35 The Institute for Fiscal Studies (IFS) estimates that total spending on schools fell by 8% between 2009/10 and 2018/19, primarily due to cuts to services for schools by local authorities facing their own pressures. Such spending, which includes educational psychologists and transport, fell by 57% in real terms per pupil across this period. Spending cuts may have resulted in new financial pressures for schools, as they may now pay for some services out of their own budgets that were previously provided for them (or they may no longer provide these services).

2.36 Currently mainstream schools educate 6.73 million pupils, which is over 10% more than in 2009/10. The pupil number figures may understate the increase in demands placed on schools. One reason is the recent increase in the share of pupils receiving support for special educational needs (SEN). Between 2009/10 and 2016/17, the share of pupils with an SEN statement or Education, Health and Care Plan (EHCP) held steady at 2.8%. Over the last two years, this figure rose to 3.1%. In January 2019,

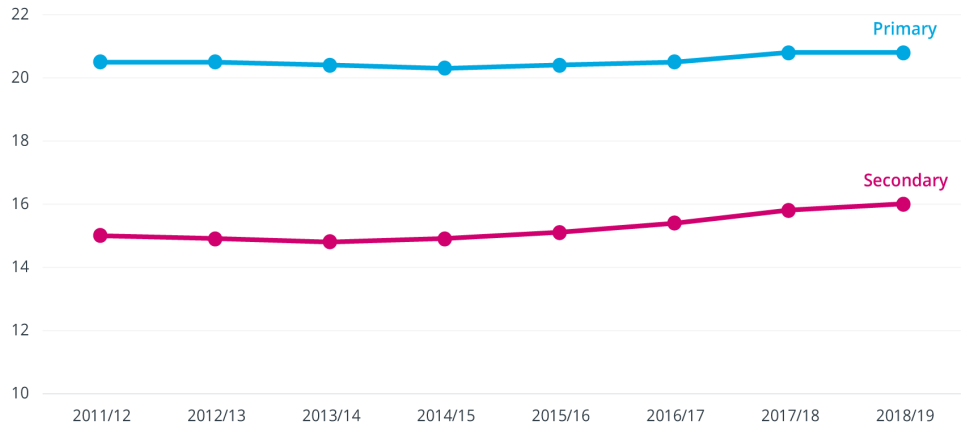
271,165 pupils had an SEN statement or EHCP, almost 30,000 more than in January 2017. The rise in children receiving statements or plans represents an additional financial pressure that schools and local authorities have borne.

2.37 Schools' main expense is staff. About 65% of school spending is on teachers, supply teachers and teaching assistants plus 10% on other staff. Primary school teacher numbers rose broadly in line with pupil numbers until 2016/17, when it levelled off while pupil numbers continued to rise. Secondary school teacher numbers fell roughly in line with pupils between 2010/11 and 2014/15. Since 2014/15, pupil numbers have risen, while teacher numbers have continued to fall. Figure 4 shows the impact on pupil:teacher ratios in primary schools (small increase from 20.5 to 20.8) and secondary schools (more significant increase from 15 to 16).

2.38 Since 2010, schools have made savings on teachers' pay and there is limited evidence of savings on the goods and services they buy. Teachers have been asked to do more, while being paid less in real terms. This does not look sustainable, which the government seems to have acknowledged by announcing a substantial rise in per-pupil funding over the next three years. Schools face growing recruitment and retention problems, with the government consistently missing recruitment targets for trainee teachers.

2.39 Pupil numbers are predicted to rise more slowly than the promised increase in school funding. The new three-year settlement, set out in September 2019, will increase school funding by 14.2% in real terms (10.3% per pupil in real terms) between 2018/19 and 2022/23. This is a substantial change from the 4.1% real terms cuts to per-pupil spending between 2015/16 and 2018/19.

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

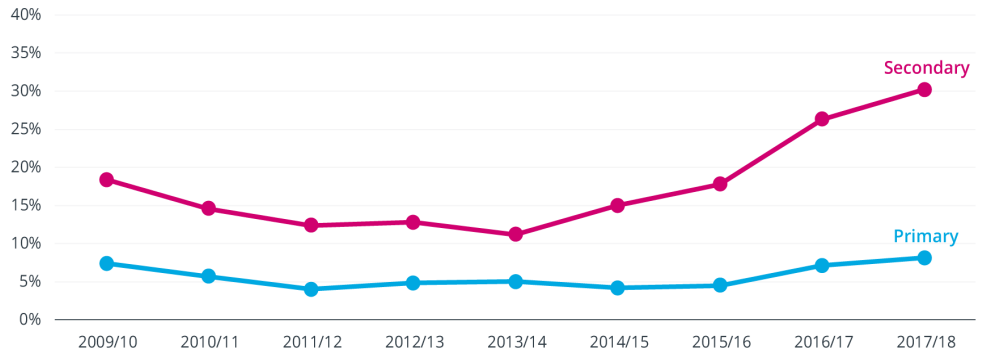


Source: Institute for Government analysis of Department for Education, 'Schools workforce census', Table 17a.

2.40 Rising cumulative deficits in schools (when schools consistently run in-year deficits) indicate they have been unable to improve their efficiency enough

to live within their funding. Schools appear to have consistently had to spend more than they received to provide services. Figure 5 shows the average deficit among maintained secondary schools rose from £192,000 in 2009/10 to £484,000 in 2017/18. This was driven by a rise in schools having a deficit from 18% in 2009/10 to 30% in 2017/18.

Figure 5: Share of maintained schools with a cumulative deficit



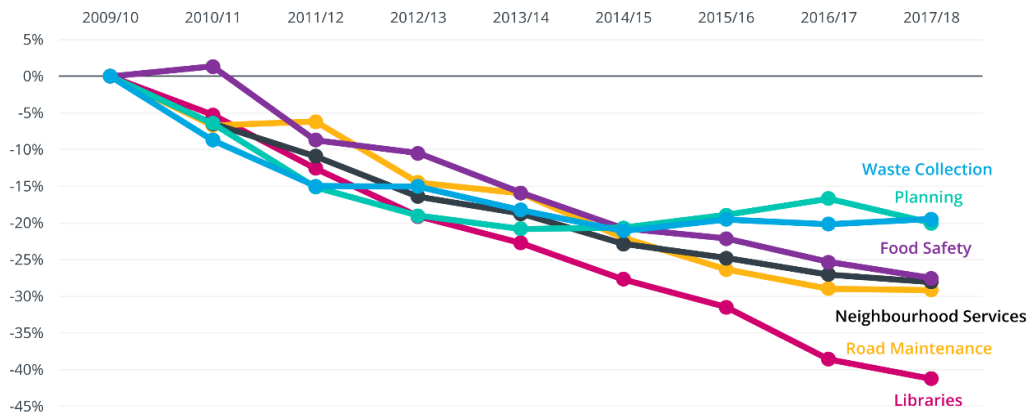
Source: Institute for Government analysis of Department for Education, LA and school expenditure: 2017 to 2018 financial year, Table 5.

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

Other local authority services

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

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



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

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

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

Financial resilience of local authorities

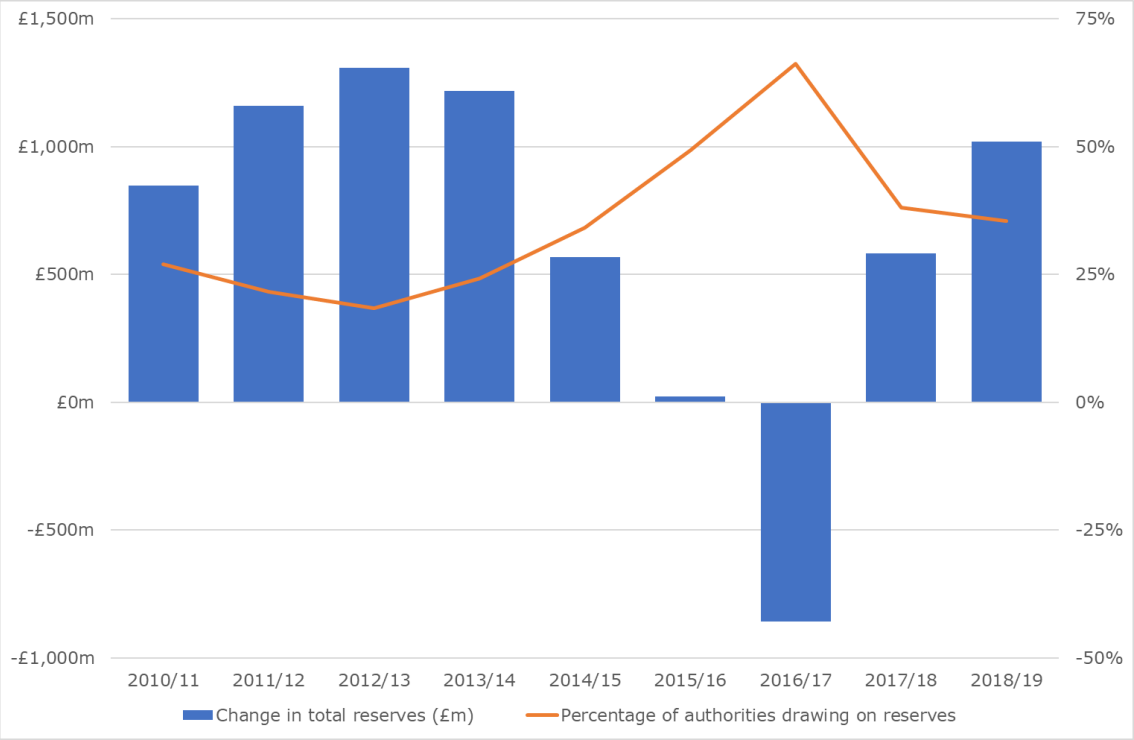
2.44 Over the past decade, local authorities have adjusted to an increasingly difficult financial reality. The NAO estimated government cuts to local authority grants amounted to 49% between 2010/11 and 2017/18. The level of cuts reduced to around 46% over the two years to 2019/20 mainly due to increases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

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

2.46 The NAO calculated that local authorities' unplanned withdrawals from reserves (either to use reserves without budgeting to, or to use more than they budgeted for) rose from £114m in 2010/11 to £658m in 2016/17. This issue was most pronounced in social care authorities. In 2016/17, 100 social care authorities drew a total £1,261m from their reserves (£603m planned, £658m unplanned), while 52 added a total £403m to their reserves (£53m planned, £350m unplanned). NAO concluded that this trend suggested social care authorities were increasingly using reserves to top up day-to-day spending, having struggled to implement savings plans, manage demand pressures or other costs.

2.47 Figure 7 shows the position began to ease after 2017/18, which was the second year of the adult social care precept bringing increased funding and easing some budget pressures in these services. However, while there has been a net replenishment of reserves by social care authorities, a third have still needed to draw on reserves.

Figure 7: Social care authorities' use of reserves

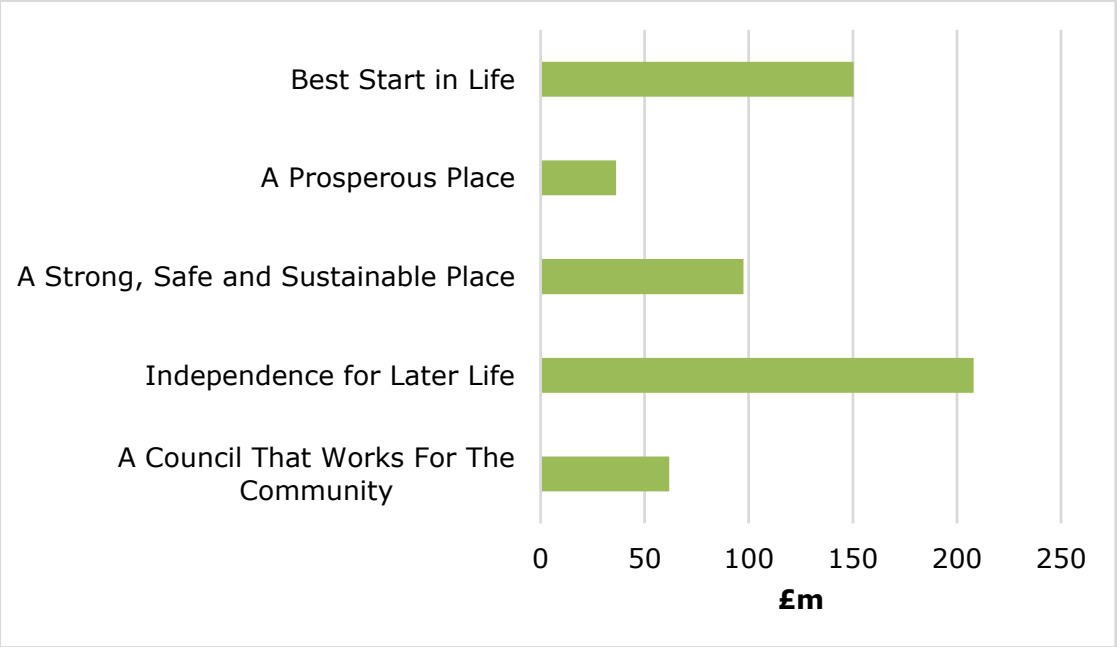


Section Three: Local Context – The West Sussex Plan and our Budget

The West Sussex Plan Priorities

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

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



Best Start in Life

3.2 As set out in the West Sussex Plan, the children born and being raised in West Sussex are our future – we look to them for a sustainable one. Therefore, it is only right that children are at the centre of everything we do. It is our job to make sure every child in West Sussex is given the opportunity to reach their potential. We will give them the foundations they need to be able to do that. In one way or another we are there at every stage of their lives and even before; supporting parents and families. It is also vital that every school in the county offers each child the education they deserve.

3.3 We know school is not just about education but also about the wraparound support and care our schools provide. Children and young people cannot thrive unless they feel safe and secure at home. It is our duty to protect those children and young people, supporting them to cope with life's pressures and supporting their families to make sure they are able to enjoy a childhood free from harm.

3.4 The key financial challenges facing the Council for achieving our target outcomes for a **Best Start in Life** are set out in the following paragraphs.

Education and Funding for High Needs

3.5 2020/21 is the third year of the new national funding formula for mainstream schools under the Dedicated Schools Grant (DSG). Final allocations for next year have been announced, which include pupil growth, and West Sussex schools are set to gain £29.7m (6.5%) through a 4% increase in most of the national funding formula unit rates and an increase in the Minimum per Pupil Funding levels to £3,750 for primary schools and £5,000 for secondary schools. School budgets continue to be under pressure due, in the main, to the full year effect of the 2.75% teachers' pay award in September 2019 and an increase in the teachers' pensions employers contribution rate from 16.48% to 23.6% in the same month. Although the Government has announced that there will be additional specific grant funding available to meet the costs of the September 2019 pay award above 2%, as well as the increased employer pension rates there is no guarantee that this will be cost neutral at an individual school level.

3.6 Funding pressures affecting the High Needs Block within the Dedicated Schools Grant (DSG) have continued to grow over the last five years since the implementation of the Children and Families Act 2014 resulting in increased requests for:

- Education Health and Care Needs Assessments (EHCNAs);
- pre-16 specialist placements (special schools, Special Support Centres (SSCs) and Independent and Non-Maintained Special Schools (INMSS));
- post-16 High Needs placements in special schools, colleges of Further Education or Independent Specialist Providers (ISP); and
- personal budgets and exceptional needs expenditure to meet very complex needs.

3.7 Our High Needs funding from the Department for Education rose by £3.0m (3.6%) in 2019/20 and is set to rise by a further £8.4m (10.4%) in 2020/21. These funding increases are welcome, but are not sufficient to meet the increasing costs of providing for the number of children with education health and care plans (EHCPs). In March 2015, 3,423 children and young people in West Sussex had EHCPs and by March 2019 this number had risen by 55% to 5,297 - an increase of 1,874; 515 in 2015/16, 573 in 2016/17, 401 in 2017/18, and 385 in 2018/19. In the first six months of 2019/20 these numbers have risen by a further 242.

3.8 With very limited funds now remaining in DSG reserves this shortfall in DSG funding is beginning to place significant pressure on the Local Authority in the current financial year. Indeed, the DSG reserve is expected to go into deficit at some point over the next 12 months, and will

be required to be repaid from future years' DSG allocations. If this is not possible and the deficit exceeds 1% of total DSG (circa £6.3m) the County Council will be required to report to the Department for Education on how the DSG account will be brought back into balance. As at the end of 2018/19, 31 other local authorities were in this position and this number is expected to be significantly higher at the end of the current financial year.

3.9 In the meantime, the Council continues to adopt a long-term approach to this issue. For instance, as part of the new Special Educational Needs and Disabilities (SEND) and Inclusion Strategy 2019-2024, which builds on the SEND strategy for 2016-2019 and the outcomes of the 2018 Ofsted/CQC SEND local area inspection, we will continue to fund a range of initiatives including increasing the offer of therapies in our special schools, increasing the number of classrooms in our maintained special schools and creating additional Special Support Centres (SSCs) in our mainstream schools. These initiatives will help to minimise growth in SEND demand by targeted early intervention; develop new SEND places (particularly with mainstream education providers) within the county and make sure funding is in place to support the transport needs for those children with particular requirements, ensuring their ability to access education throughout their time at school. Additional funding has also been found for three new SEND school advisors, whose main role will be to embed the inclusion agenda in our mainstream schools and to challenge and support our specialist provision.

Children's Social Care

3.10 A key element of our budget provides for children and families who are vulnerable and that the County Council has a duty to support. These services were judged to be inadequate by Ofsted in May 2019 and as a result children's services have begun an improvement journey. In order to ensure the improvement is adequately funded, a combination of temporary and permanent investment of **£12m** is being provided in 2020/21. This is in recognition of the continuing challenges faced by a number of younger residents and their families in West Sussex and to ensure that the County Council continues to play a key role in helping them to be safe and secure.

3.11 Demand for placements for children looked after (CLA) has increased at a faster rate during 2019/20 than the budget had planned for, and placement volumes are now at unprecedented levels. This creates a knock-on impact for 2020/21, where the budget for CLA is being increased by **£12.4m** to recognise both the full year effect of this increase and the projected demand growth which is estimated to occur in 2020/21. It is worth noting that the number of children looked after per 10,000 population in West Sussex remains at a level below that of our statistical neighbours (West Sussex 44 per 10,000 at the end of November 2019

compared with statistical neighbours 51 per 10,000 population at the end of March 2019).

3.12 During the course of the next financial year, we will continue to develop and implement our Commissioning Strategy for Children's Social Care. The strategy aims to improve our placement planning arrangements, partly by guiding our supply chain on the nature of the care solutions we require over the long-term and partly with the objective of enhancing market management. Currently around 45% of placements are purchased externally, the average cost of which has risen by over 40% since 2014/15. Consequently, by commissioning from the market more effectively, there is obvious potential to deliver greater value for money.

3.13 During 2019/20, a review was undertaken on the residential units that the County Council operates, taking into account care needs, market conditions and cost effectiveness. The outcome of this has led to some remodelling at some of the homes, part of which is due to be carried out during 2020/21, and a new delivery model designed to maximise the use of our own resources and deliver cost reductions in the external placements budget. Until the homes return to operational status, temporary funding of £1.8m is provided within the 2020/21 budget. For future years, reductions in the external placement budget will fund the County Council's increased operating costs.

3.14 Within Early Help, a more targeted approach will be adopted that identifies and works with children and families to become resilient and divert them from more costly social care interventions. Through this review, some rationalisation of the buildings that the Service operates from, as well as a corresponding reduction in staff numbers, is expected to deliver £1.95m of savings over the next two financial years.

A Prosperous Place

3.15 For West Sussex to continue to thrive we know we need to support our businesses. We have a wonderful diverse business community in West Sussex; something we should celebrate in supporting them to stay and grow here. To do this we need to put in place support to ensure this is a place where doing business works and works well, contributing to the employment opportunities for local residents.

3.16 Working with our district and borough partners is crucial in our determination to support the business community. That means attracting businesses and people who want to work in our county and then providing them with the tools they need to help them grow their businesses.

3.17 Some of the key areas in relation to achieving our target outcomes for **a Prosperous Place** are set out in the following paragraphs.

Highways and Infrastructure

3.18 Our roads and highways are a key element of the supporting infrastructure needed for economic growth. Alongside the significant planned capital investment in the Highways and Infrastructure portfolio (£200m over five years), we will invest over £9m of revenue funding each year in highways support and maintenance.

3.19 We are developing proposals to improve infrastructure and bid for other sources of funding. This work will require sufficient resource to produce feasibility studies, enabling the Council to develop sound project proposals for submission for funding.

75% Business Rate Pilot

3.20 The successful West Sussex business rate pilot in 2019/20 offers a potential gain of up to £19m for one-year. All of the extra business rates growth will be pooled by participating local authorities and used to make a strategic investment in our digital infrastructure, which will help underpin the County's economy.

3.21 In order to take advantage of increasingly rapid advances in digital technology, the County needs digital infrastructure to match that available in other economies nationwide. This will require investment from commercial infrastructure suppliers who will target both urban and rural locations.

3.22 Increasing the availability of high quality core fibre network will hopefully attract commercial investment in innovative access networks to counter the constraining factors of topology and varying population densities in the County's rural areas.

3.23 However, to fully address the digital infrastructure needs of the wider County and the concerns of commercial investors in providing more services to residents and businesses, it is clear that there is no single solution. Therefore, the West Sussex Full Fibre Programme (WSFFP) is an agile and iterative work programme identifying and responding to new opportunities to increase investment in furthering the County's digital ambitions. From this "umbrella" programme flows individual projects to support the County's wider ambitions.

3.24 The £19m estimated funding from the Business Rates Retention Pilot scheme has been earmarked to support the WSFFP to increase availability of gigabit capable connectivity in West Sussex.

3.25 The WSFFP currently comprises three work strands aimed at increasing coverage of gigabit-capable full fibre infrastructure in three distinct geographical areas: Rural, Coastal, North to South (in the east of the county) and some cross cutting enabling initiatives. Currently the strands comprise three active projects and potentially two more contracts called-

off by district and borough councils from the West Sussex Gigabit framework (which commenced in May 2018).

A Strong, Safe and Sustainable Place

3.26 We know we are only as strong as our communities. To make real change in our communities we need to empower those living in them to make changes themselves. There are many examples of our communities working brilliantly to support each other and to solve issues that are unique to them, so we need to continue to nurture and support this work. One example of how we do this is by our recent initiative 'Improving Our Places and Spaces – Supporting Resilient Communities' launched in July 2019.

3.27 Some of the key financial challenges facing the Council in relation to achieving our target outcomes for a **Strong, Safe and Sustainable Place** are set out in the following paragraphs.

Fire and Rescue Service

3.28 West Sussex County Council is the Fire and Rescue Authority (FRA) for West Sussex and is responsible for a wide range of services that help to make West Sussex safer. The majority of the work is directed by legislation and established practice, including the Fire and Rescue Services Act 2004 which broadly requires the provision, training and equipping of a fire service to undertake the following core functions:

- firefighting
- fire prevention
- fire protection activities
- rescuing people from road traffic accidents
- other emergency activities.

3.29 We are also responsible for enforcing fire safety law in public and commercial buildings and domestic flats with common areas through the Regulatory Reform (Fire Safety) Order 2005. As part of a broader emergency role, we are a designated Category 1 responder under the Civil Contingencies Act 2004 requiring us to work with other public sector organisations, such as Police, Ambulance and Local Authorities, to plan and respond to other emergencies such as flooding.

3.30 The Fire and Rescue service was inspected by Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) in November 2018. The full Inspection Report for West Sussex Fire and Rescue Service was published on 20 June 2019. The report looked at how well the Service is protecting the public, preventing and responding to fires and other emergencies, and how well we look after staff. The report found that effectiveness of West Sussex Fire and Rescue Service "requires

improvement", efficiency "requires improvement" and the way it looks after its people is "inadequate".

3.31 West Sussex Fire and Rescue Service (WSFRS) have developed an improvement plan to effectively respond to the recommendations of the HMICFRS and to ensure we can provide our residents and communities with confidence in our actions. In support of this, £1.8m was made available in 2019/20 and we will be investing a further £1.2m in continuing funding, to address the concerns raised with particular reference to the delivery of our statutory functions.

3.32 Further investment will be required in order to address the longer-term improvement of the service, in particular in relation to the emergency response availability of fire engines. The ability for our frontline fire engines to all be available remains a challenge.

3.33 To address response capability and availability directly, a further £0.9m has been identified to bolster:

- risk management and training capacity to ensure we have firefighters with the skills necessary to maintain a resilient service in particular those qualified to drive appliances and to provide for continuing 'Hot Fire Training' on the cessation of the current agreement with Gatwick Airport; and

- investment in supporting the retained duty system and with the introduction of posts to manage the availability of firefighters and to further invest in firefighter availability across the service to support response performance.

Waste and Recycling

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

3.35 Table 1 shows the main components of West Sussex's residual waste collections in recent years.

Table 1: Main residual waste collection components

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

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

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

Sustainable Green Energy

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

Independence for Later Life

3.39 In West Sussex we have an ageing population which will continue to grow. During the next 10 years it is forecast the number of people at age 65+ will rise by over 40,000, which will result in this group representing around 26% of the population compared to 23% currently. Moreover, most of that increase will be at age 75+, which is the point when people's care needs become significantly more expensive to meet.

3.40 As a Council we are actively working towards promoting independence, because we know that this leads to better care outcomes for people. This

will also help make the Adult Social Care budget more financially sustainable and so from both these perspectives, it is a key priority for the Council.

3.41 Some of the key financial challenges facing the Council in relation to achieving our target outcomes for **Independence for Later Life** are set out in the following paragraphs.

Adult Social Care

3.42 Revenue raised from the Adult Social Care precept will continue to be invested in this critical area. This revenue will be supplemented with additional resources from the improved Better Care Fund (iBCF), which will enable greater investment in technology, hospital discharge services and the engagement of a partner to help deliver an ambitious improvement programme. Allied to demand management initiatives which will support the Adult Social Care Vision and Strategy, these will aim to promote independence and so keep residents within community settings for longer.

3.43 The Council has invested additionally in preventative services over the last few years. We believe we are now starting to see the benefits of this investment, with the proportion of older people receiving formal social care per head of population reducing. When combined with our plans for 2020/21, this should allow us to absorb demand pressures of £2m, so reducing the level of increase necessary in the Adults and Health portfolio budget. We expect demand absorption benefits to increase over the period of the MTFS, so we will continue to monitor this area closely because of its potential to ease the level of financial pressure seen every year on care costs, which is the largest element of the Council's budget.

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

A Council that Works for the Community

3.45 The Council's purpose is to serve the people living and working in West Sussex as well as visitors. We are working closely with partners, other local councils, the health service and other organisations, to continue to improve the services our residents receive.

3.46 We will work in partnership with other county councils as part of our improvement journey. East Sussex will help us address our leadership, culture and governance, and Hampshire will help us make specific improvements in Children's services.

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

3.48 We will ensure the Council's long-term financial health by focusing our spending on achieving the priorities in the West Sussex Plan. Our efficiency savings have focused on how we can maintain or improve the outcomes for our residents, by organising ourselves and collaborating with partners in new and innovative ways.

3.49 We recognise the need to control our costs. We are conducting an extensive review of the value for money of our existing contracts to identify where savings might be possible.

3.50 We are reviewing our income generation activities to align them more closely to the priority outcomes in the West Sussex Plan. This work has already identified opportunities and we will continue to learn from other local authorities, to find areas where we can make further progress.

3.51 This budget continues to provide for local communities to become even more engaged in determining how local projects can be agreed and funded through a crowd-funding platform. In January we reached the milestone of successfully funding over 100 community projects since we launched this platform in May 2018. For an investment of around £0.245m from our Community Infrastructure Fund, we have so far leveraged in excess of £0.512m in public and other donations, meaning that over £0.750m in total has been pledged to support our communities across West Sussex.

3.52 Finally, this budget gives us the means to consider re-purposing some of our key buildings resulting in more efficient usage with the potential to dispose of some of our underused assets. This will enable us to make savings and focus our capital funding to modernise the retained parts of the estate.

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

2019/20 Budget Position

4.1 Despite saving £216m between 2010/11 and 2018/19, the Council had to make several very difficult decisions to set a balanced budget for 2019/20. That budget has already come under severe pressure. Our current forecast outturn net financial position is £16.0m overspend on services, less £8.6m additional, largely one-off funding mitigations, to give £7.4m forecast outturn overspend to be met from reserves. Significant elements of the forecast overspend include demand pressures relating to: the Children First Improvement Plan and the Fire Improvement Plan; higher numbers of placements for children looked after; and non-delivery of transformation and other savings. While some of the spending pressures

the Council is experiencing are short term, many of them will continue and increase in 2020/21 and beyond.

4.2 The continuing demand pressures experienced by our services are reflected in our MTFS planning, as set out in paragraphs 4.5 to 4.9.

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

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

Table 2: Movement in Budget Gap – from December MTFS

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	Total £m
Net Budget Gap	**2.2**	**15.4**	**10.4**	**8.4**	**36.4**
Increased contingency	3.4	-3.4			0.0
Contribution to Budget Management Reserve	3.0	2.0	2.0	2.0	9.0
Highways maintenance (£0.5m ongoing only)	1.0	-0.5			0.5
Expenditure funded from capital receipts flexibility	-5.3	5.3			0.0
Reversal of in-house special educational placements funding	-1.8				-1.8
Removal of LA contribution to DSG	-1.0				-1.0
Reduction in one-off funding for Children's residential review pressure	-1.0	1.0			0.0
Other changes	-1.8	-0.1	2.6	2.7	4.0
Changes to savings	1.3	-5.1	2.0	0.3	-2.1
Updated budget gap	**0.0**	**14.6**	**17.0**	**13.4**	**45.0**

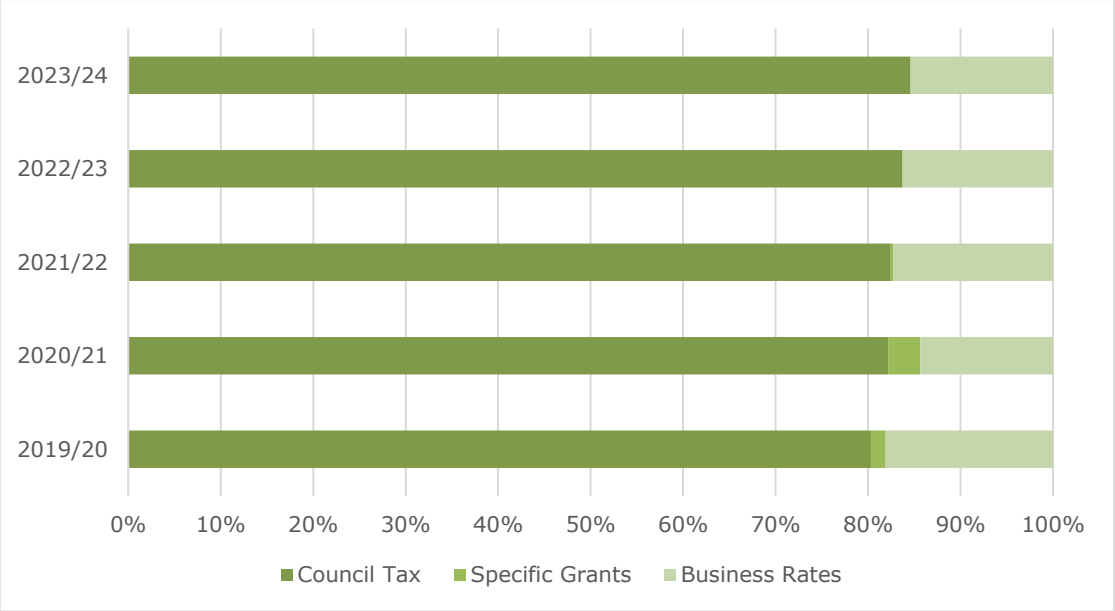
4.4 The MTFS estimates of the budget shortfall will be updated during the course of next year. An additional year (2024/25) will also be factored in to ensure we have a four year outlook with future finances to plan over the medium term, avoiding a 'short term' perspective.

Demand Pressures and Funding Changes

4.5 Figure 9 below illustrates the sources of funding for the budget and how they change over time. We await details of how the allocation made to County Councils will change when the Government introduces the increase

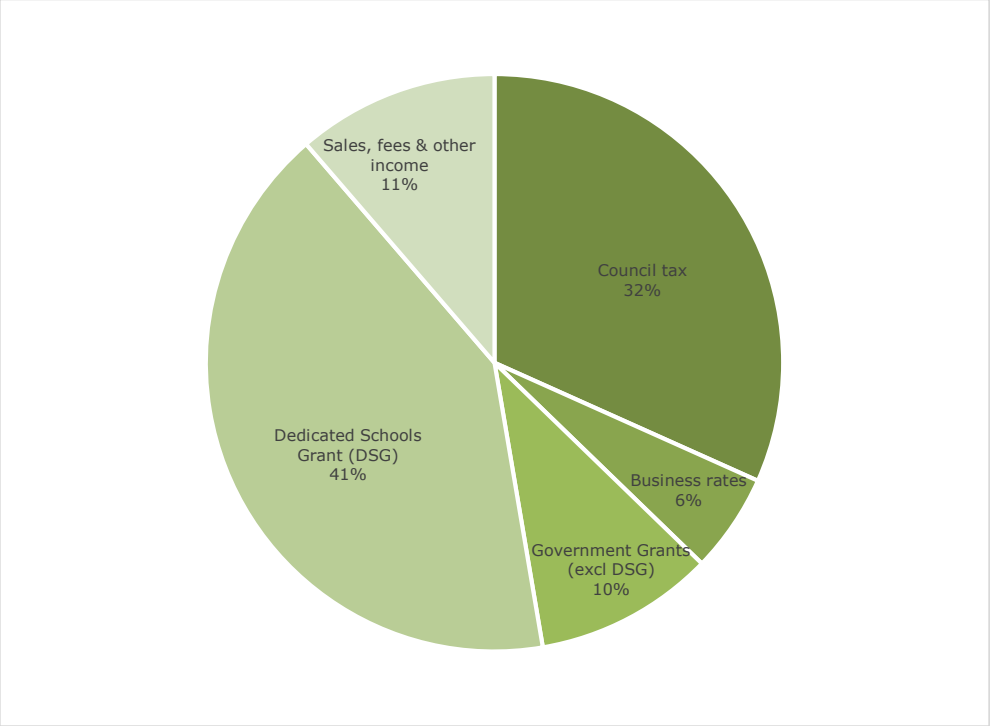
to 75% business rates retention in 2021/22 and also the Fair Funding Review.

Figure 9: Net Sources of Revenue Funding



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

Figure 10: Gross Sources of Revenue Funding 2020/21



4.7 Table 3 sets outs the year on year change in the forecast budget. When the new national business rates scheme is introduced across the country from 1 April 2021, the extra funding from the move to 75% local share of business rates is expected to be financially neutral, with either new duties

given to local authorities or other funding streams reduced correspondingly.

4.8 Table 3 shows that 2020/21 is balanced with savings of £18.4m. However, over the four year MTFS period, allowing for known budget pressures and estimated funding, there is a net shortfall in the budget of £45m after an assumed increase in council tax of 1.99% for 2021/22 to 2023/24.

Table 3: Change in budget requirements

	2020/21	2021/22	2022/23	2023/24	Total
	£m	£m	£m	£m	£m
Opening budget b/fwd	575.5	593.8	611.4	623.3	
Demand Pressures:					
- Adults & Health	6.5	0.7	4.5	6.1	17.8
- Children & Young People	28.4	-4.6	2.9	2.2	28.9
- Economy & Corporate Resources	7.1	0.7	0.0	0.0	7.8
- Education & Skills	0.9	0.6	0.4	0.4	2.3
- Environment	-1.3	0.0	0.0	0.0	-1.3
- Finance	2.0	1.0	0.5	0.5	4.0
- Fire & Rescue and Communities	0.5	3.8	0.2	0.2	4.7
- Highways & Infrastructure	2.0	-0.5	0.0	0.0	2.0
- Leader	0.0	0.0	0.0	0.0	0.0
Pay and Price Inflation	10.6	13.1	14.4	14.8	52.9
Capital financing	0.3	1.0	2.7	1.1	5.1
Contingency	3.4	-3.4			0.0
Budget Management Reserve replenishment	3.0	3.0	3.0	3.0	12.0
Business Rates Growth Reserve		1.1	0.3	0.3	1.7
Other changes e.g. portfolio reserve transfers	-7.6	-0.1			-8.2
Adjustment re 2019/20 Business Rates Pilot	-19.1				-19.1
Additional responsibilities for 75% Business Rates		26.4			26.4
Savings available	-18.4	-10.6			-29.0
Net Expenditure Requirement	**593.8**	**626.0**	**640.3**	**651.9**	
Available Funding b/fwd	575.5	593.8	611.4	623.3	
Change in Settlement Funding Assessment including Business Rates	-19.3	27.2	1.4	1.4	10.7
Social Care Grant	12.1	-17.2			
Other changes to funding	-0.2	-9.0	-7.2	-4.5	-26.0
Increase in Council tax	25.7	16.6	17.7	18.3	78.3
Available Funding	**593.8**	**611.4**	**623.3**	**638.5**	
Savings/Funding still to be found	**0.0**	**-14.6**	**-17.0**	**-13.4**	**-45.0**

4.9 As explained earlier in the report, the future of government funding is uncertain and it is not known if central government will continue to make available to local government the same quantum of funding as in 2020/21. The assumptions will be reviewed during 2020/21 as government policies emerge.

4.10 The budget is based on a number of funding assumptions and any changes from either the district and borough councils or contained in the Government's Local Government final Finance Settlement will be managed through the Budget Management Reserve. This avoids late changes to the budget. The approval of these changes is delegated to the Director of Finance and Support Services as set out in recommendation (6).

Service Pressures

4.11 Detail of some of the demand pressures on services have been outlined in the context of the West Sussex Plan above (paragraphs 3.1 to 3.52). The detailed changes to portfolio budgets for 2020/21 are outlined in paragraphs 5.1 to 5.55 below.

Inflation

4.12 The total included for pay and price increases is £10.6m, as shown in column 2 of Appendix 2. The budget does not provide for a general or across the board inflation uplift but focuses on the key areas to target the provision for areas most under pressure. The approach to allowing for price rises has been as follows:

- A 2.0% increase for pay budgets, with a further £1.1m held in the contingency budget to cover the impact of an increase in the National Living Wage following the Chancellor's announcement in September 2019.
- A range of inflationary increases have been included for high value contracts, dependent on the specific index included within the contract.
- A 0% inflationary assumption on 'low priority' items.
- There remains a middle category of inflation where for 2020/21 the October CPI of 1.5% has been assumed.
- An assumed 2.1% on areas of discretion over income.

4.13 Overall, other than the inflationary adjustments set out in 4.12 above, service budgets are cash-limited and therefore no resources are included centrally to adjust those cash-limits if actual inflation experienced in individual service areas exceeds the allowance made. In this event, services will be required to manage within the proposed cash limited budget. If, over the longer term, actual inflation exceeds the Council's assumptions in the MTFS, this could potentially add significantly to the budget pressures we face.

Sources of Financing

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

Settlement Funding Assessment

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

Table 4: Settlement Funding Assessment

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

4.16 Table 4 shows a 1.6% increase in year-on-year SFA funding for West Sussex from 2019/20 to 2020/21. This is consistent with the national figures, and in line with CPI inflation at September 2019.

4.17 The settlement was broadly in line with our expectations as trailed in SR19 and a technical consultation on the Provisional Settlement issued in October 2019, whose focus was the method for allocating the increased Social Care Support Grant.

4.18 Figure 11 below shows the cumulative change in our SFA from the Government since 2015/16, compared with:

- the national average;
- all shire counties with fire and rescue responsibilities;
- the South East region

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

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

Note: SCFIR = Shire Counties with Fire and Rescue responsibilities

Business Rates: Baseline Funding Allocation

4.20 West Sussex district and borough councils have not yet confirmed their final business rate estimates for 2020/21. The Government publishes its allocations on the assumption business rates rise with the inflationary increase it imposes, but should the rates rise at a quicker pace the Council will benefit via its 10% share of the total County take from business rates.

4.21 The County's 2020/21 budget has been based on assumed figures and reflects an inflationary increase of 1.6%. For 2020/21, the accumulated local growth from business rates, above government assumptions, adds an estimated £2.7m to the funding available.

4.22 For several years, the Chancellor limited the increase in business rates by an amount less than RPI. This has reduced the sum collectable by local authorities for retention. The Government has made good this difference by providing compensating grants. The Provisional Settlement nationally includes £500m compensation for under indexing in 2020/21, of which £3.2m relates to West Sussex.

Business Rate Pooling

4.23 In 2019/20, the county and the districts and borough councils in West Sussex were approved by Government to pilot the retention of an increased share of business rates, resulting in the share retained increasing from 50% to 75%. The pilot is anticipated to provide an overall net gain to West Sussex authorities of up to £19m, though the exact gain will be dependent on the final local business rate take for 2019/20. The

gain has been committed to improving the digital infrastructure in the County to support the West Sussex Full Fibre Programme (WSFFP).

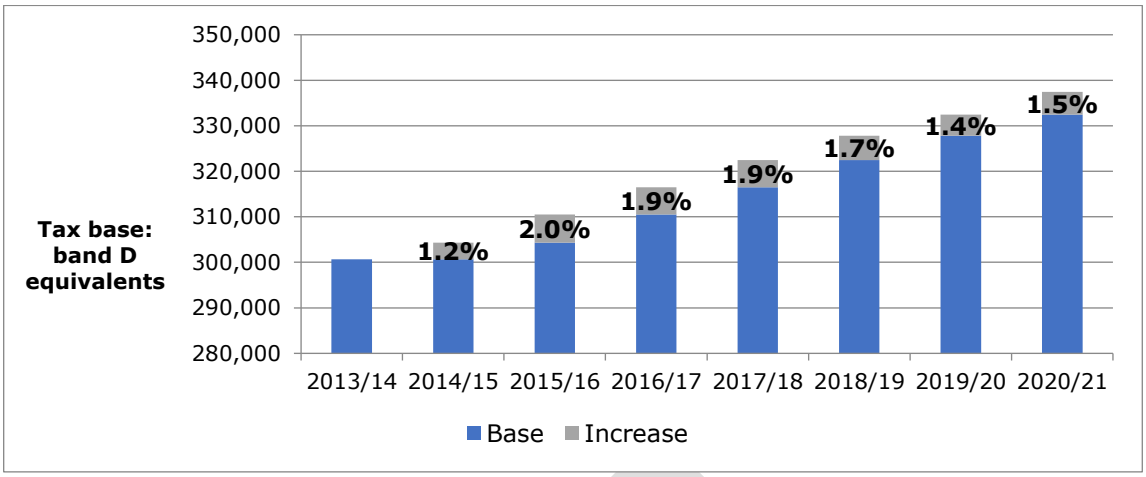
4.24 On 18 September 2019, MHCLG wrote to authorities advising them that the 2019/20 pilot arrangements for 75% business rates retention would not continue beyond 2019/20. Instead they would revert to a 50% business retention arrangement unless specific instruction was received by 25 October 2019 requesting the pool to be revoked. This also coincided with the deadline for submitting any new proposals for business rate pooling in 2020/21.

4.25 Based upon the latest forecasts for non-domestic rate proceeds, a county-wide pool was considered financially unviable and a request was submitted to the MHCLG revoking the arrangement for 2020/21. Concurrently, a proposal for a new pool was submitted consisting of the County Council and Adur, Arun and Horsham District Councils. The pooling scheme under the 50% retention model allows authorities to pool their business rate proceeds and ensures that they are treated as if they were a single entity for the purposes of calculating tariffs, top-ups, levies and safety net payments. This approach has several potential advantages not least reducing the levy paid to the Government and ensuring more funds from the proceeds of business rates stay within the area. The new pooling arrangement for 2020/21 has been confirmed as part of the Provisional Local Government Finance Settlement but is expected to deliver around £4m for investment in projects for the benefit of the whole county across all the districts and boroughs and the County Council. Therefore, this spending is treated wholly outside of the MTFS.

West Sussex Local Tax Base 2020/21

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

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



4.27 If the final figure is lower than 1.5%, the authority will use its Budget Management Reserve to cover the difference to avoid sudden and late reductions causing last minute service cuts. Assumptions will be reviewed during next year when the MTFS is refreshed.

Collection Fund

4.28 District and borough councils operate a collection fund for both council tax and business rates, which they are responsible for collecting. The actual tax collected may be more or less than expected, meaning that a surplus or deficit must then be allocated to the responsible local authorities in the following year. The surpluses or deficits for council tax and business rates are not yet all confirmed by our districts and borough partners, but for budget purposes we have assumed a total surplus of £2.0m for council tax and for business rates. Again, the budget assumes any variation from the assumed funding, when finally confirmed by the districts and boroughs will continue to be adjusted through the Budget Management Reserve. This avoids late changes to the budget.

Special and Specific Grants

4.29 Some grants have been announced and all known sums are set out in Appendix 4 of the Budget Pack. The overall change for those grants included within portfolio budgets is a rise of £51.8m or 7.1% compared to last year, which includes changes in:

- Improved Better Care Fund, an increase of £3.3m to £19.9m, or 20.0%, which now includes the Winter Pressures grant.
- The Dedicated Schools Grant (DSG), which has increased by £38.8m to £635.9m or 6.5%. This is largely due to an improved funding allocation to mainstream schools through the new National Funding Formula (£24.5m), an increase in mainstream and SEND pupil numbers (£6.0m), additional funding for special educational needs (£7.6m) and early years (£1.8m), offset by a reduction in central school services funding

(£1.1m).

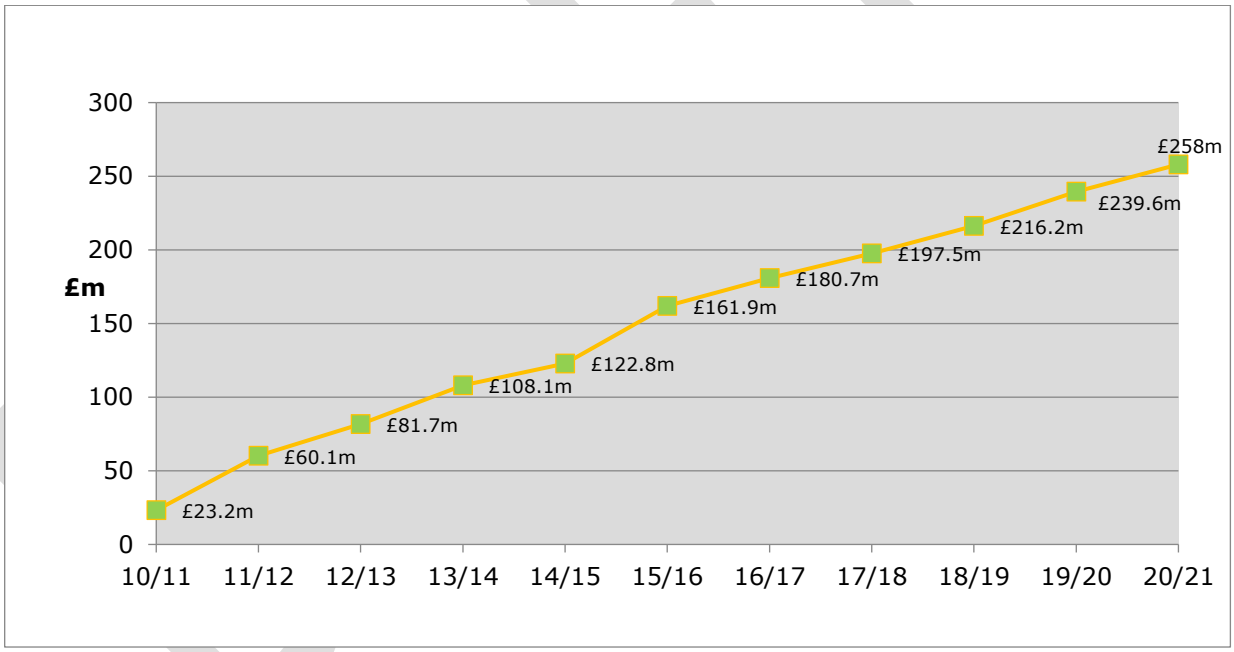
- In addition to the DSG, schools in West Sussex have also been allocated additional grant income next year of £12.4m to cover the increased cost of teachers' pension employer contributions and also an increase of £1.6m to £4.3m for teachers pay.

4.30 Appendix 4 also highlights a number of non-portfolio specific grants, this includes Social Care Support Grant of **£17.3m** and New Homes Bonus funding of **£3.2m**. These are used as part of the County's overall core funding, rather than being allocated to a specific service.

Savings Work

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

Figure 13: Cumulative Savings by West Sussex County Council



Section Five: Revenue Budget Proposals for 2020/21

5.1 After considering the Provisional Financial Settlement announcement, the budget assumptions for price inflation, business rates and council tax and the savings proposals, net revenue expenditure of £593.8m is proposed for 2020/21, an increase of £18.3m (3.2%) compared to 2019/20, as shown in Table 5 below. The net revenue expenditure shown is based on the most up to date information at the time of writing and may be subject to change. This is because information is still awaited in some instances regarding funding, such as from the district and borough councils on business rates proceeds.

Table 5: Summary of Change in Net Budget

Item	£m	£m	%
Approved net revenue expenditure 2019/20		575.469	
Allowance for price rises	10.640		1.8
Commitments and service changes	46.099		8.0
Commitments and non-service changes	-1.315		-0.2
Business Rates Pilot – 2019/20 one off provision	-19.141		-3.3
Balancing the budget	-18.397		-3.2
Transfers between Portfolios	0.400		0.1
Net increase		18.286	3.2
Net revenue expenditure 2020/21		593.755	

Changes to Portfolio Budgets

5.2 The proposed changes to the budget for 2020/21 are explained by portfolio in the following paragraphs. These changes include growth to meet changing demand pressures of £25.6m, the pay and price changes of £10.6m (detailed in paragraph 4.12 above) and balancing the budget activities of £18.4m.

Adults and Health

5.3 The Adults and Health budget for 2020/21 allows for net expenditure of **£209.4m**, which is a net increase of **£3.1m** compared with 2019/20. Around 95% of this relates to the cost of funding the social care needs of residents who meet the national eligibility criteria introduced by the Care Act in April 2015.

5.4 As a contribution towards paying for that growth, the budget proposes that the County Council takes advantage of its ability to raise an additional 2% precept for adult social care. This is expected to generate an extra £9.3m, all of which will be passported into service spending in line with the approach that the County Council has taken since the freedom to levy the precept became available in 2017/18. This is demonstrated in Table 6.

Table 6: Adults Social Care Precept

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

5.5 The growth is the County Council's response to significant service-related pressures:

- Growth in demand for adult social care is at unprecedented levels, both because of increasing numbers of older people and from customers with disabilities. Currently in the region of 14,000 people receive a service from adult social care, of whom approximately 9,000 have eligible care needs. Based on demography, it is forecast that the latter will grow by around 160 in 2020/21.
- Increasing life expectancy and medical advances mean that more people are living with more complex conditions, increasing cost pressures across all care groups. For example, average placement costs for residential care for older people are now over £660 per week, which represents a rise in real terms of over 2% per year during the last five years. Over that period the corresponding increase for the average non-residential package has been more than 2.5%, taking the typical weekly cost to around £250.
- Pay is the largest element of care providers' costs and so the impact of the National Living Wage (NLW) continues to create knock-on implications for the County Council. The Government announced an intention in September 2019 for the NLW to rise to "two thirds of median earnings within five years" and for the age threshold to be lowered from 25 to 21. Despite this being caveated as "provided economic conditions allow", the strength of that commitment represents a financial risk for the County Council. If implemented at the rates

reported, it will result in an increase of around £2.30 per hour by 2024/25. Not being a member of the EU may adversely affect the availability of care workers especially in markets where demand often exceeds supply. Whilst there is a choice for the County Council, the combination of these factors leaves it with limited option other than to plan to pay fee increases to providers at a level greater than an inflationary uplift. For 2020/21, the NLW rate has been confirmed at £8.72, an increase of 51p or 6.2%.

5.6 These pressures affect all local authorities with responsibilities for adult social care and have led to the County Council reprioritising its budget such that the proportion allocated to the portfolio has risen from 36% in 2016/17 to 37.4% in 2020/21. In view of the implications for other service areas, continuing increases at that rate will not be sustainable and so an equally strong driver is the Adult Social Care Vision and Strategy which was approved in April 2019[1]. Its overriding aim is to promote independence, recognising that this leads to better care outcomes for people and makes better use of money by reducing expenditure on formal social care. In 2020/21 that priority will be supported by new contracts for technology enabled care and hospital discharge services as well as by additional extra care housing schemes.

5.7 The return on that investment will grow over time, since its primary focus will be around influencing future care needs. However, there will be some more immediate benefits and in 2020/21 this is expected to allow £2m of demand pressure to be managed within the limits of existing resources. That return will rise in future years and is enabling further demand absorption assumptions to be built into each year of the Medium Term Financial Strategy.

5.8 When set in that context, it is unfortunate that the Government's Green Paper on adult social care continues to be delayed, especially as they confirmed in October 2018 that "in the longer term, the Government is committed to putting social care on fairer and more sustainable footing". It is to be hoped that there will soon be more certainty about what this might mean. Welcome though it is that the Improved Better Care Fund (into which the Winter Pressures Grant is being transferred) and the Better Care Fund are both being extended into 2020/21, in status these remain one-off allocations and so are no substitute for a sustainable on-going settlement.

5.9 Similar uncertainty applies to the Public Health Grant, where the announcement in the Spending Review 2019 of a "real terms increase" in resources has yet to be followed with a confirmed grant amount and as

[1] https://westsussex.moderngov.co.uk/ieDecisionDetails.aspx?ID=576

there is a likelihood that at least part of this will be required to be spent on new responsibilities. Pending clarity on both of those fronts, the budget provides for equivalent spending to 2019/20, but it may be that an element of opportunity will arise in due course within an expenditure area that is subject to a grant that remains ring-fenced.

5.10 Savings of **£6.6m** are included to balance the County Council's overall budget, as described in Appendix 3.

5.11 The key explanations of the changes in the 2020/21 budget are shown in Table 7.

Table 7: Adults and Health Budget Changes

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

Children and Young People

5.12 The Children and Young People's budget for 2020/21 allows for net expenditure of **£129.6m**, which is a net increase of **£28.4m** compared with 2019/20. Around 82% of this is spent on responsibilities relating to children's social care, including the staffing teams carrying out those responsibilities. Around 7% in 2020/21 will be spent on improvement activities and the remaining 11% is spent on early help services, children's mental health services (in partnership with Health) and services designed to reduce youth offending.

5.13 The main reasons for that growth are as follows:

- Children's services were rated as inadequate by Ofsted in May 2019. As a result, the Children First improvement programme has been initiated. In order to ensure that the required improvement occurs in a timely manner and is sustained, funding to the value of £12m has been made available - £5.1m on a permanent basis and £6.9m temporarily. With this funding, a team of experienced senior improvement leads has been appointed on a fixed term basis to oversee and manage the improvement programme. Some of the additional services this funding

will buy are – social work practice improvement expertise, improved social worker recruitment and retention, leadership development, and change/project management support. Part of the improvement funding has also been transferred to other portfolios because the support for improvement includes corporate responsibilities such as HR, Communications and Customer Services.

- Demand for placements for children looked after has risen significantly in 2019/20. In recognition of the full year impact of new placements starting last financial year and to account for the demand growth forecast in 2020/21, an additional £12.4m has been allocated for placements.
- An additional £1.8m has been allocated to the portfolio on a temporary basis, as a result of the review into the Council's residential children's homes. Once the residential estate returns to fully operational status, reductions in the external placement budget will fund the County Council's increased operating costs.
- For Early Help, £1.95m is being added to the budget in 2020/21 to enable savings undelivered in 2019/20 to be reprofiled across the next two financial years. For 2020/21 the expectation is that £1m of savings will be delivered, followed by the remaining £0.95m in 2021/22. The outcome of the Early Help review will be a more targeted service supporting vulnerable children and families. Savings will be achieved through a rationalisation of the buildings that the Service operates from, leading to a reduction in the number of staff required to deliver the new service.

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

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

Table 8: Children and Young People Budget Changes

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

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

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

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

Economy and Corporate Resources

5.18 The Economy and Corporate Resources budget provides for net spending of **£52.7m**, which is a net increase of **£5.4m** compared with 2019/20. The majority of this relates to the Cabinet Member's responsibility for a range of support service functions together with outsourced contracts for support services and information technology. It also covers the costs of economic growth and One Public Estate programmes.

5.19 Legal Services has seen growth of £1m in order to meet the increasing demand from rising childcare cases. As of September 2019 the number of cases had risen to 117 from 94, 12 months previously. In addition the cessation of the ORBIS Legal arrangement with neighbouring authorities has meant that the expected saving in 2019/20 is now thought to be unachievable.

5.20 The HR function continues to experience pressure from the level of organisational change and challenges in relation to the Fire and Children's improvement plans. In order to address this, additional resource has been identified. In addition, savings previously expected in 2019/20 to be delivered within the service, particularly around staff terms and conditions, are unachievable.

5.21 The Council has also recognised that there is an increased requirement to address the condition of County Council buildings and additional funding has been identified to address the reactive maintenance budgets within the Facility Management Team.

5.22 We will continue to review our major contracts and strive to get best value for money from our current arrangements with our outsourced services provider.

5.23 The organisation has been pursuing a whole council design approach to service redesign and it is critical to ensuring a future sustainable budget. This approach has been reviewed and refreshed to focus on the delivery of tangible financial benefits and to support service redesign being delivered through the service directorates.

5.24 We have reframed the mandate of the programme which is now charged with delivering four cross cutting service redesign programmes that will deliver benefits and utilise the opportunities available from the implementation and use of technology and a move towards more digital ways of delivering services. The mandate will also include the provision of change services to support the service directorates deliver against their own challenging agendas.

5.25 Key cross cutting programmes include:

- Smartcore – preparing for and delivering the implementation of a refreshed ERP system to support back-office transformation and

improvement of our back-office processes. Change will be delivered through increased self-serve, changes in processes and policy and improved use of information and data

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

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

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

Table 9: Economy and Corporate Resources Budget Changes

Item	£m
Additional Funding to meet Childcare Cases	1.0
Reversal of undelivered ORBIS saving relating to 2019/20	0.3
Additional IT costs needed to deliver our digital strategy	0.5
Demand pressure within reactive maintenance budget	0.4
Reversal of staff charged to capital within Facilities Management	0.2
Additional HR Capacity for Children's Services improvement plan	0.8
Reversal of undelivered HR saving relating to 2019/20	0.8
Reversal of undelivered redesign of business processes saving relating to 2019/20	1.5
Pay and Price allowance	1.1
Reserves transfers	1.9
Savings	-2.8
Transformation expenditure funded on a one-off basis for 2020/21 from capital receipts as set out in the Capital Strategy (Annex 2a)	-0.7
Other service changes	0.4
Net change	**5.4**

Education and Skills

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

Table 10: Education and Skills Budget Changes

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

5.29 Based on an assumption that the number of pupils identified as needing additional support through an Education Health and Care Plan (EHCP) will

continue to rise at the current rate it is projected that expenditure in High Needs is set to increase by at least a further £7.3m in 2020/21. Since the current year's budget also includes one-off funding of £1.0m from the Local Authority and £2.4m from DSG reserves, this means that our underlying budget pressure next year stands at £10.7m.

5.30 With our High Needs DSG funding expected to increase by £8.4m in 2020/21, this leaves a budgeted shortfall on High Needs of £2.3m next year. The County Council has therefore requested a transfer of £2.4m from the Schools DSG block to the High Needs DSG block. This represents 0.5% of the total Schools block, and a decision is expected to be made by the Secretary of State for Education in early January. Based on current projections it is unlikely that there will be any funds remaining in DSG reserves at the end of 2019/20 and therefore the remaining £0.7m required to bridge the shortfall will result in the DSG reserves going into deficit.

5.31 The Home to School transport budget continues to come under pressure as a result of the continuing rise in SEND placements and higher contractual costs due to a growing shortage of drivers and the increased wage costs of escorts. £1.0m has been allocated to the portfolio to meet existing pressures in 2019/20 and a further £0.4m to meet growth in 2020/21.

5.32 The £1.8m transferred to reserves last year to help fund the creation of additional Special Support Centres in our mainstream schools in the capital programme has been reversed for 2020/21, and these funds together with the £1.0m one-off contribution to High Needs DSG in 2019/20 have been removed from the portfolio. Funding for Special Support Centres will be provided through existing grants and all funding for High Needs will be met through the DSG.

5.33 Planned savings total **£0.4m**. These include officer decisions in relation to a SEND transport review of solo taxis and improved trading income from schools (£0.3m), and strategic decisions in relation to a reduction in the Post-16 Support Service (£0.1m).

5.34 The Dedicated Schools Grant settlement has increased by **£38.8m** (6.5%) to £635.9m across both the Children and Young People (£49.1m) and Education and Skills portfolios (£586.8m) as per paragraph 4.29.

Environment

5.35 The Environment budget provides for net spending of **£60.4m**, which is a net decrease of **£2.7m** compared with 2019/20. Working with customers and partners the Waste Management team will continue their work to reduce waste going to landfill through education aimed at changing customer behaviour, as well as the use of alternative disposal routes such

as the Refuse Derived Fuel (RDF) contract and separate food waste collections.

5.36 Whilst there has been an increase in the cost of insurance provision at the Mechanical and Biological Treatment Plant (MBT) due to the existing provider withdrawing from the market, continuing work to refine the processes at the plant and further increase the amount of waste that can be diverted from landfill along with the commercial agreements that sit behind these arrangements, are expected to deliver benefits to the council.

5.37 Last year the council took the decision to move away from the locally agreed payments made to district and borough councils in respect of recycling credits and move to a rate of £61.12 per tonne. Legal advice has since clarified that there is no requirement for the County Council to pay credits to the district and borough councils and it is therefore proposed to remove this support.

5.38 The County Council will set aside £2m to support district and borough councils who commit to implementing a new service model for refuse and recycling collection, to a specification and timetable agreed with WSCC, including separate food waste collection.

5.39 The energy and sustainability teams continue to drive innovative and sustainable solutions to delivering the energy that the County requires particularly through the investment in our own renewable energy sources. 2019/20 has seen the service continue to expand the number of small scale installations at our schools. In addition, work is also progressing on feasibility work to deliver a large scale battery installation at Halewick Lane.

5.40 Table 11 explains the key changes in the 2020/21 budget.

Table 11: Environment Budget Changes

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

Finance

5.41 The Finance budget provides for net spending of **£13.9m**, which is a net increase of **£1.3m** compared with 2019/20. The majority of this budget relates to the Cabinet Member's responsibility for the Finance and Procurement functions. It also covers the capital planning and projects and asset management and estates teams, as well as various corporate items, for example insurance and precept payments levied by external bodies.

5.42 The County Council continues to invest in resource to better manage the commercial arrangements with its suppliers. Growth has been provided for within the Procurement and Contract Team however this is offset by the savings anticipated from increased control of spend through online purchases and greater commercialisation of frameworks that we procure.

5.43 The requirement to deliver the ambitious capital programme set by the County Council has meant that we have identified additional resource to bring forward the feasibility work to ensure that the pace of delivery can be maintained.

5.44 Table 12 outlines the key changes for the 2020/21 budget.

Table 12: Finance Budget Changes

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

Fire & Rescue and Communities

5.45 The portfolio budget provides for net spending of **£35.8m**, which is a net decrease of **£0.5m** compared with 2019/20. The budget includes the WSFRS which aims to provide an assured 24/7 emergency response service around the County. WSFRS also has a dedicated resilience and emergency team which along with the Council's support to community functions works to promote resilience and capacity across the localities of

West Sussex. The portfolio also includes the County Council's Library Service, Archive Service, Registration and Customer services which are all directed to provide excellent services to the county's residents.

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

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

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

5.49 The Library and Registrars services have experienced ongoing pressures as a result of changes to the National Living Wage and a HM Revenue and Customs ruling that VAT is chargeable on income that is not related to the provision of a Registrar at a ceremony.

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

Table 13: Fire & Rescue and Communities Budget Changes

Item	£m
Fire Improvement Programme	2.6
Council funding to reinstate budget up to the previous grant level for Fire Service Grant (Technical Rescue Unit)	0.4
Council funding to address shortfall in government grant relating to Fire Service Pensions	0.2
Libraries and Registrars pay and income pressures	0.4
Fire improvement (£1.2m) and Customer Experience expenditure (£1.4m) funded on a one-off basis from capital receipts for 2020/21 as set out in the Capital Strategy (Annex 2a)	-2.6
Pay and price allowance	0.9
Savings	-1.9
Transfers between portfolios	-0.7
Other service changes	0.2
Net change	**-0.5**

Highways and Infrastructure

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

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

Table 14: Highways and Infrastructure Budget Changes

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

Leader

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

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

Non-Portfolio

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

Table 15: Non-Portfolio Budget Changes

Item	£m
Transfers to and from earmarked reserves (net), including the removal of the Social Care Grant (-£5.2m), transfer from the Service Transformation Reserve (-£4.9m) and a contribution to the Budget Management Reserve to partially replenish the reserve following its use in 2019/20 (+£3.0m)	-6.9
Removal of transfer to earmarked reserves re 75% Business Rates Pilot	-18.1
Increase in the revenue contribution to capital	0.8
Increase in the capital financing costs including an increase in the interest payable on the additional external borrowing undertaken in 2019/20	1.0
Increase in contingency to deal with potential volatility in demand pressures, impact of changes to the National Living Wage following the Chancellor's announcement in September and any additional pressures that may arise when considering funds required for the Improvement Plans for Fire and Rescue Services and Children's Services.	3.4
Forecast increase in the investment income budget reflecting both an anticipated higher cash balance and an improved return on the Council's longer term investments	-1.0
Reallocation of the LGPS Lump Sum payment which started in 2019/20 from non-portfolio budget to the service portfolios	0.5
Net change	**-20.3**

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

Section Six: Future Financial Risks

6.1 There are a number of major sources of change ahead from the external environment. These offer varying degrees of opportunity but also potential financial risk and instability over the medium term.

- The potential impact from implementing the decision to leave the European Union and its influence on the UK's economic performance and the state of the nation's public finances and the availability of people in areas like social care which have become heavily dependent on EU nationals. Any impact is likely to feed into the next Spending Review which will set national spending allocations for local authorities from 1 April 2021.

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

- The Government's implementation of the 75% business rate retention system is linked to the wider fair funding review. This is anticipated to be done in a way that is cost neutral nationally, but with differences arising at local levels. County councils are expected to increase their share of local business rates from the current 10% allocation, but will lose other funding streams to maintain the overall national cost neutral position. In the long run, such a change provides an opportunity to increase the funding derived from the growth in business rates. However in the short term, there are three consequences to highlight:

    - it will involve a reset of the business rate system and therefore a loss of part of the real term growth in business rates revenue we currently use to help support the base budget;
    - additional reliance on a volatile income source (business rates) which can vary from year-to-year for many reasons places a greater emphasis on ensuring the Council's reserves are strong and able to provide a short term safety net for any sudden drop in this source of income; and

- while the scheme is expected to be designed to operate in a cost neutral way nationally, at local authority level, there will invariably be 'winners and losers'.

- There remains considerable uncertainty over future funding arrangements for adult social care. Although Government committed in October 2018 to "putting social care on fairer and more sustainable footing", the repeated postponement of the Green Paper on adult social care leaves the service heavily dependent on non-recurrent sources of funding such as the Improved Better Care Fund. Until there is a parallel Long Term Plan to that of the NHS, the contribution of adult social care to the overall health and care system will not be maximised and by encouraging short term decision making it adds to the risks that the County Council faces.

- The implications of the next Spending Review for local government funding are unclear. The Spending Review sets the overall framework of funding allocations to Government Departments and the national total for local authorities and is due to come into effect from 1 April 2021. The degree of any further austerity with public finance and how it will impact on the Council's funding, can only be informed by our best estimates until the Spending Review is announced.

- Service budgets already include an allowance for inflation, where appropriate. But there remains a risk that either through general inflationary pressures or due to contractual matters, additional costs could add to service pressures in 2020/21. Also, in the longer term, if actual inflation exceeds the Council's assumptions in the MTFS, this could potentially add significantly to the budget pressures we face.

- The demographic profile within West Sussex indicates that we have a higher and growing proportion of older people, which will bring increased demand for services, particularly adults' social care. In addition to this, we are also facing growing demand pressures from increased complexity of care needs, both of which may result in additional financial pressures.

- Within social care growing demand, whether from children looked after, people with a disability or older people, is a major risk. Part of this is the result of population growth, but equally relevant as cost drivers are rising complexity of needs and market-related pressures because of competition for service provision. The proposed increase in the National Living Wage to £10.50 per hour by 2024/25 will add further to this mix of factors. In Children's there are specific risks because of the outcome of the Ofsted inspection and the planned transfer of services into an alternative delivery model that will have operational independence from the Council. Experience from other local authorities who have found themselves in this situation indicates that this can

prove costly. For Adults and Health a key priority will be promotion of independence because of its potential to deliver better care outcomes and make more cost effective use of money. However, this will be aimed at influencing the care needs of future customers, which makes both the quantum of benefits and the speed at which they will accumulate subject to inevitable uncertainty. Although the assumptions in the MTFS about the ability of adult social care to absorb demand pressure have been abated to reflect this reality, the challenge of delivering transformational change is among the main reasons why the Adults and Health budget will continue to require very close monitoring.

- Changes in legislation or accounting policies in the future may have a financial impact for the Council. Any developments will be closely monitored and if there is any impact, these could potentially be mitigated through reserves.
- The Council will continue to keep the MTFS under review given the high degree of uncertainty surrounding the potential impact from government policy, and the wider considerations on the state of public finances in future.

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

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

> 'By the end of 2019/20 the County Council will have delivered nearly £240m of savings since austerity began with public finances in 2010. Setting a balanced budget has become more challenging each year as we deal with uncertainty in government funding as well as increasing demand and costs in our social care services.'
>
> **2019/20 financial position**
>
> 'The current year's budget has come under intense pressure and we forecast to overspend by £16m on service budgets due to rises in demand and non-achievement of savings, although the use of capital receipts flexibilities will reduce the drawdown on reserves to between £7m and £8m. This drawdown on reserves will have an impact on the Council's financial resilience.

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

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

Reserves

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

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

'As part of the budget strategy for 2020/21 the replenishment of the Budget Management Reserve has been built into the MTFS. In addition, the Capital Infrastructure Reserve, previously held for A27 works, has been consolidated into the Budget Management Reserve. These funds were set aside many years ago, when the then Government suggested that some financial contribution would be required if we wanted the existing A27 Chichester by-pass upgraded. This contribution is no longer needed as we anticipate that any future plans, as well as most likely being several years away, will be fully funded through the Government's road programme. We anticipate the balance on the Budget Management Reserve will be £32.0m at the end of 2020/21.

'The budget does not provide specific funding for any unforeseeable, extraordinary items of major expenditure, for example, the implications of flooding within the county. Subject to the magnitude of the extraordinary event, if such an event were to occur, it would have

to be funded from existing the General Fund Reserve (with a balance estimated at £20.3m by 31st March 2020) if the general revenue contingency budget was exhausted.

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

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

Managing 2020/21 budget

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

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

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

CIPFA Financial Resilience Index

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

Conclusion

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

Katharine Eberhart
Section 151 Officer'

Section Eight: Precept and Council Tax

8.1 The 2020/21 council tax base is 337,509.60 Band D equivalents, and is set out across the district and borough councils in Table 16 below. The table also shows the sums due under precepts from the respective authorities.

Table 16: Tax Base and Precept 2020/21

District/Borough Council	Tax base	Precept
Adur	21,310.30	£30,659,981.02
Arun	62,244.00	£89,552,932.56
Chichester	54,133.30	£77,883,744.04
Crawley	35,811.90	£51,524,013.01
Horsham	63,029.00	£90,682,343.46
Mid Sussex	61,711.60	£88,786,947.38
Worthing	39,269.50	£56,498,600.43
Total	337,509.60	£485,588,561.90

8.2 The impact of a 1.99% increase in Council Tax for General Fund purposes and a further 2% for Adult Social Care, considered in the budget proposals

outlined in the previous paragraphs, imply a precept requirement of £485.589m and a Band D council tax of £1,438.74.

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

Section Nine: Equality Act Considerations

9.1 The County Council formulates its budget proposals having regard to the duties under the Equality Act 2010 and the likely impact on those with protected characteristics, as set out in the Treating People as Individuals Policy.

9.2 In the assessment of individual proposals and in the overall assessment of its plans for savings across portfolios the County Council must have regard to the public sector equality duty. This will ensure that all decisions that will be finally taken include an understanding of the likely impact upon persons with protected characteristics and the steps that are planned to mitigate any adverse impact or otherwise address the commitments the County Council has to its duty. Appendix 3 also mentions any requirement for an Equality Impact Assessment as part of the decision on the saving.

9.3 The budget approval does not constitute a final decision about what the Council's service priorities and service budget commitments will be, or about what sums must be saved within each service portfolio. Specific executive decisions will be taken by the relevant portfolio holders and directors, and shall be made based on a clear understanding of what the potential impacts of doing one thing rather than another will be for the residents of West Sussex. It will be open to directors and Cabinet Members at the time of taking those decisions to choose to spend more on one activity and less on another or, where necessary, to go back to County Council and invite it to reconsider the allocations to different service budgets within the overall Council budget that has been set.

9.4 An overarching Equality Impact Assessment has been carried out and is set out at Annex 3.

Section Ten: Other Issues

Human Resources Implications

10.1 The savings proposals already submitted and agreed by Cabinet Members and those specified within the budget indicate a potential impact for up to 18FTE, where known. This figure may change as plans develop over the coming months. This currently equates to approximately 0.4% of our active workforce as at the end of September 2019. Full consultation has and will continue to occur when needed.

Legal Implications

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

KATHARINE EBERHART

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Background Papers

None