

Revenue Budget 2021/22, Capital Strategy 2021/22 to 2025/26 and Treasury Management Strategy Statement 2021/22

EXECUTIVE SUMMARY

This budget report forms part of the approach for financial stability, not only setting out the balanced budget for 2021/22, but also looking over the medium to long term as well, whilst ensuring that we deliver on the key priorities within the West Sussex Reset Plan. The report sets out how we propose to balance the budget for 2021/22, as well as providing an update on the Medium-Term Financial Strategy (MTFS) for the subsequent three year period to 2024/25. 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.

The proposed budget keeps within the 2% reasonableness threshold for core council tax rises and uses the flexibility to raise a further 3% precept for Adult Social Care (ASC). Both of these were announced in the Comprehensive Spending Review in November 2020 and confirmed in the Provisional Local Government Finance Settlement for 2021/22. Using these flexibilities provides us with much needed certainty on funding for 2021/22, 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 3% Adult Social Care precept, giving a proposed total council tax rise of 4.99% for 2021/22.

Net revenue expenditure of £624.833m is proposed for 2021/22, an increase of £31.0m (5.2%) compared with 2020/21. 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.

Engagement with members, including two members' briefings during the year, as well as being reviewed by scrutiny committees, have kept members informed about the developing budgets. These budgets have been extremely challenging, set against the context of great uncertainty from the ongoing pandemic, as well as the government's decision to once again set out a one year Comprehensive Spending Review (SR20), which was announced on 25th November 2020. This was followed by the Provisional Finance Settlement which was released on 17th December 2020. The savings required to achieve a balanced budget for 2021/22, together with early savings plans for subsequent years, 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 Reset Plan, together with details of the proposed 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 2021/22, 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 West Sussex Reset Plan, the Medium Term Financial Strategy and the Provisional Local Government Finance Settlement and noting the Director of Finance and Support Services' assessment of the robustness of estimates and adequacy of reserves (Section 6), the following items be approved:

- (1) Net revenue expenditure in 2021/22 of £624.833m (as set out in paragraph 4.1 and Appendix 1).
- (2) An increase in council tax in 2021/22 of 4.99% comprising 3.00% for Adults' Social Care and 1.99% to support other General Fund services
- (3) The following amounts be approved for the financial year 2021/22 in accordance with Section 42A of the Local Government Finance Act 1992:
 - (a) That the council tax requirement for 2021/22 is £509.476m.
 - (b) The council tax base for the year 2021/22 is the aggregate amount calculated of Band D equivalents by the billing authorities to which the County Council issues precepts totalling 337,276.40.
 - (c) The amount of council tax being the council tax requirement at 3(a) above divided by the council tax base at 3(b) above, shall be £1,510.56 to the nearest penny for Band D.
 - (d) 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	£1,007.04	E	£1,846.24
B	£1,174.88	F	£2,181.92
C	£1,342.72	G	£2,517.60
D	£1,510.56	H	£3,021.12

(e) That the district and borough councils be requested to make payments totalling £509.476m to West Sussex County Council of sums due under precepts calculated in proportion to their council tax Band D equivalents as set out in section 7 of the report.

(4) 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 appropriate reserve.

(5) The following further provisions:

(a) The Capital Strategy for the period 2021/22 to 2025/26, as set out in Annex 2(a).

(b) The Flexible Use of Capital Receipts Strategy as set out within the Capital Strategy, Annex 2(a), section 7.

(c) The Treasury Management Strategy Statement 2021/22, as set out in Annex 2(b).

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

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Section One: Introduction

- 1.1 2020 has clearly been an extraordinary year, with the Covid-19 pandemic providing a number of financial challenges during 2020/21 but also having a significant impact upon the review and development of the Medium-Term Financial Strategy (MTFS) for 2021/22 and beyond. The impacts have been felt both locally and nationally, making this year's budget setting process one of the most challenging in recent memory. As a point of reference, the Office for Budget Responsibility (OBR) has forecast that the economy will contract by 11.3% this year, the biggest decline in three centuries. It is likely to take until the end of 2022 for the economy to return to its pre-pandemic size.
- 1.2 West Sussex County Council (WSCC) has not only risen to these challenges and played a leading role in the response to the impact of the pandemic across all its services, but in particular in the areas of Adult Social Care and Community Services, whilst simultaneously bringing on board a number of new members of the Executive Leadership Team and continuing to deliver on the improvement plans established for both the Children's Services and the West Sussex Fire & Rescue Service.
- 1.3 The response to the direct challenges of Covid-19 by West Sussex County Council, together with other partners including our district and borough Councils, whether in terms of social care, support to vulnerable individuals and families, safely re-opening schools, supporting suppliers and partners including the NHS and school transport, has clearly demonstrated the strength of local government and the commitment of all our officers and Members to supporting the residents of West Sussex.
- 1.4 Alongside the budget and Medium-Term Financial Strategy sits the Council's new corporate plan – the Reset Plan (2021/22 to 2024/25). The Reset Plan has been developed collaboratively with elected Members, WSCC staff, partners and communities to prioritise the most important areas that the Council needs to focus on going forward, in order for the Council's limited resources to be spent and focused on the areas that it is needed most.
- 1.5 The Reset Plan has been developed in parallel with the budget for 2021/22 and is fully funded. As it is aligned to the budget and medium-term financial strategy, it acts as the framework in which investment decisions can be made based on the priorities of the Council and the outcomes we want to achieve for people in West Sussex. An integrated business and financial planning cycle, based on a good understanding of the factors that drive high quality financial management and service delivery, reflecting the national and local policy context, a comprehensive understanding of the financial position (revenue and capital) and the service challenges in supporting the needs of residents, businesses and communities is a key

factor in achieving value for money and a sustainable and resilient financial framework.

- 1.6 The Reset process brings together our business planning, financial planning and risk management processes. It provides the framework for the County Council's decision making and planning to ensure we are making the very best use of the resources available, understanding the value for money we deliver and at the same time remaining focussed on our priority outcomes. It will also ensure we understand the implications of the tough choices that will need to be made in the face of huge resource and demand challenges, as well as the on-going uncertainties arising from the pandemic, Brexit and outstanding questions about the future of local government funding.
- 1.7 Back in February 2020, when the Council set the budget for 2020/21, it was anticipated that there would be a three year Comprehensive Spending Review undertaken by the Government ahead of 2021/22. However, due to the Covid-19 pandemic, the Government deferred this review for a further year and the Chancellor of the Exchequer announced a one year Spending Review for 2021/21 on 25th November 2020. More details are reflected below.
- 1.8 The impact of the pandemic and the many financial challenges we have faced in this very fast changing situation, together with the uncertainty around future Government funding until the Provisional Finance Settlement was announced in December, meant that finalising the budget was delayed until late in the year. However, despite these challenges to being able to finalise a provisional balanced budget for 2021/22 and to reviewing the MTFs, a programme of work, overseen by the Executive Leadership Team, did continue throughout the year. Although later in the year than normal, Members have also been engaged in this process, whether via two dedicated Members Days or via the more formal Cabinet and Scrutiny committee meetings.
- 1.9 Our improvement journey includes the redesign of business processes to transform services, reduce costs and manage demand. Part of the funding for the work to achieve these ongoing improvements comes from the flexible use of capital receipts. The Flexible Use of Capital Receipts Strategy, which is included in the Capital Strategy (**Annex 2(a)**), outlines the approach.

Covid-19

- 1.10 Covid-19 has had a material impact upon the financial management challenges of 2020/21. However, a number of funding streams have been made available by the Government to local authorities to address these budget pressures. These funding streams have covered both specific purposes, such as the Infection Control Fund, and generic funding that has provided WSCC with flexibility to use it in line with local circumstances, for example in relation to providing support to care providers. In total the funding provided by the Government thus far to West Sussex County Council

to address the impact of Covid-19 in 2020/21 amounts to £89.1m, as set out in Table 1 below. It is likely that additional funding will be provided before the end of the 2020/21 financial year, in particular in recognition of West Sussex entering into Tier 4 over the Christmas period.

Table 1 – Covid-19 Government Grants

Income and Estimated Grants:	£m
Covid-19 non ringfenced government grant	(45.853)
Infection Control Grant	(24.321)
Test and Trace	(3.179)
Partnership Funding CCG - Social Care Market	(1.061)
Contain Outbreak Management Fund	(6.912)
Reimbursement of lost income	(2.700)
Emergency food grant	(0.737)
Home to school transport	(1.102)
Protect and increase travel services (emergency active travel fund)	(0.234)
Winter support grant	(2.493)
Bus support services	(0.249)
Travel demand management	(0.175)
Wellbeing for education	(0.090)
PPE Storage	(0.011)
Estimated Grant/ Income	<u>(89.117)</u>

Managing the Pandemic in 2021/22

- 1.11 As part of the Government's Spending Review (SR20) announced on 25th November 2020, the Chancellor, Rishi Sunak MP, made a commitment to provide support for Covid-19 pressures emerging in 2021/22.
- 1.12 In recognition of the rapidly changing circumstances relating to the impact of the pandemic, it is too early to know the cost implications of the pandemic for 2021/22, consequently no cost pressures have been factored into the budget at this stage. The funding announced as part of the SR20 will consequently be maintained in a specific reserve to manage costs as they emerge. Further information on the funding allocations are outlined later in the report (paragraph 2.8).

Section Two: Spending Review and Financial Settlement

Spending Review 2020

- 2.1 The SR20 announcements directly impacted the planning for the 2021/22 budget for West Sussex County Council. The most significant aspects were in relation to the following;

- a. Council Tax Flexibilities –
 - i. Council Tax threshold remains at 2%.
 - ii. Adult Social Care Precept – Council Tax can be increased by up to 3%.
 - b. Pay will increase for all staff on Spinal Column Point 15 or below, for other staff there will be a pay pause for 2021/22.
 - c. There is an additional grant for social care, worth £300m across the whole country, but WSCC will only receive an additional £800k share of this grant.
 - d. The national Infrastructure Strategy is likely to come with funding streams either via the new Infrastructure Bank or the Levelling Up Fund (worth a total of £4bn), which will be open to all local authorities to make bids to.
 - e. Further Covid-19 funding will be made available, which will provide additional support in relation to Council Tax, Business Rates and irrecoverable income, alongside further direct support to meet the impact upon service delivery.
- 2.2 In addition to these announcements, there was also confirmation that existing grant funding, that was due to end in March 2021, will be continued for the duration of 2021/22, ensuring that funds linked to the Troubled Families programme, the Improved Better Care Fund (iBCF), the Social Care Support Grant and the New Homes Bonus will continue to be available.
- 2.3 The Government has recognised that the funding arrangements for Adult Social Care need to be reviewed and updated, recognising that the demand for care and support is continuing to rise, as are the associated costs. The Care Act 2014 was originally intended to provide a basis for the consolidation of statutory duties, in particular in regard to the assessment of care needs and how these assessed needs were met, to be followed by a subsequent implementation of funding reform, addressing the issues of individuals responsibility for paying for their care needs and the broader funding of adult care service provision. The funding reform element of the Care Act 2014 was not implemented, reflecting a desire by successive governments to revisit the proposals for reform, consequently the funding issues have evolved and worsened in the intervening period.
- 2.4 The Government acknowledged that reform was required following the General Election in 2019, indicating that there was an intention to bring forward reform proposals during 2020. This commitment has subsequently been delayed, at least in part, as a consequence of the impact of Covid-19 and currently there is no indication of when reform proposals will be brought forward. As a direct consequence of this delay, and in further recognition of the budget and service pressures that Adult Social Care is facing, the Government has provided scope for local authorities to levy an additional precept on Council Tax, up to a maximum level of 3%. The decision about the level of precept set has been left to local authorities. Whilst the discretion provided is welcome, a long-term sustainable funding

arrangement would be a significant improvement on current arrangements, supporting effective planning and strategic decision making.

- 2.5 In 2020/21 Adult Social Care represented the largest financial commitment for the County Council, other than Education services funded by separate ring-fenced funding. The demand for Adult Social Care services as well as the complexity of the care and support required continues to increase, consequently driving associated costs higher. Implementing the Adult Social Care precept increase of 3% would deliver an additional £14.6m of funding, which would support a more sustainable financial outlook for both Adult Social Care services and WSCC as a whole, recognising that the financial challenges facing WSCC will be significant throughout the duration of the MTFS as reflected below in Table 2 (paragraph 3.5).

Local Government Finance Settlement

- 2.6 The Provisional Local Government Finance Settlement, published on 17th December, provided confirmation of the key announcements outlined in the SR20:

- A maximum increase in precept of 5% - a core increase of 2.00% and up to 3% for Adult Social Care
- An increase in Core Spending Power of 4.5%, assuming all authorities levy the maximum precept allowed in 2021/22
- The roll forward of £1.4bn of Social Care Grants plus an additional £300m of funding
- Continuation of the New Homes Bonus with no new legacy payments

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

Settlement Funding Assessment	£79.257m
Improved Better Care Fund	£20.006m
Social Care Support Grant	£18.169m
New Homes Bonus	£2.352m

- 2.8 Further details of the Local Government Covid-19 Support Package for 2021/22 were announced alongside the Provisional Local Government Finance Settlement. The package comprises of £1.55bn of unringfenced grant to manage both the immediate and the long term impacts of the pandemic; £670m to enable councils to continue reducing council tax bills for the least able to pay; and an extension of the sales, fees and charges income support scheme to June 2021. The allocations currently published provide the following additional funding to the Council:

Covid-19 Emergency Pressure Grant	£15.618m
Local Council Tax Support	£6.628m

Local Government Funding Outlook

- 2.9 As a consequence of the impact of the Covid-19 pandemic, further delays have been experienced in undertaking national reviews that will have significant impacts upon the future of local government funding, including the following;
- The Fair Funding Review and Business Rates Review, which will seek to review and implement an equitable basis for the distribution of funding to local government in England, scheduled for implementation in April 2021, has been delayed further.
 - The Business Rates Review, seeking to establish a long term approach to sharing risk and reward in growth has similarly been delayed.
- 2.10 There continues to be a possibility that income derived from both Council Tax and Business Rates will be adversely affected as the economy adjusts to the impact of Covid-19, whilst the economic impact of Brexit also has the potential to affect the financial outlook for local government funding, both of these aspects will be kept under review.
- 2.11 The financial difficulties faced by local authorities have been highlighted in particular by the recent experiences of the London Borough of Croydon and Nottingham City Council, emphasising the importance of prudence and financial resilience. WSCC continues to demonstrate these qualities, as reflected within the external audit report for the financial year 2019/20 and the prioritisation of maintaining our reserves at an appropriate level.

Section Three: Medium Term Financial Strategy 2021/22 to 2024/25

2020/21 Budget Position

- 3.1 Since the budget was approved in February 2020, the council has been faced with the effect of the Covid-19 pandemic. Priorities and planned activities have changed significantly as have the financial challenges.
- 3.2 The latest published forecast outturn position shows an overspend of £5.5m which will be managed through further management actions and/or the use of the revenue contingency. This reflects a £0.1m projected overspend for County Council business as usual activity and £5.4m is the estimated shortfall between the costs of managing the pandemic, including loss of income and undeliverable savings programmes, and the funding supplied from central government.
- 3.3 The projected overspend excludes an estimated £20m loss of business rates and council tax receipts for 2020/21, as the Government are allowing councils to repay collection fund deficits over the next three years.

3.4 The on-going impact of Covid on council's finances is not fully known and is dependent on a number of factors, such as the time it takes for the economy to recover, the impact on employment for residents and on the demand for council services, particularly for demand-led services such as adults requiring care and children and families in need of support. Some factors, such as the repayment of the collection fund deficit have been provided for in 2021/22 as detailed in paragraph 3.29.

Next Four Financial Years: 2021/22 to 2024/25

3.5 Throughout 2020/21 a programme of work has been undertaken to review the MTFs and set a balanced budget. The current medium term position, is set out in Table 2 below, which reflects that a balanced budget has been identified for 2021/22, in accordance with WSCC's statutory responsibilities, which represents a significant achievement given the scale of the challenges faced when the budget planning work commenced.

Table 2: Budget Gap

	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Adults Social Care & Health	210.0	217.1	226.2	236.0
Children and Young People	132.6	139.6	145.5	152.9
Economy & Corporate Resources	49.9	50.5	51.4	52.6
Education & Skills	21.8	23.0	24.2	25.5
Environment	62.1	63.1	64.1	65.7
Finance	15.8	17.0	17.8	18.6
Fire & Rescue and Communities	38.0	39.4	39.0	40.0
Highways & Infrastructure	36.6	37.8	39.0	40.6
Leader	1.5	1.5	1.5	1.5
Non Service*	56.5	80.6	62.1	58.0
Sub-total	624.8	669.6	670.8	691.4
Projected funding	624.8	633.8	656.9	687.2
Budget Gap	0.0	35.8	13.9	4.2

*22/23 assumes additional responsibilities following move to 75% Business Rates

3.6 The means of providing a balanced budget proposal has involved a combination of a number of moving factors;

- Savings Proposals.
- Demand Pressure Estimates.
- Local Government Finance Settlement.
- The rate of inflation as reflected by the Consumer Price Index in September 2020.
- The outlook for future Council Tax and Business Rates collection.

- 3.7 A summary of the movement since November 2020 is detailed below in Table 3:

Table 3: Movement in Budget Gap – from November 2020

	2021/22 £m
Net Budget Gap – Cabinet 24th November 2020	23.4
Adult Social Care precept – 3%	-14.6
Social Care Support Grant – additional funding	-0.8
New Homes Bonus – additional funding	-0.7
Tax base updated for latest estimates	0.4
Reduction in demand pressures	-6.4
Changes linked to published September CPI/RPI	-4.9
Contingency for pay	2.2
Adjustment to savings	1.4
Updated budget gap	0.0

Reserves

- 3.8 Reserves held by WSCC ensure that there is financial provision set aside to meet known future one-off commitments or liabilities, known as earmarked reserves, but also as a means of ensuring financial resilience against unknown events and risks, known as general reserves. In the context of the current circumstances of a pandemic and a significant period of change and financial challenges, it is critical that WSCC continues to maintain an appropriate level of both earmarked and general reserves, recognising that by definition these reserves can only be used once.
- 3.9 The Medium Term Financial Strategy is a key tool in ensuring that this outcome is achieved, recognising that the finances of the Council need to be sustainable in the medium term and that, whilst the use of general reserves can be appropriate to support the delivery of service improvements on an invest to save basis, as with the Service Transformation Reserve, reserves may also need to be replenished to maintain effective financial resilience and risk management. The one-off nature of reserves and their purpose consequently serves to emphasise the importance of revenue budgets being sustainable rather than depending upon the use of reserves. The proposals within this report fundamentally reflect this reality.
- 3.10 The overall projected levels of usable reserves and balances are reviewed annually. Earmarked reserves (excluding schools) are forecast to stand at £166.6m by 31st March 2022, with a further £20.3m held in the General Fund.
- 3.11 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 in year expenditure if the

revenue contingency budget was exhausted. The balance on the reserve as at 1st April 2020 was £35.1m and it is anticipated that the balance will be £38.2m at the end of 2021/22. The reserve provides a safety net against a number of critical assumptions around funding, the non or late delivery of savings in 2021/22 and any legislative or accounting changes imposing new burdens. Given the current unprecedented circumstances, it is even more important to hold this reserve.

- 3.12 One key change as a result of the funding received from central Government as part of the SR20, is the Council is now holding £22.2m in the Covid-19 Emergency Fund, as set out in paragraph 2.8. It is anticipated that this funding will be drawn down to the revenue budget during the year as required to meet additional pressures arising from the pandemic.
- 3.13 The Service Transformation Fund is forecast to have a balance of £9.1m at 31st March 2021. It is planned to use this reserve to fund a number of the council's transformational projects during 2021/22:
- work to support the transfer from the current outsourced provider for both the information technology services to a new provision model during the summer 2021 and the remainder of the support services ahead of the contract end in September 2022,
 - costs supporting the implementation of Oracle Fusion which covers Finance, HR and Procurement processes,
 - any further investment in the Council's Improvement Programmes.
- 3.14 Any drawdowns from the reserve will be reported in the quarterly performance monitor. An alternative source of funding for these transformational activities could be capital receipts, in line with the Flexible Use of Capital Receipts Strategy. The application of this strategy would depend on the level of capital receipts which the council is able to secure in 2021/22.
- 3.15 Given the Council is facing such a challenging financial future , 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.

Changes to the Budget

- 3.16 The detailed changes to portfolio budgets for 2021/22 are outlined in paragraphs 4.1 to 4.81 below.

Inflation

- 3.17 The total included for pay and price increases is £3.5m, 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:

- Pay budgets – the current provision reflects the CSR announcement on public sector employees and provides for £250 per fte for employees earning an annual salary of £24k and below. For all other employees, a sum of £2.2m (1%) has been set aside in a separate contingency to meet pay awards that may be agreed specifically for local government employees.
- A range of inflationary increases have been included for high value contracts, dependent on the specific indexing included within the contract.
- A 0% inflationary assumption on 'low priority' items.
- There remains a middle category of inflation where for 2021/22 the September CPI of 0.5% has been assumed.
- An assumed 1.1% (September RPI) on areas of discretion over income, as set out below in paragraph 3.19.

3.18 Overall, other than the inflationary adjustments set out in 3.17 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.

Fees and Charges

3.19 The proposal for any changes or increases to discretionary fees and charges are detailed in Appendix 7. The level of fees or income generated is influenced or dictated by a number of factors; the Localism Act 2011 and Local Government Act sets out the general legal framework regarding charging for services, as well as this, there are various other specific legal provisions and local policy objectives. The broad categories of the fees and charges can be also found in the Glossary of Terms within Appendix 7. Generally, in line with the County Council's policy to budget for cost inflation, the County Council increases its fees and charges by the published September Retail Price Index (RPI) rate which as at September 2020 increased by 1.1%.

Sources of Financing

3.20 The proposed budget has been developed to align with the priorities set out in the West Sussex Reset plan, and against a background of uncertainty for local government funding as national reviews for Fair Funding and Business Rates are delayed further due to the Covid-19 pandemic outbreak.

Settlement Funding Assessment

- 3.21 The Provisional Local Government Finance Settlement, announced on 17th December 2020, confirmed the Settlement Funding Allocation (SFA) as unchanged from the 2020/21 level of £79.3m. This is as expected and reflects the government's decision to freeze business rates for 2021/22.

Table 4: Settlement Funding Assessment

	2020/21 £m	2021/22 £m	Change £m	Change %
West Sussex	79.3	79.3	0.0	0.0
England	14,796.9	14,809.7	12.8	0.1

Business Rates: Baseline Funding Allocation

- 3.22 The West Sussex district and borough councils have yet to confirm their business rate estimates. Given this, and in recognition of the uncertainty faced within the business community from the pandemic and the forthcoming exit from the European Union, the County's 2021/22 budget assumes there will be no growth in excess of the business rates baseline.
- 3.23 As in previous years, we are also expecting to receive S31 grant compensation to recognise government decisions on limiting the increase in business rates. As these decisions have resulted in a reduction in the sum collectable by local authorities, the government has compensated for the loss in income through specific grants. For 2021/22, the Council has made no assumption of this grant and the sum due to West Sussex will be confirmed following receipt of the district and borough's business rate forecasts.
- 3.24 Given business rate estimates are not anticipated until late January, any variation from the assumed income for business rates will be adjusted through the Budget Management Reserve.

Business Rate Pooling

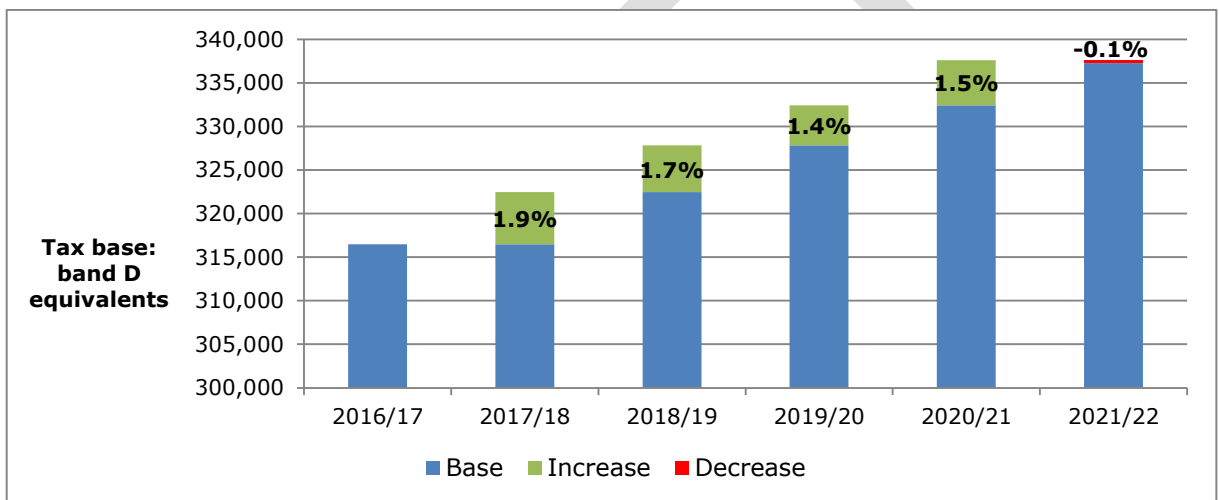
- 3.25 Since 2015/16 the West Sussex authorities have operated as a pool for business rate purposes. In the current year the arrangement consists of the County Council, Adur, Arun and Horsham District Councils. Pre the Covid-19 pandemic the pool was expected to deliver £4m for investment in projects but the final position, when confirmed in spring 2021, is likely to be reduced.
- 3.26 With economic uncertainty expected to continue into 2021/22 coupled with the UK's exit from the European Union, there is great uncertainty around the potential benefit of a business rate pool in 2021/22. The member authorities, upon considering the risks and potential exposure to business rate revaluations and appeals resulting from material changes of

circumstances relating to Covid-19, have notified the MHCLG that they no longer wish to be designated a pool for 2021/22. There will be no impact on the County's net expenditure as proceeds from the pool were held separately.

West Sussex Local Tax Base 2021/22

- 3.27 Based upon early estimates from the districts and borough councils, and in recognition of the impact the Covid-19 pandemic has had on employment and claimants for council tax support, the budget assumes a small reduction of 0.1% in the 2021/22 tax base. For subsequent years of the MTFs, the tax base is expected to recover from the pandemic and therefore an annual increase of 1% has been assumed. Figure 1 sets out the movement in the tax base since 2016/17.

Figure 1: Change in the County Council's tax base



- 3.28 If the final figure is lower than the level assumed, 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

- 3.29 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.
- 3.30 Due to the economic impact of the Covid-19 pandemic and the impact on employment and businesses, authorities are facing significant deficit repayments on their collection funds for 2020/21. In recognition of this, the Secretary of State for MHCLG, Robert Jenrick, announced on 2nd July, that "the repayment of collection fund deficits arising in 2020/21, will be spread

over the next three years rather than the usual period of a year, giving councils breathing space in setting budgets for next year”.

- 3.31 Accordingly, and in compliance with the Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020, a combined estimated collection fund deficit of £20m has been assumed, spread equally across three years from 2021/22 at £6.7m per annum. As this figure is still subject to confirmation by the districts and boroughs, any variation from this sum will be adjusted through the Budget Management Reserve.
- 3.32 Following the end of year calculation of the actual 2020/21 collection fund balance, the regulations prescribe that any difference between the estimated sum deferred and the actual deficit may not be adjusted.

Specific Grants

- 3.33 Alongside the SFA, the government also provides various specific grants. For 2021/22, the non-portfolio specific grants include:
- Social Care Support Grant – £18.2m, an increase of £0.8m from 2020/21 to reflect additional national funding of £300m announced in the SR20;
 - Local Council Tax Support (LCTS) – funding of £6.6m to compensate for the increased costs of providing local council tax support following the pandemic. As MHCLG are currently seeking views on the distribution approach, the allocation is indicative and subject to confirmation as part of the Final Settlement;
 - Covid-19 Expenditure Pressures Grant – £15.6m to reflect the County’s share of the £1.55bn announced as part of SR20 to enable local government to manage costs in 2021/22 relating to the immediate and long-term impact of the pandemic;
 - New Homes Bonus – £2.4m to reflect legacy payments relating to 2018/19 and 2019/20 plus an allocation for housing growth in 2021/22.
- 3.34 In addition, the portfolio budgets include service specific grants such as the Improved Better Care Fund and Dedicated Schools Grant. A summary of all known specific government grants, both service and non-portfolio, are detailed in Appendix 4 of the Budget Pack.

Section Four: Revenue Budget Proposals for 2021/22

- 4.1 After considering the Provisional Finance Settlement announcement, the budget assumptions for price inflation, business rates and council tax and the savings proposals, net revenue expenditure of £624.8m is proposed for 2021/22. This is an increase of £31.0m (5.2%) compared to 2020/21, 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 this report 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 2020/21		593.857	
Allowance for price rises	3.509		0.6
Commitments and service changes	22.125		3.7
Commitments and non-portfolio changes	23.855		4.0
Balancing the budget	-18.513		-3.1
Net increase		30.976	5.2
Net revenue expenditure 2021/22		624.833	

Changes to Portfolio and Non-Portfolio Budgets

- 4.2 The proposed changes to the budget for 2021/22 are explained by portfolio in the following paragraphs. These changes include growth to meet changing pressures of £46.0m, pay and price changes of £3.5m (detailed in paragraph 3.17 above) and balancing the budget activities of £18.5m.

Adults and Health

- 4.3 The Adults and Health budget for 2021/22 allows for net expenditure of **£210.0m**. 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.
- 4.4 Significant service-related pressures include:
- i. 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.
 - ii. 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, the average cost of a care package for older people has risen by £26 per week or 5.8% in the last year. During this time inflation, as measured by the consumer prices index, has consistently been less than 1%.
 - iii. Pay is the largest element of care providers' costs and so the National Living Wage (NLW) creates knock-on implications for the County Council. For 2021/22 the hourly rate will rise by 2.2% to £8.91 per hour; its coverage will also be widened to include all

people aged 23 and over. Whilst making provision to pay fee increases to providers at a level greater than a standard inflationary uplift is a matter of choice, in practice the state of the care market in West Sussex leaves limited options. This is a risk that has led the County Council to recognise the NLW as a growth pressure every year since it was introduced in 2016/17. The case for doing this in 2021/22 has been made stronger still by the impact of Covid-19 and the possibility that leaving the European Union may adversely affect the availability of care workers.

- 4.5 By utilising the proposed Adult Social Care precept of 3% for 2021/22, which amounts to £14.6m, a more sustainable funding position can be achieved. This approach will support the delivery of existing services alongside implementing planned service improvements and developments, with particular focus upon community based, preventative and collaborative working approaches with colleagues from Childrens Services, Education & Skills and Health.
- 4.6 Demand growth in 2021/22 amounts to £6.1m. Promoting independence as a priority has led to additional investment in areas such as technology enabled care, hospital discharge services and extra care housing. Planned expansion of the reablement service will also support people to remain within their own homes and communities, building upon joint working with Health. These service developments will eventually enable more people to be supported at a lower cost than would otherwise be incurred.
- 4.7 On an on-going basis the cost arising from demand pressures will remain a significant item within the Medium-Term Financial Strategy.
- 4.8 The Public Health Grant for 2021/22 will be frozen at the 2020/21 level. This means that the County Council's allocation will be unchanged at £34.7m. Consequently, the impact of inflation will continue to reduce the purchasing power of that funding at a time when Covid-19 has underlined the risks caused by health inequalities. Given the importance of helping people to stay healthy and well, not only for a better quality of life but also to relieve pressure on both the NHS and on our social services, this funding freeze is disappointing.
- 4.9 Planned savings of **£8.0m** are included to balance the County Council's overall budget, as described in Appendix 3.
- 4.10 The key explanations of the changes in the 2021/22 budget are shown in Table 6.

Table 6: Adults and Health Budget Changes

Item	£m
Growth for the effect of population change and rising complexity of needs	6.1
Growth for the National Living Wage	2.6
Pay and price allowance	0.3
Transfers between portfolios	-0.1
Reserves transfers	1.0
Savings	-8.0
Other changes	-1.3
Net change	0.6

- 4.11 In addition, the capital programme supports a range of investments in the care market, Extra Care and in-house improvements. Further details of the Capital Strategy can be found in Annex 2 (a).

Children and Young People

- 4.12 A key element of the Council's budget provides for children and families who are vulnerable and that the County Council has statutory duties to support. The Children and Young People's budget for 2021/22 allows for net expenditure of **£132.6m** and includes additional investment of **£6.1m** compared with 2020/21. Around 90% of this is spent on responsibilities relating to children's social care, including the staffing teams carrying out those responsibilities. The remaining 10% is spent on early help services, children's mental health services (in partnership with Health) and services designed to reduce youth offending.
- 4.13 Following the Ofsted inspection of our Children's services in May 2019, Ofsted undertook a further, focused review of the service in October 2020. The report highlighted that positive progress had been made on how social workers support families; higher than national average school attendance; and the progressed made following the recommendations of the last inspection. It also highlighted improvements in partnership working and in how the wider organisation now supports children's services. The visit, which focused on the service's response to Covid-19, said vulnerable children received the targeted support they needed during the pandemic and that children's needs were well supported. Following this report a revised Statutory Direction was issued on 10th December 2020

acknowledging that “conditions at the council have improved and now support the continued improvement of children’s services”, and as a result the setting up of a company to provide children’s social care services has been paused for 12 months.

- 4.14 The Children’s Minister stated that she was confident that “the building blocks were in place for improvements”, but she was also clear that there was still much more to do “to address the weaknesses identified in 2019, and bring the standard of service up to the quality that children and families in West Sussex deserve”. Ofsted were also clear that whilst the foundations for improvement have been put in place, there were still areas of poor practice, and the directorate is already working hard to address these. In order to ensure the required improvement continues at pace, a combination of temporary and permanent investment of £3.1m is being provided in 2021/22.
- 4.15 Demand for placements for children looked after has increased at an unprecedented rate during 2020/21, with placement volumes now at record levels and significantly more than the budget had allowed for. This creates a knock-on impact for 2021/22, which is why the budget is being increased by £9.8m, to recognise both the full year effect of this increase and the projected demand growth which is estimated to occur in 2021/22. The demand modelling also suggested that £12.5m would be required on a “do nothing different” scenario. However, in recognition that some of the demand is driven by children not exiting care in a timely manner, a lower increase of £9.8m has been assumed. This is a prudent approach given that there are two primary reasons for the delays in care exit; the first is poor permanence planning which is beginning to be addressed as part of the wider children’s improvement journey and the second is delays in legal processes and court systems due to the pandemic. The former is within the control of the service and is beginning to be addressed, however the latter is outside of the Council’s direct control. A further £0.25m has been allocated in recognition of additional staffing requirements arising from the increased number of children looked after. This growth allocation is partly mitigated by £1.8m of savings related to improved commissioning arrangements for placements for children looked after.
- 4.16 A further £1.3m has been added to the portfolio to develop an improved allowances scheme and support package for internal foster carers. The aim of this investment is to increase the proportion of children placed with internal foster carers and reduce the proportion placed with independent fostering agencies. Placements made with independent fostering agencies are significantly more expensive than the Council’s own in-house foster placements. Therefore, the outcome of having more in-house placements will be reduced placement costs and savings are expected to be delivered from 2022/23 onwards.

- 4.17 Within Early Help, a more targeted approach will be adopted that identifies and works with the most vulnerable children and families to improve their resilience and divert them from more costly social care interventions. Through this review, £1m of savings has been delivered in 2020/21 with a further £0.95m expected over the next two financial years.
- 4.18 The net growth budget for the Children & Young People's portfolio is significant. However, there are a number of planned transformation activities that will take place during 2021/22 which are expected to deliver further cashable savings from 2022/23 onwards. These are briefly outlined below:
- Implementation of the Family Safeguarding model of practice. A new service model is principally based on the Hertfordshire experience but also other nationally recognised pilot models. A very wide range of benefits have been seen to accrue, both for children and families, and for the service. Evaluation of these models has resulted in the following benefits being delivered:
 - Significant reductions in repeat police call outs to domestic abuse incidents between the parents of the families in the model.
 - Significant reductions in emergency hospital admissions for the adults within the families in the model.
 - Significant improvement in school attendance.
 - A reduction in children subject to child protection plans.
 - A reduction in care proceedings.
 - A reduction in use of 'care' by the County Council (in Hertfordshire there were 200 fewer under 12's in care compared with the previous year without the model).
 - Review of fostering allowances and fostering service redesign. The review and redesign has the ambition of increasing the proportion of internal fostering placements compared with external fostering placements, leading to savings being generated with effect from 2022/23.
- 4.19 Planned savings (net of DSG savings) of **£3.7m** are included to balance the County Council's overall budget, as described in Appendix 3.
- 4.20 The key explanations of changes in the 2021/22 budget for the portfolio are shown in Table 7.

Table 7: Children and Young People Budget Changes

Item	£m
Demand growth – placements for children looked after	9.8
Demand growth – increasing staff in children looked after	0.3
Children First improvement programme	2.9
Children First governance team	0.2
National House Project	0.3
Fostering allowances	1.3
One-off funding received in 2020/21	-8.7
Pay and price rise allowance	-0.1
Transfers between portfolios	0.3
Savings (total savings for the portfolio are £3.9m, with £0.2m relating to DSG – see Table 10)	-3.7
LA contribution to DSG (see Table 10)	0.5
Net change	3.1

- 4.21 In addition, capital investment includes a programme of development of existing Children’s Social Care placements to provide improved and more local services for vulnerable children and young people. Further details of the Capital Strategy can be found in Annex 2 (a).

Economy and Corporate Resources

- 4.22 The Economy and Corporate Resources budget provides for net spending of **£49.9m**. The majority of this budget relates to the Cabinet Member’s responsibility for a range of support service functions, including customer services, together with outsourced contracts for various support services and information technology. It also covers the costs of economic growth and feasibility support for the One Public Estate programme.
- 4.23 We continue to review and benchmark the provision of a range of support service functions, so that they provide the support required by frontline services in the most appropriate and efficient manner. The County Council has a long-standing partnership through an outsourced contract with Capita, to provide a number of these services, including information technology, administrative support, HR and payroll. These commercial arrangements will come to an end in September 2022 and work is already underway to review

the future of these services and, where appropriate, propose changes ahead of the natural conclusion of the current arrangements.

- 4.24 Work on the provision of information technology services has concluded that there are benefits to the council by moving to a new provision model at an earlier date. The proposed approach will better support the delivery of council services and the ability to transform its services to provide a modern, responsive and flexible digital, data and technology service. In addition, it is anticipated the new model will be delivered in a reduced cost envelope, delivering a £0.75m per annum financial benefit in a full year and £0.5m in 2021/22.
- 4.25 The past year has also seen the County Council 'in source' services that have previously been provided by Capita and this has seen a reduction in the payments made under the contract, with a corresponding increase in the cost of internally provided services. The largest of these was the insourcing of the Service Finance function and this accounts for a transfer of £1.5m between this portfolio and Finance.
- 4.26 The full impact of the pandemic has yet to be reviewed but it is clear that the way that we will be working in the future will be significantly different to the practices of the past. The County Council will be looking closely at future working practices, in order to ensure that we make the most of efficiencies that have been gained over the periods of enforced home working particularly in terms of travel costs.
- 4.27 The Council continues to invest in the implementation of Oracle Fusion, our new enterprise resource planning platform, which supports the Council with its HR and Finance processes. Replacing the current system will support the delivery of the automation and improved efficiency of existing business processes. It will enable the Council's workforce to work more effectively and efficiently, not least by supporting staff to undertake more tasks via self-service.
- 4.28 Planned savings of **£3.4m** are included to balance the County Council's overall budget, as described in Appendix 3. The key explanations of changes in the 2021/22 budget for the portfolio are shown in Table 8.

Table 8: Economy and Corporate Resources Budget Changes

Item	£m
Reversal of undelivered saving relating to the redesign of business processes in 2020/21	2.4
Reserves transfers	-3.5
Transformation (£0.7m) and Customer Experience (£1.4m) reversal of expenditure funded on a one-off basis for 2020/21 from capital receipts	2.1
Pay and Price allowance	0.7
Transfer between portfolios - insourcing of Service Finance (transfer to Finance portfolio)	-1.5
Savings	-3.4
Other service changes	0.3
Net change	-2.9

- 4.29 In addition, capital investment supports Growth Programmes which enable strategic infrastructure improvements, focused on improving connectivity and access to the town centres at the heart of the West Sussex economy as well as digital infrastructure for superfast accessibility for business and residents. Further details of the Capital Strategy can be found in Annex 2 (a).

Education and Skills

- 4.30 The Education budget for 2021/22 allows for net expenditure of **£21.8m** and includes additional investment of **£1.4m** compared with 2020/21.
- 4.31 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 external taxi drivers and the increased wage costs of escorts. £0.8m has been allocated to the portfolio to meet both existing pressures carried over from 2020/21 and growth in 2021/22.
- 4.32 Staffing levels within the Special Educational Needs Assessment Team have remained the same since 2016, whilst over the same period of time the number of children with an EHCP has increased by 20%. An additional £0.4m is therefore required in order to increase the capacity of this team so that it can manage over 5,800 pupils with SEND and help meet future demand.
- 4.33 Planned savings (net of DSG savings) of **£0.7m** are included to balance the County Council's overall budget, as described in Appendix 3.

- 4.34 The key explanations of the changes for the 2021/22 budget are shown in Table 9.

Table 9: Education and Skills Budget Changes

Item	£m
Home to School Transport to meet the increasing number of High Needs pupils and living wage pressures	0.8
Crawley Schools PFI for inflationary pressure	0.2
Special Educational Needs Assessment Team (SENAT)	0.4
Transfer between portfolios	0.1
Pay and price allowance	0.2
Savings (total savings for the portfolio are £0.8m, with £0.1m relating to DSG – see Table 10)	-0.7
Net change	1.0

- 4.35 Use of capital investment to support the Special Educational Needs Strategy, with a programme of investment in additional places in West Sussex schools, thereby enhancing the choices for children with special educational needs through making adaptations in mainstream schools to accommodate a wider variety of needs. The capital programme also funds additional school places to meet growing demand as well as expenditure to ensure safety within school through boundary and access improvements. Further details of the Capital Strategy can be found in Annex 2 (a).

Dedicated Schools Grant

- 4.36 The Dedicated Schools Grant settlement has increased by **£57.1m** (9%) to £693.0m across both the Children and Young People (£49.6m) and Education and Skills portfolios (£643.4m).
- 4.37 2021/22 is the fourth year of the National Funding Formula (NFF) for mainstream schools under the Dedicated Schools Grant (DSG). Allocations for next year have been announced, which include pupil growth, and West Sussex schools are set to gain £45.7m (9.3%). £23.4m of this funding relates to teachers' pay and pension employer contribution costs which were previously funded through separate grants. The remaining £22.3m equates to a 3% increase in most of the national funding formula unit rates and an increase in the Minimum per Pupil Funding levels to £4,000 for primary schools (as previously announced) and £5,150 (3%) for secondary schools. With the inclusion of an additional £180 and £265 per pupil respectively to cover the additional teachers' pay and teachers' pension employer contribution costs now rolled into the DSG, the actual funding rates will be £4,180 and £5,415.

- 4.38 The maximum sparsity value is set to increase from £26,000 to £45,000 for primary schools, and from £67,600 to £70,000 for secondary schools. This is set to be a first step in expanding and improving the support the NFF provides to small and remote schools. Further changes, planned from 2022/23, will be consulted on in due course.
- 4.39 The Central School Services DSG block is made up of two separate funding streams; one for the ongoing responsibilities of the Local Authority and the second for historic commitments. Although the former is set to increase by £0.2m (4.9%), again mostly due to teachers' pay and pension employer contribution costs which were previously funded through separate grants, the latter is being reduced by £0.8m (20%).
- 4.40 In order to help mitigate this reduction in funding and the impact this would have on children and young people, the Early Years DSG block funding contribution towards the cost of the Early Help Service is set to be increased by £0.2m in 2021/22 and a further £0.2m in 2022/23. This will increase the County Council's centrally retained element of the three- and four-year-old funding it receives to 4.5% next year and 5% in 2022/23, which is the maximum allowed under the national funding regulations.

Table 10: LA Contribution to DSG

Item	CYP £m	E&S £m
Reduction in DSG historic commitments funding	0.7	0.1
Savings	-0.2	-0.1
LA Contribution to DSG	0.5	0.0

- 4.41 The Early Years DSG block is set to increase by £1.2m in 2021/22 following an increase in the hourly funding rates of 8 pence for 2 year-olds and 6 pence for 3 and 4 year-olds. This allocation is a provisional one based on the January 2020 census and will be updated later in the year.
- 4.42 Funding pressures affecting the High Needs Block within the 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.

- 4.43 Our High Needs DSG funding from the Department for Education rose by £8.4m (10.4%) in 2020/21 and is set to rise by a further £10.8m (12.2%) in 2021/22, including £1.4m for teachers' pay and pension employer contribution costs which were previously funded through separate grants. These funding increases are welcome but are not enough to meet the increasing costs of providing for the number of children with education health and care plans (EHCPs).
- 4.44 Following increasing rates of EHCPs over the past five years, numbers have continued to rise at a lower level than previous years. This is largely due to the impact that the Covid-19 pandemic has had on the EHCP process this year, and the challenges that this has presented to the Special Educational Needs Assessment Team (SENAT) in terms of meeting the statutory timescales. With over 200 EHC needs assessments in process at the beginning of the autumn term we are expecting overall EHCP numbers to start rising sharply again over the remainder of the current year.
- 4.45 This year the High Needs block is currently forecast to overspend by £9m, and despite the increased funding announced for next year a further shortfall of £5.8m is also expected. Since the County Council's DSG reserves went into deficit for the first time at the end of 2019/20, it is now expected that this deficit will increase to £19m by the end of 2021/22. The County Council has therefore requested a transfer of £2.5m 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 January 2021.
- 4.46 In the meantime, the Council continues to adopt a long-term approach to the High Needs funding issue. The SEND and Inclusion Strategy for West Sussex 2019-2024, which built on the SEND strategy for 2016-2019 and the outcomes of the 2018 Ofsted/CQC SEND local area inspection, was published last year. This strategy will continue to help address some of the causes of the pressures on the High Needs block. Some of the action being taken under the strategy includes re-designating the post-16 provision at Oak Grove College to become more specialist from September 2021 and converting the freed up places into pre-16 places in order to reduce the number required in the independent sector, increasing the number of pupils aged 14-16 with SEND receiving education through Chichester College, and the setting up of a specialist outreach team to support the inclusion of year 7 learners with SEND in their local mainstream school.

Environment

- 4.47 The Environment budget provides for net spending of **£62.1m**. 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. Over £55m of our net revenue budget is dedicated to supporting our waste disposal and recycling infrastructure.
- 4.48 A planned refresh of the waste composition analysis that was supposed to take place during 2020 has been delayed due to the impact of Covid-19. However, the premise that food waste comprises the largest element of the residual waste stream is still seen as valid.
- 4.49 The changed working patterns arising from the restrictions imposed in response to the pandemic will have seen a shift in the mix of recyclables and residual waste. Much of the focus over the coming year will be understanding that shift and any impact that may have on the cost of disposal.
- 4.50 Trials will be undertaken in 2021 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.
- 4.51 Throughout the latter stages of 2019 and into 2020 the wholesale energy market has seen price decreases and increased volatility, impacted by high wind generation and influenced by the nationwide lockdowns. As a consequence, the income generated from the solar farms has been impacted. The budget for 2021/22 reflects the continued pressure that these market forces bring to the commercial investments.
- 4.52 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.
- 4.53 In July 2020 the County Council approved a new Climate Change Strategy with a vision that ...
- ‘In 2030, West Sussex County Council is carbon neutral and climate resilient, using our limited resources wisely. West Sussex County Council has enabled positive actions and behaviours across our county to mitigate and adapt to climate change’.
- 4.54 The strategy sets out our commitments to achieve this vision. It gives everyone working at, and with, the County Council a clear indication of our

priorities for the next ten years, to realise the short and long-term benefits for our organisation and for our communities.

- 4.55 Planned savings of **£0.5m** are included to balance the County Council's overall budget, as described in Appendix 3.
- 4.56 The key explanations of the changes for the 2021/22 budget are shown in Table 11.

Table 11: Environment Budget Changes

Item	£m
Increase in insurance premium for the Mechanical and Biological Treatment Plant	0.4
Reduction in market rates for generated energy	1.0
Highways and Transport Restructure cross portfolio movement	-0.4
Pay and price allowance	0.7
Reserves transfers	0.6
Savings	-0.5
Net change	1.8

- 4.57 The capital programme provides the means to invest in green energy technology supporting the Climate Change Strategy and targeting investment in low-carbon upgrade options for routine maintenance and planned projects. Further details of the Capital Strategy can be found in Annex 2 (a).

Finance

- 4.58 The Finance budget provides for net spending of **£15.8m**. The majority of this budget relates to the Cabinet Member's responsibility for the Finance and Procurement functions. It also covers capital planning and projects, asset management and estates teams, as well as various corporate items such as insurance and precept payments levied by external bodies.
- 4.59 The impact of Covid-19 has brought about new working practices across the County Council. There is now a strong move to establish these more flexible ways of working on a permanent basis. This means that we are unlikely to need all the administration assets that we currently hold. We are therefore undertaking a review of these assets, in order to understand which ones we need to retain for future use and which ones will be surplus to our requirements. The County Council will then look to dispose of those surplus

assets or, where it is more applicable, will try to maximise their use by looking creatively at how we might use them to support economic growth (e.g. sharing space in our buildings with other organisations, such as start-ups). For retained assets we will look at ways to reduce our overall energy consumption, in order to meet our ambition of being a net carbon zero organisation by 2030.

- 4.60 In order to take further advantage of these opportunities, the County continues to explore innovative ways to work with the private sector to increase the yield we can obtain from surplus assets. We are proposing to set up a Joint Venture (JV) with a long term partner to take forward, and benefit from, the development opportunities that are available by developing these sites with our partner, rather than simply selling the land to a developer. This proposal, setting up a JV with a professional development company, is an established model across a number of local authorities who are looking to maximise the returns from their surplus assets, whilst at the same time minimising the financial risk to the authority.
- 4.61 Planned savings of **£0.2m** are included to balance the County Council's overall budget, as described in Appendix 3.
- 4.62 The key explanations of the changes for the 2021/22 budget are shown in Table 12.

Table 12 Finance Budget Changes

Item	£m
Transfers between portfolios	1.9
Savings	-0.2
Other service changes	0.2
Net change	1.9

- 4.63 The capital programme provides the means to invest in major development projects as well as tactical site improvement works to optimise usage and future options. Further details can be found in the Capital Strategy (Annex 2 (a)).

Fire & Rescue and Communities

- 4.64 The portfolio budget provides for net spending of **£38.0m** and includes additional investment of **£0.6m** compared with 2020/21. The budget includes the WSFRS which aims to provide an assured 24/7 emergency response service around the County. WSFRS also has a dedicated resilience and emergency team which, along with the Council's support to community

functions, works to promote resilience and capacity across the localities of West Sussex. The portfolio also includes the County Council's Library Service, Archive Service and Registration Service which all provide excellent services to the county's residents.

Fire and Rescue Service

- 4.65 West Sussex Fire and Rescue Service (WSFRS) have developed an improvement plan following the inspection by Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services in November 2018 to effectively respond to the recommendations of the HMICFRS and to ensure we can provide our residents and communities with confidence in our actions. Re-phasing of the plan took place following Ministerial recommendations that the timelines of the original improvement plan, presented to Members in July 2019, were too ambitious.
- 4.66 The investment into the service has resulted in significant improvements. In November 2020 a decision was made to close the Independent Advisory Panel as a result of the considerable improvements made by West Sussex Fire and Rescue. The panel recognised that there has been an overwhelming amount of progress since the first meeting on 11th December 2019 and subsequent HMICFRS revisit of which recognition was also reported regards the pace of change and positive impact this was having on staff. In order to continue to deliver the Improvement Plan and embed the changes the base budget has been increased by a further £0.6m.

Communities

- 4.67 The service works across directorates in collaboration with both local and national partners to support and enable our residents to have safe digital lives. We offer a range of resources developed in response to local intelligence that our communities can access to help them stay safe, connected and to fulfil their potential.
- 4.68 Working together with our Library Service, the Remote Digital Support Offer supports residents with basic digital help through a team of library staff and volunteers and we are supporting care homes to deliver virtual visits.
- 4.69 Planned savings of **£0.4m** are included to balance the County Council's overall budget, as described in Appendix 3.
- 4.70 The key explanations of the changes for the 2021/22 budget are shown in Table 13.

Table 13: Fire & Rescue and Communities Budget Changes

Item	£m
Fire Improvement Programme	0.6
Reversal of Fire improvement expenditure funded on a one-off basis from capital receipts for 2020/21	1.2
Pay and price allowance	0.1
Savings	-0.4
Transfers between portfolios	0.8
Net change	2.3

- 4.71 The capital programme covers the investment in Horsham Fire Station and Fire and Rescue Service equipment to ensure emergency response needs are met. Further details of the Capital Strategy can be found in Annex 2 (a).

Highways and Infrastructure

- 4.72 The Highways and Infrastructure budget provides for net spending of **£36.6m** and includes additional investment of **£1.5m** compared with 2020/21. This budget maintains and delivers highways and other infrastructure which businesses and local communities need to support economic growth and allows our customers to access services across the County. We will maintain, improve and, where appropriate, expand the highways network for the benefit of all residents and visitors to West Sussex.
- 4.73 We will invest over £10m of revenue funding each year in highways support and maintenance, this includes additional funding of £0.3m to address a number of safety critical areas including repairs to highways, aids to movement and winter service contributing to a decreased risk for users of being injured on the network.
- 4.74 A corporate Ash Dieback Action Plan has been developed to effectively address the risks presented by the impact of ash dieback, conserve the ecosystems ash trees are found in across the county, and prepare for a positive regeneration phase with a net biodiversity gain. It is estimated that more than 40,000 trees on A and B roads will be affected by the disease, although survey work continues to be undertaken to confirm the exact number across the whole network. The proposed budget has growth of £1.5m allocated to enable the programme to begin in 2021/22.

- 4.75 We continue to review the charges we make to highway users in order to ensure that we recover fully our costs and continue to explore ways of utilising funding available to ensure delivery of our core services. The service continues to invest in feasibility studies, enabling the Council to develop sound project proposals for submission for additional funding to improve infrastructure.
- 4.76 Planned savings of **£1.3m** are included to balance the County Council's overall budget, as described in Appendix 3.
- 4.77 The key explanations of the changes for the 2021/22 budget are shown in Table 14.

Table 14: Highways and Infrastructure Budget Changes

Item	£m
Investment in Ash Die Back Programme	1.5
Pay and price allowance	1.0
Reserves transfers	0.2
Savings	-1.3
Other service changes	-0.2
Net change	1.2

- 4.78 There is significant planned investment in Highways and Infrastructure reflecting the importance of the infrastructure for economic growth. To support our commitment to our highways we are proposing to invest an additional £12m, over and above the existing works programme, in our road maintenance over the next two years. Further details of the Capital Strategy can be found in Annex 2 (a).

Leader

- 4.79 The Leader budget provides for net spending of £1.4m, which is the same level of spend as 2020/21. This budget supports the costs of running the Chief Executive's office and Policy.

Non-Portfolio

- 4.80 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)	-0.3
Transfer from the Business Rates Pilot reserve	-1.4
Increase in the capital financing costs	0.2
Decrease in general contingency	-0.4
Pay contingency	2.2
Decrease in the revenue contribution to capital	-1.8
Increase in the revenue contribution to capital for the Business Rates Pilot	1.4
Covid-19 Emergency Fund	22.2
Net change	22.1

4.81 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 2021/22, given the financial uncertainty as a result of the pandemic, the Council has set the general contingency at £6.4m and added a further £2.2m to establish a pay contingency to cover additional pay pressures the Council may face.

Section Five: Future Financial Risks

5.1 There have been particularly challenging circumstances around budget setting this year; the economic and social impacts of the Covid-19 pandemic, Brexit and uncertainty around the future of local government funding. These present significant levels of uncertainty and potential financial risk and instability.

- The ongoing impacts of Covid-19 remain uncertain, both in terms of service pressures and economically. The government has committed to providing £15.6m to support impacts of the pandemic but the timing and nature of a new workable normal is unknown and the ongoing impact of the pandemic on service demand levels is uncertain.
- The Office for Budget Responsibility (OBR) has forecasted the economy will contract by 11.3% this year and will take until the end of 2022 to return to pre-pandemic levels. Unemployment is expected to peak in the second quarter next year at 7.5% and fall to 4.4% by 2025 (pre-pandemic was 3.8% in 2019) with more pessimistic scenarios showing unemployment peaking at 11% by the end of Q1 2021. There is

significant variation in these predictions and the extent of unemployment and how quickly and fully the economy will recover is uncertain.

- The economic downturn and high unemployment rates could adversely impact the income derived from both Council Tax and Business rates. There is the potential for revaluations or reductions in Rateable Values for office space, fire stations and hospitals that could further adversely impact income received. The government has committed to providing funding for 75% of 'irrecoverable losses' but the total impact remains unclear.
- The economy could be further impacted by Brexit and the conditions of the UK's trade deal, both in terms of the financial outlook for local government funding and with regards to the availability of people in areas like social care, which have become heavily dependent on EU nationals.
- Service budgets already include an allowance for inflation, where appropriate. However, there could be a significant risk with Brexit that we see much higher inflation which drive additional cost pressures in 2021/22. 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
- It was anticipated that there would be a three year Comprehensive Spending Review undertaken by the Government ahead of 2021/22, however this was delayed in order to focus on responding to the public health and economic impacts of the pandemic. The national reviews were due to provide clarity around the Fair Funding Review, Business Rates Review and Adult Social Care in the medium to long term. There was instead a one-year Spending Review to provide clarity for 2021/22. 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.
- 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, this could potentially be mitigated through the temporary use of reserves.

- The Council will continue to keep the MTFS under review, given the high degree of uncertainty surrounding any potential impacts from the ongoing pandemic, Brexit and possible service pressures.

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

6.1 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 2020/21 the County Council will have delivered around £277m 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, especially in our social care services. This is particularly relevant for 2021/22 given the financial uncertainty created by the pandemic'

2020/21 financial position

'The current year's budget came under pressure at the start of the year due to the uncertainty of the full impact of the pandemic alongside pressures within the normal County Council services. As at the end of September, we forecast a £5.5m overspend which will be managed through further management actions and/or the use of the Council's contingency budget to meet the estimated shortfall between the cost of the pandemic and the funding supplied from central government.

'In total we are projecting we will hold earmarked reserves (excluding schools and the General Fund) of £146.5m at the end of 2020/21, an increase of £3.6m compared to the forecast included in 2020/21 budget report (£142.9m). This largely relates to an increase in the balances on the districts and boroughs collection funds along with a reduction in the drawdown required from the Service Transformation Reserve.

Managing 2021/22 budget

'The savings proposals for 2021/22, £18.5m 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 strategic decisions savings proposals are worth approximately £2.6m. In recent years West Sussex County Council

has a good track record (in excess of 90%) in delivering its planned savings. The general contingency for the revenue budget is £6.4m.

'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.

'During 2021/22 improvement plans will be developed for all services to ensure services are delivered efficiently and effectively ensuring the long term sustainability of services.

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 latest published index was as at March 2019 and showed the Council had 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. Since March 2019 the Council still has a reasonable council tax base and the level of reserves has been maintained at a reasonable level.

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 Seven: Precept and Council Tax

- 7.1 The 2021/22 council tax base is 337,276.40 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 2021/22*

District/Borough Council	Tax base	Precept
Adur	21,232.80	£32,073,418.37
Arun	62,628.00	£94,603,351.68
Chichester	53,983.80	£81,545,768.93
Crawley	34,961.90	£52,812,047.66
Horsham	63,115.10	£95,339,145.45
Mid Sussex	62,223.80	£93,992,783.33
Worthing	39,131.00	£59,109,723.36
Total	337,276.40	£509,476,238.78

* Provisional

- 7.2 The impact of a 1.99% increase in Council Tax for General Fund purposes and a further 3% for Adults' Social Care, considered in the budget proposals outlined in the previous paragraphs, imply a precept requirement of £509.476m and a Band D council tax of £1,510.56.
- 7.3 The budget embodies the core principles of living within our means, protecting the vulnerable and bearing down vigorously on administration costs.

Section Eight: Equality Act Considerations

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

reconsider the allocations to different service budgets within the overall Council budget that has been set.

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

Section Nine: Other Issues

Human Resources Implications

- 9.1 The savings proposals already submitted and agreed by Cabinet Members and those specified within the budget indicate a potential impact for up to 103FTE, where known. This figure may change as plans develop over the coming months. This currently equates to approximately 2.2% of our active workforce as at the end of September 2020. Full consultation has and will continue to occur when needed.

Legal Implications

- 9.2 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 £18.5m of savings. Despite the challenge of reduced government funding we continue to invest in priority areas to deliver the aims of the West Sussex Reset Plan to benefit our residents.

KATHARINE EBERHART

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Background Papers

None