

Council Plan and Budget 2024/25

Executive Summary

- a. The Council Plan for 2021 to 2025 is focussed on four priority outcomes underpinned by a cross cutting theme of 'Protecting the Environment' and these remain unchanged for 2024/25.
 - **Keeping people safe in vulnerable situations;**
 - **A sustainable and prosperous economy;**
 - **Helping people and communities fulfil their potential; and**
 - **Making best use of resources.**
- b. The County Council's ambitions are captured each year through the plan, which sets out what is proposed and how specific targets will be used to judge how well the County Council has performed during the year. The Council Plan, revenue budget and capital programme have been developed to align financial resources to the delivery of these priorities through the business planning process.
- c. Despite overall reductions in government funding since 2009/10, the Council continues to make progress in delivering its ambitions on behalf of residents, while achieving this within the resources available. 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.
- d. Government funding challenges have continued into 2024/25 with the provisional Local Government Finance Settlement published on 18 December. The announcements were disappointing. Although Core Spending Power will increase by £49.6m, only £14.5m is a result of Government funding, the remainder is from Council Tax income and assumes that the County Council will introduce the maximum increase of 4.99%.
- e. The lack of new Government funding in 2024/25 comes at a time when there is a spiralling increase in demand and cost of services, particularly in social care, home to school transport, inflation, funding the National Living Wage and allowing for the continued increase in investment into highways. This has made preparing next year's budget even more challenging. Expenditure requirements have increased and include an additional £54.1m for service pressures and £27.8m for pay and price inflation to continue to meet the needs of residents. In addition, corporate contingency has been increased to £22m, of which £10m has been set aside to manage the risks and uncertainties facing the County Council around social care.
- f. In 2024/25, the Council Tax base across the County is forecast to only increase by 0.8% compared to previous years of around 1.5%. This means forecast council tax income will be around £2.5m lower than had been predicted in the Cabinet report in October 2023.

- g. Given these pressures, balancing the budget for 2024/25 is only possible by introducing the Government's presumed 4.99% increase in Council Tax, budget reductions across services of £15.7m and £3.6m one off use of reserves. This will be the first time that the County has had to resort to the planned use of reserves in order to balance its budget. The budget reductions for 2024/25, together with early savings plans for 2025/26, are set out in **Appendix 3**.
- h. Therefore, in summary, during 2024/25, the County Council is expected to spend £2,043.1m on day-to-day revenue services and £131.6m through capital investment into roads, highways, schools, operational estate and IT and digital infrastructure. After taking account of grants, fees and charges and other contributions, net revenue expenditure of £761.4m is proposed for 2024/25 an increase from £708.8m in 2023/24. Similar to previous years, 64% of all service revenue spend will be on adult services and children and young people.
- i. The proposed budget for 2024/25 has been set based on the latest available information and assumptions but there are a number of inherent risks and uncertainties on service pressures, such as prevailing economic conditions, the delivery of the new savings of £15.7m, together with the £9m of existing savings from previous years. Details are set out in Section 5, along with the County Council's approach to risk management through the use of reserves and contingencies.
- j. The five-year forecast of reserve balances is set out in Section 6 and includes all known commitments and £9.6m replenishment of their use for balancing next year's budget, £3m of one off pressures in 2024/25 and £3m of the continued additional revenue investment into highways and roads. It shows the balance of County Council's earmarked reserves will reduce to £131.8m by March 2025 and to £107.8m by March 2029. Ongoing use of reserves is not sustainable and the replenishment of the budget management reserve is essential for ensuring reserve balances remain at a level to manage future risks and maintain the County Council's financial stability.
- k. Engagement on the draft budget has been held with Members, key stakeholders and the wider community. Full details of all the feedback is set out in **Section 3 and Appendix 9**, including how it has been considered by Cabinet in preparing the final budget. There are no changes to the budget reductions or the capital programme following the consultation to date. Importantly, in this budget the council is adding additional resources to areas referenced in the consultation as being important to our residents – such as roads and highways and education and skills.
- l. Although the remainder of this budget report is largely focussed on the budget for 2024/25, it is set within the context of the medium term over the next five years. A balanced budget is proposed for 2024/25 but there remains a budget gap of between £58m and £190m between 2025/26 and 2028/29 depending on the level of Council Tax increase in these years. Further details are set out in **Section 6**. Before the end of the current financial year, work will start on developing a longer-term approach to

balancing the budget. This will include continuing to lobby Government to recognise the demand pressures facing the County Council, but further reductions are likely to be required. Efficiencies will continue to be explored but it will also require a deeper structural approach that considers how services are provided and prioritised within the County Council's limited financial resources, using the Council Plan as the foundations to these discussions.

- m. 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 and capital financing activity contribute to the Council's key priorities in Our Council Plan, together with details of the proposed five-year capital programme which will see £131.6m of capital expenditure in 2024/25 and £695.3m across the five year period of 2024/25 to 2028/29. The Capital Strategy includes the Council's Flexible use of Capital Receipts Strategy, of which the Government has launched a consultation on its extension to 2030.
- n. The Treasury Management Strategy Statement 2024/25 (**Annex 2(b)**) sets out the County Council's approach to Treasury Management activity, including the impact of the Dedicated Schools Grant deficit which, although it is not part of the County Council's balance sheet because of the statutory over-ride in place until 2026, is resulting in lost investment income of an estimated £5.7m in 2024/25.

Recommendations

That, taking account of the priorities contained in the Council 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 as required by Section 25 of the Local Government Act 2003 (Section 9), the Cabinet proposes that County Council approve the following recommendations:

- (1) The Council Plan and KPIs for 2024/25 (as set out in paragraph 2.4 and **Appendix 8**).
- (2) The net revenue budget requirement in 2024/25 of **£761.402m** (as set out in paragraph 3.37 and **Appendix 1**).
- (3) An increase in Council Tax in 2024/25 of 4.99% comprising 2.0% in the precept for the costs for Adults' Social Care and 2.99% for General Fund services.
- (4) The increase in fees and charges as set out in **Appendix 7**.
- (5) The five year capital programme of **£695.270m** over the period 2024/25 to 2028/29, of which **£131.571m** is expected to be spent in 2024/25.
- (6) The overall budget envelopes as set out in **Appendix 1**.
- (7) The following amounts be approved for the financial year 2024/25 in accordance with Section 42A of the Local Government Finance Act 1992:

- (a) That the Council Tax requirement for 2024/25 is **£600.178m**.
- (b) The Council Tax base for the year 2024/25 is the aggregate amount calculated of Band D equivalents by the billing authorities to which the County Council issues precepts totalling **349,968.28**.
- (c) The amount of Council Tax being the council tax requirement at 7(a) above divided by the council tax base at 7(b) above, shall be **£1,714.95** 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	2024/25 Council Tax £	2023/24 Council Tax £	Increase £	Increase %
A	1,143.30	1,088.94	54.36	4.99
B	1,333.85	1,270.43	63.42	4.99
C	1,524.40	1,451.92	72.48	4.99
D	1,714.95	1,633.41	81.54	4.99
E	2,096.05	1,996.39	99.66	4.99
F	2,477.15	2,359.37	117.78	4.99
G	2,858.25	2,722.35	135.90	4.99
H	3,429.90	3,266.82	163.08	4.99

- (e) That the district and borough councils be requested to make payments totalling £600.178m 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 10 of the report.
- (8) The Medium Term Financial Position for period 2025/26 to 2028/29 which shows a budget gap of between **£58m and £190m** as set out in Section 6.
- (9) The total Schools Budget of **£850.293m** to meet the County Council's statutory requirement on schools funding as set out in Section 4.
- (10) The delegation to the Director of Finance and Support Services (as Section 151 Officer) 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, including through the final Local Government Finance Settlement for 2024/25, expected to be published in early February 2024.

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

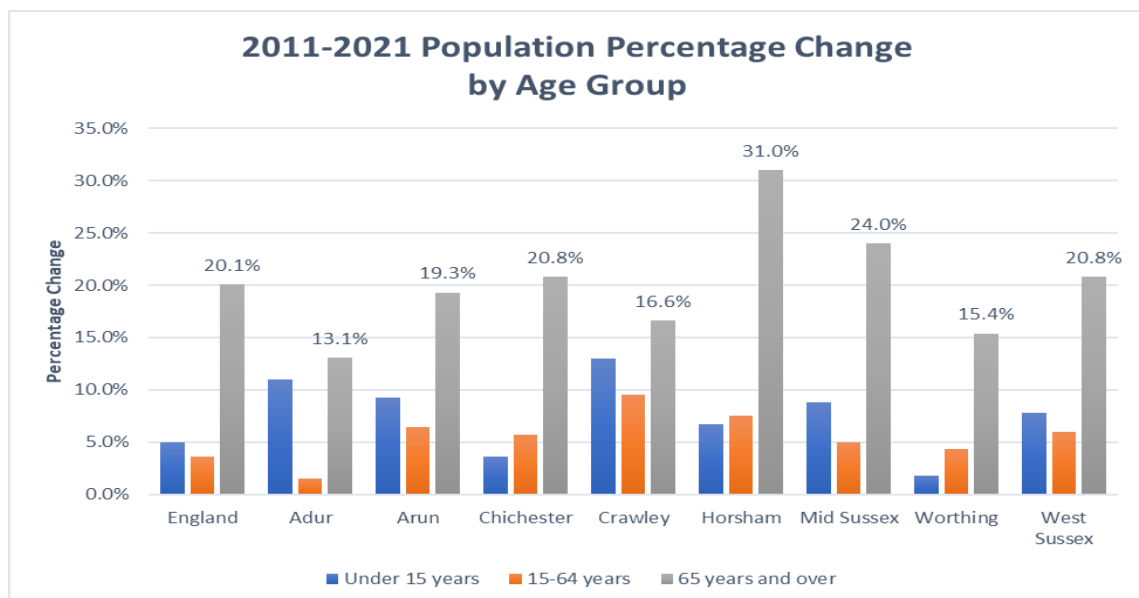
- (11) These ancillary financial management provisions:
- (a) The Capital Strategy for the period 2024/25 to 2028/29, including the specific delegation of authority set out in the Strategy, as set out in **Annex 2(a)**.
 - (b) The policy for making a prudent level of revenue provision for the repayment of debt as set out in **Annex 2(a) Appendix B**.
 - (c) The Flexible Use of Capital Receipts Strategy for 2023/24 and 2024/25 as set out within the Capital Strategy, **Annex 2(a), Section 8**.
 - (d) The Treasury Management Strategy Statement 2024/25, as set out in **Annex 2(b)**.
 - (e) The Prudential Indicators, as set out in **Annex 2(c)**.
- (12) The importance of effective lobbying with local, regional and national partners to ensure the Government understands the needs of West Sussex residents, businesses and communities. The focus during 2024/25 will be on funding for children's social care, home to school transport, high needs and essential road maintenance. This is particularly important in the run up to the Spring Budget on 6 March 2024 and the next spending review which is expected shortly after the general election.

Section One: External Context

West Sussex and its Population

- 1.1 The county borders Surrey County Council to the north, East Sussex and Brighton and Hove to its east and Hampshire County Council to its west and is made up of seven district and boroughs – Adur, Arun, Chichester, Crawley, Horsham, Mid Sussex and Worthing.
- 1.2 At the 2021 Census the population for West Sussex was 882,700 an increase of 9.4% since 2011, larger than the regional increase (7.5%) and the increase for England (6.6%). Population growth and density does vary across the county as shown in Chart 1 and the County Council needs to consider this in its provision of local services.
- 1.3 The highest percentage growth has been seen amongst the older population. This is the case across the county and follows national and regional trends and the population of people aged 65 years-and-over has increased in West Sussex by 21%. This age group makes up 23% of the total population, a higher proportion than nationally (18%) or regionally (19.5%). The number of West Sussex children under the age of 15 years has increased by 7.8% since 2011, against an average of 5% in England, and makes up 16.4% of the total population. Trends across the county vary with Crawley generally having a younger population than the rest of the county with the median age being 37 years of age compared to the county average of 44 years. Arun has the oldest median age of residents at 49 yrs.

Chart 1 – Population Change 2011 to 2021



- 1.4 As data continues to be released following the 2021 census, this data and the information from the Joint Strategic Needs Assessment (which provides a summary of the current and future health, care and wellbeing needs of the local population, using national and local data), will continue to be used to inform business and financial planning.

Economic Activity

- 1.5 Data from the Annual Population Survey by the Office for National Statistics suggests that economic activity rates, (i.e., those people either in work or are looking for work) and employment rates have fluctuated since the pandemic. Whilst there has been some return to pre-pandemic levels there has been a fall in the last year. Despite this, the rates of economic activity in West Sussex are higher than the national (England) average and in line with the regional average. There is some variation within the county, with, historically, the north east of the county (Crawley, Horsham and Mid Sussex) seeing higher rates than the coastal districts, and higher than the regional average, though the last set of data showed some reversal in this pattern.
- 1.6 Figures suggest that the percentage of economically inactive have increased since the pandemic, they are at levels lower (20.4%) than for England (21.2%). In the period during and following the pandemic there was a higher proportion of economically inactive because of an increase in the number of students. Recently the numbers have begun to fall, though remains higher than pre-pandemic levels. Numbers of economically inactive due to retirement also continue to increase, and this trend is most marked in coastal West Sussex.

Economic Conditions

- 1.7 The Bank of England has continued to raise interest rates. In June 2023 the Bank increased the rate to 5% and to 5.25% in August where it has since been held with the most recent announcement from the Bank taking place on 14 December 2023. The Consumer Prices Index (CPI) rose by 3.9% in the 12 months to November 2023, down from 4.6% in the 12 months to October. The Bank of England expects overall inflation to continue to fall in 2024, achieving its target of 2% by the end of 2025.
- 1.8 Alongside the Autumn Statement the independent Office for Budget Responsibility (OBR) reported that it expects the economy to grow by 0.6% in 2023, 0.7% in 2024 and 1.4% in 2025, then an average of 1.9% between 2026 and 2028. The Chancellor expects to meet his fiscal rules, and the OBR has produced lower forecasts for debt and borrowing than in the March 2023 Budget:
- Underlying debt forecast begins to decline from 2027/28; before falling to 92.8% in 2028/29.
 - Borrowing is forecast to fall from 4.5% of GDP in 2023/24 until it reaches 1.1% in 2028/29.
- 1.9 Despite warnings from the local government sector, including from the [Local Government Association](#) and the [County Council Network](#) regarding the increasing financial challenges facing councils, no specific funding for local authorities' pressures was included in the Autumn Statement 2023. The Autumn Statement reconfirmed the Government's enthusiasm for their devolution agenda with four new devolution deals and confirmed an intention to expand Level 2 devolution to eligible councils across England that represent a whole county or functional economic area. This includes

two new Level 3 deals with Greater Lincolnshire, and Hull and East Yorkshire, and two Level 2, non-mayoral, deals with Cornwall and Lancashire. The Government is also in advanced discussions to agree a Level 2 non-mayoral deal with Devon and Torbay. The statement also set out 110 “growth measures” for business.

National Policy Developments

- 1.10 Government announced their decision in August 2023 to transfer functions from Local Enterprise Partnerships (LEPs) to upper tier authorities from April 2024. Support for employment and skills is increasingly important to the County Council as a major local employer and an enabler of growth in the West Sussex economy.
- 1.11 The Council will take on the Business Representation, Strategic Economic Planning and Growth Hub LEP functions from April 2024. To inform how the Council takes on these new roles a series of workshops were undertaken with stakeholders during November and December 2023. This builds on the [West Sussex Economic Collaboration report 2023](#) which was commissioned jointly by the Council and the West Sussex District and Borough Councils and the collaboration at a pan-Sussex level on a number of economic issues where it makes sense to do so – notably on skills and the visitor economy, as well as more widely on transport and infrastructure through ‘Transport for the South East’. The Council has already taken on the Career Hub function from the LEP with the launch of the West Sussex Careers Hub on 1 September 2023.
- 1.12 The impacts of climate change will continue to grow including on the maintenance of infrastructure, the delivery of new homes and other developments particularly given water neutrality requirements. The County Council will need to respond to more serious weather events, such as flooding, and increased risks to vulnerable people as well as the impact on the local economy and service delivery. Whilst the Council notes Government’s September [announcement](#) concerning their ambition to reach Net Zero by 2050, the Council remains committed to the existing [ambition](#) to achieve Net Zero by 2030.
- 1.13 In October 2023, Government [announced](#) the redirection of HS2 funding into transport investment across the country, including the South East. A total of £36 billion in savings from HS2 will be reinvested in transport projects across the country, including buses, reopening railway stations and ensuring major funding for new and improved roads. It is expected that West Sussex will benefit from £67.6m. However, this will be spread over the next ten years, up to 2034.
- 1.14 The next General Election must take place before January 2025. The next spending review is not expected before early 2025. In May 2024 there will be elections in Adur, Crawley and Worthing, as well as for the Police and Crime Commissioner. The next County Council elections are in May 2025. All of these could mean changes to the political landscape, partnership working and in responding to continued national policy uncertainty.

- 1.15 Many of the County Council's partners, including district and boroughs, the NHS, Police and Voluntary Sector continue to face significant changes over the coming year, especially in relation to demand and the cost of providing services. Collaborative working will continue where appropriate to support the delivery of all services across the county.
- 1.16 The County Council continues to support displaced persons, migrants and asylum seekers. In March 2023, the Home Office announced changes to the support under the Afghan Citizens' Resettlement Scheme away from the use of hotels and said it will provide £35 million in new funding to help councils overcome barriers to accessing housing and employment. The supply of accommodation remains a barrier.
- 1.17 The Department for Levelling Up, Housing and Communities (DLUHC) launched the new Office for Local Government (Oflog) in July 2023 with the aim to empower citizens to hold local leaders to account, while supporting them to innovate and drive improvement by presenting data and analysis about the performance of councils and outcomes for local people. The Department has also consulted on statutory guidance on Best Value Standards and Intervention. This sets out expectations on how local authorities discharge the Best Value statutory duty to demonstrate how resources are used to greatest effect and efficiency and how the authority ensures it achieves continuous improvement in service delivery and its systems of control accountability and corporate governance. The Council is actively engaging with Oflog to shape the future framework.
- 1.18 The Department for Education (DfE) has published its Children's Social Care Implementation Strategy, to transform the care system to focus on more early support, reducing the need for a later crisis response. Funding of £200m nationally over the next two years has been announced.
- 1.19 In April 2023, the Government published an update to its 2021 Adult Social Care White Paper, "The Next Steps to Put People at the Heart of Care". There were new announcements on the adult social care reform programme, including greater use of technology and digitisation. However, funding to support workforce reforms and training, has been reduced from £500m to £250m. In June 2023, Government published the NHS Workforce Strategy which fails to acknowledge the similar challenges with social care, despite the drive for joint working across health and social care.
- 1.20 The Council responded to the consultation paper "Reforming Our Fire and Rescue Service" which was published on 18 May 2022. Government published the [response to the fire reform white paper](#) in December 2023. The Council will continue to monitor and respond as appropriate to new legislation and updates to the National Framework that Government plans to bring forward to implement the proposals within the White Paper.
- 1.21 Following the publication of Government's [response](#) to the Consistency in Household and Business Recycling in England Consultation in November 2023, the Council will work with West Sussex District and Borough Councils to ensure a smooth transition to new collection and disposal arrangements as these are phased in from March 2025 to March 2027.

- 1.22 The County Council was one of ten South East councils to express concerns regarding Gatwick Airport's plans to bring its emergency runway into regular use. Concerns included "the ability of the airport to operate within acceptable and enforceable limits". If Government approves the plans, construction could start in 2025 and be completed and ready for operational use by the end of the decade.
- 1.23 At the time of this report, no further announcements have been made about the continuation of the Household Support Fund after March 2024.
- 1.24 There are other policy areas on the Government's horizon but further details are awaited for a clearer picture in terms of County Council services and financial implications. These include:
- Government's evolving Levelling Up and devolution agenda;
 - The timing of the CQC inspection regime for adult services with the first councils to be inspected announced. West Sussex County Council was not amongst the first tranche, but it is anticipated will be inspected by the end of 2024/25.

Section Two: Internal Context

- 2.1 As a County Council we deliver over 300 services to the 882,700 residents across 769 square miles. This includes:
- Adult Social Care
 - Children's Social Care
 - Education and School Places
 - Public Health
 - Highways and Transport
 - Libraries and Archives
 - Fire and Rescue Service
 - Trading Standards
 - Waste Disposal and Recycling
 - Minerals and Waste Planning
 - Registration Services
 - Economy
- 2.2 Since 2020 the County Council has focussed on a range of issues, including:
- Children's Services have made significant improvements as demonstrated by the March 2023 full Ofsted inspection, where an overall "Requires Improvement" rating was achieved following the "Inadequate" rating in 2019.
 - Funding pressures affecting the High Needs block under the Dedicated School Grant (DSG) have grown, leading to a DSG Deficit Management Plan that was submitted to the DfE in December 2023. However, even after planned improvements, managing the financial impact of the increase in the numbers with EHCPs remains challenging, particularly after 2025/26 when the statutory over-ride on the DSG is expected to end.

- The results of the November 2023 joint CQC/OFSTED SEND Area inspection are expected to be published in February 2024.
- The Fire & Rescue Service has made significant progress reflected in the HMICFRS 2022 inspection. The Community Risk Management Plan shows how the service will manage risks and explains how it will contribute to delivering Council Plan priorities. The Service will continue to embed improvement, delivering values and cultural work.
- Adult Social Care is focusing on the priorities identified in its strategy 'The life you want to lead' and delivering its improvement programme ahead of the first round of CQC inspections expected imminently. The importance of partnership working between social care and health will continue to increase as both systems continue to face increasing demand and complexity of need.
- The County Council continues to face recruitment and retention challenges. Particular areas of pressure are social workers, care workers and occupational therapists, planners, property, transport and development professionals and lawyers. A tighter job market affects the ability to recruit to or retain lower wage roles where cost of living pressures are more acute.
- The Council's 4,000km of roads and 3,956km of footways are essential to the local economy. Increased investment is inhibited by a real terms drop in Government capital funding and inflationary pressure. The 2024/25 grant would need to increase by £3.7m (17.5% increase) to match 2017/18 spending and the backlog of maintenance for carriageways exceeds £151m. During 2024/25, the County Council will continue its increased investment into revenue maintenance of £4m in 2024/25 and in total during the year £20.1m will be spent on revenue maintenance and £46.7m of capital on the County's roads.
- The Council will continue to adopt a strong emphasis on efforts that protect the environment.

2.3 The Council will deliver major corporate change programmes over the next two years including:

- The Smarter Working programme which has introduced a model of hybrid working that prioritises business needs and improve the way residents access services as well as offering flexible working to support recruitment and retention and enhance staff wellbeing, help protect the environment, rationalise the corporate estate and reduce overheads.
- Digital Strategy – Work is underway to shape and define how the Council will use new digital technologies in the way it works, how it engages with customers and ensures the infrastructure in the County is in place to allow connectivity by all.
- ERP Replacement – Work is underway to replace the existing SAP HR and accounting system. This complex project, when implemented and

fully embedded, will improve processes in Finance, Payroll, HR and Procurement and improve how suppliers interact with the Council.

- 2.4 Given the increasingly challenging operating environment in which the County Council continues to provide services to residents, the importance of lobbying will increase in 2024/25. Work will continue with West Sussex district and boroughs, local MPs, the South East 7, and the County Council Network to lobby Government regarding the challenges that matter to residents including:
- Increasingly challenging funding constraints;
 - Rising demands for statutory services;
 - Market for childrens' services placements;
 - SEND and school transport; and
 - Highways maintenance and investment.

Our Council Plan Refresh

- 2.5 The County Council's integrated business and financial planning cycle is based on a good understanding of the local evidence base, the national and local policy context, a comprehensive understanding of the financial position (revenue and capital) and the service challenges in meeting the needs of residents, businesses and communities.
- 2.6 'Our Council Plan 2021-2025' is attached at **Appendix 8** and is underpinned by the cross-cutting theme of "Protecting the Environment". The plan sets out the four key priorities for the County Council:
- **Keeping people safe from vulnerable situations;**
 - **A sustainable and prosperous economy;**
 - **Helping people and communities fulfil their potential; and**
 - **Making the best use of resources.**
- 2.7 These priorities have been used to inform how the County Council will allocate its resources to best effect in the 2024/25 budget. It is the basis for the review of the narrative in the Plan and Key Performance Indicators (KPIs) and targets which will be used in the year to measure success.
- 2.8 Officers have collectively reviewed the KPIs and targets and have refreshed what is being delivered for 2024/25. This refresh included considering feedback from scrutiny committees through the 2023/24 quarterly Performance and Resources Reports (PRR).
- 2.9 A revised Council Plan, which reflects the current context - the continuing impact of cost-of-living pressures on residents, the continuing demand pressures that the County Council is facing, the long-term uncertainty around funding and reform, the investment the County Council is making in infrastructure and the work underway to strengthen and grow the West Sussex economy with partners, is attached at **Appendix 8** for approval. While the majority of the 2023/24 KPIs remain appropriate, the review

has identified a number that should be updated. The table within Appendix 8 sets out which KPIs that are recommended to be changed.

Section Three: Draft Budget 2024/25

3.1 Developing a draft budget for 2024/25 that is balanced requires consideration of a number of different factors which are summarised here and set out in further detail throughout this report:

- Impact of macro-economic conditions – inflation and interest rates. The 2024/25 budget uses the latest forecasts from the OBR published in November 2023 alongside the Chancellor’s Autumn Statement.
- Government funding as set out in the Local Government Finance Settlement.
- Other potential income sources, including, forecast Council Tax and business rates collection and fees and charges.
- Forecast increase in demand pressure.
- Budget reductions which will include reducing costs and increasing income.

Draft Revenue Budget 2024/25 - Funding

3.2 In 2024/25, the County Council is expecting to spend £2,043.1m on delivering services to the 882,700 residents and 36,900 businesses across the County and its estimated 21.6m visitors each year. This spending will be funded through a number of different sources – Government grants, Council Tax, business rates, fees, charges and rental income. The breakdown is summarised in **Table 1**.

Table 1 – Gross Income 2024/25

Income Source	£'m	% of income excluding schools	% of income including schools
Council Tax	600.2	50%	29%
Government Grants	226.3	19%	11%
Other income	146.2	12%	7%
Customer Receipts (fees and charges)	110.1	9%	5%
Business Rates	110.0	9%	5%
Total excluding schools	1,192.80	100%	58%
Dedicated Schools Grant	850.3		42%
Total including schools	2,043.10		100%

Government Funding

Local Government Finance Settlement

3.3 Over recent years there have been changes to Local Government Funding. There has been a move away from multiyear settlements and Local Authorities have had to rely on one-year provisional settlements published

in December of each year, followed by final settlements published in February. This makes forward planning very difficult. The last two years have seen a policy statement issued by Government in early December, but the County Council still had to wait until the publication of the Provisional Finance Settlements before there was certainty around expected levels of funding.

- 3.4 The provisional Finance Settlement for 2024/25 includes the County Council's Settlement Funding Assessment (Government core non service specific grant) and Core Spending Power.
- 3.5 Core Spending Power (CSP) is routinely used by Government as a measure of the resources available to local authorities to fund service delivery and is a combination of Government Funding and Council Tax income. The published CSP for West Sussex County Council in 2024/25 will be £801.6m, an increase of £49.4m when compared to 2023/24. The CSP is made up of £199.6m Government funding (which now includes the roll in of Fire Pensions Grant of £1.7m) and £602.0m of Council Tax income. However, it is important to note that this is based upon the assumption that the County Council will increase Council Tax by the maximum amount allowed (4.99%), as well as an assumption about the growth in tax base which has been based upon an authority's average annual growth between 2019/20 and 2023/24. Consequently, the actual CSP may be different due to a variation in the tax base and because any increases on Council Tax remain a local decision.
- 3.6 In line with the Autumn Statement published on 22 November, there is no new funding for the County Council to address the significant pressures on children's social care and home to school transport despite extensive lobbying in the run up to both the Autumn Statement and the finance settlement.
- 3.7 Government funding for 2024/25 as published in the Provisional Settlement on 18 December 2023 was subject to a 28-day consultation. During that period, the County Council continued to lobby Government to recognise the pressures being faced and the impact this will continue to have on the delivery of services to the most vulnerable as well as on the universal services used by all residents across the county. At the time of writing this report the final settlement had not been published but is expected imminently. The draft budget for 2024/25 set out in this report has been prepared based on the assumption there will be no further changes to funding.
- 3.8 In 2024/25 the County Council will receive additional Government funding of £14.5m as set out in **Table 2**.
- 3.9 Although this small increase is welcomed, it is a long way short of the £27.8m increase in costs resulting from pay and inflation and £54.1m increase in net service demand pressures that the County Council needs to fund. Therefore, there is little choice but to increase Council Tax, to minimise the reduction in Council services provided. Given the late announcement of the provisional settlement and the increase in the national living wage to £11.44 per hour, use of reserves to balance the

budget for 2024/25 has been necessary. This only provides a one off solution for 2024/25 and the need to replenish the reserves simply worsens the financial position going forward.

Table 2 – Key funding announcements

Item	2024/25 £'m	2023/24 £'m	Change £'m
Settlement Funding Assessment (SFA)	87.8	84.0*	3.8
Compensation for under-indexing the business rates multiplier	16.3	14.0	2.3
Improved Better Care Fund	20.6	20.6	0.0
Social Care Support Grant (Independent Living Fund element (£4.3m) is included in Adult Services portfolio budget)	53.8	46.4	7.4
Market Sustainability and Fair Cost of Care (included within Adults Services portfolio budget)	14.5	12.8*	1.7
Adult Social Care Discharge Fund	4.8	2.9	1.9
Services Grant	0.5	3.2	(2.7)
New Homes Bonus	1.3	1.2	0.1
Total	199.6	185.1	14.5

*For the purposes of comparison, includes Fire Pensions Grant of £1.7m which has been rolled into the Settlement Funding Assessment for 2024/25, and Workforce Fund, £5m, which has been included in the Market Sustainability and Fair Cost of Care for 2024/25.

3.10 Other key announcements confirmed in the provisional settlement are:

- A maximum increase in Council Tax of 4.99% - a core increase of up to 2.99% and up to 2% for Adult Social Care Precept;
- An average increase in Core Spending Power of 6.5% in cash terms, assuming all authorities levy the maximum precept allowed in 2023/24;
- Social Care Funding (increased allocations for Social Care Grant and Market Sustainability and Improvement Fund (including Workforce Fund));
- Continuation of Services Grant but for West Sussex this has reduced from £3.2m in 2023/24 to £0.5m in 2024/25; and
- A continuation of the New Homes Bonus, assumed to be for 2024/25 only.

Specific Grants

3.11 Over and above the grants set out in **Table 2**, there are a number of service specific grants which are included in the individual portfolio

budgets. A summary of all known specific government grants for 2024/25 are detailed in **Appendix 4**. For those not yet confirmed, it is assumed that the 2024/25 value will be similar to that in the current year. For those not yet confirmed for 2024/25, including the Household Support Fund, they are assumed to cease in March 2024. In line with budget principles, any loss of specific government grant will result in the same reduction in related expenditure.

Business Rates: Baseline Funding Allocation

- 3.12 Business Rates are set nationally. The value of business premises is determined by the Valuation Office and the Government set the multiplier which specifies the pence per pound paid in tax. For several years, both the standard multiplier and small business multiplier have been frozen. For 2024/25, there has been a decoupling of the multipliers and although the small business multiplier remains frozen at 49.9p, the standard multiplier has increased from 51.2p to 54.6p. As in previous years, the County Council will continue to be fully compensated for any loss of income due to the freezing of the multipliers. The indicative under-indexation compensation for West Sussex, as set out in the Provisional Settlement is £16.3m (as detailed in **Table 2**).
- 3.13 The changes resulting from the decoupling of the business rates multiplier, along with the uncertainty the business community has faced from the economic impact of the recent high cost-of-living, has made it difficult to forecast business rates income. For the purposes of the budget an inflationary increase aligned to the September CPI (6.7%) has been included.
- 3.14 Both the under-indexation compensation and business rates will be confirmed when the boroughs and districts submit their 2024/25 National Non Domestic Rates (NNDR) return in January 2024. Any variation from the assumed income, will be adjusted through one of the County Council's risk management reserves.

Business Rate Pooling

- 3.15 For 2024/25, the West Sussex authorities intend to once again operate as a pool for business rate purposes and this was confirmed in the provisional Local Government Finance Settlement. The arrangement will include the County Council, Adur, Arun, Horsham and Mid Sussex District Councils. Based upon current modelling, the pool is expected to deliver in the region of around £6.0m for investment in local projects but this will be subject to submission of final business rate forecasts from the districts and boroughs. The criteria and allocation of funds will be recommended by the Chief Executives Board and approved by the West Sussex Leaders (County Council and all seven district and boroughs).

Council Tax

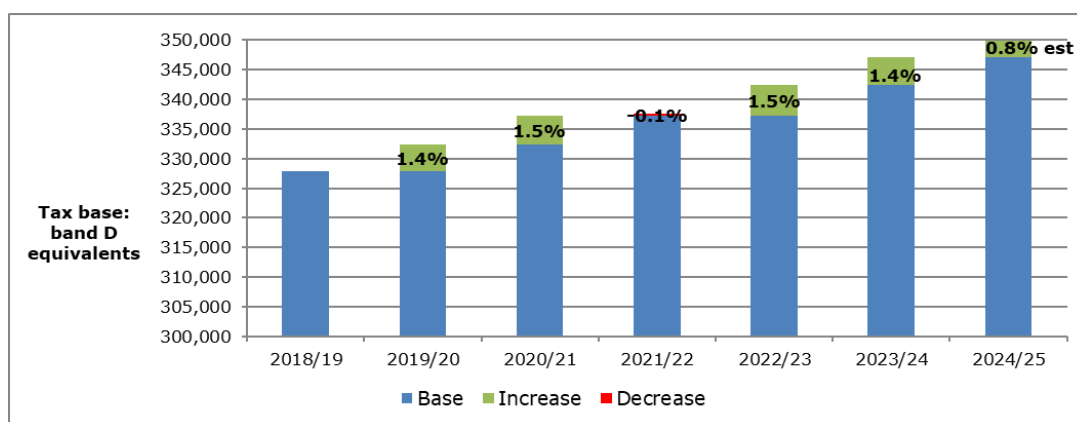
- 3.16 Income collected through Council Tax is determined by the level of the tax and the Council Tax base.

- 3.17 The budget is based upon an increase of 2.99% in the level of tax which is within the referendum threshold. In addition, there will be an additional 2% increase for the adult social care precept, which will contribute towards meeting the demands for adult social care services.
- 3.18 The overall impact of the two elements is that the increase in the County Council's element of Council Tax will be 4.99%. The average Band D will increase from £1,633.41 to £1,714.95, an increase of £81.54. Full details of the increases by council tax band are set out in the recommendations in this report. Council Tax levels for the boroughs and districts and the Police and Crime Commissioner will be agreed and published separately by these authorities.

West Sussex Local Tax Base 2024/25

- 3.19 The Council Tax base is the number of properties in Bands A to H in the County Council area expressed as an equivalent number of Band D units. This is provided by the boroughs and districts and based upon the latest estimates provided in December 2023, an average tax base growth of 0.8% across the County has been assumed in the 2024/25 budget. The increase is at a lower level than 2023/24 (as shown in Figure 1) with the main reason attributed to an increase in council tax reduction claimants and other discounts.

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



- 3.20 Final figures from the boroughs and districts are expected at the end of January 2024. If the final figures show a rate lower than 0.8%, the Business Rates and Collection Fund Reserve will be used to fund any difference to avoid sudden and late service reductions being required for 2024/25. Similarly, if final figures show greater than 0.8% any additional income will be put into the reserve for any fluctuations in future years. The assumptions will then be reviewed during next year when the Medium-Term Financial Strategy (MTFS) is refreshed.

Collection Fund

- 3.21 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 Local Authorities (Funds) (England) Regulations 1992 (as amended) require an annual projection of the balance as at 31 March each year. This is because precepting authorities share the surpluses/deficits and need to take account of these when setting the budget.

- 3.22 Following a review of the authority's reserves, a separate Business Rates and Collection Fund Smoothing Reserve was established in 2022/23 and is used to manage collection fund balances.

Fees and Charges

- 3.23 Income from fees and charges is around 5% of the County Council's total income. Many fees and charges are set by Government but there are also many for which the County Council has discretion over.

- 3.24 The Localism Act 2011 and Local Government Act set out the general legal framework regarding charging for services. As well as this, there are various other specific legal provisions and local policy objectives that determine which services are charged for and the level of the charge. The broad categories of the fees and charges can be also found in the Glossary of Terms within **Appendix 7**.

- 3.25 The County Council's policy is to increase discretionary fees and charges by the level of RPI in the previous September. For 2024/25 this rate is 8.9%. This is the financial planning assumption and on which the 2024/25 budget will be set. However, all fees and charges are considered on a case-by-case basis. The main areas where the increase varies from the assumed 8.9% are as follows:

- School Service Level Agreement (SLA) Services. The majority of School SLA Services have been increased by less than the 8.9% RPI rate, largely due to the nature of the SLA's provision being staffing costs which have not increased in-line with the inflation rate. With pressures on school budgets and their ability to purchase services, the County Council has aimed to ensure the cost-of-service provision is neutral.
- Library Services – The service continues to encourage the loan of books and use of other library facilities since the pandemic; therefore following review, minimal increases are planned.
- Records Office Services – Following a review of the services offered and the price sensitivity, a number of charges have remained unchanged. It is expected that this will encourage uptake and increase income.
- There are number of other proposed increases that are less than 8.9% so that services remain competitive.

- 3.26 The proposed changes are set out in **Appendix 7**. To ensure easier payments for customers, many of the fees and charges values are

rounded to the nearest £0.10p or £1.00 which may affect the increase % reported.

Draft Revenue Budget 2024/25 - Expenditure

- 3.27 A key part of developing the budget for 2024/25 is to consider the current in year financial position.
- 3.28 The September forecast outturn position for 2023/24 shows a net £17.4m overspend, which exceeds the £13.0m contingency budget available. All services are considering in year mitigations for the second half of the year. As reported in Quarter 1, the 2023/24 Business Rates and Collection Fund income was confirmed resulting in £6.3m additional income. Currently this is held in the Business Rates and Collection Fund Reserve and, together with a draw down from the Budget Management Reserve, could be utilised at the year-end if the overspend on services cannot be contained within the overall budget and corporate contingency.
- 3.29 Full details of the September forecast can be found in the [Quarter 2 Performance and Resources Report](#). The main areas of pressure throughout 2023/24 have been the growing demand and complexity of need in children’s social care, an increase in the cost of adult lifelong services provision, the mix between internal and external placements for children, cost of children in need of secure or specialist placements, the rising numbers of children requiring high needs education and home to school transport and the delay in delivery of savings.
- 3.30 The position will remain under review for the remainder of the year, but it has been assumed that many of these pressures will continue into 2024/25 and accordingly have been included in the draft budget.

Spending Pressures 2024/25

- 3.31 The budget for 2024/25 includes a net £54.1m for known service commitments and spending pressures. Full details are set out in **Table 3**. These exclude costs from pay and price inflation which are outlined separately.
- 3.32 Service specific pressures total £59.3m of which £56.3m are ongoing and £3m are one off for 2024/25 only. However, after use of grant and reserves transfers, the net impact is £54.1m. Further details are set out in the individual portfolio updates in Section 4.

Table 3 – Service Specific Spending Pressures 2024/25

	Ongoing £'m	One-off £'m	Total Pressures £'m
Adults Services	18.3	-	18.3
Children and Young People, Learning and Skills	30.6	0.6	31.2
Community Support, Fire and Rescue	2.3	-	2.3
Environment and Climate Change	0.1	0.5	0.6

	Ongoing £'m	One-off £'m	Total Pressures £'m
Finance and Property	0.6	1.9	2.5
Highways and Transport	4.0	-	4.0
Support Services and Economic Development	0.4	-	0.4
Total Pressures	56.3	3.0	59.3
Use of Grant			(6.5)
Planned Reserve Transfers (service specific)			1.3
Committed and Service Changes (Appendix 2 – column 3)			54.1

Pay and Prices

3.33 The additional budget for 2024/25 for pay and price increases is £27.8m, as shown in column 2 of **Appendix 2** and is based on the following:

- Pay budgets – the 2023/24 pay uplift for local government employees (NJC) was confirmed in November 2023 and provided for an uplift of £1,925 for those on NJC grades and 3.88% for SMG and Hay employees. The pay award for 2024/25 is unlikely to be agreed until well into 2024 and with inflation remaining at an average of 3.6% for the 2024 calendar year, an allocation allowing for a 3% increase has been included in the 2024/25 budget. If the final award exceeds this, any shortfall will need to be funded in year either from service mitigations or corporate resources and will be addressed as part of the 2025/26 financial planning process.
- Pension actuarial review – following the tri-annual review of the West Sussex Pension Fund, as reported to Pensions Committee on 30 January 2023, the Fund Actuary certified a reduction in the County Council's employer contributions of 1% per year for a period of three years from 1st April 2023. It is then anticipated that employer contributions will be maintained at 18%. This has reduced total employer contributions by £1.7m in 2024/25.
- In the last few months, there are signs that the high levels of inflation experienced in the past couple of years is now beginning to fall with the Consumer Price Index (CPI) reducing from 6.7% in September 2023 to 3.9% for November 2023. This trend is anticipated to continue over the coming months, although at a slower rate. The 2024/25 inflation provision reflects this expectation and provides for an average of 3.6%, the OBR's forecast for 2024, for discretionary areas of spend. However, the increase does vary across contracts with many high value contracts including specific indexing. Within social care there is a recognition of the National Living Wage increase to £11.44 and the overall fragility of market conditions.
- An assumed 8.9% (September RPI) on areas of discretion for fees and charges income, as set out in paragraph 3.23.

Budget Reductions

- 3.34 The budget for 2024/25 includes £15.7m of assumed budget reductions, as set out in full in **Appendix 3**. These have been subject to consultation and engagement as set out in **Appendix 9**.
- 3.35 Additionally, £9.0m of savings (as reported in Q2 PRR) approved as part of the 2023/24 budget, have been re-profiled and now will be delivered in full in 2024/25. Therefore, the total savings for 2024/25 will be £24.7m. Close monitoring will take place through the year and updates reported through the quarterly PRR. It is assumed at this stage that any slippage in the delivery of savings will be mitigated through alternatives within the relevant portfolio budgets, but in some circumstances, there may be a requirement for one off funding from the corporate contingency.

Budget Consultation and Engagement

- 3.36 Consultation and engagement on the Council Plan priorities and draft budget proposals took place during November and December 2023. This included an online public consultation, an all-member briefing on 18 October, review by all Scrutiny Committees during November and by key stakeholders (partners, voluntary sector, business representatives) at the event on 7 December 2024. The full details, as set out in **Appendix 9**, were considered by the Performance and Finance Scrutiny Committee (PFSC) on 24 January. On 30 January, the Cabinet considered the draft 2024/25 budget prior to it being presented to full County Council on 16 February 2024. The Cabinet has considered the feedback to date, including comments from PFSC, as set out in **Annex 4**, and no changes to the Council Plan priorities or the 2024/25 budget proposals have been made as a result.

Balanced Budget 2024/25

- 3.37 Taking account of the pressures, budget reductions and other adjustments described above, in 2024/25, the Council will spend £2,043.1m on the day to day running of local services to deliver the priorities that are set out in the Council Plan. After specific government grants, fees and charges income and other contributions, net spending will be £761.4m. Details are summarised in **Table 4** and set out in full by Cabinet Portfolio in **Appendix 6**. The movements from the agreed 2023/24 budget are summarised in **Table 5**.

Table 4 – Gross and Net Expenditure by Cabinet Portfolio

Cabinet Portfolio	Gross Expenditure £'m	Net Expenditure £'m
Adults Services	482.0	263.6
Children and Young People, Learning and Skills	1,164.5	220.2
Community Support, Fire and Rescue	60.2	51.9
Environment and Climate Change	90.9	80.4
Finance and Property	38.1	33.1

Cabinet Portfolio	Gross Expenditure £'m	Net Expenditure £'m
Highways and Transport	83.1	47.3
Leader	3.4	2.9
Public Health and Wellbeing	25.1	0.0
Support Services and Economic Development	39.0	33.5
Non Service	56.8	28.4
Total	2,043.1	761.4

*note: table contains rounding differences

Table 5 – Summary of Change in Net Budget

	£'m
Net Expenditure Budget 2023/24	708.8
Pay and price inflation	27.8
Children's pressures - social care	21.1
Children's pressures - home to school transport	7.5
Adults' pressures – demographic and complexity of need	8.1
Adults' pressures – National Living Wage	10.2
Continued additional revenue investment into highways and roads	4.0
Other service pressures	3.2
Corporate changes	(10.0)
Total Budget Requirement 2024/25	780.7
Council Tax Income (assuming 4.99% increase)	(600.2)
Settlement Funding Assessment/Business Rates	(110.0)
Social Care Funding	(49.5)
Other Grants	(1.7)
Total Funding 2024/25	(761.4)
Budget Gap 2024/25	19.3
New Savings Identified and Deliverable	(15.7)
Budget gap after savings	3.6
Use of Reserves to balance the budget	(3.6)
Revised Budget Gap	-

- 3.38 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 and final figures from the boroughs and districts on tax bases for business rates and Council Tax. The Budget Management and Business Rates and Collection Fund Smoothing Reserves will be utilised to manage any final variations.

Section Four: Revenue Budget Proposals for 2024/25 By Cabinet Member Portfolio

Changes to Portfolio and Non-Portfolio Budgets

4.1 The proposed changes to the budget for 2024/25 are explained by Cabinet Portfolio in the following paragraphs. These changes include additional budget to meet changing pressures of **£54.1m** (service specific pressures), pay and price changes of **£27.8m** (detailed in paragraph 3.33 above) and balancing the budget activities of **£15.7m** which consists of reducing costs and increasing income.

Adults Services

4.2 The Adults Services budget for 2024/25 allows for gross expenditure of **£482.0m**. After sales, fees and charges, service specific government grants and other income net expenditure is **£263.6m**. Adult Services provide support to over 12,000 residents and around 95% of the budget is spent on the cost of funding the social care needs of approximately 8,500 residents who meet the national eligibility criteria in the Care Act.

4.3 The budget has been prepared against a background of significant service-related risks:

- Demand pressures. The Adults budget is forecast to overspend on care costs by £11m in 2023/24 because of underlying demand pressure that will continue into 2024/25. Around £7.1m of this is being managed through mitigations that will be available on an on-going basis. Additional County Council funding of £3.9m is being provided to cover the shortfall.
- Demography. A growing population and rising complexity of needs are increasing demand for adult social care as well as making it more expensive to meet care needs. This applies equally to working age customers with disabilities as to older people. Spend on both groups is around £150m.
- National Living Wage (NLW). Pay is the largest element of external care providers' costs and so the National Living Wage (NLW) creates an immediate knock-on implication for the County Council. For 2024/25 it was announced in the Autumn Statement that the hourly rate will rise by 9.8% to £11.44 per hour. Although action which aims to tackle low pay is welcome, the increase exceeded the County Council's expectations, adding materially to the challenges that the County Council faced in finalising its budget proposals. Due to the fragility of the care market in West Sussex, the NLW has been recognised as a budget pressure every year since it was introduced in 2016/17. Since competition from industries such as retail and hospitality are continuing to make demand for workforce intense, the County Council has felt it only right and proper to fund this increase. The cost equates to an additional £10.2m in 2024/25, so fully funding the NLW requires further reprioritisation of the County Council's limited resources towards adult social care.

- Market-related factors. An inflationary increase also needs to be made available for non-pay related costs. When combined with the growth for the NLW, there will be a funding envelope for paying uplifts to care providers that will enable an increase of around 8% to be afforded. This will build upon the average increase of 8% agreed for 2022/23 and 9% in 2023/24. Whilst it is positive that this has helped bring greater stability to some parts of the market, overall the County Council's position remains challenging with an imbalance of demand and supply putting upwards pressure on prices. Part of this reflects a relatively buoyant self-funder market, which makes the County Council a minority purchaser of care for older people in West Sussex, together with pressure from the NHS for rapid hospital discharges. Providing a funding envelope of 8% for 2024/25 will cost around £21m (including funding for NLW of £10.2m) Similar to previous years, a Cabinet Member decision about uplifts will be taken in the spring. This will aim to prioritise increases in line with the County Council's strategic commissioning priorities and to address specific market-related issues.
- A sustainable funding settlement for adult social care. Government continues to acknowledge that the care sector is under-funded and one of the conditions attached to support being offered through the Market Sustainability and Improvement Fund (MSIF) is 'to increase fee rates paid to adult social care providers'. For 2024/25 this will result in an additional £6.7m being made available through MSIF. Although this will provide a contribution towards the £21m that will be spent on fee uplifts, it still leaves the bulk of the cost to fall to the County Council through the collection of local taxes. These additional Government resources are only being made available using money that had been earmarked to pay for the proposed reforms of adult social care, which have been postponed until at least 2025. They also continue to be distributed using the Adult Social Care Relative Needs formula, which disadvantages most of the South East because it is heavily influenced by measures of deprivation rather than the factors which drive cost pressure in this area of the country. These are among the reasons why the County Council is supporting the efforts of groups like the Local Government Association and the Association of Directors of Adult Social Services to lobby Government for a funding settlement that reflects the day-to-day realities that all councils with social care responsibilities are needing to manage. The County Council's medium term financial plans assume that if the social care reforms are implemented in the future, that they will be accompanied by further new funding.
- Savings carried forward from 2023/24. The 2023/24 Adults budget was based on an expectation that £15.8m of savings would be delivered. The catalyst for these was the Adults Social Care Strategy (2022-25) and its ambition to promote independence and person-centred care as enablers of improved care outcomes for people. Progress in 2023/24 has been impacted by workforce constraints and shortages of alternative provision when reviews have identified that a change in placement would be appropriate. Through the in-year PRR, a shortfall of £6.8m has been forecast which will transfer into 2024/25. This is planned to be delivered from a continuation of review activity and from savings that are due to be

made in the cost of external contracts within Lifelong Services for day care, employment and prevention together with the introduction of a new approach to financial authorisation. This will strengthen quality assurance and is expected to result in more robust decision making, including optimisation of existing contractual arrangements.

- The 2024/25 budget assumes that £2.4m of new budget reductions will be achieved, as outlined in **Appendix 3**.

4.4 After allowing for savings and other changes, the actual growth in the budget is £21.0m. The key explanations for that change are summarised below:

Table 6: Adults Services Budget Changes

Item	£m
Additional budget for the effect of population change and rising complexity of needs	8.1
Additional budget for existing demand pressure	4.1
Additional budget for the National Living Wage	10.2
Pay and price increases allowance	7.9
Use of Market Sustainability and Improvement Fund to contribute towards the cost of fee increases for care providers	(6.7)
Transfers between portfolios	(0.2)
Budget Reductions	(2.4)
Net change	21.0

The County Council is proposing to utilise its freedom to raise an Adult Social Care precept of 2% to help pay for the increased costs.

Children and Young People, Learning and Skills

4.5 The Children and Young People, Learning and Skills budget for 2024/25 allows for gross expenditure of **£1,164.5m**, but after sales, fees and charges, service specific government grants and other income, net expenditure is **£220.2m**. The budget includes **£850.3m** of Dedicated Schools Grant funding, the majority of which is passported directly to schools. The 2024/25 budget for the portfolio will increase by **£37.3m** compared with 2023/24.

4.6 Around 78% of the net budget is spent on responsibilities relating to children's social care, including the staffing teams carrying out those responsibilities. The remaining 22% is spent on early help services, children's mental health services (in partnership with Health) and services designed to reduce youth offending, and the council's statutory duties in relation to home to school transport and Special Educational Needs.

- 4.7 The number of children we care for (excluding disabilities and asylum) rose significantly between March 2023 and June 2023 from 735 to 769 but since that time volumes have fallen slightly to 756 as at the end of November 2023. There has been an increase in the proportion of children with complex needs meaning that both the mix of placement types and the individual cost of placements have led to cost pressures on the children we care for budgets.
- 4.8 The Children's Leadership Team have put a range of actions in place as part of a service recovery plan to target a reduction in the proportion of children we care for who are placed in external residential care arrangements, which should result in cost reductions from 2024/25 onwards. However, the success of this plan will be subject to sufficient availability of other placement types, most notably foster care.
- 4.9 The County Council currently has 15.6% of the children we care for (excluding disability and asylum) placed in external residential care, compared to 10% for our statistical neighbours. The main ambition of the Children's Leadership Team is to reduce the proportion of children and young people in external residential placements to a level more in keeping with our neighbouring authorities, but this will take time to impact and is dependent on the sufficiency of other placement arrangements. The number of children we care for per 10,000 population is in keeping with statistical neighbours.
- 4.10 The reduction in external residential placements will be partly addressed by increasing the overall percentage of kinship arrangements in the county which has been in decline over the last two years. In order to reverse this the service are working to increase the overall percentage of kinship arrangements in line with the recommendations of the Independent Review of Children's Social Care and new Family Safeguarding practice model. As at the end of March 2023 the number of kinship arrangements stood at 74, and the plan is to increase these numbers to 120 by the end of 2024/25 and which will deliver budget reductions of £2m as well as provide better outcomes for young people.
- 4.11 To help combat the number of external residential placements at significantly higher than average cost, the Children's Commissioning Service is also designing and building a suite of new commissioning tools, which include a Market Position Statement to further strengthen and develop the Placement Sufficiency Strategy. It is anticipated that this will increase the utilisation of local private markets and be delivered in a more cost-effective manner in 2024/25.
- 4.12 During 2023/24 children's social care has successfully implemented the new Family Safeguarding model of practice. The aim of this model is to take a more holistic approach to issues within families at an earlier point, hence preventing situations escalating to the point where statutory interventions may be required. The implementation has included the commissioning of specialist staff who work with the adults in the family to address issues around substance misuse, domestic violence and mental health. The Family Safeguarding model is expected to reduce the number of young children under the age of 12 entering care, and consequently

budget reductions of £4m are expected to be delivered over a three year period.

- 4.13 Allowing for the continued pressures on the Children We Care For placements budget, and the recovery plans being undertaken within the service, including a reduction in residential placements from 15% to 13.5% next year, an additional £16.6m has been added to the 2024/25 budget to support placement costs.
- 4.14 Over the last couple of years, the number of young people who have required unique care and support arrangements to be put in place in unregistered settings (at significant individual cost) has increased significantly. This issue is almost certainly a result of the Covid-19 pandemic and the impact that the pandemic response has had on children and young people's emotional wellbeing and mental health. For much of 2023/24 there has been an average of 14 of these placements at any one time with approximately 60% of the cases being due to placement breakdown within the family/extended family network resulting in the social worker assessment for entry to care. The service recovery plan includes reducing the need for these unregistered placements down to 8 by the end of 2023/24 and an average of 6 in 2024/25. As a result, £2.8m has been added to the placement budget to meet this current ongoing need.
- 4.15 The targets within the service recovery plan to reduce the children we care for (excluding disability and asylum) placed in external residential care down to 13.5% and the number of unregistered placements down to 6 next year are ambitious. The placement budget remains very volatile and subject to external factors beyond the Council's control.
- 4.16 The budget for placements for Children with Disabilities is forecast to overspend by £1.7m in the current financial year and this pressure is expected to continue into 2024/25. Of this, £0.6m is due to the increasing number and type of care at home packages, which are required to prevent family breakdown or when it has been agreed that the child does need to become looked after but there are no suitable placements available. The remaining £1.1m relates to the continued growth of direct payments placements and a £2 increase in the direct payments rate to £12.40 per hour from July 2023.
- 4.17 Some additional staff positions are necessary in order to manage the expected increase in the number of in-house foster carers. Also, increases for incremental progression following the implementation of the new social worker pay scales back in 2021/22 has led to the staffing budgets being increased by £0.9m in 2024/25.
- 4.18 Following a reduction in existing case numbers being eligible for Continuing Health Care (CHC) and changes in the Integrated Care Board eligibility criteria, on-going CHC income is reducing.
- 4.19 In April 2023, the government announced additional grant funding for both 2023/24 and 2024/25 for implementing supported accommodation reforms for children we care for and care leavers aged 16 and 17. The

County Council has been able to use this grant funding to offset the increased costs associated with the impact of these changes, £0.7m of which had already been built into the 2023/24 budget as part of the commissioning service redesign.

- 4.20 West Sussex has been experiencing several challenges in supporting and meeting the needs of children and young people with Special Educational Needs and Disabilities (SEND). Over the last two years, in line with the national position in England, the number of children referred for an Education, Health and Care Needs Assessment (EHCNA) has increased significantly within the county. Due to this increase in demand, limited capacity within the Special Educational Needs Assessment Team (SENAT) and a national shortage of educational psychologists, the volume of assessments taking longer than the statutory 20 weeks to complete has escalated, with the current average being 42 weeks. At the current time there are 1,189 active EHCNAs, with 786 being in excess of 20 weeks.
- 4.21 In order to meet both the on-going capacity issues and the current backlog, £1.6m has been included within the 2024/25 budget for:
- Continuation of external contracting of educational psychology assessments next year (£0.4m),
 - Temporary posts within SENAT to tackle the existing EHCNA backlog (£0.4m), and
 - Additional permanent posts within SENAT to meet increased demand for both EHCNAs and Educational Health and Care Plan (EHCP) annual reviews (£0.8m).
- 4.22 Although the Home to School Transport budget has come under increasing financial pressure from higher contract prices due to general inflation and higher staffing costs related to the National Living Wage, the underlying pressure is driven by the increase in number of pupils with an EHCP and the statutory duty to provide transport for pupils who are eligible. Approximately one third of pupils with an EHCP require transport to and from school and work will be undertaken in 2024/25 to identify mitigations to address these growing pressures.
- 4.23 For 2024/25, £7.5m has been added to the Home to School Transport budget to meet the following pressures:
- On-going in year pressure from 2023/24 of £4m,
 - Increase in number of pupils with an EHCP requiring transport following the completion of outstanding EHCNAs (£1.7m), and
 - Continued growth in the number of pupils with an EHCP requiring transport in 2024/25 (£1.8m).
- 4.24 Planned savings of **£6.6m** are included to balance the County Council's overall budget, as described in **Appendix 3**.
- 4.25 The key explanations of changes in the 2024/25 budget for the portfolio are shown in **Table 7**.

Table 7: Children and Young People, Learning and Skills Budget Changes

Item	£m
Support for children (excluding disabilities) – placement costs	16.6
Support for children – unregistered placement costs	2.8
Support for children with disabilities – placement costs	1.7
Childrens workforce	0.9
Income received for eligible continuing health care needs	0.2
Use of Supported Accommodation Grant	(0.7)
Staffing for Education Health and Care Needs Assessments	1.6
Demand and cost pressures for Home to school transport	7.5
Pay and price increases allowance	9.0
Transfers between portfolios	4.3
Budget Reductions	(6.6)
Net change	37.3

- 4.26 In 2024/25, there is planned capital investment of **£32.8m** and a total of **£190.3m** over the five year period 2024/25 to 2028/29. The focus of capital investment remains on making adaptations in mainstream schools to accommodate a wider variety of needs and to increase the number of specialist school places within the county. This will enhance the choices for children with special educational needs. In addition, capital funds are also set aside for improving the sufficiency of accommodation for children we care for, as well as improving the environment in which other critical services for children and families are delivered. Further details of the Capital Strategy can be found in **Annex 2(a)**.

Community Support, Fire and Rescue

- 4.27 The Community Support, Fire and Rescue budget allows for gross expenditure of **£60.2m** but after sales, fees and charges, service specific government grants and other income net expenditure is **£51.9m**.

Fire and Rescue

- 4.28 West Sussex Fire & Rescue Service’s (WSFRS) new Training Centre, Platinum House provides a unique opportunity to offer a range of training courses for external organisations. The multi-million-pound facility is an industry-leading training centre. The fire station consists of appliance bays, office space, training rooms, staff and delegate bedrooms and a community space. The site is staffed by wholetime firefighters 24 hours a day, seven days a week, as well as a unit of retained firefighters. The site features a number of different training environments that immerse firefighters in real-life operational situations. This includes a state-of-the-art live fire training facility, a cold smoke training tower, an immersive incident command suite, and a road traffic collision training area. Following the centre’s launch this summer, the service will be offering training opportunities and courses to external partners.

- 4.29 The WSFRS will continue to support requests for Safe and Well Visits through partnerships and local risk management plans. Data will be used to target support for those who are most at risk. Frontline crews will continue to increase their delivery of Safe and Well Visits, to assist Prevention teams, and are now trained to deliver high risk visits. Further work is to be undertaken to increase productivity and capitalise on this wider resource base. This work includes a dedicated training session for all crews at Platinum House as part of their ongoing maintenance of knowledge, implementation of the National Definition of Risk to help better target community engagement, as well as improved performance management and reporting. The implementation of a robust quality assurance framework will ensure that Safe and Well Visits are delivered consistently to a high standard.
- 4.30 The Local Government financial settlement announced a change in the source of funding for the £1.7m Fire Pension Grant which was given to support increased employer pension rates in 2019. From 2024/25, this will now be included within the Revenue Support Grant calculation and whilst there is no net impact on the County Council the change in funding is now reflected as an increase in the Fire and Rescue service budget.
- 4.31 The leadership and culture programme over the last year was designed to support all leaders in their development to role model expected values and behaviours, to be confident and capable in their roles, and to enable them to create a positive, inclusive, supportive, and empowering work environment. As a complimentary approach, an external coaching consultancy was commissioned to support the delivery of a team-based Cultural Development Programme to support the rapid development of culture towards everyone displaying the WSCC values, and the National Fire Chief’s Council (NFCC) Code of Ethics. The programme has supported in identifying what staff feel is or isn’t working well; develop the working culture within WSFRS to help support and deliver the vision, strategic aims, and objectives; and propose how this can be embedded in planning into 2024/25 and beyond.
- 4.32 In 2024/25, there are planned budget reductions of **£0.5m** across the Fire and Rescue Service and these are included to balance the County Council’s overall budget, as described in **Appendix 3**.
- 4.33 The key explanations of changes in the 2024/25 budget for the Fire and Rescue element of the portfolio are shown in **Table 8**.

Table 8 – Fire and Rescue

Item	£m
Fire Pension Grant – change in funding	1.7
Increased fleet maintenance costs	0.1
Pay and price increases allowance	1.5
Transfer between portfolios	0.0
Budget Reductions	(0.5)
Net change	2.8

- 4.34 In 2024/25, there is planned capital investment of **£3m** and a total of **£29.4m** over the five year period 2024/25 to 2028/29. The focus of capital investment remains on the fire and rescue fleet and equipment and estates improvement. Further details of the Capital Strategy can be found in **Annex 2(a)**.

Communities

- 4.35 The Communities Directorate includes a diverse range of services and areas of business providing community support. Some operate at scale as universal services; others deliver more narrowly targeted work. This includes working with partners to enable people to influence how their community develops.
- 4.36 The customer groups, delivery locations, models of engagement and nature of the community support provided vary across this diverse range of services however the focus remains on building strong and safe communities, connecting people and growing partnerships.
- 4.37 The Registration Service is a statutory and highly regulated service delivering Birth, Death and Notice appointments, Marriage and Civil Partnership ceremonies at locations across the county. In total around 24,500 face-to-face appointments registering life events and 3,000 ceremonies are undertaken each year.
- 4.38 The Community Hub acts as a customer contact “front door” with skilled officers providing information, advice, guidance, signposting and practical support for a wide range of areas. These include Cost of Living, Homes for Ukraine scheme and the front door for rapid and crisis response on behalf of the Communities directorate.
- 4.39 The Library Service works to improve the lives of all residents through promoting the benefits of reading for all, providing a high-quality information service and supporting people to get online safely.
- 4.40 Operating important hubs in the community, delivering a programme of campaigns, events and activities, and also hosting a range of partners, community-based support includes targeted work with hard to reach or vulnerable groups, such as older people, people with additional needs or care experienced children and young people. Support is also offered for businesses and jobseekers. Virtual services offer eBooks and other digital content, delivered across a number of platforms and designed to complement the library-based offer.
- 4.41 The Directorate is responsible for ensuring compliance with statutory duties under the Crime and Disorder Act 1988, Domestic Abuse Act 2021, Modern Slavery Act 2015, Prevent duties under Counter Terrorism and Security Act 2015, and undertaking Domestic Homicide Reviews.
- 4.42 The Directorate leads on the tenancy management of the nine Gypsy and Traveller sites across West Sussex with the Migration and Resettlement service playing a key role in the countywide provision of humanitarian

assistance to migrated communities, resettling communities and those seeking asylum.

- 4.43 In 2023/24 the County Council became the employing authority for the Coroners Service which covers the three jurisdictions of West Sussex, Brighton & Hove and East Sussex, following the transfer of 20 Coroner’s Officers from Sussex Police under a COSOP arrangement. The service is seeing a short term increase in costs of £0.2m as a result of harmonisation of staff terms and conditions and funding arrangements.
- 4.44 The Coroner’s Officers managed by the Communities Directorate are responsible for investigating and recording sudden and unexpected death in line with the Coroner’s and Justice Act 2009, Coroner’s (Investigation) Regulations 2013, Coroner’s (Inquests) Rules 2013 and the Chief Coroner’s Guidance.
- 4.45 A pan Sussex approach aligns with partner agencies across Sussex including Sussex Police, South East Coast Ambulance and University Sussex Hospital Trust. Central management is enabling common working practices allowing better resilience in staffing, efficiency, and consistency with the aim being to provide a centrally managed and locally delivered service.
- 4.46 The Coroners Service, in line with national trends, is seeing pressures from an increase in excess deaths since the pandemic requiring greater coroner time. This alongside increased costs associated with the securing the services of Pathologists, body storage and histology tests has seen the financial pressure of £0.3m.
- 4.47 In 2024/25, there are planned budget reductions of **£0.1m** across the portfolio and these are included to balance the County Council’s overall budget, as described in **Appendix 3**.
- 4.48 The key explanations of changes in the 2024/25 budget for the Communities element of the portfolio are shown in **Table 9**.

Table 9: Communities

Item	£m
Coroners – increased costs	0.5
Pay and price increases allowance	0.8
Transfer between portfolios	0.1
Budget Reductions	(0.1)
Net change	1.3

- 4.49 In 2024/25, there is minimal capital investment planned. Further details of the Capital Strategy can be found in **Annex 2(a)**.

Environment and Climate Change

- 4.50 The Environment and Climate Change budget allows for gross expenditure of **£90.9m** but after sales, fees and charges, service specific government grants and other income net expenditure is **£80.4m**.

Climate and Sustainability

- 4.51 The County Council has pledged to tackle climate change and protect the environment through its Climate Change Strategy and Council Plan priorities. The County Council has an ambitious target to be a carbon neutral and climate resilient organisation by 2030.
- 4.52 The work underway and planned will reduce the carbon emissions generated by the County Council's operations and begin adapting services to become resilient to the changing climate. This work is challenging but essential and is becoming ever more important as climate change increasingly affects the local environment.
- 4.53 The number of renewable energy schemes are expanding, new cycling infrastructure has been rolled out, work has begun to develop a network of electric vehicle charge points and the County Council is actively helping local businesses prepare for the future through the Let's Go! Net Zero campaign.
- 4.54 The Solar Together Scheme, that supports residents to install solar panels and battery storage, continues to expand with the latest round seeing over 10,000 customer registrations. Through Community Food Hubs, eight tonnes of food has been prevented from being wasted. Working in partnership with local communities and others, the County Council continues to support local nature recovery and find ways to boost and protect biodiversity.

Energy

- 4.55 During 2023, energy markets started to recover and become more stable following the dramatic price rises as the supply markets were restricted and demand rose as the country emerged from the nationwide lockdowns and suffered the impacts of the war in Ukraine.
- 4.56 Previous investment in renewable energy meant the County Council was protected from some of these increases and benefitted from the income from the solar installations. The County Council will continue to enhance plans for developing other sustainable technologies, particularly solar energy and battery storage for power and the 2024/25 budget recognises the increased income this is expected to generate.

Waste

- 4.57 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 £71m of the net revenue budget is dedicated to supporting the waste disposal and recycling infrastructure.

- 4.58 Section 45A of the Environment Act 2021 and the Government’s Simpler Recycling policy requires food waste to be separately collected at the kerbside from other household waste across England by March 2026. The current collection methodology and treatment infrastructure is not compliant with these policies and will require the County Council to consider how to best meet its disposal obligation as well as allow the district and borough councils to collect food waste separately.
- 4.59 Over the next 24 months the County Council will be working with the operator of the Mechanical and Biological Treatment (MBT) plant and the operator of the transfer stations to reconfigure the facilities to accept separated food waste and ensure that benefits can be maximised.
- 4.60 The RDF contract was successfully reprocured during 2023 and will take affect from 1 April 2024, delivering cost reductions of £1m in 2024/25. The contract has also been constructed to allow integration with the outcome of the work with the MBT operator.
- 4.61 In 2024/25, there are planned budget reductions of **£1.5m** across the portfolio and these are included to balance the County Council’s overall budget, as described in **Appendix 3**.
- 4.62 The key explanations of changes in the 2024/25 budget for the portfolio are shown in **Table 10**.

Table 10: Environment and Climate Change

Item	£m
Solar investment income delayed, now planned for 2025/26	0.5
Additional resources for protecting the environment	0.1
Transfers from reserves	2.4
Pay and price increases allowance	4.9
Transfer between portfolios	0.1
Budget Reductions	(1.5)
Net change	6.5

- 4.63 In 2024/25, there is planned capital investment of **£16.9m** and a total of almost **£100m** over the five year period from 2024/25 to 2028/29. This is mainly focussed on investment into renewable energy, changes needed to waste disposal and investment into protecting the environment. Further details of the Capital Strategy can be found in **Annex 2(a)**.

Finance and Property

- 4.64 The Finance and Property budget allows for gross expenditure of **£38.1m** but after sales, fees and charges, service specific government grants and other income net expenditure is **£33.1m**.

- 4.65 The finance function delivers on the Council's statutory financial requirements and embeds a culture of good financial management across the organisation. Going forward, the service will be responsible for navigating the organisation through the tough financial challenges ahead and ensuring that financial resources are deployed in an efficient and effective manner.
- 4.66 The Strategic Procurement and Contract Management function is continuing to support the organisation to implement good practice and compliance across procurement and contract management processes, and in 2024/25 will translate the new Procurement Act, that will come into force in October 2024, into new policies and processes for the County Council.
- 4.67 The management and operation of the Council's assets is overseen by the Property and Assets Team who maintain the County Council's operational buildings and other assets, including land.
- 4.68 The County Council continues to move towards a more flexible way of working and has reviewed the administrative assets that are currently held. The County Council will look to dispose of any surplus assets or, where it is more applicable, will try to maximise their use by looking creatively at how they may be used to support economic growth. For all retained assets, the County Council must consider ways to reduce overall energy consumption to contribute towards the ambition of a net carbon zero organisation by 2030.
- 4.69 Work to reduce the number of assets used in providing Early Help services will also yield savings in estate running costs.
- 4.70 The County Council continues to explore innovative ways to make best use of surplus land and 2021/22 saw the creation of the Joint Venture (JV) with Edes Estate (as a wholly owned company of the County Council) and a long-term partner to take forward, and benefit from, the development opportunities that are available by developing the surplus sites and creating much needed housing across the county. The first site was transferred to the JV in November 2023 and work on site has started. It is expected that through 2024/25 a further three sites will be progressed to the point of transferring land to the JV benefitting the Council through capital receipts and revenue dividends in future years. The business plan for Edes Estate is currently in development and will provide estimates of the total capital receipts and dividends across the 30 year partnership.
- 4.71 The portfolio holds the budget for payments to outside organisations where it is required to meet the levy, precept or contribution requested under the relevant legislation. This includes:
- Sussex Sea Fisheries Levy: £0.4m;
 - Flood Defence Levy: £0.4m;
 - Chichester Harbour: £0.2m; and

- Littlehampton Harbour Board Precept: £0.6m.
- 4.72 The decisions over the last two years to bring previously outsourced services back in house to deliver improved services has raised the number of directly employed staff and subsequently the level of Apprenticeship Levy due has increased by £0.2m and in 2024/25 is expected to be £1.0m.
- 4.73 In 2024/25, there are planned budget reductions of **£0.6m** across the portfolio and these are included to balance the County Council’s overall budget, as described in **Appendix 3**.
- 4.74 The key explanations of changes in the 2024/25 budget for the portfolio are shown in **Table 11**.

Table 11 – Finance and Property

Item	£m
One-off Loss of property rental income from vacant property	1.9
Increase in property holding costs (vacant properties)	0.4
Increase in Apprenticeship Levy	0.2
Increase in Littlehampton Harbour Board precept	0.4
Increase in external audit fees	0.1
Reduction in budget for feasibility work	(0.5)
Utilisation of grant funding	(0.5)
Transfer to reserves	1.5
Pay and price increases allowance	1.5
Transfer between portfolios	0.7
Budget Reductions	(0.6)
Net change	5.1

- 4.75 In 2024/25, there is planned capital investment of **£8.3m** and a total of **£97.2m** over the five year period 2024/25 to 2028/29. The focus of capital investment remains on the Council’s operational estate and regeneration opportunities. The portfolio also holds the more general capital contingency lines for inflation, invest to save projects and capital improvements where there are no specific current schemes allocated but are available if new schemes or unexpected spend comes through in year. Any use of these corporate contingency lines is subject to formal governance and decision making. Further details of the Capital Strategy can be found in **Annex 2(a)**.

Highways and Transport

- 4.76 The Highways and Transport budget allows for gross expenditure of **£83.1m** but after sales, fees and charges, service specific government grants and other income net expenditure is **£47.3m**. This budget maintains and delivers 4,000km of roads and 3,956km of footways which businesses and local communities need to support economic growth and allows our customers to access services across the County. The County

Council will maintain, improve and, where appropriate, expand the highways network for the benefit of all residents and visitors to West Sussex.

- 4.77 The County Council is expected to receive an additional £67.6m over the next 10 years in Government grant for new and improved roads. In addition, the County Council itself has invested **£4.5m** of additional resources in 2023/24 to address the condition of the Highway, in particular work on the drainage system and addressing the number of safety defects. Significant changes in rainfall patterns have resulted in a higher number of local flooding events. Additional funding has been put into this area to improve investigative capacity and the ability to respond to events. The service is on target to achieve its ambition of clearing an additional 30,000 gullies, patching an additional 9,000m² and fixing over 2,000 additional potholes. In 2024/25, the County Council will spend £20.1m of revenue, including additional investment of £4m and £46.7m of capital on improving the road condition and drainage systems of the highways network.
- 4.78 The Ash Dieback programme continues to address the issue of trees impacted by the disease. As part of the closedown process in 2021/22 a reserve was set up to manage the impact of any early works required in excess of the base budget. With the programme now in its 3rd year and with good progress being made, the allocated reserve can now be used to deliver the annual programme whilst the service will also manage the programme to a reduced level releasing a further £0.5m of funding.
- 4.79 Alongside the bus operators, as part of an enhanced partnership funded through the Bus Service Improvement Plan (BSIP), the County Council will continue to deliver countywide bus service patronage recovery and improvements in line with the Bus Back Better National Bus Strategy for England. In 2023/24 there was the introduction of a new bus route to provide access to key services in both Littlehampton and Chichester centres as well as Portfield retail parks, St Richard's Hospital, and University of Chichester (Bishop Otter campus), which will give residents improved access and provide a better choice of transport mode reducing car based congestion and helping to combat climate change. A new discounted bus fare for qualifying Young People aged 16 to 20 will continue into 2024/25.
- 4.80 2024/25 will continue to see the Council support bus companies through the BSIP+ grant as the Government withdraws short term pandemic support. The BSIP+ grant will support a number of services across the County to allow time for a more thorough and wide-ranging review of these services. A significant number of existing supported bus contracts are due to be retendered and it is expected that inflationary increases will be significant, however the Government has enabled the County Council to use BSIP funding for supporting such services allowing the current network to be sustained.
- 4.81 Despite the investment in the BSIP, some services are still struggling with patronage remaining lower than pre-pandemic levels, notably by free bus pass holders on commercial services, and the 2024/25 budget reflects a

further saving in the Concessionary Fare budget to reflect the current usage levels.

- 4.82 With the easing of tensions in the energy market over the past 12 months there has been a substantial reduction in electricity prices for street lighting and highways electricity. This has led to in-year savings during 2023/24, and with more stability in the market, has provided the opportunity to remove the additional inflation added as part of last year's budget, reducing the cost of energy by £1.5m.
- 4.83 In 2024/25, there are planned budget reductions of **£2.6m** across a range of services within the portfolio and these are included to balance the County Council's overall budget, as described in **Appendix 3**.
- 4.84 The key explanations of changes in the 2024/25 budget for the portfolio are shown in **Table 12**.

Table 12: Highway and Transport

Item	£m
Additional revenue investment into highway maintenance	4.0
Transfers from reserves	(2.8)
Pay and price increases allowance	1.1
Transfer between portfolios	0.2
Budget Reductions	(2.6)
Net change	(0.1)

- 4.85 In 2024/25, there is planned capital investment of **£59.1m** and a total of **£236.7m** over the five year period 2024/25 to 2028/29. The focus of capital investment remains on the annual highways works programme, major A roads investment, bus services and street lighting. Further details of the Capital Strategy can be found in **Annex 2(a)**.

Leader

- 4.86 The Leader's portfolio allows for gross expenditure of **£3.4m** but after sales, fees and charges and other income net expenditure is **£2.9m**.
- 4.87 This budget supports the costs of economic growth, feasibility support for the One Public Estate programme and the Chief Executive's Office, which supports the delivery of council priorities by providing capacity and advice on business planning, including the Council Plan.
- 4.88 West Sussex has a prosperous economy, but the long-term productivity gap within the South East has widened and there are barriers to growth. A tight labour market and challenges of inflation are affecting businesses in many sectors and there is a need to focus on improving skills levels. Housing is becoming increasingly unaffordable – presenting challenges to people entering or remaining in the labour market. The value of the manufacturing sector has increased significantly and there are engineering strengths and emerging sectors (Greentech, creative industries, viticulture) creating opportunities for growth.

- 4.89 The County Council is working in partnership across Sussex to support the resilience and growth of the visitor economy. In 2019, the sector was valued at over £2.1billion, delivering 38,520 jobs. Developing the visitor economy will support the wider priorities of creating attractive places for people to live and work, and for business to locate and invest.
- 4.90 Government announced their decision in August 2023 to transfer functions from Local Enterprise Partnerships (LEPs) to upper tier authorities from April 2024. Support for employment and skills is increasingly important as a major local employer and an enabler of growth in the West Sussex economy.
- 4.91 The Economic and Strategic Growth Team will continue their work with internal and external partners to enable and deliver initiatives that champion and grow the local economy, in support of Our Council Plan priority for a sustainable and prosperous economy. The work will focus on supporting local enterprises to sustain, innovate and grow; on visitor economy sector growth through new pan-Sussex collaborative arrangements; and on employment and skills initiatives including the work of the Careers Hub covering West Sussex following the function transferring from Coast to Capital Local Enterprise Partnership (LEP) to the County Council on 1 September 2023, including six staff.
- 4.92 The team’s work will also respond to the transition of the remaining LEP functions from Coast to Capital to upper tier local authorities in accordance with government guidance, including business representation and economic strategy.
- 4.93 In 2024/25, there are no planned budget reductions within this portfolio.
- 4.94 The key explanations of changes in the 2024/25 budget for the portfolio are shown in **Table 13**.

Table 13: Leader

Item	£m
Pay and price allowance	0.1
Transfer between portfolios	(0.2)
Net change	(0.1)

- 4.95 In 2024/25, there is a planned small capital investment of **£1.5m** and a total of **£13.7m** over the five year period 2024/25 to 2028/29. The focus of capital investment remains on the Growth Deal programmes in Burgess Hill, Worthing and Crawley. Further details of the Capital Strategy can be found in **Annex 2(a)**.

Public Health and Wellbeing

- 4.96 The Public Health budget is funded by the Public Health Grant (PHG). This is a ring-fenced grant which requires the County Council to spend in line with the Public Health Outcomes Framework. An indicative grant figure for 2024/25 of **£37.9m** was issued when the PHG for 2023/24 was

announced. This represents an increase of just under £0.5m or 1.3%, and means a real terms cut in funding when inflation is taken into account. Final grant allocations for 2024/25 are not expected to be published until early 2024.

- 4.97 Planning for 2024/25 is taking place based on the indicative figure plus the residual grant underspend of £6m carried forward from previous years. That process will aim to ensure that the public health monies are being spent in ways which fulfil grant conditions and support delivery of County Council priorities.
- 4.98 £25.1m of expenditure is planned to be incurred through the Public Health portfolio. The remainder is transferred to other portfolios where it is used to fund the Healthy Child Programme in the Children and Young People's portfolio and to contribute to a range of different services across Communities, Fire and Rescue, Highways and Transport and Support Services and Economic Development portfolios.

Support Services and Economic Development

- 4.99 The Support Services and Economic Development portfolio allows for gross expenditure of **£39.0m** but after sales, fees and charges, service specific government grant and other income net expenditure is **£33.5m**.
- 4.100 The Customer Experience team provides the Customer Service Centre that supports 23 services across the Council through the provision of a telephony and front door service to residents as well as the 'front door'. The improvements to the Council Corporate Website continues to ensure that information is accessible to all and the Council makes it easy for customers to get the support and information they need when they need it as well as providing support to vulnerable young people through the provision of an Advocate who helps them to have a voice, and providing a friend to our most vulnerable children through the Independent Visitors scheme.
- 4.101 Following the insourcing of support services from Capita in October 2022, during 2023/24, the County Council reviewed all such services to develop the right target operating models to secure the best value solution. As a result, some support services and their budgets have transferred to other cabinet portfolios from 2024/25.
- 4.102 This includes the Business Services review which has seen over 200 staff move from a centralised model to one integrated within services. This final piece of work concluded the move away from Capita provided services and a £0.3m reduction in the cost of running the services through the new model and improvement in processes.
- 4.103 The HR and OD service continues to support the 6,326 staff across the County Council and the 10,365 staff across the 192 maintained schools. Along with finance and procurement there will be a focus on implementation of a new finance and HR system that will ensure there is improved efficiency of existing business processes. The service will support the implementation of the recommendations of the Task and

Finish Group on recruitment, retention, skills and development and an additional £0.3m has been included in the budget to increase capacity within the service.

- 4.104 During 2024/25 the Legal Team will continue to provide legal support across the organisation and Democratic Services will continue to support the 70 County Council Members and on average 80 committee and council meetings across the municipal year.
- 4.105 The focus of the County Council's IT function over the last 12 months has been on stabilising the services and investment into infrastructure and technology following the transfer from Capita in 2021. Access to safe and secure technology to support service delivery across the Council will continue to be the priority of the service, but also to support the move to enabling the delivery of the Digital Strategy that will be developed in 2024/25. The strategy will set out the County Council's approach to maximising the use of technology for engagement with customers and ways of working for its staff. It will be underpinned by the Digital Infrastructure Strategy agreed by Cabinet in 2023 which focuses on improving connectivity across the County and the work on Digital Inclusion to ensure that no-one is left behind.
- 4.106 The Digital Infrastructure Team (DIT) sets the county-wide strategy for digital infrastructure, working with the District and Borough Councils across public and private sector stakeholders. The West Sussex Digital Infrastructure Strategy aligns with central government policy (Digital Strategy 2022, UK Science and Innovation Framework 2023 and Wireless Infrastructure Strategy 2023) and will adapt to reflect relevant public legislation such as the Electronic Communications Code (amended 2022).
- 4.107 In 2024, the County Council will continue to deliver its strategic priorities by working with partners across the public and private sectors (telecoms market, government and commercial investors) and through the established Open Digital programme. The work will build on previous investments such as the West Sussex Full Fibre Programme national pilot Gigabit Framework; the dark fibre Open Network working with telecoms stakeholders; the DCIA project funded by Building Digital UK (BDUK) to facilitate access to street furniture.
- 4.108 The ongoing work with BDUK will support rural and hard to reach communities across a range of government facilitated mechanisms. These include Project Gigabit, which is a publicly funded roll out, ensuring delivery of gigabit-capable infrastructure as part of the West Sussex 'Top Up' to the UK Gigabit Voucher Scheme and enabling businesses with very slow speeds to access 4G broadband via our 4G mobile Business Broadband Voucher Scheme.
- 4.109 The Digital Infrastructure programme will be expanded to include new areas of work such as accelerating infrastructure that can enable innovation ecosystems, including the role of open assets in public and private sector innovation and enabling 4G and 5G mobile connectivity. Examples include the support for economic, social and environmental outcomes through the Beach project in Worthing. This will facilitate

networks that enable better public services and create more opportunities for commercial investment. The externally funded BEACH and Growing Sussex 5G Innovation projects will be the flagship innovation projects in 2024 and 2025, developing new ways of collaborating across the private and public sectors.

- 4.110 Recently being awarded Department for Science, Innovation and Technology (DSIT) funding to develop a 'Regional Innovation Zone', the County Council are working with the horticulture and higher education sectors through the Growing Sussex 5G Innovation Region project to deploy advanced wireless/5G connectivity at selected sites. This will showcase applications of digital technology in sustainable food, drink and plant production and create demand within the growing sectors for commercial investment in advanced wireless/5G coverage, all in line with government strategy. As part of the UK TIN (Telecoms Innovation Network) the County Council has a voice in advising central government policy makers on Local Authorities' role in accelerating commercial investment in advanced wireless, working the market, regional innovation partners and DSIT.
- 4.111 The Growth and One Public Estates team aim to promote economic growth and wellbeing by unlocking opportunities for new homes and job creation, improving the built environment through strategic investments in public spaces, fostering collaborations between public and private sectors, and streamlining the efficiency of public assets. These aims are outlined in the West Sussex County Council Economy Plan (2020-2024).
- 4.112 The team work in partnership to deliver on these objectives through our Growth Deals with our district and boroughs and making the best use of our public assets through the One Public Estates (OPE) initiative with all public sector partners.
- 4.113 In the upcoming 2024/25 period, our primary focus will revolve around delivering key projects stipulated in the growth deals within Worthing, Adur, and Arun. Simultaneously, there will be momentum by advancing benefit monitoring and design activities in Crawley and Mid Sussex deals and supporting the OPE partnership in attracting investment for identified public estates collaboration projects.
- 4.114 In 2024/25, there are planned budget reductions of **£1.5m** across a range of support services and these are included to balance the County Council's overall budget, as described in **Appendix 3**.
- 4.115 The key explanations of changes in the 2024/25 budget for the portfolio are shown in **Table 14**.

Table 14: Support Service and Economic Development

Item	£'m
HR&OD - additional capacity to support recruitment	0.3
Utilisation of Public Health Grant	(2.8)
Increased legal services capacity in stage two reviews for EHCNA/EHCP and Section 19 duty	0.1
Transfer from reserves	0.2
Pay and price increases allowance	1.0
Transfer between portfolios	(5.0)
Budget Reductions	(1.5)
Net change	(7.7)

4.116 In 2024/25, there is planned capital investment of **£10m** and a total of **£28m** over the five year period 2024/25 to 2028/29. The focus of capital investment remains on digital connectivity, investment in IT and Growth Deals across Worthing, Adur and Arun. Further details of the Capital Strategy can be found in **Annex 2(a)**.

Corporate/Non-Portfolio

4.117 There are a number of other changes to the budget which are outside of the Cabinet portfolio budgets in the previous paragraphs. These are shown in **Table 15**:

Table 15 – Corporate/Non-portfolio

Item	£'m
Increase in the capital financing costs	0.8
Net increase in Revenue Contribution to Capital Programme	2.4
Additional investment income as a result of interest rate rises	(4.0)
Increase in Service and Corporate Contingency	9.0
Reversal of the 2023/24 additional investment into highways and skills	(5.0)
Transfers to and from Reserves	
One off pressures in 2024/25 funded from reserves	(3.0)
Use of Budget Management Reserve to balance the budget	(3.6)
Use of reserves to fund the 2024/25 additional highways investment (£3m budget management and £2m highways commuted sums)	(5.0)
Increase in precept for Littlehampton Harbour Board	(0.4)
Other reserve transfers (net)	(4.8)
Net change	(13.6)

Dedicated Schools Grant

- 4.118 The Dedicated Schools Grant (DSG) settlement has increased by **£74.5m** (9.6%) to **£850.3m**. The DSG currently comprises four separate funding blocks – Schools, Central School Services, Early Years and High Needs.
- 4.119 The Schools DSG block allocations for next year have been published, and West Sussex schools are set to gain by £30.9m (5.3%). However, £19.4m of this funding is the rolling in of the Mainstream Schools Additional Grant funding that schools received in 2023/24, and therefore the increase in overall funding is only £11.5m, of which £0.5m relates to pupil growth, and the remaining £11.0m equates to a 1.4% increase in most of the national funding formula unit rates. However, there are seven schools who are on the funding floor and therefore will only see a 0.5% increase in their per pupil funding. For the 80 schools who benefit from the protection of the Minimum per Pupil Funding levels, their rates are set to rise by 1.4% to £4,610 for primary schools and to £5,995 for secondary schools.
- 4.120 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 £0.140m (3.5%) to £4.179m, the latter is remaining unchanged at £3.0m. This follows a successful application to the Department for Education for continued funding protection of £0.6m, so that the council can continue to pay for its ongoing prudential borrowing and termination of employment costs next year.
- 4.121 Historically the Early Years DSG block has provided funding to enable all children to access 15 hours of free early education for 38 weeks of the year, from the term after they turn three until they start school, and also 15 hours of free early education for the most disadvantaged 2-year-olds. Since September 2017 the block has also included funding for 30 hours per week of free entitlement for eligible working parents of 3-and 4-year-olds. In March 2023 the Chancellor announced that the Government would provide an additional £4.1bn nationally by 2027/28 in order to extend its offer of 30 hours free childcare per week to eligible working parents of children aged 9 months to 3-years-old in England.
- 4.122 This extension to the Early Years entitlements is to be introduced in three phases:
- From April 2024, all eligible working parents of 2-year-olds will be able to access 15 hours of free childcare per week for 38 weeks of the year.
 - From September 2024, all eligible working parents of children aged 9 months up to 3-years-old will be able to access 15 hours of childcare per week for 38 weeks of the year, and
 - From September 2025, all eligible working parents of children aged 9 months up to 5-years-old will be able to access 30 hours free childcare per week for 38 weeks of the year.

4.123 The new formulae for 2-year-olds and under next year will follow the shape of the existing 3-and-4-year-old formula, which was designed to allocate funding to reflect the relative costs of providing childcare in a local area. It will also include the same 95% pass through requirement as currently exists within the 3-and-4-year-old formula. This is intended to give local authorities the support and flexibility they need to support delivery of the new childcare offers whilst ensuring the great majority of funding reaches early years providers in a fair and transparent way.

4.124 As a result of these changes the Early Years DSG block is set to increase by **£37.5m** (65.1%) in 2024/25. Of this, £26.6m relates to the extension in early years entitlements. The remaining additional funding is due to an increase in the hourly funding rates of £2.55 for 2 year-olds and 84 pence for 3 and 4 year-olds (£10.1m), increased funding to our 4 maintained nursery schools (£0.3m), and additional Pupil Premium and Disability Access Funding (£0.5m). These allocations are provisional and will be updated in July 2024 for the January 2024 census count.

4.125 Under the previous Special Educational Needs (SEN) assessment system Statements of SEN previously lapsed at age 19. However, the system was reformed in April 2015 with the Children and Families Act 2014 extending the age to 25, and the Statements of SEN being replaced with Education Health and Care Plans (EHCPs). Since that time the funding pressures affecting the High Needs DSG block have continued to grow, and the 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.

4.126 High Needs DSG funding from the Department for Education increased by £11.8m (10.5%) in 2023/24 and is set to rise by a further £6.0m (4.8%) in 2024/25. 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).

4.127 Back in April 2015, when EHCPs were first introduced, there were 3,423 children and young people with an SEN statement of need, and since that time those numbers have risen to 7,029 in March 2023 – an increase of 3,606 (105.3%). So far this year numbers have continued to rise in line with last year – increasing by a further 376 as at the end of December 2023 (compared to 327 at the same stage last year). With continued increasing demand for EHCNAs and the budgeted plans to address the

backlog, overall EHCP numbers are expected to continue to rise sharply next year.

4.128 The County Council's DSG reserve went into deficit for the first time at the end of 2019/20 and has grown each year since. At the end of 2022/23 this deficit stood at £41.8m, and with continuing pressure on the high needs budget this deficit is expected to reach **£74.0m** by the end of the current financial year. Although the statutory override for this deficit to remain off the County Council's balance sheet is set to continue until March 2026. The deficit at this point is forecast to be £260.6m. There remains much uncertainty and financial risk beyond 2025/26.

4.129 As part of the service improvements in the SEND service, West Sussex County Council is participating in two central government initiatives that offer dedicated grants to support the changes. The Department for Education pathfinder schemes that the Council have engaged with are:

- Alternative Provision Change Programme – South-East Consortium (West Sussex, East Sussex, Brighton and Portsmouth). The South-East region SEND and Alternative Provision (AP) Change Programme Partnership (CPP) will run across the Department for Education's nine regions. Portsmouth is the lead authority in the South-East region. The Change programme will run for the next two years and brings additional resources to the South-East region and West Sussex specifically with over £1.0m in grant funding into the service.
- Delivering Better Value (DBV) which is "a programme working to identify and implement local and national opportunities to improve the outcomes for children and young people with SEND" and is designed to deliver the following support:
 - Short term help – to identify sustainable changes in each local authority that can drive high quality outcomes and provide support in building an evidence-based grant application to assist with the implementation of these changes; and
 - Informing longer term reform – build an objective evidence base across a third of the sector which can be used to inform future policy and reform, share best practice and inform future national programmes of similar scale and intent.

Section Five: Risk Management

5.1 There have been challenging circumstances this year that impact on next year's budget - the ongoing cost of living crisis, labour shortages in key occupations, increasing service demand and continued uncertainty around future years funding. These present significant levels of uncertainty and potential financial risk and instability. The budget has been set based on the best known information on the likely cost and demand for services for 2024/25 but there are a number of inherent risks for next year and subsequent years.

Economic Conditions

- 5.2 Although the Office of Budget Responsibility (OBR) has indicated that the economy has been more resilient to the shocks from the pandemic and energy crisis than originally anticipated, the economy is predicted to grow more slowly over the forecast period. Inflation is reducing but is not expected to reach the Government's target of 2% until 2025 and markets anticipate interest rates will need to remain higher for longer to bring inflation under control. The challenging economic circumstances and continuing high inflation adversely impact the cost of services and income derived from both Council Tax and Business Rates.
- 5.3 For 2024/25, a total of £27.8m has been set aside for pay and price inflation as detailed in section 3. However, if inflation does not reduce as forecast by the OBR and continues to run at elevated levels it may put further pressure on both service and pay budgets.

Social Care

- 5.4 The budget is built on estimates around demographic growth and an increasing complexity of care for those supported. Any deviation from these estimates could present a risk in demand pressures and therefore additional costs.
- 5.5 Nationally, the entire health and social care system is under extreme pressure. The underlying causes, especially workforce and market-related factors, are similar across both parts. Compounding the situation, the Integrated Care Board (ICB) faces significant financial challenges of its own, which it is needing to manage in the context of sustained Government scrutiny about rates of hospital discharge. This has potential to transfer financial risk to the County Council but work will continue to develop a collaborative approach to working with health through these challenging times.
- 5.6 The social care reforms in adults have been confirmed as delayed for two years but if they are implemented in 2025, it is not known whether additional funding will be available. Financial plans currently assume that the cost of implementing the reforms will not add any further pressure on the Council's financial position and, if implemented, new funding will be made available.
- 5.7 Within children's social care, the budget has been under significant pressure in 2023/24. The use of external placements for 'Children We Care For' continues to be above that of neighbouring authorities and an increasing number of high cost placements exceeding £5,000 a week is putting the budget under extreme pressure. Good progress is being made to reduce the need for unregistered placements but demand remains volatile. An additional £19.4m has been built into the 2024/25 budget to manage such pressures and a separate contingency established given the uncertainty and volatility in the numbers.
- 5.8 The number of children with Education Health and Social Care Plans is increasing. Although the associated costs fall to the Dedicated Schools

Grant (see Section 4), home to school transport remains a cost to the County Council and on average a third of all children with a plan require transport. Currently there are 1,189 young people awaiting an Education, Health and Care Needs assessment and therefore despite mitigating actions in place, these numbers will increase and there is a risk that spend cannot be contained within the additional £7.5m that has been built into the budget for 2024/25

Government Funding

- 5.9 There remains significant uncertainty on funding beyond 2024/25. Any fundamental reforms, such as the Fair Funding Review, Levelling Up and business rates baseline reset, are now not expected until the next Parliament. In the absence of any specific implementation dates or details, it is difficult to estimate any impact and therefore the cost implications of such reforms are not currently assumed in the medium term financial plans but are expected to have an adverse effect and could impact as early as 2025/26.

Recruitment and Retention

- 5.10 The County Council continues to face recruitment and retention challenges that have been growing over recent years but may be further exacerbated by the wider job market conditions. The risk of not being able to recruit and retain staff could impact on service delivery, the capacity to deliver the many cross cutting change programmes underway and the capacity to deliver the changes needed to achieve the budget reductions required for a balanced budget.
- 5.11 There are a number of actions being undertaken to reduce vacancy levels and turnover including international recruitment, increasing the capacity and skills within the Recruitment team, engaging with candidates in a different way, benchmarking reviews of pay and terms and conditions and optimising use of apprenticeships and ensuring career pathways for staff to develop their skills. The impact of these actions will continue to be monitored.

Delivery of budget reductions

- 5.12 As reported in the Q2 PRR, £9.0m of savings are expected to be undelivered as at the end of March 2024. The majority (£6.8m) of these relate to Adults Services and the delays in the delivery of these savings are largely as a result of challenges relating to workforce and vacancy levels within social work and occupational therapy. The 2024/25 budget assumes these will be delivered in full and while the plans in place are well developed, the external environment surrounding the social care market makes the outcome inter-dependent on factors that are not within the Council's direct control. Any non-delivery or delays in the delivery of reductions will risk adding further pressure to the financial position.

Changes in Government Legislation

- 5.13 Changes in legislation in the future may have a financial impact for the

County Council. Known changes and those that have been on the Government's agenda over the last 12 months includes – food waste collection, adult social care reforms and the outcome of the Hewitt Review, children's social care reforms following the McAlister review, SEND reforms, transfer of LEP responsibilities, devolutions deals, support to migrants and asylum seekers. It remains unclear if these priorities will remain under any new Government or if other new legislation will be in place. This creates a further level of uncertainty and risk and developments will be closely monitored. Financial plans assume that any new responsibilities for the County Council are fully funded by Government.

Changes in Accounting Policies - Statutory Overrides

- 5.14 Dedicated Schools Grant (DSG) Deficit – the DSG statutory override, which has required local authorities to separate DSG deficits from local authority reserves has been extended to March 2026. However, funding arrangements after 2026 remain under review so the funding of the historical DSG deficit and the ongoing shortfall may fall to the Council. The deficit Management Plan was submitted to the Department for Education in December. The deficit is expected to stand at £74m at the end of 2023/24 and the current assumption is that the deficit will continue to grow and be estimated at £154m by March 2025.
- 5.15 Pooled Investment Funds – the DLUHC Pooled Investment Fund statutory override is expected to come to an end in March 2025. Pooled investment funds are long term investments and their market valuation will fluctuate with economic conditions. The Council has invested £52m in the funds starting from 2017 and they have generated £9.9m over the period, with an average rate of return of 3.9%. However, the current market value of £44.2m as at December 2023 is lower than when invested. The Interest Smoothing Reserve will be utilised to manage this risk if the over-ride ends as planned in 2025 and any reduction in market value will need to be funded in year.

Financial Sustainability

- 5.16 There remains a significant financial challenge in the longer term with a budget gap of between £58m and £190m between 2025/26 and 2028/29. Work will start on addressing this before the end of the current financial year and although there will always be a need for value for money and efficiency type savings, closing a budget gap of this scale will require a deeper consideration of services provided and how they are provided. Further details on the Medium-Term Financial Strategy are set out in **Section 6**.
- 5.17 Protecting the environment remains a WSCC priority as outlined in the Council Plan and the Climate Change Strategy. To achieve carbon emission reductions and create related benefits of mitigating climate change will involve redesigning services and adapting infrastructure to take climate change into account. The WSCC Climate Action and Adaptation Plan is being developed and is the County Council's first roadmap for achieving the goal of carbon neutrality from the council's

operations from 2030 and for increasing its resilience and ability to respond to the impacts of climate change. External funding sources will continue to be explored but it remains a risk that further investment in both capital and revenue may be required.

Reserves and Contingency

- 5.18 Risks and uncertainties make planning for next year challenging and any change in assumptions underpinning the budget can have an impact on the in-year financial position.
- 5.19 The nature of risks and uncertainties means it is important that the Council takes a prudent approach to assumptions in both next year's budget and medium-term financial plans to hold sufficient levels of contingency funding within the budget and have a prudent level of reserves. Contingency funding will be used for dealing with unforeseen circumstances in the short term and levels of reserves provide a safety net in the event of more significant negative impacts on council funding in the medium term.

Contingency

- 5.20 In 2023/24 the County Council increased its contingency to £13.0m to acknowledge the uncertainty around the Cost of Living Crisis and levels of inflation as well as the increasing service demand in adults and children's social care. The Council anticipates having to use its full contingency provision in 2023/24 which is largely needed to fund spending pressures within children's social care and spend on placements. The latest position is set out in the [Quarter 2 PRR](#) that was presented to Public Cabinet on 28 November 2023.
- 5.21 The position for 2023/24 has been considered in the detailed work for the 2024/25 budget. Further budget provision of £54.1m has been built into service budgets particularly in adults and children's social care but in addition, a Social Care corporate contingency of £10m is held to manage social care pressures over and above this level. Given the ongoing level of uncertainty in 2024/25 as highlighted through the risks earlier in this section, the County Council is taking a prudent approach with its other contingency levels set at £12.0m. Any use of contingency will be subject to approval by the Director of Finance and Support Services and will be reported in year to Cabinet through the quarterly PRR. The level of contingency held from 2025/26 will remain under review as part of future budget setting rounds.

Reserves

- 5.22 Section 25 of the Local Government Act 2003 requires Chief Financial Officers to report to their authorities about the robustness of estimates and the adequacy of reserves when determining their budget and level of Council Tax. The report therefore includes the advice of the Director of Finance and Support Services as Section 151 (s151) Officer as set out in section 9.

- 5.23 Under the 2003 Act above, the Section 151 Officer also must be satisfied that the level of the General Fund working balance is adequate.
- 5.24 Reserves are an important part of the approach to financial planning and it is critical in the current climate that the County Council maintains the required level of reserves to manage unforeseen events and manage risks facing the authority. The Medium-Term Financial Strategy is a key tool in ensuring that reserves are maintained at an appropriate level and a five year forecast of reserve balances is included in Section 6, alongside the five year financial position.
- 5.25 Whilst the use of specific reserves can be appropriate to support the delivery of services, other reserves will need to be replenished to maintain effective financial resilience and risk management. The one-off nature of reserves and their purpose demonstrates the importance of revenue budgets being sustainable rather than depending upon the use of reserves.
- 5.26 Given the ongoing financial challenges and the lack of additional Government funding to recognise the County Council's growing pressures, it has been necessary to draw on reserves in order to balance the budget. For 2024/25, £3.6m will be drawn from the budget management reserve for this purpose. This is in addition to the £3.0m that will be utilised for one off spend in 2024/25 and the additional investment in highways as set out in **Table 15** in **Section 4**.
- 5.27 The County Council's reserves fall into several categories and details of the latest estimated position and the forecast for the next year is set out in **Table 16** and in full in **Appendix 5**.

Table 16 – Summary of Reserves 2023 to 2025

Reserves	Opening Balance 1 April 2023 £'m	Forecast Balance 31 March 2024 £'m	Forecast Balance 31 March 2025 £'m
Earmarked revenue reserves			
Contractual Commitments	56.3	54.5	48.5
Service Specific Commitments	36.0	23.4	23.2
Government Grants	6.6	3.8	3.8
Risk and Uncertainties	87.6	67.9	56.3
Total Earmarked Reserves (County Council)	186.5	149.6	131.8
Reserves held for Other Bodies or With Shared Responsibilities	42.0	45.8	46.2
Total Earmarked Reserves	228.5	195.4	178.0
General Fund	20.3	36.3	36.3
Capital	27.4	0.0	0.0
Total Usable Reserves	276.2	231.7	214.3

Contractual Commitments

- 5.28 These reserves have been created to provide financing of long-term financial arrangements for PFI schemes and Waste Disposal and are committed fully over the next ten years.
- 5.29 The PFI reserves hold the surplus of government credits and other sources of finance over unitary charge payments and other expenditure in the early years of the respective contracts to meet future expenditure over the life of the PFI arrangements.
- 5.30 The Waste Materials Resource Management is an investment fund to meet the 25-year Materials Resource Management Contract (MRMC) for the treatment and disposal of waste.

Service Specific Earmarked Reserves

- 5.31 These reserves are set up for a particular purpose and for managing risks and uncertainties relating to a specific service. It is expected that these reserves will be spent over the medium term.
- 5.32 Details of those reserves with a balance greater than £5m are summarised below with full details in **Appendix 5**.
- 5.33 Highways Commuted Sums are contributions received from developers in respect of future maintenance costs of non-standard highways infrastructure.
- 5.34 The Service Transformation Fund is currently forecast to have a balance of £5.3m by 31 March 2024. The reserve has been set up to support the council with transforming and re-designing services. Funds will be drawn down to the revenue budget during the year as required and approved by the Director of Finance and Support Services. During 2024/25, planned use for this fund is:
- Implementing Smarter Ways of Working – following the pandemic, the County Council has undertaken a review of working requirements across the organisation, including opportunities to reduce County buildings and improve working practices.
 - Adult Services - Improvement Programme – to resource a programme of works to support the Adult Social Care Strategy 2022-2025 to improve service delivery.
 - Finance – Additional capacity to support the processing of financial assessments.
 - The Peoples Commissioning Workforce Development Plan – to create a workforce development pathway designed to harness good work within the organisation and compliment additional professional skill development and improve commissioning arrangements and improved services.

- 5.35 A further £2.0m has been added to this reserve in recognition of the level of change activity required across the Council over the medium term as part of the 2024/25 budget. An alternative source of funding for these transformational activities could be capital receipts, in line with the Flexible Use of Capital Receipts Strategy as set out in the Capital Strategy in **Annex 2(a)**. The application of this strategy would depend on the level of capital receipts which the County Council is able to secure.

Government Grants Reserves

- 5.36 These reserves were set up from ringfenced Government grants, the most significant being the Covid-19 grant and this reserve will be fully used by 31 March 2024. The remaining balance relates to unspent monies received from central government to support the Authority in its duties to provide support to victims of domestic violence under the Domestic Abuse Act 2021.

Risk and Uncertainties Based Reserves

- 5.37 The risks facing the council in 2024/25 onwards are set out earlier in this section and the reserves have been reviewed to reflect these. The reserves within this category are the only reserves available for balancing the budget and managing the risks as detailed earlier in this section. Those with a balance greater than £5.0m are summarised below. There is some planned use in 2024/25 and full details are set out in **Appendix 5**.
- 5.38 The Budget Management Reserve is used to provide a stable platform for financial planning as the MTFS is developed and would be the first call on the County Council's resources to deal with any unforeseen in-year expenditure if the revenue contingency budgets are insufficient.
- 5.39 The forecast balance on the reserve as of 31 March 2024 is £42.4m and £25.8m by March 2025. The movements are shown in **Appendix 5** and includes £3.6m to balance the budget for 2024/25 as set out in this report, £3.0m to cover one-off spending pressures and £3.0m towards the continued additional investment into highways and roads in 2024/25. These monies will be replenished over 2026/27 to 2030/31. In addition, it is proposed to transfer £5m to the Interest Smoothing Reserve to reflect the current market value of the Pooled Funds and to transfer £2.0m to Service Transformation Fund in recognition that the changes needed to deliver budget reductions over the next five years will require some additional capacity and investment.
- 5.40 Due to the nature of this reserve, beyond the planned use set out above, it is difficult to predict any further use of the reserve during 2024/25. The reserve provides a safety net against the non or late delivery of savings in 2024/25, any legislative or accounting changes and any unforeseen overspending which may occur during the year. The economic picture remains uncertain and this reserve will also be used to fund any increase over and above what has been budgeted.
- 5.41 The Social Care Pressures Reserve was set up to manage specific risks across adults and children's social care services and ensure the services

remain financially sustainable into the long-term. With the mix of placements and increasing residential placements within children's social care continuing into 2023/24, it has been necessary to draw down the £10m from this reserve to manage the in year position during 2023/24. For 2024/25, it is not proposed to replenish the reserve but an additional £21.1m has been added to the placements budget to reflect the ongoing and expected demand pressures, an additional £22.4m added to the adult services budget and a further contingency of £10m has been set aside as detailed in paragraph 5.21.

- 5.42 The insurance reserve is set up to fund the Council's insurance claims up to the value of £250,000 for all property type claims and £750,000 for employers and public liability claims. Claims above this value are covered by the Council's insurance policies. The maximum amount payable for which the Council are responsible during any one period of insurance is £5m.
- 5.43 The interest smoothing reserve is held to meet temporary shortfalls from fluctuations in interest rates, such as a reduction in investment returns. In 2024/25, £5m is to be transferred from the Budget Management Reserve as a contingency for realisable losses on pooled investment funds, with the statutory override due to expire in March 2025.
- 5.44 The Business Rates and Collection Fund Smoothing Reserve is used to mitigate the fluctuations in collection fund surpluses and deficits in any given year for both Business Rates and Council Tax. Currently the forecast balance is £16.3m but as reported in Q2 PRR, any overspend in 2023/24 that cannot be mitigated or maintained within the contingency budget (currently £4.4m) could be drawn from this reserve.

Balances held for Other Bodies or with Shared Responsibility

- 5.45 School Balances are held on behalf of schools and for specific use by each individual school. Although the overall position is a positive balance, there are individual schools who have a deficit balance.
- 5.46 The Business Rates Pilot Fund holds the gains arising from the 75% local retention scheme in 2019/20. The fund will be invested collectively by the County Council and its billing authorities on project work with economic benefit across the county. The income is initially recognised in the county's accounts as the lead authority for the business rates pilot.
- 5.47 The Lane Rental Scheme reserve holds proceeds of charges raised to promoters of street and road works for the time their works occupy the highway network, pending application of those proceeds towards eligible highways network improvement schemes.

General Fund Reserve (Working Balance)

- 5.48 The General Fund reserve is used to mitigate the risks of unexpected events or emergencies.
- 5.49 The appropriate level of reserve is based upon an assessment of known key financial risks facing the authority and the impacts they would have

on the Council's overall spending if they were to materialise. Following a review last year, the Director of Finance and Support Services as Section 151 Officer considered the adequacy of the General Fund reserve based on risks and uncertainty and considered that an appropriate balance for the Council to manage these risks is approximately 5% of the net revenue budget. The General Fund balance was therefore increased to £36.3m and no further changes are proposed for 2024/25.

5.50 Any drawdowns from the reserves will be reported in the quarterly PRR.

Section Six: The Medium-Term Financial Position – 2025/26 to 2028/29

6.1 Although a balanced budget is proposed for 2024/25 with the use of reserves, there remains significant uncertainty over the medium term. The assumptions for 2025/26 onwards are based on best estimates of Government funding, demographic growth and budget pressures and the latest forecast of economic conditions. The medium-term financial position in **Table 17** excludes any impact from the outcome of possible fair funding formula changes, the funding of the DSG deficit (beyond the known loss of investment income) from 2026 and any impact of other policy changes Government may introduce in the future. All of these may have the impact of significantly increasing the budget gap further but the scale remains unknown at this stage. A summary of the key assumptions is set out in **Table 18**.

6.2 The work to address this longer-term challenge will commence before the end of the current financial year. An update will be reported in the Medium-Term Financial Strategy in July 2024.

Table 17 – Medium-Term Financial Position (0% Council Tax)

	2024/25 £'m	2025/26 £'m	2026/27 £'m	2027/28 £'m	2028/29 £'m
Funding					
Council Tax	(600.2)	(603.2)	(606.2)	(609.2)	(612.2)
Settlement Funding Assessment/ Business rates	(110.0)	(106.3)	(106.3)	(106.3)	(106.3)
Social Care Funding	(49.5)	(49.5)	(49.5)	(49.5)	(49.5)
New Homes Bonus	(1.2)	-	-	-	-
Services Grant	(0.5)	-	-	-	-
Total Funding	(761.4)	(759.0)	(762.0)	(765.0)	(768.0)
Opening Expenditure	708.8	761.4	759.0	762.0	765.0
Inflation	27.8	21.2	15.4	15.3	17.6
Service Pressures	54.1	29.0	22.1	26.8	26.8
Reserves replenishment	-	-	5.4	(3.6)	-
Other corporate changes	(10.0)	14.5	9.4	4.2	0.8
Total Forecast Expenditure	780.7	826.1	811.3	804.7	810.2
Budget Gap (before savings)	19.3	67.1	49.3	39.7	42.2

	2024/25 £'m	2025/26 £'m	2026/27 £'m	2027/28 £'m	2028/29 £'m
Planned Savings	(15.7)	(8.6)			
Budget Gap (net of savings) and 0% council tax increase	3.6	58.5	49.3	39.7	42.2
Managed from Reserves	(3.6)				
Cumulative Budget Gap	-	58.5	107.8	147.5	189.7

Table 17a - Medium-Term Financial Position (1.99% Council Tax)

	2024/25 £'m	2025/26 £'m	2026/27 £'m	2027/28 £'m	2028/29 £'m
Budget Gap (net of savings) and 0% council tax increase		58.5	49.3	39.7	42.2
Impact of 1.99% council tax increase for all years		(12.0)	(12.4)	(12.7)	(13.1)
Budget gap after Council Tax		46.5	36.9	27.0	29.1
Cumulative Budget Gap		46.5	83.4	110.4	139.5

Table 17b - Medium-Term Financial Position (4.99% Council Tax)

	2024/25 £'m	2025/26 £'m	2026/27 £'m	2027/28 £'m	2028/29 £'m
Budget Gap (net of savings) and 0% council tax increase		58.5	49.3	39.7	42.2
Impact of 4.99% council tax increase for all years		(30.1)	(31.9)	(33.8)	(35.8)
Budget gap after Council Tax		28.4	17.4	5.9	6.3
Cumulative Budget Gap		28.4	45.8	51.7	58.0

- 6.3 The referendum thresholds for 2025/26 and beyond have yet to be confirmed. **Table 17, 17a and 17b** includes three scenarios, a 0% Council Tax increase from 2025/26, 1.99% and 4.99%. The latter has been assumed within the latest economic forecasts published by the Office for Budget Responsibility.
- 6.4 Depending on the level of Council Tax increase, the budget gap between 2025/26 and 2028/29 is between **£58m and £190m**. The level of Council Tax increase each year remains a decision for full County Council and will be approved annually by full Council in February. Every 1% increase in Council Tax generates on average £6.0m of additional income.

Table 18 – Key MTFS Assumptions (2025/26 to 2028/29)

Key Assumption	Financial Implications
Government Funding Review	<p>The government remains committed to improving the local government finance landscape. On 11 January, Government outlined <u>proposals</u> to increase the “effectiveness and efficiency” of the current council funding system by reducing administrative burdens. DLUHC detailed three main phases of the proposals: the immediate simplification of existing funds and communication; the establishment of a new funding simplification doctrine; and reforms to be implemented at the next spending review. Officers are reviewing proposals and will monitor any further updates.</p> <p>The risk to the MTFS and the budget gap is outlined in paragraph 5.9.</p>
Settlement Funding Assessment/Business Rates/s31 compensation	For 2025/26, funding has been maintained at baseline with an inflationary uplift. Thereafter the funding is rolled forward and maintained at the 2025/26 level.
Council Tax	Currently based on three scenarios - 0%, 1.99%, 4.99%. Decision will be agreed annually at County Council in February.
Collection Fund	Any future deficits will be funded through the Business Rates and Collection Fund Smoothing Reserve.
Taxbase	That the number of households will grow by 0.5% for 2025/26 onwards.
Social Care Funding Grant	That this base funding will be maintained at the 2024/25 level of £49.5m.
Social Care Reforms	Should the reforms be implemented in 2025/26, it has been assumed that this will add no further pressure to the County Council’s financial position.
Services Grant	No continuation beyond 2025/26.
New Homes Bonus	No continuation beyond 2025/26.
Pay Inflation	Assumes pay inflation of 2% for 2025/26 onwards.

Key Assumption	Financial Implications
Price Inflation	Inflation for 2025/26 onwards is assumed in line with the November OBR forecasts.

- 6.5 Details of the County Council’s reserves can be found in Section 5 and Appendix 5. The Medium-Term Financial Strategy is a key tool in ensuring that reserves are maintained at an appropriate level and therefore as part of this work a five year forecast of reserves is included below. Over the five-year period, the County Council earmarked reserve levels are forecasted to decrease from **£149.6 to £107.8m** as the reserves held for specific services and contractual commitments are utilised. The next full update will be in July 2024 as part of the Medium-Term Financial Strategy.

Table 19: Five year Reserves Forecast

Earmarked Reserves (£m)	Balance As At 31 March 2023	Forecast Balance 31 March 2024	Forecast Balance 31 March 2025	Forecast Balance 31 March 2029
Contractual Commitments	56.3	54.5	48.5	35.7
Service Specific Commitments	36.0	23.4	23.2	19.0
Government Grants	6.6	3.8	3.8	0
Risk and uncertainties	87.6	67.9	56.3	53.1
Total Earmarked Reserves County Council	186.5	149.6	131.8	107.8
Reserves Held for Other Bodies or with Shared Responsibilities	42.0	45.8	46.2	25.5
Total Earmarked Reserves	228.5	195.4	178.0	133.3
General Fund	20.3	36.3	36.3	36.3
Capital Reserves	27.4	0	0	0
Total Usable Reserves	276.2	231.7	214.3	169.6

Section Seven: Treasury Management Strategy

- 7.1 The areas of Treasury Management and Prudential Borrowing are integral to consideration of the Council’s Budget and also need to be considered so that Members can assess that capital investment plans are prudent, affordable and sustainable. The Treasury Management Strategy for 2024/25 and details for Prudential Borrowing including the Prudential Indicators are set out in a separate report at **Annex 2(b)** and **Annex 2(c)**.
- 7.2 The strategy for 2024/25 has been updated to reflect the impact of the deficit on the Dedicated Schools Grant. Although the Government has

confirmed that the statutory override for the DSG deficit will remain off the County Council's balance sheet until 2025/26, the deficit will continue to have an adverse effect on the County Councils cash flow and return on investments. Currently, the DSG deficit forecast equates to a potential loss of £114m in average cash balances in 2024/25, which assuming a bank rate of 5% will result in a loss of investment income of £5.7m in 2024/25 that would otherwise be spent on vital services or reduce the need for a full increase in Council Tax. Looking ahead, the impact will also mean that external borrowing will likely be needed to fund the capital programme from 2025/26.

Section Eight: Capital Programme

- 8.1 The Capital Strategy has been reviewed and is set out in **Annex 2(a)**. This provides a framework for the allocation of resources to fund capital projects. The Council's ability to prudentially borrow to fund future capital schemes is limited by the budgetary pressures which the Council continues to face. Information regarding the revenue implications of prudential borrowing is provided in the separate Treasury Management Strategy. The financing costs of delivering the Capital Programme in 2024/25 is expected to be **£31.2m** and has been reflected within the 2024/25 revenue budget set out in this report. The County Council will ensure that capital spending plans are affordable, prudent and sustainable.
- 8.2 The Capital Programme for the period 2024/25 to 2028/29 is included with the Capital Strategy in **Annex 2(a)** and reflects the outcome of the review of the existing capital programme and also the 2023/24 monitoring position. The latest 2023/24 position is included in the [Q2 PRR](#) which was reported to Public Cabinet on 28 November.
- 8.3 The total capital programme for 2024/25 is **£131.6m**. Similar to previous years, the main areas of capital investment are in the County's schools, the environment and highway and roads. Full details are set out in the Cabinet portfolio narrative sections of this report (See Section 4 onwards) and is also summarised in **Table 20** by Cabinet Portfolio and in full in **Annex 2(a)**.

Table 20 – Capital Expenditure 2024/25 to 2028/29

2023/24	Expenditure	2024/25 £'m	2025/26 £'m	2026/27 £'m	2027/28 £'m	2028/29 £'m	Total £'m
-	Adults Services	-	0.8	1.0	0.5	-	2.3
42.6	Children & Young People, Learning and Skills	32.8	50.2	41.4	45.5	20.4	190.3
2.3	Community Support Fire and Rescue	3.0	7.8	6.3	4.8	7.5	29.4
11.7	Environment and Climate Change	16.9	32.4	24.8	13.7	9.9	97.7
4.4	Finance and Property	8.3	30.4	22.1	15.9	20.5	97.2
49.5	Highways and Transport	59.1	66.2	51.7	37.6	22.1	236.7
3.1	Leader	1.5	4.3	5.1	2.8	-	13.7
8.8	Support Services and Economic Development	10.0	8.1	6.9	2.0	1.0	28.0
122.4	Total Capital Programme	131.6	200.2	159.3	122.8	81.4	695.3

8.4 The final funding of the Capital Programme is determined at the end of each financial year to fund the programme in year in the most cost-effective way and in line with the Capital Strategy but **Table 21** summarises the indicative funding sources of the programme for the period 2024/25 to 2028/29.

Table 21 – Capital Financing – 2024/25 to 2028/29

2023/24	Financing	2024/25 £'m	2025/26 £'m	2026/27 £'m	2027/28 £'m	2028/29 £'m	Total £'m
6.0	Capital Receipts	5.0	5.0	3.0	2.0	7.5	22.5
9.2	External Contributions including S106	7.3	27.0	17.9	8.2	-	60.4
16.4	Ringfenced Government Grant	15.5	15.2	9.3	1.3	1.3	42.6
56.6	Non-Ringfenced Government Grant	27.4	22.7	22.3	21.9	21.6	115.9
0.6	Revenue Contributions to Capital Outlay	2.0	5.6	5.5	5.5	6.0	24.6
1.6	Revenue Contribution to Capital Outlay – Business Rates Pilot	1.6	4.0	4.8	1.0	-	11.4
28.8	Core Borrowing	61.6	86.0	82.2	67.8	35.5	333.1
3.2	Economic Development Borrowing	11.2	34.7	14.3	15.1	9.5	84.8
122.4	Total Programme	131.6	200.2	159.3	122.8	81.4	695.3

Section Nine: Robustness of Estimates, Adequacy of Reserves and the Management of Risk (Section 25 Statement)

Introduction

- 9.1 West Sussex County Council, along with the rest of Local Government and the wider Public Sector are operating in extremely challenging financial circumstances as set out in this report. The increased funding received over the last three years during Covid-19 has now ceased but the financial and demand challenges remain.
- 9.2 The lack of new Government funding in 2024/25 to recognise the growing pressures of the County Council and uncertainty regarding future funding makes a robust and evidenced assessment of financial governance and future resilience critical.
- 9.3 The Local Government Act 2003 (Section 25) requires that the Chief Finance Officer reports the following matters to members when agreeing its annual budget and precept:
- The robustness of the estimates made for the purposes of the budget calculations, and
 - The adequacy of the proposed financial reserves.
- 9.4 For Members, the Section 25 statement provides critical context for budgetary discussions. Members should have regard to the report when making decisions in setting the Council's budget. The provision of this information is a legal requirement and ensures that all Members have regard to the professional advice provided by the authority's Chief Finance Officer when final budget decisions are being made.

CIPFA Financial Management Code

- 9.5 In relation to the annual budget setting process and this annual budget report, the County Council is fully compliant with the CIPFA Financial Management Code - Objective J (West Sussex complies with its statutory obligations in respect of the budget setting process) and Objective K (the budget report includes a statement by the Chief Finance Officer on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves). There will always be scope for continuous improvement and progress against actions in 2023/24 and proposed actions for 2024/25 was reported to the Regulation, Audit and Accounts Committee as part of the Annual Governance Statement in December 2023.

2023/24 Finance Position

- 9.6 The current year has been particularly challenging. Despite setting a robust and balanced budget in February 2023, significant financial pressures emerged in year in relation to children's social care placements and home to school transport. Full details are in the Quarter 2 Performance and Resources report and shows a forecast service

overspend of £17.4m. This can be mitigated partly through the use of contingency and mitigating actions across all services but some use of reserves may be required. The situation will be closely monitored for the remainder of the year. The Quarter 3 position will be reported to Cabinet in March 2024.

2024/25 Budget

- 9.7 All in year pressures in 2023/24 have been reviewed to consider any which are ongoing and therefore need to be considered as part of the 2024/25 budget setting process.
- 9.8 The Director of Finance and Support Services (s.151) has examined the assumptions used within the budget calculations and considered the associated risks which are set out in full in Section 5 and key financial risks summarised in the following table.

Table 22: Risks and Mitigations

Risk	Mitigation
Non-Delivery of Savings	Robust monitoring arrangements are in place to enable early mitigating action to be taken if savings are not deliverable as planned. Within Adult Services, a new governance process is in place through the improvement plan that will also monitor and track progress against previously approved and new savings. Progress on the delivery of all savings are reported quarterly through the Performance and Resources Report.
Increasing demand for social care – numbers, complexity of need and price of care / placements	Additional government funding for social care, the council tax precept and other Council resources have been used to provide more funding in both adult services and services for children and young people based on in year pressures and forecast future demand for 2024/25. A management action plan is in place to address the number of high cost children’s placements and use of unregistered placements. Progress will be monitored monthly to enable corrective action to take place as required.
Uncertainty of tax base - business rates and council tax	The increase in the Council Tax base has been lower than in previous years. In part this is due to increased reliance upon the Council Tax Support scheme operated by the boroughs and districts. This has led to an assumed reduction in resources of

Risk	Mitigation
	<p>£2.5m compared to that forecast in October. There is a risk this lower increase will remain in future years. The increase assumed for 2025/26 onwards has been reduced to 0.5%.</p> <p>In term of business rates, the de-coupling of the multiplier means it is difficult to forecast any growth in business rates income. Business rates for 2024/25 have been aligned to 2023/24 forecasts plus inflation but this remains a risk and for future years business rates income is assumed as baseline with no growth.</p> <p>Discussions with boroughs and districts who are accountable for the Collection Fund to continue to better understand drivers for future forecast.</p> <p>The Business Rates and Collection Fund Smoothing Reserve can be utilised to manage any fluctuations.</p>
Delivery of a balanced budget beyond 2024/25	<p>Longer term scenario planning has started to address the financial challenge from 2025/26 which is expected to be between £58m and £190m from 2025/26 to 2028/29.</p> <p>Full details will be set out in the updated Medium-Term Financial Strategy published in July 2024.</p>
Overspend on significant capital projects	<p>The Capital Strategy has been developed to ensure capital expenditure and investment decisions are in line with Council priorities and take account of value for money, deliverability and affordability.</p> <p>There are governance arrangements for decision making in place through the Capital and Assets Board (CAB). All capital schemes require a business case.</p> <p>The capital programme is reported quarterly to Executive Leadership Team and Cabinet.</p>
Dedicated Schools Grant Deficit	The forecast deficit on the DSG by the end of March 2024 is £74m, increasing to

Risk	Mitigation
	£154m by March 2025. The County Council is part of the Delivering Better Value Programme and is working with the DfE to identify mitigation and a deficit Management Plan was submitted in December 2023. Ongoing work will continue and lobbying to Government to identify a solution after March 2026 when the current statutory over-ride is expected to end.
IFRS9 (Pooled Funds) Deficit	The latest market value of the County Council's pooled investment funds is £7.8m at December 2023. In recognition of the statutory over-ride coming to an end in March 2025, an additional £5m has been transferred to the interest smoothing reserve to part fund any shortfall in fair value.

- 9.9 Financial Sustainability is a key risk on the Corporate risk register (CR22). The Director of Finance and Support Services is the owner of the risk and progress against actions and mitigations is reported quarterly to the Executive Leadership Team and the Regulation, Audit and Accounts Committee.

Adequacy of Reserves

- 9.10 The County Council is required to maintain an adequate level of reserves to deal with future forecast or unexpected pressures. Sections 32 and 43 of the Local Government Finance Act 1992 require authorities to have regard to the level of reserves to meet estimated future spend when calculating the budget requirement.
- 9.11 The appropriate level of reserves needs to be considered alongside an assessment of the Council's risk and includes an assessment of the robustness of savings plans, levels of uncertainty in demand and price of services, policy changes and wider national economic and political factors. The level of reserves is reviewed as part of the budget setting process and monitored as part of the quarterly reporting process to senior managers and Members, as well as being reviewed as part of the closure of accounts.
- 9.12 Full details of current reserve balances is set out in Section 5 and **Appendix 5** and forecast use over the next five years is within Section 6.

CIPFA Resilience Index

- 9.13 CIPFA has now released the data for 2022/23 for its financial resilience index. It includes a range of indicators but three are considered

particularly relevant – reserves, social care ratio and levels of debt and interest payable.

9.14 The 2023 index represents a slight decline in the resilience of the County Council as measured through three key indicators on reserves but continues to show that the County Council has good financial resilience in terms of a reasonable level of overall reserves (earmarked and general reserves). The percentage of net spend of social care has remained static and there has been a reduction in debt interest payments – demonstrating an improvement in financial resilience.

9.15 On the basis of the risks and issues set out in this report and in **Table 22**, in my opinion as Director of Finance and Support Services (s.151), the budget should be submitted to County Council for approval on the basis that:

- a) Known risks have been considered and mitigations identified where appropriate.
- b) The estimates are robust for the calculation of the budget within the confines of the many risks noted throughout this report.
- c) Known spending pressures of **£54.1m** have been built into service budgets based on the latest estimates and information on future demand but recognising the uncertainty and risk, the budget includes a social care contingency of £10m and other corporate contingency of £12m.
- d) The level of Council general earmarked reserves for managing risks and uncertainties is **£67.9m** at the end of March 2024 and the five year forecast is set out in Section 6. The use of the Budget Management Reserve for one-off spending pressures of £3.0m and the £3.6m for balancing the budget for 2024/25 will be replenished over the five-year medium term to ensure reserves remain at a prudent level.
- e) The recommended level of general balances for 2024/25 is £36m, which represents 5% of Net Revenue Expenditure. The level of the General Fund reserve held is felt to be prudent recognising the balance of other earmarked reserves that are held to mitigate specific risks.
- f) The Council embeds good practice in developing budget reductions and the £15.7m of reductions for 2024/25 are considered achievable and deliverable. The quarterly Performance and Resources Report will monitor and track progress to ensure budget reductions are achieved or alternative mitigations are identified.
- g) The County Council has started work to move towards longer term financial sustainability by developing longer term financial planning. An update will be provided in the next update of the Medium-Term Financial Strategy published in July 2024.

Conclusion

9.16 The Director of Finance and Support Services (s151) therefore comments that:

- I am satisfied that the budget calculations are robust and that the budget is both sound and prudent in that it takes account of liabilities and financial risks, but in particular it assumes that the Council will not rely on withdrawals from reserves to meet recurrent revenue commitments.
- I consider that current levels of unallocated reserves remain adequate. In setting the level of general reserves and balances, account has been taken of the key financial assumptions underpinning the budget, the level of earmarked reserves and provisions, and the risks facing the Council over the medium-term. Financial plans assume that over the planning period the Council is forecast to maintain a target General Fund reserve of £36m.
- The County Council has arrangements to fulfil its statutory duties particularly the needs of vulnerable young people and adults. Proposals have been drawn up on the basis that Service Directors are confident they can continue to meet their statutory duties and the needs of the most vulnerable living in the County.

Section Ten: Precept and Council Tax

10.1 The 2024/25 Council Tax base is **349,968.28** Band D equivalents and is set out across the district and borough councils in **Table 23** below. The table also shows the sums due under precepts from the respective authorities.

Table 23 – Tax Base and Precept 2024/25*

District/ Borough Council	2023/24 Tax base	2024/25 Tax base	Precept £	Increase/ decrease (%)
Adur	21,937.30	22,409.90	38,431,858.01	2.15
Arun	64,159.00	64,550.00	110,700,022.50	0.61
Chichester	56,330.10	56,163.00	96,316,736.85	(0.30)
Crawley	35,952.70	36,636.97	62,830,571.70	1.90
Horsham	64,792.00	65,173.20	111,768,779.34	0.59
Mid Sussex	64,664.10	65,704.50	112,679,932.28	1.61
Worthing	39,364.63	39,330.71	67,450,201.11	(0.09)
Total	347,199.83	349,968.28	£600,178,101.79	0.80%

* Provisional

10.2 The impact of a 2.99% increase in Council Tax for General Fund purposes and a further 2% for Adults' Social Care, considered in the budget proposals outlined in the previous paragraphs, imply a precept requirement of **£600.178m** and a Band D Council Tax level of **£1,714.95**.

- 10.3 The budget embodies the core principles of living within our means, protecting the vulnerable and reducing administration costs.

Section Eleven: Equality Act Considerations

- 11.1 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 Equality and Inclusion Policy.
- 11.2 In the assessment of individual proposals and in the overall assessment of its plans for savings or changes across portfolios, the County Council must have regard to the considerations required by 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. **Appendix 3** sets out any requirement for an Equality Impact Assessment as part of the decision on the individual proposals.
- 11.3 The budget approval does not constitute a final decision about what the County Council's service priorities and service budget commitments will be. 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 and will include all relevant advice on implications and risks for consideration. 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 County Council budget that has been set.
- 11.4 An overarching account of the approach to Equality Impact Assessment has been carried out and is set out at **Annex 3**.

Section Twelve: Other Issues

Human Resources Implications

- 12.1 The proposals specified within the budget will have a potential impact for staff in specific areas. The detail of this impact may change as plans develop over the coming months. Full consultation has and will continue to occur when needed and will be carried out in line with HR policies and procedures as part of the design approval and implementation of individual proposals.

Legal Implications

- 12.2 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 Finance Officer has a responsibility to give formal notice to the

County 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 £15.7m of savings and £3.6m one off use of reserves. Despite the challenge of reduced government funding, the Council continue to invest in priority areas to deliver the aims of the Council Plan to benefit our residents.

- 12.3 The budget presented is for one year, with significant uncertainty about the picture ahead. Beyond 2024/25 the Council faces a significant gap between the funding currently expected and the cost of providing services as well as the undefined impacts of reforms. The proposals set out in this report put the Council in the best position to manage this situation and maintain support to residents, particularly the most vulnerable children and adults, as well as providing opportunities for one-off investment to deliver priorities and reduce future demand where possible.

Paul Marshall

Leader

Jeremy Hunt

Cabinet Member for Finance and Property

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Background papers

None