
Medium Term Financial Strategy (MTFS) 2019/20 to 2022/23, Revenue Budget 2019/20, Capital Strategy 2019/20 to 2023/24 and Treasury Management Strategy Statement 2019/20

Executive Summary

This report sets out how the balanced budget for 2019/20 supports the delivery of the key priorities within 'The West Sussex Plan', which are **a best start in life, a prosperous place, a strong, safe and sustainable place, independence for later life and being a council that works for the community**. This budget provides value for money and forms part of the approach for financial stability over the medium to long term. The report also provides an update on the Medium Term Financial Strategy (MTFS) for the following three year period. Despite continuous reductions in government funding, the Council continues to make progress in delivering its ambitions on behalf of our residents, whilst achieving this within the resources available to our organisation.

Within the revenue budget for 2019/20, to support the **Best Start in Life and Independence for Later Life** aims, additional funding is proposed for both younger and older residents across the county. The total new growth for Children and Young People is £6.1m, whilst for Adults and Health is £7.3m which provides additional funding to meet the existing and ongoing demands placed upon these services.

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

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

The County Council continues to focus on the areas which will make the biggest difference to the lives of its residents and the future prosperity of the county. However, to have a realistic chance of achieving its ambitious objectives in the context of the continuing reduction in public finances, as well as meeting our statutory responsibilities, a council tax rise of **4.99%** is proposed for 2019/20.

The Council **proposes** to protect Adults' Social Care services via providing additional funds, through this 2% rise in the Adults' Social Care precept element of the council tax. The 2019/20 budget therefore proposes to include the 2% precept specifically for Adult Social Care, which continues to support the long-term future of social care provision for West Sussex, for the benefit of the

increasing number of local residents who rely on our support. The Government has also provided some additional funds, via the improved Better Care Fund (iBCF), but adequate funding for all social care continues to be a major concern over the longer term.

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

Net revenue expenditure of £574.920m is proposed for 2019/20, an increase of £41.0m (7.7%) compared with 2018/19. The increase reflects the expected additional sum through the successful business rate pilot of up to £19.1m which will be used to fund the digital infrastructure project in conjunction with the districts and boroughs. The budget also reflects spending pressures such as pay/prices, costs arising from the National Living Wage and the pressures faced in Adults' and Children's Social Care Services.

A number of Cabinet-level decisions have already been published on key savings proposals, in order to achieve a balanced budget. This is in keeping with the approach to make savings decisions as early as possible, providing as much notice as possible to those affected and maximising the prospect for saving delivery. The savings included in these decisions form a part of the budget for 2019/20 and are set out in Appendix 3 to Annex 1 (**enclosed with the agenda**).

From 2019/20, the Council is required to prepare a separate Capital Strategy, setting out a high-level, long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services. Details regarding the Council's five year capital programme are set out in the Capital Strategy (Annex 2(a)) which is presented alongside the budget report for Council approval.

The Treasury Management Strategy Statement 2019/20 is also included within the budget report, as set out in Annex 2(b).

Section One: Introduction

- 1.1 Despite the difficult financial context that faces West Sussex County Council, we have continued to focus our resources on the key priorities identified in the approved West Sussex Plan, which sets out our ambition and vision for the residents and communities of West Sussex.
- 1.2 As part of the Chancellor's budget announcement at the end of October, the Office for Budget Responsibility (OBR) produced an update of its economic outlook. OBR stated that "the big picture is one of relatively steady growth of around 1½ per cent a year. We are slightly more pessimistic than the average of external forecasters, particularly in the later years." On inflation, OBR predicted it would fall back in 2019 as the impact of higher oil prices fades and thanks to policy measures on duties and energy prices. On public finances, overall OBR thought there had been little change since

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- its previous estimates in March, “but this reflects the offsetting effects of a significant underlying improvement in the public finances and the Government’s decision to use almost all that improvement to boost public spending”. The increased public spending relates, in large part, to the announcement over the summer of extra investment in the NHS of £20bn.
- 1.3 Paul Johnson, the head of the Institute for Fiscal Studies (IFS), in his analysis of the budget stated that “many public services are going to feel squeezed for some time to come. *[Government]* Cuts are not about to be reversed”.
 - 1.4 Since 2010, local authorities have faced unprecedented challenges on their finances. The Institute of Fiscal Studies identified that [Councils’ spending on services](#) fell around **18%** (or 22% per person) in real-terms between 2009/10 and 2015/16. Reductions to our core financial support are evident in 2019/20, with the Revenue Support Grant (RSG) element of our funding from the Government now reduced to **£0**. This compares with £92.6m in RSG support five years ago, in 2014/15.
 - 1.5 The current financial climate has presented the Council with difficult fiscal choices when setting the budget for 2019/20 and looking ahead across the MTFS period. Collectively, we have scrutinised the approach to delivering services to our residents, focusing on the policy outcomes we want to achieve, rather than the existing structures. A significant amount of analysis and work has informed these savings, supporting our aspiration that this County Council can live within its means, provides value for money and aims to be financially stable over the medium to long term. In developing efficiency proposals we have balanced the budget for 2019/20 without reliance on the use of our financial reserves.
 - 1.6 During the summer and autumn of 2018, the Executive Leadership Team (ELT) and the Cabinet have been preparing the Medium Term Financial Strategy (MTFS) for 2019/20 to 2022/23. The MTFS was then reviewed by the Performance and Finance Select Committee on 5 October 2018, with an additional update on 22 November 2018. These papers were available in the public arena in a timely fashion.

Section Two: National Context for Public Finances

- 2.1 Whilst the final finance settlement for local authorities covering 2019/20 is outlined in paragraph 2.10 below, the funding for 2020/21 onwards is much less certain. The **Autumn Budget** from the Chancellor, announced on 31 October 2018, contained little detail over future funding prospects after 31 March 2020, when spending allocations as set out in the current Spending Review come to an end.
- 2.2 However, there were a number of announcements made by the Chancellor in the Budget relating to extra one-off funding nationally:

Social Care Funding

- £650m additional grant funding for adult social care in 2019/20. This

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

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

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

Children's Service Programme

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

Highways Maintenance

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

Schools Capital

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

- 2.3 **Adult social care** – The additional funds announced in the budget statement are welcomed but are **one-off only**. The budget also stated that "In the longer term, the government is committed to putting social care on a fairer and more sustainable footing and will set out proposals for adult social care in the forthcoming green paper". We still await the Government's proposals and a firm commitment to a date for the Green Paper.
- 2.4 The Local Government Association recently announced its own consultation on how to pay for Adults Social care. The LGA estimates that adult social care services face a £3.5 billion funding gap by 2025, just to maintain existing standards of care, while latest figures show that councils in England receive 1.8 million new requests for adult social care a year – the equivalent of nearly 5,000 a day.
- 2.5 **A new national funding formula for schools** was introduced in 2018/19,

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- with the county's schools receiving an additional **£12.8m** (3%) as a result. In July 2018 it was announced that the units of funding used to calculate the amount of monies allocated to schools in West Sussex is set to rise in 2019/20 by 1.7% to £3,741 for primary school pupils and by 2.8% to £4,889 for secondary age pupils. This equates to an additional **£9.9m** (2.2%) for West Sussex schools next year. Despite this increase our schools remain amongst the lowest funded in the country. We will therefore continue to make the case to central government of the urgent need for more resources for our schools.
- 2.6 In recognition of the cost pressures that Local Authorities are experiencing on the high needs element of the DSG, the Secretary of State for Education announced as part of the **DSG settlement** on 17 December 2018 an additional £250m of high needs funding to be paid over two years (2018/19 and 2019/20). As a result, West Sussex is set to receive a further **£1.8m** in both of these years.
- 2.7 Within **Public Health**, the council also needed to plan for the consequences of the Government's announcement in the Autumn Statement 2015 that local authorities "funding for public health would be reduced by an average of 3.9% in real terms per annum until 2020". For 2019/20 this will result in a further cut of **£0.9m** to the Public Health Grant.
- 2.8 The **two-year national pay deal** for NJC staff agreed last year has also added to the budget pressures we face for 2019/20. A number of lower grades in particular are benefitting from significant increases and amalgamation of grades. Despite the Government no longer applying a formal public sector pay cap, it has not provided additional funding in support of the higher wage settlement. Therefore local authorities will have to accommodate this extra spending pressure from within the reducing funding resources from central government.
- 2.9 Due to changes announced by HM Treasury in September, the discount rate for unfunded public sector pension schemes including NHS, Teachers, Police and Fire has changed. For the **Fire Service**, this, combined with the earlier announcement at Budget 2016 (a reduction in the discount rate from 3% to 2.8%), has resulted in a reduction to the discount rate from 3% to 2.4%, and has the effect of increasing the employer contributions (to include ill-health costs) from 17.6% to 30.2% from April 2019. HM Treasury have provided one off grant funding to mitigate the impact for 2019/20, with funding beyond 2019/20 being subject to the Spending Review.
- 2.10 Key points confirmed in the final **Local Government Finance Settlement** announced on 29 January 2019 are:
- A continuation of the additional flexibility to raise the council tax from the current 2% before a referendum is required to 3%, reflecting the inflationary pressures being faced by the Local Government sector; and
 - The Government published two further consultations: on reforms to the business rates retention system and the new approach to distributing

funding through the Review of Relative Needs and Resources. Both will impact on our future funding from 1 April 2020.

- The Government has cancelled our 'negative' RSG allocation of minus **£2.6m**. Nevertheless, the County Council has suffered a reduction in the RSG from £12.1m in 2018/19 to £0m for 2019/20 and therefore no longer receives any Revenue Support Grant from the Government towards the services it provides for the residents and communities of West Sussex.
- The West Sussex bid (made jointly with all our District and Boroughs) to become a pilot area in 2019/20 for 75% business rate retention has been accepted. This offers a potential gain of up to **£19.1m** for one-year, though further work needs to be done to confirm this figure. The funds will be used collaboratively with other authorities, on the basis of the submission to the Government that an identified project offering economic benefit would be funded, that may not otherwise proceed. This gain is therefore not able to be applied to fund any budget shortfall. All of the extra business rates growth retained (estimated at **£19.1m for 2019/20**) will be pooled by participating local authorities and used to make a strategic investment in the county's economic infrastructure. It is anticipated the funds will be applied to enhance the digital infrastructure and connectivity for business and residents in the county.

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

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

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

from 1 April 2020 onwards, via its **Fair Funding Review** and changes to the business rate retention scheme, which adds yet further uncertainty into future funding.

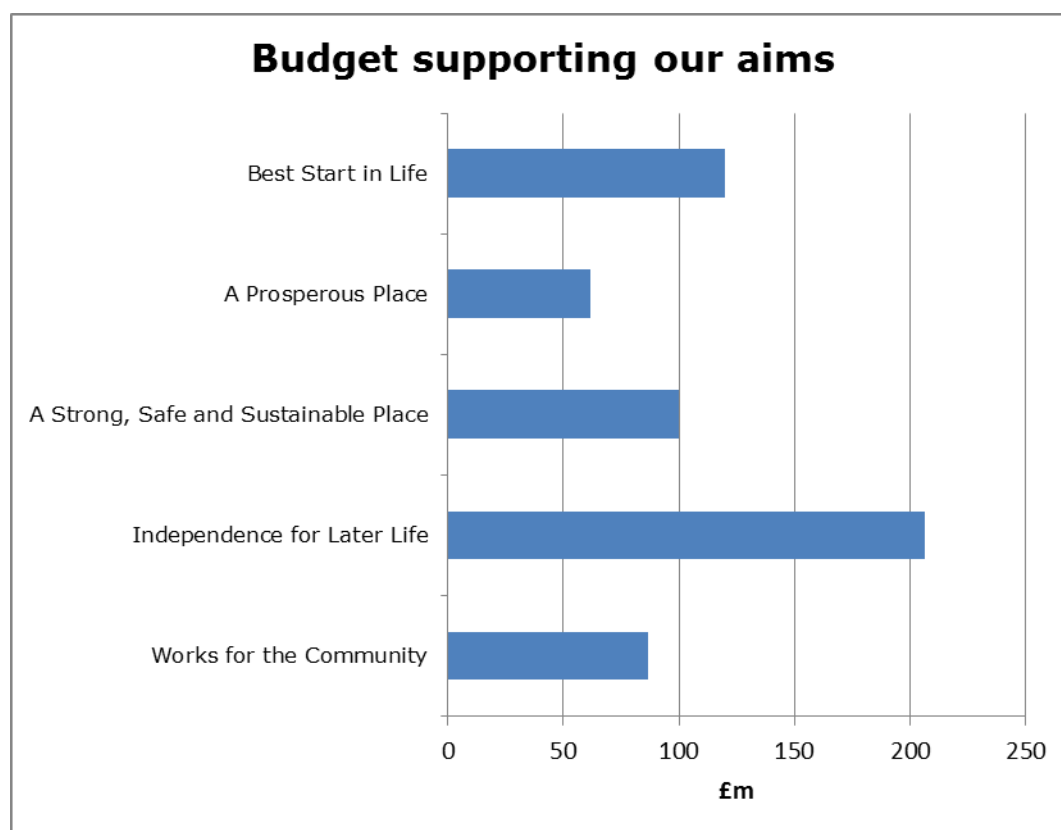
- 2.14 Economic uncertainty also exists until the details are clearer on the **UK's arrangements to leave the EU** and what impact it may have on public finances.

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

The West Sussex Plan Priorities

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

Chart 1: How the budget supports our aims



Best Start in Life

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

also vital that every school in the county offers each and every child the education he or she deserves.

- 3.3 We know that school is not just about education but about the wraparound support and care our schools provide. Children and young people cannot thrive unless they feel safe and secure at home. It is our duty to protect those children and young people, supporting them to cope with life's pressures and supporting their families to make sure they are able to enjoy a childhood free from harm.
- 3.4 The key financial challenges facing the Council in relation to achieving our target outcomes for a Best Start in Life are set out in the following paragraphs.

Education and Funding for High Needs

- 3.5 2019/20 is the second year of the new national funding formula for mainstream schools under the Dedicated Schools Grant (DSG). Although West Sussex schools are set to gain £9.9m (2.2%) through an increase in the pupil led units of funding within the formula, they are also set to lose £2m through a change in the calculation of the growth factor element of the new formula next year. School budgets continue to be under pressure in 2019/20 due, in the main, to the full year effect of the 3.5% teachers' pay award in September 2018, a proposed increase in the teachers pensions employers contribution rate from 16.48% to 23.6% in September 2019, and expected increases in energy costs of up to 15% for electricity and 23% for gas. Although the Government has announced that there will be additional specific funding available to meet the costs of the pay award above 1% and the increased employer pension rates there is no guarantee that this will be cost neutral at an individual school level.
- 3.6 Funding pressures affecting the High Needs Block within the Dedicated Schools Grant (DSG) have continued to grow over the last four years since the implementation of the Children and Families Act 2014 resulting in increased requests for:
- Education Health and Care Needs Assessments (EHCNAs)
 - Pre-16 specialist placements (special schools, Special Support Centres (SSCs) and Independent and Non-Maintained Special Schools (INMSS))
 - Post-16 HN placements in special schools, colleges of Further Education or Independent Specialist Providers (ISP).
 - Personal budgets and exceptional needs expenditure to meet very complex needs.
- 3.7 Our High Needs funding from the Department for Education rose by £1.2m (1.6%) in 2018/19 and is set to rise by a further **£3m** (3.6%) in 2019/20. These funding increases are not sufficient to meet the increasing costs of providing for the number of children with education health and care plans (EHCPs). In March 2015, 3,423 children and young people in West Sussex had EHCPs and by March 2018 this number had risen by 43% to 4,912 - an increase of 1,489; 515 in 2015/16, 573 in 2016/17 and 401 in 2017/18. In

the first six months of 2018/19 these numbers have risen by a further 184.

- 3.8 With limited funds now remaining in DSG reserves this shortfall in DSG funding is beginning to place significant pressure on the Local Authority budget from 2019/20 onwards, of an estimated £6.0m per annum. Recent research has shown that 94% of surveyed County Councils are expecting a deficit on their DSG High Needs block this year, and therefore the Council, together with other Local Authorities from the Societies of County Treasurers and the Society of London Treasurers, has asked the Department for Education to carry out a post-implementation review of the Children and Families Act 2014 and to provide a more sustainable level of funding for the longer term in order to properly resource its policy objectives.
- 3.9 In the meantime, the Council continues to adopt a long-term approach to this issue. For instance, we will continue to fund a range of initiatives within our developing Special Educational Needs and Disabilities (SEND) Strategy including increasing the offer of therapies in our Special Schools and the creation of additional Special Support Centres (SSCs) in our mainstream schools. These initiatives will help to minimise growth in SEND demand by targeted early intervention; develop new SEND places (particularly with mainstream education providers) within the county and make sure funding is in place to support the transport needs for those children with particular requirements, ensuring their ability to access education throughout their time at school.

Children's Social Care

- 3.10 A key element of our budget supports the critical work of our children's social care workforce and structures. This is an area where there is a national shortage of qualified staff, which is among the reasons why caseloads locally have risen to unsustainable levels. As a result we will provide an increase in investment of **£5.5m** in 2019/20. This is in recognition of the continuing challenges faced by a small number of the younger residents and their families in West Sussex and to ensure that the County Council continues to play a key role in helping them to be safe and secure, especially when our looked after children leave care.
- 3.11 To help facilitate the growth in Children's social care, a more targeted approach is being adopted that identifies and works with children and families, often at the earliest possible ages, to support their development and ensure their future is as bright as possible, and that they are able to live independent lives. In that way the new service will retain the core strengths of the existing provision and continue to deliver the outcomes that the County Council needs, despite the reduction in resources.
- 3.12 Building on foundations that have been laid in 2018/19, we will, during the course of the next financial year, continue implementing our Commissioning Strategy for Children's Social Care. The strategy aims to improve our placement planning arrangements, partly by guiding our supply chain on the nature of the care solutions we require over the long-term and partly with the objective of enhancing market management. Currently around

40% of placements are purchased externally, the average cost of which has risen by approaching 30% since 2014/15. Consequently by commissioning from the market more effectively, there is obvious potential to deliver greater value for money. This will also provide natural opportunity to assess how best to utilise the residential units that the County Council operates, taking into account care needs, market conditions and cost effectiveness.

A Prosperous Place

- 3.13 For West Sussex to continue to thrive we know we need to support our businesses. We have a wonderful diverse business community here in West Sussex; something we should celebrate in supporting them to stay and grow here. To do this we need to put in place support to ensure this is a place where doing business works and works well, contributing to the employment opportunities for local residents.
- 3.14 Working with our District and Borough partners is crucial in our determination to support the business community. That means attracting businesses and people who want to work in our county and then giving them the tools they need to help them grow their businesses.
- 3.15 Some of the key areas in relation to achieving our target outcomes for a Prosperous Place are set out in the following paragraphs.

Highways and Infrastructure

- 3.16 Our roads and highways are a key element of the supporting infrastructure needed for economic growth. Alongside the significant (£189m over five years) capital investment in the Highways & Infrastructure portfolio, we will invest over £8m of revenue funding, per annum, in highways support and maintenance.
- 3.17 Developing proposals to improve infrastructure and bid for other sources of funding. This work will require sufficient resource to produce feasibility studies, enabling the Council to develop sound project proposals for submission for funding.

75% Business Rate Pilot

- 3.18 The successful West Sussex business rate pilot offers a potential gain of up to £19m for one-year. All of the extra business rates growth will be pooled by participating local authorities and used to make a strategic investment in the county's economic infrastructure. It is anticipated the funds will be applied to enhance the digital infrastructure and connectivity for businesses and residents in the county.

A Strong, Safe and Sustainable Place

- 3.19 We know we are only as strong as our communities. To make real change in our communities we need to empower those living in them to make changes themselves. There are so many examples of our communities

working brilliantly to support each other and to solve issues that are unique to them, so we need to continue to nurture and support this work.

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

Waste and Recycling

- 3.21 Over £60m of our net revenue budget is dedicated to supporting our waste disposal and recycling infrastructure.
- 3.22 The 2017/18 Department for the Environment, Food and Rural Affairs performance statistics have just been released and these show that our recycling rates have significantly improved over the past 12 months. However, this is largely due to a strong wood recycling market which is volatile and could easily be affected in future years should this market fall away. Our continuing aim is to act in a sustainable way and minimise the use of landfill sites because of their cost and environmental impact. Whilst the statistics show that the amount delivered to landfill has significantly reduced the county still ranks 29th out of 31 disposal authorities and therefore represents a significant opportunity for improvement.
- 3.23 Our efficiency programme includes a number of proposals; from simple things like more black bag sorting at Household Waste Recycling sites (separating out more recyclable material), to continuing our work to ensure more waste can be treated as Refuse Derived Fuel (RDF); to working with our District and Borough partners on how our waste collection frequencies can incentivise a greater level of recycling. Working with the West Sussex Waste Partnership (WSWP), a strategy will be developed to focus on not only sustaining current performance but also the delivery of any future targets. These targets are likely to be the achievement of 55% recycling by 2025 and 65% by 2035. The WSWP is looking to tackle food waste in the first instance through its Fight Against Food Waste campaign. As 70% of food waste is avoidable, our strategy is to try and prevent it from being wasted in the first place. Waste prevention is the preferred solution as it is more economical and sustainable. Alongside the food waste prevention campaign, the WSWP is looking to undertake trials of separate food waste collections to further reduce the amount of waste we send to landfill.

Sustainable Green Energy

- 3.24 Alongside this focus on waste, our proposed spending will continue to enhance plans for developing other sustainable technologies; particularly solar energy and battery storage for power. Our capital programme will provide the means by which the investment in this technology can take place and our revenue budget incorporates the projected benefit both from lower energy bills and also extra revenue income from the sale of electricity. This includes direct revenue savings to some of our schools where the installation of solar panels is technically feasible. We are one of the most forward thinking counties in the country in undertaking this important investment.

Independence for Later Life

- 3.25 In West Sussex we have an ageing population which will continue to grow. During the next 10 years it is forecast that the number of people at age 65+ will rise by over 40,000, which will result in this group representing around 26% of the population compared to the current 23%. Moreover, the majority of that increase will be at age 75+, which is the point when people's care needs become significantly more expensive to meet.
- 3.26 As a County Council we welcome the opportunity to work creatively and closely with our partners to support and look after our older community to help them stay independent for longer. We will work with our communities to embrace technology now, and in the future, to continue to develop and grow the support that we, as a community, are able to offer our older residents. Our ambition is that West Sussex will continue to be a great place to grow older.
- 3.27 Some of the key financial challenges facing the Council in relation to achieving our target outcomes for Independence for Later Life are set out in the following paragraphs.

Adult Social Care

- 3.28 The funds from the Adult Social Care precept will continue to be invested in this critical area. These will be supplemented with additional resources from the improved Better Care Fund (iBCF), which will enable greater investment in technology, carer support and falls prevention. Allied to demand management reduction initiatives which are part of the Adult Social Care Improvement Plan, these will aim to promote independence and so keep residents within community settings for longer.
- 3.29 The County Council has invested in all of these areas over the last few years. We believe we are now starting to see the benefits of this investment with the proportion of older people receiving formal social care per head of population now showing a downwards trajectory. In 2019/20 this should allow us to absorb demand pressures of £2m, so reducing the level of increase that is necessary in the Adults and Health portfolio. We will continue to monitor this area closely but if we can support the management of demand, in line with residents' wishes to be independent for longer, then we believe it will help ease the level of financial pressure seen every year on this, the largest, element of the Council's budget.
- 3.30 We will also continue to work with our Clinical Commissioning Groups (CCGs) and other NHS partners to ensure better outcomes for residents, including in respect of Delayed Transfers of Care (DTOCs). This is being supported by funding from the iBCF, which is promoting a greater system-wide approach based on recognition that we all serve the same community.

A Council that Works for the Community

- 3.31 The purpose of the County Council is to serve the people living and working in West Sussex as well as visitors. We are working closely with partners,

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- other local councils, the health service and other organisations, to continue to improve the services our residents receive.
- 3.32 Some of the key financial challenges facing the Council in relation to achieving our target outcomes for a Council that Works for our Community are set out in the following paragraphs.
- 3.33 Our spending will aim to ensure the long-term financial health of the County Council, focusing on the priorities contained within the approved West Sussex Plan. Our efficiency savings have focused on outputs – how we can maintain or improve the outcomes for our residents by organising ourselves and collaborating with partners in new and innovative ways.
- 3.34 We recognise the need to control our costs. We have an extensive programme of work underway to review the value for money of our existing contracts and to identify where savings might be possible, using the latest tools and techniques.
- 3.35 We are continuing to review our existing income generation activities with the aim of aligning them more closely to achieving our priority outcomes as set out in the West Sussex Plan. This work has already identified opportunities and we will continue to examine, as well as learn from other local authorities, where additional progress can be made.
- 3.36 This budget continues to provide for local communities to become even more engaged in determining how local projects can be agreed and funded through a crowd-funding platform.
- 3.37 Finally, this budget will give us the means to look at and potentially re-purpose some of our key community buildings. We are committed to ensuring the best use of our community assets; that they can be used (where feasible) for several purposes and so become vibrant place hubs. In doing so, we are likely to be able to reduce usage, or potentially dispose, of some of our asset base, making savings whilst using our capital funding to modernise retained parts of the estate.

Section Four: Medium Term Financial Strategy 2019/20 to 2022/23

2018/19 Budget Position

- 4.1 Demand pressures, particularly within social care and home to school transport, are a significant factor in the current financial year. Our 2018/19 in-year budget position is showing a forecast overspend by the year end of around **£0.6m** [0.1% of net budget for 2018/19], after mitigating actions have been taken. Further work will continue over the remainder of the year with the aim of balancing this position.
- 4.2 It is proposed that £0.750m will be made available as transitional funding to continue to work closely with our current homeless charities to explore new initiatives and to ensure an effective move to the newly commissioned arrangements. This will be funded from resources set aside, as part of the

2018/19 budget, to progress joint initiatives with the Districts and Borough Councils for improving social mobility and preventing homelessness.

- 4.3 The demand pressures experienced by our services are reflected in our MTFS planning, as set out in paragraphs 4.6 to 4.9.

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

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

Table 1: Movement in Budget Gap – from October MTFS

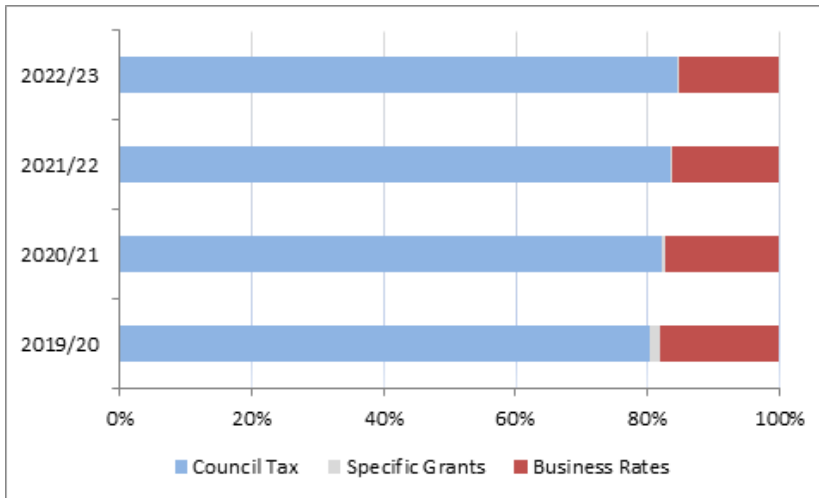
	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
October PFSC gross budget gap	50.9	39.2	28.7	26.3	145.1
Less Council Tax increase	-22.0	-9.7	-10.3	-10.7	-52.7
Gap before savings	28.9	29.5	18.4	15.6	92.4
Less other changes	-5.5	-0.5	-1.4	0.1	-7.3
Less savings	-23.4	-16.1			-39.5
Updated budget gap	0	12.9	17.0	15.7	45.6

- 4.5 The Medium Term Financial Strategy estimates of the budget shortfall will be updated during the course of next year, both the gross shortfall and the estimated shortfall allowing for potential council tax rises and savings. An additional year (2023/24) will also be factored in to ensure we have a four year outlook with future finances to plan over the medium term, avoiding a 'short term' perspective.

Demand Pressures and Funding Changes

- 4.6 Chart 2(a) below illustrates the sources of funding for the budget and how they change over time. We await details of how the allocation made to County Councils will change when the Government introduces the increase to 75% business rates retention in 2020/21 and also the Fair Funding Review.

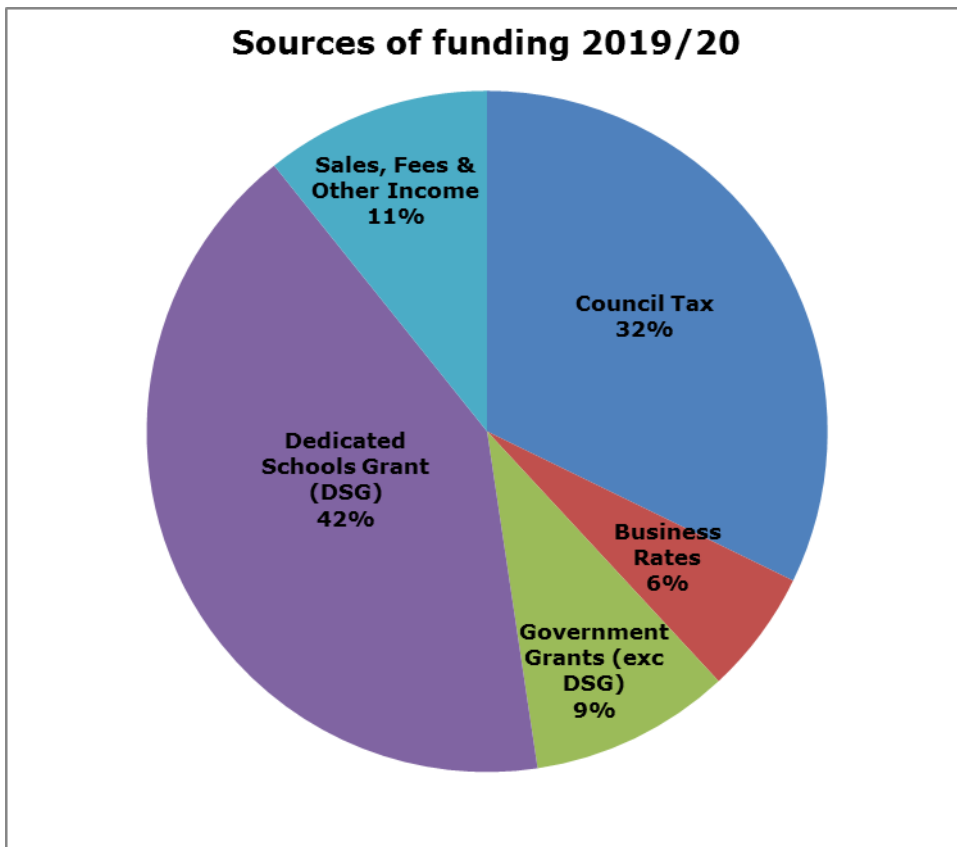
Chart 2(a): Net Sources of Revenue Funding



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

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

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



4.8 Table 2 below sets out the year on year change in the forecast budget, with the introduction of the new one off business rate pilot scheme of 75% funding for 2019/20 shown as a footnote at the bottom of the table. This £19.1m gain will be a one-off amount, to be spent on the bid submitted for additional digital infrastructure work. When the new national business rates scheme is introduced across the country from 1 April 2020, the extra funding from the move to 75% local share of business rates is expected to be financially neutral, with either new duties given to local authorities, or other funding streams reduced correspondingly.

4.9 The table below shows that 2019/20 is balanced with savings of **£23.4m**. However, over the four year MTFs period, allowing for known budget pressures and estimated funding, there is a shortfall in the budget of £85.1m, before any savings are identified and included.

Table 2: Change in budget requirements

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
Opening budget b/fwd	533.9	555.8	555.5	567.9	
Demand and Inflation (gross of savings):					
- Adults & Health	16.2	11.4	10.0	9.7	47.3
- Children & Young People	10.7	5.5	4.5	4.2	24.9
- Corporate Relations	0.4	1.6	1.9	1.8	5.7
- Education & Skills	7.0	7.4	7.0	7.0	28.4
- Environment	1.7	2.0	1.9	2.0	7.6
- Finance & Resources	-1.3	0.1	0.2	0.2	-0.8
- Highways & Infrastructure	0.2	1.0	1.0	1.0	3.2
- Leader (including Economy)	0.3	0.1	0.0	0.0	0.4
- Safer, Stronger Communities	1.9	0.9	1.4	0.8	5.0
Other Changes	8.2	-1.3	1.5	3.0	11.4
Net Expenditure Requirement	579.2	584.5	584.9	597.6	
Available Funding b/fwd	533.9	555.8	555.5	567.9	
Change in Settlement Funding Assessment including Business Rates	-9.9	-2.1	2.2	2.2	-7.6
Other changes to funding	9.8	-7.9	-0.1	1.1	2.9
Increase in Council Tax	22.0	9.7	10.3	10.7	52.7
Available Funding	555.8	555.5	567.9	581.9	
Savings	-23.4	-16.1			-39.5
Needed to balance the budget	Nil	-12.9	-17.0	-15.7	-45.6
Gross shortfall	-23.4	-29.0	-17.0	-15.7	-85.1

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

Service Pressures

- 4.10 Detail of some of the demand pressures on services have been outlined in the context of the West Sussex Plan above (paragraphs 3.1 to 3.37). The detailed changes to portfolio budgets for 2019/20 are outlined in paragraphs 5.1 to 5.49 below.

Inflation

- 4.11 The total addition included for pay and price increases is **£13.9m**, as shown in column 2 of Appendix 2. The budget does not provide for a general or across the board inflation uplift, but focuses on the key areas to target the provision for areas most under pressure. The approach to allowing for price rises has been as follows:

- A 2.0% increase on the NJC pay budgets, in line with the two year pay award agreed in 2017.
- A range of inflationary increases have been included for high value contracts, dependent on the specific index included within the contract.
- A 0% inflationary assumption on 'low priority' items.
- There remains a middle category of inflation where for 2019/20 of 1.0% has been assumed.
- An assumed 2.3% on areas of discretion over income.

- 4.12 Overall, other than the inflationary adjustments set out in 4.11 above, service budgets are cash-limited and therefore no resources are included centrally to adjust those cash-limits if actual inflation experienced in individual service areas exceeds the allowance made. In this event, services will be required to manage within the proposed cash limited budget. If, over the longer term, actual inflation exceeds the Council's assumptions in the MTFs, this could potentially add significantly to the budget pressures we face.

Sources of Financing

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

Settlement Funding Assessment

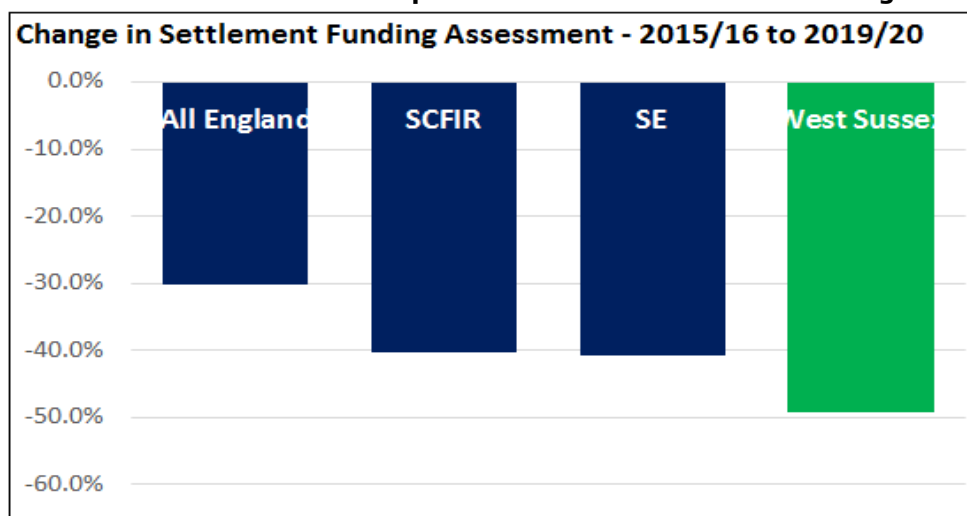
- 4.14 The local government four year finance settlement offer was previously announced in February 2016, and the County Council agreed to accept the Government's offer to fix key elements of the County's core funding until 31 March 2020. This has the advantage of providing for improved certainty in funding, and therefore a more stable platform for service planning and future transformation to ensure the financial sustainability of the authority.
- 4.15 The Finance Settlement, announced on 29 January 2019 confirmed the sums expected per the fixed settlement and within the budget for our core funding from the Government (known as the Settlement Funding Allocation or SFA). The SFA is £88.4m in the current year but falls to **£78.0m** in 2019/20, as shown in Table 3 below.

Table 3: Settlement Funding Assessment

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

- 4.16 The figures in table 3 show an **11.7% decrease** in year-on-year core funding for West Sussex in 2019/20. As expected this is worse than the national figures, which show a 5.8% decrease overall in 2019/20.
- 4.17 The settlement was broadly in line with our expectations. A sum of **£1.2m** extra was announced by the Government as a share of the national surplus on business rate levy account. This is a new and unexpected payment to authorities. A levy is made on the 'excess' growth in business rates incurred at individual authorities. This is normally used to pay for any safety net payment needed by authorities whose business rates have declined sharply. With the account being in surplus, a one-off dividend has been made to benefit authorities. However, the payment is being made in 2018/19 and will therefore be applied in the current year and not to the 2019/20 budget.
- 4.18 Chart 3 below shows the cumulative change in our SFA from the Government over the last four years compared with:
- The national average;
 - All Shire Counties with Fire and Rescue Responsibilities;
 - The South East region
- 4.19 This shows that West Sussex has fared worse than all these groups in comparison, with almost a 50% reduction in our core funding.

Chart 3: How West Sussex compares for reductions in core funding since 2015/16



Note: SCFIR = Shire Counties with Fire and Rescue responsibilities

Business Rates: Baseline Funding Allocation

- 4.20 West Sussex Districts and Boroughs have not yet confirmed their final business rate estimates for 2019/20. The Government publishes its allocations on the assumption business rates rise with the inflationary increase it imposes, but should the rates rise at a quicker pace the Council will benefit via its 10% share of the total County take from business rates.
- 4.21 The County's 2019/20 budget has been based on assumed figures including growth in business rates of an extra 2% in real terms. For 2019/20, the accumulated local growth from business rates, above government assumptions, adds an estimated **£2.9m** to the funding available.
- 4.22 The Chancellor has limited the increase in business rates by an amount less than RPI. As local government is now part funded by local business rates this approach reduced the sum available to local authorities. The Government has made good this difference by providing funds to compensate. The Settlement sets this compensation at **£2.5m** in 2019/20, though a final figure will be confirmed when estimates of the business rate take for 2019/20 is supplied by Districts and Boroughs.

Business Rate Pooling

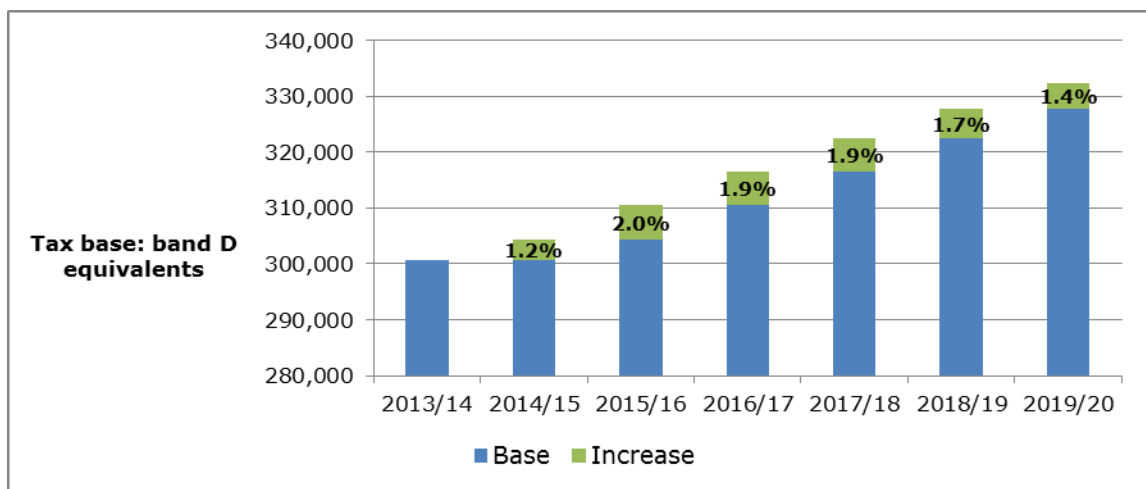
- 4.23 West Sussex County Council and the Districts and Boroughs made a joint bid to be a pilot area for 75% business rates retention in 2019/20. This is entirely separate from one of the Government's proposed plans to fund us from 2020 by allowing us to retain 75% of business rate growth, rather than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

- 4.24 The pilot bid is anticipated to provide an overall net gain to West Sussex authorities of up to **£19m**, though the exact gain will be dependent on the local business rate take during 2019/20. The gain arises from retaining a greater share of our local business rates in West Sussex. The winning bid submitted jointly by the West Sussex authorities outlined how the gain would be applied to significantly improve digital infrastructure in the County.
- 4.25 The County Council, along with Adur/Worthing, Arun and Chichester District/Borough Councils has been operating a business rate pool since 2015/16. This pool will now cease and be replaced by the new pilot scheme. The gain from pooling since 2015/16 is about £11m subject to confirmation of the expected gain in 2019/20 at the year-end. This gain has been invested in a number of local projects for the benefit of the whole County across the District/Borough authorities and the County Council. Therefore, this spending is treated wholly outside of the MTFS.

West Sussex Local Tax Base 2019/20

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

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



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

Collection Fund

4.28 Districts and borough councils operate a collection fund for both council tax and business rates, which they are responsible for collecting. The actual tax collected may be more or less than expected, meaning that a surplus or deficit must then be allocated to the responsible local authorities in the following year. The surpluses or deficits for council tax and business rates are not yet all confirmed by our Districts and Borough partners, but for budget purposes we have assumed a total surplus of **£3.0m** for council tax and for business rates. The latest figure received from our District and Boroughs indicates a surplus of £1.9m, £1.1m short of our assumption. Again, the budget assumes any variation from the assumed funding, when finally confirmed by the Districts and Boroughs will continue to be adjusted through the Budget Management Reserve. This avoids late changes to the budget.

Special and Specific Grants

4.29 Most grants have now been announced and all known sums are set out in Appendix 4 of the Budget Pack. The overall change for those grants included within portfolio budgets is a rise of 3.4% or **£24.0m**, which includes changes in:

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

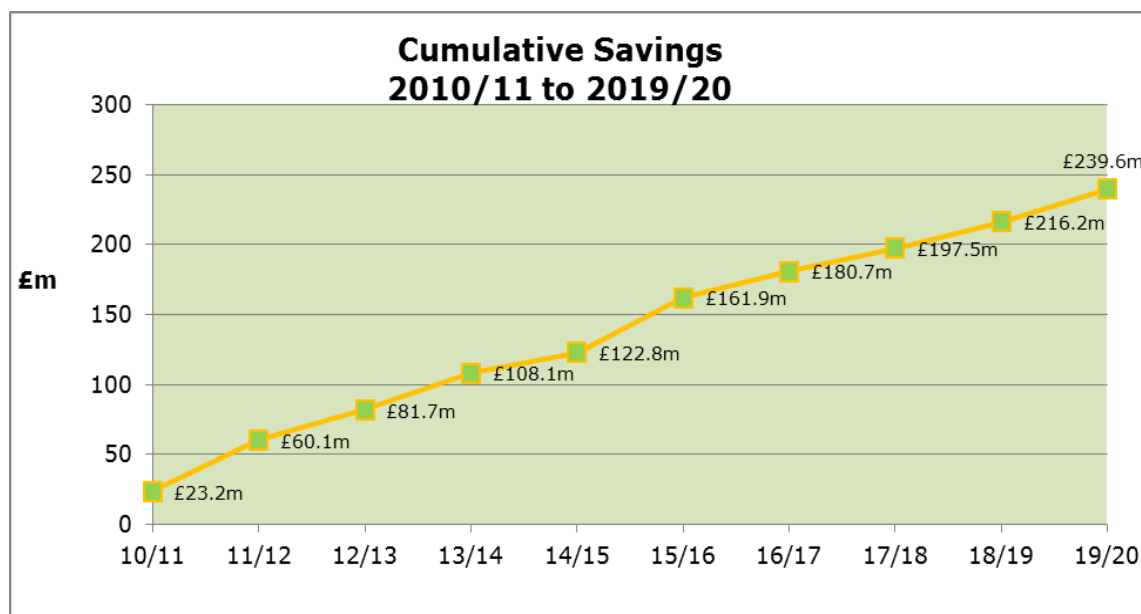
4.30 Appendix 4 also highlights a number of non-portfolio specific grants, this includes New Homes Bonus funding of £3.9m. These are used as part of the County's overall core funding, rather than being allocated to a specific service.

4.31 In a written statement on 28 January 2019, the Secretary of State announced additional funding in both 2018/19 and 2019/20 to help councils carry out Brexit preparations and two tier counties will receive £87,500 in each of those financial years.

Savings Work

4.32 Since 2010, and including the proposed savings within the 2019/20 budget, the authority will have achieved savings of nearly £240m (see Chart 5), though maintaining this level of saving is proving more difficult each year.

Chart 5: Cumulative Savings by West Sussex County Council



Section Five: Revenue Budget Proposals for 2019/20

5.1 After considering the Financial Settlement announcement, the budget assumptions for price inflation, business rates and council tax and the savings proposals, net revenue expenditure of £574.920m is proposed for 2019/20, an increase of £41.0m (7.7%) compared to 2018/19, as shown in Table 4 below. The net revenue expenditure shown is based on the most up to date information at the time of writing and may be subject to change. This is because information is still awaited in some instances regarding funding, such as from Districts/Boroughs on business rate proceeds.

Table 4: Summary of Change in Net Budget

Item	£m	£m	%
Approved net revenue expenditure 2018/19		533.943	
Allowance for price rises	13.891		2.6
Commitments and service changes	25.269		4.7
Commitments and non-service changes	5.211		1.0
Business Rates Pilot	19.141		3.6
Balancing the budget	-23.435		-4.4
Change in Central Government Funding	0.900		0.2
Net increase		40.977	7.7
Net revenue expenditure 2019/20		574.920	

Changes to Portfolio Budgets

5.2 The proposed changes to the budget for 2019/20 are explained by portfolio in the following paragraphs. These changes include growth to meet changing demand pressures of £49.6m, the price changes of £13.9m

(detailed in paragraph 4.11 above) and balancing the budget activities of £23.4m.

Adults and Health

- 5.3 The Adults and Health budget for 2019/20 allows for net expenditure of **£206.4m**, which is a net increase of **£11.6m** compared with 2018/19. Around 95% of this relates to the cost of funding the social care needs of residents who meet the national eligibility criteria that were introduced by the Care Act in April 2015. While that is a statutory requirement, the West Sussex Plan priority of Independence in Later Life remains an equally strong influence. Its ambition for the county to “continue to be a great place to grow older”, is central to the proportion of the net revenue budget allocated to the portfolio having risen from less than 32% in 2015/16 to around 36% in 2019/20.
- 5.4 That growth is the County Council’s response to significant service-related pressures:
- Growth in demand for adult social care is at unprecedented levels, both because of increasing numbers of older people and customers with disabilities. Currently around 14,000 people receive a service from adult social care, of whom approximately 9,000 have eligible care needs. Based on demography, it is forecast that the latter will grow by around 130 in 2019/20.
 - Increasing life expectancy means that more people are living with more complex conditions, increasing cost pressures across all care groups. Within older people, for example, average weekly placement costs for residential care have risen in real terms by 3% per year during the last five years. Over that period the corresponding increase for the average non-residential package has been almost 2.3%. There is little likelihood of either of those rates reducing in the immediate future.
 - Pay is the largest element of care providers’ costs and so the impact of the National Living Wage continues to create knock-on implications for the County Council. In line with past practice, the budget recognises this pressure and will enable fee increases to be paid to providers which allows for it. Whilst this is a matter of choice for the County Council, in reality options are limited because it is competing for care in markets where it is a minority buyer and where demand from an affluent private market and the NHS is buoyant.
- 5.5 Based on historical trend, growth of £9.3m would have been required in 2019/20, but as a result of demand management initiatives linked to the Adult Social Care Improvement Plan, this figure has reduced by £2.0m. These will be supported by an increase in investment in technology, carers and falls prevention with the objective of promoting independence and thus reducing expenditure on formal social care. In that way the amount that needs to be funded additionally reduces to £7.3m.

-
- 5.6 Compounding the County Council’s challenge, the Government’s Green Paper on adult social care continues to be delayed. Having originally been due in the “summer of 2017”, the latest indication is that the paper will be out by April 2019. Despite that the Chancellor of the Exchequer’s Budget Report in October 2018 confirmed that “in the longer term, the Government is committed to putting social care on fairer and more sustainable footing”. Given that intention, it is unfortunate that there is no certainty about what this might mean. Although the Government’s announcement of an additional, non-ring-fenced **£5.6m** of support for social care in 2019/20 is welcome, this is a one-off allocation and so is no substitute for a sustainable on-going settlement.
- 5.7 At the same time, the Government has still not made any commitment to retain the Improved Better Care Fund (iBCF) beyond 2019/20 and this makes it imprudent for the County Council to assume that it will be available to help support base budget costs. This reverses a decision made as part of the 2018/19 budget, when we had assumed that funding would continue, and requires an extra £3.6m to be allocated to the portfolio. The corollary to this is that an increased amount of money will be available next year through the iBCF to invest in service improvement.
- 5.8 Savings of **£4.6m** are included to balance the County Council’s overall budget, as described in Appendix 3.
- 5.9 The key explanations of the changes in the 2019/20 budget are shown in Table 5 below:

Table 5: Adults and Health Budget Changes

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

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

Table 6: Adults Social Care Precept

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

Children and Young People

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

5.12 The main reasons for that growth are as follows:

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

- The increasing complexity of needs of the young people requiring care remains a substantial driver of costs. Unit costs of external placements have increased by nearly 30% since 2014/15. At the same time, the number of families accessing the Intentionally Homeless Service continues to increase with the net cost of support likely to be higher because of the impact of Universal Credit. As a result, an additional **£0.6m** is being allocated to the portfolio in recognition of these pressures.
 - An additional **£0.5m** has been allocated to the portfolio on a temporary basis, recognising that Beechfield Secure Children’s Home remains closed and therefore will not achieve the surplus of income above expenditure previously budgeted for within the portfolio. The funding is expected to be removed in 2020/21 once a formal final decision is made about the future of Beechfield.
 - Cissbury Lodge is a Council-run residential home for children with disabilities, which has been closed since October 2018. The building work required for the home to be made fit for purpose will be completed in the 2019 calendar year. Those children who have been temporarily rehomed in external residential placements will then be moved back to Cissbury Lodge. In addition, whilst efforts have been made to redeploy affected staff into funded vacancies elsewhere in the Council, this has not been possible in the majority of cases. Together those two factors will cause a temporary net pressure for the portfolio of **£1.0m** in 2019/20, £0.4m of which will be met from the Social Care Support Grant. As with Beechfield, this funding is expected to be withdrawn in 2020/21 once Cissbury Lodge is fully operational.
- 5.13 Savings of **£6.4m** are included to balance the County Council’s overall budget as described in Appendix 3. **£0.6m** of these are necessary because the amount of grant the County Council expects to receive in 2019/20 from the Government’s Troubled Families Initiative will be reducing as the programme comes towards its end in 2020/21.
- 5.14 The key explanations of changes in the 2019/20 budget for the portfolio are shown in Table 7 below:

Table 7: Children and Young People Budget Changes

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

Corporate Relations

- 5.15 The Corporate Relations budget provides for net spending of **£44.5m**, which is a net increase of **£0.1m** compared with 2018/19. The majority of this relates to the Cabinet Member's responsibility for a range of support service functions together with outsourced contracts for support services and information technology. It also covers costs of democracy, including elections and members' allowances.
- 5.16 The portfolio has seen growth in order to create a team to meet the Council's obligations under the new General Data Protection Regulations (GDPR). The saving anticipated to be delivered through changes to business mileage has been deferred and will now be delivered through a more complete review of staff terms and conditions.
- 5.17 Work continues to further integrate legal services into the Orbis partnership (with East Sussex, Brighton and Surrey) and deliver efficiencies in providing legal support to the council. The contracts team will work with Capita in order to deliver services more efficiently and to drive savings out through the delivery of the new IT strategy. The HR function will be looking to review the current arrangements for agency staff across the Council, both in terms of rates through the contractual arrangements, and more appropriate use of temporary contracts within the council. Learning and Development services will be reviewed with a view to consolidate the function and to provide a consistency in charging for training provided.
- 5.18 Savings of £1.5m proposed in 2019/20 are attributable to the Whole Council Design projects:
- The **West Sussex Way**, promotes the efficiency and effectiveness of service delivery and how we will rise to our cultural, performance and financial challenges that we must face in delivering our priorities to 2022. Through **Whole Council Design (WCD)** we will transform our service models, improve the performance of our services and achieve significant financial benefits over the next three financial years, whilst ensuring our resources are spent on achieving the **West Sussex Plan** outcomes for our residents.
 - To facilitate transformation and supporting activity the Council has a Service Transformation Reserve. As at 31 March 2018 £11.5m was held in the reserve and during this year, £3.9m is scheduled for investment predominantly in Step Up (the enabling programme ahead of Whole Council Design), with a further £1.1m being used to generate savings through the voluntary severance scheme; this leaves £6.5m available to support other investment. A further £6.5m is proposed to be transferred from the Budget Management Reserve on 1 April 2019, resulting in a further £13m being available for **Whole Council Design**.
 - This next phase of the Council's transformation will build on the achievements of the Step Up Programme. From the one-off investment initially estimated at £13m for **Whole Council Design**, annual savings of a minimum £17m are targeted by 2022. At this early stage in delivery, £1.5m of this target is provided for in next year, following

mobilisation in the current financial year. Over the next twelve months, as projects are mobilised and benefits realised, the MTFS will be updated to reflect progress.

- Of the £13m available in the reserve from next year, it is anticipated that the majority of the funds, estimated at £10m, will be needed for ICT investment and the resourcing of projects – one example being the replacement of the council’s core operating systems, including financial management and HR. The proposed investment will be deployed during the MTFS period. Any further investment needs will be funded through the top-slicing of transformational savings (over and above the £1.5m budgeted from 2019/20) and will be reflected in the MTFS.
- Transformation inevitably involves significant up-front investment to deliver ongoing savings, and lead-in times have been recognised as far as possible in the above profiles.
- Through the Council’s Transformation Board, governance arrangements will ensure that value for money can be assured, in line with our way of working. The progression of the programme and its benefits realisation will be highlighted through the Council’s quarterly total performance monitor.
- Much of the £17m WCD savings target referred to earlier will be achieved through improved efficiency and effectiveness. A consequence of this service redesign, and of other service changes and reductions proposed in the budget, is that our workforce will reduce. Natural wastage (turnover), appropriate redeployment and proactive vacancy management will assist to some degree, but nonetheless, we need to make appropriate provision for managing this change and the costs involved. We have therefore set aside £3m of the total £13m reserve to cover early severance costs.
- The Government acknowledges the difficulties that authorities can experience in managing such up-front costs and as a result, special provisions apply for utilising capital receipts to fund transformation and the capitalisation of severance costs. The suitability of these options will be kept under review, in light of our financial outlook and the challenges ahead.

Table 8: Corporate Relations Budget Changes

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

Education and Skills

- 5.19 The Education budget for 2019/20 allows for net expenditure of **£19.8m**, which is a net increase of **£6.0m** compared with 2018/19. In line with the West Sussex Plan 2017/2022, we will continue to work to ensure young people are ready for school and ready for work. The key explanations of the changes for the 2019/20 budget are shown in Table 9 below:

Table 9: Education and Skills Budget Changes

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

- 5.20 Based on an assumption that the number of pupils identified as needing additional support through an Education Health and Care Plan (EHCP) will continue to rise at the current rate it is projected that expenditure in High Needs is set to increase by a further **£5.5m** in 2019/20. Since the current year's budget also includes one-off funding of £2.2m from the DSG Schools block and £0.8m from DSG reserves, this means that our underlying budget pressure next year stands at **£8.5m**.
- 5.21 With our High Needs DSG funding expected to increase by **£1.2m** in 2019/20, this leaves a budgeted shortfall on High Needs of £5.5m next

-
- year. £1.5m of this can be mitigated through the County Council now picking up corporate overhead costs that have previously been funded through the DSG. An additional £4.0m is being allocated to the portfolio in recognition of the remaining High Needs demand costs that are forecast to arise in 2019/20.
- 5.22 The Home to School transport budget continues to come under pressure as a result of the continuing rise in SEND placements and higher contractual costs due to a growing shortage of drivers and the increased wage costs of escorts. **£2.0m** has been allocated to the portfolio to meet existing pressures in 2018/19 and a further £0.4m to meet growth in 2019/20.
- 5.23 The increase in requests for Education Health and Care Needs Assessments (EHCNAs) has meant that more staff have been required in the Special Educational Needs Assessment Team (SENAT) to carry these out. The additional staff have been funded through the SEND Reform grant but with this grant set to end in March 2019, alternative base budget funding of **£0.4m** is required for next year.
- 5.24 Other pressures (£0.1m) within the portfolio include 2 new associate education advisors for the Multi Agency Safeguarding hub, and an increase in the revenue cost of the education capital planning team, which have been partially offset by additional income within Home to School transport following the increase in post-16 transport charges in September 2018.
- 5.25 The additional £1.8m DSG funding announced by the Secretary of State (see paragraph 2.6) in December 2018 meant that the County Council's High Needs DSG allocation for 2019/20 increased by £3m rather than £1.2m. This additional £1.8m from DSG can be used to help meet the £4.0m High Needs demand costs in 2019/20 (paragraph 5.21), and therefore the County Council funding that has been replaced by these additional DSG monies has been transferred to reserves to help fund the creation of additional Special Support Centres in our mainstream schools in the capital programme.
- 5.26 Planned savings total £0.9m. These include officer decisions in relation to the reprioritisation of budgets within the High Needs block and improved trading income from schools (£0.7m), and strategic decisions on the development of additional Special Support Centres at mainstream schools and the removal of non-statutory age pupils from Home to School Transport eligibility (£0.2m).
- 5.27 The Dedicated Schools Grant has increased by **£15.4m** (2.6%) to £597.1m across both the Children and Young People (£48.1m) and Education and Skills portfolios (£549.0m) as per paragraph 4.29.

Environment

- 5.28 The Environment budget provides for net spending of **£62.0m**, which is a net decrease of **£1.4m** compared with 2018/19. Working with customers and partners the Waste Management team will continue their work to reduce waste going to landfill through education aimed at changing

customer behaviour, as well as the use of alternative disposal routes such as the Refuse Derived Fuel (RDF) contract. Continuing work with our Mechanical and Biological Treatment (MBT) contractor to develop the plant is expected to increase production of RDF that can be diverted from landfill by 48,000 tonnes; delivering both towards our waste diversion and recycling targets and saving the council £0.3m per annum.

- 5.29 In addition work to refine the processes at the plant and further increase the amount of waste that can be diverted from landfill along with the commercial agreements that sit behind these arrangements are expected to deliver the council £0.8m.
- 5.30 The council has taken the decision to move away from the locally agreed payments made to Districts and Boroughs in respect of recycling credits and move to a rate of £61.12 per tonne based on a calculation method in the Environmental Protection (Waste Recycling) Payments (England) Regulations 2006. This change along with the retention of any additional income from the sale of recyclates will deliver a saving of **£1.2m**.
- 5.31 The energy and sustainability teams continue to drive innovative and sustainable solutions to delivering the energy that the County requires particularly through the investment in our own renewable energy sources. 2018/19 has seen the service expand the number of small scale installations at our schools saving the schools an estimated **£50k** per annum and delivering the council a saving of **£90k** in 2019/20. Work is also progressing on feasibility work to deliver large scale battery installations at a number of sites across the County.
- 5.32 The key explanations of the changes for the 2019/20 budget are shown in Table 10 below:

Table 10: Environment Budget Changes

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

Finance and Resources

- 5.33 The Finance and Resources budget provides for net spending of **£12.8m**, which is a net decrease of **£2.8m** compared with 2018/19. The majority of this relates to the Cabinet Member's responsibility for the Finance, Procurement and Performance functions. It also covers the capital planning and projects and asset management and estates teams, as well as various corporate items, for example insurance and precept payments levied by external bodies.

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

Table 11: Finance and Resources Budget Changes

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

Highways and Infrastructure

- 5.35 The Highways and Infrastructure budget provides for net spending of **£32.9m**, which is a net decrease of **£2.0m** compared with 2018/19. This maintains and delivers highways and other infrastructure which businesses and local communities need to support economic growth and allows our customers to access services across the County. We will maintain, improve and, where appropriate, expand the highways network for the benefit of all residents and visitors to West Sussex.
- 5.36 One-off funding of £0.5m utilised during 2018/19 to deliver a white lines and signage programme to improve the safety of the council's roads is removed from the budget in 2019/20. Planned savings total £2.1m and include £0.5m linked to reducing demand for concessionary travel, a review of highway operation service levels (£0.4m), removal of public bus service subsidies which do not impinge upon school transport (£0.3m) and a review of on-street parking charges (£0.4m).
- 5.37 The key explanations of the changes for the 2019/20 budget are shown in Table 12 below:

Table 12: Highways and Infrastructure Budget Changes

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

Leader (including Economy)

- 5.38 The Leader budget provides for net spending of **£4.0m**, which is a net increase of **£0.1m** compared with 2018/19. This budget supports economic development and the costs of running the Chief Executive's office. Spending on economic development contributes to meeting the commitments set out in the Economic Strategy for West Sussex 2012-2020 and continuing to work collaboratively with our partners. We will work with Members, communities, businesses, partners and other County Council Services to understand and support the progress of local priorities.
- 5.39 The key explanations of the changes for the 2019/20 budget are shown in Table 13 below:

Table 13: Leader (including Economy) Budget Changes

Item	£m
Pay and price allowance	0.1
Transfers between portfolios	0.2
Savings	-0.2
Net change	0.1

Safer, Stronger Communities

- 5.40 The portfolio budget provides for net spending of **£38.4m**, which is a net increase of **£1.2m** compared with 2018/19. The budget includes the WSFRS which aims to provide an assured 24/7 emergency response service around the County. WSFRS also has a dedicated resilience and emergency team which along with the Council's support to community functions works to promote resilience and capacity across the localities of West Sussex. The portfolio also includes the County Council's Library Service, Archive Service, Registration and Customer services which are all directed to provide excellent services to the county's residents.
- 5.41 The one off funding given to promote work supporting the homeless has been reversed from the portfolio. A change to the funding available via the Public Health Grant has also led to a review of services previously funded via the grant and a reduction in the Intervention and Prevention work is anticipated.
- 5.42 The success of the crowd funding site introduced this year has meant that projects previously supported by the council can now raise funds on this platform.
- 5.43 Funding has also been allocated to the portfolio to continue work with and grow our volunteer network and infrastructure.
- 5.44 The key explanations of the changes for the 2019/20 budget are shown in Table 14 below:

Table 14: Safer, Stronger Communities Budget Changes

Item	£m
Reversal of one off funding to work with district and borough partners to develop options to address homelessness issues	-0.6
Reversal of Public Health Grant Funding	1.0
Additional Funding to support Volunteers	0.2
Pay and price allowance	1.1
Transfers between portfolios	0.2
Savings	-0.8
Other changes	0.1
Net change	1.2

Non-Portfolio

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

Table 15: Non-Portfolio Budget Changes

Item	£m
Transfers to and from earmarked reserves (net)	6.5
Transfers to and from earmarked reserves re 75% Business Rates Pilot	18.1
Reduction in the revenue contribution to capital	-0.3
Capital financing costs	0.3
Reduction in contingency	-0.2
Forecast increase in the investment income budget following the 0.25% increase in the base rate in August 2018 along with a saving arising from paying the LGPS contributions for 2019/20 in one lump sum up front	-0.6
Net change	23.8

- 5.46 The contingency budget is generally held to cushion the impact of unexpected events or emergencies arising during the year, which were not known about at the time the budget was approved. In addition, any late changes to the savings which are required to balance the budget will also be funded from the contingency budget.
- 5.47 In the papers reviewed by the Performance and Finance Select Committee on 17 January 2019, the contingency was set at £3.6m. As a result of the Home Office decision to remove the New Dimensions Grant from 2020/21, and subsequent discussion at Environment, Communities and Fire Select Committee, the proposed saving in the Safer, Stronger Communities portfolio of £0.2m to reduce the spend on the Search and Rescue team to the grant level has now been deferred. The contingency has been reduced by £0.2m in order to maintain a balanced budget.
- 5.48 Following Formal Cabinet on 29 January 2019, there is a further change to the savings required to balance the budget. The savings relating to the reduction in the Intervention and Prevention team (£0.4m) and the

Business Resilience team (£0.1m) have been removed for 2019/20 while work is undertaken to explore alternative funding and sponsorship options. The £0.5m required to balance the budget will be funded from the use of a one-off underspend on the Community Initiative Fund in 2018/19 (£0.2m) and the use of part of the Business Rates Levy Account surplus (£1.2m in total), which the council was notified of as part of the final settlement in December 2018 (£0.3m).

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

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

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

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

The savings proposals for 2019/20, **£23.4m** in total, have been assessed as robust with reliable plans supporting them and £5.4m of these were approved via Cabinet Member decisions following previews at the relevant Select Committee. Early agreement of savings plans allows maximum time for them to be delivered, reducing the risk of non-delivery. For subsequent plans, there is time to further refine estimates to ensure robustness and consider any ability to bring plans forward to realise earlier savings.

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

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

This budget reinforces the need for on-going robust financial management, strict budgetary control and the on-going monitoring of both savings and investment delivery plans, with processes in place to promote these. We have done this in previous years and I believe our processes are robust for this purpose going forward. I

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

The overall projected levels of reserves and balances are reviewed annually and are deemed to be adequate and forecast to stand at £181.4m by 31st March 2019.

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

The budget does not provide specific funding for any unforeseeable, extraordinary items of major expenditure, for example, the implications of flooding within the county. Subject to the magnitude of the extraordinary event, if such an event were to occur, it would have to be funded from existing general reserves (with a balance estimated at £20.3m by 31st March 2019) if the general contingency were exhausted.

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

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

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

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

Katharine Eberhart
Section 151 Officer'

Section Seven: Precept and Council Tax

- 7.1 The 2019/20 council tax base is **332,430.70** Band D equivalents, and is set out across the District and Borough councils in Table 16 below. The table also shows the sums due under precepts from the respective authorities.

Table 16: Tax Base and Precept 2019/20

District/Borough Council	Tax base	Precept £
Adur	21,195.00	£29,324,766.15
Arun	61,281.00	£84,786,553.17
Chichester	53,339.60	£73,799,070.37
Crawley	35,216.30	£48,724,216.19
Horsham	62,187.00	£86,040,067.59
Mid Sussex	60,707.50	£83,993,075.78
Worthing	38,504.30	£53,273,394.35
Total	332,430.70	£459,941,143.60

- 7.2 The impact of a 2.99% increase in Council Tax for General Fund purposes and a further 2% for Adult Social Care considered in the budget proposals outlined in the previous paragraphs imply a precept requirement of

£459.941m and a Band D council tax of **£1,383.57**.

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

Section Eight: Equality Act Considerations

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

Section Nine: Future Financial Risks

- 9.1 There are a number of major sources of change ahead from the external environment. These offer varying degrees of opportunity but also potential financial risk and instability over the medium term. These include:
- The potential impact from implementing the decision to leave the European Union and its influence on the UK's economic performance and the state of the nation's public finances. Any impact is likely to feed into the next Spending Review which will set national spending allocations for local authorities from 1 April 2020.
 - The Government's review of the needs assessment for local authorities, called the Fair Funding Review (FFR). This assessment underlies how the Government allocates resources, and is expected to impact on the

starting point for the new funding system under 75% proposed business rate retention scheme. It is a considerable time since any similar review was undertaken, which may mean significant change and volatility with funding. The MTFS assumes significant losses are the probable outcome from the FFR. This is based on experience with past reviews, where authorities with a much better than average local tax base (such as West Sussex) tend to be penalised with the Government assuming local council tax can replace government funding.

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

In the long run such a change provides an opportunity to increase the funding derived from the growth in business rates. However in the short term, there are three consequences to highlight:

- It will involve a reset of the business rate system and therefore a loss of part of the real term growth in business rate we currently use to help support the base budget.
 - Additional reliance on a volatile income source (business rates) which can vary from year-to-year for many reasons places a greater emphasis on ensuring the county's reserves are strong and able to provide a short term safety net for any sudden drop in this source of income.
 - Whilst the scheme is expected to be designed to operate in a cost neutral way nationally, at local authority level, there will invariably be 'winners and losers'.
- What the next Spending Review has in store for local government funding. This sets the overall framework of funding allocations to Government Departments and the national total for local authorities. The next Spending Review is due to come into effect from 1 April 2020. The degree of any further austerity with public finance and how it will impact on County Council funding, can only be informed by our best estimates until the Spending Review is announced.
 - Service budgets already include an allowance for inflation, where appropriate. But there remains a risk that either through general inflationary pressures or due to contractual matters, additional costs could add to service pressures in 2019/20. Also, in the longer term, if actual inflation exceeds the Council's assumptions in the MTFS, this could potentially add significantly to the budget pressures we face.
 - The demographic profile of the county indicates that we have a higher and growing proportion of older people, which will bring increased demand for council services, in particular adults' social care. In addition to this, we are also facing growing demand pressures from increased

complexity of care needs, both of which may result in additional financial pressures.

- Changes in legislation or accounting policies in the future may have a financial impact for the council. Any developments will be closely monitored and if there is any impact, these could potentially be mitigated through reserves.

9.2 The Council will continue to keep the MTFS under review given the high degree of uncertainty surrounding the potential impact from government policy, and the wider considerations on the state of public finances in future.

Section Ten: Other Issues

Human Resources Implications

10.1 The savings proposals already submitted and agreed by Cabinet Members and those specified within the budget indicate a potential impact for up to 65FTE, where known. This figure may change as plans develop over the coming months. This currently equates to approximately 1.1% of our workforce as at the end of December. Full consultation has and will continue to occur when needed.

Legal Implications

10.2 The County Council has a legal obligation to deliver a balanced budget within a prescribed timeframe each year. This is part of the set of legal obligations within the Local Government and Finance Acts 1992 and 2003 which also describe the factors and financial considerations which must, in law, inform the calculation of the budget and any council tax precept. The Chief Financial Officer has a responsibility to give formal notice to the Council if those provisions are at risk of not being adhered to. Ultimately the Secretary of State has powers of intervention in local authorities which fail to meet their fiduciary duty. This report outlines how the budget will be balanced with £23.4m of savings. Despite the challenge of reduced government funding we continue to invest in priority areas to deliver the aims of the West Sussex Plan to benefit our residents.

Recommended

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

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

-
- (2) Net revenue expenditure in 2019/20 of **£574.920m** (as set out in paragraph 5.1 and Appendix 1).
- (3) (a) Capital Strategy, setting out capital expenditure and proposed method of financing for the core programme and the income generating initiatives (which will be subject to their own business cases) for the period 2019/20 to 2023/24, as set out in Annex 2(a).
- (b) Treasury Management Strategy Statement 2019/20, as set out in Annex 2(b).
- (c) Prudential Indicators, as set out in Annex 2(c).
- (4) The Director of Finance, Performance and Procurement's assessment of the robustness of estimates and adequacy of reserves (paragraph 6.1).
- (5) The following amounts be approved for the financial year 2019/20 in accordance with Section 42A of the Local Government Finance Act 1992:
- (a) That the budget requirement to meet net expenditure of the County Council for the financial year 2019/20 is **£574.920m**, and the council tax requirement for 2019/20 is **£459.941m**.
- (b) That the following sums be payable for the year into the County Council's revenue fund:
- | | |
|------------------------------------------------------------|----------|
| Business Rates Retention Scheme – County Council | £84.745m |
| Business Rates Retention Scheme – 75% Business Rates Pilot | £19.141m |
| New Homes Bonus Grant | £3.933m |
| Social Care Support Grant | £5.243m |
| Net surplus from District and Borough Collection Funds | £1.917m |
- (c) The council tax base for the year 2019/20 is the aggregate amount calculated by the billing authorities to which the County Council issues precepts totalling 332,430.70 Band D equivalents*.
- (d) The amount of council tax being the budget requirement at 5(a) above, less the amounts receivable in 5(b) above, all divided by the council tax base at 5(c) above, shall be **£1,383.57** to the nearest penny for Band D.
- (e) The amount of council tax payable for dwellings listed in a particular valuation band, calculated in accordance with the proportion set out in Section 5(1) of the Act, shall be as follows:

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

- (f) That the district councils be requested to make payments totalling £459.941m to West Sussex County Council of sums due under precepts calculated in proportion to their council tax Band D equivalents as follows:

Adur District Council	£29,324,766.15
Arun District Council	£84,786,553.17
Chichester District Council	£73,799,070.37
Crawley Borough Council	£48,724,216.19
Horsham District Council	£86,040,067.59
Mid Sussex District Council	£83,993,075.78
Worthing Borough Council	£53,273,394.35

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

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

- (h) Additionally, it is noted that payments be made by the district and borough councils (or to them) in respect of the estimated surplus/(deficit) on their collection funds on 31 March 2019:

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

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

Jeremy Hunt

Cabinet Member for Finance and Resources

Annexes

Annex 1 - Budget Pack (printed separately and enclosed with the agenda):

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

Annex 2(a) - Capital Strategy 2019/20 to 2023/24

Annex 2(b) - Treasury Management Strategy Statement 2019/20

Annex 2(c) - Prudential Indicators 2019/20 – 2023/24

Annex 3 - Equality Impact Assessment

Annex 4 - Comments and recommendations from the Performance and Finance Select Committee

Contact: Vicky Chuter 033 022 23414

Background Papers

None