

Council Plan and Budget 2023/24

Executive Summary

The importance of the services provided by this Council to the residents, businesses and communities of West Sussex continues to be very evident, especially the crucial support provided for those in vulnerable situations. The Council is influencing and responding to a range of significant national policy developments which will have implications for the Council's services. Our ambitions are captured each year in a detailed Council Plan, which sets out what we propose to do and the specific targets we will use to judge how well we have performed during the year. The Council Plan, revenue budget and capital programme are fully integrated throughout the business planning process.

The business planning of the Council continues to be underpinned by a relentless focus on four priority outcomes, underpinned by a cross cutting theme of tackling climate change. The four priorities are:

- **keeping people safe in vulnerable situations;**
- **a sustainable and prosperous economy;**
- **helping people and communities fulfil their potential; and**
- **making best use of resources.**

The integrated business and financial planning process has been running for two years - bringing together business planning, financial planning and risk management processes. It provides the framework for the County Council's decision making and planning to ensure the focus is on priority outcomes, making the best use of the resources available and enabling the Council to track delivery and value for money. This ensures that the implications of choices that need to be made in the face of changing national policy and operating environment, together with resource and demand challenges and other uncertainties, can all be considered together.

On considering its financial position, the County Council will always look to the medium term and the next three to five years. The medium term outlook has been challenging over the last 10 years and even more so the last couple of years with the pandemic, cost of living crisis and the impact of volatile economic conditions. Although the remainder of this budget report is largely focussed on the budget for 2023/24, it is set within the context of this medium and longer term challenge. For 2024/25 to 2026/27 there remains a budget gap of between £50m to £100m depending on the level of Council Tax increase in these years. Further details are set out in Section 6. Before the end of the current financial year, work will start on developing a longer-term approach to balancing the books that will continue to identify efficiencies but will also require a more structured approach that considers how services are provided and prioritised within the County Council's limited financial resources, using the Council Plan as the foundations to these discussions.

Despite overall reductions in government funding since 2009/10, the Council continues to make progress in delivering its ambitions on behalf of residents, while achieving this within the resources available.

The proposed budget for 2023/24 keeps within the 3% threshold for core Council Tax rises and uses the flexibility to raise a further 2% precept for Adult Social Care. Both

of these were announced in the Autumn Statement in November 2022 and confirmed in the Provisional Local Government Finance Settlement for 2023/24. Using these flexibilities provides the County Council with much needed certainty on funding for 2023/24 but also seals in this funding for future years at a time when the future for local government finance is undergoing considerable change and resourcing future plans remains challenging. The budget therefore proposes a 4.99% total increase in Council Tax for 2023/24.

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 – all within the context of the continuing low levels of public finances, growing demands and growing statutory responsibilities.

During 2023/24, the County Council is expected to spend £1,867m on day-to-day revenue services and £124.9m through capital investment into roads, highways, schools, operational estate and IT and digital infrastructure. After taking account of grants, fees and charges and other contributions, net revenue expenditure of £708.8m is proposed for 2023/24, an increase of £60.5m (9.3%) compared with 2022/23. The 2023/24 budget balances spending pressures such as pay and prices, costs arising from the National Living Wage and service pressures particularly in Adults' and Children's Social Care Services with the funding available from Council Tax, business rates, fees and charges and grants.

Engagement on the budget has been held with Members, key stakeholders and the wider community. Three members' briefings have been held during the year which have kept members informed about the developing budget. The final briefing held in January 2023 included full details of the proposed budget, including known budget pressures and savings proposals. Similar information was also presented at a Stakeholder Day on 27 January which provided an opportunity for all partners to provide feedback on the budget. Following publication of the budget for the Performance and Finance Scrutiny Committee, the budget proposals were communicated through the County Council's media channels.

Developing this budget has been extremely challenging, set within the context of great uncertainty from the ongoing cost of living crisis and economic conditions. The savings required to achieve a balanced budget for 2023/24, together with early savings plans for 2024/25, are set out in **Appendix 3** to **Annex 1**.

The Capital Strategy (**Annex 2(a)**) is presented alongside the budget report for approval by the County Council. It sets out a high-level, long-term overview of how capital expenditure and capital financing activity contribute to the Council's key priorities in Our Council Plan, together with details of the proposed five-year capital programme. The Capital Strategy includes the Council's Flexible Use of Capital Receipts Strategy. The Treasury Management Strategy Statement 2023/24 (**Annex 2(b)**) sets out our Treasury Management activity.

Section One: External Context

- 1.1 The cost-of-living crisis, driven mostly by global inflationary pressures has dominated events during 2022. The continuing increase in energy prices is affecting the cost of general goods and services as well as causing a rise in inflation. Many households are likely to be facing financial hardship and may need council support. Also, less disposable income may result in changes to consumer behaviour which in turn impacts on local businesses and the local

economy. Over the last 12 months, Government has put in additional financial support through energy rebates, Cost of Living Payments and the Household Support Fund. It remains unclear how long this support will continue during 2023/24. However, such support may have created a dependency for some households, meaning that when these additional Government payments stop, more support will be required from County Council services, as well as those provided by the Borough and District councils.

- 1.2 Data from the 2021 Census shows that the West Sussex population increased by 9% between 2011-2021, to 882,700. This is a higher increase than for our neighbours: Brighton & Hove 1.4%, East Sussex 3.6%, Hampshire and Surrey 6.3%. The county has a higher proportion of over 65-year-olds than the national and regional averages, making up 23% of the population, up from 20% in 2010. Our population is currently forecast to grow to 924,000 by 2030, at 11.7% - a higher rate than England (9%) or the Southeast (7.6%). Over 65s will continue to see the highest growth rates. It is not yet clear how these changes in population numbers will impact on levels of government funding in the future despite having an impact on the demand for services.
- 1.3 This is all alongside the continuing supply and demand pressures caused by the conflict in Ukraine and continued impact of the Covid-19 pandemic around the world. Population growth and inflation places significant pressure on the County Council's finances, as well as on residents, businesses and the local economy.
- 1.4 The Government delivered a fiscal statement on 17 November, alongside the publication of the Office of Budget Responsibility (OBR) Economic and fiscal outlook. The OBR has indicated that the economy is now in recession and forecasts the economy will shrink by 1.4% in 2023 before bouncing back to growth in 2024. The inflation forecast is 9.4% for the remainder of this year and 7.4% for 2023. In December 2022, the Bank of England took the decision to increase the interest base rate from 3.0% to 3.5%; the highest level for 14 years as prices continue to increase. It is forecast that the base rate will gradually fall during 2024/25 to around 2.5%.
- 1.5 In response to the OBR forecast the Government set out a number of significant policy developments. These include:
 - That departmental spending will grow at 3.7% a year on average over the Spending Review period – with Departments expected to manage the pressures of higher inflation.
 - That for the years after the Spending Review period departmental resource spending will grow by 1% - which will be slower economic growth than predicted.
 - The Chancellor set new fiscal rules: underlying debt must fall as a percentage of GDP by the fifth year of a rolling five-year period and public sector borrowing, over the same period, must be below 3% of GDP.
 - A change to the Council Tax referendum threshold in 2023/24 and 2024/25 to allow a 2.99% increase from April 2023, and a further 2% precept for Adult Social Care (previously 1.99% increase with 1% additional for Adult Social Care). The level of Core Spending Power (CSP) assumes that local

authorities will increase Council Tax by the maximum allowed. For West Sussex County Council (WSCC) this is a 4.99% increase.

- A delay implementing the 'cap and means test' reform – as set out in the Adult Social Care White Paper - until October 2025. However, the additional funding already announced for implementation will remain with local authorities to help address current adult social care pressures.
 - £2.8bn will be made available to the adult social care system in 2023/24 and £4.7bn in 2024/25 to help support social care and discharge. This includes £1bn of new grant funding in 2023/24 and £1.7bn in 2024/25:
 - £1.3bn in 2023/24 and £1.9bn in 2024/25 (delayed reforms funding) will be distributed to local authorities through the Social Care Grant for adult and children's social care.
 - £600m will be distributed in 2023/24 and £1bn in 2024/25 through the Better Care Fund aimed at getting people out of hospital and into care settings in a timely way.
 - £400m in 2023/24 and £680m in 2024/25 will be distributed through a grant ringfenced for adult social care which will help support discharge.
 - Schools have been allocated an additional £2.3bn of which £400m is for Special Education Needs and Disabilities (SEND) school places.
- 1.6 November's Autumn Statement re-confirmed the Government's commitment to the Levelling Up White Paper which set expectations about a move towards County Deals for most counties by 2030. It also signalled a range of challenges which are likely to impact on West Sussex County Council as government's focus and funding is deliberately shifted away from the Southeast. Further devolution deals were announced with a mayoral devolution deal with Suffolk County Council and Norfolk County Council and further strengthening of the Cornwall deal. A devolution deal for the Northeast was also announced during the Christmas break.
- 1.7 Plans for low-tax low-regulation investment zones have been refocused on "catalysing a limited number of high-potential clusters". Existing bids, including those in West Sussex, will now not be taken forward.
- 1.8 Given the level of change in approach to growth policy at a national level, the County Council will continue to work with district and borough partners to develop and deliver an economic strategy that delivers growth in the County, building on existing collaboration through Growth Deals and pooled business rates. There will be continued collaboration at a pan-Sussex level on a number of economic issues where it makes sense to do so – notably on skills and the visitor economy, as well as more widely on transport and infrastructure through 'Transport for the South East'. This work will provide a sound basis for conversation with Government about a possible County Deal or other opportunities when the time is right.
- 1.9 Growing recruitment and retention challenges over recent years are expected to continue and may be further exacerbated by the wider job market conditions. Particular areas of pressure are for social workers, care workers and

occupational therapists; planners, property specialists, transport and development experts; and lawyers. A new way of working post pandemic, the cost of living pressures and a tighter job market means that there is significant competition in roles across services. This is having an impact on the County Council's ability to recruit and retain – this is expected to become even more challenging.

- 1.10 The Government has announced a review of Net Zero, chaired by Chris Skidmore MP which is focusing on ensuring that delivering the 2050 target does not unduly impact on businesses, consumers or economic growth. The review was published on 13 January 2023 and the County Council is currently considering the implications. COP27 took place in Egypt in November 2022, and the implications for local government are still to be understood. The County Council made its commitment to Net Zero by 2030 in April 2019 and plans are already underway – through the delivery and maintenance of infrastructure; the delivery of new homes and developments; and emergency plans to respond to more serious weather events, such as flooding and extreme hot weather events. The impact on the wider economy is also starting to show – salad and wine growing, tourism and emergence of new green businesses and jobs.
- 1.11 During 2023/24, the County Council will translate its Net Zero delivery plan into a detailed action plan which will need to be underpinned by a funding and investment strategy. Estimates will be prepared for meeting the commitment and the County Council will need to determine what is affordable within the context of the Council's medium term financial planning process going into 2024/25.
- 1.12 In November 2022, the Government announced that the Rt Hon Patricia Hewitt would lead an independent review of integrated care systems to review governance arrangements with the aim of reducing health disparities and improving outcomes. This is due to make recommendations to Government in March 2023.
- 1.13 The next General Election will need to be called no later than December 2024. In May 2023, there will be elections in all West Sussex Districts and Boroughs except Adur and the next County Council elections will take place in May 2025.
- 1.14 Many of the County Council's partners will also be facing significant changes over the coming year, especially in relation to demand and the cost of providing services. The biggest pressure for all boroughs and districts in the County is around homelessness and temporary accommodation, which can also impact indirectly on the demand for services provided by the County Council – more people requiring financial support with social care, more families accessing early help and prevention services being two examples.
- 1.15 The changing role of LEPs in the light of the Levelling Up White Paper and reduced funding are also important.
- 1.16 The challenging operating environment, together with a new Prime Minister, means that effective lobbying will continue to be important, working with local MPs, the Southeast 7, the County Councils Network, the LGA and others as relevant.

Section Two: Internal Context

2.1 When the Council Plan was first agreed in early 2020, the major focus for West Sussex County Council was for a significant improvement challenge on a number of fronts. Two years on and there has been considerable progress but improvements continue:

- Children's Services are deep into delivery of the Children First programme, with significant progress demonstrated by the Government's decision in March 2022 not to require the Council to create a Trust as well as positive feedback from 6-monthly OFSTED monitoring visits. The next full inspection is expected in early 2023. The focus now is on embedding new practices through the Family Safeguarding Model and delivering the benefits that lead to better outcomes for families and reduced costs to the County Council.
- The Fire & Rescue Service has delivered its improvement programme and moved to a model of continuous improvement being embedded within service planning. The Community Risk Management Plan agreed in February 2022 confirms the service's future operating model and provides the framework for continuing improvement. It was welcomed that significant progress was shown in the most recent inspection report published in July 2022. A further inspection is expected in 2023.
- Adult Social Care is moving to deliver its improvement programme. The foundations of a new Strategy were agreed in February 2022 and significant plans are being progressed ahead of the Care Quality Commission (CQC) inspection regime being rolled out, anticipated in 2023.
- In parallel with service-specific improvements, the Council has transformed its governance arrangements, strengthened its partnership working and corporate capacity to deliver on business planning processes.

2.2 Currently, as well as delivering and embedding improvements, services are working to adapt to a range of potential Government policy and legislative changes over the coming years, notably:

- In adult social care, though the timing of the introduction of the proposed cap for self-funders has been delayed to October 2025, preparations still need to be made for implementation. The reports on the Fair Cost of Care exercise undertaken last year will be published in February 2023 and a request to prepare a Market Sustainability Plan is expected to remain in place.
- Through the Local Government Finance Settlement, the County Council will receive £2.9m to support early discharge of patients from hospitals and work in partnership with the NHS.
- Implementation of various White Papers impacting directly on Council services and on working with the NHS to embed the new Integrated Care Systems (ICS) – although Integrated Care Boards are being reviewed by Government.
- In children's services and education, the implementation of the plans set out in the SEND White Paper, the implementation of the skills reforms set out in the Skills for Jobs White Paper, as well as the Independent Review of

Children's Services Social Care and White Paper which is expected to be published.

- Implementation of the Fire & Rescue White Paper.
- Enacting separate food waste recycling, Biodiversity Net Gain, Nature Recovery Strategy and other requirements in the Environment Act 2021.
- The policy direction established in the Levelling Up White Paper being followed through in further policy and funding decisions and the move towards County Deals in all areas that want them by 2030. The Government re-confirmed its commitment in the November Autumn Statement.
- The anticipated significant adverse consequences for the County Council when the Funding Review is progressed – though this is now expected to be delayed for at least two years.

2.3 The County Council will also be delivering several major corporate change programmes in 2023/24:

- SmartCore which will move our finance, HR, payroll, procurement and contract management systems from SAP to Oracle, supporting greater self-service and automation.
- The Capita Support Services Outsource (SSO) contract has concluded and there are a number of business change programmes underway on IT, an integrated business services model and a review of customer contact and channels of engagement and services, including the website and intranet.
- Developing the County Council's Digital agenda which will focus on three main areas – digital, data and technology - with the aim of delivering digital improvements to services in order to make them accessible to all.
- The Smarter Working programme which will move the organisation to a post-pandemic model of hybrid working. This will prioritise business needs, while enabling more flexible working options to support recruitment, retention and staff wellbeing. It will also reduce emissions because of less commuting by staff, as well as creating opportunities to rationalise the County Council's operational office estate.

Our Council Plan

2.4 The County Council's integrated business and financial planning cycle is based on a good understanding of the local evidence base, the national and local policy context, a comprehensive understanding of the financial position (revenue and capital) and the service challenges in meeting the needs of residents, businesses and communities.

2.5 'Our Council Plan 2021-2025' is attached at **Appendix 8** and is underpinned by the cross-cutting theme of tackling **climate change**. The plan sets out the four key priorities for the County Council:

- **Keeping people safe from vulnerable situations;**

- **A sustainable and prosperous economy;**
 - **Helping people and communities fulfil their potential; and**
 - **Making the best use of resources.**
- 2.6 These priorities have been used to inform how the County Council will allocate its resources to best effect in the 2023/24 budget. It is the basis for the review of the narrative in the Plan and key performance indicators and targets which will be used in the year to measure success.
- 2.7 Officers have collectively reviewed the Key Performance Indicators (KPIs) and targets and have refreshed what is being delivered for 2023/24. This refresh included considering feedback from scrutiny committees through the 2022/23 quarterly Performance and Resources Reports (PRR).
- 2.8 A revised Council Plan, which reflects the current context - the impact of cost-of-living pressures on residents, the continuing demand pressures that the County Council is facing, the long-term uncertainty around funding and reform, the investment the County Council is making in infrastructure and the work underway to strengthen and grow the West Sussex economy with partners, is attached at **Appendix 8** for approval. While the majority of KPIs remain appropriate, it is recommended that a number should be updated. The table within Appendix 8 sets out which KPIs are recommended to be changed.

Section Three: Budget 2023/24

- 3.1 Developing a budget for 2023/24 that is balanced requires consideration of a number of different factors which are summarised here and set out in further detail through this report:
- Impact of macro-economic conditions – inflation and interest rates and the 2023/24 budget uses the latest forecasts from the Office for Budget Responsibility published in November 2022.
 - Government funding through the Local Government Finance Settlement.
 - Other potential income sources, including, forecast Council Tax and business rates collection and fees and charges.
 - Forecast increase in demand pressure.
 - Savings proposals which will include reducing costs and increasing income.

Revenue Budget 2023/24 - Funding

- 3.2 In 2023/24, the County Council is expecting to spend £1,867m on delivering services to the 882,700 residents and 37,400 businesses across the County. This spending will be funded through a number of different sources – Government grants, Council Tax, Business Rates, Fees, Charges and rental income. The breakdown is summarised in **Table 1**.

Table 1 – Gross Income 2023/24

Income Source	£m	%
Government Grants	228.2	12
Dedicated Schools Grant	775.8	42
Customer Receipts (fees and charges)	101.8	5

Income Source	£m	%
Council Tax	567.1	31
Business Rates	82.3	4
Other income	112.2	6
Total	1,867.4	100

Government Funding

Local Government Finance Settlement

- 3.3 Over recent years there have been changes to Local Government Funding. There has been a move away from multi-year settlements and Local Authorities have relied on one-year settlements published in December of each year which makes forward planning very difficult. Helpfully, in early December 2022, the Government published a policy paper on Government funding, which did provide some indication of the expected level of funding in 2023/24 and 2024/25. However, the County Council still had to wait until the publication of the Provisional Finance Settlement on 19 December, before there was more certainty around expected levels of funding.
- 3.4 The County Council's Core Spending Power was published as part of the provisional Local Government Finance Settlement. Core Spending Power is a measure of the resources available to local authorities to fund service delivery and is a combination of Government Funding and Council Tax income. The published Core Spending Power for West Sussex County Council in 2023/24 will be £743.6m. However, it is important to note that this is based upon the assumption that the County Council will increase Council Tax by the maximum amount allowed, as well as an assumption about the growth in tax base. Consequently, the actual Core Spending Power may be different because it will reflect local decision making.
- 3.5 Government Funding for 2023/24 as published in the provisional settlement on 19 December 2022 is subject to a 28-day consultation. At the time of publication of this report the final settlement had not been published but is expected imminently. Similar to previous years, there are not expected to be any further changes. In 2023/24 the County Council will receive an increase in Government funding of £21.6m as set out in **Table 2**. Much of this is to fund additional cost pressures within social care. Although this additional funding is welcomed, the longer-term position and uncertainty on Government funding remains challenging and the County Council will continue to lobby Government to recognise the need for long term sustainable funding for the sector.
- 3.6 Other key announcements outlined in the Autumn Statement and confirmed in the provisional settlement are:
- A maximum increase in Council Tax of 4.99% - a core increase of 2.99% and up to 2% for Adult Social Care Precept;
 - An average increase in Core Spending Power of 9.2% in cash terms, assuming all authorities levy the maximum precept allowed in 2023/24;

- Social Care reforms have been delayed until 2025/26 but the funding that Government had set aside has remained and been repurposed and will be paid through the Social Care Grant;
- Other Social Care Funding (Discharge to Assess and Market Sustainability and Improvement Plan);
- Continuation of Services Grant; and
- A further year added of the New Homes Bonus.

3.7 Key funding announcements for the County Council in the provisional settlement are set in **Table 2** (with 2022/23 figures shown for comparison).

Table 2 - Key funding announcements

Item	2023/24 £'m	2022/23 £'m	Change £'m
Settlement Funding Assessment (SFA) (excluding s31 grant)	82.3	79.3	3.0
Improved Better Care Fund	20.6	20.6	
Social Care Support Grant	42.1	25.8	16.3
Services Grant	3.1	5.5	-2.4
Market Sustainability and Fair Cost of Care (included within Adults Services portfolio budget)	7.7	2.2	5.5
New Homes Bonus	1.2	2.0	-0.8
Total	157.0	135.4	21.6

3.8 Alongside the Provisional Local Government Finance Settlement, the Government announced an additional £100m to support those already receiving support through Council Tax Reductions Schemes, whilst also providing councils with the resources and flexibility to determine the local approaches to support other vulnerable households in their area. These monies will be allocated to the Districts and Boroughs and for West Sussex authorities total £1.1m.

Specific Grants

3.9 Over and above the grants set out in **Table 2**, there are a number of service specific grants which are included in the individual portfolio budgets. A summary of all known specific government grants for 2023/24 are detailed in **Appendix 4**. For those not yet confirmed, it is assumed that the 2023/24 value will be similar to that in the current year.

Business Rates: Baseline Funding Allocation

3.10 Business Rates are set nationally. The value of business premises is determined by the Valuation Office and the Government set the multiplier which specifies the pence per pound paid in tax. For 2023/24, the multiplier has once again been frozen and remains at 51.2p and for smaller businesses 49.9p. The County Council will be fully compensated for any loss of income due to the multiplier being frozen, and this compensation is estimated at £14.0m in

2023/24. A final figure will be confirmed when estimates of the business rate base for 2023/24 are supplied by districts and boroughs.

- 3.11 In recognition of the uncertainty the business community is facing from the cost-of-living crisis and potential economic recession, the County's 2023/24 budget assumes there will be no growth in excess of the business rates baseline. Government has also undertaken a business rates revaluation which will come into effect from 1st April 2023 which adds further uncertainty to the level of business rates that will be achieved in 2023/24.
- 3.12 Any variation from the assumed income for business rates will be adjusted through the Council's contingency provision or one of the County Council's risk management reserves.

Business Rate Pooling

- 3.13 For 2023/24, the West Sussex authorities will once again operate as a pool for business rate purposes. The arrangement will include the County Council, Adur, Arun, Horsham and Mid Sussex District Councils. Based upon current modelling, the pool is expected to deliver around £5.5m for investment in projects but this will be subject to submission of final business rate forecasts from the districts and boroughs. The criteria and allocation of funds will be recommended by the Chief Executives Board and approved by the West Sussex Leaders.

Council Tax

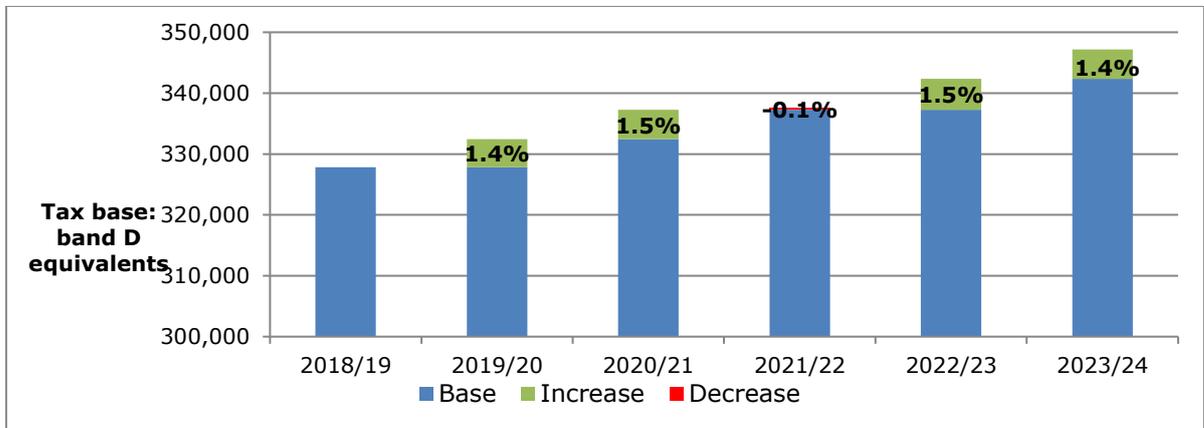
- 3.14 Income collected through Council Tax is determined by the level of the tax and the Council Tax base.
- 3.15 The budget is based upon an increase of 2.99% in the level of tax which is below the referendum threshold. In addition, there will be an additional 2% increase for the Adult Social Care precept, which will contribute towards meeting the demands for adult social care services.
- 3.16 The overall impact of the two elements is that the increase in the County Council's element of Council Tax will be 4.99%. The average Band D will increase from £1,555.74 to £1,633.41, an increase of £77.67. Full details of the increases by council tax band are set out in the recommendations at the end of this report. Council Tax levels for the Boroughs and Districts and the Police and Crime Commissioner will be agreed and published separately by these authorities.
- 3.17 An additional allocation of £0.4m is proposed to provide funding to support the continuation of the discretionary council tax hardship scheme across the West Sussex District and Boroughs Councils for 2023/24. The proposal is to offer up to £25.00 relief per working age household that claims relief under the working-age council tax reduction scheme offered by the District and Borough Councils. This is in addition to the Council Tax Support Fund of £100m announced by the Government on 19 December 2022 to support the most vulnerable households in England. This Government money will also be distributed to eligible households by the District and Borough Councils in the County. Together with the Government's scheme, this means that for 2023/24, a household that claims relief under the working age council tax reduction scheme offered by the Districts and Borough Councils could receive up to

£50.00 relief on their Council Tax bill. The estimated cost to the County Council is £0.4m and is to be funded by using the uncommitted balance of the 2021/22 Council Tax Support Grant which is held in the Covid-19 reserve.

West Sussex Local Tax Base 2023/24

3.18 The Council Tax base is the number of properties in Bands A to H in the County Council area expressed as an equivalent number of Band D units. This is provided by the Boroughs and Districts and based upon early estimates, a tax base growth of 1.4% has been assumed in the 2023/24 budget. The increase is similar to pre pandemic levels (as shown in Figure 1) and includes an adjustment in the tax base for Worthing Borough Council to reflect changes to their Local Council Tax Support Scheme which comes into effect on 1st April 2023.

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



3.19 If the final figures show a rate lower than 1.4%, the Budget Management Reserve will be used to fund any difference to avoid sudden and late service reductions being required for 2023/24. The assumptions will then be reviewed during next year when the Medium-Term Financial Strategy (MTFS) is refreshed.

Collection Fund

3.20 District and borough councils operate a collection fund for both Council Tax and business rates, which they are responsible for collecting. The actual tax collected may be more or less than expected, meaning that a surplus or deficit must then be allocated to the responsible local authorities in the following year. The Local Authorities (Funds) (England) Regulations 1992 (as amended) require an annual projection of the balance on 31 March each year. This is because precepting authorities share surpluses / deficits and need to take account of these when setting the budget.

3.21 Due to the economic impact of the Covid-19 pandemic and the impact on employment and businesses, authorities faced significant deficit repayments on their collection funds relating to the financial year 2020/21.

3.22 In recognition of this, the then Secretary of State for MHCLG (now DLUHC), Robert Jenrick, announced that “the repayment of collection fund deficits arising in 2020/21, will be spread over the next three years rather than the

usual period of a year". For 2023/24, the final year of the deficit spread, the deferred deficit provision is £1.8m.

- 3.23 Following a review of the authority's reserves, a separate Business Rates and Collection Fund Smoothing Reserve was established in 2022/23. This will be used to manage collection fund balances for 2023/24 onwards, including the £1.8m for the final year of the deficit spread.

Fees and Charges

- 3.24 Income from fees and charges is around 5% of the County Council's total income. Many fees and charges are set by Government but there are also many for which the County Council has discretion over.
- 3.25 The Localism Act 2011 and Local Government Act set out the general legal framework regarding charging for services. As well as this, there are various other specific legal provisions and local policy objectives that determine which services are charged for and the level of the charge. The broad categories of the fees and charges can be also found in the Glossary of Terms within **Appendix 7**.
- 3.26 The County Council's policy is to increase discretionary fees and charges by the level of RPI in the previous September. For 2023/24 this is 12.6%. This is the financial planning assumption but all fees and charges are considered on a case by case basis.
- 3.27 The proposed changes are set out in **Appendix 7** but the main areas where the increase varies from the assumed 12.6% are as follows:
- School Service Level Agreement (SLA) Services – with the exception of a detailed review of costs associated with School Facilities Management Services which went live in 2022, most of the School SLA Services have been increased by 4% in 2023/24. Services understand the pressures on school budgets and their ability to purchase services and the driver for costs is largely staffing. Services will aim to ensure the cost of service provision is neutral.
 - Communities – Gypsy/Traveller Rents - this community are significantly and disproportionately impacted from the current energy prices due to the difficulties in insulating their domestic dwellings. It is proposed that the cost of rental plots at Council sites are only increased by around 5%.
 - Library Service Fines – the service continues to try and encourage the loan of books since the pandemic and therefore no increase is planned.
 - There are number of other proposed increases that are less than 12.6% so that services remain competitive.

Revenue Budget 2023/24 - Expenditure

- 3.28 A key part of developing the budget for 2023/24 is to consider the current in year financial position.
- 3.29 The September forecast outturn position for 2022/23 shows a £9.5m overspend, which will be managed through management actions and use of

revenue contingency. This overall position assumes that any in-year costs related to the Covid-19 pandemic will be fully funded from government grants received.

- 3.30 The main areas of pressure throughout 2022/23 have been increasing inflation, increase in the cost of adult lifelong services provision, the mix between internal and external placements for children, cost of children in need of secure or specialist placements, the rising numbers of children requiring high needs education and the delay in delivery of savings.
- 3.31 The position will remain under review for the remainder of the year. Some pressures will continue into 2023/24 and accordingly have been included in the budget.

Spending Pressures 2023/24

- 3.32 The budget for 2023/24 includes £18.1m for known spending pressures. Full details are set out in **Table 3** and also within the individual portfolio updates in Section 4.

Table 3 – Service Specific Spending Pressures 2023/24

Spending Pressures	£'m
Adults Services	13.7
Children and Young People	4.4
Community Support, Fire and Rescue	-
Environment and Climate Change	-
Finance and Property	1.0
Highways and Transport	0.1
Leader	-
Learning and Skills	1.6
Public Health and Wellbeing	-
Support Services and Economic Development	0.4
Non Service	(3.1)
Total	18.1

Pay and Prices

- 3.33 The additional budget for 2023/24 for pay and price increases is £51.9m, as shown in column 2 of **Appendix 2** and is based on the following:
- Pay budgets – the 2022/23 pay uplift for local government employees (NJC) was confirmed in November 2022 and provided for an uplift of £1,925 per

full time equivalent employee. Confirmation of pay awards for other local authority employees such as firefighters have yet to be agreed. Furthermore, with the cost-of-living increase expected to remain high for 2023/24, planning for future years has been a challenge. The 2023/24 budget assumes a 4% pay award. If the final award exceeds this, any shortfall will need to be funded in year from contingency and will be addressed as part of the 2024/25 financial planning process.

- National Insurance – the 2022/23 budget reflected the employers’ cost of the 1.25% increase for the Health and Social Care levy. The government subsequently reversed the increase with effect from 1 November 2022. For 2023/24, the budgets have been adjusted accordingly to reflect the full year effect of this decision.
- Pension actuarial review – the tri-annual review of the West Sussex Pension Fund has been completed and reports that the fund continues to perform well and is currently valued at 125% (whole fund level, from 112% at 31 March 2019). Full details were reported to the Pensions Committee on 30 January 2023. The Pensions Committee have an objective to maintain relatively stable employer contribution rates and target a minimum contribution rate for long term employers of 18% of pay. As a result of the tri-annual review, the Fund Actuary is certifying a reduction in the County Council’s employer contributions of 1% per year over the next three years (to 18.7% for the year ending 31 March 2026). It is then anticipated that employer contributions will be maintained at 18%. This is resulting in an annual saving of £1.5m which is assumed within the 2023/24 revenue budget.
- Throughout 2022/23 inflation has continued to run high and the inflationary price pressures relating to contracts have been reported through the PRR. As a result, an additional £8.8m of current inflation pressures have been built into the base budget for 2023/24.
- While cost-of-living increases still continue, current OBR forecasts show inflation coming down in the second half of 2023. Inflation provision has been set at 5.5% to align with the OBR’s forecast for the 2023/24 financial year. However, for adult and children’s social care provider costs, there is an allowance for a 9% increase in recognition of the cost pressures in this area. A range of inflationary increases have also been included for high value contracts within the portfolio budgets, dependent on the specific indexing included within the contract.
- Uncertainty remains around the inflationary pressures and the impact this will have on the County Council and therefore corporate contingency will be held at £13.0m for 2023/24. Further details are set out in paragraph 5.27.
- An assumed 12.6% (September RPI) on areas of discretion for fees and charges income, as set out in paragraph 3.27.

Savings

- 3.34 The budget for 2023/24 includes £9.6m of assumed new savings, as set out in full in **Appendix 3**. Additionally, £8.5m of savings (as reported in Q2 PRR) approved as part of the 2022/23 budget, have been re-profiled and now will be

delivered in full in 2023/24. Therefore, the total savings for 2023/24 will be £18.1m. Close monitoring will take place through the year and updates reported through the quarterly PRR. It is assumed at this stage that any slippage in the delivery of savings will be mitigated through alternatives within the relevant portfolio budgets, but in some circumstances, there may be a requirement for one off funding from the corporate contingency.

Budget Consultation and Engagement

- 3.35 The budget proposals were considered at an all-member briefing on 20 January 2023, by the Performance and Finance Scrutiny Committee on 25 January 2023 and by all key stakeholders (partners, voluntary sector, business representatives) at the event on 27 January 2023. In addition, following publication of the papers for Performance and Finance Scrutiny Committee on 17 January 2023, an update was posted on the County Council’s main media channels.
- 3.36 The feedback was considered by Cabinet in putting together the final budget for 2023/24. A summary of comments considered by the Cabinet is set out at **Annex 4**.

Balanced Budget 2023/24

- 3.37 Taking account of the pressures, budget reductions and other adjustments described above, in 2023/24, the Council will spend £1,867m on the day to day running of local services to deliver the priorities that are set out in the Council Plan. After specific government grants, fees and charges income and other contributions, net spending will be £708.8m. Details are summarised in **Table 4** and set out in full by Cabinet Portfolio in **Appendix 6**. The movements from the agreed 2022/23 budget are summarised in **Table 5**.

Table 4 – Gross and Net Expenditure by Cabinet Portfolio

Cabinet Portfolio	Gross Expenditure £'m	Net Expenditure £'m
Adults Services	434.7	242.7
Children and Young People	174.1	148.4
Community Support, Fire and Rescue	55.9	47.8
Environment and Climate Change	84.3	73.9
Finance and Property	35.8	28.0
Highways and Transport	79.7	47.3
Leader	3.2	3.0
Learning and Skills	883.4	34.5
Public Health and Wellbeing	23.0	-
Support Services and Economic Development	43.7	41.2
Non Service	49.6	42.0
Total	1,867.4	708.8

Table 5 – Summary of Change in Net Budget

Change in Net Budget	£'m
Net Expenditure Budget 2022/23	648.3
Pay and Price Inflation	51.9
Children's Social Care pressures	3.9
Other Children and Young People & Learning pressures	2.1
Adults pressures – demographic	7.2
Adults pressures – National Living Wage	6.5
Other Service pressures	1.5
Increase in corporate contingency (will now be £13m)	3.9
Additional investment into highways, roads, skills and economic development	5.0
Corporate Changes	(11.9)
Total Budget Requirement 2023/24	718.4
Council Tax (assuming 4.99% increase)	(567.1)
Settlement Funding Assessment/Business Rates	(97.1)
Social Care Funding	(42.1)
Other Grants	(4.3)
Collection fund deferred deficit	1.8
Total Funding 2023/24	(708.8)
Budget Gap 2023/24	9.6
New Savings Identified and Deliverable	9.6
Budget gap	-

- 3.38 The net revenue expenditure shown is based on the most up to date information at the time of writing this report and may be subject to change. This is because information is still awaited in some instances regarding funding and final figures from the Boroughs and Districts on tax bases for business rates and Council Tax. The Budget Management and Business Rates and Collection Fund Smoothing Reserve will be utilised to manage any final variations.
- 3.39 Spending next year also includes £124.9m of capital investment as part of a five-year capital programme that will invest over £747.2m in the County's highways, environment, schools and early years provision, buildings and IT and digital infrastructure. Further details are set out in the individual portfolio sections that follow in Section 4 and the Capital Strategy in **Annex 2(a)**.

Section Four: Revenue Budget Proposals for 2023/24 By Cabinet Member Portfolio

Changes to Portfolio and Non-Portfolio Budgets

- 4.1 The proposed changes to the budget for 2023/24 are explained by Cabinet Portfolio in the following paragraphs. These changes include additional budget to meet changing pressures of £21.2m (service specific pressures), pay and price changes of £51.9m (detailed in paragraph 3.33 above) and balancing the budget activities of £9.6m which consists of reducing costs and increasing income.

Adults Services

- 4.2 The Adults Services budget for 2023/24 allows for gross expenditure of **£434.7m** but after sales, fees and charges, service specific government grants and other income net expenditure is **£242.7m**. Around 95% of this relates to the cost of funding the social care needs of approximately 8,500 residents who meet the national eligibility criteria in the Care Act.
- 4.3 The budget has been prepared against a background of significant service-related risks:
- **Demography.** A growing population and rising complexity of needs are increasing demand for adult social care as well as making it more expensive to meet care needs. This applies equally to working age customers with disabilities as to older people and on both of these groups the County Council spends around £150m. During the last five years these pressures have translated into annual increases in cost that have averaged approximately 1.5% more than the inflationary uplifts paid to providers.
 - **National Living Wage (NLW).** Pay is the largest element of care providers' costs and so the National Living Wage (NLW) creates an immediate knock-on implication for the County Council. For 2023/24 the hourly rate will rise by 9.7% to £10.42 per hour. Whilst specific funding is not provided to local authorities to meet this cost, the frailty of the care market in West Sussex leaves the County Council with little alternative than to pay providers a level of increase greater than a standard inflationary uplift. This is a risk that has led the NLW to be recognised as a budget pressure every year since it was introduced in 2016/17. Despite the allocation of those resources, competition from sectors such as retail and hospitality means that demand for workforce is unlikely to become any less intense.
 - **Market-related factors.** The care market in West Sussex remains in a challenging position. Providers are needing to manage the impact of high inflation and significant workforce constraints as well as the on-going effects of Covid-19. At the same time, levels of demand continue to be high. This is mainly because of a relatively buoyant self-funder market, which makes the County Council a minority purchaser of care in West Sussex. The pressure this produces is now being exacerbated by Government's drive for rapid hospital discharges. The outcome is an increasing mismatch between demand and supply and on a like-for-like basis higher prices are having to be paid for care packages. Although an average increase in rates of 8% was agreed for 2022/23, the combination of market factors and the NLW means the County Council will be providing the equivalent of a 9% uplift for 2023/24. Use of this will be subject to a Cabinet Member decision in the spring 2023. This will give an opportunity for increases to be targeted in line with the County Council's strategic commissioning priorities and to address market expectations created by the cost of care exercise mandated by Government, where the direction given was 'to genuinely increase fee rates appropriate to local circumstances'.
 - **Savings.** The 2022/23 Adults budget was based on an expectation that £15.8m of savings would be delivered. The catalyst for these was the Adults Social Care Strategy (2022-25), which was approved by Cabinet in

February 2022 and its ambition to promote independence and person-centred care as enablers of improved care outcomes for people.

- Social care reform. The Government has announced a delay in its proposed reforms of adult social care until 2025. Much of the funding that had been set aside for the cost of this is being made 'available to local authorities to help meet the current pressures in social care'. This is being channelled through three mechanisms: the Social Care Grant, Discharge Funding and Adult Social Care Market Sustainability and Improvement Funding. The second and third of these grants will come directly into the Adults budget to deliver Government's expectations of 'tangible improvements in adult social care services'. These have been defined as addressing 'discharges delays, social care waiting times, low fee rates, and workforce pressures'. In total the two grants will be worth £10.6m, of which £2.2m is continuation of funding received in 2022/23. Spending will be planned within the limits of Government guidance and alongside the growth that the County Council will be allocating to the Adults budget. Government recognises that adult social care needs more funding and these resources are welcome. However, they fall significantly short of the increases for which groups like the Local Government Association and the Association of Directors of Adult Social Services have called for. In addition, use of the Adult Social Care Relative Needs Formula as the distribution mechanism disadvantages most of the South East, because it is heavily influenced by measures of deprivation rather than the factors which drive cost pressure in this area of the country.

4.4 These issues are not unique to West Sussex and all local authorities with social care responsibilities are facing similar challenges. For 2023/24 the County Council's response is to allocate additional resources to the Adults' budget to fund these pressures:

- i. Demography - £7.8m
- ii. National Living Wage - £6.5m
- iii. Inflation - £14.1m

4.5 The additional provision for these pressures means that there is a 12% increase in the budget. The County Council is proposing to utilise its freedom to raise an Adult Social Care precept of 2% to help pay for that increase.

4.6 The Adult Social Care Strategy was agreed in February 2022 and in 2023/24 there is likely to be a requirement for additional one-off investment to deliver the Adult Social Care Improvement Programme and support delivery of the savings. Any such pressure will be considered in year.

4.7 After allowing for other changes, the actual growth in the budget becomes £26.8m. This includes a new saving of £0.6m. The key explanations for that change are summarised in **Table 6**. Adult Social Care will also be delivering £7.6m of existing savings re-phased from 2022/23 (as reported in Q2 PRR).

Table 6 – Adults Services Budget Changes

Item	£'m
Growth for the effect of population change and rising complexity of needs	7.8
Increase for Pay and price	14.1

Item	£'m
Increase for the National Living Wage	6.5
Use of the Improved Better Care Fund	(0.6)
Savings	(0.6)
Transfers between portfolios	(0.4)
Net change	26.8

Children and Young People

- 4.8 A key element of the Council's budget provides for children and families who are vulnerable and for who the County Council has statutory duties to support. The Children and Young People's budget for 2023/24 allows for gross expenditure of **£174.1m** but after sales, fees and charges, service specific government grants and other income net expenditure is **£148.4m**, an increase in the budget of **£9.0m** when compared to 2022/23. Around 92% of this is spent on responsibilities relating to children's social care, including the cost of the staffing teams. The remaining 8% is spent on early help services, children's mental health services (in partnership with Health) and services designed to reduce youth offending. As at end of December 2022, around 2,130 families are currently being supported by Early Help, along with around 5,400 children and young people being supported via Social Care.
- 4.9 The budget has been set on the assumption of an improved outcome from the Ofsted full re-inspection of Children's Services which is estimated to take place before the end of the 2022/23 financial year. The improvement work within the service has now become largely business as usual. Given the need for continued improvement this may need to be reviewed following the completion of the next full inspection of the service.
- 4.10 The number of children we care for reached a peak in December 2020 and although volumes reduced during 2021/22, they appear to have now plateaued at a level higher than prior to the Covid-19 pandemic (882 as at the end of December 2022). This higher number more accurately reflects the number of children that the Council cares for in that the current number is at the expected rate per ten thousand population for an authority this size and in line with statistical neighbours. Although numbers are now stable, there has been an increase in the proportion of children with complex needs meaning that both the mix of placement types and the individual cost of placements have led to cost pressures on the budgets during 2022/23. In addition, a number of young people have required unique care and support arrangements to be put in place, mostly in settings which are at a high individual cost. The latter issue is almost certainly a result of the Covid-19 pandemic and the impact that the pandemic response has had on children and young people's emotional wellbeing and mental health.
- 4.11 The service has put a range of actions in place to target a reduction in the proportion of children we care for who are placed in external residential care arrangements, which is expected to result in cost reductions from 2024/25 onwards. However, the success of this plan will be subject to sufficient availability of other placement types, most notably foster care. Given the national picture of a reducing number of fostering households, there is a risk

that this target may be missed but the service is improving the efficiency and capacity of our own fostering placements as a mitigation. Demand modelling based on reasonable assumptions taking account of these aspects has been undertaken and results in the £3.9m of additional budget for 2023/24 which is expected to be ongoing but also up to around £10m may be required for short term budget pressures to provide sufficient time for corrective actions to impact on the level of spend. These short term pressures will be funded as they materialise through use of corporate contingency or reserves. The placement budgets will remain very volatile and subject to external factors beyond the Council's control but they remain under close scrutiny and mitigating actions will be considered where possible.

- 4.12 As part of the service improvement journey, children's social care is on track to implement the new Family Safeguarding model of practice. The aim of this model is to take a more holistic approach to issues within families at an earlier point, hence preventing situations escalating to the point where statutory interventions may be required. The model includes the commissioning of specialist staff who work with the adults in the family to address issues around substance misuse, domestic violence and mental health. An additional £1.4m has been added to the budget in 2023/24 in order to afford the cost of these specialist workers. The Family Safeguarding model is expected to reduce the number of young children under the age of 12 entering care, and consequently savings are expected to be delivered from 2023/24 onwards. For 2023/24 the savings are expected to be £0.8m.
- 4.13 As referenced in 4.11, the internal fostering service has undergone a significant redesign during 2022/23. The aim of this redesign is to increase the proportion of children placed with internal foster carers and reduce the proportion placed with independent fostering agencies. Some additional staffing capacity has been required to manage the expected increased number of in-house foster carers and additional budget of £0.3m has been included for 2023/24. Placements made with independent fostering agencies are significantly more expensive than the Council's own in-house foster placements so the redesign is supporting savings to be delivered. For 2023/24 the amount of these savings is expected to be £0.3m.
- 4.14 In terms of risks for the Children's budget in 2023/24, other than those already outlined in relation to placements, there are a number of further issues to highlight.
- The Government response to the Independent Review of Children's Social Care has not yet been published. The Review included a number of recommendations which, if accepted, may require legislative changes and some which may have a financial impact. These are not known at this stage and therefore not reflected within the 2023/24 budget.
 - Some pressure on non-placement budgets within the Family Safeguarding and Children's Disability teams has emerged in 2022/23. However, it is difficult to judge whether this is likely to be ongoing or increase in future years. Given the current cost of living crisis it is possible that there will be an increase in the number of families requiring Early Help and/or financial assistance under section 17 of the Children Act 1989. This budget does not currently include any funding for these potential pressures which are as yet unknown and therefore there is a risk of a budget pressure in the future.

- 4.15 Planned savings of £2.9m are included to balance the County Council’s overall budget, as described in **Appendix 3**.
- 4.16 The key explanations of changes in the 2023/24 budget for the portfolio are shown in **Table 7**.

Table 7 – Children and Young People Budget Changes

Item	£’m
Demand growth – Children We Care For	3.9
Fostering redesign	0.3
Family Safeguarding commissioned specialists	1.4
Pause of Brick Kiln project until 2024/25	(0.4)
Temporary funding received in 2022/23 for Children First improvement programme	(0.8)
Pay and price rise allowances and adjustments	7.2
Transfers between portfolios	0.3
Savings	(2.9)
Net change	9.0

- 4.17 The capital programme includes £5.4m of investment for the Children and Young People portfolio in 2023/24. This focuses on improving the sufficiency of accommodation for children we care for, as well as improving the environment in which other critical services for children and families are delivered. Further details are set out in the Capital Strategy in **Annex 2(a)**.

Community Support, Fire and Rescue

- 4.18 The Community Support, Fire and Rescue budget allows for gross expenditure of **£55.9m** but after sales, fees and charges, service specific government grants and other income net expenditure is **£47.8m**.
- 4.19 The Communities Directorate delivers support across a wide range of national refugee resettlement programmes including the primary United Kingdom Resettlement Scheme (UKRS), dedicated programmes to support those who have left Afghanistan following the Taliban taking control and is participating in newer schemes such as that for Hong Kong nationals and Chagossians. Most of these schemes are based on an individual tariff model where grant funds follow the individual over a fixed time period during which they receive comprehensive support.
- 4.20 A significant focus remains on supporting West Sussex sponsors and guests participating in the Homes for Ukraine Scheme which opened for visa applications on 18th March 2022. To meet the capacity demands of this scheme, a dedicated Ukraine Support Team, funded from Government grant, has been established to provide a wide range of practical support for Ukrainians arriving in the county and to Sponsors who are hosting guests.

- 4.21 Services include, community based support, case worker support, financial support (including processing of thank you payments for Sponsors) and accommodation pathway support including for those who have experienced a placement breakdown. The scheme requires a raft of pre-arrival activity to be completed and then the delivery of a comprehensive wraparound support programme including access to education and English language provision. The County Council has also received Government grant to establish a welcome desk at Gatwick Airport to assist any Ukrainians arriving in the Country via this route. Working closely with Border force and Gatwick Airport Operations Team an immediate support offer has been in place since 19th March 2022 with assistance ranging from providing food vouchers, advising of free travel arrangements in place and arranging for short term hotel accommodation.
- 4.22 The County Council invested a further £1.3m in 2022/23 to deliver the Community Risk Management Plan, which continues to fund improvements that have been assessed across all foreseeable fire and rescue related risks that could affect the community. Resources have been identified to deliver the six key proposals that have been consulted on with stakeholders over the autumn between 2022-26.
- 4.23 Priorities and projects undertaken in 2022/23 are now in implementation phase and these include Day Crewing Enhancements which will increase the number of immediate response weekend daytime appliances available by 50% (from eight to twelve) and improve emergency response times in Mid Sussex, Worthing and Adur. Our response to unwanted Fire Signals/False alarms will also change, as whilst firefighters are responding to false alarms, they are not available for other emergencies. Responding to these false alarms wastes essential resources, potentially puts lives at risk, and disrupts other activities, such as community fire safety work.
- 4.24 During 2023/24 the Council will:
- Review and Assess Emergency Response Standards;
 - Enhance specialist capability and assets - the majority of the incidents responded to can be adequately resolved through the deployment of personnel with the required skills and the equipment available on frontline fire engines. The overall aim is to future proof specialist capability aligned to known and future risks; and
 - Commence work on the emergency response performance and Retained Improvement plan to support a future operating model.
- 4.25 Planned savings of £0.7m are included to balance the County Council’s overall budget, as described in **Appendix 3**. The key explanations of changes in the 2023/24 budget for the portfolio are shown in **Table 8**.

Table 8 – Community Support, Fire and Rescue Budget Changes

Item	£’m
Reversal of one-off funding for Fire and Rescue Training	(0.1)
Transfer of Coroner’s Office from Sussex Police	0.1
Savings	(0.7)

Item	£'m
Pay and Price allowance	3.3
Transfer between portfolios	0.1
Net change	2.7

- 4.26 The capital programme includes £9.1m of investment in 2023/24 for the Community Support, Fire and Rescue portfolio. This includes completion of the Live Training Centre and Horsham Fire Station and Fire and Rescue Service equipment to ensure emergency response needs are met. Further details are set out in the Capital Strategy in **Annex 2(a)**.

Environment and Climate Change

- 4.27 The Environment and Climate Change budget allows for gross expenditure of **£84.3m** but after sales, fees and charges, service specific government grants and other income net expenditure is **£73.9m**. Working with customers and partners, the Waste Management team will continue their work to reduce waste going to landfill through education aimed at changing customer behaviour, as well as the use of alternative disposal routes such as the Refuse Derived Fuel (RDF) contract and separate food waste collections. Over £66m of the net revenue budget is dedicated to supporting waste disposal and recycling infrastructure.

Climate and Sustainability

- 4.28 During 2023/24 the Council will aim to complete a comprehensive WSCC-wide Climate Change Strategy delivery plan to achieve carbon neutrality from 2030 and put into place measures to secure resilience to climate change in the long term. This will cover all departments across the County Council and will be structured in two phases of three years (with a review point in 2027) and will be integrated into the corporate business planning and medium term financial process for 2024/25.
- 4.29 Early in 2023 the aim is to launch the first phase of substantial multi-site corporate estate decarbonisation programme along with the completion of decarbonisation studies examining the schools estate. This will be followed by the launch of an Education Climate Change Initiative. A feasibility study will be completed to determine the most practical options to undertake carbon sequestration to offset residual emissions from 2030 while optimising biodiversity net gain, nature protection and working in harmony with stakeholders across West Sussex.
- 4.30 The Climate Change Strategy envisages the adaptation of WSCC service delivery and the County Council will therefore be rolling out a programme to decarbonise WSCC contracted delivery and supply chains by incorporating climate change considerations into service design, commissioning and procurement as well as examining how the County Council works with existing suppliers to improve their environmental performance. An NHS collaboration will be agreed and coordinated across public facing services to generate public health benefits from tackling climate change at a community level. Through all these measures, the County Council will be rising to the challenge of delivering the Climate Change Strategy.

Energy

- 4.31 The occupation of County Council buildings is currently broadly in line with the 2021/22 occupation. Gas and electric rates have risen sharply across Europe in the last year due to a combination of factors including the conflict in Ukraine which has added a considerable premium to market prices. The forward-buying strategy mitigated to an extent the impact of the 2022/23 increases, however as the value of the commodities continues to increase, a hedging strategy cannot completely protect the Council from these rises into 2023/24.
- 4.32 The increases in wholesale market prices for electricity has conversely benefitted the County Council and there has been an increase in the amount of income received from the investments that were made into solar installations. The current expectation is that income from existing installations will offset any market fluctuations in the prices paid in 2023/24.
- 4.33 The Council continues to invest in new energy projects through the capital programme and the 2023/24 budget reflects additional income being generated from the Halewick Lane battery storage system which is being constructed in 2022/23.

Waste

- 4.34 Waste Services continue to work with its contractors to understand the impact that several Government Strategies will have on the service including:
- Extended Producer Responsibility;
 - Deposit Return Scheme;
 - Consistency in collections including separate food waste;
 - Monitoring, Reporting & Verification (MRV) for Emissions Trading Scheme; and
 - Emissions Trading Scheme (ETS).
- 4.35 The largest issue facing the waste services budget in the short term is the high inflation rates that are being experienced across the two main contracts which are driven by reference to the Retail Price Index (RPI). The 2022/23 budget was based on an expected RPI rate of 5% but the actual rate at the point of indexation in February 2022 saw an uplift of 8.2% - this added an additional £1.7m to the cost of the services. The current forecast for 2023/24 is that RPI will continue to rise beyond the February Indexation date for the contracts and therefore the budget for 2023/24 has had an inflationary uplift of 13.8%.
- 4.36 Planned savings of £1.6m are included to balance the County Council's overall budget, as described in **Appendix 3**. The key explanations of changes in the 2023/24 budget for the portfolio are shown in **Table 9**.

Table 9 – Environment and Climate Changes Budget Changes

Item	£'m
Pay and Price allowance	10.1
Transfer between portfolios	3.3
Savings	(1.6)
Net change	11.8

4.37 The capital programme includes £12.2m of investment in 2023/24 for the Environment and Climate Change portfolio. This provides the means to invest in green technology to reduce the County Councils carbon footprint and be part of the commitment to be carbon neutral by 2030 targeting investment in low-carbon upgrade options for routine maintenance and planned projects. Further details are set out in the Capital Strategy in **Annex 2(a)**.

Finance and Property

4.38 The Finance and Property budget allows for gross expenditure of **£35.8m** but after sales, fees and charges, service specific government grants and other income net expenditure is **£28.0m**. The budget relates to delivery of the Finance and Procurement functions (£9.2m) but also funds capital planning and projects, asset management and the estates teams, as well as various corporate items such as insurance and precept payments levied by external bodies.

4.39 The portfolio holds the budget for payments to outside organisations where we are required to meet the levy or Precept requested of us under the relevant legislation. The net expenditure on the precepts and levies are as set out below:

- Apprenticeship Levy: £0.8m;
- Sussex Sea Fisheries Levy: £0.4m;
- Flood Defence Levy: £0.4m;
- Chichester Harbour Precept: £0.2m; and
- Littlehampton Harbour Board Precept: £0.2m.

4.40 The impact of Covid-19 has brought about new working practices across the County Council. There is now a strong move to establish these more flexible ways of working on a permanent basis. This means that the County Council is unlikely to need all the administration assets that are currently held. A review of the operational assets is underway to understand which need to be retained for future use and which will be surplus to operational requirement. The County Council will then look to dispose of any surplus assets or, where it is more applicable, will try to maximise their use by looking creatively at how they may be used to support economic growth (e.g. sharing space in our buildings with other organisations, such as start-ups). For all retained assets, the County Council must consider ways to reduce overall energy consumption to contribute towards the ambition of a net carbon zero organisation by 2030.

4.41 In order to take further advantage of these opportunities, the County Council continues to explore innovative ways to work with the private sector to increase the yield obtained from surplus assets and 2021/22 saw the creation of the Joint Venture (JV) with a long term partner to take forward, and benefit from, the development opportunities that are available by developing these sites with a partner, rather than simply selling the land to a developer. Work has commenced with the JV partner to develop the medium-term plan and it is expected that the benefits of this approach will begin to be seen from 2023/24.

4.42 Planned savings of £0.6m are included to balance the County Council's overall budget, as described in **Appendix 3**. The key explanations of changes in the 2023/24 budget for the portfolio are shown in **Table 10**.

Table 10 – Finance and Property Budget Changes

Item	£m
Additional Contribution to the Insurance Fund	1.0
Pay and Price allowance	1.1
Savings	(0.6)
Transfer between portfolios	1.4
Net change	2.9

- 4.43 The capital programme includes £7.4m of investment in 2023/24 for Finance and Property. The capital programme provides the means to invest in major development projects as well as tactical site improvement works to optimise usage and future options. Further details are set out in the Capital Strategy in **Annex 2(a)**.

Highways and Transport

- 4.44 The Highways and Transport budget allows for gross expenditure of **£79.7m** but after sales, fees and charges, service specific government grants and other income net expenditure is **£47.3m**. This budget maintains and delivers highways and other infrastructure which businesses and local communities need to support economic growth and allows our customers to access services across the County. The County Council will maintain, improve and, where appropriate, expand the highways network for the benefit of all residents and visitors to West Sussex.
- 4.45 The surge in demand for electricity following the recovery from the Covid-19 pandemic combined with the significant impact to energy markets from the war in Ukraine has led to a substantial increase in electricity prices for street lighting and highways electricity. Purchasing through the LASER consortium has mitigated the worst of the market extremes; however, prices look set to increase by around 75% compared to last year, leading to a projected overspend of £4.1m against the 2022/23 budget. A further £1.0m has been added within 2023/24 meaning a total of £5.1m inflationary pressure has been included as part of the overall £10.6m price and pay allowance in next year's budget.
- 4.46 The street lighting LED conversion programme, which is planned to start during 2023/24, would provide a degree of mitigation against the cost pressure by reducing energy consumption. The variation to the PFI contract has yet to be finalised and agreed, but it is possible that some financial benefit could be delivered in year.
- 4.47 Following the launch of the Bus Back Better bus strategy for England in March 2021 the County Council and local bus operators have agreed to enter into an Enhanced Partnership. The Partnership will deliver the West Sussex Bus Services Improvement Plan (BSIP) that outlines its ambitions to assist post pandemic recovery and thereafter improved bus services for West Sussex.
- 4.48 The BSIP was submitted to the DfT and revenue grant funding of £5.4m for the period 2022-25 has been secured of which £2.6m has been included within the 2023/24 budget. It is expected that this funding will deliver:

- Reduced bus fares for young people;
 - Support to bus services;
 - Marketing to promote the use of bus services; and
 - Passenger Information at bus stops.
- 4.49 The English National Concessionary Travel Scheme (ENCTS) entails WSCC reimbursing local bus operators some of the fares that would have been paid should the scheme not have been introduced.
- 4.50 A bus network review is being undertaken by the Council with the Enhanced Bus Partnership as part of talks on the delivery of the BSIP. Whilst the outlook for the numbers of journeys in 2023/24 is uncertain, based on the latest ridership data, the number has been returning towards pre pandemic levels albeit very slowly. The Council is running a number of campaigns to improve use of the services although it is too soon for any meaningful improvements to become apparent.
- 4.51 The current budget is based on pre pandemic passenger numbers. However, the 2023/24 budget includes savings of £1m as a result of what is believed now to be the ongoing reduction in passenger numbers.
- 4.52 The New Roads & Street Works Act 1991 (NRSWA), as amended by the Transport Act 2000 and the Traffic Management Act 2004 (TMA), contains provision for Highway Authorities to operate Lane Rental Schemes that involve charging Promoters of street and road works for the time their works occupy the highway network. It is anticipated that a Lane Rental Scheme, which will enable the County Council to charge for occupation of the most traffic sensitive streets at traffic sensitive times, will encourage the planning of works outside of these times and lead to reduced delays for road users.
- 4.53 The cost of operating the scheme may be recovered from the lane rental charge income generated. Surplus income will be ring-fenced for re-investment into highway network improvements, which are intended to reduce the disruption or other adverse effects arising as a result of street works.
- 4.54 The County Council continues to review the charges made to highway users in order to ensure full recovery of costs and continue to explore ways of utilising funding available to ensure delivery of core services. The service continues to invest in feasibility studies, enabling the Council to develop sound project proposals for submission for additional funding to improve infrastructure.
- 4.55 Planned savings of £2.2m are included to balance the County Council's overall budget, as described in **Appendix 3**. The key explanations of changes in the 2023/24 budget for the portfolio are shown in **Table 11**.

Table 11 – Highways and Transport Budget Changes

Item	£'m
Pay and Price allowance	10.6
Savings	(2.2)
Other service changes	0.1
Transfer between portfolios	(2.5)
Net change	6.0

4.56 The capital programme includes £48.2m of investment for Highways and Transport in 2023/24 reflecting the importance of the infrastructure for economic growth. To support the commitment to highways, over the life of the capital programme the Council are continuing to invest in highways maintenance. In addition, £4.5m revenue spending on highways maintenance including for flooding and drainage is budgeted for under the non-portfolio budget. Further details of the Capital Strategy can be found in **Annex 2(a)**.

Leader

- 4.57 The Leader budget allows for gross expenditure of **£3.2m** but after sales, fees and charges and other income net expenditure is **£3.0m**.
- 4.58 This budget supports the costs of economic growth and feasibility support for the One Public Estate programme and the Chief Executive’s Office. The Chief Executive’s office supports the delivery of council priorities by providing capacity and advice on communications and engagement, performance management and business planning, including ownership of the overall development of the Council Plan.
- 4.59 The Economic Growth Team works with internal and external partners to enable and deliver initiatives that champion and support the local economy, as set out in the West Sussex County Council Economy Plan (2020-2024). The Economy Plan is key to achieving Our Council Plan priority for a sustainable and prosperous economy. The team works in collaboration with key partners and stakeholders including the District and Borough Councils, the South Downs National Park Authority, further and higher education institutions, the C2C LEP and business representative organisations.
- 4.60 The Economy Plan prioritises activities to support local enterprises to grow and revive; to enable an employment and skills recovery; to stimulate the take up of digital technologies for businesses and residents; to support the visitor economy to revive and grow; and opportunities to embed climate change and the environment within the economy recovery. The Plan also recognises and responds to the spatial economies in the County: rural, coastal and Gatwick Diamond. In 2023/24, the County Council has set aside £0.5m within the non-portfolio budget which is earmarked for investment into skills and economic development and to increase capacity to drive forward key projects and programmes in this area.
- 4.61 The key explanations of the changes for the 2023/24 budget for the portfolio are shown in **Table 12**.

Table 12 – Leader Budget Changes

Item	£’m
Pay and Price allowance	0.1
Net change	0.1

Learning and Skills

4.62 The Learning and Skills budget for 2023/24 allows for gross expenditure of **£883.4m** but after sales, fees and charges, service specific government grant and other income net expenditure is **£34.5m**. This includes the Dedicated

Schools Grant which is £775.8m and is passported directly to schools. Further details are set out in paragraph 4.80.

- 4.63 Funded from Council resources, 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 from a continuing shortage of external taxi drivers and the increased wage costs of escorts. For 2023/24, £1.4m has been added to the budget to meet this continued growth and pressures.
- 4.64 The Department for Education (DfE) has announced that local authorities will no longer be able to provide the role of Appropriate Body for Early Career Teachers from September 2023. As the County Council can no longer provide this training, there will be a loss of income, creating a budget pressure of £0.1m.
- 4.65 The Young Carers service delivers the local authority’s statutory duty to identify, assess and provide support to young carers under the age of 18. The team works across the county to deliver the service to 2,400 families and young carers. Currently, the team is struggling to meet the growing demand, with a number of families currently awaiting allocation. An additional £0.1m has therefore been added to the budget to increase the capacity of the team and therefore enable the service to meet statutory demand and further develop weekly support groups and activity days during the school holidays.
- 4.66 Planned savings of £0.3m are included to balance the County Council’s overall budget, as described in **Appendix 3**.
- 4.67 The key explanations of the changes for the 2023/24 budget for the portfolio are shown in **Table 13**.

Table 13 – Learning and Skills Budget Changes

Item	£’m
Home to School Transport to meet the increasing number of High Needs pupils and living wage pressures	1.4
Early Career Teachers traded service	0.1
Young Carers Service	0.1
Transfer between portfolios	0.5
Pay and price allowance	3.7
Savings	(0.3)
Net change	5.5

Public Health and Wellbeing

- 4.68 The Public Health budget is funded by the Public Health Grant (PHG). This is a ring-fenced grant which requires the County Council to spend in line with the Public Health Outcomes Framework. A grant announcement for 2023/24 is still awaited, so the budget is currently based on the same level of resources as for 2022/23. The uncertainty of the grant for next year and future years makes long-term planning challenging, particularly in an environment where inflation is high. Nevertheless, once confirmed, it will allow a plan to be finalised, which will also take into account the residual grant underspend carried forward from

previous years. Assuming the 2023/24 allocation is within expectations, this should present an opportunity for some additional investment in spending aimed at improving public health outcomes.

- 4.69 In line with the Public Health outcomes and framework, the PHG is used to fund the Healthy Child Programme and is also used to contribute to a range of different services across Communities, Fire and Rescue, Highways and Transport, Support Services and Economic Development portfolios. The funds are therefore transferred to the relevant portfolios and the remaining element contributes to the £23.0m of expenditure which is incurred through the Public Health portfolio.

Support Services and Economic Development

- 4.70 The Support Services and Economy budget allows for gross expenditure of **£43.7m** but after sales, fees and charges, service specific government grant and other income net expenditure is **£41.2m**.
- 4.71 The majority of this budget relates to support service functions, including IT, digital and customer contact.
- 4.72 The County Council continues to review and benchmark its support services to others to identify opportunities for improvements to ensure they provide the support required by frontline services in the most appropriate and efficient manner.
- 4.73 In October 2022, the Capita contract for the provision of support services ended and these are now provided through a range of different operating models – a mixture of insourced and outsourced services. The County Council is currently reviewing all such services to develop the right target operating models to secure the best value solution. Where that value is better achieved by delivering the services in-house the Council will continue to provide the services directly but will also explore external market opportunities where appropriate. It is expected that these changes will be cost neutral with further savings achieved in the future as the support service model is developed.
- 4.74 The Council continues to invest in the Smartcore project with the implementation of Oracle Fusion, the new Enterprise Resource Planning (ERP) platform, which supports the Council with its HR, payroll, procurement and finance processes. Replacing the current system will support the delivery of the automation and improved efficiency of existing business processes. It will enable the Council's workforce to work more effectively and efficiently, not least by supporting staff to undertake more tasks via self-service.
- 4.75 Legal Services continue to see pressure from the level of childcare cases and the need to use external counsel to address the backlog arising from the pandemic. The budget for 2023/24 includes £0.4m additional funding to address the use of external resource with the expectation that as internal expertise is developed savings in the delivery of support to childcare protection cases can be realised.
- 4.76 The move to a more hybrid and digital way of working is expected to continue to deliver benefits in the cost of support services and for 2023/24 there are cost savings expected from reduced postage and stationery and savings in

Democratic Services through a reduction in the budget for Members and meetings.

- 4.77 Planned savings of £0.7m are included to balance the County Council's overall budget, as described in **Appendix 3**.
- 4.78 The key explanations of the changes for the 2023/24 budget for the portfolio are shown in **Table 14**.

Table 14 – Support Services and Economic Development Budget Changes

Item	£'m
Additional Legal Services resource to address Childcare cases	0.4
Pay and price allowance	1.8
Savings	(0.7)
Transfer between portfolios	(1.8)
Net change	(0.3)

Corporate/Non-Portfolio

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

Table 15 – Non-Portfolio Budget Changes

Item	£'m
Transfers to and from earmarked reserves (net)	(2.9)
Decrease in Revenue Contribution to Capital Programme	(6.4)
Increase in the capital financing costs	0.8
Additional net investment income as a result of interest rate rises	(3.5)
Additional one-off investment in Council priorities for highways maintenance, drainage and flooding and skills and economic development	5.0
Increase in general corporate contingency (See paragraph 5.27)	3.9
Transfers between portfolios	(0.9)
Net change	(4.0)

Dedicated Schools Grant

- 4.80 The Dedicated Schools Grant (DSG) settlement has increased by **£50.6m** (7.0%) to **£775.8m**. In addition to this the council has also received an additional **£19.4m** (3.4%) through the Mainstream Schools Additional Grant, as part of the £2.3bn announced nationally in the 2022 Autumn Statement for additional school funding in 2023/24. These monies are intended to help the mainstream schools sector respond to the various pressures that they are currently seeing in overall costs. The school level allocations of this additional £19.4m are still to be announced.
- 4.81 The Schools DSG block allocations for next year have been published, and West Sussex schools are set to gain by £33.1m (6.0%). Of this, £8.2m relates to pupil growth, £15.7m to the rolling in of the Supplementary Grant funding

received by schools in 2022/23 and the remaining £9.2m equates to a 4.3% increase in disadvantaged pupil rates and a 2.4% increase in most of the other national funding formula unit rates. However, there are 39 schools who are on the funding floor and therefore will only see a 0.5% increase in their per pupil funding. For the 81 schools who benefit from the protection of the Minimum per Pupil Funding levels, their rates are set to rise to £4,405 for primary schools and to £5,715 for secondary schools.

- 4.82 The Central School Services DSG block is made up of two separate funding streams; one for the ongoing responsibilities of the Local Authority and the second for historic commitments. Although the former is set to increase by £0.2m (6.5%), the latter is remaining unchanged.
- 4.83 A 20% funding reduction of £0.6m was originally included in the County Council's indicative 2023/24 historic commitments allocation which was published in July 2022. However, the DfE also announced that they would continue to protect any local authority from having a reduction that takes their total historic commitments funding below the total value of their ongoing prudential borrowing and termination of employment costs. This is in recognition of the long lead-in times required for such costs to unwind. Following a successful application in November 2022 for funding protection next year, the 2023/24 allocation was re-instated to its 2022/23 level when the final historic commitments allocation was announced in December 2022.
- 4.84 During 2022 the DfE undertook a consultation on reforms to the Early Years National Funding Formulae (EYNFF). The consultation sought views on proposals to update the underlying data which distributes funding for 3 and 4 year-olds, and the parallel 2 year-old formula. It also proposed reforms to create a fairer distribution of maintained nursery school (MNS) supplementary funding. The government response to the consultation was published in December 2022 alongside the new funding rates for next year.
- 4.85 Following the changes set out in the consultation response, the Early Years DSG block is set to increase by £5.5m (10.5%) in 2023/24. Of this, £2.2m relates to an increase in pupil numbers in nursery settings over the last year. The remaining additional funding is due to an increase in the hourly funding rates of 57 pence for 2-year-olds and 26 pence for 3 and 4-year-olds (£2.9m), increased funding to our 4 maintained nursery schools (£0.3m), and additional Pupil Premium and Disability Access Funding (£0.1m). This allocation is provisional and will be updated in July 2023 for the January 2023 census count.
- 4.86 Funding pressures affecting the High Needs Block within the DSG have continued to grow since the implementation of the Children and Families Act 2014. This has increased requests for:
- Education Health and Care Needs Assessments (EHCNAs);
 - pre-16 specialist placements (special schools, Special Support Centres (SSCs) and Independent and Non-Maintained Special Schools (INMSS));
 - post-16 High Needs placements in special schools, colleges of Further Education or Independent Specialist Providers (ISP); and

- personal budgets and exceptional needs expenditure to meet very complex needs.
- 4.87 High Needs DSG funding from the Department for Education increased by £12.6m (12.6%) in 2022/23 and is set to rise by a further £11.8m (10.5%) in 2023/24. This includes an additional £4.9m which has been received following the announcement of additional school funding in the 2022 Autumn Statement. These funding increases are welcome but are not enough to meet the increasing costs of providing for the number of children with education health and care plans (EHCPs).
- 4.88 Back in March 2015 there were 3,423 children and young people with EHCPs, and since that time those numbers have risen to 6,510 in March 2022 – an increase of 3,087 (90.2%). So far this year numbers have continued to rise in line with last year – increasing by a further 327 as at the end of December 2022 (compared to 280 at the same stage last year). Overall EHCP numbers are expected to continue to rise sharply.
- 4.89 The County Council’s DSG reserve went into deficit for the first time at the end of 2019/20 and has grown each year since. At the end of 2021/22 this deficit stood at £25.5m, and with continuing pressure on the high needs budget this deficit is expected to reach £42.6m by the end of the current financial year. The Policy Paper published in advance of the provisional Local Government Finance Settlement confirmed that the statutory override for this deficit to remain off the County Council’s balance sheet will continue for a further three years. However, with increasing pressures in this area within West Sussex and across the country means there remains much uncertainty and financial risk beyond 2025/26.
- 4.90 West Sussex County Council is part of the next tranche of the Delivering Better Value initiative by the DfE. Delivering Better Value (DBV) is defined by the Department for Education (DfE) as “a programme working to identify and implement local and national opportunities to improve the outcomes for children and young people with SEND” and is designed to deliver the following support:
- Short term help – to identify sustainable changes in each local authority that can drive high quality outcomes and provide support in building an evidence-based grant application to assist with the implementation of these changes; and
 - Informing longer term reform – build an objective evidence base across a third of the sector which can be used to inform future policy and reform, share best practice and inform future national programmes of similar scale and intent.
- 4.91 In addition to this, and in order to make the step change required to recover from the increasing deficit in the High Needs DSG Block, capital investment is also required to continue making adaptations in mainstream schools to accommodate a wider variety of needs and to increase the number of specialist school places within the county. This will enhance the choices for children with special educational needs. Further details of the Capital Strategy can be found in **Annex 2(a)**.

Section Five: Risk Management

- 5.1 Although the overall position for 2023/24 is showing a balanced budget, there are a number of inherent risks for next year and subsequent years. The budget has been set based on the best known information on the likely cost and demand for services for 2023/24.

Cost of Living and Economic Conditions

- 5.2 There have been challenging circumstances this year that impact on next year's budget - the cost of living crisis, labour shortages in key occupations, increasing service demand and continued uncertainty around future years funding. These present significant levels of uncertainty and potential financial risk and instability.
- 5.3 The Office of Budget Responsibility (OBR) has indicated that the economy is in recession and will shrink in 2023 before bouncing back to growth in 2024. With unemployment also expected to rise in 2024, the challenging economic circumstances and continuing high inflation could adversely impact the income derived from both Council Tax and Business Rates.
- 5.4 The cost of living crisis has had a significant impact on County Council budgets throughout 2022/23 through the cost of delivering services and the inflation rate being well in excess of the estimates made in February 2022 when the budget was set. For 2023/24, a total of £51.9m has been set aside for pay and price inflation. Service budgets include an allowance for discretionary inflation which is predicted to be at an average of 5.5% over the twelve months and pay inflation is assumed at 4%. However, if inflation continues to run at elevated levels it may put further pressure on both service and pay budgets.
- 5.5 It is also possible that some council services will see an increase in demand during 2023/24 due to the increased cost of living pressures faced by residents. It is expected that funding for additional demand pressures will need to be managed within current resources.

COVID-19

- 5.6 Specific Covid-19 grant funding from the government has been used since March 2020 to cover additional costs and reduced income generation caused by the pandemic.
- 5.7 This year, we have seen the impact of the pandemic continuing to affect council services which has led to a continuation of some support including the Community Hub, health and prevention initiatives, additional social care requirements and continued working with schools and colleges on targeted mental health support for children and young people.
- 5.8 Some areas of income generation and footfall have remained lower than pre-pandemic levels including on-street parking and residents accessing library facilities. However, it is unknown whether 2022/23 will prove to be the 'new normal' or whether the pandemic and other economic impacts will continue to affect the situation. The longer term impacts of the pandemic and corresponding cost implications remain uncertain and therefore have not been built into the budget. Although some grant has been carried forward to 2023/24, if the on-going impact continues into 2023/24, there will likely be a

need to fund these pressures through Council resources (i.e. Contingency or Reserves).

Social Care

- 5.9 The budget is built on estimates around demographic growth and any deviation from these estimates could present a risk in demand pressures and therefore additional costs.
- 5.10 The latest census figures show that the county has a higher proportion of over 65-year-olds than the national and regional averages and therefore future demand of social care from increasing population needing support may create pressures.
- 5.11 The adult social care market remains in a fragile state because of the impact of Covid-19, the National Living Wage increase and the challenge of recruiting and retaining staff.
- 5.12 The social care reforms in adults have been confirmed as delayed for two years but if they are implemented in 2025, it is not known whether additional funding will be available. Financial Plans currently assume that the cost of implementing the reforms will not add any further pressure on the Council's financial position.
- 5.13 Within children's social care, the number of families requiring support continues to be volatile and it is possible there will be an increase in number requiring help or financial assistance in light of the cost of living crisis. Pressure on non-placement budgets within the Family Safeguarding and Children's Disability teams has become apparent in 2022/23 but it not known whether this will continue or even increase. Therefore, no provision is included in the budget.

Government Funding

- 5.14 The County Council welcomes the provisional Local Government Settlement for 2023/24 and the indicative funding for 2024/25 that was published as part of the Policy Paper on 12 December 2022. However, beyond 2024/25 there remains much uncertainty. The Fair Funding Review and business rates baseline reset have been further delayed. It is expected that implementation of the these will result in a significant reduction in funding, estimated to be up to £30m. This is not yet built into medium term financial plans.

Delivering Change

- 5.15 The budget position for 2023/24 includes £9.6m savings for the year but in addition assumes £8.5m of savings from 2022/23 that have not been delivered in year. The 2023/24 budget assumes that these savings are delivered in full. Any delays in the changes needed to deliver savings will create a pressure in year.
- 5.16 Although a balanced budget has been set for 2023/24, there remains a significant financial challenge in the longer term and a budget gap of between £50m and £100m from 2024/25. Work will start on addressing this before the end of the current financial year and although there will always be a need for value for money and efficiency type savings, closing a budget gap of this scale will require a deeper consideration of services provided and how they are provided. Further details on the MTFs are set out in Section 6.

- 5.17 The County Council has and continues to invest in Improvement Plans for Children's Services and Fire and Rescue Services.
- 5.18 In July 2022, Her Majesty Inspectorate of Constabulary and Fire and Rescue Service (HMICFRS) published their much-anticipated second full round of inspection results. The report highlighted the marked improvement in the Fire and Rescue Service since the first formal inspection in 2018 but noted there was still more work to do. This inspection has resulted in the completion of the Fire and Rescue Improvement Plan but the service is still focused on further areas of improvement. It should be noted that the agreed on-going financial investment of £2.1m per year remains within the 2023/24 Fire and Rescue budget allocation to fund the embedded Improvement Plan.
- 5.19 An Ofsted visit in September 2022 focused on the quality of social work practice to support and protect vulnerable children and young people and the effectiveness of child-in-need and child protection. Inspectors reported that there were improvements in the service but more work needed to increase the pace of progress. The Children First Practice Improvement Plan continues at pace with an on-going financial investment of £5.4m per year within the 2023/24 budget allocation.

Changes in Government Legislation

- 5.20 The Government response to the Independent Review of Children's Social Care has not yet been published. The Review included a number of recommendations which, if accepted, may require legislative changes – the potential financial impact of which is not currently known and therefore not reflected in this budget.
- 5.21 Changes in legislation or accounting policies in the future may have a financial impact for the County Council. Any developments will be closely monitored.
- 5.22 Dedicated Schools Grant (DSG) Deficit – the DSG statutory override, which has required local authorities to separate DSG deficits from local authority reserves has been extended to 2025/26. However, after this point, there is no solution and the funding of the historical DSG deficit and the ongoing shortfall may fall to the Council. The deficit is expected to stand at £42.6m at the end of 2022/23 and the current assumption is that the deficit will continue to grow by around £22m next year.
- 5.23 The high degree of uncertainty surrounding any potential impacts from inflation and increasing service pressures means the County Council will continue to keep the MTFS under review with scenario planning to understand the best and worst case scenarios.

Reserves and Contingency

- 5.24 Risks and uncertainties make planning for next year quite challenging and any change in assumptions underpinning the budget can have an impact on the in-year financial position. Scenario planning allows us to consider the impact and is part of the Council's approach to medium term financial planning. In the next medium term financial strategy, the forecast budget gap for future years will be updated using a range of worse and best-case scenarios.

- 5.25 The nature of risks and uncertainties means it is therefore important that the Council takes a prudent approach to assumptions in both next year's budget and medium-term financial plans to hold sufficient levels of contingency funding within the budget for dealing with unforeseen circumstances in the short term. Levels of reserves provide a safety net in the event of more significant negative impacts on Council funding in the medium term.

Contingency

- 5.26 In 2022/23 the County Council increased its contingency to £9.2m to acknowledge the uncertainty that continued around the pandemic, the Cost of Living Crisis and high levels of inflation. The Council anticipates having to use its full contingency provision in 2022/23 which is largely needed to fund spending pressures within children's social care and inflationary pressures. The latest position was set out in the Quarter 2 PRR that was presented to Public Cabinet on 29 November 2022.
- 5.27 For 2023/24, detailed work has taken place to anticipate and model budget pressures expected in the year. Where these can be quantified, the budget provision has been built into service budgets but a corporate contingency is held to manage unforeseen pressures. Given the ongoing level of uncertainty in 2023/24, particularly around social care costs and impact of economic conditions, the County Council is taking a prudent approach and increasing its contingency levels to £13.0m. Any use of contingency will be subject to approval by the Director of Finance and Support Services and will be reported in year to Cabinet through the quarterly PRR. The level of contingency held from 2024/25 will remain under review as part of future budget setting rounds.
- 5.28 Section 25 of the Local Government Act 2003 requires Chief Financial Officers to report to their authorities about the robustness of estimates and the adequacy of reserves when determining their budget and level of Council Tax. The report therefore includes the advice of the Director of Finance and Support Services as Section 151 Officer as set out in section 9.
- 5.29 Under the 2003 Act above, the Section 151 Officer has to be satisfied that the level of the General Fund working balance is adequate.
- 5.30 It is critical in the current climate that WSCC maintain the required level of reserves to manage unforeseen events and manage risks facing the authority. The Director of Finance and Support Services has reviewed all earmarked reserves (monies set aside for a specific purpose). Details of the latest estimated position and the forecast for the next year is set out in **Table 16**.
- 5.31 Reserves are not used for balancing the budget but are for one off investment or spend and to ensure that there is financial provision set aside to meet known future one-off commitments or liabilities. They are also held as a means of ensuring financial resilience against unknown events and risks, known as general reserves. In the context of the current circumstances of a significant period of change and financial challenges, it is critical that WSCC continues to maintain an appropriate level of both earmarked and general reserves, recognising that by definition these reserves can only be used once.
- 5.32 The Medium Term Financial Strategy is a key tool in ensuring that reserves are maintained at an appropriate level. Whilst the use of specific reserves can be

appropriate to support the delivery of services, other reserves will need to be replenished to maintain effective financial resilience and risk management. The one-off nature of reserves and their purpose consequently serves to demonstrate the importance of revenue budgets being sustainable rather than depending upon the use of reserves. The County Council's reserves fall into four categories.

Table 16 – Summary of Reserves 2022 to 2024

Reserves	Opening Balance 1 April 2022 £'m	Forecast Balance 31 March 2023 £'m	Forecast Balance 31 March 2024 £'m
Earmarked revenue reserves			
Contractual Commitments	57.0	55.0	52.2
Risk and uncertainties	74.6	87.8	72.9
Service Specific	52.5	38.9	40.0
Government grants	19.3	8.7	8.7
Schools Balances	27.7	27.6	27.6
Total revenue usable reserves	231.1	218.0	201.4
General Fund	20.3	20.3	36.3
Capital	26.0	1.4	1.4
Total	277.4	239.7	239.1

Contractual Commitments

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

Risk and Uncertainties Based Reserves

- 5.36 The risks facing the council in 2023/24 onwards are set out earlier in this section and the reserves have been reviewed to reflect these. The main change for this group of reserves relates to social care. The Adult Social Care Reforms have now been deferred until 2025 but there are significant ongoing risks for both adults and children's social care as set out in this report. Therefore, the reserve established to support the social care reforms has been re-purposed and the Social Care Sustainability Reserve has been increased to £10m.
- 5.37 Those reserves within this category with a balance greater than £5.0m are set out in this report. There is some planned use in 2023/24 and full details are set out in **Appendix 5**.

Table 17 – Reserves to Manage Risks and Uncertainties

Portfolio	Opening Balance 1 April 2022 £'m	Forecast Balance 31 March 2023 £'m	Forecast Balance 31 March 2024 £'m
Adult Social Care Reform Risk	5.0	20.0	0.0
Budget Management Reserve	61.6	40.4	42.3
Business Rates & Collection Fund Smoothing Reserve	0.5	10.4	8.6
Insurance Reserve	3.3	7.8	7.8
Interest Smoothing Account	2.8	2.8	2.8
Schools Sickness & Maternity Insurance	1.4	1.4	1.4
Social Care Sustainability Reserve	0.0	5.0	10.0
Total	74.6	87.8	72.9

- 5.38 The Budget Management Reserve is used to provide a stable platform for financial planning as the MTF5 is developed and is the first call on the County Council's resources to deal with any unforeseen in-year expenditure if the revenue contingency budget of £13.0m is insufficient. The forecast balance on the reserve as of 1 April 2023 is £40.4m. The movements are shown in **Appendix 5** and those of significance includes £15m **from** Adult Social Care Reform Risk reserve and £16m moved **to** the General Fund. Due to the nature of this reserve, it is difficult to predict the use of the reserve during 2023/24. The reserve provides a safety net against the non or late delivery of savings in 2023/24, any legislative or accounting changes and any unforeseen overspending which may occur during the year. The economic picture remains uncertain with inflation and pay levels and this reserve will also be used to fund any increase over and above what has been budgeted.
- 5.39 The Social Care Sustainability Reserve is set up to manage specific risks across adults and children's social care services and to ensure the services remain financially sustainable into the long-term. The implementation of the Adult Social Care Strategy and the need for strategic commissioning and market re-shaping and supporting providers to evolve to deliver priorities will require investment. The mix of placements and increasing residential placements within children's social care remain volatile and it is difficult to predict the level of budget required. The reserve will therefore be required to support both services during this period.
- 5.40 Insurance is set up to fund potential insurance claims against the Council and the Interest Smoothing Reserve to manage the risk on interest rate fluctuations.
- 5.41 The Business Rates and Collection Fund Reserve is to mitigate the fluctuations in collection fund surpluses and deficits in any given year for both Business Rates and Council Tax.

Service Specific Earmarked reserves

- 5.42 These reserves are set up for a particular purpose and for managing risks and uncertainties relating to a specific service. It is expected that these reserves will be spent over the medium term.
- 5.43 Details of those reserves with a balance greater than £5m is set out in **Table 18** of this report. Full details are set out in the below table and in **Appendix 5**.

Table 18 – Service Specific Earmarked reserves

Service Specific Earmarked reserves	Opening Balance 1 April 2022 £'m	Forecast balance 31 March 2023 £'m	Forecast balance 31 March 2024 £'m
Ash Dieback	1.2	0.9	0.9
Business Infrastructure	0.3	0.2	0.0
Business Rates Pilot Fund	17.4	12.7	12.2
Contracts Reserve	0.4	0.4	0.0
Economic Growth	2.0	1.6	1.5
Elections	0.0	0.2	0.4
Fire Inspection Improvements	0.1	0.0	0.0
Highways Commuted Sums	5.2	7.8	8.3
Highways On-Street Parking	1.4	0.6	0.6
Inflation Contingency Reserve	5.0	0.0	0.0
Infrastructure Works Feasibility	1.9	2.0	3.5
Investment Property Sinking Fund	0.2	0.3	0.4
Miscellaneous Service Carry Forwards	1.3	0.1	0.1
One Public Estate	0.2	0.1	0.1
Service Transformation Fund	13.3	9.7	9.7
Statutory Duties Reserve	2.2	2.2	2.2
Street Works Permit Scheme	0.4	0.1	0.1
	52.5	38.9	40.0

- 5.44 The business rates pilot scheme holds the gains arising from the 75% local retention pilot scheme in 2019/20. The fund will be invested jointly by the County Council and its billing authorities on project work with economic benefit. The income is initially recognised in the county's accounts as the lead authority for the business rates pilot.
- 5.45 Highways commuted sums are contributions received from developers in respect of future maintenance costs of non-standard highways infrastructure.
- 5.46 The Service Transformation Fund is currently forecast to have a balance of £9.7m by 31 March 2023. The reserve has been set up to support the council with transforming and re-designing services. Funds will be drawn down to the

revenue budget during the year as required and approved by the Director of Finance and Support Services. During 2023/24 planned use for this fund is:

- Better Use of Technology within Children Services through a new recording system to ensure a coherent and connected view of an individual child through system consolidation and integration.
- Implementing smarter ways of working following the pandemic.
- Early years property - project costs relating to the overall reduction in required buildings following the completion of the Early Years redesign project.
- Delivering Adult Social Care Priorities - professional support services to resource a programme of works to oversee the delivery of the commitments within Our Council Plan, the Adult Social Care Strategy and Commissioning Review. It may also be used for any further investment in the County Council's Improvement Programmes for 2023/24 and beyond.

5.47 An alternative source of funding for these transformational activities could be capital receipts, in line with the Flexible Use of Capital Receipts Strategy as set out in the Capital Strategy in **Annex 2(a)**. The application of this strategy would depend on the level of capital receipts which the County Council is able to secure.

Government Grants

5.48 These reserves have been set up from ringfenced Government grants that have been received but not fully spent. The most significant grant is Covid-19 grant. It is expected that this reserve will be used by 31 March 2024 but spending is still to be agreed.

Table 19 – Reserves for Government Grants

	Opening Balance 1 April 2022 £'m	Forecast balance 31 March 2023 £'m	Forecast balance 31 March 2024 £'m
Covid-19 Fund	16.0	7.9	7.9
Social Care Support Grant 2018/19	0.5	0.0	0.0
Unapplied Revenue Grants	2.8	0.8	0.8
	19.3	8.7	8.7

5.49 Any drawdowns from the reserve will be reported in the quarterly PRR. Given the County Council is facing such a challenging financial future, it will therefore be crucial that reserves, both general and earmarked, continue to be managed in the medium term in a way that gives due regard to the need to set a legally balanced budget. The next update on the Medium-Term Financial Position in summer 2023 will include a full five-year forecast of the County Council's reserves.

Schools Balances

- 5.50 School balances are held on behalf of schools and for specific use by each individual school. Although the overall position is a positive balance, there are individual schools who have a deficit balance.

General Fund Reserve (Working Balance)

- 5.51 The general fund reserve is used to mitigate the risks of unexpected events or emergencies.
- 5.52 The appropriate level of reserve is based upon an assessment of known key financial risks facing the authority and the impacts they would have on the Council's overall spending if they were to materialise. The general fund reserve balance is projected to stand at £20.3m at the end of the 2022/23 financial year. Following a review, the Director of Finance and Support Services as Section 151 Officer has considered the adequacy of the general fund reserve based on risks and uncertainty and proposes that an appropriate balance for the Council to manage these risks is approximately 5% of the net revenue budget. The General Fund balance has therefore been increased by £16.0m to £36.3m.

Section Six: The Medium Term Financial Position - 2023/24 to 2026/27

- 6.1 Although a balanced budget is proposed for 2023/24, there remains significant uncertainty in the medium term. The assumptions for 2024/25 onwards are based on best estimates of Government funding, demographic growth and budget pressures and the latest forecast of economic conditions. The medium-term financial position in **Table 20** excludes any impact from the fair funding formula changes and any of the other policy changes Government may introduce in the future. All of these may have the impact of significantly increasing the budget gap further but the scale remains unknown at this stage. A summary of the key assumptions is set out in **Table 21**.
- 6.2 The work to address this longer-term challenge will commence before the end of the current financial year to enable longer term strategic planning to be developed that will align the Council's limited resources with the priorities in the Council Plan, including the commitment to achieve net carbon zero by 2030 which will be an integral part of the Council's financial planning process and decision making.

Table 20 – Medium-Term Financial Position

	2023/24 £'m	2024/25 £'m	2025/26 £'m	2026/27 £'m	Total £'m
Council Tax (4.99% for 2023/24, 0% thereafter)	567.1	573.9	580.8	587.8	
Settlement Funding Assessment / Business Rates	97.1	102.8	102.8	102.8	
Social Care Funding	42.1	48.4	48.4	48.4	
New Homes Bonus	1.2				

	2023/24 £'m	2024/25 £'m	2025/26 £'m	2026/27 £'m	Total £'m
Services Grant	3.1	3.1			
Collection fund	(1.8)				
Total funding	708.8	728.2	732.0	739.0	
Opening expenditure	648.3	708.8	728.2	732.0	
Inflation	51.9	36.1	13.9	15.8	
Service pressures	21.2	21.2	38.5	15.3	
Investment into highways and skills and economic development	5.0	(5.0)			
Other corporate changes	(8.1)	0.5	4.0	2.2	
Total Forecast Expenditure	718.4	761.6	784.6	765.3	
Budget gap before savings	9.6	33.4	52.6	26.3	121.9
Proposed Savings (See Appendix 3)	(9.6)	(8.2)			(17.8)
Budget gap net of savings	-	25.2	52.6	26.3	104.1

- 6.3 The referendum thresholds for 2024/25 have been published by Government and Councils can increase general Council Tax by 2.99% and a further 2% for the Adult Social Care Precept for those Councils who have social care responsibilities. It is expected that the referendum thresholds for 2025/26 onwards will fall back to 1.99% for general Council Tax and the Adult Social Care Precept will not continue.
- 6.4 If the full level of Council Tax increase is taken for the three years from 2024/25, this would reduce the budget gap to £52.8m over the same period. However, the level of Council Tax increase each year remains a decision for full County Council and will be taken in February. Every 1% increase in Council Tax generates on average £5.7m of additional income.

Table 21 – Key Assumptions

Key Assumption	Financial Implications
Fair Funding Review	Due to the uncertainty around the implementation date of the Fair Funding Reform, the MTFS has yet to factor in any pressures that may result from the changes to the distribution methodology. The risk to the MTFS and the budget gap is outlined in paragraph 5.14.
Settlement Funding Assessment/Business Rates/s31 compensation	For 2024/25 an increase in line with the OBR forecast for CPI has been assumed. Thereafter the funding is rolled forward and maintained at the 2024/25 level.

Key Assumption	Financial Implications
Council Tax	Currently based on 0%. Decision will be agreed annually at County Council in February.
Collection Fund	Any future deficits will be funded through the Business Rates and Collection Fund Smoothing Reserve.
Taxbase	That the number of households will grow by 1.2% for 2024/25 onwards.
Social Care Funding Grant	That this base funding will be maintained at the 2023/24 level of £25.8m and in addition the returned Reform Funding will be increased in 2024/25 to £22.5m and maintained at this level for the period of the MTFS.
Social Care Reforms	Should the reforms be implemented in 2025/26, it has been assumed that this will add further pressure to the County Council's financial position. Currently, unfunded reform pressures of £22.5m have been built in for 2025/26.
Services Grant	That this grant will continue at the 2023/24 level of £3.1m for 2024/25 only.
New Homes Bonus	No continuation beyond 2023/24.
Pay Inflation	Assumes pay inflation of 3% for 2024/25 and 2% thereafter.
Price Inflation	Inflation for 2024/25 onwards is assumed in line with the November OBR forecasts.

Section Seven: Treasury Management Strategy

7.1 The areas of Treasury Management and Prudential Borrowing are integral to consideration of the Council's Budget and also need to be considered so that Members can assess that capital investment plans are prudent, affordable and sustainable. The Treasury Management Strategy for 2023/24 and details for Prudential Borrowing including the Prudential Indicators are set out in a separate report at **Annex 2(b)** and **Annex 2 (c)**.

Section Eight: Capital Programme

8.1 The Capital Strategy has been reviewed and is set out in **Annex 2(a)**. This provides a framework for the allocation of resources to fund capital projects. The Council's ability to prudentially borrow to fund future capital schemes is limited by the budgetary pressures which the Council continues to face. Information regarding the revenue implications of prudential borrowing is provided in the separate Treasury Management Strategy. The financing costs of delivering the Capital Programme in 2023/24 is expected to be £30.4m and has been reflected within the 2023/24 revenue budget set out in this report. The

County Council will ensure that capital spending plans are affordable, prudent and sustainable.

- 8.2 The Capital Programme for the period 2023/24 to 2027/28 is included with the Capital Strategy in **Annex 2(a)** and reflects the outcome of the review of the existing capital programme and also the 2022/23 monitoring position. The latest 2022/23 position is included in the Q2 PRR which was reported to Public Cabinet on 29 November.
- 8.3 The total capital programme for 2023/24 is £124.9m and details are reflected in the service narrative sections of this report (See Section 4 onwards). It is also summarised in **Table 22** by Cabinet Portfolio and in full in **Annex 2(a)**.

Table 22 – Capital Expenditure

2022/23 £'m	Capital Programme (Expenditure)	2023/24 £'m	2024/25 £'m	2025/26 £'m	2026/27 £'m	2027/28 £'m	Subsequent £'m	Total £'m
0.1	Adults Services	0.0	0.9	1.0	0.3	0.0	0.0	2.2
1.3	Children and Young People	5.4	3.8	1.2	1.7	0.1	0.0	12.2
10.3	Community Support Fire and Rescue	9.1	7.3	10.2	5.6	3.9	0.0	36.1
5.6	Environment and Climate Change	12.2	23.8	27.5	25.5	7.6	0.0	96.6
8.6	Finance and Property	7.4	27.6	29.1	19.7	30.1	0.0	113.9
48.5	Highways and Transport	48.2	54.3	49.8	33.7	26.3	33.2	245.5
7.1	Leader	2.7	2.0	2.9	4.7	5.0	0.0	17.3
37.0	Learning and Skills	34.1	41.9	58.3	29.5	29.4	0.0	193.2
12.1	Support Services and Economic Development	5.8	12.8	8.0	2.2	1.4	0.0	30.2
130.5	Total Capital Programme	124.9	174.4	188.0	122.9	103.8	33.2	747.2

8.4 The final funding of the Capital Programme is determined at the end of each financial year to fund the programme in year in the most cost-effective way and in line with the Capital Strategy but **Table 23** summarises the indicative funding sources of the programme for the period 2023/24 to 2027/28.

Table 23 – Capital Financing

2022/23 £'m	Financing	2023/24 £'m	2024/25 £'m	2025/26 £'m	2026/27 £'m	2027/28 £'m	Subsequent £'m	Total £'m
9.0	Capital Receipts	8.0	5.0	1.0	6.5	1.0	0.0	21.5
9.0	External Contributions including S106	6.5	8.9	23.7	19.2	4.0	33.2	95.5
9.5	Ringfenced Government Grant	23.6	7.1	10.5	10.2	7.0	0.0	58.4
57.0	Non-Ringfenced Government Grant	45.1	22.7	22.3	21.9	21.6	0.0	133.6
2.3	Revenue Contributions to Capital Outlay	0.5	1.5	1.5	3.0	0.5	0.0	7.0
0.7	Revenue Contribution to Capital Outlay – Business Rates Pilot	0.6	5.3	5.6	1.0	0.3	0.0	12.8
34.5	Core Borrowing	28.1	101.2	101.8	50.4	56.2	0.0	337.7
8.5	Economic Development Borrowing	12.5	22.7	21.6	10.7	13.2	0.0	80.7
130.5	Total Programme	124.9	174.4	188.0	122.9	103.8	33.2	747.2

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

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

2022/23 Financial Position

- 9.2 The current year has been particularly challenging. The County Council was slowly starting to recover from the pandemic but the whole country has been impacted by the Cost of Living Crisis and volatile economic conditions. The exceptionally high levels of inflation have directly impacted on the cost of delivering services. The pressures within social care continue and the cost of delivering the capital programme, as a result of rising inflation, has been evident. The quarter 2 PRR predicted a year end overspend of £9.5m. This can be funded through the contingency provision, but mitigations have also been required. The situation will be closely monitored for the remainder of the year. The quarter 3 position will be reported to Public Cabinet in March 2023.

2023/24 Budget

- 9.3 All in year pressures in 2022/23 have been reviewed to consider any which are ongoing and therefore need to be considered as part of the 2023/24 budget setting process. There are £21.2m of service pressures in 2023/24 which have been built into service budgets.
- 9.4 These estimates are based on the best information available, including a number of assumptions. However, with the ongoing level of uncertainty, a prudent approach has been taken with the corporate contingency provision. This has been increased to £13.0m to manage and fund the risks set out in Section 5, plus any unforeseen pressures that might materialise in year.
- 9.5 The savings for 2023/24 total £9.6m and a further £8.5m for the delivery of previous year's savings that have been re-phased to 2023/24. These savings have been assessed as robust, with reliable plans supporting them. Close monitoring on the delivery of these savings will take place in the year and reported through the PRR.

Reserves

- 9.6 As at the end of the last financial year the Council held a general reserves balance of £20.3m. This represented approximately 3% of the Council's net expenditure.
- 9.7 Based on the information contained within this report and the paragraphs above, the Section 151 officer's judgement is that the increase in general reserves to £36.3m reflects the period of financial uncertainty and is considered adequate and prudent.
- 9.8 Beyond the General Reserve set out in paragraph 9.7, the current level of other reserves is adequate and prudent and are an important part of the Council's

financial strategy. They are held to create long term budgetary stability. They enable the Council to manage change without undue impact on the Council Tax and are a key element of its strong financial standing and resilience. Total earmarked reserves are forecast to be at £218.0m by March 2023, excluding the General Fund. However, some of these are already committed and some are ring fenced for specific purposes, such as school balances.

CIPFA Financial Resilience Index

- 9.9 The 2022 Financial Resilience index for local authorities was published in February 2022 and is based on the 2020/21 financial data. The index applies 15 measures, including areas such as reserves, flexibility with budget and reliance on different funding sources. It compares the outcome for each authority to neighbouring or similar authorities. It does not translate these 15 measures into any 'overall assessment' or make specific comment on the results but gives a benchmark for comparisons.
- 9.10 Covid-19 has had an impact on the 2022 resilience index and should therefore be viewed in the context of this having been a transitional year. However, the 2022 index does show that the County Council had good financial resilience in terms of a reasonable level of overall reserves (earmarked and general reserves).

CIPFA Financial Management Code

- 9.11 In relation to the annual budget setting process and this annual budget report, the County Council is fully compliant with the CIPFA Financial Management Code - Objective J (West Sussex complies with its statutory obligations in respect of the budget setting process) and Objective K (the budget report includes a statement by the Chief Finance Officer on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves). Details are as set out in paragraph 9.1 to 9.10.

Conclusion

- 9.12 The Director of Finance and Support Services therefore comments that:
- I am satisfied that the budget calculations are robust and that the budget is both sound and prudent in that it takes account of liabilities and financial risks, but in particular it assumes that the Council will not rely on withdrawals from reserves to meet recurrent revenue commitments.
 - I consider that current levels of unallocated reserves remain adequate. In setting the level of general reserves and balances, account has been taken of the key financial assumptions underpinning the budget, the level of earmarked reserves and provisions, and the risks facing the Council over the medium-term. Financial Plans assume that over the planning period the Council is forecast to maintain a target General Fund reserve of £36.3m.

Section Ten: Precept and Council Tax

- 10.1 The 2023/24 Council Tax base is 347,199.83 Band D equivalents and is set out across the district and borough councils in **Table 24** below. The table also shows the sums due under precepts from the respective authorities.

Table 24 – Tax Base and Precept 2023/24

District/Borough Council	Tax base	Precept £
Adur	21,937.30	35,832,605.19
Arun	64,159.00	104,797,952.19
Chichester	56,330.10	92,010,148.64
Crawley	35,952.70	58,725,499.71
Horsham	64,792.00	105,831,900.72
Mid Sussex	64,664.10	105,622,987.58
Worthing	39,364.63	64,298,580.29
Total	347,199.83	567,119,674.32

- 10.2 The impact of a 2.99% increase in Council Tax for General Fund purposes and a further 2% for Adults' Social Care, considered in the budget proposals outlined in the previous paragraphs, imply a precept requirement of £567.120m and a Band D Council Tax level of £1,633.41.
- 10.3 The budget embodies the core principles of living within our means, protecting the vulnerable and reducing administration costs.

Section Eleven: Equality Act Considerations

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

Section Twelve: Other Issues

Human Resources Implications

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

Legal Implications

- 12.2 The County Council has a legal obligation to deliver a balanced budget within a prescribed timeframe each year. This is part of the set of legal obligations within the Local Government and Finance Acts 1992 and 2003 which also describe the factors and financial considerations which must, in law, inform the calculation of the budget and any Council Tax precept. The Chief Financial Officer has a responsibility to give formal notice to the County Council if those provisions are at risk of not being adhered to. Ultimately the Secretary of State has powers of intervention in local authorities which fail to meet their fiduciary duty. This report outlines how the budget will be balanced with £9.6m of savings. Despite the challenge of reduced government funding, the Council continue to invest in priority areas to deliver the aims of the Council Plan to benefit our residents.
- 12.3 The budget presented is for one year, with significant uncertainty about the picture ahead. Beyond 2023/24 the Council face a significant gap between the funding currently expected and the cost of providing services as well as the undefined impacts of reforms. The proposals set out in this report put the Council in the best position to manage this situation and maintain support to residents, particularly the most vulnerable children and adults, as well as providing opportunities for one-off investment to deliver priorities and reduce future demand where possible.

Lobbying

- 12.4 The County Council's lobbying endeavours will be critical over the coming year as the Government reviews the way local authorities are funded. The additional funding announced in the 2023/24 provisional Local Government Finance Settlement was welcomed but the County Council will need to ensure the Government understands the challenges ahead, particularly the pressures over the medium term relating to the costs of adults social care reform and the continued and growing deficit in the high needs dedicated schools grant. The County Council will continue to work with local, regional and national partners, including West Sussex MPs, SE7, County Council Network and the LGA, to highlight the needs of West Sussex and to press for fair and sustainable allocation of funding that enables the Council to continue to meet the needs of residents, businesses and communities - especially to achieve a strong recovery from the economic disruption brought by the pandemic and reducing the need for County Council support and services in future.

Recommended

That, taking account of the priorities contained in the Council Plan, the Medium Term Financial Strategy and the Provisional Local Government Finance Settlement and noting the Director of Finance and Support Services' assessment of the robustness of estimates and adequacy of reserves as required by Section 25 of the Local Government Act 2003 (Section 9), the following recommendations be approved:

- (1) The Council Plan and KPIs for 2023/24 (as set out in paragraph 2.4 and **Appendix 8**).
- (2) The net revenue budget requirement in 2023/24 of **£708.803m** (as set out in paragraph 3.37 and **Appendix 1**).
- (3) An increase in Council Tax in 2023/24 of 4.99% comprising 2.0% in the precept for the costs for Adults' Social Care and 2.99% for General Fund services.
- (4) The increase in fees and charges as set out in **Appendix 7**.
- (5) The five year capital programme of **£747.247m** over the period 2023/24 to 2027/28, of which **£124.883m** is expected to be spent in 2023/24.
- (6) The overall indicative budget envelopes as set out in **Appendix 1**.
- (7) An allocation of £0.4m be made available from the Covid-19 reserve to provide funding to support the continuation of the council tax hardship schemes across the West Sussex districts and boroughs for 2023/24 (as set out in paragraph 3.17).
- (8) The following amounts be approved for the financial year 2023/24 in accordance with Section 42A of the Local Government Finance Act 1992:
 - (a) That the Council Tax requirement for 2023/24 is £567.120m.
 - (b) The Council Tax base for the year 2023/24 is the aggregate amount calculated of Band D equivalents by the billing authorities to which the County Council issues precepts totalling 347,199.83.
 - (c) The amount of Council Tax being the council tax requirement at 4(a) above divided by the council tax base at 4(b) above, shall be £1,633.41 to the nearest penny for Band D.
 - (d) The amount of Council Tax payable for dwellings listed in a particular valuation band, calculated in accordance with the proportion set out in Section 5(1) of the Act, shall be as follows:

Band	2023/24 Council Tax £	2022/23 Council Tax £	Increase £	Increase %
A	1,088.94	1,037.16	51.78	4.99
B	1,270.43	1,210.02	60.41	4.99
C	1,451.92	1,382.88	69.04	4.99
D	1,633.41	1,555.74	77.67	4.99

Band	2023/24 Council Tax £	2022/23 Council Tax £	Increase £	Increase %
E	1,996.39	1,901.46	94.93	4.99
F	2,359.37	2,247.18	112.19	4.99
G	2,722.35	2,592.90	129.45	4.99
H	3,266.82	3,111.48	155.34	4.99

- (e) That the district and borough councils be requested to make payments totalling £567.120m to West Sussex County Council of sums due under precepts calculated in proportion to their Council Tax Band D equivalents as set out in section 10 of the report.
- (9) The Medium Term Financial Position for period 2024/25 to 2026/27 as set out in Section 6.
- (10) The total Schools Budget of **£775.8m** through the Dedicated Schools Grant to meet the County Council's statutory requirement on schools funding as set out in Section 4.
- (11) The delegation to the Director of Finance and Support Services (as Section 151 Officer) of authority to make changes to the report on net revenue expenditure or to the precepts required:
- as a result of a change in the Council Tax base notified by the district and borough councils;
 - arising from updated information from the district and borough councils to the Council Tax collection funds and business rates forecast and collection funds; or
 - arising from any funding announcements from central government, including through the final Local Government Finance Settlement for 2023/24.
- All such changes of funding (positive or negative) to be applied through the appropriate reserve.
- (12) These ancillary financial management provisions:
- (a) The Capital Strategy for the period 2023/24 to 2027/28, as set out in **Annex 2(a)**.
 - (b) The policy for making a prudent level of revenue provision for the repayment of debt as set out in Annex 2 (a) Appendix B.
 - (c) The Flexible Use of Capital Receipts Strategy for 2022/23 and 2023/24 as set out within the Capital Strategy, **Annex 2(a), section 8**.
 - (d) The Treasury Management Strategy Statement 2023/24, as set out in **Annex 2(b)**.
 - (e) The Prudential Indicators, as set out in **Annex 2(c)**.

- (f) The importance of effective lobbying with local, regional and national partners to ensure the Government understands the needs of West Sussex residents, businesses and communities.

Jeremy Hunt

Cabinet Member for Finance and Property

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Annex 1 - Appendices

- Appendix 1 – Summary of Revenue Budget and Precept 2023/24
- Appendix 2 – Analysis of Changes
- Appendix 3 – Balancing the Budget
- Appendix 4 – Grants Towards Specific Services
- Appendix 5 – Reserves
- Appendix 6 – Detailed Portfolio Budgets
- Appendix 7 – Fees and Charges
- Appendix 8 – Our Council Plan and Amended KPIs

Annex 2(a) - Capital Strategy 2023/24 to 2027/28

- Appendix A – Capital Programme Portfolio Pages
- Appendix B – MRP Statement 2023/24
- Appendix C – Illustrative External Debt
- Appendix D – Graphical illustration of Debt Projections to 2073
- Appendix E – Flexible use of capital receipts 2022/23
- Appendix F – Flexible use of capital receipts 2023/24

Annex 2(b) – Treasury Management Strategy Statement 2023/24

- Appendix A – West Sussex County Council – Treasury Portfolio
- Appendix B – Economic and Interest Rate Forecast (Link Asset Services)

Annex 2(c) – Prudential Indicators 2023/24 to 2027/28

Annex 3 – Equality Impact Assessment

Annex 4 – Summary of comments considered by the Cabinet

Background Papers:

None