

ANNEX 4: SPENDING PRESSURES 2024/25 ONWARDS

4.1 Many of the pressures seen throughout 2022/23 are anticipated to continue into 2023/24 and beyond and these have been considered in the context of the overall position. The main known pressures are as follows:

Pay

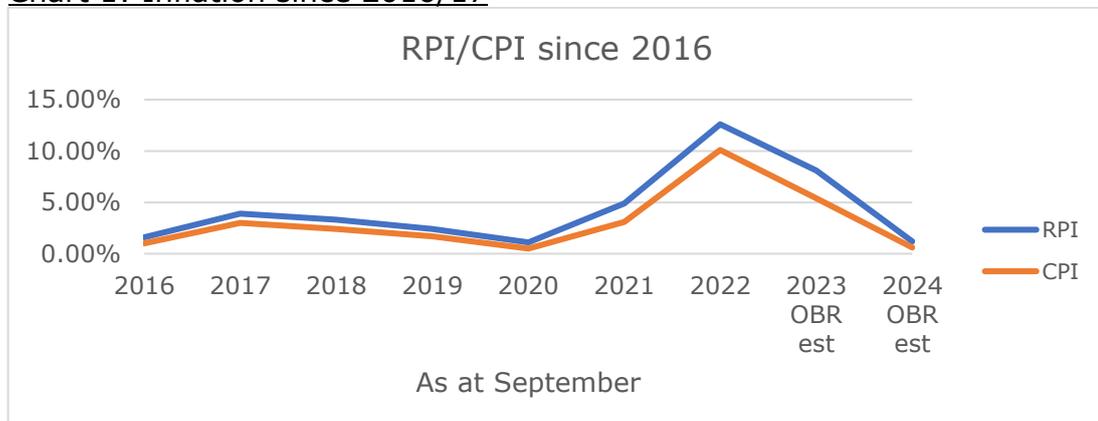
4.2 The County Council employs 5,414 FTE, excluding schools, and has a pay budget for 2023/24 of around £270m. Annual pay awards are determined by national and local agreement which are invariably confirmed post the annual budget approval. In the absence of the known pay uplift, an assumption is applied based upon recent awards. For planning purposes, it is currently assumed that the 2024/25 pay will rise by 3%. The cost of a 1% pay award is approximately £2.7m. Increases of 2% are assumed from 2025/26 onwards.

Price inflation

4.3 Over recent years, economic conditions such as the impact of the global pandemic, the UK's exit from Brexit and the war in Ukraine have resulted in economic uncertainty and high inflation. The latest forecasts from the Office of Budget responsibility (OBR), published in March 2023, predict that CPI inflation will more than halve in 2023 and reduce to 2.9% by the end of the year. With levels continuing to be high it is difficult to see this can be achieved but for planning purposes, and in line with the inflation policy, the OBR's forecast as at September 2023 (quarter 3) has been applied to price inflation for 2024/25, as follows:

- For areas of discretionary spend, the CPI forecast of 5.4% has been assumed.
- High Value Contracts have been determined according to the OBR forecast of the specific index in the contract (predominantly RPI of 8.1%).
- Fees and charges and other areas of income have also been increased in line with the OBRs forecast for RPI – 8.1%.

Chart 1: Inflation since 2016/17



- 4.4 The latest OBR forecast (March) showed the target level inflation of 2% would be achieved by 2024 but given the current economic environment it remains unclear if this is realistic. Given the level of uncertainty, the government's target level of 2.0% has currently been assumed for price and income inflation in 2025/26 and this will be kept under review over the coming months.

Service Pressures

Demand and Complexity of Need in Adults

- 4.5 The budget is built on estimates around demographic growth and any deviation from these estimates could present a risk and therefore additional costs.
- 4.6 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 for social care from increasing population needing support may create pressures. However, it is not just increasing numbers that are a pressure - people are living longer and with increasing complexity of need. This is increasing the average cost of a care package at a rate greater than inflation.
- 4.7 The adult social care market continues to operate in challenging circumstances; particularly due to staff shortages and increasing demand. The short-term funding which Government is making available for hospital discharge is contributing further towards an imbalance of demand and supply. Consequently, when new placements are being made, especially for residential, prices are continuing to rise with very few providers now prepared to accept the County Council's usual maximum rates. This is also a reflection of the level of demand from a buoyant self-funder market, which makes the County Council a minority purchaser of care in West Sussex. None of these cost drivers are likely to reduce during the foreseeable future.

Adult Social Care Reforms

- 4.8 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. The funding Government had set aside for Local Authorities and the reforms has been provided from 2023/24 and is being used to fund more general adult social care pressures. Therefore, if the reforms are implemented from October 2025, Government will need to provide new monies if social care is going to remain financially sustainable. Financial Plans therefore currently assume that the cost of implementing the reforms will not add any further pressure on the Council's financial position.

External Placements for Children We Care For (CWCF)

- 4.9 The biggest pressure within Children and Young People continues to be the number, type and cost of placements. The County Council has an ambitious plan to reduce the proportion of Children We Care For in external residential placements from 15% to 10% by the end of 2024/25 which would be more in line with statistical neighbours. However, despite the corrective action, the conditions within the children's placement market are extremely challenging and there is a risk this 10% target will not be achieved until at least 2025/26. If this is the case, the current additional budget assumed for 2024/25 will not be sufficient and additional money may need to be identified for this service.

Cost of Children in Secure or Specialist Placements

- 4.10 A number of unique high-cost care arrangements have had to be put in place with costs exceeding £5m per placement for 2022/23. These high-cost placement arrangements generally do not last for extended periods of time, with the average last year being 33 days. However, they are volatile by the very nature of the issues being managed and while it is not possible to predict them, they are likely to continue to be a pressure into future years.

Learning and Skills

- 4.11 West Sussex County Council has a statutory requirement as per the Children and Families Act and Special Educational Needs and Disability Regulations 2014 to complete an Education Health and Care Needs Assessment (EHCNA) for individuals that meet the criteria defined within the act. However, due to the increase in the number of EHCNA requests that are being received and a national shortage of Educational Psychologists the volume of assessments taking longer than the statutory 20 weeks to complete has escalated, with the current average being 40 weeks. Additional resources will therefore be required to tackle both the backlog over the next 12 to 18 months and the higher level of requests on a continuing basis.
- 4.12 The Home to School Transport service overspent by £2.8m in 2022/23 due to a combination of growth in pupil numbers and increasing contract prices. Soaring fuel costs and increases in the minimum living wage meant that a number of taxi companies handed back some school routes. Although inflationary pressures are expected to ease in 2023/24 the growth in SEND pupils requiring transport is expected to continue.

Highways

- 4.13 The Highways budget remains under pressure as a result of extreme weather events experienced over the last year leading to a significant number of issues and defects on the network. The 2023/24 budget includes an additional one off funding of £4.5m. Additional resources are likely to be required to continue to tackle the issues and are currently being considered as part of the budget for 2024/25. With significant backlogs (currently estimated in excess of £150m for carriageways), investment over a number of years may be needed in both capital and revenue.

Levies

- 4.14 The County makes payments to outside organisations where it is required to meet the levy or Precept requested under the relevant legislation. For 2023/24 the current levies total £2.0m and financial plans assume these will increase annually in line with September CPI.