Committee:	**Cabinet**
Date:	**24 January 2017**
Title of Report:	**Reconciling Policy, Performance and Resources (RPPR)**
By:	**Chief Executive**
Purpose of Report:	**To ask Cabinet to approve the draft Council Plan, Council Tax levels, Revenue Budget and Capital Programme for recommendation to the County Council**

RECOMMENDATIONS:
Cabinet is recommended to:

1. Approve the fees and charges set out in Appendix 6 and delegate authority to the Chief Finance Officer to approve an increase to all other fees and charges by up to 2%;

2. Recommend County Council to:

- **i. Approve in principle the draft Council Plan at Appendix 1 and authorise the Chief Executive to finalise the Plan in consultation with the relevant Lead Members;**
- **ii Increase council tax by 3% for the adult social care precept to help mitigate the pressures on Social Care;**
- **iii. increase the level of the general council tax by 1.99% in line with the current Medium Term Financial Plan (MTFP) (Appendix 3) and then issue precepts accordingly to be paid by Borough and District Councils in accordance with the agreed schedule of instalments at Appendix 7;**
- **iv Approve the net Revenue Budget estimate of £365m for 2017/18 set out in Appendix 2, including the contribution to the East Sussex Better Together budget of £135.0m, and authorise the Chief Operating Officer, in consultation with the Chief Finance Officer, Leader and Deputy Leader, to make adjustments to the presentation of the budget book to reflect the final settlement and final budget decisions;**
- **v. Approve the fees and charges set out in Appendix 6 and delegate authority to the Chief Finance Officer to approve an increase to all other fees and charges by up to 2%;**
- **vi. Approve the Capital Programme for 2016 – 2023, including a commitment to a 5-year Highways maintenance programme of £91.3m, as set out in Appendices 2 and 8;**
- **vii. Note the MTFP forecast for the period 2018/19 to 2020/21, as set out in Appendix 3;**
- **viii Note the comments of the Chief Finance Officer on budget risks and robustness, as set out in Appendix 9;**
- **ix Note the draft Strategic Investment Plan for East Sussex Better Together set out at Appendix 5; and**
- **xi. Note the comments from engagement exercises set out in Appendix 10**

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1. Introduction

1.1 The Council's net budget comprises three main elements: Council Tax, business rates and Government grant. As part of its deficit reduction plans, the Government has been reducing its grant to local government and will cease to provide a revenue support grant to local government in 2020/21.

1.2 The Council's decisions about how to deal with the funding shortfall, which will amount to £17.0m in 2017/18, need to take account of local circumstances. Some of the key factors influencing our choices are:

- the County's residents are poorer than average for England with full time earnings below the national average. This affects health and wellbeing, increases demand for services and limits the affordability of Council Tax rises;

- poor transport infrastructure and connectivity limiting business growth. This leads to relatively poor local wages, increases unemployment and means that the gap in the Council's income cannot be recovered by funding from growth in business rate receipts.;

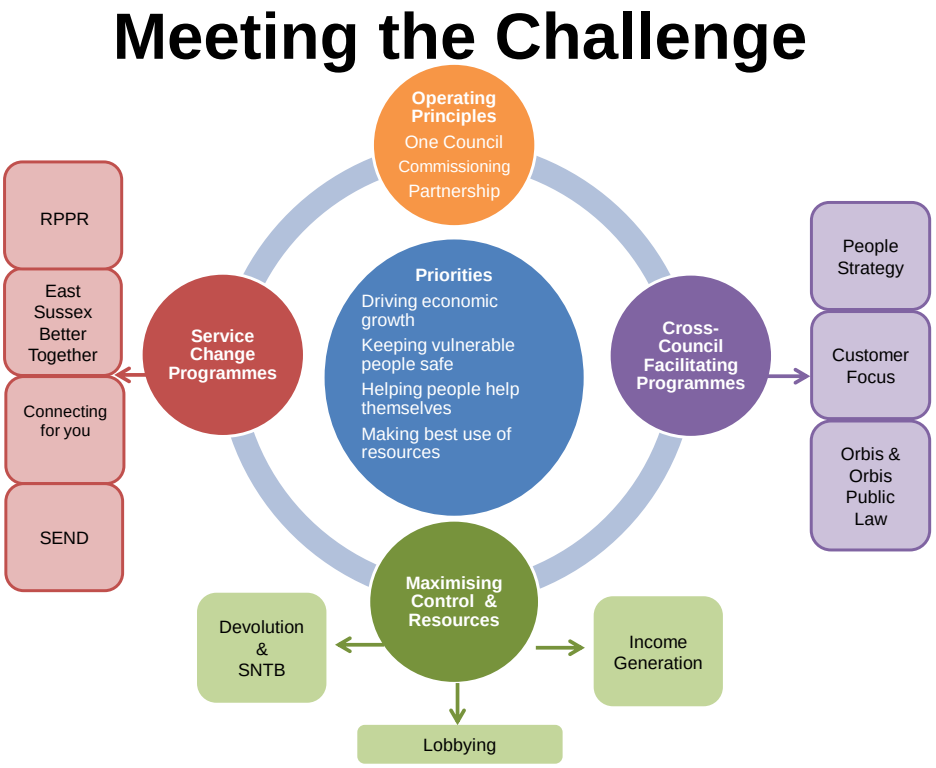
- the county's demography – East Sussex has the second highest proportion of older people in the country. People over the age of 85 are the most likely to need support and the number in this age group will rise by 9.5% between 2016 and 2020. Although the proportion of people who are of school age is only expected to rise marginally, the proportion with high need Special Educational Needs and Disability (SEND) is above the national average.

1.3 The Council has been able to meet the challenge of delivering savings against a background of diminishing resources by having a clear focus on our four priority outcomes, which are delivered through our services and service change programmes. Our "One Council" approach has provided a collective view about our priorities and investment choices and uses strategic commissioning disciplines to direct our activities to maximise the delivery of the agreed priority outcomes of driving economic growth, keeping vulnerable people safe, helping people help themselves, and making the best use of resources.

1.4 Our business planning process, known as Reconciling Policy, Performance and Resources (RPPR):

- enables us to be business-like and test comparative returns on investment so we can be confident we are making best use of resources. It will also help ensure savings in one area do not give rise to unforeseen consequences in another area;
- maximises efficiency, exploits technology, and makes the best use of all our assets;
- maximises East Sussex resources through strong partnership working, income generation, lobbying and exploring new ways of working;
- removes management and support costs wherever possible, to maximise the resources available to the front line;
- sustains investment in activity that will most help manage demand;
- encourages communities to help achieve their priority outcomes;
- is open and transparent to provide clarity about priorities and consequences, specifying clearly what the County Council will do;
- delivers service change and facilitating programmes aimed at providing modern services which meet the needs of local people, working with others to do this in a way that makes the best use of resources.
- uses our local evidence base to meet the most important needs of our communities and is leading to innovative solutions which build a compelling future, rather than managing decline.

1.5 This approach is being applied in a systematic way across all services and the diagram below shows the key current areas of development.



1.6 Our RPPR process matches available resources with our delivery plans for our priority outcomes, facilitated by the programmes and processes set out above. It has enabled us to give relative protection to priority services.

1.7 The RPPR process has been applied across all services in the development of the Council Plan supported by the Medium-Term Financial Plan (MTFP) and Capital Programme set out in this report. It was based on the need to make savings of £70-£90m between 2016/17 and 2018/19, and we will still need to make further savings in the period to 2021/22.

1.8 As in the past, Members need to make difficult choices, in particular between:

- delivering universal services and meeting the needs of a small number of very vulnerable people;
- meeting current need and investing in prevention;
- acting in the economic interests of the Council set against the wider economic interests of the county as a whole; and
- the drive for efficiency and accepting that there are limits to the savings that can be made before real service reductions are inevitable.

1.9 The Capital Programme put forward is also very constrained by limited resources. In the past Members have been able to meet core need and make investment in the County's economy, for example significant additional investment in road and broadband infrastructure.. The new programme, based on an assumption of significantly reduced future funding, contains only minimum provision for school places, highways, building maintenance, ICT and house adaptations. Under the Government's future plans locally raised business rates will be an increasingly important source of income for the Council so supporting local economic growth will be important. Increasing the health and wellbeing of residents will also be improved by access to better jobs and therefore help mitigate demand

for services. The inability to fund investment in economic growth will therefore have a number of negative impacts.

1.10 This report sets out:

- changes to the national context since October;
- an update on progress on the 2016/17 Council Plan and budget;
- final proposals for the 2017/18 revenue budget taking account of changes in the financial picture since October and including raising the Adult Social Care (ASC) levy by 3% to help mitigate the pressures on health and social care and raising general Council Tax as planned by 1.99%
- the savings requirement across the Council including changes since October and final savings proposals;
- the Capital programme and the rationale on which it has been developed
- feedback from engagement exercises, equalities impacts and proposals for lobbying.

1.11 A list of the contents of the appendices to the report is set out at the end of this cover report.

2. National Context

2.1 Since the State of the County report in June 2016 the new Prime Minister and Cabinet have been developing their plans for managing the Country and economy in the light of the results of the European Union (EU) referendum. This has created greater uncertainty both in relation to the national economy and in the Government's policy direction, with changes in its plans for the future of education, the announcement of the development of a new industrial strategy for the Country and new proposals for housing expected. The Government has lacked the capacity since the summer to take forward any new devolution deals, due to the urgency of work in preparation for exiting the EU.

2.2 The Autumn Statement on 23 November 2016 acknowledged a greater level of economic and fiscal uncertainty following the decision to leave the EU. The Government will no longer aim for a budget surplus by 2019. Instead new fiscal targets have been set which aim for a 2% underlying deficit with debt falling by 2020 and a "balanced budget" as soon as possible thereafter. The Chancellor also confirmed that there would be no changes to Government departmental spending limits.

3. Council Plan and supporting Medium Term Financial Plan

3.1 The draft Council Plan (Appendix 1) continues to be built on the Council's four overarching priority outcomes: driving economic growth; keeping vulnerable people safe; helping people help themselves; and making the best use of resources. The priority outcome "Making best use of resources" is a requirement that any activity and accompanying resources must demonstrate. The remaining three priority outcomes guide our activities, direct our resources and are reflected in our Council Plan activities and targets. As resources tighten, our ambition in some areas will be to maintain performance at current levels rather than seeking improvement. We define clearly the outcomes we wish to achieve and monitor our success in delivering these outcomes for the county's residents, communities and businesses. We also keep track of a wide range of key data about East Sussex related to our priority outcomes. This helps us to assess our impact more fully and respond appropriately when we need to do so; key data will be monitored annually as part of the State of the County report.

3.2 The Council Plan provides a summary for each strategic priority including planned action and targets for the next three years. It is still work in progress until final budget allocations are made and firm targets can be set. It will be published by 1 April 2017 and refreshed in July when final performance outturn figures for 2016/17 are available.

Authorisation is sought for the Chief Executive to make final changes pre and post publication in consultation with Lead Members, as appropriate.

3.3 In order to facilitate closer working with the NHS, for financial planning purposes the MTFP covers the five years 2016/17 to 2020/21, with detailed plans developed for the first three years and indicative totals for the final two years. A summary of the MTFP is at Appendix 3.

4. Progress with Council Plan & Budget 2016/17 since Quarter 2

4.1 Overall progress against Council Plan targets remains as reported at Quarter 2.

4.2 While not set as a Council Plan target, the proportion of people whose transfer of care from hospital is delayed is an issue of concern nationally and locally. The position for East Sussex is summarised here and covers two indicators: All transfers and those attributable to Adult Social Care (ASC).

4.3 For all transfers between 1st April and 30th November 2016 performance is 20.6 (delays per 100,000 population), equating to an average 89.4 delays at the snapshot on the last Thursday of each month. Data indicates increased levels compared to the previous year. This is partly due to a change in counting methodology by the NHS in May 2016, but is mainly due to the ongoing reduction in available independent sector care home and home care provision, for both adult social care clients and self-funders.

4.4 For the proportion of people whose transfer of care from all hospitals is delayed due to Adult Social Care, performance between 1st April and 30 November is 6.33 (delays per 100,000 population), equating to an average 27.5 delays at the snapshot on the last Thursday of each month. Social Services delays have shown an increase and this is generally due to the lack of independent sector provision both in terms of care homes and home care.

4.5 There are a range of workstreams aimed at improving the timeliness of hospital discharges and reducing unnecessary admissions which should reduce delayed discharges from hospital for both indicators. Examples of this work being undertaken in partnership with local health organisations are listed below:

- ESCC is working with Clinical Commissioning Groups (CCGs) and East Sussex Healthcare NHS Trust (ESHT) to further develop the role of the Hospital Intervention Team. This will include increasing the numbers of social care staff based in A&E and Gateway wards to facilitate early discharge planning and admission avoidance.
- ESCC is reducing reliance on independent home care providers by increasing the hours available for community-based reablement and continues to work with care homes to optimise available capacity.
- ESCC is working with care home providers to develop the Care Home Plus model. This will provide enhanced payment to care homes where admission/transfer to a nursing home can be avoided.
- The role of the Hospital Intervention Team will also be extended to support an integrated and systematic approach to discharge by ensuring seamless working with community services, therefore providing the provision to transfer patients from acute to community settings.
- The Discharge to Assess Scheme, which enables people to return home for an assessment of their future needs. Patients return home with access to reablement support - currently 6,300 hours per week are available from the fully integrated reablement service. There is also ongoing work with private sector providers (care homes and home care) to assess and start or restart packages of care within 24 hours of referral.

4.6 The local situation for delayed transfers of care is closely managed and monitored. Health and Adult Social Care services are working together to reduce the number of delays and unnecessary hospital admissions and improve patient experience.

4.7 At quarter 2, the gross projected year-end overspend within service departments is £8.3m (ASC and Children's Services Department) and £0.4m on centrally held budgets. Work is ongoing within services to reduce or mitigate the overall overspend, however, best information is that an overspend will remain, and the position will be updated when the full Quarter 3 results are available.

4.8 Following the review of our Minimum Revenue Provision Policy and the Treasury Management budgets, there will be a reduced charge to revenue in 2016/17 of £8.2m. Normal practice is to transfer any net treasury management underspend to the Capital Programme to reduce borrowing, but this could be used to mitigate a net overspending on the General Fund if required. The general contingency of £3.4m is also available to offset this overspend. If not required, or only required in part, it is proposed that the balance be held to manage risks arising due to the unknown impact of the Business Rate Revaluation, savings realisation and the innovative financial arrangements of East Sussex Better Together (ESBT) or to manage down borrowing.

4.9 Within the Quarter 2 position, Children's Services reported a projected overspending of £2.8m relating to ISEND, looked after children and home to school transport cost pressures. The Department has carried out a full review, the results of which were reported at Q2. Ongoing mitigations have been implemented to contain and offset the cost pressures, and savings have therefore been made in excess of the MTFP savings target. These include inter-block transfers for Dedicated Schools Budget totalling £5m.

4.10 A joint OFSTED and Care Quality Commission inspection of the local area's effectiveness in identifying and meeting the needs of children and young people who have SEN and or disabilities was carried out between 5-9 December 2016. The results are expected to be published in the first week of February 2017 and will be reported to Members.

5. Revenue Budget 2017/18

5.1 The RPPR report to the October Cabinet detailed the MTFP projections for 2017/18 and subsequent years. A key consideration at the time of the October report was the considerable uncertainty affecting the MTFP projections. The changes to the budget gap since the October Cabinet report are set out below and are discussed in the following paragraphs.

Changes to the 2017/18 Budget from October Cabinet

	2017/18 £m	2018/19 £m
Cabinet 11th October 2016		
Total Savings @ 11th October 2016	23.846	27.524
Deficit/(Surplus) @ 11th October 2016	(1.595)	2.416
Internal cost reviews:		
• MRP/Treasury Management Review – reduced revenue charge	(4.980)	(0.500)
• Adult Social Care cost pressures – base adjustment	4.500	-
• Pensions – additional cost not as great as expected	(0.973)	(0.384)
• Home to School Transport cost pressures	0.200	-
Income forecasts – growth not as great as expected		
• Council Tax Base	1.161	1.316
• Business Rates	1.614	(0.239)
Adult Social Care Precept		
• Additional 1% in 2017/18 and 2018/19	(2.451)	(2.648)
Government grants		
• ASC Support Grant – new grant income	(2.597)	2.597
• Improved Better Care Fund – new grant income	(0.286)	(7.528)
• Dedicated Schools Grant – loss of grant not as great as expected	(2.500)	0.250
• Education Services Grant – loss of grant not as great as expected	(1.142)	1.178
Recommended Changes to Investments and Savings:		
• Economic Development Grants – new investment	1.000	(1.000)
• Transformation & Delivery Risk Provision	0.877	(0.877)
2018/19 Surplus/(Deficit)	-	(0.589)
Other	0.309	(0.042)
Revised Savings Totals	**16.983**	**21.474**

5.2 *Review of the Treasury Management Budget & Minimum Revenue Provision (MRP)* - A report to the Audit, Best Value and Community Services Scrutiny RPPR Board on 5th December 2016 identified the potential savings of £5.0m from 2017/18 following a detailed review of the Treasury Management budget. This is largely the result of re-profiling MRP payments from a reducing balance to a straight line basis, the details of which are set out in the Treasury Management report elsewhere on the agenda. In addition, the annual provision of £1.0m from 2018/19 to support the requirement to borrow to fund the Capital Programme 2018-2023 has been reduced to £0.5m.

5.3 *Pensions* - The triennial actuarial review has been completed and the funding position of the East Sussex Pension Fund has improved from 81% to 92%. This eases the underlying upward pressure on employer contribution rates and, while the overall ESCC rate will increase by 0.5% to 21.1% in 2017/18 and by 0.5% pa for the following two years, the impact on the MTFP is to reduce the amount of additional budget provision required. The actuarial review does not cover the final year of the MTFP; for planning purposes, an increase of 1% has been assumed in that year.

5.4 *Council Tax Base/Collection Fund Surplus* - The MTFP previously included an assumption of a 1.5% pa growth in the tax base for 2017/18 to 2020/21. Information has now been received from all five authorities on the proposed council tax bases for 2017/18 and an increase of just over 1% is now projected; this results in reduced income against previous forecast of £1.2m. The final position on the collection fund is expected mid to late January 2017.

5.5 *Business Rates*
Projections have been reviewed to take account of the following:

- District and Borough Councils have been unable to ascertain full estimates in order to predict levy / safety net positions (due to having to wait for software updates to produce figures) ahead of the deadline to notify DCLG of changes to Pool arrangements. Given their concerns regarding increases in appeals provisions following the Business Rates Revaluation and the risk that growth in rates payable will not be enough to offset the impact of the increases to appeals provisions, the Pool have agreed to revoke arrangements for 2017/18. This has led to a reduction of £0.9m income in the MTFP, which is the County Council's previous estimated share of the Pool.

- A review of Business Rates has also been carried out which has included the impact of growth and the impact on appeals of the revaluation (the first revaluation carried out in the current business rates retention scheme). These revised projections result in a further reduction in income against previous estimates of £0.7m for 2017/18. The Business Rates top up was also confirmed as part of the 4 year deal. However, the impact of Business rate retention and S31 grant following the revaluation remain unclear until the 2017/18 forecasts are completed by District and Borough Councils at the end of January.

Adult Social Care Pressures and funding

5.6 Social Care Pressures - A review has been undertaken of the underlying cost pressures within the Independent Sector. In particular, the forecasting assumptions for future activity, factoring and attrition rates have been revisited. A starting deficit position on the Independent Sector of £4.5m is now projected; this is before the impact of 17/18 demand growth, demography or fee uplift that is allowed for within the MTFP. A £4.5m base adjustment is therefore required, to be applied proportionately to the ESBT and Connecting for You (C4Y) areas.

5.7 *East Sussex Better Together and Connecting for You ratio* -
The proportionality varies between specific budget headings, with ESBT representing 77% of the total ASC budget, compared to 23% for C4Y (this is a ratio of ESBT spending to C4Y of 3.34:1). Members should note that, in order to ensure equity of funding between the ESBT

and C4Y areas, any proposed change to the savings or investment within one area should be matched by a proportionate change to that of the other area.

5.8 *Additional funding*

The Government announced the introduction of an Improved Better Care Fund (IBCF) in the autumn of 2015. It had been assumed that there would be significant conditions attached to its use; in particular that there would be additional responsibilities attached to the grant and that the funds would have to be used as investment/pump priming to implement transformation projects. For this reason, the IBCF projections were excluded from the MTFP in the State of the County report. Although there is further detail to be provided, it now appears that there will be limited conditions attached to the grant so long as the funds are applied to social care, and the expected income has now been included within the MTFP.

5.9 In addition, as part of the local government settlement it was announced that the New Homes Bonus grant will now be based on a four-year period rather than the existing six-year period (with a transitional five-year period for 2017/18) and, in response to evidence presented relating to severe funding pressures, a new Adult Social Care Support Grant will be made available for 2017/18 only by redistributing £241m nationally from New Homes Bonus based on need; for ESCC this equates to £2.6m.

5.10 The Provisional Settlement also introduced the ability to charge up to 3% on the Adult Social Care Precept, in 2017/18 and 2018/19, subject to a maximum of 6% across the 3 year period 2017/18 to 2019/20. This is not additional revenue raising powers, but an opportunity to re-profile our existing plans which were based on a 2% increase in each of the years.

5.11 From 2017/18, the Council is proposing to align its Adult Social Care budget with two of the local NHS CCG partners, as part of the transition to the ESBT accountable care model which is intended to take a whole-systems approach to the planning and delivery of health and social care across the ESBT area. As a consequence of the progress made with aligned financial planning through the Strategic Investment Plan (SIP) (Appendix 5) this provides for savings in the Council's budgets relating to the ESBT area to be achieved through a subsidy from NHS partners to the Council via the ESBT budget, rather than by reductions in Council-funded services.

5.12 Governance arrangements are being devised for the oversight of the ESBT budget including the planning and delivery of services and control of budgets. A proposal will be made to establish a joint committee comprising County Council elected Members and representatives from the two CCGs. The committee will need to meet to consider and approve the proposed Strategic Investment Plan, prior to the start of the new financial year. Pending this, Members are asked to note the current draft SIP. While significant joint work has been undertaken by the partners on the Plan, it is work-in-progress and will be considered for approval in March.

5.13 Officers are mindful of the affordability challenge to local residents of any tax rises in a county where earnings are lower than the national average. However, it is recommended that Cabinet recommend County Council to take the opportunity to raise the ASC Precept by 3% and take early advantage of the consequent additional funding, given:

- the significant pressure on the Adult social Care budget (across both ESBT and C4Y);
- the significant pressures within the NHS in East Sussex;
- the risk that NHS partners may withdraw from ESBT if the Council isn't seen to be committed to investing as much as possible, as early as possible into the ASC and health economy; and
- the potential to sustain or improve outcomes for local residents;

5.14 For the purposes of planning, the MTFP therefore assumes a precept of 3% pa in 2017/18 and 2018/19 with no increase in 2019/20.

Children's Services – home to school transport and schools related funding

5.15 *Home to School Transport* costs are continuing to increase, despite a decrease in provision. Factors include an increase in fuel cost, increases in distances pupils are transported and a high proportion of children requiring medical chaperones. Further funding of £0.2m is therefore allowed in the MTFP to mitigate this pressure. This will provide an on-going increase in the base budget for Children's Services.

5.16 The MTFP had previously assumed that the contribution made by the *Dedicated Schools Grant (DSG)* towards centrally-provided schools services would reduce from £7.4m to £4.4m in 2017/18 as a result of the move towards a national funding formula for schools. With the delay in the new arrangements and changes in the Government's approach, it is now expected that the Council will be able to retain £6.9m in 2017/18, which constitutes a much smaller reduction than previously assumed. DSG is still assumed to reduce further in future years.

5.17 The current *Education Services Grant* (ESG) funding arrangements are changing from 2017/18. The retained ESG element will be allocated within the Schools Block DSG and the Schools Forum has approved the retention of these funds (£1.0m). ESCC will also be receiving £1.1m as ESG transitional general funding until the ESG general funding ceases completely from September 2017. This funding remains outside of the DSG and will be received in the 'normal' way as separate ESG funding. The effect of these announcements is to reinstate £1.1m of income within the MTFP that had been assumed to be lost in 2017/18.

5.18 *Economic Growth*
To support the Council's priority of driving economic growth, it is proposed to allocate £1.0m in 2017/18 as economic development grants and loans as a one-off investment. Funds that have been allocated to date demonstrate excellent value for money allowing businesses within East Sussex to grow. It has supported the creation 633 jobs supporting over 200 businesses, with a cost per job ratio being significantly lower than the national average. This proposal recognises that the constraints on the capital programme do not allow future investment in this high priority area, and therefore utilises the opportunity provided by a reduced savings requirement to make a revenue contribution to the Council's scheme for supporting economic development grants and loans.

6. Final Savings Proposals

6.1 In the light of the changes above the savings proposed in October have been reviewed. They are set out in detail in Appendix 4. The ESBT saving is shown as a one-line subsidy, while planned savings in the non-ESBT areas are shown in the more traditional form as a listing of specific initiatives). The SIP (Appendix 5) shows how savings and investments will be made across the health and social care economy in order to achieve the savings required to meet the County Council's funding shortfall.

6.2 Additional grant income from the Improved Better Care Fund and Adult Social Care Grant has been applied to mitigate the scale of savings required within adult social care, and to increase the Council's contribution to the ESBT budget. The additional income has been applied proportionately to the ESBT and C4Y areas. Likewise the additional £2.5m from ASC Precept has been applied to mitigate the scale of savings across ESBT and C4Y.

6.3 A small number of proposed 2017/18 savings have been deferred to 2018/19 to provide more time to prepare for implementation, notably where they involve joint working

with partners. Details of the movements in savings since October are provided in the table below.

6.4 Notwithstanding the changes made to improve deliverability, the scale of savings required in 2017/18 remains significantly challenging at £17.0m which is equivalent to 4.7% of the Council's net revenue budget.

6.5 To manage risks arising due to the unknown impact of the Business Rate Revaluation, savings realisation, and the innovative financial arrangements of ESBT. It is proposed to provide a small transformation and delivery risk provision of £0.9m which represents around 5.3% of the total planned savings.

Revised 2017/18 and 2018/19 Savings

2017/18 Savings (£m)					**2018/19 Savings (£m)**
Department	**Oct-16**	**Jan-17 revised**	**Movt Oct-Jan**	**Explanation for Movements**	
Adult Social Care	2.779	1.552	(1.227)	Funding from ASCSG & IBCF (£0.663m) and additional ASC Precept (£0.564m) used to reduce savings.	2.257
Business Services/Orbis	1.472	1.472	0.000	-	1.396
Children's Services (excl. schools)	4.639	3.510	(1.129)	Deferral of savings to 18/19, principally: ISEND (£0.332m), Locality social work teams (£0.304m), Early Help 0-5 (£0.400m) and Specialist Services (£0.080m).	5.335
Communities, Economy & Transport	1.536	1.136	(0.400)	Deferral of grass cutting savings to 18/19 (£0.400m).	2.119
Governance Services	0.270	0.270	0.000	-	0.134
ESBT:					
Adult Social Care	11.114	7.007	(4.107)	Funding from ASCSG & IBCF (£2.220m) and additional ASC Precept (£1.887m) used to reduce savings.	10.164
Children's Services	0.036	0.036	0.000	-	0.069
Subtotal ESBT	*11.150*	*7.043*	*(4.107)*		*10.233*
Subtotal Departments	**21.846**	**14.983**	**(6.863)**		**21.474**
Capital Programme Management	2.000	2.000	0.000	-	0.000
Subtotal Centrally Held Budgets	**2.000**	**2.000**	**0.000**		**0.000**
TOTAL SAVINGS	**23.846**	**16.983**	**(6.863)**		**21.474**

Summary of 2017/18 Budget

7.1 Appendix 2 presents the draft Budget Book for 2017/18. The movements in the revenue budget from 2016/17 to 2017/18 are summarised below.

Movement in Revenue Budget from 2016/17 to 2017/18

	2016/17 Rebased Net Budget	Additions	Reductions	2017/18 Net Budget		Change	
	(£m)	(£m)	(£m)	(£m)		(£m)	%
Adult Social Care	163.572	16.581	(11.442)	168.711		5.139	3.14%
Public Health	-	-	-	-		-	0.00%
Business Services / Orbis	21.601	0.885	(1.502)	20.984		(0.617)	-2.86%
Children's Services (inc. schools)	64.593	6.760	(3.546)	67.807		3.214	4.98%
Communities, Economy & Transport	60.818	2.618	(1.502)	61.934		1.116	1.83%
Governance Services	7.499	0.051	(0.270)	7.280		(0.219)	-2.92%
Total Departments	**318.083**	**26.895**	**(18.262)**	**326.716**		**8.633**	**2.71%**
Corporate Budgets	51.229	2.073	(15.067)	38.235		(12.994)	-25.36%
Total	**369.312**	**28.968**	**(33.329)**	**364.951**		**(4.361)**	**-1.18%**

8 Fees and Charges

8.1 As part of setting the budget, the Council is required to review the charges it makes for services and approve a schedule of revised charges.

- To streamline the approval process, it is recommended that the CFO be given delegated authority to approve any increase in fees up to 2% for 2017/18.
- Any individual fee or charge that is increased up to this prescribed rate will then not require any formal approval as part of the budget report, only those that have a higher rate applied to them will require specific approval.
- Where there is a statutory requirement for the Council to formally approve an increase, or new charges are being proposed, or the level of the proposed fee or charge is to be reduced, then these will continue to be reported for specific approval as part of the annual budget report.
- This will remove the need for individual fees & charges to be reported, but they will be required to be reported as part of any formal review of the policy to which to they relate.

8.2 The schedule of the fees and charges requiring specific approval is set out in Appendix 6.

9. Council Tax requirement

9.1 The Government has provided for relevant authorities to charge up to 3% on the Adult Social Care Precept, in 2017/18 and 2018/19, subject to a maximum of 6% across the 3 year period 2017/18 to 2019/20. The Council Tax requirement below is based on the

proposal that this option is taken for the reasons set out in paragraph 5.13 above to maximise the mitigation available across health and social care.

9.2 The Council's original budget projections for 2017/18 were based on the continuation of the Council Tax policy of increasing the Council Tax precept by inflation. The Government has confirmed that the referendum limit for 2017/18 will remain at 2%. The draft budget therefore assumes a Council Tax increase of 1.99%.

9.3 It is therefore proposed that the Council be asked to consider increasing the Council Tax for 2017/18 by 1.99%. This is an increase of £24.93 pa on a Band D property. It is also proposed that there should be a further 3% increase in respect of the adult social care precept. This results in a further increase of £37.53 on a Band D property.

The proposed band D charge for 2017/18 would therefore be:

Changes in Council tax	Council Tax
Band D 2016/17	£1,251.90
1.99% Council tax increase *	£24.93
3% Adult Social Care Precept *	£37.53
Band D 2017/18	£1,314.36

* Rounded

9.4 The formal Precept notice for issuing to the Borough and District Councils will follow, for formal recommendation to council. This will be subject to change following the final settlement and confirmation of NNDR for 2017/18. The draft precept calculation and dates is at Appendix 7.

10. Medium Term Financial Plan (MTFP)

10.1 A summary of the MTFP is provided at Appendix 3. The table below shows the projected deficit for 2018/19 to 2020/21.

	2018/19 £m	**2019/20 £m**	**2020/21 £m**
Deficit/(Surplus)	0.589	11.732	25.407

10.2 With the significant programme of savings already planned, while a balanced budget has been reached for 2017/18, there remains an estimated deficit of £25.4m by 2020/21. This combined with ongoing uncertainties that could have significant financial impact on future years, mean that the serious financial challenge faced by the Council will continue unabated.

10.3 Additional detail is provided in the Budget Book at Appendix 2. The Budget Book will be updated if required after the final budget is approved.

11. Capital Programme

11.1 Due to the ongoing financial pressures the Council is facing, the proposed capital programme 2018-2023 has focused on a strategy to deliver core need as efficiently as possible. Significant work has been undertaken to review the delivery of basic need and to identify all potential funding and make the best use of resources.

11.2 The table below shows the areas of core need within the future programme and the reduction in the funding gap from initial estimates in February 2016.

	Position at Feb 2016 £m	**Position at Jan 2017 £m**
Areas of Core Need		
Schools Basic Need	229.0	100.6
Highways	124.2	118.4
Property Building Maintenance	39.6	41.9
ICT	21.2	14.8
ASC House Adaptations	0.0	1.5
CSD House Adaptations	0.0	0.5
Slippage from 2016-18 Programme and match funded schemes	0.0	49.1
Total 2018-23 gross programme	**414.0**	**326.8**
Funded by:-		
Scheme specific resources	0.0	52.2
General resources	201.9	216.4
Total funding 2018-23 programme	201.9	268.6
Borrowing gap 2018-23 programme	212.1	58.2
Total 2016-18 gross programme	**213.4**	**187.1**
Resources	151.3	141.5
Borrowing 2016-18 programme	62.1	45.6
Total 2016-23 gross programme	**627.4**	**513.9**
Capital risk provision	8.7	12.9
Total programme including risk provision 2016-23	**636.1**	**526.8**
Total Borrowing requirement 2016-23	*282.9*	*116.7*

11.3 It is proposed that the current remaining programme and the new 2018-23 programme are combined. Therefore the total 2016-23 proposed programme is estimated at an investment of £526.8m (over 7 years) as shown above. This includes capital risk provision of £12.9m, however we would not borrow for this until potential risks materialise, and therefore the current total borrowing requirement is £103.8m. There remains however, significant risk relating to Government grant assumptions and S106 not yet received and the potential conversion to Community Infrastructure Levy.

11.4 For the programme 2018-23, a commitment has been made to a 5-year Highways maintenance programme in order to secure efficiencies in partnership with the contractor. This is subject to agreement with the contractor.

11.5 The current assumption is that there will be a £6.0m contribution from revenue each year to support the 2016-2023 programme. The Council's capital investment ranges across

assets with a life of between 5 and 60 years. It is important that a level of revenue investment is maintained to continue the Council's investment in short life assets (ICT and House Adaptations) and avoid borrowing for these assets. While we would borrow in full for new infrastructure, it makes less financial sense to borrow for ongoing capital maintenance such as highways. A minimum revenue contribution to capital of £3-£4m pa is therefore advised, but it is prudent, given the cost of borrowing to future taxpayers, to maintain the current level of £6m pa.

11.6 The proposed programme is significantly lower than the Council's previous programme which was an average of circa £125m per year. The proposed programme of £526.8m covers seven years, which is an average of £75m a year, with the first two years of which relating to the previously approved programme and totalling 36%, of the value of the investment.

11.7 The detailed programme can be found in the capital section of the Budget Summary at appendix 2, with supporting information at appendix 8.

12 Robustness and Opportunity Cost of Reserves

12.1 As part of the annual budget setting process, work to review current reserves has been undertaken to ensure the level of reserves are appropriate. The reserves are split into two categories: named service reserves and strategic reserves, as set out in the Reserve policy. ESCC reserves are estimated to total £100.2m as at 1/4/2017. The actual Reserves at 1/4/2016 totalled £106.7m;

Summary of Earmarked Reserve estimated at 1/4/17

	£m
Named Service Reserves	
Held on behalf of other or statutorily ringfenced	30.1
Waste Reserve	12.8
Set aside for the New Capital Programme 2018/23	26.8
Insurance	5.9
Total service specific reserves	**75.6**
5 Strategic Reserves	24.6
Total Reserves	**100.2**

12.2 Planned use of these reserves is estimated to reduce them to £52.2m by the end of the MTFP period in 2020/21.

12.3 Having conducted a thorough review of reserves held by the Council the level of reserves held is considered appropriate (details of reserves held can be found in the reserve section of Appendix 2). Additionally it is proposed that the insurance reserve is reduced in line with actuarial recommendations and the balance plus the reduction in insurance provision of £1.3m be transferred to the transformation reserve in recognition of the need for further service transformation to respond to ongoing financial challenges and changing service demands. The Chief Finance Officer Statement on the Budget Robustness can be found at Appendix 9.

13. Equalities

13.1 A high level Equalities Impact Assessment (EqIA) of the revenue savings proposals has been undertaken and is set out in Appendix 4. Further EqIAs will be undertaken where appropriate before individual proposals are implemented. EqIAs have been undertaken of the proposed Capital spending. These are summarised in Appendix 8a. In considering the proposals in this report, Cabinet Members are required to have 'due regard' to the duties set out in Section 149 of the Equality Act 2010 (the Public Sector Equality Duty). EqIAs are

carried out to identify any adverse impacts that may arise as a result of the proposals for those with protected characteristics and to identify appropriate mitigations. The full version of relevant completed EqIAs have been placed in the Members' and Cabinet Room and are available on the Cabinet pages of the County Council's website. They can be inspected upon request at County Hall. Members must read the full version of the EqIAs and take their findings into consideration when determining these proposals.

13.2 Whilst Cabinet and County Council is being asked to agree the revenue budget and Capital Programme, there remains scope for reconsideration of individual proposals in the light of new information and changing circumstances during the year (for example the outcome of EqIAs). When specific executive decisions come to be taken, the full equalities implications of doing one thing rather than another can be considered in appropriate detail. If it is considered necessary, in light of equalities or other considerations, it is open to those taking the decisions to spend more on one activity and less on another within the overall resources available to it.

14 Staffing Impacts

14.1 The savings proposals for the next two years could lead to the reduction of 200 jobs. The County Council has established and robust employment protection policies and will continue to try and avoid making compulsory redundancies wherever possible.

15 Engagement Feedback

15.1 The views of the Scrutiny Committees and the outcomes of engagement events with young people, partners and representatives of business ratepayers are set out at Appendix 10. The views of the trade unions will be tabled at the meeting following a consultation event on 18 January 2016.

16. Lobbying

16.1 Cabinet Members and officers have been and will continue to lobby for the best interests of the residents of East Sussex, directly with the Government, through meetings and briefings with our local MPs, through contact with Government officials and through the various partnerships in which we participate such as SE7, 3SC, CCN and LGA. We have used all these channels to try to ensure that, for example, the implications of the proposed changes to local government finance to the sustainability of services in East Sussex is clear. This will include stressing that the "new" money the Government has announced for Adult Social Care is insufficient to fill the budget gap and that the change in arrangements for New Homes Bonus to direct it towards Adult Social Care will result in a net loss of the funding available for local services to the tax payers of East Sussex of £600,000, despite East Sussex having the second highest proportion of older people in the country.

17. Conclusion

17.1 The financial challenge the Council faces is considerable and the choices between saving and spending areas are difficult. In making recommendations to Cabinet, officers have tried to be as transparent as possible about their thinking and how they have tried to balance the needs of all residents and businesses in the County for services and the affordability of those services to Council Tax payers.

BECKY SHAW
Chief Executive

Navigating this report

The contents of this Reconciling Policy, Performance and Resources report appendices are set out below.

Appendix 1 - Council Plan

Draft plan, priority outcomes narrative, performance measures and targets 2017/18 – 2019/20

Appendix 2 - Budget Summary 2017/18

Details of draft Revenue Budget 2017/18, Medium Term Financial Plan future four years 2017/18 – 2020/21, Capital Programme to 2022/23

Appendix 3 - Medium Term Financial Plan

Medium Term Financial Plan 2016/17 – 2020/21 (all five years)

Appendix 4 – Final Savings Proposals

Details of savings 2017/18 – 2018/19, summary impacts and overall equalities impact assessment for the Revenue Budget. Based on a Council Tax increase for 2017/18 of 3% Adult Social Care precept and 1.99% for general Council Tax

Appendix 5 - East Sussex Better Together Strategic Investment Plan (SIP)

Details of planned savings for health and social care services covered by East Sussex Better Together budget

Appendix 6 - Fees and Charges

Schedule of fees and charges for 2017/18 requiring approval as part of the annual budget report

Appendix 7 - Council Tax Precepts

Details of draft Council Tax charges by band for East Sussex County Council and precepts for each billing authority

Appendix 8 - Capital Programme Supporting Information

Background and supporting information for the Capital Programme; financial details are in appendix 2

Appendix 8a - Equality Impact Assessment for Capital Programme 2018/23

Summary of the equality impact assessment of the Capital Programme set out in appendix 2

Appendix 9 - Chief Finance Officer Statement on the Budget Robustness

Comments on budget risks and robustness by the Chief Finance Officer and details of reserves

Appendix 10 – Engagement Feedback

Summary of the views of Scrutiny Committees and young people, and engagement events with partners, trade unions and businesses.