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| Committee: | **Cabinet** |
| Date: | **23 January 2018** |
| 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** |

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**<u>RECOMMENDATIONS</u>:**

**Cabinet is recommended to:**

**1. Recommend County Council to:**

- **i. Approve in principle the draft Council Plan at Appendix 3 and authorise the Chief Executive to finalise the Plan in consultation with the relevant Lead Members;**
- **ii. Increase the Council Tax by 2.99%;**
- **iii. Increase the Adult Social Care precept by 3%;**
- **iv. Issue precepts accordingly to be paid by Borough and District Councils in accordance with the agreed schedule of instalments at Appendix 6;**
- **v. Approve the net Revenue Budget estimate of £371.3m for 2018/19 set out in Appendices 1 (Medium Term Financial Plan [MTFP]) and 2 (Budget Summary) 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 Summary to reflect the final settlement and final budget decisions;**
- **vi. Approve the fees and charges set out in Appendix 5;**
- **vii. Approve the Capital Programme for 2017–2023 Appendix 7;**
- **viii. Note the MTFP forecast for the period 2018/19 to 2020/21, as set out in Appendix 1;**
- **ix. Note the comments of the Chief Finance Officer on budget risks and robustness, as set out in Appendix 8;**
- **x. Note the comments from engagement exercises set out in Appendix 9; and**
- **xi. Delegate authority to the Chief Finance Officer to set fees and charges for 2019/20 onwards and to report to Cabinet and County Council on those set at a level above inflation as part of quarterly monitoring.**

**2. Agree that Chief Officers consult, where appropriate, on the savings proposals set out in the report.**

**3. Approve the fees and charges set out in Appendix 5 relating to executive functions and to delegate authority to the Chief Finance Officer to set all fees and charges for 2019/20 onwards and to report on those set at a level above inflation as part of the quarterly monitoring;**

**4. Continue to lobby Government through all means to provide transitional funding while the Fair Funding Review is being undertaken.**

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## 1. Introduction

1.1 The Council’s net budget comprises three main funding elements: Council Tax, Business Rates and Government grant. As part of its national 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 when Business Rates Retention, incorporating the outcome of the Fair Funding Review, will be introduced.

1.2 The Council’s decisions about how to deal with the funding shortfall, which latest estimates show will amount to £17.051m in 2018/19, 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 service demand and limits the affordability of Council Tax rises;
- poor transport infrastructure and connectivity which, combined with environmental designations, limits business growth – especially that which generates Business Rates: this leads to poor local wages; poor quality jobs and means that the Council's income gap cannot be filled by business rate growth;
- 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 14% between 2017 and 2021. Whilst the proportion of school age people is only expected to rise marginally, the proportion with recognised high needs Special Educational Needs and Disability SEND is above the national average. The number of children in need of support is also starting to rise.

1.3 The Council has been able to meet the challenge of delivering savings 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 sustainable economic growth, keeping vulnerable people safe, helping people help themselves, and making best use of resources.

1.4 Our RPPR process matches available resources with our delivery plans for our priority outcomes. It has enabled us to give relative protection to activity that delivers our priority objectives most effectively. The RPPR process has been applied across all services in the development of the Council Plan (Appendix 3) supported by the MTFP (Appendix 1) and Capital Programme (Appendix 7) set out in this report. We will have made savings of £112m between the beginning of this decade and the end of the 2017/18 financial year. We need to make savings of £17.051m in 2018/19 and an estimated £30.286m across the two following years (subject to the proposed extra 1% increase on Council Tax being agreed).

1.5 Last year, additional short-term funding was available for Adult Social Care (ASC) through the option to apply an ASC Council Tax precept and through the Government's ASC support grant (2017/18 only) and Better Care Fund (reducing to zero by 2020/21). The MTFP includes a 3% ASC precept in 2018/19. The precept was subject to a maximum charge of 6% over the three years to 2019/20. So, as it was levied at 3% in 2017/18, it cannot therefore be levied in 2019/20. It is proposed to retain the current profile given current need.

1.6 As agreed by County Council previously the Capital Programme provides only minimum basic need provision. This includes essential budgets for school places and highways infrastructure.

1.7 This report sets out:

- changes to the national context since the report to Cabinet on 10 October 2017;
- an update on progress on the 2017/18 Council Plan and budget;
- proposals for the 2018/19 revenue budget taking account of changes in the financial picture since October, an increase the Council Tax by 2.99% and an increase the Adult Social Care precept by 3%;
- the savings requirement across the Council including changes since October and final savings proposals;
- the Capital Programme update and the rationale on which it has been developed; and
- feedback from engagement exercises, equalities impacts and proposals for lobbying.

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

## 2. National Context

2.1 The preparations for Brexit continue to dominate the Government's agenda. This means that a number of issues affecting the future sustainability of local government remain unresolved. Whilst the Government is pressing on with its plans for removing its grant to local government, progress has been slow with regard to proposed changes in local government funding, including the Fair Funding Review which will update how Business Rates will be redistributed nationally using a needs based formula.

2.2 As part of the Provisional Local Government Finance Settlement announced on 19 December 2017 the formal consultation on the review of relative needs and resources (the Fair Funding Review) was published. It was also announced that local Business Rates Retention would move from 50% to 75% in 2020/21 and that this would also involve the bringing of Public Health and other grants within the Business Rates Retention methodology, effectively ending the Public Health ring fence and potentially resulting in the Council receiving less income overall. Additionally a reset of the Business Rates Retention system will take place. This will update the redistribution of Business Rates to better reflect how much local authorities are actually collecting in Business Rates (the current system is based on the amount collected in 2010/11 and 2011/12). The Fair Funding Review is essential because there is no link between local Business Rates generation and need. Areas like East Sussex will never be able to support local need adequately from locally raised rates. The Government had been providing some transitional grant to bridge the gap between RSG and the availability of more Business Rates locally, but this ended in 2017/18. Lobbying has continued since the provisional settlement but additional resources cannot be relied on.

2.3 The growth in the elderly population is putting a strain on both local authority and health finances. The Green Paper which was anticipated to look at how services to older people could best be provided has been delayed until the middle of 2018. A permanent solution is unlikely to be available before the temporary funding the Government has made available runs out.

2.4 The Provisional Local Government Finance Settlement also announced that the Government will allow councils to increase Council Tax by a further 1% in 2018/19 and 2019/20 without triggering a referendum i.e. up to 3% rather than 2% and excluding the ASC precept without holding a referendum.

## 3. ESBT and the Health Economy

3.1 The East Sussex Better Together (ESBT) programme has, since its inception in 2013, implemented integrated community services and demand management schemes in order to reduce the number of patients needing acute care. Over time this has delivered a sustained improvement in performance with growth in demand for acute care in ESBT being significantly lower when compared with other health economies in the region and with the national average. In 2017/18 the NHS has faced a significant restriction on its resources and therefore has required an unprecedented level of demand mitigation to meet its financial targets. Despite improved length of stay performance, acute admissions have risen. This, coupled with increased hospital costs, has created a financial deficit within the local NHS.

3.2 It was envisaged that through the course of the Strategic Investment Plan (SIP), which runs to 2020/21, the alignment of our plans would see social care being, in part, supported by NHS resources. The deficit position of the ESBT health economy in 2017/18 means that no NHS support can be expected in 2018/19. The County Council Adult Social Care contribution to the ESBT SIP in 2018/19 will be 77% of its budget (23% relates to Non ESBT), as previously agreed, which will take account of the RPPR savings requirement of £7.717m of savings for the year.

## 4. Council Plan and supporting MTFP

4.1 The draft Council Plan (Appendix 3) continues to be built on the Council's four overarching priority outcomes: driving sustainable economic growth; keeping vulnerable people safe; helping people help themselves; and making best use of resources. Making best use of resources is the priority test through which any activity and accompanying resources must pass. The remaining three priority outcomes guide our activities, direct our resources and are reflected in our Council Plan activities and targets. As resources tighten further, our ambition in some areas will be to maintain performance at current levels rather than seeking improvement. Defining clearly the outcomes we wish to achieve and monitoring our success in delivering these outcomes for the county's residents, communities and businesses is critical. We also keep track of a wide range of key data about East Sussex and related to our priority outcomes. These will help 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.

4.2 The Council Plan provides a summary for each strategic priority including planned actions 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 in April 2018 and refreshed in July when final performance outturn figures for 2017/18 are available. Authorisation is sought for the Chief Executive to make final changes pre and post publication in consultation with Lead Members, as appropriate.

4.3 Previously we have been able to have a detailed three year MTFP and savings schedules, but given the uncertainty about the shape of our future finances we have detailed plans for 2018/19 and indicative totals for the final two years. The MTFP is set out in Appendix 1.

## 5. Progress with Council Plan & Budget 2017/18 since Quarter 2

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

5.2 Since the end of quarter 2 the Care Quality Commission (CQC) has carried out an area review looking at the Health and Social Care interface in East Sussex and the impact of shared working, with a particular focus on outcomes for adults aged over 65. A report on the outcomes is expected in January 2018, when there will be the opportunity to check for matters of factual accuracy. Following this, a summit will be held with key partners so the CQC can provide feedback and identify next steps. An action plan will then be formulated to be overseen by the Health and Wellbeing Board.

5.3 A Delayed Transfer of Care (DTOC) Action Plan is being implemented to address the key issues which cause delays. These are

- Patient or Family Choice—an average of 6.0 delays per week, equating to 33% of ASC delays;
- Awaiting care package in own home—an average of 5.8 delays per week, equating to 32% of ASC delays; and

The impact of these actions is being monitored and performance has shown continued improvement since July.

5.4 As part of our library transformation programme, East Sussex Libraries – The Way Forward, a consultation on the proposed changes was held between September and December 2017. During the consultation 3,639 completed questionnaires (1,907 paper, 1,732 online) were received. We will analyse and consider all of the feedback we received as part of the public consultation, prior to revising the strategy for consideration by Cabinet in March 2018.

5.5 At quarter 2, the projected year-end underspend was £1.0m, after applying centrally held contingency. Within service departments there is a projected overspend of £2.4m. Work continues within services to reduce or mitigate the overall overspend. Within centrally held budgets it is likely that there will be a reduced charge to revenue for treasury management. This is the result of reduced Minimum Revenue Provision due to delayed capital expenditure in 2016/17 and no additional interest charges on new borrowing. Normal practice is to use this to reduce the borrowing requirement for the capital programme, but wider risks need to be considered as part of the RPPR process. Whilst work is ongoing to reduce or mitigate service pressures further, as noted above, the general contingency provision of £3.4m is available to reduce the projected overspend.

5.6 The capital programme has been updated for the quarter 2 position and any subsequent variations and updates that have come to light.

## 6. Revenue Budget 2018/19

6.1 The RPPR Report to Cabinet on 10th October 2017 detailed the MTFP projections for 2018/19 and subsequent years. A key consideration at the time of the October report was the considerable uncertainty affecting the MTFP projections, therefore at that point no updates to the 2018/19 savings requirements were made.

6.2 The changes to the MTFP since the October cabinet report are set out below and detail is provided in the subsequent paragraphs.

| | | **2018/19** | **2019/20** | **2020/21** |
|---|---|---|---|---|
| | | **Estimate** | **Estimate** | **Estimate** |
| | | **£m** | **£m** | **£m** |
| **Cabinet 10th October 2017 DEFICIT/(SURPLUS)** | **Ref.** | **1.080** | **16.424** | **18.725** |
| | | | | |
| ***MTFP inclusive of savings plans*** | | ***21.869*** | ***0*** | ***0*** |
| | | | | |
| Proceeds of Business Rate Pooling | 1 | (0.610) | - | - |
| Council Tax Base and Collection Fund (net of contribution to balances and reserves) | 2 | (0.216) | (1.575) | (0.050) |
| General Contingency (based on agreed formula) | 3 | 0.040 | 0.010 | 0.010 |
| Service Inflation | 4 | 0.471 | 0.118 | 0.088 |
| Business Rates inflation | 5 | (0.466) | 0.304 | 0.135 |
| Departmental budget reviews: reassessment of service pressures | 6 | (2.538) | 0.850 | (0.250) |
| Revised Treasury Management Strategy – to be approved by County Council Feb 2018 | 7 | - | (1.600) | 0.100 |
| New Homes Bonus | 8 | 0.358 | 0.167 | 0.025 |
| NHB to Capital Programme | 8 | (0.358) | (0.167) | (0.025) |
| ***Council Tax: additional 1%*** | ***9*** | ***(2.579)*** | ***(2.850)*** | ***(0.153)*** |
| | | | | |
| **Revised Savings Requirements** | | **17.051** | **11.681*** | **18.605*** |

*Savings requirement indicative only at this stage.

6.3 The changes to the MTFP shown above are as follows:-

1. **Proceeds of Business Rate Pooling –** Confirmation has now been received from the Ministry of Housing, Communities and Local Government (MHCLG) (formerly the Department for Communities and Local Government) of the designation of the East Sussex pool. This is following the Council's agreement to re-establish the pool with

District and Borough Councils for 2018/19. The MTFP has been updated with an estimate of pooling proceeds based on their returns at the end of January 2017, considered a prudent position for budget setting. The MTFP also assumes that the county will continue to pool until the Government rolls out Business Rates Retention, the timing of which is expected to be in 2021.

2. **Council Tax base and collection fund** - The estimate has been aligned to the figures provided by District and Borough Councils in January 2018 and changes reflected through reserves.

3. **General Contingency** - The general contingency is calculated at an agreed formula of 1% of net budget less treasury management.

4. **Service Inflation** - The inflation model has been updated for the inflation figures published by the Office of Budget Responsibility (OBR) at the Autumn budget.

5. **Business Rates Inflation** - Business Rates inflation is provided by the OBR at the time of the Autumn budget. For 2019/20 onwards they have reduced their previous inflation projections from 3.5% to 3.1%.

6. **Departmental budget reviews** - re-assessment of service pressures within departments.

7. **Revised Treasury Management Strategy (to be approved by County Council February 2018)** - A change in risk profile to allow the council to invest in better performing funds will generate additional income from 2019/20 estimated in the region of £1.6m.

8. **New Homes Bonus** - For 2017/18, the Government announced a new methodology for calculating New Homes Bonus (NHB) whereby a threshold of 0.4% growth in housing stock per annum must be achieved before any NHB grant is calculated. A further consultation on the scheme was undertaken in the autumn, but the government is not proposing any changes for 2018/19. NHB figures have therefore only altered for the District and Borough data on actual housing growth**.**

9. **Council Tax: Additional 1%** - At the Provisional Local Government Financial Settlement on 19th December 2017 it was announced that the Government would allow council to increase Council Tax by a further 1% in 2018/19 and 2019/20 without triggering a referendum. i.e.3% rather than 2% and excluding the ASC precept.

6.4 There continues to be uncertainty regarding the replacement funding mechanisms from 2020/21. At the provisional Local Government Finance Settlement the Fair Funding Review consultation was issued and will run for a period of 12 weeks until 12 March 2018. Alongside the implementation of the outcome from the Fair Funding Review, the Government will aim for local authorities to retain 75% of Business Rates from 2020/21, including existing grants such as Public Health and Revenue Support Grant. What this will mean for the Council is as yet unknown.

6.5 With the significant programme of savings already planned a balanced budget proposed for 2018/19. The estimated deficit is £30.286m 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.

## 7. Final Savings Proposals

7.1 In October 2017 the savings needed to give a balanced budget were £21.869m. The revised MTFP enables the savings requirement to be reduced to £17.051m. Savings proposals have therefore been reviewed. Reductions in savings targets have been directed towards priority areas, mainly in Children's Services and Adult Social Care. They are set out in detail in Appendix 4. The table below summarises the movements.

| 2018/19 Savings £m | | | | | |
|---|---|---|---|---|---|
| **Department** | **Oct-17** | **Jan-18** | **Movt Oct-Jan** | **Explanation for Movements** | **Impact of Change on savings targets** |
| Business Services/Orbis | 1.396 | 1.396 | 0.000 | | |
| Children's Services (excl. schools) | 5.404 | 4.029 | (1.375) | MTFP RPPR update (£0.836m); 1% Council Tax increase (£0.539m). | Reduce Support Services (£0.017m); remove Locality (£0.226m); reduce SWIFT and YOT (£0.134m); remove LAC (£0.267m); reduce SLES (£0.050m); reduce ISEND and ESBAS (£0.321m); remove Unallocated (£0.360m).<br><br>*NB: Early Help savings of £1.561m have also been slipped to 19/20 and will be mitigated in 18/19 through use of reserves.* |
| Communities, Economy & Transport | 2.119 | 1.542 | (0.577) | MTFP RPPR update (£0.370m); 1% Council Tax increase (£0.207m). | Reduce Waste (£0.080m); remove grass cutting (£0.400m); reduce Libraries (£0.097m).<br><br>*NB: elements of two savings have been slipped to 19/20 and will be mitigated in 18/19 through use of reserves: Libraries (£0.025m) and Waste (£0.162m).* |
| Governance Services | 0.084 | 0.084 | 0.000 | | |
| Adult Social Care Non-ESBT | 2.960 | 2.283 | (0.677) | MTFP RPPR update (£0.364m); 1% Council Tax increase (£0.313m). | Remove Community Care (£0.677m). |
| East Sussex Better Together - ASC | 9.906 | 7.717 | (2.189) | MTFP RPPR update (£1.177m); 1% Council Tax increase (£1.012m). | Remove Community Care (£1.995m); reduce Assessment & Care Management (£0.194m). |
| **TOTAL** | **21.869** | **17.051** | **(4.818)** | | |

## 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. Current policy is:

- The Chief Finance Officer has delegated authority to approve any increase in fees up to 2% for 2018/19.

- Any individual fee or charge that is increased up to this prescribed rate does 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 removes 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 It is proposed that for 2019/20 onwards, delegated authority is given to the CFO to set the level of fees and charges and to report to Cabinet and County Council as part of the quarterly monitoring report on those set at a level above inflation.

8.3 The schedule of the fees and charges requiring specific approval is set out in Appendix 5.

**9. Council Tax requirement**

9.1 The Government has provided for relevant authorities to charge up to 3% on the ASC precept, subject to a maximum of 6% across the 3 year period 2017/18 to 2019/20. The Council Tax requirement in the MTFP is based on the proposal that this option is taken to maximise the mitigation available across health and social care.

9.2 In the Provisional Local Government Finance Settlement on 19 December the Government announced that Councils could apply a Council Tax increase of up to 3% in each of the next 2 years without triggering a referendum. This was described as following inflation. The Council can therefore increase Council Tax by 5.99% in 2018/19 (including the 3% ASC precept) and 2.99% in 2019/20.

9.3 It is therefore proposed that the Council be asked to consider increasing Council Tax in 2018/19 by 2.99%. It is also proposed that there should be a further 3% increase in respect of the ASC precept. If agreed the proposed band D charge for 2018/19 would therefore be:

| Changes in Council Tax | Council Tax Annual | Council Tax Weekly |
|---|---|---|
| Band D 2017/18 | £1,314.36 | £25.28 |
| 1.99% Council Tax increase* | £26.19 | £0.50 |
| 1.00% Additional Council Tax increase* | £13.14 | £0.25 |
| 3% ASC precept* | £39.42 | £0.76 |
| Indicative Band D 2018/19* | £1,393.11 | £26.79 |

* Council Tax and ASC precept are rounded as they are required to be divisible by nine.

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 Business Rates for 2018/19. The draft precept calculation and dates are at Appendix 6.

**10. 2019/20 & 2020/21 and beyond**

10.1 The level of uncertainty about the Government's plans and funding for services provided by Local Government means that there could be fundamental changes in both the resources the Council has available and its expectations for service delivery, so the process for the latter two years of the Council's MTFP will, necessarily be iterative. Currently, the MTFP is predicated on the need to make £30.286m of savings during these two years.

10.2 If there are no new resources from Government, by 2021/22 the Council will be left with a minimum service offer. It will provide safeguarding for all ages, will still meet critical and substantial need in ASC and will deal with the highest level of need and risk cases in Children's Services. We will continue to use our influence to assist with the economic development of the county, but will not be able to invest directly in the way we have in the past. We will be able to carry out maintenance on our roads so that they are safe for users. Central services will be reduced to a democratic core with minimum support for departments and more self-service. We will not be able to fund early intervention or prevention services in Adult and Children's Social Care or support to schools to improve attainment. We will have to move away from assets management in highways towards more reactive maintenance, leading to long-term deterioration of condition.

10.3 This challenging outlook places a premium on our lobbying work and the need to explore all our options. Cabinet is asked to endorse a renewed focus on commercialisation and income generation, partnership working and the following areas of search for savings in future years, in order that a balanced budget, focused on priorities, can be achieved in 2019/20 and 2020/21:

- All areas of ASC not directly involved in providing for critical and substantial need;
- Standards and Learning Effectiveness Service;
- Remaining Children's early help offer;
- Highways maintenance;
- Public transport and concessionary fares;
- Road safety and school crossing patrols; and
- All support services.

## 11. Capital Programme

11.1 Due to the ongoing financial pressures the Council is facing, the Capital Programme 2017/23, as agreed at Full Council on 7th February 2017, focuses on a strategy to deliver core need as efficiently as possible. Where there are other service developments and investment opportunities that require capital investment (that are not identified as core need), they will be required to be either match funded or would require a business case that demonstrates benefits. Approved bids are added to the programme in line with the current variation policy.

11.2 The areas of essential core need included in the 2017-2023 programme are:

- Schools Places (early years, primary, secondary and special);
- Highways Structural Maintenance, Bridge Strengthening; Street Lighting; Rights of Way and Bridge Replacement Programme;
- Property Building Maintenance;
- ICT Strategy;
- Adults' and Children's House Adaptations Programme; and
- Libraries

11.3 In addition to the core need, there are a number of other fully funded schemes which are either funded through our Local Enterprise Partnerships, or for the provision of grants and loans. These were originally pump primed in the 2013-2018 programme and include the Economic Intervention Fund which, by 2021/22, will become self-funding.

11.4 The approved programme has now been updated to include the Quarter 2 position and other approved variations and updates, the details of which are set out Appendix 7.

## 12. Robustness and Opportunity Cost of Reserves

12.1 The State of the County report gave an estimated total earmarked reserves balance of £45.2m at 31.03.21. Since then there have been some updates and the estimated position by 31.03.21 is now £44.2m. The current reserves position is shown in the table below.

| | **01.04.18 Estimate £m** | **31.03.21 SoC Estimate £m** | **31.03.21 Estimate £m** |
|---|---|---|---|
| *Held on behalf of others or statutorily ring-fenced* | 19.9 | 17.0 | 13.9 |
| | | | |
| Waste Reserve | 12.8 | 12.8 | 12.8 |
| Set aside for the new Capital Programme 2018/23 | 21.0 | 0.0 | 0.0 |
| Insurance | 5.5 | 5.9 | 5.5 |
| Strategic Reserves: | | | |
| Risk | 3.1 | 2.8 | 4.5 |
| Priority Outcomes and Transformation | 7.8 | 3.0 | 3.4 |
| Financing | 18.5 | 3.7 | 4.1 |
| Total Strategic Reserves | 29.4 | 9.5 | 12.0 |
| **Total ESCC service specific reserves** | **68.7** | **28.2** | **30.3** |
| | | | |
| **Total Reserves** | **88.6** | **45.2** | **44.2** |

12.2 Additionally, there is a General Fund balance held by the Council of £10m. This is a minimum general balance that is assessed annually in relation to risks facing the Council. The £10m is lower proportionately than most other Authorities.

12.3 Following the review and policy update conducted for the State of the County in June, the level of reserves held by the Council is considered appropriate. It is becoming increasingly important to hold sufficient reserves for the future given the financial uncertainty ahead. It is proposed that where possible resources are transferred to the Financing and Risk reserves e.g. the net underspend from 2017/18. Details of the reserves held can be found in Appendix 2. The Chief Finance Officer Statement on Budget Robustness can be found at Appendix 8.

**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 7a. 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 and Implications

14.1 The savings proposals for the next year could lead to the reduction in the region of 200 fte staff. The County Council has established robust employment protection policies and will continue to try and avoid making compulsory redundancies, wherever possible.

## 15. Engagement Feedback and Future Consultation

15.1 The views of the Scrutiny Committees and the outcomes of engagements events with young people and partners are set out at Appendix 9. The views of Trades Unions will be tabled at the meeting and those of representatives of business ratepayers will be tabled at the County Council following their respective consultation events.

15.2 The timing of different decisions is dependent on a range of circumstances including the complexity and level of interest. The options open to the Council include:

- the budget is set by County Council, following which the Cabinet will make decisions relating to service delivery, and as part of that decision making process a consultation will be undertaken prior to the final decision; and
- the consultation starts to explore proposals, and in the meantime a separate decision is taken by full Council in relation to setting the budget; and following the closure of the consultation Cabinet then considers the responses and makes a decision relating to service delivery. It is really important to stress that just because the consultation is ongoing at the time the budget is set does not mean any decision has been taken by the Cabinet about the outcome of the consultation or how services will be delivered. When the Cabinet considers the issue (including the results of the consultation) after the budget has been set it is still open to the Cabinet to decide to spend, the same, more or less on an area. The constitution contains rules allowing amounts to be transferred between various budget heads and if necessary a referral back to County Council can be made to reconsider allocations.

## 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. 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 year our lobbying has included the Stand Up for East Sussex petition, which garnered
nearly 6,000 signatures and was submitted to the Prime Minister in December.

## 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 – Medium Term Financial Plan**

**Appendix 2 - Budget Summary 2018/19**
Details of draft Revenue Budget 2018/19, Medium Term Financial Plan future four years 2017/18 – 2020/21, Capital Programme to 2022/23

**Appendix 3 - Council Plan**
Draft plan, priority outcomes narrative, performance measures and targets 2018/19 – 2020/21

**Appendix 4 – Final Savings Proposals**
Details of savings 2018/19, summary impacts and overall equalities impact assessment for the Revenue Budget. Based on an overall Council Tax increase for 2018/19 of 5.99% (includes 3% Adult Social Care precept) and summary of the equality impact assessment of the Revenue Savings out in appendix 4

**Appendix 5 - Fees and Charges**
Schedule of fees and charges for 2018/19 requiring approval as part of the annual budget report

**Appendix 6 - Council Tax Precepts**
Details of draft Council Tax charges by band for East Sussex County Council and precepts for each billing authority

**Appendix 7 - Capital Programme Supporting Information**
Background and supporting information for the Capital Programme; financial details are in Appendix 2

**Appendix 7a - Equality Impact Assessment for Capital Programme** Summary of the equality impact assessment of the Capital Programme set out in Appendix 2

**Appendix 8 - Chief Finance Officer Statement on the Budget Robustness**
Comments on budget risks and robustness by the Chief Finance Officer and details of reserves

**Appendix 9 – Engagement Feedback**
Summary of the views of Scrutiny Committees and engagement events with partners, trade unions and businesses.