

Report to: Cabinet
Date: 17 July 2018
By: Chief Executive
Title of report: Reconciling Policy, Performance and Resources (RPPR) – State of the County
Purpose of report: To update members on the issues which need to be taken into account in the priority and budget setting process for 2019/20 and beyond

RECOMMENDATIONS:

Cabinet is recommended to:

- i) note the evidence base on demographics (Appendix 1) and the National and Local Policy and resources outlook (Appendix 2);**
 - ii) review the priority outcomes which form the basis of the Council's business and financial planning set out in paragraph 2;**
 - iii) agree the revised Medium Term Financial Plan and scenarios as the basis for financial planning (Appendix 3);**
 - iv) agree to the development of the Core Offer set out in paragraph 5;**
 - v) agree to the development of a three year business and financial plan based on the priority outcomes, financial scenarios and the draft Core Offer;**
 - vi) agree to continue to develop activity and financial plans to deliver the cuts needed in each of the next three years to operate within the resources available in each of the three financial scenarios;**
 - vii) continue the work on the communications and lobbying plan based on the Core Offer and the need for sustainable funding for the county;**
 - viii) agree to receive reports on more detailed plans for the next three years in October 2018; and**
 - ix) agree the updated Capital Programme set out in Appendix 4.**
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1 Background

1.1 The State of the County report is part of the Council's Reconciling Policy, Performance and Resources (RPPR) process, the Council's integrated business and financial planning cycle. The report sets out the context and provides an overview of the latest position in preparation for more detailed planning for 2019/20 and beyond. The Council spends over £370m net each year and it is vital that these resources, in partnership with others, are deployed in the most effective way.

1.2 This report sets out the policy and financial context within which the County Council is working. The next three years will see more reductions in Government funding. Together with the growth in demand for services, particularly for older people, this means that, notwithstanding the value for money our services offer and the high Council Tax paid by local people, the services we can offer will be constrained. The report sets out the Core

Offer, which will be funded according to our priority outcomes, and is the best service offer we are likely to be able to afford. It will fulfil our duties, offer support to those most in need, preserve some level of early help and prevention and assist with the economic development of the County. There are many variables, but we may reach this level of service by the end of 2020/21 and there is no guarantee that we will have sufficient resources to deliver even the Core Offer sustainably beyond that date unless the Government addresses our fundamental funding issues, which we share with much of local government.

1.3 The Local Government Association (LGA) has estimated that there will be a £5.8bn funding gap by 2019/20 in local government nationally and the County Council Network (CCN) has carried out research which shows that many County Council leaders are not confident that they can deliver balanced budgets beyond 2020/21 without additional cash from the Government.

2 Council Priority Outcomes

2.1 The Council's business and financial planning is underpinned by its four priority outcomes, which provide a focus for decisions about spending and savings and will direct activity across the Council.

2.2 The current four priority outcomes are:

- Driving sustainable economic growth;
- Keeping vulnerable people safe;
- Helping people help themselves; and
- Making best use of resources.

The priority outcome that the Council makes the "best use of resources" is a test that is applied to all activities.

2.3 Those services across all departments which make the most significant contribution to achieving the outcomes under each of the priority areas have been prioritised for investment and, where possible, given relative protection from the requirement to make reductions. The scale of the savings the Council has delivered and the extended period over which savings have been required means, however, that the scope for making savings in non-priority areas is very constrained and therefore savings in areas which support our priorities continue to be inevitable.

3 Demand Changes and Pressures and Financial Background

3.1 The next three years will see demand for services continue to rise due to demographic pressures. The main changes affecting demand are set out below in paragraphs 3.2-3.5 below.

Older People

3.2 Demand for Adult Social Care (ASC) will continue to increase, both as a result of the growth in the proportion of older people and the complexity of their needs with increasing longevity. The proportion of people over 65 in East Sussex is considerably higher than nationally – 25.6% in East Sussex compared to 18% in England. By 2022 this will have risen to 26.7% (19% in England) and by 2031 it will be 31% (22% in England). The proportion of those aged over 85 is already significantly higher in East Sussex than nationally and will continue to rise sharply. It is this group that are the most likely to need our services.

3.3 This increased demand is partially recognised by the Government, which has responded by making a series of short term, one off funding streams available to Councils and the NHS. It has also allowed councils with ASC responsibilities to raise an additional Council Tax levy to contribute to meeting those pressures. In June the Government

announced an additional £20bn for the NHS between 2019/20 and 2023/24, to be made through a series of above inflation annual increases. No additional money for social care has been announced, despite it serving the same population and being crucial to getting and keeping people out of hospital. A much delayed Green Paper on older people is anticipated to make some positive suggestions about how the funding gap in social care can be addressed, but this is unlikely to result in legislative and long term funding changes in the next three years.

Children and Young People

3.4 The number of young people (aged 0-17) will increase by 2.7% in the next three years. We will need to provide school places both in the right areas and of the right kind of provision to meet demand.

3.5 The number of children in need of help and protection also continues to rise locally and nationally, due to the increase in families experiencing financial difficulties leading to neglect and a rise in child exploitation through drug related and other behaviours. Additionally there is a growth in the numbers of children with statements of Special Educational Needs and Disability (SEND) or Education Health and Care Plans (EHCPs). Coupled with the extended period over which Councils have been made responsible for the education of children with SEND to 25 years old, which was unfunded, this adds considerably to the pressures in Children's Services. The LGA has estimated that there will be a £2bn shortfall in the national funding for Children's Services by 2020.

The Economy

3.6 Whilst improving, the economy in East Sussex still underperforms the rest of the South East. We need to keep on creating good quality jobs so that the county's economy continues to improve and to ensure that people have the right skills to take advantage of those jobs, to help local residents live prosperous, healthy and self-sufficient lives.

Housing and Infrastructure

3.7 The key issues in this area are the growth in the number of households in the county and the need to provide suitable accommodation for the new and smaller households that will constitute the increase. In addition, the affordability gap between house prices and wages means that home ownership is unachievable for many. If these housing needs are not met it could lead to an increase in the numbers of people living in poor or unsuitable accommodation. The resulting health and social issues have direct costs for the County Council. Lack of suitable accommodation for older people could mean more entering care earlier than needed.

3.8 We have made and attracted considerable infrastructure investment into the county, but there is still much that needs to be done in terms of road and rail investment in particular to support the housing growth the county needs and to allow people in and moving to the county to access high quality employment.

Resource Background

3.9 In addition there are additional cost pressures from general inflation, increases in contract prices, wage rises and changes to the national minimum wage. The Government is working on a funding formula to decide how nationally retained business rates will be distributed to local authorities. Only 75% of the available funding will, however, be redistributed to councils.

3.10 Any growth in the Council's resources will need to come from either local Council Tax or business rates. Council Tax for East Sussex County Council is the 5th highest of any county in England. When district precepts are taken into account, Council Tax in county areas is higher than in other English areas. Business rate growth in East Sussex has been fairly flat historically.

3.11 Nationally the issues caused by Brexit and the announcement of additional funding for the NHS means that the Government's capacity to deal with wider social issues is limited and the scope for funding to address problems outside of the health service is limited. The national context in which our local issues are set and which will need to be taken into account in the Council's plans is set out in Appendix 2.

4. Current Position

4.1 The County Council plays a key role in the quality of life of the residents, communities and businesses of East Sussex through services, employment, purchasing and how we work in partnership with others. Against a background of ever diminishing resources and increasing demand, especially in social care, the County Council has been working over the last eight years to ensure that the core set of services and infrastructure most needed from the Council is available to residents and businesses and to ensure we work in a way that supports people to be actively involved in their communities and solve the issues that are most important to them.

4.2 We have worked to ensure:

- What we do represents good value for money;
- Our activities are transparent and we can be held to account;
- We operate as One Council and focus on key areas for County Council action;
- We prioritise the investment available for front line service delivery by maximising the resources available to us through income generation, treasury management and working in partnership with other organisations;
- We remain true to our purpose and carry out all we do professionally and competently; and
- We remain ambitious, optimistic and realistic about what can be achieved.

4.3 Robust and innovative management means we have transformed the way the Council works and managed to make £129m in savings since 2010 (including those planned for 2018/19). We have done everything possible to make the most of the money available. We have a joint back office function with Surrey County Council and Brighton & Hove City Council; we have implemented excellent early help arrangements in Children's Services which have helped us to avoid the level of rise in the number of children being taken into care that has been seen elsewhere in the country; and we have put in place some excellent services to support health and social care integration.

4.4 Making savings on this scale has not, however, been easy or without impact on front line services. The Council has had to reprioritise its investment and reduce the extent and breadth of its service offer. This has meant significant impacts in community based ASC services, in assessment and care management staffing levels, in family centres, in the universal youth service offer, in the libraries and cultural offer and the amount spent on the highways network and the public realm. The scale of the savings the Council has needed to make to date and the continued pressure on budgets in the future mean that, despite continuing commitment to maximise efficiency and generate income, it will have to concentrate services on those in most urgent need and will not be able to maintain a comprehensive offer of universal services to all residents. Currently we spend 64% of our net revenue budget on Children's Services and ASC and only 17% on the universal services provided by Communities, Economy and Transport.

4.5 Local Government has to date borne the brunt of austerity and savings it has been required to make are higher than in most areas of government expenditure. All Councils, particularly those with high levels of social care demand, are facing real challenges. Budget analysis of the County Councils carried out by the CCN shows that they face funding pressures amounting to £3.2bn over the next two years alone, £1.8bn of which are due to projected demand and future inflationary pressures - £1.2bn of which is attributed to Children and ASC. Our demographic means, however, that we have already had to make choices that others are only just beginning to face in order to meet the needs of our vulnerable elderly people, whilst continuing to provide a basic level of service to the rest of our population.

5. Our Core Offer

5.1 With so much already taken out of our budget and more still to save, the County Council now needs to articulate a Core Offer of the realistic level of service we must provide, not merely to meet our statutory duties but to meet real local need. It will need to include an element of early intervention and prevention to prevent an escalation of urgent need and more expensive interventions. It will also include work to support the economy of the county – helping to ensuring that local people have access to well paid, high quality employment is one of the most important things we can do to build resilience and reduce dependency on public services. It is suggested that a Core Offer is developed on the basis set out below.

Highways

5.2 Our core offer:

- Provide sufficient maintenance to keep our highways, footpaths, verges, street lighting and traffic signals safe to use.

Community Services

5.3 Our core offer:

- Provide core archives and records services;
- Provide a statutory trading standards service (e.g. inspections and sampling for high risk food, animal disease control and prosecutions and enforcement actions);
- Provide a statutory Road Safety service:
 - carry out studies into road accidents, and take measures to prevent such accidents;
 - undertake Road Safety Audits on all internal highway improvement schemes;
- Provide a modern and sustainable Library and Information Service, based on current and future needs, and set up support for communities who wish provide a more local service;
- Provide a Gypsy and Travellers service and maintain Bridies Tan transit site and the four permanent traveller sites in East Sussex;
- Provide a core Emergency Planning service ; and
- Provide Registration Services.

Transport

5.4 Our core offer:

- Manage the National Concessionary Fares Scheme in East Sussex; and
- Operate Civil Parking Enforcement where it has been implemented.

Economy

5.5 Our core offer:

- Act as a strategic authority that intervenes, in partnership, decisively and cost effectively where it can make a difference, especially by leveraging in external funding.

Waste Disposal

5.6 Our core offer:

- Dispose of household waste collected by the borough and district councils (Integrated Waste Management Services (PFI) Contract); and
- Provide a limited number of household waste disposal centres.

Planning & Environment

5.7 Our core offer:

- Statutory Planning Service and Development Control service;
- Statutory Flood Risk Management; and
- Statutory Strategic Transport Planning (including delivery of the Local Transport Plan).

Support to schools and pupils

5.8 Our core offer:

- Plan for the right number of school places in the right locations in the county
- Administer a school admission process;
- Commission and purchase Home to School Transport where there is a statutory duty to do so;
- Safeguard children and young people;
- Manage referrals and undertake statutory assessments of children with SEND and commission suitable placements;
- Monitor performance of all schools: advise the Regional Schools Commissioner about concerns relating to academies and identify support for maintained schools at risk of being judged to have serious weaknesses or being placed in special measures by OFSTED;
- Work with schools to support vulnerable pupils who are at risk of or have been excluded or who are not attending; and
- Ensure children who are being educated at home receive suitable provision.

Children's Social Care

5.9 Our core offer:

- Provide care and support for children and young people where there is evidence that they have suffered significant harm or are at immediate risk of significant harm and provide an alternative home for children who are unable to live with their parents or in their extended family;
- Commission the health visiting service to undertake statutory checks and provide help and advice to parents;
- Provide key worker support for those families covered by the Government's Trouble Family programme and payments; and
- Arrange youth provision where others fund it but think we are best placed to deliver.

Older people and working age adults

5.10 Our core offer:

- Assess and meet critical and substantial need and commission and deliver services that meet that need directly or through the independent and voluntary sectors;
- Engage with the market to ensure that they are aware of and can meet current and future need; and
- Ensure a robust safeguarding system to protect vulnerable people.

5.11 This will be delivered through:

- Health and Social Care Connect – which allows people to
 - report abuse or neglect;
 - apply for care and support; and
 - get support for a carer.

- Locality Teams – multidisciplinary teams of professionals from health and social care. These can include nurses, therapists, social workers and proactive care practitioners to provide consistent care for local people;
- Joint Community Rehabilitation - occupational therapists, physiotherapists and support workers to provide re-ablement and rehabilitation services which help people restore or minimise loss of function and maximise independence and/or wellbeing;
- Equipment and Technology to support independent living; and
- Supporting People – where it provides a replacement for direct care.

How we will work

5.12 Our core offer:

- Members will be supported to fulfil their role as the democratic voice of local people;
- We will be open and transparent about what we do and the decisions we have made and provide information about how we run things;
- We will engage with local people and communities about their aspirations for the lives and respond to their feedback; and
- We will give the best possible customer service.

5.13 If agreed by Cabinet, the Core Offer will be further defined and costed over the summer and used as the basis for business and financial planning in the next three years. The scope and remit of service reviews currently underway will also be reviewed to ensure that they fit within the Core Offer and the resources likely to be available in three years' time.

5.14 Having defined this offer we need to ensure that the public and businesses are aware of it. We also need to engage with them in a discussion about the new offer to the community. The discussion will need to provide assurance that we will continue to strive to deliver the best Core Offer we can within the resources available; but that we also need to encourage and support behaviour change in our communities which will help to deliver positive outcomes for the county and create resilience in places where the Council can no longer step in.

6 Medium Term Financial Plan

6.1 The Medium Term Financial Plan (MTFP) is set out in Appendix 3.

6.2 The projection of Government funding is based on what has currently been confirmed in the latest Local Government Financial Settlement. ESCC's funding will reduce by a further net £16.9m over 2019/20 – 2021/22. In the same period there are unavoidable costs to cover projected inflation and demographic pressures of £65.3m. This equates to a real term loss of purchasing power over this 3 year period of £82.2m. Forecast increases in Council Tax receipts brings £35.8m additional funding but this still leaves a shortfall in spending power of £46.4m, which represents the current forecasted savings requirements.

6.3 The updated MTFP sets out a worst case scenario deficit budget position by 2021/22 of £46.4m.

Medium Term Financial Plan	2019/20	2020/21	2021/22
	£'000	£'000	£'000
Total Resources	(373,957)	(381,025)	(390,409)
Total Expenditure	389,713	415,020	436,769
Total Budget Deficit	15,756	33,995	46,360

6.4 This position excludes the potential positive impacts of a number of national funding streams. Whilst there isn't enough certainty to include additional funding in our MTFP, more money may become available though:

- The Fair Funding Review: a revised formula for Local Government funding allocation is awaited and the Government's timetable indicates that baseline funding levels and finalised transitional arrangements will be ready by autumn 2019, for implementation in 2020/21.
- Older People Social Care Green Paper: now delayed until the autumn but unlikely to provide additional funding until after Comprehensive Spending Review (CSR) and General Election. The Government may make announcements in the Autumn Budget of interim funding arrangements for Social Care to complement the funding it has announced for the NHS.
- Business Rates Retention: the Government are working on a mechanism to move to 75% retention locally of Business Rates. There is also potential for further pilots for 2019/20 but we await the invitation to bid and details of pilot requirements to be published.
- Comprehensive Spending Review 2019: Central Government is set to review funding allocations to all departments, which will impact from 2020/21 but no information is available at this stage.

6.5 There is uncertainty about the future of the Public Health Grant (2018/19 - £27.3m). Government currently plans to remove the ring-fence and to subsume the grant within the Business Rates Retention system. There is significant risk that funding will not be sufficient to meet current levels of Public Health service provision.

6.6 There are therefore a range of financial scenarios that we could face over the next three years.

Financial Scenarios

6.7 There are a number of potential additional or new funding streams or permissions which have currently been excluded from the MTFP, due to the level of uncertainty about whether they will materialise. Appendix 3 sets three possible scenarios based on the availability of additional funding for ASC, Children's Services, Council Tax and business rates. The scenarios potentially reduce the savings figure of £46.6m down to between £39.5m and £12m. The lower target is unlikely to materialise – but additional funding for ASC could become available later in the year. The scenarios will be modelled into the development of the Core Offer and will help us to develop further lobbying activity.

7 Capital Programme

7.1 The approved programme has now been updated to reflect 2017/18 outturn and other approved variations and other updates, the details of which are set out in Appendix 4 including the revised programme.

7.2 A summary of the movements in the gross programme are set out in the table below, further information on each item can be found at Appendix 4:

	£m
Total Programme at Feb 2018 (gross)	444.2
2017/18 Outturn	(81.7)
Net nil variations	15.0
Approved business case – Conquest centre	0.3
Total Programme at July 2018	377.8

7.3 The borrowing requirement at February 2018 was £109.7m. This can now be reduced to £85.6m, primarily due to use of borrowing in 2017/18 of £13.8m, additional

capital receipts of £13.7m together with additional grant funding of £1.8m that can support the current planned programme. This does not include borrowing for the risk provision which has been revised to £7.5m to reflect the current programme.

7.4 The proposed 2018-23 Capital Programme is therefore £377.8m gross, funded by £92.1m specific income, giving a net budget of £285.7m before any risk provision.

8 Lobbying

8.1 Over the last year the Council has carried out extensive lobbying to raise awareness of the issues affecting the people of East Sussex and the effects that reductions in Government funding are having on our ability to support local people. We will continue to impress on the Government that we are already close to the Core Offer. The reduction in resources we face and the growth in demand for children's and adult social care due to demographic growth and change could make the offer unviable beyond 2020/21 unless the financial outlook changes. Although all councils with demand led services are experiencing financial challenges, the County's demographic means that we face now the problems that will not hit others until much later.

8.2 We will lobby, both on our own and with others, for the urgent funding the Council needs in the next financial year to make our services sustainable in the long term and for the removal of those Government requirements that would not be our highest priorities if we were able to target our resources at areas of greatest need. For example, the £8m we are obliged to spend on concessionary fares for older people would provide care packages to allow 700 of the most vulnerable people in this group to continue live independently.

9 Next Steps

9.1 The Core Offer will be developed and costed over the summer. It will form the basis of our future lobbying work and discussions with residents, businesses and partners about what we can realistically provide and how we can help to create resilience in places where the Council can no longer step in.

9.2 More detailed plans will be considered by Cabinet and Scrutiny Committees throughout the autumn in the lead up to our budget setting meeting in February 2019.

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