

Report to: Cabinet
Date: 16 July 2019
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 2020/21 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 and Core Offer which form the basis of the Council's business and financial planning set out in paragraph 4 and appendix 3;**
 - iii) agree the revised Medium Term Financial Plan as the basis for financial planning (appendix 4);**
 - iv) continue the work on lobbying and communications based on the Core Offer and the need for sustainable funding for the county;**
 - v) agree to receive reports on more detailed plans for the next three years in the autumn when there is greater certainty about funding; and**
 - vi) agree the updated Capital Programme set out in appendix 5.**
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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, its 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 2020/21 and beyond. It builds on our recent year-end monitoring report to reflect on our achievements over the last year, the challenges in the year ahead arising from both local and national factors and in the light of all of this begins to refine our plans for the next three years to guide our business planning and budget setting processes.

1.2 The report sets out the evidence base (appendix 1), the national and local policy and resources context (appendix 2) within which the County Council is working. It also provides an update on our Core Offer (appendix 3), Medium Term Financial Plan (appendix 4) and the Capital Programme (appendix 5).

1.3 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. The Core Offer developed last year, builds on our priority outcomes to ensure our spending is directed towards areas of highest need. The Core Offer sets a realistic and ambitious assessment of the services East Sussex residents could reasonably expect of a competent County Council in a time of austerity. This needs to be a dynamic offer, which changes with circumstances and this report provides the opportunity for members to review the Core Offer, including the proposed

refinement of the public health Core Offer, to ensure that it still best meets local circumstances, taking account of likely resources.

1.4 Moving to the Core Offer will contribute further savings in the next two years, but these will not meet the shortfall in funding we anticipate if no additional money is available from the Government. This may mean members face some extremely challenging choices when setting the budget if the Government cannot be persuaded to continue the one-off funding we have received in recent years in the short term and does not make long term sustainable funding available to local government.

1.5 Huge uncertainty dominates the context within which we are working. The timing of Brexit and nature of any deal will have implications for the national and local economy, the services we provide and the prospects for public services in a spending review. The change in the Prime Minister may have implications for a range of policy areas affecting the Council and its services.

1.6 Against this background the report sets out a proposed lobbying and communications activities to help us ensure that the Government is aware of the need for our funding gap to be addressed urgently if we are to maintain the Core Offer in the light of growing demand and ever diminishing resources.

2. Current Position

2.1 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 to ensure that the core set of services and infrastructure most needed from the Council is available to residents and businesses and that we support people to be actively involved in their communities and solve the issues that are most important to them.

2.2 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.

2.3 The council continues to perform well. In our services we seek to provide a culture of strong leadership and supportive management, which empowers staff delivering services to be creative and innovative in their work to support the County's residents and businesses. We use evidence to understand the needs in the locality and to evaluate the work we do to maximise the benefits we can achieve for the investment we can afford. This culture has led to good outcomes and innovative practice across all departments.

2.4 The council is deeply committed to working in partnerships, other public sector agencies, the voluntary and community sector, the education sector, residents and businesses towards the common goal of improving the health, economy and wellbeing of all those in the county we serve.

2.5 These two threads run through all our work. We have continued to deliver good quality services, notwithstanding the difficulties we face through ever growing demand and diminishing resources. Some examples of the quality services we provide are set out below.

2.6 Our children's services have been recognised as outstanding by Ofsted, and the inspectors cited the "East Sussex model of 'connected practice', resulting in helpful, enduring and trusting relationships between practitioners, children and their families, sometimes over many years. Examples of creative and purposeful direct work with children are widespread, and this work leads to substantial improvements in children's lives." "An accurate understanding of strengths and weaknesses underpins targeted and purposeful investment in well-regarded and nationally recognised projects and initiatives. This approach firmly supports continual improvement."

2.7 In Adult Social care we have continued to work on integration with health with the focus on financial sustainability and innovative service improvement. This work has been held up by the Care Quality Commission as best practice. Our innovations include:

- Home First - discharging people from hospital before ongoing needs are assessed, so patients are seen in their own home and there are lower rates of admission to residential care
- High Intensity User services – providing health coaching to people who are frequent users of emergency health services
- A&E 5 Pathways puts ambulance staff and GPs in contact with our Crisis Response team preventing A&E admissions
- Reablement and rehabilitation - helps people to regain mobility and skills so they are more able to stay at home and need less support
- Care with confidence – helps people to find the help they need at home
- Technology Enabled Care Services – 8,500 clients are using sensors which can detect falls; respond to fire alarms, dispense medication and do welfare checks.

We will continue to contribute to and work in partnership with East Sussex NHS partners and more broadly with the STP on the NHS five year plan.

2.8 Our sustained investment in roads since 2013 has halted deterioration and shown marked improvement in the condition overall;

- A roads from 7% needing improvement to 5%.
- B and C roads from 9% needing improvement to 7%.
- Our unclassified roads from 25% needing improvement to only 9%.

Whilst we have invested in planned maintenance for the long term, we still respond to problems when they happen. Last year we repaired 25,000 potholes in addition to our extensive surfacing and patching programmes.

2.9 We know transport infrastructure is key to delivering growth, unlocking employment and housing land and encouraging inward investment. We have:

- done work in our town centres including Heathfield and Eastbourne
- completed the North Bexhill and started work on the Newhaven Port access roads
- worked with Highways England on improvements at Polegate and Drusilla's roundabout and the study into a new dual carriageway, which will be published in the autumn
- established TfSE to ensure a strategic approach and single voice maximises investment.

2.10 Where savings have been made, we have innovated and concentrated our resources to support those with the greatest needs. We have also encouraged community action where the Council is no longer able to support local services. The new East Sussex Libraries: The Way Forward Strategy (2018/19 – 2022/23) sets out our vision for a modern library service. In support of the four strategic aims of the strategy it includes a new Children and Young

People's Offer, which provides literacy and numeracy support, including outreach work for pre-school and school age children and their families. Adults with low literacy are supported through accredited courses in English, Maths and ICT at Eastbourne and Hastings libraries and our community offer has seen libraries handed over to local groups to run in a number of community borrowing facilities opened in areas not previously served.

2.11 We have worked creatively and innovatively with others to ensure that our back office services are cost effective and support our front line workers effectively, contributing to the £1m savings in business services in the last year alone. We use our spend with suppliers to support local business wherever possible and to encourage social value such as apprenticeship opportunities and facilities offered to local voluntary groups. During 2018/19 we reduced the amount of CO2 arising from Council operations by 6%, 8.1% from schools; and a 4.6% reduction from the corporate estate, including street lighting.

2.12 The scale of savings we have had to make has not 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 Adult Social Care 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 continued pressure on budgets in the future means that, despite continuing commitment to maximise efficiency and generate income, services will continue to be concentrated on those in most urgent need and a comprehensive offer of universal services to all residents will not be maintained.

3 Demographic and Demand Changes and Financial Background

3.1 Appendix 1 sets out the key factors in relation to demography, housing, deprivation, health and economy affecting the county and the impact they are having on demand for our services. The main changes affecting demand are set out below in below.

Older People

3.2 Demand for ASC will continue to increase, both as a result of the growth in the proportion of older people in the population and the complexity of their needs with increasing longevity. The proportion of people over 65 in East Sussex is considerably higher than nationally – 26% in East Sussex compared to 18% in England. By 2023 this will have risen to 27% (19% 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. The Government last year announced an additional £20bn for the NHS between 2019/20 and 2023/24, through a series of above inflation annual increases. No additional ongoing money for social care has been announced, despite it serving the same population and being crucial to getting and keeping people out of hospital. In addition, there is significant concern that the allocation of the Better Care Fund, through Clinical Commissioning Groups to Local Authorities, could be under threat as funding of the NHS is realigned. The much heralded but delayed Social Care Green Paper is still awaited.

Children and Young People

3.4 The number of young people (aged 0-17) will increase by 3% in the next three years. Additional schools capacity in the right places to meet demand is either in place or planned.

3.5 The number of children in need of help and protection also continues to rise locally and nationally, linked to the increase in families experiencing financial difficulties. Additionally there is a growth in the numbers of children with statements of 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 has added considerably to the pressures in Children's Services.

Housing and Infrastructure

3.6 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. This has resulted in greater reliance on the private rented sector.

3.7 The number of households living in temporary accommodation in the County more than doubled between 2015/16 and 2017/18, with the largest numbers in Eastbourne. In addition, more households are being affected by the reduction in the benefit cap. The cap sets a national limit on how much benefit can be received by any households. In 2016 the cap was reduced from £26,000 to £20,000 for those with dependent children and from £18,200 to £13,400 for those without children. There has been more than a fourfold increase in households affected since the change was made. The cap is likely to affect households in the South East more than the rest of the Country due to high market rents for property and may be contributing to the number of families becoming statutorily intentionally homeless. These families cannot claim housing benefit or universal credit to help with the cost of housing resulting in the County Council meeting the cost to prevent children becoming destitute. The Council spent £423,000 on 20 such families in 2018/19.

3.8 The Council is supporting growth by making and attracting investment into the County. 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

The Economy

3.9 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.

Resource Background

3.10 In addition to the pressures set out above, cost pressures arising from general inflation, contract prices and wage rises place a significant burden on service budgets to just stand still.

3.11 The next three years will see major change to the way local government is financed. Revenue Support Grant (RSG) will disappear to be replaced with a system of local government funding entirely through business rates and Council Tax. There is expected to be some continued redistribution of business rates across the country, based on a fair funding review of relative need and the Government has said that it will carry out a spending review in the autumn. However, the timing of both of these is uncertain and likely to be delayed due to Brexit and there is no indication that either will provide significant new resources for local government. The national uncertainty regarding the timing and

deliverability of the Spending Review (SR), Fair Funding Review (FFR) and Business Rates Retention Review (BRRR), places a greater challenge in setting a balanced budget for 2020/21.

3.12 Any growth in the Council's resources will therefore need to come from either local Council Tax or business rates. Council Tax for East Sussex County Council is the 4th highest of any county in England. When district/borough precepts are taken into account, Council Tax in East Sussex borough and district areas is higher than in other English areas. Business rate growth in East Sussex has been historically fairly flat.

3.13 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. The change in Prime Minister may also impact on a range of national policies

4 Council Priority Outcomes and Core Offer

4.1 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.

4.2 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.

4.3 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 over an extended period 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.

4.4 It was in the light of this challenge that the Core Offer was developed last year, to set as clearly as possible the services the Council believes local people need as a minimum. The Core Offer is set out in appendix 3, to which a refinement of public health offer has been added.

Public Health

4.5 The public health Core Offer sets out how we will meet our mandated responsibilities and to make the best use of the resources available, by targeting action where health inequality is greatest and by using evidence to ensure that interventions are effective. Currently our public health work is funded by a ring-fenced grant from the Government. The Government's current proposal under the fair funding review is for this grant to be subsumed into local funding. Even if the specific grant continues, it is expected to reduce over the next few years. The process of prioritising work on public health to identify the areas where risks to health are greatest, to create a healthier, happier and fairer County has therefore begun, with the development of a new public health Core Offer. Subject to Members' views, work will begin over the summer to identify specific changes and to develop savings proposals. A report on progress and areas of search for savings will be brought to Cabinet in October as part of the RPPR process.

East Sussex Core Offer

4.6 The Core Offer represents a level of service below which we should not go in order to meet the needs of residents, not only for the services we provide but to play our part in supporting them in their wider health and wellbeing needs. This includes access to well paid jobs, decent affordable housing and good mental and physical health. Over the next year we will seek to work with partners to ensure a clear, shared vision of what achieving those aims would look like for local people and to ensure that we are maximising the public value from spend to support those outcomes. Whilst this work is not anticipated to contribute significantly to savings, it will help further focus efforts to ensure the best use is being made of every public pound that is spent in the County. It will include continued work: with the NHS on integration of health and social care; with Team East Sussex on the economy, with our colleges on skills and with the voluntary and community sector on a wide range of local issues. We will also review our contributions to other important partnership activities in the County, for example housing, to see if there is more that we could do to help those with lead responsibilities meet local need.

4.7 One of the most urgent partnership endeavours over the coming years will be helping to reduce and mitigate the effect of climate change. The Council is already doing a great deal of work to reduce its carbon footprint and will review its actions to see what more could be done, both on our own and with others, to reduce our impact and to plan for the effects of change.

4.8 Cabinet is asked to review the current priorities and Core Offer (Appendix 3), including proposals for public health and agree them as the basis for future business and financial planning.

5. Medium Term Financial Plan

5.1 The Medium Term Financial Plan (MTFP) is set out in appendix 4. The level of government funding that ESCC will receive between 2020/21 – 2022/23 is yet to be confirmed, but based on latest information and assumptions, Government funding will reduce by £1.1m. In the same period there are unavoidable costs to cover projected inflation, demographic and service pressures of £60.6m. This equates to a real term loss of purchasing power of £61.7m over the next three years. Increased Council Tax receipts are forecast to bring £27.3m additional funding, but this still leaves a shortfall in spending power of £34.4m; the current forecast savings requirement.

| Medium Term Financial Plan | 2020/21 £m | 2021/22 £m | 2022/23 £m |
|-----------------------------------|-----------------------|-----------------------|-----------------------|
| Total Resources | (380.606) | (390.571) | (401.297) |
| Total Expenditure | 401.024 | 416.459 | 435.717 |
| Total Budget Deficit | 20.418 | 25.888 | 34.420 |
| | | | |
| Annual Budget Deficit | 20.418 | 5.470 | 8.532 |

5.2 Areas for search for savings to bring services to the Core Offer were approved at Council in February 2019. These would contribute towards mitigating this deficit:

| | 2020/21 £m | 2021/22 £m | Total £m |
|----------------------------------|-----------------------|-----------------------|---------------------|
| Communities, Economy & Transport | 1.462 | 0.917 | 2.379 |
| Children's Services | 2.337 | 0.268 | 2.605 |
| Adult Social Care | 0.248 | 0.000 | 0.248 |
| Business Services / Orbis | 1.161 | 0.787 | 1.948 |
| Total Departments | 5.208 | 1.972 | 7.180 |

5.3 The impact of these savings would be to reduce the total budget deficit to £27.240m:

| | 2020/21 £m | 2021/22 £m | 2022/23 £m |
|------------------------------|-----------------------|-----------------------|-----------------------|
| Total Budget Deficit | 15.210 | 18.708 | 27.240 |
| | | | |
| Annual Budget Deficit | 15.210 | 3.498 | 8.532 |

5.4 The uncertainty arising from anticipated delays in future national funding reform and, the Spending Review, combined with an increased use of one-off funding which is not guaranteed beyond 2019/20, means it is difficult to plan for 2020/21 and beyond. The position presented above excludes the potential positive impacts of a number of national funding streams for which we have been lobbying, that could be implemented either ahead of reform or as part of it.

5.5 The budget for 2019/20 relied on one-off funding and embedded grant funding, which needs to be confirmed and to continue into 2020/21:

| | £m |
|--|--------------|
| Grant / One-off Funding | |
| Social Care Support Grant | 4.417 |
| CSD High Needs Block | 1.138 |
| Winter Pressures | 2.586 |
| | 8.141 |
| Business Rates | |
| Business Rates Pilot: post-2019/20 mechanism | 1.600 |
| Business Rates Levy Surplus | 1.133 |
| | 2.733 |

5.6 Income received to support core Adult Social Care services from the Better Care Fund (BCF) and Improved Better Care Fund (iBCF) is subject to pooled funding arrangements which requires agreement from both ESCC and local NHS Partners, and sign-off by NHS England.

5.7 Whilst ESCC is confident the BCF will be sufficient to meet demand in 2019/20, there is a real possibility that there may be additional conditions attached to future funding streams which could constrain the Council's ability to meet the assessed care needs of the local population and put significant financial pressure on local NHS services.

| | £m |
|---|---------------|
| Better Care Fund (BCF): supporting services and packages of care | |
| BCF: original allocation | 11.708 |
| BCF: joint working | 9.046 |
| iBCF | 18.551 |
| | 39.305 |

6 Capital Programme

6.1 The approved programme has now been updated to reflect the 2018/19 outturn, approved variations and other updates, the details of which are set out in appendix 5, including the revised programme.

6.2 A summary of the movements in the gross programme are set out in the table below, further information on each item can be found in appendix 5:

| | £m |
|---|--------------|
| Total Programme at Feb 2019 (gross) | 363.2 |
| 2018/19 Outturn | (85.1) |
| Net nil variations | 2.6 |
| Specialist Provision in Secondary schools (Business Case) | 2.3 |
| Underspend | (0.9) |
| Total Programme at July 2019 | 282.1 |

6.3 The borrowing requirement at February 2019 was £85.6m. Use of borrowing in 2018/19 to support the capital programme was £3.0m. The borrowing requirement at June 2019 has increased to £88.2m, primarily due to proposed investment in Specialist Provision in Secondary Schools of £2.3m; a net reduction in grants of £3.4m; reduced funding from the revenue contribution to capital of £4.0m; and the removal of Valuing People Now receipts of £2.5m. This has been offset by the £4.6m from Treasury management underspend, additional s106 contributions of £1.3m; and an underspend on Hastings Library of £0.7m that can support the current planned programme. This does not include borrowing for the risk provision which remains at £7.5m to support the current programme.

6.4 The development of the Capital Strategy to 2029/30 continues and will be presented in the autumn.

7 Lobbying and Communications

7.1 The anticipated delay in the spending review means that the best outcome we can expect for next year is a continuation of the one-off funding we received in the last budget round as a minimum, which we will ask to be uplifted to reflect our real pressures. It is likely that all Central Government spending departments will be under pressure from their services and stakeholders. It is unlikely that the needs of local government will be addressed unless there is consistent pressure from MPs across the Country. The Council has been successful over the last year in raising the need for local government funding to be put on a long term and sustainable footing. We need to continue to press for the retention of the one-off funding and for a realistic settlement for the future, both directly with Ministers and Government departments and indirectly through our MPs, partners and stakeholders.

8 Next Steps

8.1 We will continue to press the case that there is urgent need for the Government to make additional funding available for local government. Even if there is some form of spending review in the autumn, the announcements about outcomes may not come in time for our budget planning. In this case we will use our RPPR process to plan our services within the resources available.

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