

Committee: **Cabinet**

Date: **26 January 2021**

Title of Report: **Reconciling Policy, Performance and Resources (RPPR)**

By: **Chief Executive**

Purpose of Report: **To ask Cabinet to approve the draft Council Plan, Council Tax levels, Revenue Budget and Capital Programme for recommendation to the County Council**

RECOMMENDATIONS:

Cabinet is recommended to:

1. recommend the County Council to:

- i) Approve in principle the draft Council Plan 2021/22 at Appendix 1 and authorise the Chief Executive to finalise the Plan in consultation with the relevant Lead Members;**
- ii) Increase Council Tax by 1.99%;**
- iii) Increase the Adult Social Care precept by 1.5% in 2021/22;**
- iv) Issue precepts to be paid by Borough and District Councils in accordance with the agreed schedule of instalments at Appendix 6 (Draft);**
- v) Approve the net Revenue Budget estimate of £416.7m for 2021/22 set out in Appendix 3 (Medium Term Financial Plan) and Appendix 4 (Budget Summary) and authorise the Chief Executive, 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 Capital Strategy and Programme at Appendix 9;**
- vii) Note progress with the Council Plan and Budget 2020/21 since quarter 2 at Appendix 2;**
- viii) Note the Medium Term Financial Plan forecast for 2021/22 to 2023/24, set out in Appendix 3;**
- ix) Note the comments of the Chief Finance Officer on budget risks and robustness, as set out in Appendix 7;**
- x) Note the comments from engagement exercises set out in Appendix 8; and**
- xi) Note the schedule of fees and charges that have increased above inflation at Appendix 10.**

2. agree that Chief Officers consult, where appropriate, on the savings proposals set out in Appendix 5.

1. Introduction

1.1. The services this Council provides are crucial to the residents of our county, particularly those who are most vulnerable. The importance of our services and support has been heightened further by the ongoing and far-reaching effects of COVID-19 across East Sussex. The pandemic continues to have significant consequences for local people, places and the local economy which we must reflect in our planning. Our local plans must also take account of other key national developments, such as the end of the Brexit transition period, and the broader fiscal and policy context, including announcements made in the Spending Review and the continuing delay to planned reforms to Adult Social Care.

1.2. The profound impact of COVID-19 on our communities and services created both a need and opportunity for the Council to review its priority and delivery outcomes and the Core Offer, to ensure they remain relevant in the new context we are working in. In October, Cabinet agreed updated priority and delivery outcomes as the basis for ongoing planning, and agreed the updated core set of services and infrastructure which residents and businesses most require from the Council to ensure their needs are met. This review of our priorities and Core Offer has underpinned our planning for next financial year.

1.3 The Reconciling Policy, Performance and Resources (RPPR) process matches available resources with our delivery plans for our priority outcomes so that we direct and protect our spending where it will deliver our priority objectives most effectively, and ensures we have the demographic trends and performance information to monitor progress. The process of planning, through RPPR, for 2021/22 and beyond has taken into consideration the immediate and future impact of the COVID-19 pandemic, alongside other key trends and pressures, to form an integrated forward view and to translate this into service and financial plans which reflect future recovery alongside ongoing response and service delivery. The RPPR process has been applied across all services in the development of the Council Plan (Appendix 1) supported by the Budget (Appendix 4), Medium Term Financial Plan (MTFP) (Appendix 3) and Capital Programme (Appendix 9) set out in this report.

1.4 Against a background of diminishing resources and increased demand over the last 10 years we have transformed the way the Council works through robust and innovative management and strong partnerships and made savings of £138m between 2010 and 2020. We have taken difficult decisions about reducing or stepping back from providing services to ensure we live within our means and protect the most vulnerable in our county. We have worked as one Council and with partners to make the most of the money available and use resources as effectively as possible for local people. We are developing seamless health and social care services with the local NHS and have formed a partnership with our neighbouring authority in West Sussex which enables both Councils to share learning, develop services and leverage our joint influence. We have worked closely with our local business and education partners through Team East Sussex and the wider South East Local Enterprise Partnership to maximise economic development and growth in our county. Our well developed local and regional partnerships have been invaluable in marshalling a collective response to COVID-19 over the past year.

1.5 Our lobbying of Government, individually and through our networks and partnerships, has had an impact. The Spending Review and Provisional Local Government Finance Settlement saw some acknowledgement of the current issues that local government faces, particularly in relation the costs of responding to COVID-19 and the impact of the pandemic on the income of local authorities, together with ongoing pressures from rising demand for social care. The additional funding announced, together with our prudent planning, has put us in a position of not having to seek further savings in 2021/22 beyond those already planned, providing much needed stability to local communities in uncertain times. As national proposals for providing long-term sustainable funding for Adult Social Care continue to be awaited, Government has again taken the approach of expecting local authorities to apply an Adult Social Care precept on local Council Tax bills to provide essential funding in response to rising demand for care services year on year. Although we do need to apply this precept to protect care services whilst we await proposals for reform, we are able to propose spreading the precept over two years. This balances the need to maintain our essential support to the most vulnerable, whilst also recognising the additional pressures currently faced by our residents as a consequence of COVID-19. However, the longer term position is less clear. The 2020 Spending Review was once again for one year only and there remains considerable uncertainty and a much more challenging financial outlook from 2022/23 onwards.

1.6 The Capital Programme provides only minimum basic need provision, including essential budgets for school places and highways infrastructure.

1.7 This report sets out:

- Key changes to the national and local context since the report to Cabinet on 2 October 2020;
- the draft Council Plan 2021/22 and updated MTFP;
- updated quarter 2 performance;
- proposals for the 2021/22 revenue budget, taking account of changes in the financial picture since October and based on an increase in Council Tax of 1.99% and an Adult Social Care precept of 1.5%;
- the savings planned for the next three years;
- the Capital Programme update and the rationale on which it has been developed; and
- feedback from engagement exercises and equalities impacts.

2. National and Local Context

2.1 Since the last report to Cabinet in October the national policy environment has continued to evolve rapidly, with linked impacts on our local context. Key developments include:

2.2 Spending Review/National Economic Outlook: The Chancellor announced the one-year Spending Review on 25 November, having reduced this from the planned three-year Review in order to prioritise the response to COVID-19 and focus on supporting jobs. The headline presented by the Treasury for local government was an increase in Core Spending Power of 4.5%. However, the majority of this increase comes in the form of powers to raise additional Council Tax from local residents, particularly through a further 3% Adult Social Care precept across all upper-tier local authorities, unrelated to need, rather than additional core funding.

2.3 Outside of Core Spending Power, the Spending Review included over £3billion in additional short-term support for local authorities in relation to COVID-19 pressures through further grant funding and compensation for lost income. The provisional Local Government Finance Settlement received in December provided further detail on the headline announcements for local government in the Spending Review. The implications of the Spending Review and provisional finance settlement announcements for the Council's MTFP are set out in section 5.

2.4 Alongside the Spending Review in November, the Office for Budget Responsibility (OBR) published updated national economic forecasts. The OBR is forecasting unemployment to rise to a peak of 7.5% in the second quarter of 2021/22 (2.6 million people). Unemployment is then forecast to fall in every year, reaching 4.4% by the end of 2024. The economy will contract by 11.3% in 2020/21 and it will be Q4 2022 before returning to pre-COVID levels. Debt will be 91.9% of Gross Domestic Product (GDP) this year and will continue to increase. These forecasts were prepared before the further evolution of the pandemic and associated new national restrictions.

2.5 COVID-19 response: In response to rising rates of COVID-19 infection, the Government introduced more stringent national restrictions in November, followed by an updated system of tiered local restrictions in early December. The emergence of a new, more transmissible, variant of the virus and a resulting increase in cases led to further areas, including East Sussex, entering tier 4 restrictions during December. Steeply rising rates of infection, and consequent pressures on health and social care services, subsequently led to a further national lockdown early in January. As well as restrictions on business and social activity, the lockdown includes the closure of schools to all but the children of critical workers and those considered vulnerable, with an expectation that remote learning provision is offered by schools until at least February half term. Government has confirmed that this summer's GCSE and A Level exams will be cancelled due to the disruption to children's education as a result of the pandemic. An alternative teacher-led assessment process will be put in place with details to be confirmed. Clinically extremely vulnerable people have also been asked to shield once again. The national lockdown is expected to be in place until at least mid-February,

whilst the vaccination programme, which aims to reach everyone in the top four priority groups by that point, is rolled out across the country. Extended national support for businesses affected by restrictions was put in place alongside the new measures. The vaccine roll out is expected to continue throughout 2021 with the aim that restrictions on business and social activity will gradually ease alongside this. Government has committed to re-opening schools as an initial priority.

2.6 Brexit: Ahead of the end of the Brexit transition period on 31 December 2020, the UK agreed a trade deal with the European Union (EU) which forms the basis of the future trading relationship. The economic impact of Brexit and the trade agreement will need to be assessed as the new relationship with the EU takes effect, particularly in light of the wider economic uncertainty as a result of COVID-19. Preparations for the end of the transition period focused around transport, particularly the impact on channel ports and freight traffic. Locally, the effect on Newhaven port continues to be monitored, with no significant issues experienced to date. Separate COVID-related delays were experienced before Christmas as a result of the introduction by France of the requirement for a negative test in order for drivers to enter the country. Delays abated quickly once testing arrangements were put in place; these arrangements continue to support the flow of traffic through Newhaven port.

2.7 Green Industrial Revolution: In November, the Prime Minister announced a ten point plan for a 'Green Industrial Revolution'. The plan sets out key actions the Government intends to take to progress against its commitment to reduce UK carbon emissions to net zero by 2050, ahead of the COP26 climate summit in Glasgow later in 2021 which will focus attention on national and international action in response to climate change. The plan covers clean energy, transport, nature and innovative technologies with key commitments including:

- ending the sale of new petrol and diesel cars and vans by 2030;
- significant expansion of offshore wind power;
- encouraging cycling, walking and use of public transport; and
- making homes and public buildings more energy efficient.

It is linked to £12 billion of Government investment and aims to generate over three times as much private sector investment by 2030. The plan presents the industrial areas of the UK, including in the North, Midlands, Scotland and Wales, as the focus for growth in green jobs and industry.

2.8 Government has also undertaken a review of the Treasury's 'Green Book' guidance that informs public spending and investment decisions. The new guidance increased emphasis on the environmental impacts of decisions in light of the national net zero commitment. The updated Green Book also requires Government project appraisals to analyse how proposals deliver the Government's key priorities, including 'levelling up', and how they will impact different places. This will have an impact on how bids for funding are assessed in future.

2.9 In the Spending Review the Chancellor announced a £4billion Levelling Up Fund designed to support local areas with regeneration and infrastructure projects up to £20m in value. Funding will be allocated via a competitive bidding process, with projects required to have the support of local stakeholders, such as MPs, and to be deliverable by the end of the current parliament in 2024. The Levelling Up Fund will replace the Local Growth Fund and potentially other funding streams that have previously been accessed by East Sussex, including the Towns Fund. The Spending Review also referenced the UK Shared Prosperity Fund which is intended to replace funding that previously came from the EU. Further details of both funds are expected in prospectuses to be launched in early 2021.

2.10 Looking ahead, the Government's main priorities for the next year are likely to be led by the ongoing response and recovery from COVID-19 and addressing the related economic and health challenges and consequences. Following the end of the Brexit transition period there is also likely to be a period of adjustment, renewed focus on pursuing trade deals internationally and further development of the domestic 'levelling up' policy. The Government is expected to publish its anticipated white paper on English Devolution in the second half of

this year, although proposals for widespread reorganisation of local government now appear unlikely.

2.11 There remains a lack of progress nationally on long-awaited reform of Adult Social Care funding and proposals for a sustainable long-term solution. The Spending Review confirmed that the Government remains committed to sustainable improvement of the Adult Social Care system and will bring forward proposals in 2021. Whilst the additional one-off grant funding which has been made available to local authorities is very welcome and will help the Council respond to increased demand in the short term, it is imperative that a long term solution is agreed before this funding runs out. The Council will continue, with its partners, to press the case for urgent action on sustainable funding for local services including social care. This will include emphasising that it is fundamentally unsustainable for Councils to continue funding systemic pressures on social care through local Council Tax increases.

2.12 Locally, since October, the Council has responded to increasing incidence of COVID-19 in line with our Local Outbreak Management Plan developed with partners, with a significant increase in activity in response to the rapidly escalating local case rates in December and January and tightened restrictions nationally. A major incident was declared by the Sussex Resilience Forum on 6 January, putting all agencies in Sussex in the best possible position to come together to tackle the virus at a time of exceptional need. We continue to offer support to the most vulnerable and those shielding where it is needed, in conjunction with Community Hubs and through the COVID-19 Winter Grant Scheme introduced by Government, as well as through our ongoing core services. We are providing significant support to the local care sector and working closely with health partners in relation to the pressures on the health and care system. We are providing ongoing support to schools in relation to remote learning, critical worker provision and supporting vulnerable children, including in relation to free school meals. A full update on the Council's ongoing response to the pandemic was considered by Cabinet in November and Council in early December. Since December, co-ordination has been underway with health partners to support the NHS roll out of the national vaccination programme, particularly in relation to front line care staff.

2.13 We are continuing to flex and adapt our services according to national restrictions and have built on experience from earlier in the pandemic to ensure services continue to operate safely and effectively, including with face to face provision where essential. Digital working has continued to underpin the provision of services with many staff working remotely throughout 2020/21. We are harnessing and developing the learning in areas such as the use of automation technology, which has the potential to provide both greater efficiency and customer empowerment. Our Workstyles programme is preparing for the return of staff to offices when this is feasible, ensuring we maximise potential gains in terms of flexibility and sustainable use of resources, whilst also meeting our core service needs.

2.14 Considerable work has been undertaken by the local health and social care system to maintain access to services as far as possible during the initial impact of COVID and this is ongoing during the current wave of the pandemic. Alongside this, work has been undertaken to reset the health and social care integration programme in East Sussex. The Council's partnership work with the NHS takes place in the wider context of the Sussex Integrated Care System (ICS). East Sussex is one of three place-based partnerships within the Sussex ICS, (alongside Brighton and Hove and West Sussex), with the Council being a lead partner with our local NHS in the East Sussex Integrated Care Partnership. Together we have agreed our East Sussex Health and Social Care Plan which sets out our shared Council priorities and commitments in the NHS Long Term Plan, and our ambitions to deliver greater levels of integrated care, early intervention and prevention to improve health and wellbeing outcomes and reduce health inequalities in our population. The Plan incorporates five areas of work: Planned Care; Integrated A&E Delivery and Urgent Care; Community; Mental Health; and Children and Young People

2.15 In November 2020 NHS England and NHS Improvement (NHSEI) published *'Integrating Care: Next steps to building strong and effective integrated care systems across*

England'. This sets out proposals to support greater collaboration in 2021/22 across health and social care partners, and options for giving ICSs a firmer footing in legislation from April 2022. It describes how providers of primary care, community health and mental health services, social care and support, community diagnostics and urgent and emergency care should work together, with meaningful and delegated budgets, to join up services through partnerships at place level. In 2021/22 we will continue to strengthen our integrated approaches to planning, commissioning, delivering and transforming services across health and social care, and our work with our District and Borough Council and Voluntary and Community Sector (VCS) partners, to further develop all the elements of this offer for our population. As a result of our work in 2021/22, by April 2022 we aim to have in place a way of coordinating our work in communities across East Sussex, driven by the data and insight all of our organisations hold, that enables our Integrated Care Partnership to deliver the shared priorities and outcomes that are important for our population. In 2021/22 we will also jointly explore how we can best organise ourselves with our NHS provider partners to deliver the next phase of health and social care integration for our residents.

2.16 We have continued to develop our Climate Emergency Action Plan which sets out how we will make progress towards the Council's target of achieving carbon neutrality from its activities as soon as possible, and in any event by 2050. We have employed a Climate Emergency Officer, submitted bids for over £500,000 of grant funding from the Government's £1bn public sector decarbonisation fund and supported a scrutiny review of the Council's climate emergency commitment.

3. Council Plan

3.1 The draft Council Plan is attached at Appendix 1. The Council Plan 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 in the short and long term. Cabinet has previously supported an expansion of the cross-cutting priority outcome 'making best use of resources' to 'making best use of resources in the short and long term' to reflect the Council's ambitions for carbon neutrality and that decisions should be guided by a test priority that we ensure sustainability of our resources, both in terms of money and environmental assets. Making best use of resources in the short and long term is the priority test through which any activity must pass. The remaining three priority outcomes guide our activities, direct our resources and are reflected in our Council Plan activities and targets.

3.2 The Council Plan contains the targets and milestones used to judge our performance. The Cabinet and County Council actively consider performance during the year and may decide to adjust targets to reflect any changed circumstances. New and continuing measures highlight the Council's work to implement the East Sussex Economy Recovery Plan through our own actions and work with partners. The Council Plan takes account of the resources available, so in some areas this means maintaining 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 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.

3.3 In October Cabinet agreed for planning purposes a number of changes and additions to the delivery outcomes which support the four priorities, reflecting the changed context as a result of the impact of COVID-19. These amendments have been incorporated into the draft Council Plan and further measures and targets are included in the Portfolio Plans highlighting where they help to achieve the revised delivery outcomes.

3.4 Due to the impact of COVID-19 we are unable to set some targets for some measures at this time; targets for these measures will be set early in 2021/22. Monitoring of the

attainment measures in the Council Plan will be suspended for 2021/22 following the cancellation of examinations by the Department for Education. We will look to restore monitoring of these measures for 2022/23. We will continue to work with schools to understand the implications of the loss of education and school closures as a result of the pandemic including:

- Increased support for vulnerable pupils, including safeguarding, addressing learning loss and ensuring attendance;
- Ongoing co-ordination of services for schools including monitoring the progress of vulnerable schools and supporting them to make rapid improvement;
- Managing the impact of COVID-19 on early years providers and ensuring that we maintain sufficient places for the future; and
- Supporting young people into education, employment and training during a period of rising unemployment and economic downturn that will disproportionately impact 18-24 year olds.

3.5 The Council Plan is still a work in progress until final budget allocations are made and firm targets can be set. It will be published in April 2021 and refreshed in July when final performance outturn figures for 2020/21 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. Progress with Council Plan & Budget 2020/21 since Quarter 2

4.1 Appendix 2 provides an update on key areas of performance and developments in the in-year budget position since the quarter 2 report considered by Cabinet in December, providing Members with the most current picture of our position to inform consideration of our future plans.

5. Revenue Budget 2021/22

5.1 The Medium Term Financial Plan (MTFP) reported to Cabinet in October has been updated as set out below and the full updated MTFP is attached at Appendix 3.

Table 1 – MTFP Update

	Ref	Estimate (£m)			
		2021/22	2022/23	2023/24	Total
Cabinet 2 October 2020 DEFICIT/(SURPLUS)		11.548	5.158	7.154	23.860
NORMAL UPDATES					
Business Rates Retention	A	0.543	0.434	0.410	1.387
Business Rates Growth	A	0.705	0.052	0.058	0.815
Business Rates Collection Fund	A	(0.246)	0.236	0.003	(0.007)
Revenue Support Grant	B	(0.598)	(0.410)	(0.454)	(1.462)
Council Tax Base	C	1.721	(0.358)	0.220	1.583
Council Tax Inflation	C		(0.114)	(0.233)	(0.347)
Council Tax Collection Fund	D	(0.908)	2.211	0.033	1.336
Remove transfer of New Homes Bonus to Capital Programme	R	(0.252)	0.138	0.114	0.000
Savings	E	1.647	(1.747)		(0.100)
General Contingency	F	0.150	(0.060)	0.010	0.100
Pensions Final Revaluation	G	(0.257)			(0.257)
Levies Increase	H	0.001			0.001

Pay Award	I	(0.352)	(0.037)	(0.038)	(0.427)
Contractual inflation (contract specific)	J	(0.566)	(0.043)	0.006	(0.603)
Normal inflation for contracts	K	(1.380)	(0.829)	(0.182)	(2.391)
CSD*: Foster Carers	L	0.264	0.197	0.201	0.662
CSD*: Dedicated Schools Grant	M	(0.422)	0.422		0.000
CSD*: Home to School Transport	N	0.523			0.523
GS*: Additional resource to support Equalities and Diversity	O	0.060			0.060
GS*: Additional capacity in Legal Services to support Children's Social Care	P	0.143			0.143
DEFICIT/(SURPLUS) AFTER NORMAL UPDATES		12.324	5.250	7.302	24.876
Spending Review 2020 (SR20)					
Social Care Grant	Q	(2.452)	2.452		0.000
Revenue Support Grant	B	(0.315)		0.075	(0.240)
New Homes Bonus	R	(0.253)	0.253		0.000
Local tax income guarantee 2020/21 split over 3 years	S	(1.047)			(1.047)
Local Council Tax Support Grant 2021/22	T	(2.621)	2.621		0.000
Business Rates Pool	U	(1.150)	1.150		0.000
Adult Social Care Precept	V	(4.486)	(4.655)		(9.141)
Council 9 February 2021 DEFICIT/(SURPLUS)		0.000	7.071	7.377	14.448

*Children's Services Department (CSD); Governance Services (GS)

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

A Business Rates Retention and Growth

The current planning assumptions on business rates have been updated to reflect actual inflation reported at September 2020 and to include 2023/24. Due to the pandemic, growth on base is estimated at a reduction of -5% for 2021/22 and 0% for 2022/23 and 2023/24; this compares to normal growth of +0.7%. It is based on a reduced collection being reported by Districts and Boroughs to Government and the deficit has been split equally over three years. This methodology follows that published by Government on 5 November 2020; final figures relating to the actual impact will be provided when they complete their Business Rate Returns due the 31 January 2021. Any adjustment will be managed through a collection fund adjustment via reserve.

B Revenue Support Grant (RSG)

A normal update to RSG has been made for actual inflation at September 2020 as reported at the end of October 2020. Additionally, an increase in RSG in line with inflation was announced at the Spending Review on 25 November 2020.

C Council Tax Base Growth & Inflation

Growth for baseline purposes is being estimated at -0.32% for 2021/22, 0.54% for 2022/23 and 0.51% for 2023/24. For 2021/22 this is based on figures provided by the Districts and Boroughs in January 2021. For future years, estimates are based on a model provided by LGFutures (slightly adjusted for local considerations e.g. the local impact of the last recession on the Council Tax Reduction Scheme). This compares to 0.9% normal growth.

D Council Tax Collection Fund

Updated estimates on Council Tax for prior year surpluses and collection fund deficits as a result of the pandemic have been taken from District and Borough Councils' data returns to Government. The deficit has been split equally over three years, the detail of which is shown in the table below. This methodology follows that published by Government on 5 November 2020; final figures relating to the actual impact is required by legislation to be provided by the Districts and Boroughs using the latest information available to them by 15 January 2021. Any adjustment will be managed through a collection fund adjustment via reserve.

Table 2 – Collection Fund Assumption Overview

	Estimate (£m)			
	2021/22	2022/23	2023/24	Total
Council Tax Collection Fund at Cabinet 2 October 2020	0.863	(0.566)	(0.566)	(0.269)
Council Tax Collection Fund - 2019/20 collection	(2.178)	2.178		0.000
Council Tax: Collection Fund deficit – 2020/21 collection	2.133	(0.533)	(0.533)	1.067
Council Tax Collection Fund - Current Estimate	(0.045)	1.645	(0.533)	1.067
Update to MTFP	(0.908)	2.211	0.033	1.336

E Savings Profiling

The remaining savings which will take the Council to the Core Offer have been re-profiled as shown in the table below and the savings schedule is attached at Appendix 5.

Table 3 – Savings Re-Profile - Community, Economy and Transport (CET); Children's Services Department (CSD); Adult Social Care (ASC); Business Services Department (BSD)

Dept	Targets £m					Revised Profiles £m				
	2020/21	2021/22	2022/23	2023/24	Total	2020/21	2021/22	2022/23	2023/24	Total
CET	1.362	0.629	0.388	0.100	2.479	0.323	0.594	1.462	0.100	2.479
CSD	0.770	1.835			2.605	0.724	0.134	1.747		2.605
ASC	0.248				0.248	0.248				0.248
BSD	1.161	0.787			1.948	0.570	0.136	0.000	1.242	1.948
Total	3.541	3.251	0.388	0.100	7.280	1.865	0.864	3.209	1.342	7.280

F General Contingency

This is calculated at an agreed formula of 1% of net budget less treasury management.

G Pensions Final Revaluation

The triannual pensions revaluation was finalised after the budget for 2020/21 was approved, and this further change has arisen as the pay award for 2020/21 has finally been agreed.

H Levies Increase

The figures are reflective of the latest estimates of the Flood & Coastal Protection Levy, Sussex Inshore Fisheries Levy and New Responsibilities Funding.

I Pay Award

This comprises the uplift for final agreed pay award in 2020/21 (from 2.5% which was provided for previously in the MTFP to 2.75%) and a 1.5% potential provision for pay award in 2021/22, reflective of inflation and uncertainty around future Government pay policy. For 2022/23 and 2023/24 a provision of 2% has been made.

J Contractual Inflation (contract specific)

The service inflation model has been updated for the Office for National Statistics (ONS) forecasts as at September 2020. The methodology provides inflation to services for large contracts as per the contract but does not provide for inflation on running costs or small contracts.

K Normal Inflation for Contracts

The service inflation model has been updated using the ONS forecasts as at September 2020. Outside normal inflation provided for in approved models there is additional provision for inflationary pressures in Adult Social Care and Children's Services, agreed under the Pressures Protocol.

L Children's Services Department: Foster Carers

Funding for uplifts to Foster Carer allowances.

M Children's Services Department: Dedicated Schools Grant (DSG)

The figures for DSG have been updated to reflect current risk, slipping the £0.422m pressure for 2021/22 into 2022/23.

N Children's Services Department: Home to School Transport

Funding for increased single occupancy transport costs and for disabled access regulations.

O Governance Services: Additional resource to support Equalities and Diversity

As both a large employer and an organisation providing services to vulnerable communities across East Sussex it is essential that the Council has in place the necessary tools and arrangements to support both its Black, Asian and Minority Ethnic (BAME) workforce and service users/residents. At the same time, it is also important to ensure that our workforce and service strategies respond to the full range of diversity issues including gender, disability, age etc.

P Governance Services: Additional capacity in Legal Services to support Children's Social Care

This will ensure a level of staffing able to meet the challenges of increased caseloads and complexity and which will ensure the provision of high quality and responsive legal advice in order to manage this area of high risk.

Q Social Care Grant

£300m additional grant for adult and children's social care, for 2021/22, was announced at the Spending Review and figures provided at provisional settlement (with confirmation that the £1bn social care grant in 2020/21 will be rolled forward; this is £14.6m included in our base budget for the life of the current parliament).

R New Homes Bonus

The grant for 2021/22 was confirmed at provisional settlement; an increase of £0.253m on previous estimates. The full grant will be retained in revenue rather than being transferred to capital.

S Local Tax Income Guarantee for 2020/21

Additional COVID-19 support of £762m nationally announced at the Spending Review as compensation for 75% irrecoverable loss of Council Tax and business rates revenues. The estimated compensation for our assumed loss in 2020/21 at 75% is shown in the table below:-

Table 4 - Local tax income guarantee 2020/21	2021/22	2022/23	2023/24	Total
	£m	£m	£m	£m
75% refunded loss split over 3 years (the methodology adjusts the outcome for the Council to circa 50% of the overall loss. This will be received in 2021/22 but it will be spread across 3 years in line with loss on collection).	(1.047)			(1.047)

T Local Council Tax Support Grant

The estimated element of the grant as a result of 2020/21 collection and the reduction to the Council Tax base due to increased local Council Tax support caseload.

U Business Rates Pool

The Spending Review announced the continuation of pooling arrangements, allowing local authorities to pool business rates for another year. The local decision to continue the East Sussex business rates pool for 2021/22 was finalised in January.

V Adult Social Care Precept

Further flexibility for Adult Social Care precept of 3% was announced at Spending Review 2020, with the ability to defer some or all of the increase until 2022/23. It is proposed that the precept is applied in both 2021/22 and 2022/23 at 1.5%. This will provide the ability to generate further Council Tax receipts of £9.1m.

5.3 Following the provisional settlement there remain a number of other unresolved elements of the November 2020 Spending Review that could have a further financial impact. The MTFP has been prepared on the basis of business as usual from 2021/22. The Spending Review provided for £3 billion additional COVID-19 support for local authorities nationally. Although the provisional settlement provided some certainty of figures (as noted below), there continues to be significant uncertainty regarding the ongoing financial impact of COVID-19. Elements that relate to 2020/21 that impact on 2021/22 have been included in the MTFP. Ahead of more certainty regarding distribution and methodologies, the remaining one-off funding relating to 2021/22 will be managed centrally through reserves. This is: -

- £1.55bn funding for additional expenditure. The provisional settlement confirmed an amount of £11.1m for the Council.
- COVID-19 loss of sales, fees and charges reimbursement to continue to June 2021.
- £670m Council Tax Support for 2021/22 losses (the element of this relating to 2020/21 losses is included in the MTFP – see note U). An indicative allocation of £4.7m was announced at provisional settlement although the methodology still needs to be consulted on.

5.4 Until the final position on collection funds from Districts and Boroughs is confirmed, together with any other late updates, it is proposed that any financial risks are, as normal, managed through reserves.

6 2022/23 and beyond

6.1 Whilst the Council has received some very welcome additional funding from the Government, it remains difficult to plan for 2022/23 and beyond. The level of Government funding that ESCC will receive between 2022/23 – 2023/24 is not confirmed; Spending Review 2020 was for a single year and therefore funding for this planning period will be announced at Spending Review 2021 which is likely be next autumn. Additionally, the Fair Funding Review and Business Rate Retention reform have now been confirmed delayed until at least 2022/23.

6.2 This uncertainty in future local government funding beyond next year means that, whilst the budget is balanced in 2021/22, until the Comprehensive Spending Review 2021

provides confirmation of funding, there is the potential requirement for further savings of £14.4m by 2023/24. This would take the authority below its Core Offer.

6.3 The Council has a robust planning process and sufficient reserves, and will continue to work towards a balanced position in 2022/23. The Reserves and Robustness Statement is set out in Appendix 7.

7. Council Tax requirement

7.1 Cabinet agreed in October that budget planning should be on the basis that Council Tax is increased by 1.99%.

7.2 The Spending Review 2020 provided for an additional 3% Adult Social Care precept with the potential to spread it across two years. This 3% will be included in Government spending power calculations and therefore will impact on other funding allocations. Balancing the need to protect social care services whilst we await proposals for reform with recognition of the additional pressures currently faced by residents, it is proposed to spread the precept across two years. It is therefore proposed that the County Council be asked to consider increasing Council Tax in 2021/22 by 3.49% (1.99% Council Tax plus 1.5% Adult Social Care precept). If agreed, the proposed band D charge for 2021/22 would therefore be:

Changes in Council Tax	£ per house at Band D	
	Council Tax Annual	Council Tax Weekly
Band D 2020/21	£1,492.02	£28.69
Council Tax increase*	£29.70	£0.57
Adult Social Care precept*	£22.32	£0.43
Indicative Band D 2021/22*	£1,544.04	£29.69

* Council Tax is rounded to allow all bands to be calculated in whole pounds and pence.

7.3 The formal precept notice for issue to the Borough and District Councils will follow for formal recommendation to County Council. This will be subject to change following the final settlement and final figures on Council Tax base and collection fund from Borough and District Councils at the end of January 2021. The draft precept calculation is set out at Appendix 6.

8. Capital Programme

8.1 The current approved programme has now been updated to include the quarter 2 position and other approved variations and updates. Service Finance and Departmental Capital Teams have also completed a capital programme refresh, re-profiling their programmes and schemes as accurately as possible based on current knowledge over the planned programme to 2029/30.

8.2 The approved 10 year programme has not been extended for an additional year as it would be not be considered meaningful to add an additional year at present due to the current uncertainty around future Government funding. Work will be progressed next financial year to push the programme out a further two years to maintain the 10 year planning horizon and link into, and support, the organisation's other strategies.

8.3 The capital programme focuses on the delivery of basic need for the Council to continue to deliver our services as efficiency as possible. The areas of targeted core need include:

- 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 (schools and corporate);
- Information Technology & Digital (IT&D);
- Economic Intervention;

- Adults' and Children's House Adaptations Programme; and
- Libraries.

8.4 It is proposed that a capital programme of £289.2m be set over the MTFP period from 2020/21 to 2023/24 (current year plus three) and requiring £91.6m of borrowing, with the remaining years to 2029/30 being indicative to represent longer term planning. The update to the capital programme can be found at Appendix 9a.

8.5 The Council's current Capital Strategy covers the period 2020/21 to 2040/41 and was approved as part of RPPR 2020/21. The Capital Strategy has been updated to reflect emerging risks, principles and corporate priorities. The updated Capital Strategy can be found at Appendix 9c.

9. Robustness and Reserves

9.1 At Full Council in February 2020 there was estimated a total reserves balance of £77.8m by March 2024. Since then there have been some updates and, moving the estimates on a year, the balance at 31 March 2025 is estimated at £70.5m of which £20.6m relates to strategic reserves. The current reserves position is shown below.

Table 8 – Reserves Analysis

	Statement of Accounts 2019/20	Full Council February 2020 (£m)	Full Council February 2021 (£m)	
	01.04.20 Actual	Estimated Balance at 31.03.24	01.04.21 Estimate	Estimated Balance at 31.03.25
Earmarked Reserves:				
Held on behalf of others or statutorily ringfenced	25.0	20.3	24.1	23.0
Named Service Reserves				
Waste Reserve	14.6	9.7	16.1	5.0
Capital Programme Reserve	9.3	5.8	8.9	6.0
Insurance Reserve	6.5	5.4	5.9	5.9
Subtotal named service reserves	30.4	20.9	30.9	16.9
Strategic Reserves				
Financial Management	35.0	22.5	37.0	17.3
Priority Outcomes and Transformation	7.2	4.1	6.9	3.3
Subtotal strategic reserves	42.2	26.6	43.9	20.6
Total Earmarked Reserves	97.6	67.8	98.9	60.5
General Fund Balance	10.0	10.0	10.0	10.0
TOTAL RESERVES	107.6	77.8	108.9	70.5

9.2 The level of reserves held by the Council is considered appropriate. It is now considered essential to ensure that the Council holds sufficient reserves for the future given the continued financial uncertainty, the ongoing impact of the pandemic and EU Exit. Therefore, wherever possible, transfers of resources to the Financial Management Reserve will be made. Details of the reserves held and the Chief Finance Officer Statement on Reserves and Budget Robustness is set out in Appendix 7.

10. Engagement Feedback and Future Consultation

10.1 The views of the Scrutiny Committees are set out in Appendix 8. The views of partners and young people are also included in the appendix.

10.2 The outcomes of engagement events with Trades Unions and business ratepayers will be made available to Members once the meetings have been held.

11. Equalities

11.1 A high level Equalities Impact Assessment (EqIA) of the revenue savings proposals has been undertaken and is set out in Appendix 5. Further EqIAs will be undertaken where appropriate when individual proposals are being considered. A high level EqIA of the proposed capital spending is set out in Appendix 9b. In considering the proposals in this report, Cabinet Members are required to have 'due regard' to the objectives 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 proposals for those with protected characteristics and to identify appropriate mitigations. The full version of relevant completed EqIAs for revenue savings and capital projects 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.

11.2 Whilst the Cabinet is being asked to recommend, and subsequently the County Council asked to agree, the revenue budget and capital programme, the budget decision does not constitute final approval of what policies would be or what sums of money will be saved or spent under the service proposals. The recommendations in the report do not commit the Council to implement any specific saving or spending proposal. When the Executive come to make specific decisions on budget reductions or expenditure, where necessary, focussed consultations and the full equalities implications of doing one thing rather than another will be considered in appropriate detail. If it is considered necessary, in light of equalities or other considerations, it will be open to those taking the decisions to spend more on one activity and less on another within the overall resources available to the Council.

12. Fees & Charges

12.1 The Chief Finance Officer is delegated to approve all fees and charges and to report to Cabinet and County Council those set at a level above inflation; a reasonable inflation level with regard to the Consumer Price Index (CPI), Retail Price Index (RPI) and pay inflation being 2.0%. Appendix 10 shows a schedule of the fees and charges approved at quarter 3 that have increased by more than 2.0%.

13. Conclusion

13.1 Prudent planning by the Council, and short-term Government support for the COVID-19 response and social care, means the Council can offer some stability for our residents for the coming year. Whilst the additional funding from Government for social care is welcome, there is continued reliance on raising funding for Adult Social Care through local Council Tax which is unrelated to social care need and unsustainable, particularly given the significant ongoing pressures experienced by our residents as a result of the pandemic. It is essential that proposals for longer term reform of social care funding are brought forward as soon as possible. In the meantime, the proposals in this report will ensure the Council is able to protect services for the most vulnerable for the coming year and spread the contribution to this from Council Tax paid by our residents over two years. Support will continue to be available through local Council Tax Support Schemes for those residents eligible. The budget presented is for one year, with considerable unpredictability about what that year will hold.

13.2 The situation beyond 2021/22 remains highly uncertain and we face a significant gap between the funding we currently expect to have and the cost of providing our services. The short term support provided by Government does not make up for the amount of funding lost over the last 10 years and neither will it be sufficient to prevent the need to consider further savings in future to fund pressures from the rising demand for and cost of social care. Any further savings, beyond those already factored into our planning, would take the Council below its Core Offer.

13.3 Our lobbying endeavours therefore remain as important as ever and we will need to continue to work with our local, regional and national partners to press for fair and sustainable funding that enables us to continue to meet the needs of our residents. Core to this is a need for Government to bring forward reforms for sustainable funding and provision of social care at the earliest possible opportunity, as until this is delivered our medium term financial position will remain very challenging. We will also continue to press for a real terms increase in grant funding for the sector and for delivery of the Fair Funding Review to allocate funding in line with evidenced need.

13.4 Given the scale of the current recession and future economic uncertainty, we will also prioritise work with our partners, including in the South East 7 and County Councils Network, and local Borough and District Councils to ensure that plans for economic recovery factor in the specific skills, employment and infrastructure needs of East Sussex. Lobbying to ensure that our residents and businesses have what they need to be successful in the future will be fundamental to achieving a strong recovery from the economic disruption brought by the pandemic and reducing the need for county council support and services in future.

BECKY SHAW
Chief Executive