REPORT OF THE CABINET

The Cabinet met on 8 December 2020 and 26 January 2021. Attendances:-

Councillor Glazier (Chair) (2)
Councillors Bennett (2), Bentley (2), Claire Dowling (2), Maynard (2), Simmons (2), Standley (2) and Tidy (2)

1. Reconciling Policy, Performance and Resources

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.

National and Local Context

1.8 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:

1.9 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.

1.10 Outside of Core Spending Power, the Spending Review included over £3 billion 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 paragraphs 1.30 to 1.34.

1.11 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.

1.12 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.

1.13 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.

1.14 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.

1.15 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.

1.16 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.

1.17 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.

1.18 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.

1.19 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.

1.20 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.

1.21 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

1.22 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.

1.23 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.

Council Plan

1.24 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.

1.25 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.

1.26 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.

1.27 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.

1.28 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.

Progress with Council Plan & Budget 2020/21 since Quarter 2

1.29 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.

Revenue Budget 2021/22

1.30 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)

1.32 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.

1.33 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.

1.34 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.

2022/23 and beyond

1.35 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.

1.36 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.

1.37 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.

Council Tax requirement

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

1.39 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.

1.40 The formal precept notice for issue to the Borough and District Councils is set out at Appendix 6.

Capital Programme

1.41 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.

1.42 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.

1.43 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.

1.44 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.

1.45 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.

Robustness and Reserves

1.46 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 £71.6m of which £21.7m 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	18.4
Priority Outcomes and Transformation		7.2	4.1		6.9	3.3
Subtotal strategic reserves		**42.2**	**26.6**		**43.9**	**21.7**
Total Earmarked Reserves		**97.6**	**67.8**		**98.9**	**61.6**
General Fund Balance		***10.0***	***10.0***		***10.0***	***10.0***
TOTAL RESERVES		**107.6**	**77.8**		**108.9**	**71.6**

1.47 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.

Engagement Feedback and Future Consultation

1.48 The views of the Scrutiny Committees are set out in Appendix 8. The views of partners, trade unions, business ratepayers and young people are also included in the appendix.

Equalities

1.49 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, 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 County Council pages of the 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.

1.50 Whilst the County Council is 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.

Fees & Charges

1.51 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%.

Conclusion

1.52 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.

1.53 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.

1.54 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.

1.55 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.

1.56 The Cabinet recommends the County Council to:

✡ (1) 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;

(2) approve the net Revenue Budget estimate of £416.7m for 2021/22 as set out in Appendix 3 (Medium Term Financial Plan) and 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 budget decisions;

(3) in accordance with the Local Government Finance Act 1992 to agree that:

(i) the net budget requirement is £416.7m and the amount calculated by East Sussex County Council as its council tax requirement (see Appendix 6) for the year 2021/22 is £310.4m;

(ii) the amount calculated by East Sussex County Council as the basic amount of its council tax (i.e. for a band D property) for the year 2021/22 is £1,544.04 and represents a 3.49% (1.5% of which relates to the Adult Social Care precept) increase on the previous year;

(4) advise the District and Borough Councils of the relevant amounts payable and council tax in other bands in line with the regulations and to issue precepts accordingly in accordance with an agreed schedule of instalments as set out at Appendix 6

(5) note the fees and charges set out in Appendix 10 that have been increased above inflation;

(6) approve the Capital Strategy and Programme as set out at Appendix 9;

(7) note the progress with the Council Plan and Budget 2020/21 since quarter 2 at Appendix 2;

(8) note the Medium Term Financial Plan forecast for the period 2021/22 to 2023/24 as set out in Appendix 3;

(9) note the comments of the Chief Finance Officer on budget risks and robustness as set out in Appendix 7; and

(10) note the comments from the engagement exercises as set out in Appendix 8.

2. Council Monitoring - Quarter 2 2020/21

2.1 The Cabinet has considered a report on performance against the Council Plan, Revenue Budget, Capital Programme, Savings Plan and risks for quarter 2 2020/21. Broad progress against the Council's four strategic priority outcomes is summarised below and an overview of finance and performance data is provided in the Corporate Summary at Appendix 11. Strategic risks are reported at Appendix 17.

Council Plan 2020/21 amendments and variations

2.2 The Cabinet agreed the amendment of one performance measure:

- Road Safety, from:

The percentage of young drivers and their passengers who report positive attitudinal and behavioural change in response to the engagement campaign designed to reduce risk of collisions/KSIs immediately after intervention and over time;

to:

The campaign cannot be implemented in 2020/21 due to COVID-19 (see Appendix 15, ref ii).

2.3 The Corporate Summary (Appendix 11) contains a forecast of performance against targets. There are a several new performance target exceptions now rated amber or red due to the impact and uncertainty caused by COVID-19, these are highlighted in the relevant appendices.

2.4 Given current circumstances, and as per quarter 1 (Q1), finance reporting has been split into Planned Budgets/Business as Usual (non-COVID) and COVID related items.

2.5 Details of non-COVID related over and underspends in each department are set out in the relevant appendices. The total service forecast overspend is £2.2m; this compares to £1.1m at Q1. The main headlines are:

- Adult Social Care (ASC) is currently forecast to overspend by £0.3m. This comprises an overspend of £1.6m in the Independent Sector, offset by an underspend of £1.3m in Directly Provided Services. The Independent Sector overspend reflects ongoing demand-led pressure on ASC services and the likely future impact of the Hospital Discharge Programme (HDP) The underspends in the Directly Provided Services relate mainly to lower demand in Day Services, temporary reductions in social worker training and increased staffing vacancies while recruitment activity remains lower.
- The Business Services (BSD) overspend of £0.9m mainly consists of £0.4m of budgeted savings, originally planned to be delivered through Orbis efficiencies, but no longer attainable due to the disaggregation of some BSD services from the Orbis partnership. Furthermore, the impact of COVID-19 has limited the ability to mitigate these savings elsewhere in BSD due to the current circumstances. Additionally, there are some overspends within Property due to delays in implementing the proposed property restructure, as well as an increase in rent following a rent review.
- For Children's Services (CSD) there is net overspend of £0.6m; a small decrease from the Q1 forecast of £0.7m. Within this, £1.2m of the forecast overspend relates to Early Help and Social Care. Of this, Locality pressures (£0.6m) continue on the Social work staffing budgets. A range of strategies to reduce these pressures is being pursued; this includes the review of placements as Independent Fostering Agencies continue to increase their availability since the initial lockdown ended. Overall, any small increases in non COVID-19 overspends since Q1 have been mitigated by further efficiencies, increasing the forecast underspend in Central Resources to £0.9m.
- Communities, Economy and Transport (CET) is showing an overspend of £0.4m which is mainly due to a review of reserves; taking a One Council approach, CET has been able to

support activities and expenditure in a number of services that would normally have been funded through reserve drawdowns. This means that the Council's reserves will not be expended to the level previously scheduled and this makes funding available for future years. The occurrence of underspends that will support the expected reserves income are not aligned with the services that were to receive this funding, therefore some service areas may appear to be in an overspend position.
- Following a review of the impact of the pandemic on travel budgets, it is proposed that the estimated underspend in this area should be held to support the Future Workstyles Programme. This has amounted to £0.975m and is shown at the bottom of the Corporate Summary; if approved the budgets will be taken as a one-off transfer to reserve for Q3.

2.6 Within Treasury Management (TM) and other centrally held budgets including the general contingency there is an underspend of £6.3m before the impact of COVID:

- There is currently an estimated £1.2m underspend on TM, this is based on the position on the capital programme removing the need to borrow externally in 2020/21. No long term borrowing was undertaken in the quarter and no further cost effective opportunities have arisen during quarter 2 to restructure the existing Public Works Loan Board (PWLB) or wider debt portfolio.
- The pension estimates when the budget was set in February 2020 were based on preliminary figures for the outcome of the triannual actuarial review. Now that the outcome is known, there is an in-year forecast underspend of £1.1m due to a lower secondary pensions contribution required by the actuary. This is reflected in the Medium Term Financial Plan (MTFP) for future years.
- There are £0.2m other minor movements.
- The underspend on TM and other centrally held budgets will be used to offset service overspend in the first instance.
- The general contingency of £3.9m would, per normal practice, be transferred to reserves for use in future years. However, this will in the first instance be used to offset unfunded COVID-19 pressures in year, where they are not covered by the funding provided for by Government. The tables at 2.16 provide a summary.

2.7 Capital Programme expenditure for the year is projected to be £82.8m against a budget of £99.3m, a net variation of £16.5m (£12.9m at Q1). Of the variation position, net £3.7m relates to planned programme activity, and £12.8m are COVID related (£15.2m of slippage offset by an estimated £2.4m overspend). It should be noted that £11.7m of the COVID related slippage relates to Local Enterprise Partnership (LEP) schemes being delivered by, or in partnership with, others, where those organisations control the timetable.

2.8 Of the net £3.7m planned programme variation (non-COVID related); there is £0.2m net underspend, £8.1m of slippage to future years, partly offset by (£4.6m) of spend in advance. The main variances include:

- Community Match Fund – low take up from parish councils means slippage of £0.686m is anticipated.
- Exceat Bridge Replacement – anticipated slippage of £0.766m due to extended consultations with stakeholders.
- Newhaven Port Access Road – it is projected that the project risk contingency and after construction costs totalling £0.568m will not be spent in 2020/21 as this is dependent on when the Port complete their part of the works. The timing of expenditure is therefore largely outside of the Council's control.
- Queensway Depot Development – Slippage of £0.853m with planning application now to be assessed in November 2020 rather than July 2020, only site clearance works and preliminary works are expected to occur in 2020/21, with construction slipping to 2021/22.
- Highways Structural Maintenance – Spend in advance of £1.026m planned. Working conditions due to reduced road usage and effective project management have allowed £1.026m of planned works in 2021/22 to be brought forward to 20/21.
- Westfield Lane - Total slippage of £0.850m, of which £0.250m relates to delays to the tender award process and £0.600m relates to the contingency element of the budget to cover project risks that will potentially occur in 2020/21.

- Schools Basic Need Programme – total slippage of £3.445m is projected for Hailsham Secondary school to reflect an updated project start date and Hailsham (Burfield) project because work to repair the roof will now take place at the next summer break. There is also anticipated spend in advance of (£3.340m) largely at Reef Way due to the contractor being able to bring works forward to the current financial year.
- Capital Building Improvements (Schools) – slippage of £0.800m relates to additional schools condition funding of £1.850m announced by government in late June, where projects were not in place to proceed in the current financial year.
- Bexhill and Hastings Link Road – The first tranche of part 1 settlement claims is expected to be paid in Q3. The value and timing of further settlements is uncertain, so it is difficult to provide an estimate of the value to be paid this financial year. There will be an update at Q3 on the overall anticipated cost and timeline of settlement for the remaining part 1 claims.

2.9 The details of **COVID related** pressures in each department are set out in the relevant appendices, and show a total forecast overspend of £31.2m. The main headlines are:

- ASC is currently forecasting the net financial impact of COVID-19 to be £14.6m in 2020/21. The main areas of expenditure include relief payments to providers; spend on PPE and the support to shielded groups via the Community Hubs (the latter of which is funded in part by the Food and Emergency Supplies Grant).
- Within BSD, the total of £0.8m includes IT costs for remote working, loss of income streams due to closure of various premises and the likelihood that the savings target within the County Council's contribution to Orbis is now unlikely to be made in 2020/21.
- The COVID related pressures for CSD of £10.2m are primarily in Central Resources (£1.1m) comprising payments to early years providers and within Early Help and Social Care (£7.8m). Looked after Children (LAC) budgets have been directly and significantly impacted by COVID-19, with the financial pressures continuing to be reflected in the increase in new placements during the period to date. A mixture of new residential and foster provision and semi-independent accommodation provision have continued, where weekly fees have also increased. In addition, there have also been continued extra agency costs for staff employed at residential sites to support staff absences. The Care Leavers service has been impacted by placement changes and delayed moves, as well as the universal credit uplift. Lansdowne Secure Unit has also experienced build delays and a resulting loss of income.
- There is a CET pressure of £5.6m relating to additional costs and reduced income resulting from COVID-19. The most significant COVID-19 pressures are in Transport and Operations where car parking income is down £2.4m (this has reduced the planned Parking contribution to Concessionary Fares). Increased collection volumes and the cost of reopening household waste sites with social distancing, have resulted in an overspend of £0.8m in the Waste service. The overspend in Communities is mostly due to lost income from marriages and other ceremonies (£0.6m) along with reduced Road Safety training income. The Council's share of the pan Sussex cost of excess deaths as a result of COVID-19 is expected to be £0.6m. Income is also down across other services.

2.10 Within Centrally Held Budgets and Corporate Funding there are further COVID related pressures of £1.8m, the key areas being:

- Estimated risk of reduced investment income within TM (£0.7m);
- Levies, Grants & Other includes £0.3m Personal Protective Equipment (PPE) for Corporate Buildings and £0.5m increase in bad debt provision; and
- Estimated risk of reduced proceeds from the Business Rates pool with Districts and Boroughs of £0.3m. We are working to get further clarity with the Districts and Boroughs.

2.11 There have been three tranches to the end of September of general COVID-related funding allocated by the Ministry for Housing, Communities and Local Government (MHCLG) for use by the Council:

	£m

Tranche 1	16.297
Tranche 2	9.810
Tranche 3	3.553
Total	**29.660**

2.12 Against the current COVID revenue estimate of £33.0m this leaves a funding pressure of £3.3m for revenue. Since quarter 2, tranche 4 funding has been announced. In the first instance this will support the deficit, with any arising surplus being held to support any further in year pressures, that are as yet unknown (there being an increased risk as a result of the 2nd lockdown) and capital in-year COVID overspend that cannot be mitigated, outlined at 2.16 below.

2.13 The Council has submitted a bid to MHCLG for support for losses on sales, fees and charges. The bid covers the first four months of 2020/21 and totals £1.6m. The bid is subject to review by MHCLG, but if approved this could be extrapolated for the rest of the year. For prudence this is not currently included in the forecasts.

2.14 The COVID related pressures and slippage in the Capital programme total £12.8m; of which there is a £2.4m overspend (adding to the funding shortfall), £3.5m slippage relating to schemes within the Council's control, and £11.7m of slippage relating to schemes where delivery is outside of the Council's control. The main variances include:

- Business Services various – A combination of temporary site closures, difficulty of acquiring materials, the purchase of IT&D equipment to enable non-Agile teams to work remotely and other COVID-19 implications are estimated to increases costs across various schemes by £1.210m.
- Capital Building Improvements (Schools) – slippage of £1.700m is largely due to uncertainty within the corporate estate with possible changes in workstyles and occupation has meant several projects are on hold this financial year.
- IT & Digital Strategy Implementation – Slippage of £1.000m due to diverting from planned projects to support the COVID response in the first half of the financial year. None of the delayed projects or programmes affects the council's existing systems or security but does delay new capabilities being introduced.
- Highways Core Programme - A projected Covid-19 risk of £1.212m is mainly due to the anticipated full year impact of implementing and maintaining social distancing requirements including transportation to and from sites in smaller groups than normal; social distancing marshals and other on-site measures; and the increased costs of some materials as a result of the pandemic.
- Communities, Economy & Transport various – a total slippage of £0.626m for reasons including low take up of Economic Intervention Fund grants during lockdown and delays to schemes where public interaction would have ordinarily played a role in design development.

2.15 COVID-19 related slippage of £11.7m relates to Local Enterprise Partnership (LEP) schemes where delivery is outside of Council's control. The majority of these schemes rely on public involvement in terms of surveys and transport monitoring which have been delayed. The South East Local Economic Partnership (SELEP) have granted a six-month COVID-19 extension to their Local Growth Fund schemes

2.16 The tables below summarise the unfunded COVID costs and management of the revenue unfunded deficit.

Unfunded COVID Costs	**£m**
Capital	2.422
Revenue	32.969

Funding Tranches 1-3	(29.660)
Total unfunded COVID costs	**5.731**

Summary of Revenue Variances	**£m**	
	Non-Covid	**Covid**
Service Budgets	(2.190)	(31.171)
Central Budgets	6.330	(1.452)
Central Resources	-	(0.346)
Travel underspends to be transferred to reserve	(0.975)	-
Subtotal Variances	**3.165**	**(32.969)**
less Covid Grant - tranches 1 to 3		29.660
Net Covid costs (revenue)		**(3.309)**
less Non-Covid variance		3.165
Deficit to be funded from reserves		**(0.144)**

2.17 The Strategic Risk Register, Appendix 17, was reviewed and updated to reflect the Council's risk profile. Risk 5 (Reconciling Policy, Performance & Resources), Risk 7 (Schools) and Risk 16 (COVID-19) have updated risk definitions and controls. Risk 4 (Health), Risk 6 (Local Economic Growth), Risk 8 (Capital Programme), Risk 9 (Workforce), Risk 10 (Recruitment) and Risk 15 (Climate) have updated risk controls.

Progress against Council Priorities

Driving sustainable economic growth

2.18 Transport for the South East (TfSE) submitted the final transport strategy to Government in July 2020. This was accompanied by the proposal for statutory status, which sets out the powers and responsibilities required to deliver the thirty-year vision set out in the strategy. A response has now been received from the Department for Transport (DfT) which has rejected the proposal to grant TfSE statutory status. However, the Secretary of State did acknowledge the good working relationship between TfSE and Government and the desire for this to continue (Appendix 16).

2.19 Skills East Sussex (SES) met in quarter 2 to finalise the Economy Recovery Plan for the county. The subgroups of SES also met and agreed to collaborate on the Government's Plan for Jobs incentives, and the South East Local Enterprise Partnership's £2m funding pot for skills and employment (Appendix 15).

2.20 27 carriageway asset improvement schemes were completed in quarter 2, to maintain and improve the condition of the county's roads (Appendix 15).

2.21 During quarter 2 15 contracts which qualified for the Social Value Measurement Charter were awarded with a total value of almost £24m. Over £1.2m worth of social value commitments were secured as part of the contracts. The restrictions in place due to COVID-19 have made it difficult to deliver social value in traditional ways, however organisations are adapting, for example by using virtual environments for skills and employment initiatives (Appendix 13).

2.22 During the summer the Government announced a new Apprentice Incentive Scheme, which runs from August 2020 to January 2021 and offers payments to support new apprentices. A range of publicity materials promoting the scheme have been issued to managers across the Council, and we have subsequently seen an increase in new apprenticeship starts (Appendix 13).

Keeping vulnerable people safe

2.23 Centralised support for the shielded group was paused at the start of August, however the Council has maintained a number of support streams. Community Hubs continue across the county; Health and Social Care Connect (HSCC) has taken on responsibility for advising previously shielded people, with additional capacity being recruited in HSCC to meet demand; and funding has been provided to 15 foodbanks across the county, with food partnerships created to provide additional funding to those accessing food banks (Appendix 12).

2.24 The Safer East Sussex Team hosted the Sussex Anti-Slavery network in October, and through the work of the network the Council has committed to seeing a slavery free East Sussex by adopting the United National Sustainable Development Goal to take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking, and secure the prohibition and elimination of the worst form of child labour by 2030. The pledge was signed by Council leaders including the Chief Executive and Leader (Appendix 12).

2.25 Children's Services worked closely with schools in quarter 2, to implement Government guidance on the full reopening of schools from September 2020. Guidance has been provided to schools to allow them to plan for future eventualities, including any potential move to different tiers of restrictions; model risk assessment and contingency plans have been shared; and there was increased support for vulnerable pupils (Appendix 14).

2.26 The East Sussex Youth Cabinet developed a social media campaign called Stay in quarter 2, to support young people to Stay informed, Stay well, Stay sunny and Stay safe. The Youth Cabinet also raised concerns about the anxiety young people were facing in returning to school, and organised a webinar which was attended by school leaders and Council representatives to discuss the concerns and how they could be addressed (Appendix 14).

2.27 The number of children subject to a Child Protection (CP) plan continued to increase in quarter 2; from a rate of 55.3 per 10,000 at the end of quarter 1, to a rate of 59.9 at the end of quarter 2. Reasons for the increase include plans not ceasing due to it being difficult to end plans safely if children aren't being seen regularly at school, and some contact by social work staff happening virtually. Targeted work has begun to safely reduce the number of plans now that children are back in school and more face to face social work is possible. The number of Looked After Children has remained relatively stable in quarter 2, 57.0 per 10,000, compared to the end of quarter 1, when the rate was 56.4 (Appendix 14).

Helping people help themselves

2.28 A new service to support families and loved ones affected by drug and alcohol disorders was commissioned in quarter 2. The contract was awarded to Adfam, who are a national charity working to improve the lives of families affected by alcohol and drugs and started on 1 October. A project to support members of the street community housed in temporary accommodation also commenced in quarter 2, with a programme of harm reduction and basic diversionary activities delivered (Appendix 12).

2.29 Work on revising and updating the health and social care integration programme began in quarter 2. The objectives for this year have been updated to take account of learning from the new ways of working adopted in response to the pandemic; the impacts of COVID-19 and the ongoing need to manage the response; new responsibilities and restoration and recovery planning; and the need to manage capacity resources and risks appropriately across the system (Appendix 12).

Making best use of resources

2.30 The Council has continued lobbying in quarter 2; alongside the other South East 7 (SE7) Leaders, the Leader wrote to Government to set out the vital role that SE7 councils had played in the COVID-19 response. The letter also made clear that in order for councils to continue this work in the autumn and support the long-term recovery of local communities, Government needed to address the financial cost of the pandemic to provide an adequate funding settlement for local government (Appendix 16).

2.31 The Council's Hailsham Primary Academy project won 'Building Project of the Year under £10m' at the SECBE 2020 Construction Excellences awards in quarter 2. The award recognised the completion of the project 11 weeks ahead of schedule, meaning pupils could start the new term in a brand-new school rather than in temporary accommodation as was originally planned. The project also saved 145 tonnes of CO2 and reduced waste by around 39% by using a number of site-specific schemes (Appendix 13).

3. Scrutiny Review of Becoming a Carbon Neutral Council

3.1 The Cabinet has considered a report of the Place Scrutiny Committee on its Review of Becoming a Carbon Neutral Council. The report of the Scrutiny Committee is included elsewhere on the agenda (item 6).

3.2 In October 2019 the County Council declared a climate change emergency and committed to reporting annually at the May County Council meeting on its progress in addressing the emergency. The Place Scrutiny Committee at the meeting on 20 November 2019 agreed to establish a Review Board to undertake a Scrutiny Review of Becoming a Carbon Neutral Council. The scope of the review covered the actions the Council needs to take in order to become carbon neutral and examined the Council's Climate Emergency Plan, which was agreed in June 2020.

3.3 The Scrutiny Review of Becoming a Carbon Neutral Council is welcomed, in particular the opportunity to review the climate emergency plan that was agreed earlier in 2020. The response to the Review Board's recommendations is set out in the action plan attached at appendix 18.

3.4 The County Council has previously agreed that it will receive an annual report on progress towards meeting the target of achieving carbon neutrality from its activities as soon as possible and in any event by 2050. An annual greenhouse gas report is produced each year by the Council's Energy Team in Orbis and put on the corporate website. The process of collating energy data, cleansing it, analysing it and ensuring it is robust is time-consuming, as the data are from multiple Council teams, utility suppliers and third parties, and there is a significant volume of data. The process begins from April, once the final bills for the previous financial year have been received, and data analysis starts in May, once all outstanding bill queries have been addressed with sites and suppliers.

3.5 To ensure Members have the most up to date energy data from the preceding financial year it is proposed to change the date of the annual report to the County Council from May to October. This change will provide Members with the most up to date and useful picture of progress.

3.6 In welcoming the findings of the Scrutiny Committee, the Cabinet has considered a report by the Director of Communities, Economy and Transport and the Chief Operating Officer (as set out in Appendix 18 to this report) on the specific recommendations and endorsed it as its response to the recommendations

3.7 The Cabinet, in welcoming the report, recommends the County Council to –

✡ (1) approve the response of the Director of Communities, Economy and Transport and the Chief Operating Officer on the implementation of the recommendations in the Scrutiny Committee's report; and

(2) agree to moving the annual report to the County Council on progress in delivering the climate emergency plan from May to October each year.

4. Annual Progress report for Looked After Children

4.1 The Cabinet has considered the annual progress report for Looked After Children's Services which is attached as Appendix 19.

4.2 On 31 March 2020 there were 592 Looked After Children (LAC) in East Sussex; this represents a decrease of 8 children as compared to 2018/19 and a rate of 55.7 per 10,000 population compared to a rate of 56.6 per 10,000 in 2018/19 and the national England rate of 65%.

4.3 The LAC data only ever gives a snapshot of our children moving in and out of the system at a fixed date each month/year and considerable activity sits beneath it. The data below and set out in the annual report is referred to as 'churn'. This cohort of children will come in and out of the system within the year. When this is added to the number of LAC at the year end this gives a total of 760 children in care who were allocated a social worker and worked with during 2019/20. This is a reduction of 20 on 2018/19.

4.4 There was a decrease in children coming into care from 195 during 2018/19 to 179 during 2019/20. The number of 0-5 year olds admitted to care during 2019/20 decreased to 75 (from 87 in 2018/19). The number of 6-12 year olds admitted to care during 2019/20 remained at 38 (the same number as in 2018/19). The number of children aged 13+ decreased from 70 in 2018/19 to 66 in 2019/20.

4.5 At year end there was a decrease in the number of our LAC leaving care, from 197 in 2018/19 to 177 in 2019/20.

4.6 At 31 March 2020 ESCC was caring for 32 Unaccompanied Asylum Seeking Children aged under 18. These young people were mainly male and over 16, with an additional 48 having ongoing support needs as care leavers. In the last year, 2 children have come via The Vulnerable Children's Resettlement Scheme and the remainder have been spontaneous arrivals, found either by the Police or at Newhaven Port or transferred via the National Transfer Scheme mostly from arrivals at Dover.

4.7 The number of our LAC with disabilities remains similar to previous years. At 31 March 2020 there were 27 LAC with disabilities, 8 of whom, were aged between 16-19. This compares with 31 LAC, 9 of whom were aged between 16-19 in 2018/19. Of these 8 children were placed with ESCC foster carers, 2 were placed with independent agency foster carers, 6 were placed in ESCC children's homes, 5 were placed in independent children's homes, 4 were placed in residential schools to meet their medical needs (jointly funded with health) and 2 were placed in residential schools due to behavioural needs.

4.8 The services for LAC are supported via core funding from the Children's Services Authority budget, a small proportion of the Dedicated Schools Grant and the Pupil Premium for additional education support for children.

4.9 Further detail on the work undertaken by the Looked after Children's Services in set out in Appendix 19.

4.10 The Cabinet has welcomed the report and thanked all those involved in the provision of services for LAC.

5. Treasury Management Policy and Strategy 2021/22

5.1 The Cabinet has considered a report regarding the Treasury Management Policy and Strategy which sets out the Council's policies for managing investments and borrowing as required under the Chartered Institute for Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in the Public Services.

5.2 The Local Government Act 2003 and supporting regulations requires the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

5.3 The Treasury Management Policy and Strategy Statement (TMSS) for 2021/22 is presented in Appendix 20 to this report. The strategy includes the Treasury Management Policy Statement, the Treasury Management Strategy Statement, the Annual Investment Strategy, Prudential and Treasury Indicators for the next three years and the annual Minimum Revenue Provision Policy Statement.

5.4 The 2021/22 TMSS has been prepared within the context the financial challenge being faced by the County Council over the Medium Term Financial Plan (MTFP). The 2021/22 TMSS seeks to complement the Council's Core Offer by:

- utilising long term cash balances as effectively as possible by investing in longer term instruments and/or using to fund borrowing to reduce borrowing costs;
- ensuring the investment portfolio is working hard to maximise income by further use of alternative appropriate investment opportunities during 2021/22;
- ensuring effective management of the borrowing portfolio by exploring rescheduling opportunities and identifying and exploiting the most cost effective ways of funding the Council's borrowing requirement.

Investment Strategy

5.5 The 2021/22 Investment Strategy has been set in the context of diminishing returns and opportunities in the current economic environment. The average rate of return for 2019/20 was 1.08% and for the first six months of 2020/21 was 0.84%.

5.6 The Investment Strategy provides the framework for officers to seek new opportunities to invest long-term cash in suitable longer term instruments in order to assist in delivering treasury efficiencies by securing a level of investment income. The pandemic, and resultant market uncertainty, is limiting the scope for new investments. Actions to explore the available options for Short Dated Bond Funds and Multi Asset Funds have been paused but will be explored in the future when appropriate.

5.7 In the current climate, investments to other Local Authorities could secure an enhanced fixed level of return over traditional bank deposits with an increased level of credit security.

5.8 In response to the Council declaring a Climate Emergency, the Annual Investment Strategy for 2020/21 included Environmental Social and Goverance (ESG) as a factor when undertaking investment decisions to allow the Treasury Management Strategy to actively support the Council's aspirations to tackle climate change and other ESG factors. Officers have been exploring how the Council's current counterparties are contributing to this area and are being asked how investment solutions can compliment this strategy. In reality, the market for green and ESG investments is relatively immature, which reduces the ability to actively invest in products that support the Council's aspirations. However, research and the consideration of suitability of ESG investment products will continue into 2021/22.

Borrowing Strategy

5.9 The Borrowing Strategy and the Capital Programme identifies a borrowing need of £71m over the next 3 years (between 2021/22 and 2023/24). The Council currently has large cash balances, therefore officers will seek to use cash from the Council's own reserves to initially fund borrowing. This will decrease the Council's cash balances, reducing counterparty risk, and reduce borrowing costs. Modelling of the Council's capital plans and cashflows has identified an appropriate level of internal borrowing of around £50m. This strategy will be kept under constant review by officers, and borrowing will be undertaken where it is felt there is a significant risk of steep increases in borrowing rates.

5.10 On the 25 November 2020 the Government announced the conclusion to the review of margins over gilt yields for Public Works Loan Board (PWLB) rates; the standard and certainty margins were reduced by 1% but a prohibition was introduced to deny access to PWLB borrowing for any local authority which intended to purchase of assets primarily for yield (i.e. commercial assets) in its three year capital programme. This reduction in future borrowing costs has been factored into the Treasury Management tool to support the development of Capital Strategy to 2040/41.

5.11 The budget within the MTFP is calculated using the Treasury Management Tool that reflects the costs of borrowing in support of the targeted basic need programme offset by returns on investment of the Council's balances. It is therefore reflective of a point in time. The treasury management tool, developed as part of the Capital Strategy, is reviewed regularly for reasonableness.

Revenue impact

5.12 The MTFP includes £0.7m increase in the Treasury Management budget over the next two years to reflect the increase in MRP due to a change in profiling methodology. This is a planned change which resulted from the approval of moving to an annuity method of calculation. In addition, £1.0m has been added in 2022/23 and a further £1m in 2023/24 to reflect the net revenue impact of the Capital Strategy and Programme in terms of the cost of borrowing and the setting aside of MRP.

Treasury Management Reporting

5.13 As well as this annual strategy, the CIPFA Code requires the Council reports as a minimum:

- A mid-year review;
- An annual report at the close of the year.

5.14 This Council meets this requirement with the Treasury Management Annual Report 2019/20 and mid-year report 2020/21 presented to Cabinet on 8 December 2020. Additionally, a treasury management monitoring position is reported to Cabinet four times a year.

Economic Background

5.15 The Council takes advice from Link Asset Services on its treasury management activities. A detailed view of the current economic situation and forecasts, as prepared by Link Asset Services is included in Appendix 20 (Annex B) to this report.

5.16 This policy sets out the acceptable limits on ratings, investment periods, amounts to be invested and the borrowing strategy. Cabinet will be aware that the financial position is kept under constant review and if at any time it is felt that any of these limits represent an unacceptable risk appropriate and immediate action will be taken accordingly.

5.17 The Cabinet recommends the County Council to:

✡ 1) approve the Treasury Management Policy and Strategy Statement for 2021/22;
2) approve the Annual Investment Strategy for 2021/22;
3) approve the Prudential and Treasury Indicators 2021/22 to 2023/24; and
4) approve the Minimum Reserve Provision Policy Statement 2021/22 at Appendix 20 (section 3)

26 January 2021 KEITH GLAZIER
(Chair)