

Appendix A

Report to: Cabinet
Date: 30 September 2021
By: Chief Executive
Title of report: Reconciling Policy, Performance and Resources (RPPR) – Update
Purpose of report: To update Members on the latest policy context, financial context and progress with the development of a strategy for one-off investments.

RECOMMENDATIONS:

Cabinet is recommended to:

- i. note the updated policy context as set out in paragraph 2;**
 - ii. note the updated Medium Term Financial Plan as set out in paragraph 3 and appendix 1;**
 - iii. subject to Council agreeing the establishment of a reserve, agree to receive further reports in November setting out proposals for one-off investments in highways and climate change.**
 - iv. agree to continue lobbying for a sustainable funding regime to meet the needs of the residents of East Sussex.**
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1. Background

1.1. In July, Cabinet considered the State of the County report, a key milestone in the Council's Reconciling Policy, Performance and Resources (RPPR) process, its integrated business and financial planning cycle. The report set out the updated demographic, economic and service evidence base; the national and local policy context; and updates on our medium term financial planning position and capital programme. It gave our latest understanding of how we will need to continue to respond to the wide range of policy, demographic and financial drivers which influence the outlook for the Council, both in the short and longer-term.

1.2. The report highlighted the significant uncertainty that continues to dominate the context within which we are working. The ongoing impact of Covid-19 remains hard to predict, both in relation to further waves of infection in the short term, and in terms of the scale and nature of the undoubted far-reaching implications on our residents and businesses which will influence need, and therefore demand for our services, into the future. The financial outlook remains unclear with the outcome of a three year Spending Review awaited, key national funding reforms having been subject to further delay and the detailed impact of recent announcements on funding for Adult Social Care yet to be set out. The national policy context also continues to develop rapidly with a broad range of Government policy announcements and public service reforms, the implications of which are not yet fully clear.

1.3. The RPPR process, bringing together our policy, business and financial planning and risk management, continues to provide the vehicle for navigating this uncertain environment, supporting planning for 2022/23 and beyond and maintaining focus on our four priority outcomes which were agreed by Cabinet for planning purposes as:

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

The priority outcome that the Council makes the “best use of resources, now and for the future” is a test that is applied to all activities to ensure sustainability of our resources, both in terms of money and the environment. It ensures that the future impact of the choices we make about using resources is actively considered across all that we do, as well as the here and now.

1.4. As a result of managing our resources carefully over many years, and with additional Government Covid support, we have been able to maintain stability in service provision through the period of the pandemic and our current financial position is secure. However, the financial outlook in the medium term remains very challenging and uncertain. As reported in July, the impact of Covid-19 on service demand and the additional one-off funding we have received has provided the opportunity to reset the 2021/22 budget and release £8.855m as a one off reserve contribution. We have a limited window of opportunity now to consider how we could use the funding released to make any further preparations for future years, including any areas of one-off investment which would help us better manage future demand for services, and the costs of providing them.

1.5. This report provides Members with an update on the evolving policy and financial context that will continue to inform our planning for 2022/23, and includes:

- updates on key policy context developments since July;
- updates on the financial context and the Medium Term Financial Plan for 2022/23-2024/25; and
- progress on the development of proposals for one-off investments that include options for further investment in highways, infrastructure and climate change.

2. Policy context update

2.1. The context the Council is operating in continues to change rapidly. Key areas in which there have been developments since the State of the County report, or in which further developments are expected this autumn are detailed below.

- Adult Social Care Reform and Funding – the Government has long committed to national reform of the adult social care system, to ensure provision is sustainable, equitably funded and affordable to those who require it. In early September, Government announced its plans for Health and Social Care reform, to be funded by a Health and Social Care Levy (a 1.25% increase in national insurance for employees and employers and 1.25% increase in dividends rates). The majority of the funding to be raised through the levy (£36bn between 2022/23 and

2024/25) is to be used to aid recovery from the pandemic in the NHS by increasing hospital capacity and creating space for more appointments and procedures. Government has committed to allocate more of the funding raised through the levy to social care beyond this period.

£5.4bn over the three years to 2024/25 has been set aside to deliver planned reforms to social care, which include:

- Reforms to care costs – introducing a £86k cap on personal care costs and equalisation of care costs between self-funding and local authority clients.
- Providing financial assistance to those without substantial assets – from October 2023, anyone with assets of less than £20k will not have to make any contribution for their care from their savings or the value of their home and those with assets between £20k and £100k will be eligible for some means-tested support.
- Wider reform of the social care system – including investing £500m in workforce development and workforce mental health and wellbeing support. There are also plans to introduce an assurance framework to ensure local authorities are delivering on their obligations to service users.
- Improving the integration of health and social care systems – producing a comprehensive national plan for supporting and enabling integration that builds on plans in the Health and Care Bill. This will identify a single set of system-based health and care outcomes that local systems will be asked to deliver.

Detail of these reforms will be set out in a White Paper for adult social care later this year. The expected impact of the planned reforms on ESCC, the local care market and our health partners is clearly significant. However, the detail, including the funding that will be provided to ESCC to deliver the reforms and new responsibilities, is uncertain. It is clear that the funding to be raised through the levy is not, particularly in the short term, intended to address existing pressures in the social care system. Government expects existing demographic and unit cost pressures to be met through Council Tax, the social care precept and long-term efficiencies and have confirmed that this funding will be determined at the Spending Review. ESCC will therefore need to continue to lobby with others in the sector for Government to address ongoing social care pressures in the Spending Review, in a sustainable way that reduces reliance on Council Tax.

- Spending Review 2021 – alongside announcements for funding health and social care reform, the Chancellor has launched the 2021 Spending Review to set UK Government departments' resource and capital budgets for 2022-23 to 2024-25. The outcome of the Spending Review will be published alongside the Autumn Budget on 27 October 2021. The launch confirmed that the Government's priorities for the review are ensuring delivery of strong and innovative public services; levelling up; leading the transition to net zero; advancing Britain's international standing and taking advantage of EU Exit; and delivering the 'Plan for Growth', Government's national strategy for economic growth and recovery.

The Office for Budget Responsibility (OBR) published an update on public sector finances earlier in September which reported that the position was better than

previously expected, with public sector net borrowing in the first five months of this financial year lower than previously forecast and tax receipts higher, reflecting the rebounding of the economy faster than expected. The Institute for Fiscal Studies has suggested that this may grant the Chancellor flexibility to make some short-term investment in public services in the Spending Review and there are strong calls for this to be made in a number of competing areas, including supporting education recovery and retention of the Universal Credit uplift implemented in the pandemic.

In the medium term, the Chancellor has set a target of a balanced national budget by 2024/25 – 2025/26, and the launch of the Spending Review confirmed Government remains committed to these plans. Delivery of this may require real-terms cuts to public spending and Government departments have been asked to identify savings and efficiencies in their day-to-day budgets to be reinvested in priorities, and to carefully prioritise bids in their submission. Therefore there remains pressure on the national finances. While the confirmation of a three year spending review is positive, and something ESCC has repeatedly lobbied for to provide greater certainty for planning, we will need to press with our partners for an adequate quantum of funding for local government that meets the needs of our residents and is not disproportionately reliant on Council Tax increases.

- Levelling Up White Paper, devolution and County Deals – in July, the Prime Minister delivered a speech on Levelling Up that confirmed that a White Paper will be published later this year to set out the Government’s plan for addressing the health, social and economic inequalities between, and within, places and regions of the UK, to improve opportunity for all, raise living standards and improve public services. The White Paper is expected to be published around the same time as this year’s Spending Review (see above) and given the breadth of policy areas covered, it is expected to have implications for the work of the Council, including in how we work to drive sustainable economic growth.

In the speech, the Prime Minister also announced that as part of delivering the Levelling Up agenda, Government plans to offer more devolution in England, particularly beyond metropolitan areas, with a ‘new deal for counties’. This devolution is intended to empower local leaders to deliver the Levelling Up outcomes outlined above. The then Secretary of State for Housing, Communities and Local Government wrote to councils in the summer confirming the Government’s commitment to extending devolution and encouraging councils to come forward with proposals for powers and flexibilities that would help deliver local priorities and could form the basis of new devolution arrangements, known as ‘County Deals’. Councils interested in being early adopters and shaping County Deal proposals were asked to submit proposals for their areas by Friday 13 August. ESCC will continue to monitor developments closely to understand the detail of the Government’s new devolution offer and any opportunities it presents.

Local government’s home department, the Ministry of Housing, Communities and Local Government, will take on a new responsibility for delivering the Levelling Up agenda and has been retitled the Department for Levelling Up, Housing and Communities. The Rt Hon Michael Gove MP has been appointed the Secretary of State for Levelling Up, Housing and Communities, has established a joint

Levelling Up Taskforce with the Prime Minister and has a remit to work across Whitehall to deliver this policy agenda. We can expect the Department's broadened focus and the appointment of a new Secretary of State to have implications for a range of policy areas impacting local government and ESCC, including potentially the detail of the Levelling Up White Paper and 'County Deal' proposals.

- Climate Change – the UK will host the UN's Climate Change Conference – Conference of Parties (COP) 26 in November and we will continue to monitor announcements of Government funding and initiatives in advance of this to identify opportunities that could support ESCC's work to reduce our carbon emissions. In July the Government published its Transport Decarbonisation Plan, a foundational document to the broader Net Zero Strategy which Government has also committed to publish ahead of COP26. The Plan prioritised place-based solutions to reducing emissions from transport, committed to further publication of guidance for local authorities on decarbonising transport and committed to making quantifiable carbon reductions a part of local authorities' future local transport planning and funding. The Transport Decarbonisation Plan will inform our plans to refresh the East Sussex Local Transport Plan in the coming year to reflect the renewed national and local policy context and commitments to decarbonisation.
- Resettlement of Afghan nationals – the Government has committed to providing protection for vulnerable people fleeing Afghanistan, including a new Afghan Citizens' Resettlement Scheme (ACRS) aimed at accommodating up to 5,000 people in the first year and up to a total of 20,000 over the coming years. The new route is separate from, and in addition to, the Afghan Relocations and Assistance Policy (ARAP), which offers any current or former locally employed staff who are assessed to be under serious threat to life priority relocation to the UK. Government has sought assistance from local authorities to source accommodation and other support for those arriving in the UK. ESCC is liaising with district and borough councils and other partners to understand the likely need for support in East Sussex which is likely to include health, social care and education. For councils who support people through the above schemes, Government has provided a standard integration package supported by a core local authority tariff, plus funding for education, English language and health provision, and a housing fund to help authorities provide suitable accommodation.
- Brexit – full implementation of the new trade and border arrangements between the UK and EU will continue this winter and we will continue to prepare for the full implementation of border checks at Newhaven Port next summer.
- Public service reforms – as set out in the State of the County report, Government is progressing a range of public service reviews and reforms that will have implications for services delivered by the County Council. These include the national review of Special Educational Needs and Disability (SEND) services, plans to improve integration of health and social care through the Health and Care Bill and implementation of the proposals for planning reform set out in the

Planning for the Future White Paper. Announcements and progress in each of these areas is expected in the coming months.

- Economic outlook – the latest assessment of the economic outlook for the UK economy by the OBR was published in March, which projected that vaccinations, easing of restrictions and increased consumer activity would drive a rapid recovery of the UK economy this year, with GDP returning to its pre-pandemic output by the middle of 2022. The percentage of East Sussex residents claiming unemployment benefits fell slightly between May and July, from 5.8% to 5.2%. For 18-24 year olds the rate fell from 10.2% to 8.6%. An updated assessment will be published in October. The end of the Coronavirus Job Retention Scheme (furlough) and grants for the self-employed, combined with the end of the £20 weekly uplift in Universal Credit at the end of September may result in increased hardship that has been prevented to some extent by these schemes during the pandemic. 15.1% of East Sussex working age residents were claiming Universal Credit in July.

2.2 We expect further detail of policy changes and the resulting implications for the County Council to become clearer in the coming months and will continue to factor these into planning for 2022/23 and beyond.

3. Medium Term Financial Plan

3.1 It remains difficult to plan for 2022/23 and beyond. The level of Government funding that ESCC will receive between 2022/23 – 2024/25 is yet to be confirmed; The Spending Review (SR) 2019 and 2020 were both for a single year and therefore funding for this planning period will be announced at SR21 in the autumn. On 7 September the Chancellor published the SR21 launch letter which confirmed that it will be a multi-year spending review covering the years 2022-23 to 2024-25. The Fair Funding Review and Business Rate Retention reform continue to be delayed and we await detail of the impact of health and social care reform also announced on 7 September (see above).

3.2 The Medium Term Financial Plan (MTFP) has been updated to provide a baseline position before further refinement of pressures. This includes ongoing work with our districts and boroughs to try to get a clear picture of the reduced income from Council Tax and Business Rates. A number of scenarios based on the potential for further funding announcements are set out in section 3.6.

3.3 The baseline position provided at appendix 1 includes: (1) Normal updates for regularly calculated adjustments; (2) Proposed updates following review by CMT via the Pressures Protocol.

3.4 These movements are summarised in the table below and provide a deficit budget position by 2024/25 of £22.089m.

Medium Term Financial Plan	2022/23 £m	2023/24 £m	2024/25 £m	Total £m
Cabinet 13 July 2021 DEFICIT/(SURPLUS)	1.734	9.486	7.195	18.415
Normal Updates	0.932	(0.690)	2.978	3.420
Pressures added / (removed)	0.538	0.030	(0.114)	0.254
Deficit / (Surplus) AFTER NORMAL UPDATES TO THE MTFP	3.204	8.826	10.059	22.089

3.5 A detailed MTFP after normal updates and proposed pressures is shown at appendix 1.

3.6 As set out above, our known deficit for 2022/23 is £3.2m with an aggregate deficit of £22.1m. However, we know there is uncertainty about future funding allocations. In resetting the MTFP and presenting the budget for 2022/23 and beyond, a number of scenarios have been considered that could impact the possible level of budget deficit that will need to be addressed and these are summarised in the table below, with further detail at appendix 1.

Scenarios	Estimate (£m)			
	2022/23	2023/24	2024/25	Total
DEFICIT/(SURPLUS) AFTER NORMAL UPDATES	3.204	8.826	10.059	22.089
<i>Local Considerations</i>	(1.630)	1.630		
DEFICIT/(SURPLUS) AFTER LOCAL CONSIDERATIONS	1.574	10.456	10.059	22.089
<i>Likely Updates</i>	(3.171)	(0.709)	(0.716)	(4.596)
DEFICIT/(SURPLUS) AFTER LIKELY UPDATES	(1.597)	9.747	9.343	17.493
<i>Less Likely Updates</i>	0.633	0.546	0.574	1.753
DEFICIT/(SURPLUS) AFTER LESS LIKELY UPDATES	(0.964)	10.293	9.917	19.246

3.7 Although at this point in the RPPR process it is not possible to present a balanced MTFP due to the considerable level of national funding uncertainty, there are no plans to seek to identify further savings. We continue to benchmark our services against other local authorities to ensure these provide best value for money and to learn from others. Over the coming months, we will work to refine the budget to update for the impact of the Local Government Settlement, in whatever form that takes, whilst reflecting updated assessments of budget pressures, including Council Tax and Business Rates. If there is a deficit on the 2022/23 budget, and in line with our robust financial management policies and procedures, the plan at this point will be to bring grant funding forward and/or use reserves to mitigate this position until the medium-to-longer term funding position is clarified.

4. One-off investment

4.1 As reported at State of the County in July, and further detailed in the Quarter 1 monitoring report elsewhere on this agenda, the impact of Covid-19 has provided the opportunity to review and reset the 2021/22 budget and release additional funding to reserves. The Quarter 1 report recommends that Cabinet recommends to County Council that a reserve of £8.855m be set up within the existing Priority Outcomes and Transformation Reserve, and that the Terms of Reference for this reserve be extended to include funding “programmes that meet the Council’s priority outcomes” which will include highways and climate change. Further reports will be brought to Cabinet in November that set out proposals to spend this one off funding on highways and climate change. Alongside this the RPPR process will be used to identify any other areas for one off investment.

5. Capital Programme

5.1 At State of the County in July 2021, areas of work were outlined that are being developed in priority basic need areas, including highways, Environmental and Social Governance (ESG), school places and Special Educational Needs and Disability (SEND) provision. The programme is already supported by borrowing of £227.9m to 2029/30 which has an associated revenue impact. These will be presented for consideration as part of the RPPR process together with their impact on the revenue budget.

6. Lobbying and Communications

6.1 Our track record of running our services effectively and efficiently, coupled with the impact of Covid-19 and additional one-off Government support during the pandemic, has given us a short-term opportunity to prepare for renewed challenges ahead and invest for the future.

6.2 However, the medium term outlook remains highly challenging. We face a significant financial gap, the uncertain impact of national reforms in major service areas and await clarity on long-term funding arrangements, particularly for existing pressures in Adult Social Care, which continues to make planning difficult. Fundamentally, without further Government support or sustainable reform of local government finances we will not have the funding we need for the future.

6.3 In the context of this ongoing uncertainty, and the current Spending Review which will underpin our financial position in the medium term, our lobbying will continue to call for sustainability of future funding for local government, and funding that is appropriately reflective of local need. This will be essential to ensuring we secure adequate resource to deliver what will be required to support East Sussex residents, communities and businesses with the core services they need. We will continue to work individually, with our partners across the region and with the sector nationally to make this case.

7. Next Steps

7.1. This report confirms the high level of uncertainty within which planning for 2022/23 is taking place. Much is to be determined around national spending allocations and priorities for 2022/23 onwards, the impact of national reforms, and the longer term impact of the coronavirus pandemic.

7.2. Thanks to our sound financial management and clear focus on priorities we are in a stable financial position for the current and next financial years. This provides a window of opportunity to invest now in areas that will help prepare us for challenges ahead. Further reports will be brought to Cabinet later in the autumn that set out plans for deploying one off funding on highways and climate change. Alongside this, the RPPR process will be used to identify any other areas for one off investment.

7.3. Work will continue throughout the autumn and winter to understand the detailed funding picture as it emerges and the implications of national policy developments. This analysis will feed into our ongoing business and financial planning.

7.4. Members will continue to be involved in developing plans through Cabinet, County Council, Scrutiny Committees, and specific engagement sessions throughout the 2021/22 RPPR process.

BECKY SHAW
Chief Executive

1. Medium Term Financial Plan (MTFP) Update

Appendix 1

- 1.1 The MTFP has been updated for regularly calculated adjustments and pressures since last reported at State of the County in July 2021. These are summarised in table 1 below. The full MTFP is shown at Annex A.

Table 1 - MTFP Normal Updates	Ref	Estimate (£m)			
		2022/23	2023/24	2024/25	Total
Cabinet 13 July 2021 DEFICIT/(SURPLUS)		1.734	9.486	7.195	18.415
Normal Updates					
Collection Fund Receipts Update	A	(0.972)	1.321	(0.349)	0.000
2021/22 Local Council Tax Support and TIG Grants	B	0.000	(2.573)	2.573	0.000
General Contingency Update	C	0.010	0.020	(0.030)	0.000
Normal inflation for contracts	D	0.480	0.612	0.753	1.845
National Insurance 1.25% Increase	E	1.514	0.030	0.031	1.575
Efficiencies from Waste PFI	F	(0.100)	(0.100)		(0.200)
Pressures added to / (removed from) the MTFP					
Waste pressure due to housing growth	G	0.248	(0.070)	(0.114)	0.064
Treasury Management (increase for revised programme)	H	TBC	TBC	TBC	TBC
<i>Pressures Protocol:-</i>					
Remove Trading Standards savings targets	I	0.100	0.100		0.200
Bid for Trading Standards EU Exit related work		0.190			0.190
DEFICIT/(SURPLUS) AFTER NORMAL UPDATES		3.204	8.826	10.059	22.089

- 1.2 The assumption for Council Tax is an increase of 1.99% in all years; the current limit before referendum is triggered. The Adult Social Care Precept assumption has been maintained at 1.5% in 2022/23 as part of the approved spreading of the allowable 3% across two years as announced at Spending Review 2020 (SR20).
- 1.3 Scenario planning continues and will have a potential impact on this base position. Scenarios include items for local consideration, and 'likely' and 'less likely' updates relating to pressures and potential Government and other announcements:

Table 2 – Potential Scenarios	Ref	Estimate (£m)			
		2022/23	2023/24	2024/25	Total
DEFICIT/(SURPLUS) AFTER NORMAL UPDATES		3.204	8.826	10.059	22.089
Local Considerations					
Continuation of Business Rates Pooling 2022/23 <i>(subject to the continuation of Pool arrangements)</i>	J	(1.630)	1.630	0.000	0.000
DEFICIT/(SURPLUS) AFTER LOCAL CONSIDERATIONS		1.574	10.456	10.059	22.089
Likely Updates					
Social Care Grant	K	(2.432)			(2.432)
Revenue Support Grant – Maintained with inflation	L	(1.251)	(1.421)	(1.431)	(4.103)
Spending Review Equalisation	M	TBC	TBC	TBC	TBC
Pay Award @ 2.0% for 2021/22	N	0.476	0.023	0.024	0.523
Normal inflation for contracts – additional 0.25% sensitivity	O	0.749	0.719	0.722	2.190
Council Tax Reduction Scheme Changes (Lewes DC only)	P	0.801			0.801
Recompense for increase in National Insurance	Q	(1.514)	(0.030)	(0.031)	(1.575)
DEFICIT/(SURPLUS) AFTER LIKELY UPDATES		(1.597)	9.747	9.343	17.493
Less Likely Updates					
Pay Award @ 2.5% all years from 2022/23	R	0.633	0.664	0.687	1.984
Business Rates Growth	S	0.000	(0.118)	(0.113)	(0.231)
DEFICIT/(SURPLUS) AFTER LESS LIKELY UPDATES		(0.964)	10.293	9.917	19.246

Normal Updates:

A Collection Fund

Anticipated collection fund receipts relating to 2020/21 deficits (that will be received in 2022/23) have been updated based on District and Borough Councils' (Ds and Bs) Statement of Accounts where available (to date we have been able to review 3 of the 5). Changes largely relate to Council Tax, where increased collection in 2020/21 brings forward previously modelled post pandemic recovery from 2023/24 to 2022/23. Growth is also shown in 2024/25 as, in accordance with MHCLG guidance, the deficit spread is only allowable over the three years to 2023/24. The position will be further updated once the Q1 monitoring position of Business Rates is finalised by the Ds and Bs. Through the Autumn we will continue to work with Ds and Bs to improve certainty of receipts and, as normal, update for the latest Office of Budget Responsibility (OBR) inflation rates when published.

B 2021/22 Local Council Tax Support and TIG Grants

It was confirmed as part of a Government announcement in February 2021 that both these grants are unringfenced, and can be used as considered appropriate locally, and therefore a local decision can be made on when to apply these grants.

The Local Council Tax Support Grant provided to compensate for 2020/21 reduced collection and the reduction to the Council Tax base due to increased local Council Tax support caseload was £4.734m. In 2021/22 £2.621m was applied against losses. As part of Q1 monitoring no further requirement in 2021/22 has been identified, therefore, the remaining £2.113m can be applied in future years as well as the remaining Local Tax Income Guarantee (TIG) grant of £0.459m. Modelling suggests that continued and further reductions to the Council Tax base due to increases in Council Tax support caseload will continue; therefore these have now been profiled in 2023/24, but this will be reviewed as part of the ongoing RPPR process.

C General Contingency Update

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

D Normal Inflation for Contracts

The service inflation model has been updated to reflect the latest base budgets specific updates that have been made for MBOS, Highways, Home to School Transport, Foster Care, and Insurance. The review of contracts will continue and inflation will be subject to normal updates for the latest Office of Budget Responsibility (OBR) inflation rates in the Autumn.

E National Insurance (NI) 1.25% Increase

On 7 September 2021 the Prime Minister announced that from April 2022 there will be a 1.25% increase in employers NI contributions (as well as on employees contributions). These contributions will fund a raft of measures intended to reform health and social care. In England, from 2022-23 receipts from the Levy will be added to the existing NHS allocation. From 2023, receipts from the Levy will go to the MHCLG, NHS England and Improvement and the Department of Health and Social Care (DHSC).

Specific funding allocations for each Local Authority will be communicated by MHCLG in the usual way through the Local Government Finance Settlement process. The document published on the 7th states "*The Government will ensure Local Authorities have access to sustainable funding for core budgets at the Spending Review. We expect demographic and unit cost pressures will be met through Council Tax, social care precept, and long-term efficiencies; the overall level of Local Government funding, including Council Tax and social care precept, will be determined in the round at the Spending Review in the normal way*". The details of any direct funding or added burdens for the Council are yet to be published.

F Efficiencies from Waste PFI

Following a number of changes over the past few years, the budget requirements for the Waste Disposal Service has been reviewed. There has been a general reduction in household waste over the last few years due to external factors (i.e. public awareness of environmental impacts of waste and consumer pressure resulting in reduced packaging, plastic bags etc). There have also been a number of service improvements to reduce contract costs (e.g. recycling of mechanical street sweepings, extended planned maintenance cycle at Newhaven Energy Recovery Facility,

maximisation of electricity income). As a consequence, there is scope to reduce the Waste budget by £200k without placing undue financial pressure on the service operation.

G Waste Pressure due to Housing Growth

The Waste Model has been updated for the latest inflation and housing growth estimates.

H Treasury Management (increase in capital funding)

At State of the County in July 2021, areas of work were outlined that are being developed in priority basic need areas, including highways, Environmental and Social Governance (ESG), school places and Special Educational Needs and Disability (SEND) provision. The programme is already supported by borrowing of £227.9m to 2029/30 which has an associated revenue impact. Revised targets and new need are likely to add to this and any revenue impact will also be presented for consideration.

I Pressures Protocol – Approved Bids

As is normal practice a number of bids were presented to CMT in line with the pressures protocol. The following proposals are now included in the MTFP:-

- Removal of Trading Standards savings target of £0.100m in both 2022/23 and 2023/24 due to service pressures.
- Additional ongoing resource of £0.190m for Trading Standards EU Exit related work, both at Newhaven and elsewhere in the county.

Local Considerations:

J Continuation of Business Rates Pooling 2022/23

Proceeds of pooling have been updated using published information from District and Borough Councils. It is considered possible that the Business Rates pooling arrangements will be allowable in 2022/23, however this will be a county wide decision and subject to the continuation of pools.

Likely Updates for Consideration:

K Social Care Grant

£300m additional grant for adult and children's social care for 2021/22 was announced at the last Spending Review (included in the 2021/22 MTFP position as £2.452m), alongside confirmation that the £1bn social care grant announced in 2020/21 would be rolled forward; (this is £14.6m included in our base budget for the life of the current parliament). It is considered likely that the Social Care Grant will be no less than that received in 2021/22, and that a multi-year settlement would see funding levels maintained at least in the short term. However this could be impacted by health and social care funding reform and the suggestion detailed above at paragraph E regarding access to sustainable funding via core budget.

L Revenue Support Grant (RSG) – Maintained with inflation

The current assumption for RSG is that there will be no Business Rates or Fair Funding reform for 2022/23. Ahead of any funding reform, the government have compensated for the current mechanism where it creates negative RSG in some authorities. Therefore within the likely scenarios we have assumed the government will compensate for negative RSG in the same way it has done in the last couple of years.

M Spending Review Equalisation

Due to the ongoing economic uncertainty related to Brexit and COVID-19 and the levelling up agenda it is increasingly likely that there will be some form of equalisation relating to funding. This could result in some loss of funding.

N Pay Award: 2.0% in 2021/22

The provision for pay award was 1.5% in 2021/22 and 2% thereafter. An assumption has been made for a 2% award in 2021/22 and its impact in future years given that 1.5% has been rejected by the Unions. Once the pay award for 2021/22 is agreed, a final review of the pay award model will be conducted.

O Normal Inflation for Contracts – additional 0.25% sensitivity

Further modelling has been carried out regarding inflation sensitivity and likely price increases as a result of Brexit and the Pandemic currently being experienced. Current inflation estimates are based on figures published by the OBR at the Budget Statement in March 2021 and will be

updated to reflect forecasts to be published as part of the Autumn Statement. It is therefore anticipated inflation will be greater than current assumptions. Increases of 0.25% to current assumptions would result in an increase of approx. £0.700m per annum.

P Council Tax Reduction Scheme Changes by District/Borough Councils

Council Tax billing authorities are required to review their Local Council Tax Reduction Schemes (LCTRS) annually and to consult publicly on any proposed changes. Both Lewes and Rother District Councils are consulting on changes to their LCTRS for 2022/23. The final decision to set or change the LCTRS rests solely with each billing authority, although as a major precepting authority, the greatest financial impact will fall on ESCC.

Lewes District Council's Cabinet approved proposals for consultation at its meeting in June 2021. The estimated loss of income should the proposals be agreed is modelled to be £1.133m, of which the largest loss of income of £0.801m will fall on ESCC.

Rother District Council is also proposing to make changes to its LCTRS, although they are unable to accurately assess the number of potential claimants, but it is not expected to be significant, and the loss of income will be minor.

Q Recompense for National Insurance Increase

Within the *Build Back Better: Our Plan for Health and Social Care* policy paper published by the Government on 7 September 2021, it was stated that "the Government intends to compensate departments and other public sector employers in England at the Spending Review for the increased cost of the Levy". Compensation for the additional cost of the 1.25% National Insurance increase has been included as a likely update until there is further clarity on the methodology for compensation or notification of specific funding allocations.

Less Likely Updates for Consideration:

R Pay Award: 2.5% in all years

The provision for pay award was 1.5% in 2021/22 and 2% thereafter. An additional assumption has been made for a 2.5% award in all years. Once the pay award for 2021/22 is agreed, a final review of the pay award model will be conducted.

S Business Rates Growth

Business Rates Growth has been assumed at 0% in all years due to the medium-term impact of the COVID-19 pandemic. A scenario has been presented that assumes some recovery with growth of 0.7% from 2023/24 based on historical normal growth figures.

2. Savings

2.1 Annex B shows the detailed savings. No new savings are proposed to be identified at this point in the RPPR process. For the period 2021/22 to 2023/24 there are savings targets of £4.361m with slipped savings from previous years of £1.014m. As detailed at paragraph I, there is an approved bid under the pressures protocol to remove the Trading Standards savings target.

3. Covid-19: Use of Grant Funding

3.1 The table below summarises the grants available with expected usage.

COVID-19 Grants 2021/22 (£m)				
	Carried forward	Expected in-year	Forecast usage	Forecast balance remaining
COVID-19 General Funding	15.132	11.999	(13.876)	13.255
COVID-19 Specific Funding	15.784	19.985	(24.113)	11.657
Total funding	30.917	31.984	(37.989)	24.912

Annex A Medium Term Financial Plan

Medium Term Financial Plan	2021/22	2022/23	2023/24	2024/25
	Approved Budget	Estimate	Estimate	Estimate
	£million	£million	£million	£million
TAXATION & GOVERNMENT FUNDING		(416.745)	(423.542)	(433.064)
Business Rates (Inclusive of BR Pooling in 2021/22)	(81.522)	(1.588)	(1.457)	(1.745)
Revenue Support Grant	(3.568)	1.212	1.440	1.461
Council Tax	(305.914)	(8.277)	(7.046)	(8.934)
Local Tax Income Guarantee for 2020/21	(1.047)	1.047	(0.459)	0.459
Local Council Tax Support Grant 2021/22	(2.621)	2.621	(2.114)	2.114
Adult Social Care Precept	(4.486)	(4.655)	0.000	0.000
New Homes Bonus	(0.505)	0.391	0.114	0.000
Social Care Grant	(17.082)	2.452	0.000	0.000
TOTAL TAXATION & GOVERNMENT FUNDING	(416.745)	(423.542)	(433.064)	(439.709)
SERVICE PLAN				
Service Expenditure	381.308	381.374	387.725	401.763
Investment of unallocated funding – Revenue	1.707	(1.707)		
Inflation				
Pay Award 2020/21	0.074			
Contractual inflation (contract specific)	0.539	1.199	2.379	0.774
Normal inflation for contracts	6.763	8.824	8.178	9.028
National Insurance 1.25% Increase		1.514	0.030	0.031
Adult Social Care				
Growth & Demography	3.413	(3.413)	3.413	3.917
Future demand modelling net of attrition (Covid-related)	1.133	(1.133)	1.133	(0.365)
Pressures approved via protocol	(0.743)			
Winter Pressures	0.000			
Improved Better Care Fund	(21.137)			
Children's Services				
Dedicated Schools Grant	0.000	0.422		
Growth & Demography	1.070	2.635	0.993	
Looked After Children	1.909	0.000		
Disabled Access Regulations for Buses/Coaches	0.043	0.098		
Home to School Transport	0.523	0.523		
Looked After Children Placements (Covid-related)	3.429	0.000	(0.795)	(0.789)
Pressures approved via protocol	0.184	(0.124)	(0.124)	0.124
SEND High Needs Block Additional funding	(0.814)	(2.138)		
Social Worker Pay		1.493		
Communities, Environment & Transport				
Waste PFI efficiencies		(0.100)	(0.100)	
Waste Housing Growth	0.236	0.280	0.208	0.185
Street lighting Electricity/Re-payment of Investment	(0.655)			
Pressures approved via protocol	0.262	0.204	0.015	
Business Services				
IT & Digital Licences	0.025	0.000		
Pressures approved via protocol	0.110	0.004	0.005	

Annex A Medium Term Financial Plan

Medium Term Financial Plan	2021/22	2022/23	2023/24	2024/25
	Approved Budget	Estimate	Estimate	Estimate
	£million	£million	£million	£million
Modernising Back Office Systems (MBOS)				0.386
Governance Services				
Additional resource to support Equalities and Diversity	0.060			
Additional capacity in Legal Services to support Children's Social Care	0.143			
Potential Investment Areas				
Voluntary Sector, Community Hubs, Shielded Group	0.880			
Support to economic development	0.100	0.025	<i>(0.055)</i>	
Savings				
Savings 2020/21 - 2021/22	<i>(2.953)</i>			
Temporary mitigations to savings	<i>(0.298)</i>	<i>(0.388)</i>	<i>(0.100)</i>	
Removal of CSD Safeguarding Savings		0.854		
Removal of CET Trading Standards Savings		<i>0.100</i>	<i>0.100</i>	
Savings Slippage	4.063	<i>(2.821)</i>	<i>(1.242)</i>	
NET SERVICE EXPENDITURE	381.374	387.725	401.763	415.054
Corporate Expenditure		35.371	39.021	43.331
Treasury Management	18.709	1.221	1.500	0.500
General Contingency	3.980	0.060	0.080	0.060
Contingency for Potential Pay Award	2.071	2.511	2.400	2.434
Contribution to balances and reserves	0.648	0.246	0.318	0.407
Pensions	8.423	<i>(0.400)</i>		
Apprenticeship Levy	0.600			
Levies & Grants	0.940	0.012	0.012	0.012
TOTAL CORPORATE EXPENDITURE	35.371	39.021	43.331	46.744
TOTAL PLANNED EXPENDITURE	416.745	426.746	445.094	461.798
CUMULATIVE DEFICIT/(SURPLUS)	0.000	3.204	12.030	22.089
ANNUAL DEFICIT/(SURPLUS)	0.000	3.204	8.826	10.059

Savings 2021/22 to 2023/24

	2021/22 £'000	2022/23 £'000	2023/24 £'000	Total £'000	Slippage c/f from prior year(s) £'000	Total Savings £'000
Communities, Economy & Transport	594	1,362		1,956	1,014	2,970
Children's Services	134	893	0	1,027	0	1,027
Business Services / Orbis	136	0	1,242	1,378	0	1,378
Total Departments	864	2,255	1,242	4,361	1,014	5,375

Communities, Economy & Transport

East Sussex County Council - Savings 2021/22 to 2023/24		Gross budget	Net budget	Savings				Slippage c/f from prior year(s) £'000
		2018/19	2018/19	2021/22	2022/23	2023/24	Total	
Activity	Savings Proposal and impact Assessment	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Community Services								
Archives and Records Service	The Keep Sustainability Plan has been agreed and is a three-part savings and income plan to ensure the financial sustainability of The Keep. It would ensure that the partners still deliver our statutory and legal duties, and maintain a good degree of public access.	1,042	1,074	104	14		118	14
Library Services	The increase in the proportion of our stock available online as eBooks means that we can reduce the stock fund as eBooks have a longer shelf life than physical stock, with no deterioration in condition. We have also reviewed our support services and ICT contracts to ensure maximum efficiency and value. Finally, we have been able to reduce premises costs for Libraries, following the merger of the Records Management and Registration functions. The warehouse in Hailsham used by both services is now jointly funded. Overall this will achieve savings of £240k. In addition, we will keep our Needs Assessment and Accessibility Analysis under review, and as a result we may in future provide a reduced library service.	4,214	3,595	240	288		528	

Annex B Savings - figures

Communities, Economy & Transport (cont'd)

East Sussex County Council - Savings 2021/22 to 2023/24		Gross budget	Net budget	Savings				Slippage c/f from prior year(s) £'000
		2018/19	2018/19	2021/22	2022/23	2023/24	Total	
Activity	Savings Proposal and impact Assessment	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Trading Standards	Carry out food sampling and food inspection only where the risk is high; carry out reactive animal health disease control and take enforcement action where necessary. There will be a reduction in our preventative and support work, to business, to people vulnerable to scams and the reduction in routine inspection may increase public health risks. Target of £100k in both 2022/23 and 2023/24 removed	765	657				0	
Transport								
Parking: Civil Parking Enforcement	Increase on-street parking charges where possible. Surpluses to be used for transport related funding.	6,134	(910)		1,000		1,000	1,000
Waste Disposal								
Household Waste Disposal	Ongoing review of commercial saving opportunities, with possible reductions in the number of HWRSSs	1,144	884	250			250	
Planning and Environment								
Environmental Advice Services	Income generation through traded services.	1,631	420		60		60	
TOTAL Communities, Economy & Transport				594	1,362	0	1,956	1,014

Annex B Savings - figures

Children's Services

East Sussex County Council - Savings 2021/22 to 2023/24		Gross budget	Net budget	Savings				Slippage c/f from prior year(s) £'000
		2018/19	2018/19	2021/22	2022/23	2023/24	Total	
Activity	Savings Proposal and impact Assessment	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Children's Social Care								
Early Help	Following Lead Member decisions and remodelling the Early Help Service, there will be a reduction in the family key work service, which has been deferred until 2021/22 and 2022/23. Savings will be generated in 2021/22 as a result of ceasing to run services from 10 children's centres and 2 nurseries.	9,592	5,652	134	893		1,027	
TOTAL Children's Services				134	893	0	1,027	0

Business Services / Orbis

East Sussex County Council - Savings 2021/22 to 2023/24		Gross budget	Net budget	Savings				Slippage c/f from prior year(s) £'000
		2018/19	2018/19	2021/22	2022/23	2023/24	Total	
Activity	Savings Proposal and impact Assessment	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Business Services: Orbis and Managed on Behalf of (MOBO) services: Finance, IT&D, Procurement, Property Services, HR and OD and Business Operations	The Advisory and Change areas of support are being analysed and presented to the 3 partner Councils to determine which elements need to form part of the Core Offer as they are essential in supporting the partners deliver their priorities, and which elements will no longer be provided. The aim would be to reduce spending as set out in this table although the details of how this might be achieved is still being developed.	47,534	22,270	136		1,242	1,378	
TOTAL Business Services / Orbis				136	0	1,242	1,378	0

Annex B Savings - EqIA

Communities, Economy & Transport

East Sussex County Council - Savings 2021/22 to 2023/24		Protected characteristics								
Activity	Savings Proposal and impact Assessment	Age	Disability	Gender / Transgender	Ethnicity	Marriage / Civil Partnership	Pregnancy /Maternity	Religion / Belief	Sexual Orientation	No significant relevance
Community Services										
Archives and Records Service	The Keep Sustainability Plan has been agreed and is a three-part savings and income plan to ensure the financial sustainability of The Keep. It would ensure that the partners still deliver our statutory and legal duties, and maintain a good degree of public access.	-								
Library Services	The increase in the proportion of our stock available online as eBooks means that we can reduce the stock fund as eBooks have a longer shelf life than physical stock, with no deterioration in condition. We have also reviewed our support services and ICT contracts to ensure maximum efficiency and value. Finally, we have been able to reduce premises costs for Libraries, following the merger of the Records Management and Registration functions. The warehouse in Hailsham used by both services is now jointly funded. Overall this will achieve savings of £240k. In addition, we will keep our Needs Assessment and Accessibility Analysis under review, and as a result we may in future provide a reduced library service.	-	-	-						

