

Report to: Cabinet
Date: 14 July 2020
By: Chief Executive
Title of report: Reconciling Policy, Performance and Resources (RPPR) – State of the County
Purpose of report: To update members on the issues which need to be taken into account in the priority and budget setting process for 2021/22 and beyond

RECOMMENDATIONS:

Cabinet is recommended to:

- i. note the evidence base on demographics (appendix 1) and the National and Local Policy outlook (appendix 2);**
 - ii. agree officers update the Medium Term Financial Plan as the basis for financial planning when more information is available, as set out in paragraph 4;**
 - iii. agree officers review the Capital Programme and Strategy (appendix 3), as set out in paragraph 5;**
 - iv. review the priority outcomes and delivery outcomes (appendix 4) which form the basis of the Council's business and financial planning, as set out in paragraph 6;**
 - v. agree to review and reset the East Sussex Core Offer (appendix 5) to take account of the impact of the coronavirus pandemic, as set out in paragraph 7; and**
 - vi. agree to receive reports on more detailed plans for 2021/22 and beyond in the autumn when there is greater certainty about the impact of the coronavirus pandemic on East Sussex and future resources.**
-

1. Background

1.1. The State of the County report is part of the Council's Reconciling Policy, Performance and Resources (RPPR) process, its integrated business and financial planning cycle. This report contains the normal elements included in the report, the demographic evidence base; the national and local policy context; an update on our medium term financial planning position and Capital Programme. However, the coronavirus pandemic has had a profound impact on our communities and services which we are not yet fully able to quantify and reflect in our future service offer and finances.

1.2. This report sets out the current position and evidence base and gives our current understanding of how we will need to reset our services to deal with the future, as we learn to live with the reality of a world with COVID-19 and the significant impact this has on people's lives; manage the legacy impacts of the initial wave of infection; and respond to potential new waves of infection for the

foreseeable future. The RPPR process, bringing together our policy, business and financial planning and risk management, provides the vehicle for the Council's service and financial recovery and reset.

1.3. In developing our medium and longer term plans we will need to have regard to the broader context in which we will be working. This includes:

- The impact of operating in an economy which is in recession. The Government will have to consider how it begins to pay off the borrowing it has made – this could mean a mixture of higher taxation, with possible impact on economic recovery and reductions in public service expenditure. Both would impact on the Council's income and ability to spend.
- The lasting impact the pandemic will have on young people in terms of education and employment opportunities.
- The impact of the end of the transition phase of Brexit on the economy, our responsibilities and our access to goods and services.
- The conclusion the Government might draw from the pandemic in terms of public services – for example will lessons learnt in the response help to shape a solution for better integration in health and social care and what will be the effect on the role of local government in the future?
- What has the impact been on our supply chains and what does that mean for our choices about commissioning and direct provision?
- The impact of the pandemic on our public and Voluntary and Community Sector (VCS) partners – we need to build on the positive aspects of the work with them during the emergency to tackle issues in the future, including the increased need that is likely to exist in our communities as a result of the pandemic.
- The uneven nature of recovery both for our services and for society and the economy, and the impact of future waves of infection on both.

2. Current Position

2.1. The coronavirus pandemic is different to other emergency situations, in that recovery is not about moving back to a pre-COVID-19 world, but considering how our services, communities and businesses need to adapt to and change to the new reality of coronavirus being with us for the next year as a minimum; while managing the recovery from and legacy impacts of the initial wave of infection. Although national restrictions are gradually being lifted in light of declining rates of transmission, at a local level we expect to be taking steps to keep transmission rates low and deal with potential outbreaks for some time, which will have an impact on our resources and the way we deliver services.

2.2. Recovery needs to be considered in a number of timeframes:

- Immediate: preparatory work that, subject to resource, be undertaken during the response phase in preparation for recovery;
- Medium term - first weeks and months: living with the virus and social distancing and making sure our services can operate in this new context; and
- Longer term: first year and beyond, the world post vaccine.

2.3. Recovery will not be linear; we are likely to see waves of infection in the future which may necessitate moving in and out of some measures of emergency provision. Nor will it be even across services. Adult Social Care, for example, will be dealing with the consequences of the early rate of infection and the decisions which were made, whilst trying to maintain services required as the health service begins to move towards business as usual and needing to react to any further waves of infection.

2.4. The emergency has necessitated new ways of working and has given rise to new partnerships and possibilities. These may offer opportunities to create a positive legacy for the future as we develop our recovery plans. As we move into our recovery we need to think about:

- What did we stop doing that should remain stopped?
- What did we stop doing that we should bring back?
- What have we started doing that we need to stop?
- What have we started that should continue?
- Are there totally new things that we might need?

2.5. The local and national policy context at Appendix 2 sets out the latest thinking on these issues, although plans will continue to develop over the summer as more information on what living with COVID-19 looks like for the future emerges.

2.6. We need to use our existing political and business planning processes to develop our plans. COVID-19 is now a reality to be taken into account in our plans, not an episode from which we will move on. The following principles will guide the planning of COVID-19 recovery for East Sussex County Council services and the Council's wider support for residents and businesses:

1. our usual business planning process (RPPR), led by Cabinet and CMT, will be used to undertake recovery planning, adjusting our current priorities and ambitions where required for 2020/21; and medium/long- term planning from 2021/22 and beyond, as we gain further insights into the impact of the pandemic;
2. the Council's Core Offer, Priority Outcomes and subsidiary Delivery Outcomes will be reviewed and revised as needed to ensure they are the right for recovery plans, recognising the fundamental changes that have taken place in society and the way it works, and building on the positive lessons we have learnt (see paragraphs 6 and 7 below). Some services we set up in response to the pandemic may need to continue into the foreseeable future and the impact of decisions we have taken could have long lasting service and financial consequences (for example in ASC);

3. the Council's financial resource allocations for current and future years will be reviewed and revised to take account of changes in availability and priorities; and
 4. learning from what has worked well and what has not during the crisis will be fully considered in recovery planning and long-term planning for services and partnerships.
- 2.7. As always, we will ensure that in recovery planning:
- What we do represents good value for money;
 - Our activities are transparent and we can be held to account;
 - We operate as One Council and focus on key areas for County Council action;
 - We prioritise the investment available for front line service delivery by maximising the resources available to us;
 - We remain true to our purpose and carry out all we do professionally and competently; and
 - We remain ambitious, optimistic and realistic about what can be achieved.

3. Demographic and Demand Changes

3.1. Appendix 1 sets out the key factors in relation to demography, housing, deprivation, health and economy affecting the county and the impact they are having on demand for our services. Much of this data relates to a pre-pandemic world. The main trends impacting the county council are:

3.2. **Older People** - form a high proportion of the population of the County which has an impact on the demand for services and the Council's finances. This group is particularly likely to be impacted by COVID-19 and the long-term effects on their health and wellbeing will need to be considered as part of our longer-term planning.

3.3. **Children and Young People** – there will be a small rise (2.2%) in the number of children and young people in the county over the next three years. The number of pupils in primary schools has plateaued and will start to fall from 2021/22. Secondary pupil numbers are expected to continue to increase and peak around 2025/26. We are planning 500 additional permanent school places to meet demand between 2019/20 and 2025/26. The attainment of our most disadvantaged pupils is below the regional and national rate.

3.4. 542 children had Child Protection Plans at the end of March 2020, a rate of 50.9 per 10,000 children. This is above the expected rate compared to the Income Deprivation Affecting Children Index (IDACI) but is linked to the relatively low numbers of children who are in care placements. The focus continues to be ensuring the right children are made subject to plans for the right amount of time.

3.5. **Economy** - the latest year for which there are figures is 2018/19 and these showed a small decrease in the proportion of the working age population in full time employment (73.6% compared to 74.6% in 2017/18). Employment was lower than in England 75.6% and the South East 78.4%. The Alternative Claimant Count which shows the number of people claiming any unemployment related benefit e.g.

Universal Credit (seeking work), Job Seekers Allowance etc in February 2020 was 3% in East Sussex compared to 3.2% for England. Youth (18-24) unemployment is higher at 4.4%, with the highest rate in Hastings (7.3%). Public administration, education and health are the largest employment sectors in the County, with retail being the next largest sector.

3.6. The long-term impacts of COVID-19 on the economy are yet to be fully understood, but the number of people in East Sussex claiming Job Seekers Allowance and Universal Credit and seeking work more than doubled between March and May 2020; 68% of businesses in East Sussex are furloughing staff; and 30% have accessed loans, grants and or business rates relief.

3.7. **Climate change** – CO2 emissions were falling in all sectors in East Sussex except transport before the pandemic. The long-term changes as a result of new ways of working have yet to be seen but could contribute to meeting the Council’s climate change targets.

4. Medium Term Financial Plan

4.1. When the 2020/21 balanced budget was approved by Full Council on 11 February 2020, the deficit on the Medium Term Financial Plan (MTFP) to 2022/23 was £9.322m. Updating the MTFP for normal factors (such as inflation and an additional year) prior to the impact of COVID-19, the position would have been a deficit budget position by 2023/24 of £8.123m:

Medium Term Financial Plan	2021/22	2022/23	2023/24
	£m	£m	£m
Total Budget Deficit / (Surplus)	(0.185)	6.542	8.123
Annual Budget Deficit / (Surplus)	(0.185)	6.727	1.581

4.2. The pandemic and its impacts has caused such an unprecedented level of financial uncertainty that at this point, it is not possible to present a draft MTFP to 2023/24. It is planned to work through the details required to bring forward an updated MTFP in the autumn.

4.3. At a national level, Government funding that ESCC will receive between 2021/22 – 2023/24 is yet to be confirmed. The Spending Review (SR) 2019 was for a single year, therefore funding will need to be announced for SR20, the date of which is still to be confirmed. Additionally, the Fair Funding Review and Business Rate Retention reform have been delayed until at least 2021/22. In order to allow the MTFP to be developed, it is essential that some level of certainty of Government funding is received.

4.4. At a local level, the impact of the pandemic and economic downturn on income collection rates for Council Tax, growth on the Council Tax base and the levels of Business Rates have yet to be understood and modelled out. There is the

potential for a significant reduction in the collection of Council Tax in 2020/21, which will be managed through the Collection Fund in 2020/21, with the deficit having to be accounted for in 2021/22-2023/24. The delay in the Business Rates Retention reform and the impact of business failure arising from the economic downturn has the potential to significantly reduce income in 2021/22 onwards. Government has announced that Council Tax and Business Rates deficits can be spread over three years, rather than requiring repayment next year; and an apportionment of irrecoverable Council Tax and Business Rates losses between central and local government for 2020/21 will be agreed in the next Spending Review. We will not know the implications of these provisions for the MTFP until the local impact on Council Tax and Business Rates has been modelled and the apportionment has been agreed.

4.5. The COVID-19 financial data return for June has been submitted to MHCLG. This shows expenditure to be incurred and projected lost income from coronavirus to be £17m greater than the funding we have received. This impacts 2020/21 and it is unclear how this can be projected into 2021/22. If further Government funding is not forthcoming to meet this pressure, then this will need to be managed through the use of reserves for 2020/21. On 2 July, Government announced an additional £500m unringfenced funding for COVID-19 spending pressures and at the time of writing we await detail of allocations. An income guarantee, where all relevant losses over and above the first 5% planned income from sales, fees and charges will be compensated for at a rate of 75p in every pound, was also announced and we await guidance on how this will work in practice.

4.6. There are no unallocated reserves that can be used to meet ongoing pressures in 2021/22 and beyond, therefore, it is essential that the Government's future financial settlement recognises the burden falling on local authorities as a consequence of COVID-19, as the pressures are exceptional and beyond what could reasonably be planned for.

4.7. The MTFP should also factor in the budget requirements for services. Over the summer services will be working to review their core service offers, as recovery from COVID-19 gathers pace. Until this work is complete it is not possible to model out a set of balanced budget scenarios.

4.8. Proposed savings of £3.251m were included in 2021/22, when the budget was set. Given the circumstances, these savings will need to be reviewed as the MTFP is developed.

5. Capital Programme

5.1. The approved programme has now been updated to reflect the 2019/20 outturn and other approved variations and material non-COVID-19 related updates, revising the gross programme down to £570.3m to 2029/30. The details are set out in Appendix 3, together with the revised programme.

5.2. The Capital Strategy to 2029/30 will be revised once we understand the post-COVID-19 Council Plan and related considerations that are being developed over the summer, alongside potentially more certainty regarding Government funding.

6. Council Priority Outcomes

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

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

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

6.2. Each priority outcome is supported by a number of delivery outcomes, which shape Council Plan performance measures and targets. These are set out at appendix 4.

6.3. We will need to review both our priority and delivery outcomes to ensure the priorities we are working to deliver, and the way we measure the performance of our activities and services, remain appropriate in the new post-COVID19 operating context. Particular consideration will need to be given to:

Driving sustainable economic growth -

6.4. This priority outcome and its subsidiary delivery outcomes drive our work to support a thriving economy in East Sussex, which is key to the wellbeing of the county.

6.5. The coronavirus pandemic has had a marked impact on the local and national economy. As more evidence of the impact on employment levels, on business start-ups and closures, on which industries have shrunk and grown and on how workplaces are now operating becomes available we will need to consider if there are new trends that mean we need to change where we focus our efforts to support delivery of this priority to improve the prosperity of our local communities. Such trends could be increased remote working, high levels of youth unemployment, growth in social care labour market gaps, or new digital skills requirements.

Making best use of resources -

6.6. The County Council remains committed to working with our partners, residents and businesses to tackle the climate emergency. The County Council has set a target for its own activities to be carbon neutral as soon as possible, and in any event by 2050. In June, Cabinet agreed both the corporate Climate Emergency Plan, setting out actions to be taken towards achieving this goal; and the East Sussex Environment Strategy, setting out actions we will take with our partners to protect and enhance the local natural environment and tackle and adapt to climate change.

6.7. It is important that our priority to "make best use of resources" is viewed in this context and its interpretation is not just confined to making best use of resources in terms of money.

6.8. Our ambitions for carbon neutrality need to be embedded within our business and financial planning. This is why our existing Council Plan includes ‘ensure all Council activities are carbon neutral as soon as possible and in any event by 2050’ as a delivery outcome of ‘making best use of resources’, as the priority is applied to all activities and is a touchstone for all that we do. Progress towards carbon neutrality is a test that should be applied in the same way we consider whether we are securing best value for public money and that resources are used in a way that deliver maximum benefits for residents.

6.9. Cabinet are asked to consider whether this priority outcome should therefore be expanded to “making best use of resources in the short and long term” to better reflect that the Council’s decisions should be guided by a test priority that we ensure sustainability of our resources, both in terms of money and environmental assets.

7. Core Offer

7.1. The Core Offer also underpins our business and financial planning and represents a level of service below which we should not go in order to meet the needs of residents, not only for the services we provide but to play our part in supporting them in their wider health and wellbeing needs. This includes access to well-paid jobs, decent affordable housing and good mental and physical health. The East Sussex Core Offer is attached at appendix 5.

7.2. The Core Offer model provides a helpful framework for us to review the Council’s activities in the aftermath of the initial emergency response to the pandemic and begin to shape the reset of our service and financial offer from 2021/22 onwards.

7.3. We will need to review whether the activities within the current Core Offer, and the volumes of those activities, are regarded as core to meeting residents’ needs in the new operating context. We will need to consider where local need for services and prioritisation of services have diverted from our current Core Offer as a result of the pandemic and whether the offer should be amended to include these in the longer term. We will also need to consider if there are existing elements of our core offer that are no longer priorities in the new operating context.

7.4. Particular consideration will need to be given to:

- Shielding and community hubs – whether there is a requirement and we have the resources to continue this activity, with our partners, to help people requiring support to manage life under COVID-19 restrictions;
- Outbreak Management – what role we will be required to play in managing local outbreaks, set out in our Local Outbreak Management Plan;
- Mental Health support – whether additional support will be required given the impact of COVID-19 on residents’ emotional and mental wellbeing; and

- Building Use – if there are changes that can be made to the use of our building estate, to more effectively support the Council’s operations and service delivery.

7.5. As set out above, future funding levels are uncertain. As more information becomes available in the coming months, we will work up scenarios of revenue funding and use both this and the new assessment of the core work the Council must do to meet residents’ need to shape our business planning for 2021/22 onwards.

7.6. Cabinet are asked to agree that officers work over the summer to undertake a review of the Core Offer, as set out in the paragraphs above, and to report back to Members on next steps in the autumn.

8. Lobbying and Communications

8.1. Work has begun to understand the impact of coronavirus on East Sussex residents and changes in how this impact is felt on the county over the coming months. The three-part plan is to carry out:

1. A streamlined online survey open to all via social media, web and email. This will give a fast and wide-ranging snapshot of general issues and attitudes among residents. A two-week survey began on 15 June and results will be available in early July.
2. Two cross-sectional resident surveys - one this summer and another near the end of 2020. Each will be a telephone survey of at least 1,000 residents, to give a fully representative sample of the population across East Sussex. Asking many of the same questions at different points in time will allow us to gauge both residents’ current experience and attitudes and how those evolve with the pandemic and recovery.
3. Individual surveys by specific theme, service area or demographic group. There will be many other pieces of resident research and engagement, often more detailed, commissioned by individual services or partners, such as the recent Healthwatch East Sussex survey or work with business representatives.

8.2. This survey work will feed into our lobbying of Government both as a council and in partnership with others locally and nationally, including with our MPs, to ensure the full impact of the pandemic on our communities is understood and addressed in future policy and funding decisions.

8.3. In the absence of the anticipated Fair Funding Review, our lobbying will continue to call for certainty of future funding for local government. This will be paramount to ensuring we secure adequate resource to deliver what will be required to support East Sussex residents, communities and businesses in the wake of the coronavirus pandemic, including opportunities to continue positive preventative work that could most effectively manage future need.

9. Next Steps

9.1. Work will continue over the summer to understand the impacts on our services of the coronavirus pandemic and to reset and reopen our services when appropriate.

9.2. Subject to agreement by Cabinet, the Council's Priority and Delivery Outcomes and Core Offer will be reviewed to take account of this impact. We will report back to Members in the autumn with an updated assessment of our priorities, service demand and funding expectations to inform more detailed business and budget planning for 2021/22 and beyond.

9.3. Members will continue to be consulted on plans as they are developed through Cabinet, County Council, Scrutiny Committees, Whole Member Forums and specific engagement sessions throughout the 2020/21 Reconciling Policy, Performance and Resources process.

Becky Shaw
Chief Executive