REPORT OF THE CABINET

The Cabinet met on 14 December 2021 and 25 January 2022. Attendances:-

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

1. Reconciling Policy, Performance and Resources

1.1 The importance of the services provided by this Council has once again been evident over the past year of ongoing challenge and change, particularly the crucial support we provide for those in our county who are most vulnerable. Covid-19 has continued to have significant impacts for local people, places and the local economy which we have responded to, as well as increasingly shifting our sights towards supporting recovery and the longer-term consequences of the pandemic which we must reflect in our planning for the future. Alongside this, we are influencing and responding to a range of significant national policy developments which will have implications for the Council's services that must be taken into account in our local plans. Our ambitions are captured each year in a detailed Council Plan which covers what we will do and the specific targets we will use to judge our performance during the year. The Council Plan, revenue budget and capital programme are fully integrated through our business planning process.

1.2 Our business planning continues to be underpinned by a relentless focus on our priority outcomes and their supporting delivery outcomes. In July, Cabinet agreed to amend our 'making best use of resources in the short and long term' priority outcome to 'making best use of resources now and for the future' to better reflect the greater emphasis that is being placed on addressing and adapting to climate change. This will ensure 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.

1.3 The Reconciling Policy, Performance and Resources (RPPR) process matches available resources with our delivery plans for our priority outcomes so that we focus 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 2022/23 and beyond has taken into consideration our full analysis of key trends and pressures and translates this into service and financial plans which reflect ongoing Covid recovery alongside developments in 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 3), Medium Term Financial Plan (MTFP) (Appendix 2) and Capital Programme (Appendix 8) set out in this report.

1.4 The past decade has seen the Council innovate, work as One Council and work proactively in partnership to transform services and manage the resources we have as effectively as possible for local people. We also took difficult decisions to reduce or step back from services when we had to, in order to live within our means and protect core services for the most vulnerable. Overall, this meant delivering savings of £137m between 2010 and 2021 to balance our books. Our strong track record of robust and prudent management, coupled with additional short term financial support from Government, allowed us to offer relative stability to our residents during the social and economic shocks brought about by the Covid pandemic, and support that drew upon well-established local networks. Our strong foundation, coupled with temporary Covid impacts on service demand, also enabled us to make one-off investments to support delivery of our commitment to carbon neutrality and improvements to the roads and pavements which support our county's economy and communities.

1.5 However, despite achieving short term stability, we know that in the years ahead demand and costs will continue to grow, and there will be additional expectations arising from national reforms, bringing new and sustained financial and service pressures which will impact on our MTFP and ability to meet needs. The details of key reforms in major, demand-led, service areas such as adults' and children's social care and special educational needs and disability (SEND) are yet to solidify, creating significant risk and uncertainty for the future. The longer-term impact of Covid is also unclear and is likely to generate increased demand for our services. We need to continue to do all we can now to prepare for these future challenges and ensure we will be in the strongest possible position to manage their impacts whilst protecting services, particularly support for the most vulnerable children and adults.

1.6 Our lobbying of Government, individually and through our networks and partnerships, has been robust in signalling the challenges we face and this sustained message has had an impact. The Spending Review and Provisional Local Government Finance Settlement saw some recognition of the pressures on local government in the form of an increase in grant funding and funds to deliver reforms to Adult Social Care. However, the additional grant provided by Government will have to stretch thinly across a range of new or increased costs; social care reform funding is unlikely to cover all expectations, creating significant risk; and, critically, the settlement represents a holding position for a single year, with plans for significant reform to the way local government funding is allocated from 2023/24 onwards, leaving much uncertainty about our future financial position.

1.7 In addition, there continues to be a reliance on Council Tax to fund ongoing core pressures from rising demand, particularly for social care. Government has extended 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. Government funding calculations for 2022/23 assume Councils will take the new 1% precept, with this factored into the allocation of funding to local authorities. Given the very significant risks we face in the medium term we do need to apply this precept, in addition to the 1.5% we were able to defer from 2021/22 in recognition of the pressures faced by residents at the peak of Covid restrictions. We will continue to make the case to Government that individual authorities' ability to raise Council Tax is unrelated to need for services and is particularly problematic for areas such as East Sussex with high need for social care services, but where capacity for local people to pay more to support these services is limited.

1.8 The additional funding announced, together with our prudent planning, means that, for now, our financial position remains secure, and for a third year we do not need to seek any further savings beyond those already planned. We will continue to use this window of stability to support recovery from Covid, prepare and protect services for the changes ahead and invest in key priorities for local people such as maintaining our roads and working to reduce our carbon emissions. This includes being in a position to remove planned savings in children's early help services in response to increased demand for support to families experiencing challenges, and while we await the outcomes of national reviews in children's social care which will inform our future service model. However, the position beyond 2022/23 is much less clear. As well as the risks arising from service reforms, Government will be consulting on updating the national assessment of needs and resources on which funding allocations for Councils are based. Although we will work hard to articulate the specific needs of East Sussex, the impact of any changes on our future funding is far from clear, particularly in the context of the Government's Levelling Up agenda. The updated financial outlook presented in this report therefore signals that we are likely to face a much more challenging position from 2023/24 onwards.

1.9 The Capital Programme has been extended to maintain a 10 year outlook. The programme continues to provide for targeted basic need, including essential budgets for school places, SEND provision and highways infrastructure. Highways capital investment has been increased to reflect the importance we place on our road network and its role in providing connectivity for our businesses and communities. The additional investment will enable us to maintain our current road condition performance, which exceeds current targets, over the 10 year period. The Council's commitment to work towards carbon neutrality from its operations has been reflected in the addition of climate change to basic need criteria which will enable us to put in place a programme for the extensive works necessary to progress the decarbonisation of ESCC's operations towards net zero.

1.10 This report sets out:

- key changes to the national and local context since the report to Cabinet on 30 September 2021;
- the draft Council Plan 2022/23 and updated MTFP;
- key updates on performance since quarter 2;
- proposals for the 2022/23 revenue budget, taking account of changes in the financial picture since September and based on an increase in Council Tax of 1.99% and an Adult Social Care precept of 2.5%;
- the savings planned for the next two 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

1.11 Since the last report to Cabinet in September the national policy environment has continued to evolve rapidly, with significant announcements which will impact on us locally. Key developments are set out below along with detail of how we are responding:

1.12 Spending Review, Government Funds and National Economic Outlook: The Chancellor announced a three year Spending Review on 27 October. The headline presented by the Treasury for local government was an average 3% real terms increase in Core Spending Power each year over the Spending Review period. This includes additional grant funding of £4.8bn for local government over the period, plus £3.6bn to support implementation of Adult Social Care funding reforms announced in September raised from the new health and social care levy on national insurance contributions (the remaining £1.7bn of the £5.4bn allocated to social care from the new levy is to be deployed nationally – see paragraph 1.21 below). However, a significant proportion of the Core Spending Power increase comes in the form of powers to raise additional Council Tax from local residents, particularly through a further 1% Adult Social Care precept across all upper tier local authorities, unrelated to need, which is expected to be in place for the next three years. Further business rates retention now appears unlikely. Michael Gove, the Secretary of State for Levelling Up, Housing and Communities, has indicated that progressing with greater business rates retention would be 'against the broader principle of Levelling Up' as it would benefit areas that already have greater and more secure income from business rates. The Spending Review did however confirm the continuation of Business Rate Pools for 2022/23.

1.13 The one year provisional Local Government Finance Settlement received in December provided further detail on the headline announcements for local government in the Spending Review, particularly the allocation of new grant funding. This has largely been split into funding for social care (children's and adults) and a 'services grant' allocation for one year only, intended to support local authority financial stability whilst a National Funding Review is undertaken and proposals consulted on during 2022. This Funding Review will focus on updating the assessment of needs and resources, on which local authority funding allocations are based, with indications that it will include consideration of how the allocation of funding will support Levelling Up. Implementation of any changes to funding formulas as a result of the Review would take effect from 2023/24. Therefore from 2023/24 this funding will be used as transitional support and new allocations will be applied. We still await further information on some announcements made at the Spending Review including funding for SEND provision, highways, Supporting Families and disadvantaged children. The implications of the Spending Review and provisional finance settlement announcements for the Council's MTFP are set out in paragraphs 1.38 to 1.42.

1.14 The first round of successful bids to the Government's Levelling Up Fund, designed to support local areas with regeneration and infrastructure projects up to £20m in value, were announced alongside the Spending Review with East Sussex receiving £7.9m for our bid to replace the Exceat bridge. Projects in the county also secured £2.5m from the Community

Renewal Fund, including schemes which will support skills and innovation. We were also one of 13 Councils successful in our ‘Partnerships for People and Place’ grant application. This programme will trial new ways of working between local and central government to deliver solutions to local challenges. The East Sussex pilot will focus on integrating action on health and climate change inequalities in Hastings.

1.15 Alongside the Spending Review in October, the Office for Budget Responsibility (OBR) published updated national economic forecasts which delivered good news on the economic and borrowing outlook after stronger than expected recovery from the Covid pandemic. The OBR indicated growth will be stronger than expected in 2021 and 2022, reducing the amount that Government will need to borrow. Updated forecast inflation rates for 2022/23 showed movements from September as follows: The Consumer Price Index (CPI) has increased from 1.89% to 3.88% and Retail Price Index (RPI) from 2.03% to 4.82%. Gross Domestic Product (GDP) was expected to rise 6.5% in 2021 (up from the predicted 4% in March), returning to pre-Covid levels by the end of the year, and to climb 6% in 2022. Labour shortages and stretched supply chains are likely to impact, particularly for the market sustainability of social care and possible impact on care fee levels.

1.16 Unemployment is expected to peak at 5.2% in 2022, lower than the 11.9% previously predicted. However, ‘scarring’ due to the pandemic will mean that the economy will remain 3% behind the pre-pandemic projected position and the OBR forecasts were prepared before the emergence of the Omicron variant in November. In September, Government announced that vulnerable households across the country would be able to access a £500m Household Support Fund to help them with essentials over the coming months as the country continues its recovery from the pandemic. We received £3.9m from the Fund to support local residents most in need this winter and worked with our borough and district and voluntary and community sector partners to rapidly develop and implement a collaborative approach to deploying the funding for maximum effectiveness.

1.17 Levelling up and devolution: Through the autumn further indications were given by the new Secretary of State for Levelling Up, Housing and Communities about the focus of the Government’s flagship Levelling Up agenda, including four key aims: strengthening local leadership to drive real change; raising living standards especially where they are lower; improving public services especially where they are weaker; and giving people the resources necessary to enhance the pride they feel in the place they live. The Government’s White Paper on Levelling Up is expected to be published early in 2022; it is anticipated this will provide further detail on how the above aims will be implemented and measured and arrangements for leading economic development, including the future role of Local Enterprise Partnerships. Further information on plans for progressing devolution in England, including County Deals, is also likely to be included.

1.18 COVID-19 response: rising rates of Covid infection through the autumn and into winter placed consequent pressures on health and social care services nationally and locally, although rates of serious illness and hospitalisation have to date been lower than last winter following the successful vaccination programme during 2021. In response to rising case rates and the emergence of the Omicron variant, the Government announced in December the introduction of ‘Plan B’ Covid measures, including the reintroduction of compulsory mask wearing and working from home where possible; these were subsequently extended into January. It was also confirmed that the booster vaccine programme would be accelerated with a target of offering all over 18s a booster by the end of December and extension of the booster programme to 16 and 17 year olds. Vaccinations were also extended to clinically vulnerable 5-11 years olds from January. The NHS vaccination programme was scaled up significantly during December, both nationally and locally, to support this. Locally, since September, the Council has worked with partners to respond to the increasing incidence of COVID-19 in line with our Local Outbreak Management Plan. We continue to work closely with the local care sector and with health partners in relation to the pressures on the health and care system which has experienced significant strain due to the number of Covid cases, coupled with staff shortages as a result of sickness or self-isolation. We are providing ongoing support to schools, particularly in light of staff shortages due to Covid and the ongoing roll-out of vaccination to the over 12s.

1.19 We have maintained our flexible approach to ensure services continued to operate safely and effectively as Covid cases increased through the autumn and winter. This included asking our staff to continue to work from home where possible to help minimise the impact of Covid on our workforce and workplaces, and redeploying staff where needed to support essential services. Face to face provision remained in place throughout where needed, with appropriate risk mitigation measures in place. Digital working has continued to underpin the provision of services with many staff continuing to work remotely throughout 2021/22 as well as the preceding year. Our Workstyles programme is preparing for the wider return of staff to offices when this is feasible and will begin implementing the resources necessary to support a hybrid working model across the organisation. This model will continue to capture the benefits realised from new ways of working through the pandemic, whilst ensuring our core service needs are at the heart of how we operate.

1.20 Adult Social Care and Health: Following the announcement of significant reforms to the funding of Adult Social Care in September, further detail was provided in a policy paper published in November. This included information on the workings of the new charging reform framework and confirmed some key outstanding policy details. Details included the standard level at which ‘daily living costs’ will initially be set and that government would introduce an amendment to the Care Act 2014 in relation to the way that people progress towards the £86,000 cap on care costs. This amendment, which was subsequently approved in the House of Commons, means that only the amount that an individual contributes towards their eligible care costs (at the local authority rate) will count towards the cap. The publication of the policy document also marked the start of a period of co-production of statutory guidance with the sector, building on draft Care Act regulations and guidance published in 2015, to be followed by a public consultation in early 2022. It is intended that the regulations and final guidance will be published in spring 2022, ahead of implementation of the new arrangements in October 2023.

1.21 This was followed in December by the publication of the Government’s Adult Social Care White Paper: ‘People at the Heart of Care’. The White Paper sets out a 10 year vision for reform, including how this will be supported over the next three years by the £1.7bn of funding raised through the health and care levy which has been reserved nationally to make improvements across the adult social care system. The paper sets out how some of this money will be spent to begin to transform the adult social care system in England, such as new investments in:

- housing and home adaptations, including a £300m commitment to better integrate housing into local health and care strategies, as well as £220m towards driving growth in housing with care;
- technology and digitisation, including £150m towards improving assistive technology and measures to improve how data is collected and used within adult social care;
- workforce training and wellbeing support, including a new Knowledge and Skills Framework, Care Certificates to provide sector-wide delivery standards, and investment in social worker training routes to support recruitment into the sector;
- support for unpaid carers, and improved information and advice; and
- innovation and improvement, including further detail on the planned new duty for the Care Quality Commission to independently review and assess the performance of local authorities in delivering their adult social care functions. The White Paper lists some of the criteria which assessments may look at, which include factors such as leadership; prevention strategies; transitions between services (e.g. children’s to adult social care); and commissioning.

1.22 Later in December Government published information on the Market Sustainability and Fair Cost of Care Fund 2022 to 2023 which provided high level details, alongside funding details, for the introduction of a fair price for care and the implementation of duties to allow self-funders to ask their local authority to arrange residential care on their behalf from October 2023 (in addition to domiciliary care which is already in place). National funding of £162m will be provided in 2022/23 (£1.7m for East Sussex County Council) to support local authorities to prepare markets for reform through activities such as determining sustainable fee rates; engaging with providers to improve data on operational costs; engaging with self-funders to understand the impact of reform on the market; strengthening capacity for greater market oversight; and using the additional funding to increase fee rates. Further funding of £600m per annum nationally will be available in each of the subsequent two years subject to local authorities providing:

- a cost of care exercise (survey of local providers to determine a sustainable fee rate);
- a provisional market sustainability plan (covering 2022-25); and
- a spend report (detailing how the money has been spent).

The Government has indicated it will work closely with the sector to shape the implementation of fair rates for care, to help deliver sustainable services and prepare local care markets for implementing the other reforms outlined. ESCC expects to actively engage to help shape plans which will deliver positive and achievable outcomes, as well as to raise the potential implications if sufficient funding is not provided to local authorities to support the national commitments.

1.23 A further White Paper on Health and Social Care Integration is expected imminently. This is expected to set out further detail on measures to support integration, building on the Health and Care Bill currently progressing through Parliament, in areas such as shared outcomes, system leadership, financial incentives and frameworks, data and workforce.

1.24 Locally, considerable work has been undertaken by the local health and social care system to support service recovery from COVID. This includes refreshing our health and social care plan which was originally agreed in March 2020 after engagement and consultation across our local systems. The updated Plan for 2021/22 sets out our delivery priorities across health, social care and wellbeing, and our response to the impact of the pandemic and our population health needs. It brings together our shared priorities with a clear focus on improving population health and addressing health inequalities. Workforce has also remained a key challenge for care providers as Covid, mandatory vaccination, competition from other sectors and reduced ability to recruit from overseas combined to exacerbate existing shortages. In addition to our organisational response to this we are exploring where our collaboration can support the recruitment challenge across all of our sectors.

1.25 Alongside this ongoing work to support service provision, preparations have been made for the planned implementation of health reforms from which will see the Sussex Integrated Care System (ICS) placed on a statutory footing from July 2022. The ICS structures will incorporate arrangements for local authorities to participate in an NHS Integrated Care Board (ICB), which will take over responsibility from Clinical Commissioning Groups for commissioning healthcare services. and a wider Integrated Care Partnership (ICP). It has been agreed that 'Place' has a primary role in our ICS. There are three 'Places' within the Sussex ICS (East Sussex, Brighton and Hove and West Sussex), with the Council continuing to being a lead partner with our local NHS in the East Sussex Health and Care Partnership. Delivery of integrated health and social care services will continue to largely be led locally at place level, and we will continue to work together to join up services across community health and social care, primary care, mental health and urgent and emergency care and the full range of local government and voluntary, community and social enterprise (VCSE) services and support that impact on the wider determinants of health. 2022/23 will see a continued focus on delivering more coordinated care to our frail population through increasingly integrated service provision and working with primary care to develop our model for closer working in our communities to do this as well as tackle health inequalities. The ICS also covers children's services and a new ICS Children's Board is being created through which it will be possible to promote Sussex-wide developments as well as ensure oversight over work in East Sussex.

1.26 Climate and environment: In October, the Government announced its national Net Zero Strategy: 'Build Back Greener', ahead of the COP26 climate summit which took place in November. Building on the 10 Point Plan for a Green Industrial Revolution published in 2020, the strategy sets out key actions the Government intends to take to progress against its commitment to reduce UK carbon emissions to net zero by 2050 encompassing:

- decarbonisation pathways to net zero by 2050, including illustrative scenarios;

- policies and proposals to reduce emissions for each sector; and
- cross-cutting action to support the transition.

The strategy includes a section on local action, including the establishment of a Local Net Zero Forum through which Government intends to work with local government to discuss policy and delivery options on net zero and continuation of the Local Net Zero Programme to support all local areas with their capability and capacity to meet net zero. In November, the Government published its Heat and Buildings Strategy which set out the need for virtually all heat in buildings to be decarbonised to meet net zero. It includes a range of measures to reduce dependence on oil, Liquified Petroleum Gas (LPG) and gas heating including banning the sale of new gas boilers by 2035, accelerating the use of heat pumps, large scale trials of hydrogen for heating and potential adjustments to environmental levies to make electric heating more cost effective. Both the Net Zero Strategy and the Heat and Buildings Strategy set out a large number of commitments. Detail about how delivery will take place in many areas is yet to be defined and there are concerns that the national funding committed to date will not be enough to meet the commitments made.

1.27 Locally, we have continued to deliver our corporate Climate Emergency Action Plan 2020-2022 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. In November Cabinet agreed further one-off investment of £3.055m for 2022-23 to 2023-24 to assist in meeting this target. The investment will enable us to build on existing capacity and projects to assist the Council to mainstream our action on climate change. As part of this work, our Climate Emergency Action Plan will be refreshed and extended during 2022.

1.28 The Environment Bill gained royal assent in November, enshrining in law new requirements which aim to ensure the environment is at the centre of policy making and Governments are held accountable for making progress on environmental issues. The new Environment Act:

- Creates a duty on ministers to have due regard to five environmental principles when making Government policy in future;
- Introduces a framework for legally-binding environmental targets and establishes a new, independent Office for Environmental Protection;
- Introduces measures to revolutionise how we recycle; and
- Enhances local powers to tackle sources of air pollution; secure long-term, resilient water supplies and wastewater services; and protect nature and improve biodiversity.

The key implications for ESCC are in the areas of recycling (in our role as waste disposal authority), tree planting (as a landowner), and biodiversity, including new Local Nature Recovery Strategies and the legal requirement for Biodiversity Net Gain to be incorporated into land development and planning.

1.29 Children's Services: The outcomes of national reviews of Children's Social Care and SEND are still awaited, with latest indications that these are likely to be published in the first half of 2022. Both are likely to be significant for the future direction of these services and therefore have impacts for the County Council. The reviews by the national children's safeguarding panel into two cases involving the murder of children may also lead to further practice requirements and/or guidance in respect of children's social care. In November Government announced that local authority participation in the national transfer scheme for unaccompanied asylum seeking children (UASC) would be temporarily mandated (rather than voluntary) to further facilitate the provision of placements for children. The move aims to end the use of hotels for UASC, and address responsibility falling disproportionately on certain local authorities, following the unprecedented recent pressure on the asylum system. This will increase the number of UASC looked after by ESCC.

1.30 Looking ahead, the Government's main priorities for the next year are expected to be led by the further development of the domestic 'Levelling Up' policy and strategies in relation to economic growth and skills, the ongoing response to and recovery from COVID-19 and the related economic and health consequences, and delivery of major reforms announced or signalled in areas including health and social care, net zero, planning and environment and children's services. All of these are likely to have significant implications for the Council.

Council Plan

1.31 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 now and for the future. Making best use of resources now and for the future 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. There are no changes to the delivery outcomes.

1.32 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 support health and social care integration and our ambition to achieve carbon neutrality. We have reviewed and updated our targets where necessary to ensure these continue to reflect our ambitions. As part of this we have updated our future targets for emissions arising from Council operations, based on the Tyndall Carbon Budget Reports which draw on the latest science to calculate targets which enable local authorities to make a representative contribution to keep to the 'well below 2°C and pursuing 1.5°C' global temperature target. 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.

1.33 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 2022 and refreshed in July when final performance outturn figures for 2021/22 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 2021/22 since Quarter 2

1.34 Overall, our services are continuing to perform well. However, there are a few significant developments that have emerged since the quarter 2 monitoring report that we need to consider as part of our business planning for future years, in advance of the quarter 3 monitoring report which will go to Cabinet on 1 March 2022.

1.35 Performance in some services continues to be affected by the pandemic. It is unlikely that we will meet our target of 7,000 new service user interventions started through One You East Sussex as part of the Integrated Lifestyle Service, as we are receiving fewer referrals than expected from primary care. Our colleagues in primary care are continuing to focus on the vaccination programmes and delayed work. This may also have an impact on our work to improve the targeting of NHS Health Checks.

1.36 At quarter 2 we reported progress to enhance the delivery of Technology Enabled Care Services (TECS) more rapidly and more widely across areas including falls, frailty, crisis response and medication management, to avoid hospital admissions or re-admissions as amber. Despite an average of 193 new clients per month between April and October 2021, the total number of connections continues to decrease. At the end of October 8,283 people were receiving TECS, below the target of 8,500. This reduction is due to clients leaving the services, for reasons such as moving out of the county, clients' needs increasing resulting in them moving into supported living or care home settings, and people passing away.

1.37 There is currently no significant change to the projected quarter 2 revenue budget forecast business as usual service overspend of £3.3m. The general contingency of £4.0m will offset the deficit and the remaining £0.8m will be transferred to the Financial Management reserves in line with the Council's Reserves Policy and Robustness Statement. There is currently an estimated break even position, subject to further Government announcements and final service review; any minor surplus or deficit will be managed through reserves.

Revenue Budget 2022/23

1.38 This report has set out a number of significant challenges the Council will face in the coming years. The Medium Term Financial Plan (MTFP) as set out in Appendix 2, and detailed in the table below, sets a balanced budget for 2022/23 by providing funding to meet assessed financial pressures and sets aside funding to meet unquantifiable service risks in future years, with particular concerns regarding children's and adult social care and funding reform driven by the Levelling Up agenda. The provision of the one year Services Grant of £5.175m was not specifically planned for, and is included within the MTFP as an opportunity for one off investment. Whilst balanced for 2022/23, the MTFP by 2024/25 projects a deficit of £9.6m.

Movement since Cabinet 30 September 2021	**Ref**	**Estimate (£m)**			
		2022/23	**2023/24**	**2024/25**	**Total**
Cabinet 30 September 2021 DEFICIT/(SURPLUS)		**3.204**	***8.826***	***10.059***	***22.089***
NORMAL UPDATES					
Business Rates Retention	A	(2.009)	(1.735)	(0.501)	*(4.245)*
Revenue Support Grant - confirmed at SR21	A	(1.212)	1.473	0.384	*0.645*
Council Tax Base	B	(3.126)	*(1.390)*	*(1.458)*	*(5.974)*
Council Tax Collection Fund	C	(4.334)	*4.334*		*0.000*
General Contingency	D	0.090	*(0.020)*	*0.030*	*0.100*
Treasury Management (TM) budget provision for proposed programme	E			*1.300*	*1.300*
TM Budget - LINK interest rates uplift	E			*(1.700)*	*(1.700)*
Pressures added to / (removed from) the MTFP					
Contract inflation and collection fund risk	F	8.702	*0.251*	*0.597*	*9.550*
Contractual inflation - Waste Model	F	0.547	*0.433*	*0.137*	*1.117*
Pay award	G	1.109	*0.687*	*0.711*	*2.507*
Local Government Pension Scheme (LGPS) employers' contributions - triennial valuation	H		*1.800*	*0.020*	*1.820*
CET: Waste Housing Growth	I	(0.130)	*0.043*	*0.118*	*0.031*
CSD: Growth and Demography (G&D)	J	1.456	*0.502*	*0.569*	*2.527*
CSD: Looked After Children G&D (covid-related)	J	1.393	*1.316*	*1.758*	*4.467*
CSD: Looked After Children G&D (covid-related) - funded from Covid Reserve	J	(1.393)	(1.316)	(1.758)	*(4.467)*
ASC: Community Hubs	K	(0.440)	*0.440*		*0.000*
Pressures Protocol – bids approved by CMT	L	0.573	*(0.184)*	*(0.078)*	*0.311*
Council Tax Reduction Scheme Changes (Lewes DC only)	M	0.801	*0.023*	*0.023*	*0.847*
Remove Early Help Saving	N	0.893			*0.893*
DEFICIT/(SURPLUS) AFTER NORMAL UPDATES		**6.124**	**15.483**	**10.211**	**31.818**
FINANCE SETTLEMENT					
Local Decision					
Business Rates Proceeds of Pooling 2022/23	O	(1.630)	*1.630*		*0.000*
ASC Precept 1% (only confirmed for 2022/23)	P	(3.149)			*(3.149)*
DEFICIT/(SURPLUS) AFTER LOCAL DECISION		**1.345**	***17.113***	**10.211**	**28.669**

Movement since Cabinet 30 September 2021	Ref	Estimate (£m)			
		2022/23	2023/24	2024/25	Total
Spending Review (SR) 21 **£1.6bn New Local Government Grant**					
Social Care Grant (adults and children's)	Q	(6.612)			*(6.612)*
Improved Better Care Fund	R	(0.639)			*(0.639)*
Revenue Support Grant	R	(0.119)	*(0.001)*		*(0.120)*
Services Grant (1 year only)	S	(5.175)	*5.175*		*0.000*
Transfer Services Grant to Reserves for One off investment opportunities	S	5.175	*(5.175)*		*0.000*
Other Announcements & Updates					
Social Care Grant (Continuation)	T	(2.432)			*(2.432)*
Market Sustainability and Fair Cost of Care Fund (MSFCCF) – held in adults	U	(1.745)			*(1.745)*
MSFCCF - New Burdens	U	1.745			*1.745*
MSFCCF - Support for New Burdens	V	3.149	(3.149)		*0.000*
New Homes Bonus	W	(0.702)	*0.702*		*0.000*
New Homes Bonus (NHB) to Capital Programme	W	0.702	*(0.702)*		*0.000*
NHB in MTFP	W	0.114	*(0.114)*		*0.000*
General Contingency Update	X	0.220			*0.220*
DEFICIT/(SURPLUS) AFTER FINANCE SETTLEMENT		**(4.984)**	**13.769**	**10.201**	**18.986**
Update to assessment of Needs and Resources / Transitional Protection (Continuation of Service Grant at 50%)	Y		*(2.588)*		*(2.588)*
Adult Social Care Precept 1% 2023/24 and 2024/25	Z		*(3.305)*	*(3.485)*	*(6.790)*
Transfer to Financial Management Reserve for CSD/SEND/ASC and Funding Reform/COVID legacy	AA	4.984	*(4.984)*		*0.000*
BUDGET DEFICIT/(SURPLUS)		**0.000**	**2.892**	**6.716**	**9.608**

1.39 NORMAL UPDATES:

A Business Rates Retention / Revenue Support Grant (RSG)

The current planning assumptions on business rates and RSG have been adjusted to reflect actual inflation reported in September and SR21 announcements.

B Council Tax Base

Council Tax Base returns which give the most recent estimated base position as of January 2022, have now been made by District and Borough Councils. These show that for the County the large, estimated housing growth for this financial year has been achieved. In fact, the base position on property numbers is better than estimated in October returns meaning additional growth to the base.

Some District and Borough Councils estimated further increases in Local Council Reduction Scheme (LCTRS) support, following an increase this time last year due to the pandemic. The latest returns show that in most authority areas an increase has not occurred. Overall, as a County there has been a partial recovery to LCTRS levels. This recovery increases the Council Tax Base.

In total the Council's Base increase is now estimated at 1.26% net of LCTRS changes set out at M.

C Council Tax Collection Fund
With the increase in the Council Tax Base Districts and Boroughs, in their January 2022 returns, have identified a further £4.3m surplus that should be expected within the collection fund to bring this year collection for the Council up to the actual base position.

No future years' collection fund surplus / deficits are planned within the MTFP. This is difficult to estimate as it is clear the collection system needs to reset, and we wait to see if there is any long-term economic impact on collection.

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

E Treasury Management (TM)
As noted at Section 4 of Appendix 8a (Capital Programme Update), the overall impact on the TM budget for capital investment is dependent on a number of variables. These include timings, the level of internal balances and future interest rates. The capital programme update results in an increase in the cost of borrowing of £1.3m by 2024/25, with a need for further uplift to the TM budget outside the MTFP period.

Additionally, our treasury advisors Link Asset Services are now forecasting improved returns on investments as the market improves quicker than expected in the medium term. This improved position results in additional income estimated at £1.7m annually for the medium term.

F Inflation for Contracts and Collection Fund Risk
The Office for Budget Responsibility published its updated forecast inflation rates for 2022/23 on 27 October 2021. There have been material increases, reflecting supply chain and staffing pressures, which have now been reflected in our inflation and waste model as appropriate. The use of additional collection fund surpluses identified in January 2022 by District and Boroughs will help manage this risk.

G Pay Award
The estimated pay award has been increased to 2% for 2021/22 and 2.5% for 2022/23 onwards.

H Local Government Pension Scheme (LGPS) Employers' Contributions
The triennial actuarial valuation is due late in 2022/23 for the following three years. The impact of increasing inflation has the potential to increase the employer contributions, therefore an estimated 1.5% has been added to both primary and secondary contributions from 2023/24 onwards.

I Communities, Economy and Transport (CET): Waste Housing Growth
The Waste Model has been updated for the latest housing growth estimates.

J Children's Services (CSD) Growth & Demography
CSD have provided updates for growth and demography, both for Business as Usual and Covid-related Looked After Children Services. It is proposed that the Covid-related growth and demography be funded from the Covid Grants Reserve.

K Adult Social Care (ASC) Community Hubs
The £880k budget for Community Hubs was not required in 2021/22 due to delays in setting up the model due to Covid, plus any related costs arising during the year could be covered by COVID funding, so there was a one-off transfer to reserve. The model is now being developed and half of the budget is required for 2022/23 with the full amount being reinstated for 2024/25, although further work is needed to understand the post-Covid model.

L Pressures Protocol
As is normal practice a number of bids were approved by Corporate Management Team (CMT) as follows: -

Dept	Description	2022/23	2023/24	2024/25	Total
BSD*	Information Technology & Digital (IT&D): Microsoft licencing	0.250			**0.250**
BSD	IT&D: SAP system	0.157	(0.079)	(0.078)	**0.000**
CET	Deferral of Libraries savings	0.105	(0.105)		**0.000**
CET	Transport Development Control	0.070			**0.070**
CET	Funded from reserve	(0.070)			**(0.070)**
CET	Planning & Environment	0.061			**0.061**
Total Pressures Bids		**0.573**	**(0.184)**	**(0.078)**	**0.311**

* BSD – Business Services Department

M 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 have consulted 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 at its meeting in December 2021. The estimated loss of income 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.

N Removal of CSD Early Help Saving
Proposed permanent deletion of 2022/23 target of £0.893m.

1.40 FINANCE SETTLEMENT:

The settlement is for a single year only (further details on proposed funding reform and consultations are due to follow in the new year) and includes an additional £3.5bn in Core Spending Power (CSP) over last year's settlement. However, this increase includes allowed ASC precept and Council Tax even if they are not taken. There remain a number of grants that have yet to be announced in detail, as set out below. We have assumed these are associated with new burdens and therefore have a net nil impact on the budget and they have been excluded from the MTFP at this point.

Budget Announcements to be confirmed	Total (£m)
Of the £4.8bn New Grant:	
Supporting Families Programme	200
Cyber Security	38
Transparency Requirements	35
Supporting Families	
Advice Centres	82
Expectant Parents Mental Health Support	100
Breastfeeding Support	50
To be confirmed	68
Disadvantaged Children	
Holiday Activities and Food Programme	600
Regulation and Safeguarding	104

Adoption Strategy	7
Residential Children’s Homes	259
SEND School Places	
30,000 new places	2,600
Highways and Transport	
Local road maintenance	2,700
Buses	3,000
Cycling and Walking	2,000

O Continuation of Business Rates Pooling 2022/23
It was confirmed at the Provisional Settlement that the Business Rates pooling arrangements will be allowable in 2022/23. Proceeds of pooling have been updated using published information from District and Borough Councils.

P Additional 1% Adult Social Care Precept
The Spending Review 2021 (SR21) document confirms that the Council Tax referendum limit is expected to remain at 2% per annum for the Spending Review Period. Additionally, authorities with ASC responsibilities are expected to be able to raise an ASC precept by up to 1% in 2022/23. Future years are not confirmed at this time; see paragraph Z.

Q New Social Care Grant (adults and children’s)
As part of the £1.6bn new Government Grant funding announced at SR21, the Council will receive £6.6m Social Care Grant, distributed using the Adult Social Care Relative Needs Formula, with equalisation for the impact of the 1% social care precept. This grant is assumed for the life of the MTFP.

R Improved Better Care Fund and Revenue Support Grant
As part of the £1.6bn new Government Grant funding announced at SR21, there is an inflationary increase to the Improved Better Care Fund and Revenue Support grant, providing an additional £0.639m and £0.120m respectively.

S Services Grant
As part of the £1.6bn new Government Grant funding announced at SR21, the Council will receive a Services Grant of £5.175m. The statement highlights that this is a one-off grant and will not be taken into consideration for transitional protection when future system changes are made (but will be used for transitional support). In future years the distribution formula may change with regard to transitional support. This grant will be held in the Financial Management Reserve for one-off investment opportunities.

T Social Care Grant (continuation)
It was announced at SR21 that the Social Care Grant will be no less than that received in 2021/22, and that funding levels would be maintained at least in the short term.

U Market Sustainability and Fair Cost of Care Fund / New Burdens
£162m has been allocated to local authorities from the funds raised in the National Insurance Health and Social Care levy. This Market Sustainability and Fair Cost of Care Fund is allocated to support authorities prepare for paying a fair rate of care and is therefore assumed as a net nil impact. The grant will provide £1.745m which will be allocated directly to ASC; any unused grant will be transferred to the proposed new ASC Reform Reserve.

V Market Sustainability and Fair Cost of Care / Further Support for New Burdens
It is proposed that the £3.1m raised from the additional 1% ASC Precept be set aside to cover any new burdens in excess of the funding available. The grant will be allocated directly to ASC; any unused grant will be transferred to the proposed new ASC Reform Reserve.

W New Homes Bonus
The New Homes Bonus has been ‘rolled over’ for another year, with allocations made and the final 2019/20 legacy payment honoured. The lower tier services grant has been ‘rolled over’ at

£111m nationally, and with a new cash terms funding floor. Due to a significant number of new homes completing in the 12 months to October 2021 this is an additional £0.702m. Historically this has been used to support capital infrastructure and it is therefore proposed to move this to the Capital Programme alongside the additional £0.114m already in the MTFP.

X General Contingency Further Update
This is calculated at an agreed formula of 1% of net budget less treasury management and is a further update as a result of the settlement.

Y Continuation of Services Grant
As stated at paragraph S, the 2022/23 allocation is for one year only and in future years the distribution formula may change with regard to transitional support. A prudent estimate for future years is 50% of the current allocation.

Z ASC Precept 1% in 2023/24 and 2024/25
As stated at paragraph P, the power to raise an ASC precept by up to 1% beyond 2022/23 has not been confirmed.

AA Transfer to Reserve
The estimated balance of £4.984m after Finance Settlement will be transferred to the Financial Management Reserve to mitigate future risks around Children’s Services, SEND, Adult Social Care, Funding Reform and Covid legacy.

1.41 Appendix 4 shows the detailed savings, with figures in the first section and equality impact assessments (EQIAs) in the second. The targets have been updated for proposed removal of Children’s Services Early Help savings. For the period 2022/23 to 2023/24 there are savings targets of £2.604m. No new savings are being sought; normally the Council would be setting a three year programme of savings but with the uncertainty of future years’ settlements it would be premature to seek new savings at this juncture.

1.42 The table below summarises the COVID grants available with expected usage. Clarity has been received that the Contain Outbreak Management Fund can now be carried forward beyond 31 March 2022. The carry forward of £19.9m of COVID funding provides the opportunity to continue to mitigate the impact of COVID, within grant conditions.

COVID-19 Grants 2021/22 (£m)	**Carried forward**	**Expected in-year**	**Forecast usage in-year**	**Specific set-aside for LAC in future yrs**	**Forecast balance remaining**
COVID-19 General Funding	15.132	11.979	(9.704)	(4.457)	12.950
COVID-19 Specific Funding	15.784	27.928	(36.804)		6.908
Total funding	**30.916**	**39.907**	**(46.508)**	**(4.457)**	**19.858**

2023/24 and beyond

1.43 Whilst the Council has received some very welcome additional funding from the Government, it remains challenging to plan for 2023/24 and beyond. The level of Government funding that ESCC will receive between 2023/24 – 2024/25 is not confirmed; Although the Spending Review 2021 was for three years, the provisional settlement was one year only with indicative levels for the subsequent two years, meaning there remains uncertainty over actual levels of funding ESCC will receive and how the Levelling Up agenda will be implemented in future years. The strongest indication of a change in policy is that 75% business rates retention is not now likely to be implemented.

1.44 This uncertainty in future local government funding beyond next year means that, whilst the budget is balanced in 2022/23, until the Local Government Financial Settlement 2022, or other announcements, provide confirmation of funding, there is the potential requirement for further savings of £9.6m by 2024/25.

1.45 The Council has a robust planning process and sufficient reserves and will continue to work towards a balanced position in 2023/24. The Reserves and Robustness Statement is set out in Appendix 6.

Council Tax requirement

1.46 Cabinet agreed in September that budget planning should be on the basis that Council Tax is increased by 1.99% and that the Adult Social Care Precept maintains at 1.5% in 2022/23 as part of the allowable 3% across two years as announced at Spending Review 2020.

1.47 The Provisional Local Government Settlement 2022/23 provided for an additional 1% Adult Social Care precept (in addition to the 1.5% provided for as part of the Spending Review 2020). Taking into account the significant risks and uncertainties related to the national reforms of Adult Social Care it is proposed that this is included. It was announced at Spending Review 2021 that an additional 1% ASC precept in 2023/24 and 2024/25 is expected, although this will be confirmed as part of future government announcements. It is therefore proposed that the County Council be asked to consider increasing Council Tax in 2022/23 by 4.49% (1.99% Council Tax plus 2.5% Adult Social Care precept). If agreed, the proposed band D charge for 2022/23 would therefore be:

Changes in Council Tax	£ per house at Band D	
	Council Tax Annual	Council Tax Weekly
Band D 2021/22	£1,544.04	£29.69
Council Tax increase*	£30.78	£0.59
Adult Social Care precept* 2.5%	£38.52	£0.74
Indicative Band D 2022/23*	£1,613.34	£31.02

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

1.48 The formal precept notices for issue to the Borough and District Councils will follow the formal recommendation by County Council. The current position is subject to change following final figures on Collection Fund and Business Rates provided by Borough and District Councils at the end of January 2022. The draft precept calculation is therefore set out at Appendix 5.

Capital Programme

1.49 The capital programme focuses on the delivery of basic need for the Council to continue to deliver our services as efficiently as possible. The areas of targeted basic 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).
- Climate Change.
- Information Technology & Digital (IT&D).
- Economic Intervention.
- Adults' and Children's House Adaptations Programme.
- Libraries.

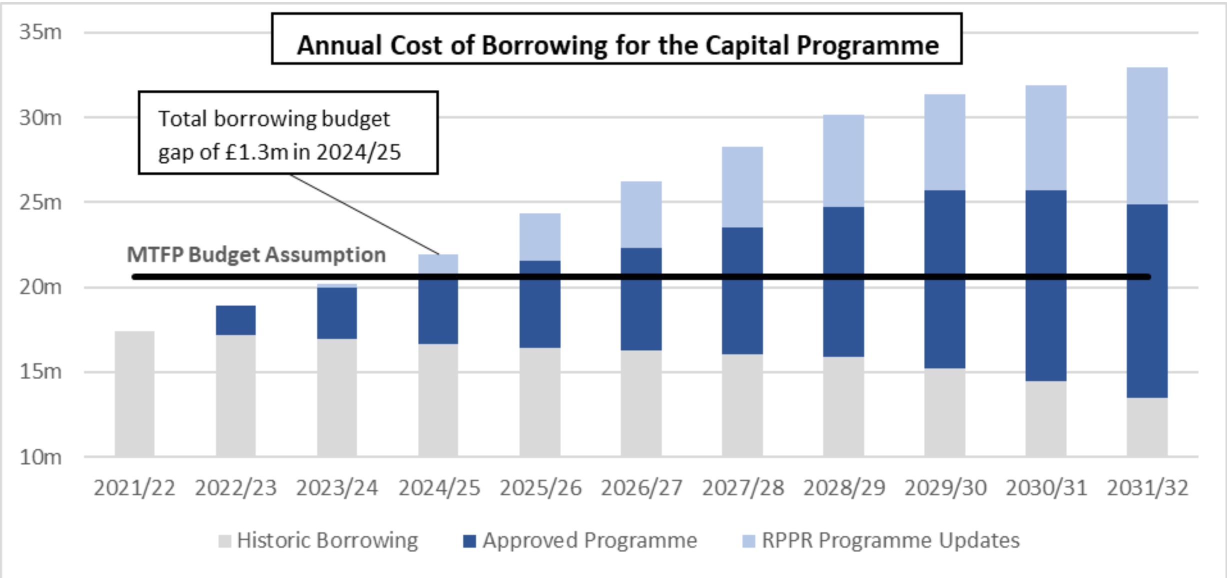
1.50 The current approved programme has now been updated to include the quarter 2 position and other approved variations and updates. Service Finance and Departmental Capital Teams have also completed a capital programme refresh, re-profiling their programmes and schemes as accurately as possible based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

1.51 The planning horizon has been extended to 2031/32 to maintain the 10 year programme and to include a nominal level of investment for Climate Change as basic need as agreed at State of the County. Services have also presented areas of growth in basic need requirements and these have been included in the programme where these represent reasonable synergy with the basic need principles. These updates include:

- Additional investment of £3.1m per year to uplift the basic need target and maintain current road conditions of 4% (A Roads), 4% (B&C Roads), 14% (Unclassified roads) being "red" over the next 10 years.
- A total of £15.3m new and early investment to support essential works to highway structures and address a backlog of life-expired street lighting columns, enabling the annual capital budget requirement for streetlighting to be reduced by £4.5m in the later years of the programme.
- £6.0m of new investment to support the Council's commitment to carbon neutrality by 2050 at the latest, in addition to £3.6m capital approved by Cabinet in November 2021. The additional funding will enable the acceleration of a range of carbon reduction initiatives including transitioning away from gas or oil-fed heating systems, the installation of energy efficient lighting, and the future proofing of the estate through enabling works that will facilitate later delivery of decarbonisation.
- An update to the School Basic Need programme to provide additional early years provision in areas of planned housing development.
- £19.1m to provide important additional SEND provision in the north of the County.

1.52 It is proposed that a capital programme of £346.1m be set over the MTFP period from 2021/22 to 2024/25 (current year plus three) and requiring £157.5m of borrowing, with the remaining years to 2031/32 being indicative to represent longer term planning. The update to the capital programme can be found at Appendix 8a.

1.53 The revenue impact of additional borrowing to fund the updates to the capital programme have been made in the MTFP. The capital programme updates result in a significant increase in the cost of borrowing (£1.3m by 2024/25) and, as shown in the graph below, there will be a need for further uplift to the Treasury Management budget in the latter years of the programme. There are also a number of risks and uncertainties regarding the programme to 2024/25 and beyond, of which some are identified at Appendix 8a, necessitating holding a risk provision of Treasury Management capacity to allow for additional borrowing for emerging risks.



1.54 The Council's current Capital Strategy covers the period 2021/22 to 2041/42 and was approved as part of RPPR 2020/21. The 20-year Capital Strategy has been updated to reflect emerging risks, principles and corporate priorities. The updated Capital Strategy can be found at Appendix 8c.

Robustness and Reserves

1.55 At State of the County in July 2021 there was an estimated a total reserves balance of £89.6m by March 2025. Since then there have been some updates and, moving the estimates on a year, the balance at 31 March 2026 is estimated at £91.7m of which £25.0m relates to strategic reserves. The current reserves position is shown below.

		State of the County Report 20/21 (£m)			**Full Council February 2022 (£m)**	
		01.04.21 Actual	**Estimated Balance at 31.03.25**		**01.04.22 Estimate**	**Estimated Balance at 31.03.26**
Earmarked Reserves:						
Held on behalf of others or statutorily ringfenced		**32.3**	**31.7**		**33.7**	**34.2**
Named Service Reserves						
Waste Reserve		16.1	5.0		16.1	9.7
Capital Programme Reserve		12.4	8.9		19.7	7.5
Insurance Reserve		7.4	5.4		6.8	5.3
Adult Social Care Reform Reserve (NEW)		0.0	0.0		0.0	0.0
Subtotal named service reserves		**35.9**	**19.3**		**42.6**	**22.5**
Strategic Reserves						
Financial Management		50.1	25.2		52.7	21.8
Priority Outcomes and Transformation		8.0	3.4		17.0	3.2
Subtotal strategic reserves		**58.1**	**28.6**		**69.7**	**25.0**
Total Earmarked Reserves		**126.3**	**79.6**		**146.0**	**81.7**
General Fund Balance		***10.0***	***10.0***		***10.0***	***10.0***
TOTAL RESERVES		**136.3**	**89.6**		**156.0**	**91.7**

1.56 The level of reserves held by the Council is considered appropriate. In the recent uncertain financial, economic and political times councils have grappled with the challenge of delivering services within a difficult financial landscape. That uncertainty is brought into sharp focus given the lack of clarity about what funding will be provided for councils beyond next year as a result of the Levelling Up agenda and Adult Social Care reform. 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 6.

Engagement Feedback and Future Consultation

1.57 The views of the Scrutiny Committees are set out in Appendix 7. The views of partners, Trades Unions, business ratepayers and young people are also included in the appendix.

Equalities

1.58 An initial Equalities Impact Assessment (EqIA) of the revenue savings proposals has been undertaken and is set out in Appendix 4. Where a detailed EqIA has been identified as required and completed it is available to Members. Further EqIAs will be undertaken where appropriate when individual proposals are being considered.

1.59 All proposed capital spending has been subject to an initial equalities assessment to identify potential impacts and identify whether a detailed EqIA is required (including if one has already been completed or is planned). Where the need for further equality assessment has been identified, this will be undertaken when individual proposals are being planned in more detail, to enable accurate analysis. A summary of the equality consideration of proposed capital spending is set out in Appendix 8b and where a detailed EqIA has been completed it is available to Members. Where the phrase 'No disproportionate equality impacts are identified' is used, this means that no impacts specific to or arising from people's legally protected characteristics have been identified in the EqIA process.

1.60 In considering the proposals in this report, Members are required to have 'due regard' to the duties set out in Section 149 of the Equality Act 2010 (the Public Sector Equality Duty) as summarised in Appendix 8b. EqIAs are carried out to identify any adverse impacts that may arise as a result of proposals for people sharing legally 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.

1.61 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

1.62 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 2.5%. Appendix 9 shows a schedule of the fees and charges approved at quarter 3 that have increased by more than 2.5%.

Conclusion

1.63 Prudent planning by the Council, and additional Government funding for the coming year, means the Council can again offer service stability for our residents. Whilst the additional national funding is welcome, it is short-term, with indications that the distribution of funding could change significantly in future years. Coupled with major reforms to key services, the implications of which are not yet clear, this creates significant risk and uncertainty for the future and we must do all we can now to prepare for the demands ahead.

1.64 There is continued reliance on raising funding for core pressures, particularly growing demand in Adult Social Care, through local Council Tax which is unrelated to social care need and unsustainable. It is also clear that funding provided to support the delivery of national reforms to Adult Social Care does not address current core pressures and may also not be enough to deliver the Government's expectations of local government's enhanced role. In this context we must again ask local people to contribute more to protect services for the most vulnerable for the future. Support will continue to be available through local Council Tax Support Schemes for those residents eligible.

1.65 The budget presented is for one year, with significant uncertainty about the picture ahead. Beyond 2022/23 we still face a significant gap between the funding we currently expect to have and the cost of providing our services as well as the undefined impacts of reforms. The proposals set out in this report put us in the best position we can to manage this situation and maintain our support to residents, particularly the most vulnerable children and adults, as well as providing opportunities for one-off investment to deliver priorities and reduce future demand where possible.

1.65 Our lobbying endeavours will therefore be critical over the coming year as Government reviews the way local authorities are funded. We will need to continue to work with our local, regional and national partners to highlight the specific needs of East Sussex and to press for fair and sustainable allocation of funding that enables us to continue to meet the needs of our residents. Core to this is a requirement for Government to ensure adequate and fairly distributed funding to support social care reforms, as well as sustainable, needs-based funding for growth in demand. Until this is delivered our medium term financial position will remain very challenging. 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.

1.66 The Cabinet recommends the County Council to:

✡ (1) approve, in principle, the draft Council Plan 2022/23 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 £453.2m for 2022/23 as set out in Appendix 2 (Medium Term Financial Plan) and Appendix 3 (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 £453.2m and the amount calculated by East Sussex County Council as its council tax requirement (see Appendix 5) for the year 2022/23 is £328.4m;

(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 2022/23 is £1,613.34 and represents a 4.49% (2.5% 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 5

(5) agree the Reserves Policy set out in Appendix 6;

(6) approve the transfer of:

- £5.175m one-off Service Grant funding to the Priority Outcomes and Transformation reserve for one-off investment in programmes that meet the Council's priority outcomes;
- £1.745m Market Sustainability and Fair Cost of Care Fund and £3.1m Adult Social Care precept to Adult Social Care to support costs arising from national social care reforms, with any unused funding in year to be transferred to a new Adult Social Care Reform reserve.

(7) approve the Capital Strategy and Programme at Appendix 8;

(8) note progress with the Council Plan and Budget 2021/22 since quarter 2 set out in paragraphs 1.34 to 1.37 of the report;

(9) note the Medium Term Financial Plan forecast for 2022/23 to 2024/25, set out in Appendix 2;

(10) note the comments of the Chief Finance Officer on budget risks and robustness, as set out in Appendix 6:

(11) note the comments from engagement exercises set out in Appendix 7; and

(12) note the schedule of fees and charges that have increased above inflation at Appendix 9.

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 2021/22. 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 10. Strategic risks are reported at Appendix 16.

Council Plan 2021/22 amendments and variations

2.2 The Council Plan 2021/22 and the Portfolio Plans 2021/22 – 2023/24 have been updated with available 2020/21 outturns and performance measure targets. All plans are published on the Council's website. The Corporate Summary (Appendix 10) contains a forecast of performance against targets.

2.3 One Business Services performance measure is proposed for amendment:

- Reduce the amount of CO_2 arising from County Council operations

It is proposed that the reporting period for each quarter is moved to reporting a quarter in arrears, to allow us to report on actual performance for each quarter as there is a time lag with this data. It is also proposed that the in-year exception reporting is not adjusted to account for differences in weather conditions. This would bring the quarterly monitoring in to line with the existing reporting to the Climate Emergency Board. Quarter 2 figures would be reported at quarter 3 and current expectations are that the target for the year will not be achieved (see Appendix 12, ref ii).

2.4 The Strategic Risk Register, Appendix 16, was reviewed and updated to reflect the Council's risk profile. Risk 1 (Roads), Risk 6 (Local Economic Growth), Risk 7 (Schools), Risk 8 (Capital Programme), Risk 9 (Workforce), Risk 15 (Climate), Risk 16 (Covid-19) have updated risk controls. Risk 4 (Health), Risk 14 (Post European Union (EU) transition) has updated risk definition and risk control.

2.5 Two new risks have been added to the Strategic Risk Register for this review. The new Data Breach risk refers to the Corporate impact of a potential breach of security/confidentiality leading to destruction, loss, alteration, unauthorised disclosure of, or access to, personal data. The new Safeguarding risk refers to the impact of failing to recruit and retain an effective children's social care workforce on the Council's priority outcome of keeping vulnerable people safe.

Budget Outturn

2.6 The details of revenue over and underspends in each department are set out in the relevant appendices, and show a total forecast overspend of £3.3m (£2.7m at quarter 1). The main headlines are:

- In Children's Services (CSD) there is a forecast overspend of £3.0m (£2.2m at quarter 1). The £0.8m increase is primarily concentrated within Early Help and Social Care, with an additional pressure of £0.302m, and in Communication, Planning and Performance for Home to School Transport, with an increase in forecast costs of £0.499m. Within Early Help and Social Care, the greatest contributor to the pressure is within the Locality service due to the need to find countywide homeless placements. There has, however, been some staff cost mitigation due to delays in recruitment. The Home to School Transport increase since quarter 1 is principally due to a reduction in expected savings from re-tendering contracts (£0.5m); more detail is provided in Children's Services Appendix 13.

- The Adult Social Care and Communities, Economy and Transport budgets are both forecast to overspend by £0.3m; small movements from the quarter 1 forecasts of a £0.4m overspend and online respectively. These are offset by small underspends of £0.1m in each of Business Services and Governance Services.

2.7 Within Treasury Management (TM) and other centrally held budgets there is an underspend of £6.2m, compared to £6.1m at quarter 1:

- There is an estimated £2.1m underspend on TM, this is based on the position of the capital programme removing the need to borrow externally in 2021/22. In line with normal practice this will be transferred to reserves to offset capital borrowing needs in future years.
- The General Contingency of £4.0m will, in the first instance, be used to offset service overspends. The remaining £0.8m will be transferred to the Financial Management reserves in line with the Council's Reserves Policy, to facilitate the management of financial risk in future years.

2.8 COVID-19 related costs and income losses have been fully mitigated from general and specific funding. The table below shows the current forecast for use of this funding in 2021/22:

COVID-19 Grants 2021/22 (£m)	**Carried forward**	**Expected in-year**	**Forecast usage in-year**	**Forecast balance remaining**
COVID-19 General Funding	15.132	11.979	(9.495)	17.616
COVID-19 Specific Funding	15.784	25.943	(28.936)	12.791
Total funding	**30.916**	**37.921**	**(38.431)**	**30.407**

2.9 Planned Capital Programme expenditure for the year is projected to be £87.1m against a budget of £95.2m, a net variation of £8.1m. Of the net variation position, £3.9m (£2.6m Local Enterprise Partnership (LEP) schemes and £1.3m Broadband) relates to projects being delivered by, or in partnership with, others, where the timing of expenditure and delivery is largely outside of the Councils' control. Of the remaining £4.2m variation, main variations include:

- Capital Building Improvements – net slippage of £0.7m due to the continued impact on the construction industry as a result of several major factors including the effects of Brexit and the restrictions on supply due to the global pandemic.
- Special Educational Needs – slippage of £0.7m where the original budget was based on a notional profile due to uncertainties around timing of works. The actual requirements are still to be confirmed and will be considered as part of the current RPPR process.
- IT & Digital Strategy Implementation – slippage of £0.5m principally due to a delay to the procurement process relating to the South East Grid project.
- Queensway Depot Development – slippage of £0.5m as it is now anticipated that major works will take place after the award of a new highways maintenance contract.

In addition, there is £0.6m of projected COVID-19 related costs that will be funded from COVID-19 specific or tranche funding, thereby having a net nil impact on the Council's capital programme.

Progress against Council Priorities

Driving sustainable economic growth

2.10 39 highway improvement schemes to maintain or improve the condition of the county's roads were completed in quarter 2. 5,473 potholes were also repaired, with 4,165 of these carriageway potholes; the remainder were primarily footway potholes. Amongst the carriageway potholes, 94.1% of these were completed within the required timescales (Appendix 14).

2.11 Over 1,300 students have taken part in the East Sussex Virtual Work Experience package during quarters 1 and 2. We have also continued to develop the resources available on the Careers East Sussex web portal in quarter 2, including labour market information that can be used by both schools and adults to guide retraining. 25 schools have signed up to the Employability Passport at the end of quarter 2, which asks people to reflect on the skills they have and how they meet employer's needs, which has resulted in 194 pupils being registered (Appendix 14).

2.12 123 new apprentices have started with the Council so far in 2021/22. The Apprenticeship Team have been working with managers across the Council to access the Government Apprentice Incentive Payment. At the end of quarter 2, 14 vacancies had been filled using this scheme, and the departments will receive £3,000 per apprentice. Work has also continued on the Kickstart programme, which provides funding for six-month job placements for young people on universal credit at risk of long-term unemployment. Currently there are 12 'Kickstarters' in full time paid employment within the Council and schools, with more vacancies live and pending (Appendix 12).

2.13 Businesses were helped by business support programmes to create or safeguard 45 jobs in quarter 2. Locate East Sussex, the local commissioned Inward Investment service, also helped 12 businesses to remain within, or relocate to, East Sussex (Appendix 14).

2.14 The Council has spent over £290m with 931 local suppliers over the last 12 months, which equates to 68.6% of total spend. The Procurement team continues to promote our contract opportunities to local suppliers, as well as building local supply chain opportunities into our tenders where possible. This focus on spending Council money within our local economy supports the East Sussex Economic Recovery Plan (Appendix 12).

2.15 14 contracts were awarded in quarter 2, of which 11 were in scope of the Social Value Measurement Charter, which quantifies the economic, social and environmental benefits of Council procurement. The 11 contracts had a total contract value of £30.6m and secured £735,000 in Social Value commitments. Although lower than we would normally expect, this is in part due to some of our contracts only reporting on an annual basis, so the full social value of these contracts has not yet been calculated. The social value commitments secured during quarter 2 included apprenticeship and work experience opportunities; the use of a facility for local voluntary groups; mental health education; and CV advice and careers guidance (Appendix 12).

2.16 The Transport Hub organised the transport of 4,500 children for the return of pupils to school in September. This year was more challenging than usual, with a large scale retender project encompassing transport arrangements for 20% of children with Special Educational Needs and Disabilities (SEND); the removal of COVID-19 funding for additional transport capacity across the network; and a larger than normal intake of new SEND children. The team also had to manage one operator handing back contracts for transporting over 100 SEND children the week before the return to school because they were let down by one of their vehicle suppliers. The team worked with alternative providers to ensure all the affected children were successfully taken to school on the first day (Appendix 14).

2.17 4,860 children registered for the Summer Reading Challenge, which encourages primary school children to read during the summer holidays, during quarter 2. 179 people enrolled on Family Learning programmes at East Sussex libraries, 24 of these enrolments were in Family English, Maths and Language, with 155 in Wider Family Learning programmes. We expanded the availability of IT For You sessions, which offer free 60 minute one-to-one computer sessions with volunteers, from two libraries to nine during quarter 2, with 460 sessions delivered (Appendix 14).

2.18 The Flagship School in Hastings, a special school for children with autism and associated social, emotional, and mental health needs, opened in September 2021. The school was set up to meet a recognised gap in provision for this group of children and initial parent/carer feedback has been positive. The school initially opened for 24 pupils and will grow to 72 pupils in future years once the new building is complete (Appendix 13).

Keeping vulnerable people safe

2.19 In November 2020, the Government announced funding to provide holiday activities and food (HAF) to young people eligible for free school meals (FSM) over the Easter, summer and Christmas holidays in 2021. The summer programme included 71 providers geographically spread across the county, with a focus in the six identified high-need areas (Hastings, Eastbourne, Newhaven, Peacehaven, Bexhill and Hailsham). Places were provided for 3,612 eligible young people. The winter programme is currently being developed (Appendix 13).

2.20 Sussex Police and the Safer East Sussex Team (SEST) visited a number of off-licences and railway stations in Uckfield and Crowborough in August to educate staff about child exploitation with resources from the Children's Society Look Closer Campaign. SEST also ran Against Exploitation assemblies at Kings Academy in Ringmer during quarter 2, to highlight the tactics criminals use to exploit young people and offer advice and exit strategies for young people who may be at risk of being criminally exploited (Appendix 11).

2.21 Trading Standards were involved in 33 positive interventions to protect vulnerable people in quarter 2, including visiting nine vulnerable people at home to install call blockers to try and prevent them from falling victim to telephone scams (Appendix 14).

2.22 Work has begun in Eastbourne to address problems in areas experiencing the greatest harm caused by serious violence, alongside partners including the South East Coast Ambulance Service (SECAMB) and the East Sussex Fire and Rescue Service (ESFRS). Work is taking place with the Voluntary, Community & Social Enterprise sector, as well as Eastbourne Borough Council, combining targeted policing, support from substance misuse professionals and improved active deterrence and detection (Appendix 11).

2.23 A contract for refuge provision was awarded to Clarion Housing Association from 1 November 2021. The outgoing provider, Refuge, and the incoming provider worked together to ensure a seamless transfer for current residents of refuges. The Pan-Sussex Domestic Abuse Partnership Board has been established as required by the Domestic Abuse Act 2021 and the three local authorities (East Sussex, West Sussex and Brighton & Hove) have jointly funded a Community Development Officer to set up a Lived Experience Board to ensure the voices of victim/survivors are amplified at a strategic level (Appendix 11).

2.24 Children’s Services were successful in two regional bids, as part of the South East Region bid to the Department for Education for funding from the national social care recovery grant. One bid will extend our Foundations Service, which works with couples/women who have had previous children removed, to pre-birth work. The second bid, alongside partners in Portsmouth City Council, Kent County Council and Oxfordshire County Council, will establish Lifelong Links for children in our care. This will put children back in touch with adults who have been close to them in the past, building a stronger support network around the children (Appendix 13).

Helping people help themselves

2.25 Health and social care integration has continued in quarter 2, in preparation for the Health and Care Bill in April 2022, and the specific agreements needed between the NHS and the Council to put the Sussex Integrated Care System (ICS) on a legal footing. Work has taken place on governance arrangements between the Council and the wider Sussex ICS partners setting out a shared vision, principles and operating model whilst maintaining the independence and sovereignty of the Council. East Sussex is one of the three Place partnerships within the Sussex ICS, and an ICS Place Development Action Plan has been developed. This includes potential place-based integrated commissioning and delivery models, the future roadmap, and milestones for the next phase of integration and aligns with our local Place development plans (Appendix 11).

2.26 Three road safety schemes, to improve the road safety infrastructure in the county, were completed in quarter 2. A further 21 schemes have been instructed and are waiting to be scheduled with the East Sussex Highways programme of works. As part of the national Bikeability scheme, which helps to prepare people for cycling safely on today’s roads, we delivered 73 courses to 646 individuals at participating Schools and the Cycle Centre at Eastbourne Sports Park during quarter 2. We also delivered 22 Wheels for All sessions at the sports park, which are aimed at adults and children with disabilities and differing needs and helps them to cycle in a safe and structured environment (Appendix 14).

2.27 East Sussex Trailblazers, which includes the Safer East Sussex Team, the Probation Service, the Rough Sleepers Initiative and local housing authorities, has applied to the second round of the Ministry of Justice Local Leadership & Integration Fund to provide a Housing Solutions Worker to act as a liaison between prison-leavers, current/future landlords, the DWP and local housing authorities to create a more refined multi-agency approach to finding accommodation and community services for prison-leavers and families. The bid would also provide a specialist fund to support homelessness prevention activities which will ensure people on remand, short sentences or recall can sustain their existing tenancies, including paying rent top-ups and clearing arrears (Appendix 11).

Making best use of resources in the short and long term

2.28 Lobbying has continued in quarter 2, including contributing to national lobbying by the Society of County Treasurers and County Councils Network on priorities for local authorities in the Spending Review. The Leader promoted the interests and needs of East Sussex in two ministerial engagements during quarter 2: a joint East Sussex council's meeting with the Housing Minister to discuss delivery of local plans; and a visit from the Minister for Children and Families to summer holiday activities in the county. The Chief Executive engaged with senior Government officials during quarter 2, as the representative for the South East region on a national grouping of local authorities Chief Executives, to feed into the Government's approach to the settlement of Afghan refugees (Appendix 15).

2.29 Strategic Property Asset Collaboration in East Sussex (SPACES) is a partnership of public bodies and third sector organisations which aims to improve sharing of the property estate between partners, to save property costs, and to release capital receipts. The SPACES bid to the Brownfield Land Release Fund was successful in quarter 2. The bid, which was developed in collaboration with other local authorities, was awarded over £1m of funding across five projects, which are set to deliver over 100 homes (Appendix 12).

2.30 The Modernising Back Office Systems (MBOS) programme was established to deliver the replacement of the Council's financial, resource management and property asset management systems. The MBOS contract was awarded to Oracle in quarter 2 and the replacement of the old system will support improvements to increase agile and digital working (Appendix 12).

2.31 The Cabinet recommends the County Council to:

✡ 1) approve the proposed amendment to the performance measure set out in paragraph 2.3.

3. Annual Progress report for Looked After Children

3.1 The Cabinet has considered the annual progress report for Looked After Children's Services which is attached as Appendix 17.

3.2 On 31 March 2021 there were 611 Looked After Children (LAC) in East Sussex; this represents an increase of 19 children as compared to 2019/20 and a rate of 57.5 per 10,000 population compared to a rate of 55.7 per 10,000 in 2019/20 and the national England rate of 66.7%. It is higher than the rate for our statistical neighbours which is 50.5 per 10,000.

3.3 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 782 children in care who were allocated a social worker and worked with during 2020/21. This is a increase of 22 on 2019/20. The increase is partly due to more children coming into care than leaving and due to an increase in the unaccompanied asylum seeking children in our care.

3.4 There was an increase in children coming into care from 179 during 2019/20 to 209 during 2020/21. The number of 0-5 year olds admitted to care during 2020/21 increased to 83 (from 75 in 2019/20). The number of 6-12 year olds admitted to care during 2019/20 increased from 38 in 2019/20 to 49 in 2020/21. The number of children aged 13+ admitted to care in 2020/21 was 77 compared to 66 in the previous year.

3.5 At year end there was a increase in the number of our LAC leaving care, from 177 in 2019/20 to 178 in 2020/21.

3.6 At 31 March 2021 ESCC was caring for 54 Unaccompanied Asylum Seeking Children aged under 18 compared to 32 in the previous year. These young people were mainly male and over 16. In the last year, 12 children have come into our care via the National Transfer Scheme and the remainder have been spontaneous arrivals found either by the Police within East Sussex or at Newhaven Port.

3.7 The number of our LAC with severe disabilities remains similar to previous years. At 31 March 2021 there were 23 LAC with disabilities allocated to social workers from the Children's Disability Service (compared to 27 in 2019/20, 5 of whom, were aged between 16-18. 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, 1 was placed with a independent agency foster carer, 5 were placed in ESCC children's homes, 8 were placed in independent children's homes, and 1 was placed in a residential school due to behavioural needs.

3.8 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.

3.9 Further detail on the work undertaken by the Looked after Children's Services in set out in Appendix 17.

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

4. Treasury Management Policy and Strategy 2022/23

4.1 A requirement under the Chartered Institute for Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in the Public Services is to prepare a Treasury Management Policy and Strategy setting out the Council's policies for managing investments and borrowing.

4.2 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.

4.3 The Treasury Management Policy and Strategy Statement (TMSS) for 2022/23 is presented in Appendix 18 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 (MRP) Policy Statement.

4.4 The 2022/23 TMSS has been prepared within the context the financial challenge being faced by the County Council over the Medium Term Financial Plan and seeks to compliment the Council Plan 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 2022/23;

- 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

4.5 The 2022/23 Investment Strategy has been set in the context of diminishing returns and opportunities in the current economic environment. However markets are forecasting marginal Bank of England (BoE) interest rate increases that should improve returns into 2022/23. The average rate of return for 2020/21 was 0.72% and for the first six months of 2021/22 was 0.39%.

4.6 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, has limited the scope for new investments over the last two years. Actions to explore the available options for Short Dated Bond Funds and Multi Asset Funds have been paused but will be explored during 2022/23 if deemed appropriate and if the council has sufficient available cash to invest in longer term instruments.

4.7 During 2021/22 within the framework of the current Treasury Management Strategy an opportunity was undertaken to place a deposit that had an Environmental Social & Governance (ESG) focus. A sustainable fixed term deposit with Standard Chartered was placed; this investment aligns the Council's deposit to sustainable investing within the bank's strategy.

4.8 The market for green and broader ESG investments is still relatively immature, which reduces the ability to actively invest in products that support the Council's aspirations. However, research and the consideration of the suitability of ESG investment products will continue into 2022/23.

Borrowing Strategy

4.9 The Borrowing Strategy and the Capital Programme identifies a borrowing need of £130m over the next 3 years (between 2022/23 and 2024/25). The Council currently has sufficient 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 and borrowing will be undertaken where it is felt there is a significant risk of steep increases in borrowing rates.

4.10 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, which had been increased by 1.00% in October 2019. The standard and certainty margins were reduced by 1.00% 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.

4.11 The budget within the Medium Term Financial Plan (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

4.12 The Treasury Management budget within the Medium Term Financial Plan (MTFP) supports the cost of borrowing which includes MRP provision and interest. It is reviewed and updated for changes in the capital programme as part of the RPPR process. Modelling has estimated an additional £1.3m requirement in 2024/25 to reflect the net revenue impact of the revised Capital Strategy and Programme in terms of the cost of borrowing and the setting aside of MRP.

Treasury Management Reporting

4.13 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.

4.14 This Council meets this requirement with the Treasury Management Annual Report 2020/21 and mid-year report 2021/22 presented to Cabinet on 14 December 2021. Additionally, the treasury management monitoring position is reported to Cabinet as part of the Reconciling, Policy, Performance and Resources quarterly monitoring.

Update to Treasury and Prudential CIPFA Code 2023/24

4.15 CIPFA published the revised Treasury and Prudential codes on 20 December 2021 to ensure Local Authorities can implement the code changes in a smooth and orderly fashion, with formal adoption not required until 2023/24. CIPFA is proposing a soft implementation, with full expected implementation by the required date. The Council will have regard to these codes of practice when it prepares the Treasury Management Strategy Statement and Annual Investment Strategy, and also related reports during the financial year.

Update to the Capital Framework: Minimum Revenue Provision. The Department for Levelling Up, Housing and Communities (DLUHC).

4.16 The DLUHC is proposing to make changes to the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (the 2003 Regulations). There is a consultation open which closes on 8 February 2022. The Council will feed into this consultation and report on the results in due course.

4.17 The Government has identified that some Councils are not sufficiently complying with their statutory MRP duty and is proposing changes to regulations to make sure that practices are prudent and consistent across the sector. The Council is compliant with the proposed changes, with a minor adjustment needed for MRP provision on loans. It is therefore considered that the proposed changes will not have any significant impact.

Economic Background

4.18 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 18 (Annex B) to this report.

4.19 This policy sets out the acceptable limits on ratings, investment periods, amounts to be invested and the borrowing strategy. The Council 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.

4.20 The Cabinet recommends the County Council to:

✡ 1) approve the Treasury Management Policy and Strategy Statement for 2022/23;
2) approve the Annual Investment Strategy for 2022/23;
3) approve the Prudential and Treasury Indicators 2022/23 to 2024/25; and
4) approve the Minimum Reserve Provision Policy Statement 2022/23 at Appendix 18 (section 3)

25 January 2022

KEITH GLAZIER
(Chair)