

Report to: Cabinet
Date: 27 June 2023
By: Chief Executive
Title of report: Reconciling Policy, Performance and Resources (RPPR) – State of the County
Purpose of report: To update Members on the issues which need to be taken into account in the priority and budget setting process for 2024/25 and beyond

RECOMMENDATIONS:

Cabinet is recommended to:

- i note the evidence base on demographics (Appendix 1) and the national and local policy outlook (Appendix 2);**
 - ii review the priority outcomes and delivery outcomes (Appendix 3) and agree these as the basis of the Council’s business and financial planning, subject to the proposed amendments set out in paragraph 4;**
 - iii agree officers update the Medium Term Financial Plan as the basis for financial planning when more information is available, as set out in paragraph 5;**
 - iv agree officers update the Capital Strategy and programme (Appendix 4) as set out in paragraph 6; and**
 - v receive reports on more detailed plans for 2024/25 and beyond in the autumn when there is greater certainty about future resources.**
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1. Background

1.1 The State of the County report is a key part of the Council’s Reconciling Policy, Performance and Resources (RPPR) process, our integrated business and financial planning cycle. The report sets out an overview of the current context in preparation for more detailed planning for 2024/25 and beyond. In conjunction with our 2022/23 year end monitoring report, it reflects on our achievements over the last year, the challenges in the year ahead arising from both local and national factors and, in light of this, begins to refine our plans to guide our business planning and budget setting processes.

1.2 This report contains the normal elements included in the State of the County report: the demographic evidence base; the national and local policy outlook; and updates on the Medium Term Financial Plan and Capital Programme. It provides our latest understanding of how we will need to continue to respond to the wide range of policy, demographic and financial drivers which influence the outlook for the Council in the short and longer term.

1.3 Uncertainty continues to define the context within which we are working. The challenging national economic environment, including the increased cost of living, continues to affect our residents, and to generate ongoing cost and resource pressures on the Council itself. The financial outlook for the Council remains unclear, with a further one year financial settlement anticipated for 2024/25 and any significant national reforms to local government funding unlikely before the next general election, which is expected in 2024. Many of our

major, demand-led, services are subject to significant national reforms, with associated service and financial risks, and there is a continuing pressing need to work towards addressing the impacts of climate change.

1.4 Within this uncertain national environment, we continue to experience increased demand for services locally, arising from demographic changes, increased need and the longer term impacts of Covid. There are also challenges securing the skilled workforce we need to respond to the pressures we face and to develop our services for the future. Taken together, these national and local factors make future service and financial planning very challenging. In this context, we will need to continue to take action proactively to prepare for the time ahead, to maximise our resilience as an organisation and to best manage growing demand for our services.

1.5 It therefore remains essential that we focus our resources, in partnership with others, in the most effective way to support our priorities and core service provision. The Council spends over £1bn gross each year (in the region of £500m net) on services for the county's residents and businesses. RPPR is the process through which we ensure our financial and other resources are aligned to delivery of our priority outcomes and that we are informed by a clear understanding of our effectiveness. This approach, additional short-term Government support, and many years of careful financial management have enabled us to maintain a secure financial position in recent years, providing service stability during a difficult time for the county. However, the financial outlook in the medium term remains very challenging, with a number of key risks which cannot yet be fully defined, creating an imperative to use the current window of opportunity to equip the council as best we can to meet the challenges ahead.

1.6 As well as our continued work locally on strategies to manage demand and maximise efficiency, the report sets out the ongoing need for proactive lobbying and communications to help ensure that the Government is aware of the needs of our county and the ongoing and urgent need for a sustainable funding regime that appropriately reflects local need. In particular we will highlight the need for service reforms, particularly those in children's services and adult social care, to be fully and sustainably funded if we are to maintain core services in the future in light of growing demand and stretched resources.

2. Current Position

2.1 The key role the County Council plays for the residents, communities and businesses of East Sussex continued to be evident over the past year as the county was impacted by a range of national and international factors. The need for our support has been intensified by the pressures on the cost of living, which disproportionately impact on the most vulnerable, and we have continued to work with partners and communities across the county to support those seeking refuge from the ongoing conflict in Ukraine, and on the wider response to migration. Through our services, employment, purchasing and how we work in partnership with others the Council makes a significant contribution to quality of life for people across our county. Our assessments of the ongoing levels of need arising from recent developments continue to be refined and will influence our plans as we better understand the longer-term implications.

2.2 In developing our medium and longer term plans we will need to have regard to the broader context in which we will be working. The national policy environment continues to develop rapidly, with significant reforms brought forward by Government across a wide range of services. The national and local context includes:

- The challenging and uncertain national economic situation, current high levels of inflation and the increased cost of living, particularly high energy, fuel and food

prices. This environment is likely to continue to impact on the demand for our services as well as directly on the costs of providing services.

- The Government's economic and policy agenda, in particular the priorities outlined by the Prime Minister on the NHS, migration, economic growth and stabilising the economy, as well as the ongoing Levelling Up agenda and changes to arrangements for driving economic growth locally.
- Specific uncertainty over the future of local government funding. A planned funding review, covering the formula on which funding allocations to individual local authorities are based, now appears to be deferred beyond the next general election, and a further one year financial settlement is expected for 2024/25. In addition, major national reforms to Adult Social Care (ASC) and Children's Services (see below) carry considerable financial risks for local authorities.
- Challenges in the labour market, including the impact of significant workforce shortages in key sectors on our ability to recruit and retain staff, ongoing pay negotiations and the potential for industrial action, coupled with the need for our workforce to adapt to service reforms. Alongside this, rapidly developing advances in technology present potential new opportunities to support capacity and efficiency.
- The impact of Government reviews and reforms of public services – whilst major reforms to ASC charging (reported at State of the County 2022) have been postponed until 2025, other national reforms are being progressed, particularly in Children's Services. We are also continuing to respond to a range of significant national and local developments and pressures in health and social care and taking forward a range of work to manage demand and improve outcomes.
- The growing impact of climate change, the national and local commitments to achieve carbon neutrality, the need to adapt to the impacts of climate change, and the introduction of a range of new measures through the Environment Act including new duties in relation to food waste.
- Significant national policy developments related to planning, infrastructure, and transport and, locally, the mobilisation of our new highways contract and additional investment in highways, and taking forward our Bus Services Improvement Plan and refresh of our Local Transport Plan.
- The increasing need to respond to migration in light of global conflicts, increased numbers of people seeking asylum, including unaccompanied children, and new Government policy on immigration.
- Further development of positive work with our public and Voluntary, Community and Social Enterprise Sector (VCSE) partners on financial inclusion and building community wellbeing and resilience, in response to the increased need in our communities and as part of our ongoing work to help people help themselves.
- The evolving nature and importance of our partnerships in harnessing the collective resources and assets available within the county for the benefit of our communities.

2.3 The local and national policy outlook at Appendix 2 sets out the latest thinking on these and other current issues, although plans will continue to develop over the summer as more information emerges.

2.4 Our relatively stable financial position for 2023/24 presents an opportunity to intensify our ongoing work to maximise organisational resilience, make best use of our resources, and to equip our services for future demands, given the significant challenges ahead. As part of this we will seek out further opportunities to benefit from advances in new technology, building on work already undertaken to introduce new digital and artificial intelligence approaches and systems which benefit both service delivery and capacity. For example, our 'digital by default' approach in Adult Social Care and the development of our universal digital offer in Children's Services. We will continue to assess our future workforce requirements and orient our recruitment, retention and organisational development strategies towards ensuring we have the diverse and skilled staff we will need. Work to rationalise and adapt our office estate in line with post-Covid needs will run alongside this. Our long-standing focus on demand management and preventative approaches will continue, supporting people and communities to be independent wherever possible, including through the introduction of Family Safeguarding, the further integration of community health and care services, and the development of community networks to bolster and link up existing local support. Proposed additional investment in the resilience of the roads which support the local economy and our communities is set out elsewhere on this agenda.

2.5 As part of our RPPR planning we will systematically consider any further actions which may reduce the need for support in the future or improve our ability to respond to new challenges. As always, our approach will be evidence-based, draw on best practice and use data and benchmarking to identify where we can improve and to ensure value for money.

2.6 This ongoing discipline will ensure the council is as resilient as possible for the future. However, fundamentally there remains a significant gap between the income we currently expect to receive in the coming years and the costs of providing core services, with significant additional risk arising from service reforms. Without further Government support or sustainable reform of local government finances we will not have the funding we need for the future. Further detail on the financial outlook is provided at paragraph 5.

2.7 In all our activities, and in planning for the future, the County Council continues to work to our guiding principles that:

- We are effective stewards of public money and deliver good value for money through strong integrated business planning;
- Our activities are transparent and we can be held to account;
- We operate as One Council and focus on agreed priority outcomes;
- We prioritise the investment available for front line service delivery and maximise the resources available, including work to secure sustainable national funding and partnerships with other organisations;
- We carry out all we do professionally and competently;
- We remain ambitious, optimistic and realistic about what can be achieved; and
- We strive to be a good employer and partner.

3. Demographic and Demand Changes and Financial Background

3.1 Appendix 1 sets out the key factors affecting the County in relation to demography, housing, deprivation, health, the environment and economy, and the impact these are having on demand for our services. Some challenges are shared by many of our residents, whilst some areas and communities are more impacted than others by particular issues. The main issues driving demand are:

- **Older People** - East Sussex remains ahead of the national ageing population trend. Proportionately we have high numbers of over 65s and over 85s which has an impact on the demand for services and the Council's finances. Rother has the second highest percentage of the population aged 65 years and over in the country.

- **Children and Young People** – we continue to see higher levels of demand for children’s social care and more complex cases which together have resulted in a higher number of child protection cases. The number of children and young people with Education, Health and Care Plans (EHCPs) continues to increase.
- **Asylum seekers and refugees** – there has been a recent increase in the rate of people receiving asylum support within the county, particularly in our coastal communities. Unaccompanied asylum seeking children made up a quarter of those children who began to be looked after last year. The county also has a high number of Ukrainians who continue to be supported through our Homes for Ukraine programme, many of whom are living in Wealden.
- **Economy** - employment rates have increased over the last year as the economy recovers from the pandemic. However, the challenges that existed pre-pandemic relating to productivity and average wages for those employed within the county remain. The increases in utilities costs over the last year and the continued increased cost of living is expected to continue to impact on the growth of our economy.
- **Climate change** – CO2 emissions were falling in all sectors in East Sussex except transport before the pandemic. Although we had the lowest emissions of carbon dioxide per person of all the county council areas in England, further reductions will be needed.

4. Council Priority Outcomes

4.1 The Council’s business and financial planning is underpinned by our four priority outcomes, which provide a clear focus for decisions about spending and savings and direct activity across the Council.

4.2 The current four priority outcomes are:

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

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

4.3 The priority outcomes, and their subsidiary delivery outcomes, were reviewed and updated during 2022/23 with some amendments made to delivery outcomes to ensure they reflected the post-Covid environment. Recognising our continually evolving operating context, some specific further amendments to delivery outcomes are now proposed to ensure the priorities we are working to deliver, and the way we measure the performance of our activities and services, remain appropriate.

4.4 The current priority and delivery outcomes are attached at Appendix 3 (section a) and the following changes are proposed to delivery outcomes:

Helping people help themselves

Two changes are proposed to reflect the increasing importance of mutual support in people's networks and communities and work the Council is undertaking with partners to facilitate this:

- The most vulnerable get the support they need to maintain their independence, **supported by their social networks**, and this is provided at or as close to home as possible
- Through working well with the voluntary, community and social enterprise sector, individuals, families and communities are supported ~~to be independent and~~ to thrive.

Making best use of resources now and for the future

One change is proposed to reflect the increasing importance of planning for future workforce needs:

Delete:

- We are an employer of choice and support our staff to achieve and develop

To be replaced with:

- **We are an employer of choice and our staff are supported to achieve and develop, ensuring we have the workforce we need to deliver services both now and in the future.**

The proposed updated delivery outcomes, including the above amendments, are also shown at Appendix 3 (section b).

4.5 Cabinet is asked to review the current priority and delivery outcomes and agree them as the basis for future business and financial planning, subject to the amendments outlined in paragraph 4.4 above.

5. Medium Term Financial Plan

5.1 When the 2023/24 balanced budget was approved by Full Council on 7 February 2023, the deficit on the Medium-Term Financial Plan (MTFP) to 2025/26 was £40.672m. Updating the MTFP for normal factors (such as the latest inflation rates and an additional year), the position would have been a deficit budget position by 2026/27 of £55.499m. The MTFP position does not account for the impact of Adult Social Care reform, and if grant funding for social care, currently announced for two years, continues at the same level after 2024/25, the deficit would reduce by £28.2m:

Medium Term Financial Plan	2024/25 £m	2025/26 £m	2026/27 £m
Annual Budget Deficit / (Surplus)	4.024	41.811	9.664
Total Budget Deficit / (Surplus)	4.024	45.835	55.499

5.2 The current economic climate has meant the rate of inflation remains at levels not seen for several decades, which has led to an unprecedented level of financial uncertainty. At a national level, the Government funding that ESCC will receive between 2024/25 – 2026/27 is yet to be confirmed. While the provisional local government settlement in December 2022 included some indicative figures for two years of funding – notably for social care – the Local Government Financial Settlement was only a one-year settlement for 2023/24. We therefore await the provisional settlement for 2024/25, which will be in the late autumn of 2023.

5.3 To address pressures in the social care system, the Government announced grant funding as part of the Autumn Statement 2022 to support social care and hospital discharge, together with the continuation of the Services Grant and the delayed rollout of Adult Social Care charging reform from October 2023 to October 2025. While this will enable us to maintain a degree of financial stability for 2023/24, 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.

5.4 In 2022/23 Children's Services overspent against budget by £11.477m, with the largest pressures seen in Early Help and Social Care and Home to School Transport. Containing costs in Children's Services continues to be a significant challenge across the country, against the background of increased demand and complexity of needs emerging from the pandemic and acute supply side shortages. The department has developed a sustainability plan to improve outcomes for children, while reducing costs to the council. The MTFP contains significant increased investment in support of this plan, while the Senior Leadership Team continues to explore further mitigations and opportunities to save costs where possible.

5.5 The delay to the Fairer Funding Review has meant greater uncertainty about the shape of any long-term sustainable settlement for local authorities.

5.6 With all this uncertainty, it is not possible to present a draft MTFP to 2026/27. It is planned to work through the details required over the summer as more information becomes available and factor in the budget requirements for services. After this work, modelling will provide a set of balanced budget scenarios considering the local and national position that presents itself.

6. Capital Programme

6.1 The approved programme has now been updated to reflect the 2022/23 outturn and other approved variations, revising the gross programme down to £651.6m to 2032/33. The details are set out in Appendix 4, together with the revised programme.

6.2 The 10 year capital programme to 2032/33 and 20 year Capital Strategy 2023/24 to 2043/44 will be updated as part of the RPPR process over the autumn to add a year and to include consideration of the impact and management of inflation and supply chain issues, alongside any updates relating to Government funding and the risk metrics being developed as well as the procurement of the highways contract and other investment basic need.

7. Lobbying and Communications

7.1 Our strong local foundation of efficient and effective service delivery and careful financial management, coupled with additional short-term Government funding, has enabled us to provide another year of relative stability. We will continue to use this opportunity to develop our resilience and preparedness for challenges ahead and to ensure we are taking all possible steps to mitigate the increases in demand we expect to see in future years.

7.2 However, the medium term outlook remains highly challenging. We face a significant financial gap, the undefined impact of national reforms in major service areas and a lack of clarity on long-term funding arrangements. There are significant risks and uncertainties arising particularly from social care and SEND reforms, which makes planning for the future difficult. In the context of this ongoing uncertainty in our position, coupled with wider challenges in the economy and their impacts on our residents, our lobbying will continue to call for certainty of future funding for local government, and funding that is appropriately

reflective of local need and that fully reflects the impact of reforms. This will be paramount to ensuring we secure adequate resource to deliver what will be required to support East Sussex residents, communities and businesses with the core services they need, including opportunities to continue positive preventative work that could most effectively manage future demand for services.

7.3 We will continue to work with local MPs and local, regional and national partners to make this case.

8. Next Steps

8.1 Work will continue over the summer to refine our understanding of the medium term impacts on our services of national reforms, the evolving economic context, changing demand for services and the financial resources that will be available to us in the coming years. We will also consider any further steps we can take to support our future capacity. We will use our RPPR process to plan for the future as best we can in the context of a likely one year financial settlement once again.

8.2 We will report back to Members in the autumn with an updated assessment of our service demand and funding expectations to inform more detailed business and budget planning for 2024/25 and beyond.

8.3 Members will continue to be consulted on plans as they are developed through Cabinet, County Council, Scrutiny Committees, Whole Council Forums and specific engagement sessions throughout the 2023/24 Reconciling Policy, Performance and Resources process.

BECKY SHAW
Chief Executive