

Budget Savings 2018/19 and 2019/20 and Capital Programme 2018/19 to 2022/23**Background**

- 1** This paper updates the Medium Term Financial Strategy (MTFS) as reported at the Performance and Finance Select Committee (PFSC) in October and it builds on earlier work that identified the projected funding gap over the four years 2018/19 to 2021/22. In particular, this report will set out proposals to help towards balancing the budget for 2018/19 and 2019/20 and also sets out the capital programme for the period 2018/19 to 2022/23. The updated West Sussex Plan was agreed by County Council at its October meeting and the Capital Programme presented for consideration makes it clear how the proposed investment underpins the objectives of that Plan. It should be noted that this report reflects our position at this point in our budget preparation and these numbers will change as the budget develops over the next two months. We also await confirmation of the Local Government Finance Settlement. If there are any material changes announced by Government these will be taken into account within the budget presented to the February County Council.

Medium Term Financial Strategy**National Context**

- 2** The MTFS as reported in October to the Performance and Finance Committee highlighted the challenges facing the authority to produce a sustainable budget that would support the aims and aspirations of the West Sussex Plan. It also highlighted the major uncertainty all local authorities face in the medium term over their funding support.
- 3** Whilst the finance settlement for local authorities should follow the offer provided by Government under its 'fixed settlement' offer, the funding for 2020/21 and 2021/22 is much less certain. The Autumn Budget from the Chancellor has only just been announced at the time of writing this report. The detail of this will be examined for any information on the future direction of public finances, especially from 2020 (when the current Spending Review ends), and how that may impact on our assumed funding over the next four years. Any significant changes to the medium term funding picture will be highlighted in the budget papers, which will be submitted to the County Council Meeting in February 2018.
- 4** It should be noted that the County Council remains on track to lose its core funding from Government, in the form of its Revenue Support Grant (RSG), by 2019/20. In fact, not only will the County lose its RSG, but the Government are also currently proposing to remove £2.6m from other funding streams (akin to negative RSG) in 2019/20.

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Inflationary Pressure

- 5 Inflation has seen a significant increase of late, and this pressure is felt in higher costs if we are to protect the real terms value of key budgets. Inflation as announced for September 2017 stands at 3.9% for RPI and 3% for CPI measures of inflation. Though at a high level, this is broadly in line with the assumption made within the MTFs for 2018/19.
- 6 That said, there is reason to think inflation will reduce in 2018. The Bank of England's last quarterly report did predict a peak during late 2017, with the rate a year hence for CPI projected at 2.6%. Because of the potentially exceptional pressure being felt now, the approach of applying the September inflation factors is under review to avoid any budget uplift based on rates that will subsequently reduce in 2018 from the current potential 'high water' mark. The scope for a lower level of uplift is therefore under consideration, consistent with protecting our highest priority aims. Estimates on inflation from the Office for Budget Responsibility (OBR), which were published as part of the Chancellor's Budget, will be taken into account.

Budget Gap

- 7 The budget gap identified in October and reported at that time to the PFSC was £75.6m over the next 4 years to 2021/22. This assumes a council tax rise of 2% for social care in 2018/19 and 2019/20 only, plus 1.95% for all other services, giving a total of 3.95% in 2018/19 and 2019/20 and 1.95% in 2020/21 and 2021/22. This is set out in Table 1. If the council tax increases were not applied, the overall gap would amount to £129.1m over the next four years.

Table 1: October Report – Summary Budget Gap

	18/19	19/20	20/21	21/22	Overall Gap
	£m	£m	£m	£m	£m
Budget Gap including Council Tax increase *	24.1	22.2	15.2	14.1	75.6

* assumes a council tax rise of 2% for adult social care for next two years plus 1.95% for all other services across all four years

- 8 In summary the major assumptions made for this assessment were:
- (1) On funding:
- (a) The figures for Government support as detailed in the provisional finance settlement to 2019/20 were applied.
 - (b) A tax base rise of 1.9% next year, followed by 1.7% thereafter.
 - (c) Real terms growth in business rates of 2% per annum.
- (2) On spending:
- (a) Inflationary uplift both for wages and services amounts to

£50.5m over the four year period. Inflation has applied RPI and CPI figures predictions and wage inflation at 2% as a working assumption for 2018/19 and thereafter.

- (b) Additional cost pressures of £49.7m over the 4 years of the life of the MTFS on Adult Social Care mainly reflecting demographic pressures and the National Living Wage policy.
 - (c) £10.2m additional costs over the four years for Children's Services reflecting the higher numbers of children being supported including those Looked After.
 - (d) Growth for Waste Disposal pressures amounts to £2.5m over the four years.
- 9** These spending pressures and the funding picture are under regular review as we draft the 2018/19 budget. Since the October report to PFSC, a number of changes have occurred, as new information has been presented. The net change for the 2018/19 budget is a reduction in the budget gap of **£1.8m** to £22.3m. **Appendix 1 attached**, shows a high level summary of changes to the budget from 2017/18 to 2018/19.
- 10** By far the most significant change has been the identification of a major cost increase in the schools High Needs Block, which is highlighted in table 2 below. This pressure has increased the budget gap faced within the next four years from 2019/20 onwards by £18.6m. This is a preliminary estimate and work will continue on plans to mitigate this cost pressure.
- 11** The High Needs block funds special schools, special support centres (SSCs) in mainstream schools and specialist teacher teams working with pupils with complex special educational needs (SEN) amongst other things. West Sussex has higher expenditure per pupil on High Needs compared with many of its statistical neighbour authorities, but will lose funding over time as the schools National Funding Formula (NFF) is implemented despite rising SEN pupil numbers.
- 12** Previously, there would have been flexibility to meet this additional pressure from funding within the ring-fenced Dedicated Schools Grant (DSG), but new rules with the NFF will severely restrict this meaning the pressure to meet this statutory duty would need to be picked up and funded by the County Council. We are lobbying Government on this point, as many neighbouring authorities face the same issue and on a similar financial scale. If the lobbying is unsuccessful, this will add greatly to the budget gap and savings requirement for a balance budget.
- 13** Following a review of assumptions around Government funding for years 3 and 4, we have assumed further reduced funding i.e. greater negative RSG is possible, where Government reduce other funding streams to fund its negative RSG allocation. This has also contributed to the bleaker picture presented for the latter two years and results in an updated four year budget gap of £95.5m. However, as mentioned above, there is significant uncertainty once the fixed settlement ends in 2019/20 and the Autumn Budget plus other Government announcements will be monitored carefully for evidence of the direction of our future funding.

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Table 2: Budget Gap Updated

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	Total £m
Gap (per MTFS and as per table 1)	24.1	22.2	15.2	14.1	75.6
Net Impact of funding/spending changes since 12 October	-1.8	1.0	0.7	1.4	1.3
Schools High needs Block	-	6.0	6.6	6.0	18.6
Updated Budget Gap	22.3	29.2	22.5	21.5	95.5

- 14** Steps to reduce the budget gap from planned savings and efficiencies are highlighted below. These will be presented for consideration and approval at the December County Council meeting. Subsequently, the revenue budget for 2018/19 will be presented, including the setting of council tax, for agreement at the County Council meeting in February 2018.

Reserves Policy

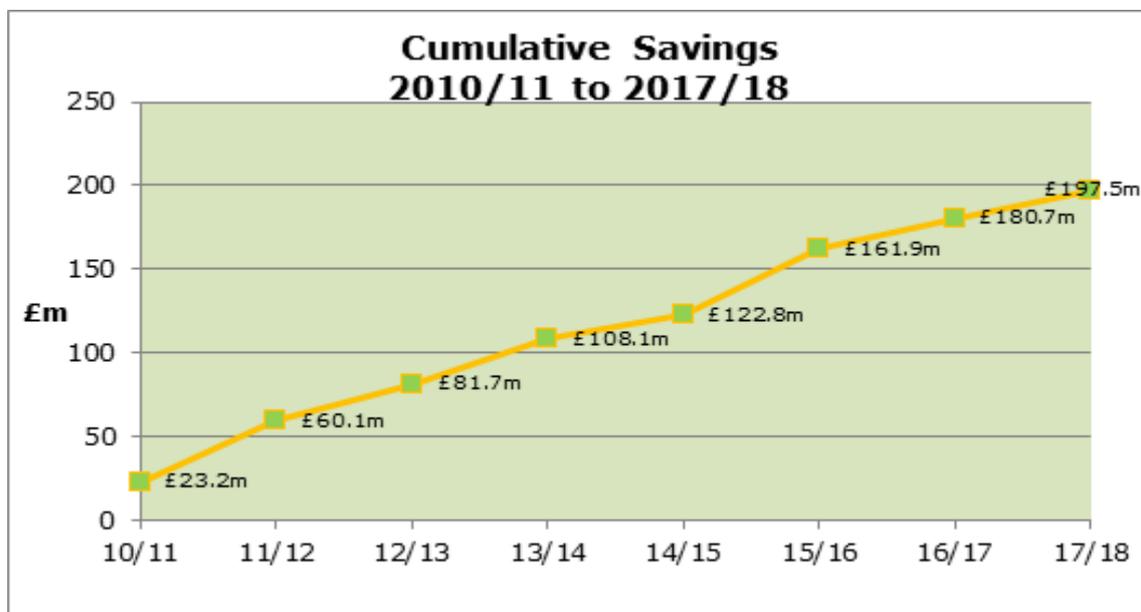
- 15** Reserves are reviewed each year as a part of the budget process, to establish their continuing justification and level held. Any sum identified as no longer required can be freed up for other purposes, including assisting with balancing the budget.
- 16** Using reserves is not a permanent solution, as reserves represent only one-off funding. In the current year, £9.4m was applied from reserves no longer requiring to be held to assist balancing the budget. Though reserves can be used to assist with the budget gap for 2018/19, this should be avoided where possible due to the short term nature of the solution.
- 17** The Director of Finance, Performance and Procurement has a legal requirement to ensure the budget plans include adequate reserves for the County Council, which entails considering the future liabilities, financial risks and invest to save needs faced. Reserves therefore need to be planned and considered over the long term to build resources for long term liabilities and risks, avoiding any sudden 'spike' in costs. This review will be reported on as part of the work leading up to the budget meeting of the County Council meeting in February.
- 18** Ensuring strong reserves has been an essential part of the budget strategy in recent years, and allows the budget to be set on a much firmer footing than it otherwise would be. Late decisions around budget reductions can be avoided if the County Council's funding changes at the last minute, for example such as lower than expected business rates income, lower Government funding or a lower tax base. If, as expected, the 100%

Business Rate Retention scheme is introduced nationally, managing the risks inherent in this volatile funding stream will require a careful stewardship of reserves as a buffer. A part of our budget strategy is to ensure that the County Council maintains robust reserves to cater for this uncertainty.

Budget Savings: Background

19 Delivery of savings necessary to ensure we live within our means whilst protecting front line services continues to be a core priority of the County Council. Since 2010, the authority has achieved savings of close to £200m (see **chart 1** below), though maintaining this level of saving is proving more difficult each year. The County has a strong track record of identifying and delivering savings and efficiencies whilst protecting priority services.

CHART 1: Cumulative Savings



20 The County Council has also maintained spending levels within its budget each year since 2010, ensuring that despite the squeeze on our funding we continue to exert strong financial discipline to ensure we live within our means. Between 2011 and 2016 the County Council achieved this, and delivered major savings, whilst managing to freeze the council tax charge. However, since then it has become progressively more difficult to find further efficiencies and savings, to ensure the budget remains balanced.

21 Whilst work to date has been successful in taking out some cost through tactical savings and budget reductions, it has not significantly impacted on how we deliver services. We have gone almost as far as we can with this approach and if we are to retain our value to our residents today and for the future we need to look at how we transform our services to meet the challenges set out above.

22 Consequently we will need to be more flexible, innovative and entrepreneurial in order to rise to the new challenges we face over the next

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three to five years and beyond. We will also need to develop an operating model that is agile and flexible to respond quickly to the changing context, supports innovation and customer expectations in how we deliver services to our residents. We need to maximise opportunities for alternative funding streams and at the same time look for cost avoidance.

Balancing the Budget 2018/19 onwards

- 23** The emphasis continues to be on delivering efficiency measures, cost reductions and income generation with a view to protecting front line services and council priorities to the maximum extent possible.
- 24** The savings proposals have been considered in the light of the new West Sussex Plan agreed by County Council and to ensure they do not detract from priorities it sets out within the following themes:
- Best Start in Life
 - A Prosperous Place
 - Strong, Safe and Sustainable Place
 - Independence for Later Life
 - A Council that works for the Community
- 25** The Executive Leadership Team (ELT) has reviewed and refreshed the County's planned measures to balance the budget to address the budget gap identified. The purpose has been to ensure plans are realistic; to help contribute to closing the budget gap in 2018/19 and to ensure longer term plans exist for a secure footing for the future financing of the County Council and service provision. These are summarised in total by Portfolio for the next two financial years in Table 3 below.

Table 3: Summary of Savings Proposals by Portfolio

Portfolio	2018/19 £m	2019/20 £m	Total £m
Adults and Health	4.7	5.3	10.0
Children and Young People	2.8	3.2	6.0
Education and Skills	0.1	0.3	0.4
Environment	2.8	1.6	4.4
Finance and Resources	2.8	1.9	4.7
Highways and Infrastructure	2.9	3.4	6.3
Leader (including Economy)	0.2	-	0.2
Safer, Stronger Communities	0.9	1.2	2.1
Non Portfolio	1.5	1.0	2.5
Total	18.7	17.9	36.6

- 26** [Appendix 2](#) (**enclosed with the agenda**) shows the detailed saving proposals and divides the savings between savings planned (Appendix 2A) and efficiency savings in progress (Appendix 2B). The savings total of £36.6m in the next two years is insufficient to meet the budget gap totalling £51.5m currently for 2018/19 and 2019/20 per table 2 above. Where savings are agreed as early as possible in the budget process, this will allow more time

for implementation and more certainty over their eventual delivery. Agreeing savings in December will therefore assist in reducing the risks in delivering a balanced budget for 2018/19.

- 27** Planned savings are also underway for 2020/21 and after, but have yet to reach the same state of advancement and for that reason are not presented yet. The scale of savings to ensure a balanced budget in these later years will depend on the Government's approach to continuing austerity within future Spending Reviews and its proposed implementation of 100% business rate retention, all of which is uncertain.
- 28** The measures proposed are only those which the County Council reasonably expects can be delivered. Other options to help close the shortfall identified for 2018/19 are still being worked on to ensure the budget is balanced and will be brought forward for consideration in the February budget report. Table 3 shows that **£18.7m** in planned savings is currently available to meet the budget gap for 2018/19.

Improved Better Care Fund

- 29** The County Council is due to receive £14.4m in 2018/19 through the Improved Better Care Fund. This funding has conditions attached around ensuring it is spent on adult social care needs, supporting the local care market and that it relieves pressure on the NHS, particularly with respect to delayed transfers of care.
- 30** A further condition is that spending plans must be agreed with local Clinical Commissioning Groups. This was secured as part of work which took place prior to the Better Care Fund Plan 2017-2019 being submitted to NHS England in September. In line with that plan the draft budget assumes an element of this funding stream will be applied to help address our spending pressures arising from the demands and increasing costs for Adults Social Care, thereby reducing County Council budgetary pressures.

Public Health

- 31** The grant cut for 2018/19 to Public Health is expected to be in the region of £0.9m based on indications from Government of the national reduction applied to this funding next year.
- 32** Public Health continue to develop savings to their budgets as a result of cuts in specific grant for this service from Government.

Revenue Budget - Overview

- 33** The table below compares the budget gap identified above against the total savings listed as per [Appendix 2](#). At this stage, with savings in year 2 around 15 months away, a prudent view is taken of what can be achieved with current plans. Equally, all past experience indicates that new and unavoidable spending pressures also tend to emerge to increase the savings requirement.

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Table 4: The Budget Gap

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	Total £m
Updated Budget Gap (table 2)	22.3	29.2	22.5	21.5	95.5
LESS: Savings proposals (table 3)	-18.7	-17.9			-36.6
Net surplus(-)/ deficit(+)	3.6	11.3	22.5	21.5	58.9

- 34** Table 4 shows that, assuming a council tax rise of 2% for social care and 1.95% for other services, the budget for 2018/19 remains **£3.6m** short of being balanced, given the current level of anticipated budget spending required and planned savings. Without a council tax rise, the budget would be out of balance by around £20.0m on the basis of pressures and savings within the draft budget. The subsequent years show a budget gap of £11.3m for 2019/20, after savings, and £22.5m and £21.5m in 2020/21 and 2021/22 respectively, though detailed savings plans are being worked up for these later years.
- 35** The remaining deficit of £3.6m for 2018/19 continues to be worked on and further proposals will be brought forward to ensure a balanced budget.
- 36** The County Council will continue to invest any sum generated from the Levy for the Adult Social Care budget to enable demographic and other pressures to be met on these budgets which support older and vulnerable adults.

Capital Programme 2018/19 To 2022/23

Capital Spending Proposals 2018/19 to 2022/23

- 37** The proposed capital programme is summarised below. Total expenditure within the core programme is £104.4m in 2018/19 and £572.5m over the life of the programme. In addition, proposed expenditure for income generating initiatives is £31.6m in 2018/19 and totals £228.0m over the life of the programme. The total value of the five-year programme is therefore £800.5m. The income generating initiatives will be subject to approval of business cases that must clearly demonstrate the project is either self-financing and will generate a capital receipt or an income stream for the County Council or will bring substantial economic benefits to the county.

Refreshed Capital Programme

- 38** The 2018/19 to 2022/23 programme refreshes the previous version approved by County Council in February 2017. The earlier programme made provision for a core programme of £587.5m with IGIs of £241.2m, covering the five years ending 2021/22, totalling £828m. There are six significant new schemes added to the Programme and are outlined in further detail in the paragraphs below:

- One Public Estate (£50m)
- Asset Improvement Programme (£20m)
- 21st Century Libraries (£5m)
- SEND Development Programme (£3.7m)
- Schools Capital Maintenance (additional funding) (£2.5m)
- Road Safety Improvements (£1.5m)

39 Our new programme totals £800.5m reflecting the addition of these new schemes, expenditure planned to be incurred in this financial year as well as other adjustments to project budgets since February. The programme also reflects the funding profile exercise undertaken during the first half of financial year 2017/18. This exercise sought to more closely align projected 2017/18 capital costs with likely project delivery plans. £103.6m has been reprofiled out of 2017/18 across the 5 year timeline of this programme in line with our delivery plans. Details are set out below in Tables 5 and 5(a), alongside [Appendices 3\(a\) and 3\(b\)](#) (**enclosed with the agenda**), which sets out the capital programme and its financing both at a summary level and by individual portfolios.

Table 5: Capital Programme 2018/19 to 2022/23: Summary

17/18		18/19	19/20	20/21	21/22	22/23*	Total
£000		£000	£000	£000	£000	£000	£000
101,528	Total Core	104,358	106,670	112,864	127,624	120,998	572,514
14,620	Total IGIs & Bold Ideas	31,623	40,200	49,344	45,000	61,838	228,005
116,148	Total Programme	135,981	146,870	162,208	172,624	182,836	800,519

Table 5(a): Capital Programme 2018/19 to 2022/23: Analysis by Portfolio

17/18		18/19	19/20	20/21	21/22	22/23*	Total
£000		£000	£000	£000	£000	£000	£000
	Core Programme						
221	Adult Social Care and Health	739	1,100	1,400	700	495	4,434
52,136	Education and Skills / Children - Start of Life	46,352	35,365	32,136	29,721	23,728	167,302
962	Economy	8,773	13,123	13,116	4,000	14,000	53,012
1,312	Environment	4,590	5,379	0	0	0	9,969
4,488	Finance and Resources	4,406	11,637	23,749	38,361	40,874	119,027
37,068	Highways & Infrastructure	34,625	32,832	37,055	51,342	36,555	192,409
5,341	Safer, Stronger Communities	4,873	7,234	5,408	3,500	5,346	26,361
101,528	Total Core	104,358	106,670	112,864	127,624	120,998	572,514

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17/18		18/19	19/20	20/21	21/22	22/23*	Total
£000		£000	£000	£000	£000	£000	£000
	IGIs & Bold Ideas						
667	Economy	833	5,000	15,000	15,000	15,000	50,833
13,465	Environment	7,090	8,200	10,000	10,000	15,198	50,488
0	Highways & Infrastructure	2,700	3,000	3,000	0	0	8,700
488	Finance and Resources	21,000	24,000	21,344	20,000	31,640	117,984
14,620	Total IGIs & Bold Ideas	31,623	40,200	49,344	45,000	61,838	228,005
116,148	Total Programme	135,981	146,870	162,208	172,624	182,836	800,519

* includes subsequent years spend

Supporting the Delivery of the Future West Sussex Plan

40 The capital programme will invest in the delivery of the County Council's vision for the county and its commitment to the communities of West Sussex. The programme is aligned to the County Council's West Sussex Plan priorities and the underpinning principles. The paragraphs below set out where the proposed capital investment supports that vision:

Giving Children the Best Start in Life

41 The County Council is committed to ensuring that every child in West Sussex reaches their potential and aims to provide them with the foundation they need to do that. A key element of that is the provision of modern, maintained and fit for purpose educational facilities. We will therefore invest some £124m in new classrooms and supporting estate as part of its **School Basic Need** programme. The investment will provide 585 new primary school places and 1050 new secondary school places for children starting school in September 2018. A further 135 new primary school places and 750 new secondary school places are planned for September 2019. Indicative allocations have been made for future years, pending updated Planning School Places data.

42 We will also plan a wide programme of **schools capital maintenance** works across the West Sussex schools estate to ensure that schools remain structurally safe, secure and provide an environment where children are able to thrive. This includes an additional 'top-up' of £2.5m compared to previous plans to enable more maintenance activity.

43 The **Special Educational Needs and Disability (SEND) strategy** sets out the vision to secure better educational outcomes for SEND children. The proposed investment of £3.2m seeks to support the strategy, improving support for our children and young people whilst reducing the County Council's reliance on expensive and more remote out of county placements.

A Prosperous Place

44 West Sussex has a dynamic business community and we are committed to ensuring continued economic growth and prosperity, working with our

partners to understand the needs of businesses and provide the infrastructure and skills for them to succeed and grow in West Sussex. The capital programme proposes a package of works designed to stimulate economic growth, directly providing or contributing to the creation of over 10,000 jobs, delivering nearly 600,000 square metres of commercial floorspace in key locations and unlocking the potential for over 15,000 new homes. The County Council's investment leverages funding from the government, other public sector and private sector partners to support businesses in difficult economic times and ensure that West Sussex remains open for business and thrives.

- 45** The **West Sussex Growth Programme** is a partnership programme to invest in key economic development areas to deliver homes, jobs and employment, town centre regeneration, rationalised public estate and the infrastructure to support growth. In Crawley, £8m funding from the County Council is being used to part fund a combined public sector contribution of £31.5m (including contributions from the LEP and Crawley Borough Council) to the overall Crawley Growth Programme, which in turn has a value of £60m, including private sector investment. There are a wide range of projects being taken forward with the £31.5m investment including; redevelopment of Grade A commercial buildings in the town centre; rail station enhancements to both Three Bridges station and Crawley station; cycle way improvements in the town centre, Manor Royal business park and Worth Park.
- 46** The West Sussex Growth Programme also includes an indicative £10m allocation for a **Burgess Hill Growth Programme** and £5m for a **Worthing Growth Programme** to bring forward development and growth in these key locations. A further £7m is identified to bring forward growth programmes in other areas.
- 47** The **PropCo** programme is proposed to provide opportunities for the County Council to improve the social value of key development sites, providing home-owning opportunities that are otherwise unavailable for West Sussex families whilst also generating capital receipts to reinvest. The first PropCo development at **Orchard Grove** generated significant returns and further projects are planned, including a £16m investment in developing 95 new homes at **Angels Nursery, Barnham**.
- 48** A proposed investment of £500k would fund an innovative tourist digital marketing campaign to target key customer groups to encourage them to **Experience West Sussex**. The campaign aims to exploit the visitor economy of the county and focuses on the county's natural assets – public spaces, food and accommodation, a range of high quality activities, culture and heritage and world-wide recognised events.
- 49** The **Creative Digital Bognor Regis** project aims to support creative and technical sector businesses in the Bognor area by establishing a shared employment space within Bognor Regis railway station. The space will provide access to the latest technology and creative work spaces.
- 50** In December 2016, the County Council purchased the former Novartis site in Horsham. We continue to plan, working with a range of external advisors, a

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£50m **redevelopment of the former Novartis Site, Horsham**. The project aims to create high value jobs and business and provide new housing in the area.

- 51** Building on the commercial roll out of **super-fast broadband** technology, the County Council is investing a further £600k to deliver access to fibre-based broadband infrastructure for more than 95% of properties in West Sussex by September 2018.
- 52** The proposed programme includes a range of infrastructure and highways improvements and maintenance, as follows:
- A £14m junction improvement scheme on the **A259** between the River Arun and Goring Crossways will reduce congestion, improve the predictability of journey times and enhance the local conditions to support and attract business in the area.
 - £7m investment in a new section of the **A284** is proposed to bypass Lyminster village, improving connectivity with the A27, accessibility for local residents and businesses and opening up opportunities for job creation and residential development in the area.
 - A package of four highway junction projects to the **West of Horsham** is proposed to bring forward residential and employment development opportunities.
 - A £22.5m major road improvement scheme on the **A2300** has been identified in local plans as a key priority to support the strategic residential and commercial developments in Burgess Hill.
 - The County Council has made a commitment to support major upgrading of the **A27** around Chichester. A £10m capital contribution to bring forward a scheme to address congestion around the city is proposed.
 - A £35.1m major realignment scheme on the **A29** will provide a new bypass of Woodgate, Westergate and Eastergate. The proposed scheme will improve access to major development opportunities at Bognor Regis, Barnham, Eastergate and Westergate. This could directly contribute to creation of 4,160 new jobs.
 - The £76m **Local Highway Maintenance and Integrated Transport Blocks** are programmes of highways improvements works, including walking and cycling routes, passenger transport, school safety and parking, road safety, junction improvements, residential parking schemes, Public Right of Way, countryside site improvements and community-led highways improvements.

A Strong, Safe, and Sustainable Place

- 53** The County Council is committed to empowering people and communities to improve their resilience, through improving the environment, extending access to shared outdoors and cultural spaces and developing sustainability.
- 54** Therefore, the County Council is investing in infrastructure to improve the way it handles waste and recycling, this includes:

- £7.7m expanding the **Mechanical Biological Treatment** plant near Horsham to allow for more waste to be processed on-site, increasing the efficiency of the facility in deriving fuel from waste and diverting it from landfill.
- £2m investment in returning former landfill sites to safe conditions at **Faygate and Baystone**.

55 A £48m investment in an innovative sustainable energy programme of works is proposed to provide a revenue return for the County Council. As part of the Your Energy Sussex partnership, the County Council is proposing to invest in the installation of **Solar farms and battery storage** on unused Council land. In addition a **schools solar programme** will install solar panels on the schools estate helping to reduce energy bills for schools and provide a return on investment for the County Council.

56 A wide range of **A285 road safety** improvements is proposed to reduce the high numbers of fatal and serious injuries in the road from Chichester to Petworth.

57 The programme includes a proposed £1m project to replace the deck on the **A259 Clymptwick Bridge** as part of the Highways Asset Management Strategy.

Independence for Later Life

58 The County Council is committed to working closely with partners to enable older people to remain independent for longer. It aims to provide the technology and support structure to ensure that West Sussex remains a great place to grow older, by keeping people safe and secure. It also aims to address social isolation by trying to keep older residents connected within their communities.

59 NHS England have transferred a number of properties to the County Council and have provided a **NHS Capital Grant** fund to undertake small works and adaptations to these properties to meet the specific needs of individual clients. The programme of works will enable people to move out of institutional care settings into the community, enabling them to live more independent lives.

A Council that Works for the Community

60 The County Council is committed to serving the people of West Sussex, making it easier and better when they contact us and improving services to meet their needs. The County Council is acutely aware that it is a guardian of its residents' money and aims to ensure that everything it does is best value for money.

61 The capital programme continues to invest in priority areas for local communities, including:

- **Operation Watershed and Flood Management** to help them prepare for

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and reduce the risk and impacts of flooding.

- **Footway Improvements** to address the condition of our footway assets in key areas across the county, aimed at reducing the number of slip, trips and falls in public places and helping to keep people safe and secure.

62 The County Council has secured government investment and partnership engagement in a programme of works called the **One Public Estate** (OPE). The programme aims to: improve service delivery through co-location and integration of services, rationalise the public estate, generate revenue savings and reductions in running costs, release land for new housing, jobs and economic growth, and secure capital receipts from the disposal of surplus land and assets. A capital allocation of £50m is proposed to deliver a wide range of projects. Initial schemes in progress that have been approved include:

- **Worthing (Centenary House):** Redevelopment of the site to provide new accommodation for WSCC and Sussex Police, a multi-agency hub offering integrated and co-located public services, a new library and Coroner's Court, community facilities, new housing and commercial or employment space.
- **Shoreham (Pond Road):** Redevelopment of derelict care home, existing health centre and existing library to provide new multi-agency hub (including health), new library and community facilities, new housing and commercial space.
- **Regeneration of Crawley Town Centre:** The focus for WSCC is the redevelopment of County Buildings, Telford Place, Crawley Town Hall and the Library to provide extra commercial space and several hundred new homes. An expansion to this, to include the fire station and Crawley College is being considered.
- **Chichester (Southern Gateway regeneration):** This project centres on the redevelopment and regeneration of the Southern Gateway in Chichester, focusing on the area around the railway and bus stations, the former law courts, the WSCC-owned former Kingsham School, the Police Station and the canal frontage.
- **The Brow, Burgess Hill:** Redevelopment of The Brow, to provide new housing and a new health centre, potentially with co-located social care services.
- Further schemes are under development, including at Littlehampton and Horsham where bids have recently been submitted to central Government. An enabling project at Drayton is also under way to develop a joint-highways and 'blue-light' emergency services fleet maintenance facility.

63 A programme of capital works to support the remodelling of **future libraries** services is proposed. The programme will aim to transform existing sites into economic enablers, social hubs, cultural centres and digital connectors, whilst enhancing their role in supporting reading and learning for all ages.

64 £50m is already included in the capital programme for the phased **purchase of commercial property**. This is intended to secure long-term assets, which

will not only produce capital growth but also revenue income for the County Council.

- 65 The County Council is investing in high-capacity, future-proof **gigabit** digital connectivity for County Council sites across the county, and the opportunity to share ultrafast capabilities with other public sector partners. The County Council is currently in negotiations to obtain part funding for this project (total cost of £8.7m) from the Department for Digital, Culture, Media and Sport (DCMS).
- 66 The capital programme continues to invest in the services that keep people safe, with a £18m investment in **Corporate and Fire Fleet** vehicles and £3.1m of **Fire Equipment** to support the work of the Fire and Rescue Service.
- 67 Programmes of street furniture improvements have been included in the programme, including replacement of **Crawley Street Lighting** with more efficient LEP bulbs, **traffic signals refurbishment** and upgrading of **on-street parking machines**.
- 68 The programme continues to make room for investment in the County Council's **infrastructure**, including £50m available for a wide range of asset improvement activity. This includes specific investment of £30m in social care; for **Children's Social Care** to support the needs of growing numbers of children with complex and challenging needs and **Adults' Social Care**, to help shape provision focused on preventative placements, enabling people to continue to live independent lives.

Capital Financing Sources

- 69 Capital expenditure may be financed from a range of internal and external sources, as outlined in Table 6 below. Internal sources include capital receipts, revenue contributions, reserves and borrowing. External sources also include borrowing as well as private sector contributions such as S106/CIL developer contributions, and government grants (which may be ring-fenced for specific purposes or non-ring-fenced and available for general application by the County Council).

Table 6: Sources of Capital Finance 2018/19 to 2022/23

17/18		18/19	19/20	20/21	21/22	22/23 *	Total
£000		£000	£000	£000	£000	£000	£000
9,522	Ringfenced Government Grant	20,246	13,994	22,781	10,494	9,044	76,559
44,197	Non-Ringfenced Government Grant	49,551	64,773	31,625	31,065	30,561	207,575
1,000	Capital Receipts	1,000	2,000	6,100	20,400	81,032	110,532
2,357	Revenue Contributions to Capital Outlay	2,332	5,232	532	532	10,532	19,160
8,245	External Contributions including S106	9,689	5,832	6,357	16,582	1,930	40,390
37,407	Core Borrowing	25,190	18,019	46,569	63,951	28,837	182,566
13,420	IGI & Bold Ideas Borrowing	27,973	37,020	48,244	29,600	20,900	163,737
116,148	Total Programme	135,981	146,870	162,208	172,624	182,836	800,519

* includes subsequent years spend

70 Our external grants and contributions fund 40% of the total programme, or £324m and fund a wide range of activity; from the provision of school places to key highway maintenance activity. Within our grant funding is £58m from our partners in the Local Enterprise Partnership (LEP). This funding, alongside County Council funding, will take forward a range of ambitious economic growth opportunities, including key schemes such as:

- A2300 capacity enhancement (£17m LEP funding)
- Crawley Growth Programme (£14.6m LEP funding)
- A29 Bognor Regis (£12.3m LEP funding)
- A259 capacity enhancement (£8.6m LEP funding)
- A284 Lyminster bypass (£3.7m LEP funding)

71 Our emerging Asset Strategy and work within the OPE will also lead to substantial opportunities to rationalise estate no longer required and generate disposal proceeds. The anticipated proceeds, added to our external grants, will contribute over 50% of the total financing of the programme (£434M).

72 In order to fund all of the ambitions (excluding the IGIs and the Bold Ideas), borrowing over the period 2018/19 to 2022/23, for the core programme, will be £182.6m, see below. This is £57m less than the amount assumed when preparing last year's capital financing, representing a higher proportion of funding from other sources such as external grant and s106. This work is ongoing and as these additional sources are identified then it might be possible to reduce further the additional borrowing requirement.

73 In addition, borrowing of £163.7m will be required to finance the IGIs and Bold Ideas over the period 2018/19 to 2022/23. Where applicable the income associated with the schemes has been included in revenue budget plans. Whilst the majority of the projects will be self-financing over time, in some instances short term borrowing will be required. A small number of projects will not necessarily be self-financing, but will bring economic benefit

to the county by stimulating an increase in tourism and business rates. The approach to financing all of these projects will be developed as part of the individual business cases.

Revenue Impact of Borrowing

- 74** The costs of financing the core capital programme for the next four years have been included in the budget forecasts in Table 2 above. For all new external debt arrangements, the Council will first ensure that due diligence is given to both the affordability of such debt in the revenue budget and the future plans regarding the repayment of the debt. Further details are included within the Treasury Management Strategy 2018/19, also to be approved by County Council in December.
- 75** The revenue impact of borrowing for the core programme is summarised in Table 7 below. Excluding the IGIs, the revenue costs of borrowing will increase from £26.7m (actuals) in 2017/18 to £32.1m (forecast) in 2022/23.

Table 7: Revenue impact of core borrowing during the MTFs period

	2018/19 Estimate £'m	2019/20 Estimate £'m	2020/21 Estimate £'m	2021/22 Estimate £'m	2022/23 Estimate £'m
External Borrowing (Core)	388.8	381.8	374.8	401.0	426.3
Net Revenue Expenditure	533.7	552.8	571.0	589.8	600.0
Capital Financing Charges - Excluding <i>IGIs, PFI and Finance Leases</i>	27.3	27.7	28.0	29.8	32.1
% Ratio	5.1%	5.0%	4.9%	5.1%	5.4%

- 76** The Prudential Code requires local authorities to agree ratios and limits in respect of their borrowing and to demonstrate that their plans are prudent, sustainable and affordable. As set out in [Appendix 4 \(enclosed with the agenda\)](#), the additional general borrowing in the financing table (paragraph 69), would add around £28.20 to a typical Band D council tax, excluding IGI schemes (£56.49, including the IGI schemes), over the five-year period to current council tax levels. Details of all the Prudential and Treasury indicators are included in [Appendix 4](#) and also within the Treasury Management Strategy 2018/19, which is also to be approved by County Council in December, and includes the limits that the County Council is required to set before the beginning of each financial year:
- an operational limit for borrowing to reflect the likely level required
 - an authorised limit for borrowing based on realistic assessed risk
 - the maximum to be borrowed at fixed rates
 - the maximum to be borrowed at variable rates
 - the maximum to be invested for a year or longer
- 77** It is proposed that the operational limit for borrowing ('Operational Boundary') be set at £498.910m for 2018/19, based on current outstanding debt and the spending and financing plans included in the proposed capital programme. The figure also includes notional borrowing of £105.6m for the three existing PFI contracts for Crawley Schools, Street Lighting and Waste

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Handling & Recycling; this is an accounting adjustment required under International Financial Reporting Standards, and does not represent actual cash borrowing. Excluding this adjustment, the County Council's actual external debt with PWLB is projected to be £388.850m by March 2019, compared with £395.866m at 31 March 2018. The decrease of £7.016m represents repayment of existing debt.

- 78** The County may also need to borrow in advance of need to take advantage of short term interest rates, pending receipt of income, or to meet a large expenditure flow. In line with prudential guidance, the council can look forward to its external borrowing need in 2020/21. It is proposed therefore that an authorised limit for borrowing at 2018/19 of £622.563m should be approved, to encompass the highest estimate of the operational boundary up to 2020/21 (£582.563m) plus an additional £40m for temporary borrowing for unexpected cash flow movements.

Recommended

That, taking account of Council priorities, the finance strategy, the expected Local Government Finance Settlement, the following items be approved:

- (1) Saving proposals, as outlined in [Appendix 2](#), covering 2018/19 and 2019/20, to help achieve a balanced budget;
- (2) Capital expenditure and proposed method of financing for the core programme and the income generating initiatives (which will be subject to their own business cases) for the period 2018 to 2023, as set out in [Appendices 3\(a\) and 3\(b\)](#); and
- (3) Prudential Indicators, as set out in Appendix 4.

Jeremy Hunt

Cabinet Member for Finance and Resources

Appendices

Appendix 1 High-level Summary of 2018/19 draft budget changes

Printed separately and enclosed with the agenda:

[Appendix 2](#) [Balancing the Budget](#)
[Appendix 3\(a\)](#) [Capital Programme 2018/19 to 2022/23 \(summary\)](#)
[Appendix 3\(b\)](#) [Capital Programme 2018/19 to 2022/23 \(by portfolio\)](#)
[Appendix 4](#) [Prudential Indicators](#)
[Appendix 5\(a\)](#) [Comments from the Performance and Finance Select Committee and all-member session](#)
[Appendix 5\(b\)](#) [Summary of changes following the Performance and Finance Select Committee](#)

Contacts: Steve Harrison 033022 23391

Background Papers: None

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(see paragraph 9, page 213)

High-level Summary of Budget Changes

Item	£m
2017/18 Base budget	530.3
Service and Corporate Growth Pressures	16.4
Application of reserves in 2017/18 only	9.3
Less: Planned savings	-18.7
Remaining budget gap to find	-3.6
2018/19 new draft base budget	533.7