

## REPORT OF THE CABINET

---

The Cabinet met on 16 November 2010. Attendances:-

Councillor Jones (Chairman)

Councillors Bentley, Elkin, Glazier, Lock, Maynard, Reid and Mrs Stroude

### **1. Reconciling Policy and Resources – Comprehensive Spending Review**

1.1 Like the rest of Local Government, the County Council has been awaiting the outcome of the Comprehensive Spending Review (CSR) and its effects on Local Government in general and East Sussex in particular. Although the CSR announcement was not expected to give us a complete picture of the position for the County Council it was an important step in our planning. The Cabinet has considered a commentary by the Deputy Chief Executive and Director of Corporate Resources (Appendix 1 of the report to the Cabinet, previously circulated to all members)

1.2 There are three key points:

- the new overall 'Promise', and supporting Policy Steers agreed at the last Council meeting will drive future decisions;
- the emerging CSR outcomes are broadly within the Council's existing planning range; and
- at this stage our analysis is based on the national totals for Local Government and an assumption that we will face average grant reductions. The position is, however, uncertain and there is a risk that the actual settlement for any individual council could vary dramatically from the average. Our actual local Formula Grant settlement for next year will be announced in early December. Even then there is no guarantee we will also receive details of other important revenue and capital grants.

1.3 Service and savings impacts will be submitted to the Cabinet at its meeting in December 2010 based on our pre-existing guidelines. Whilst the overall guidelines will not change at this stage, the modelling of possible specific grant cuts of 25% over the next 3 years will need to take into account a possible minimum average cut of 11% for next year, the risk of considerable volatility in allocation compared to the average and the consequences of 'missing or lost in action grants'.

### **2. Annual Audit Letter**

2.1 The Cabinet has considered the Annual Audit Letter for 2009/10 (previously circulated to all councillors) which is produced as part of the agreed external audit plan by the Council's external auditors, PKF. The Annual Audit Letter summarises the key issues arising from the work carried out by PKF. The report contains no new findings or recommendations but reflects the key issues already reported in the Annual Governance report.

2.2 The Cabinet has welcomed and noted the Annual Audit letter and there are no matters which the Cabinet wishes to draw to the Council's attention.

### 3. Funding for the Voluntary and Community Sector

3.1 The Cabinet has agreed to a Commissioning Grants Prospectus to manage investment into the Voluntary and Community Sector (VCS) in order to deliver increased social capital and to create efficiencies through a single and proportionate commissioning process. The Commissioning Grants Prospectus is a grant based approach to commissioning and will enable ESCC (and other partners) to maximise the effectiveness of investment in the VCS and the local communities that they support. The approach will improve efficiency by pooling resources across budgets commissioning services from VCS and avoid duplication of processes and investment. It will also create opportunities for commissioners to negotiate improved efficiencies with potential providers. It is an approach which has been promoted by IDeA as a model of best practice and offers a competitive and transparent process. The proposal to move to this new way of working has been subject to detailed consultation with the VCS.

3.2 The Commissioning Grants Prospectus sets out in detail the outcomes expected by the Council for its investment. It clarifies the overall level of funding available and moves away from a prescriptive description of services. This will provide greater scope for innovation in how the required outcomes for local people are achieved. The initiative aims to develop further the role of VCS organisations in delivering social care and wider public services. The Prospectus will enable the Council to take a co-ordinated approach, across departments and with other commissioning bodies, to target investment into the local voluntary and community sectors. This will ensure resources are consistently targeted on delivering the Council's Promise and its Policy Steers and also provide ongoing support to the VCS at a time of severe financial constraint. This approach will initially be taken forward by Adult Social Care and then by other departments as their current funding arrangements expire.

3.3 The outcomes this approach will deliver are: increased social capital (including strong local VCS networks and the volunteering which underpins the sector), prevention, universally accessible services and increased choice for people who want to use VCS services. For the VCS this will also achieve a reduction in the bureaucracy involved in securing their funding by allowing a more proportionate approach to procurement.

3.4 A consultation exercise was undertaken between June and September 2010 with a summary of the outcomes contained in Appendix 2 of the report considered by the Cabinet. The VCS has been supported to develop its capacity through a series of open access learning networks commissioned by Adult Social Care.

3.5 A local decision support tool, based on the National Audit Office's *Successful Commissioning Guide*, was used to determine an appropriate funding model. This work established that the Commissioning Grants Prospectus would be an effective approach to investment in the outcomes we wish to see from the VCS in East Sussex. The final level of investment in each phase may increase or decrease, as Adult Social Care, the Primary Care Trusts and other participants identify cost-effective solutions to delivering preventative, social capital-linked

services and depending on the resources available (for ESCC determined through the Reconciling Policy and Resources process).

3.6 An Equalities Impact Assessment has been approved to ensure outcomes are appropriate for the whole of East Sussex. This will be reviewed in June, when funding awards are being considered.

3.7 There is a need to ensure that any new funding proposal complies with best practice in terms of procurement, commissioning and audit. In order to realise the benefits of the new Commissioning Grants Prospectus for the VCS the grants awards process needs to sit outside Contract Standing Orders. However, competition, transparency and best practice in the processes used to advertise and award grants will be critical to the success of, and will be set out clearly, in the Prospectus.

3.8 The outcome of the consultation indicated broad support for the proposed method of investing in the delivery of social capital. A Commissioning Grants Prospectus will be published in February 2011 following County Council approval of the budget. Subject to the Reconciling Policy and Resources allocation processes it is proposed that Adult Social Care invest £2,302,000 in the first phase of the Commissioning Prospectus, alongside PCT investment of £678,000. Other departments will determine their levels of investment in phase 2 through the Reconciling Policy and Resources process. The Prospectus will contain service objectives from locally agreed commissioning strategies, detailing outcomes linked to social capital. The bids will be evaluated between May and June 2011 by Appraisal Panels that will involve commissioners, service users, carers and other stakeholders. The bids will be scored using an open and transparent weighting criteria based on a one third split between social capital, value for money and quality. The results of the appraisals will be announced in July 2011.

#### **4. Treasury Management 2010/11 – Half year review**

4.1 The Code of Practice for Treasury Management now requires the review of the Council's treasury management performance to be reported half way through the year as well as at the end of each year. The County Council's treasury management activities are regulated by a variety of professional codes, statutes and guidance. The County Council has adopted the CIPFA Code of Practice for Treasury Management in the Public Sector and operates its treasury management service in compliance with this Code. These require that the prime objective of the treasury management activity is the effective management of risk, and that its borrowing activities are undertaken in a prudent, affordable and sustainable basis and its treasury management practices demonstrate a low risk approach. Exposure to future risk continues to be minimised through proactive and constant review of the treasury management policy.

##### The Treasury Management Strategy

4.2 The strategy for 2010/11, agreed in January 2010, continued the prudent approach and ensured that all investments were only to the highest quality rated banks and only up to a period of one year. No changes to this Strategy have

been required but a more prudent approach has been adopted because of the uncertainties in the market. An investment in one bank was temporarily withdrawn and investments in others reduced from a period of up to three months to being on call (overnight only).

#### Short term lending

4.3 The total amount received in short term interest for the six months to 30 September 2010 was £1.14m at an average rate of 0.92%. This was above the average of base rates in the same period (0.5%) but fell short of the aim to secure investment income of at least base rate plus 0.5% on the Council's general cash balances. The Council has continued to follow an extremely prudent approach with security and liquidity as the main criteria before yield.

#### Long term borrowing

4.4 Details of the Council's long term borrowing were included in Appendix B of the report considered by the Cabinet. The key points are:

- No new borrowing was undertaken through the Public Works Loans Board (PWLB) during 2010/11 to date and is unlikely in the rest of the year. It was agreed to continue to use "internal borrowing" to finance new capital investment
- Although a proactive approach has been taken to repayment and restructuring of debt, no cost effective opportunities have arisen in the first six months of this year.

4.5 The PWLB increased all of its lending rates on 20 October by 1%. However, it did not increase the rate of interest used for repaying debt so that not only the cost of the Council's future borrowing has increased but the opportunity to restructure the Council's debt when market conditions allow has been significantly reduced.

#### Short term borrowing

4.6 No borrowing was undertaken on a short-term basis on the first six months of 2010/11 to cover temporary overdraft situations.

#### Prudential Indicators which relate to the Treasury function and compliance with limits

4.7 The County Council is required by the Prudential Code to report the actual prudential indicators after the end of each year. There are eight indicators which relate to treasury management and they were set out in Appendix C of the report to the Cabinet. The actual position for the County Council for 2010/11 so far this year is that performance against all borrowing and prudential indicators is within the limits set in the Strategy for 2010/11.

Peter Jones  
Chairman

16 November 2010