

## REPORT OF THE CABINET

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The Cabinet met on 13 November 2012. Attendances:-

Councillor Glazier (in the Chair)  
Councillors Belsey, Bennett, Bentley, Elkin, Freebody, Lock and Maynard

### **1 Reconciling Policy, Performance and Resources - savings options, revenue and capital plans, priority outcomes**

1.1 The Cabinet has considered a report on Reconciling Policy, Performance and Resources (RPPR) which set out the progress made on the resolution made by the Cabinet in July that estimated savings of £60m needed to be made over the next three years.

1.2 The assumptions underlying the estimates were:

- expected changes in formula grant/business rates retention;
- an adjustment for corporate grant reductions;
- demographic pressure on adult services;
- the anticipated financial shortfall when schools become Academies;
- the impact of Council Tax Benefit localisation; and
- no increase in Council Tax in 2013/14 and rises in the range of 1.5% to 3.0% for the following years.

1.3 Since July the Government has announced a further year of Council Tax freeze, equivalent to 1% of our Council Tax (£2.4m) subject to adjustments for the new system of local government finance. This is likely to have little effect on the planning assumptions, as the grant is likely to come from top-slicing the national local authority total. The Government has also announced that councils can apply for a transition grant to help towards the cost of the changes in Council Tax Benefits. A decision is yet to be made about what to do in East Sussex, and is the subject of on-going discussions with the Borough and District Councils. The Government will announce the final budget settlement in mid-December. There is currently no reason to change the planning assumptions that were agreed in July.

1.4 Chief Officers have modelled savings of £70m, to meet the expected reduction in available funding and allow Members to take account of the County Council's priorities, any likely equalities impacts and the views of residents, stakeholders and partners in setting the final budget in February 2013. A sharper focus on what the delivery of Our Promise meant in terms of priorities was requested, particularly in view of the difficult financial situation we face for the foreseeable future.

1.5 Work has been carried out to articulate the key outcomes we are trying to achieve for local people as captured in Our Promise. The Cabinet agreed that the focus should be on:

- **Driving economic growth** - by creating the environment and infrastructure business needs, using the council's finances to support the local economy and

ensuring local people have the skills they need to take advantage of the opportunities available;

- **Keeping vulnerable people safe from harm;**
- **Building resilience for individuals and families to live independently** - through early intervention and providing people with the support they need to help themselves.
- **Making the best use of resources** - not only within the County Council, but in the public sector across the county. This means acting as a single unified organisation to deliver our priorities; ensuring high quality, value for money services are commissioned and developed in partnership; working in partnership to reduce demand for services and focusing on our residents and communities.

### Latest position

1.6 Information on the latest financial position was contained in Appendix 1 of the report to the Cabinet, previously circulated to all Members. There are three updates on changes in the way Government fund local Government from 1 April 2013:

- Formula Grant and other core grants will be replaced by Local Business Rate Retention
- Council Tax Benefit will be replaced by reduced Local Council Tax Support Schemes
- Council Tax Freeze Grant 2013/14 and 2014/15

1.7 The calculation of the national funding distribution, the calculation of new specific grants and the year on year decline in nationally allocated funding are each largely unknown until the Government's Autumn Statement and Settlement Announcements are announced during December. Current assumptions within modelling are for a potential reduction in central Government funding to local authorities of approximately 30% over three years. These assumptions result from the Government's aim of reducing local authority funding and also for local authorities to become more locally autonomous. Following the medium term financial position reported to July Cabinet a budget gap of £60.7m was estimated, and a phased savings target of £71.5m was recommended to allow Members to take account of their priorities in setting the final savings programme.

### Capital programme

1.8 The priorities set out in paragraph 1.5 above have been used to draw up the draft Capital Programme. A proposed Programme was contained in Appendix 6 of the report to the Cabinet, previously circulated to all Members. A final version of the Programme will be provided to Cabinet for consideration in January prior to consideration by the Council in February. It is important that Members have an overview of all expenditure plans as they develop.

### Revenue budget

1.9 A savings model and description of the potential impact of those savings for each service area were set out in Appendix 3 of the report to Cabinet, previously circulated to all Members. Savings need to be made over a three year period with a quarter of the savings falling in the first year, half in the second and the final quarter in

the third year. Savings have been modelled on the basis of a 15% reduction in funding for front line services and a 20% reduction in support service and management costs. These savings, if taken in full, would reduce the cash expenditure for the Council by £70m over the next three years. The funding for Public Health which will transfer to the County Council from the NHS will be ring-fenced for the next three years and is not, therefore, subject to the need for savings to be made. Proposals for Public Health are being developed in partnership and a draft Portfolio Plan will be subject to consultation, including with Scrutiny.

#### Savings mitigation

1.10 The Cabinet has considered proposals for savings mitigation and investment using the £10m flexibility created by the gap between the savings model and the amount that needs to be saved. The proposals for investment have been made on the basis that they would help to reduce demand for services in the longer term. Details of these proposals were contained in Appendix 4 of the report to Cabinet, previously circulated to all Members. Current estimates show that the package could mean the non-teaching workforce reducing by 80-100 posts in the first year. The final position for 2013/14 and the two later years will become clearer as plans for savings develop. The Council will continue to use employment stability policies and our voluntary severance scheme to minimise the number of compulsory redundancies, but clearly the ability to use redeployment and early retirement to achieve this will inevitably diminish as the financial position tightens.

#### Equalities consideration

1.11 An assessment of the potential impact, from an equalities perspective, of the savings proposals was set out at Appendix 5 of the report considered by Cabinet, previously circulated to Members. The Council will need to take its duties in relation to equalities into account when considering the revenue budget and Capital Programme.

#### Consultation

1.12 A wide ranging consultation about the proposals will be undertaken with the public, stakeholders, staff, Trade Unions and partners. Views will be sought on the proposals including prioritisation of savings mitigation with a further report being submitted to the Cabinet in January. In addition to the normal Scrutiny Board arrangements for examining the budget and portfolio plans, whole Council Forums will be held in December and January.

## **2. Annual Audit Letter and fee outturn**

2.1 The Cabinet considered the Annual Audit Letter and fee outturn for 2011/12 (previously circulated to all councillors) which is produced as part of the agreed external audit plan by the Council's external auditors, PKF. The report contained no new findings or recommendations but reflects the key issues reported in the Annual Governance report.

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

13 November 2012

KEITH GLAZIER  
Vice Chairman