

REPORT OF THE CABINET

The Cabinet met on 5 March 2013. Attendance:-

Councillor Jones (Chairman)
Councillors Belsey, Bennett, Bentley, Elkin, Freebody, Glazier, Lock and
Maynard

1. Council Monitoring Report – Quarter 3 2012/13

1.1 The Cabinet has considered a report on performance against the Council Plan, Revenue Budget, Capital Programme, Savings Plan and Strategic Risk Register for the third quarter of 2012/13.

1.2 During this period of austerity, sound financial management is essential to ensure long term success and stability. The forecast revenue underspend mentioned below will help the Council to deliver its medium term budget strategy and manage the uncertainty over the timing of reductions in Government support. Sums not identified as part of the budget strategy will be used to support programmes that will allow the Council to manage its services in a changing public sector environment over the longer term.

Monitoring Summary

1.3 Of the 148 performance measures rated at Quarter 3: 116 (78.4%) are rated green, 21 (14.2%) are rated amber, 11 (7.4%) are rated red. Detailed commentary on the exceptions and improvements, where the Quarter 3 RAG rating has deteriorated or improved since quarter 2, is contained in Appendix 1 of the report to Cabinet of 5 March 2013, previously circulated to all Members.

1.4 The overall forecast Revenue Budget position reflects a net underspend of £9.0 million which was set out in summary at Appendix 2 of the report to Cabinet of 5 March, previously circulated to all Members. It was shown as a departmental analysis (Appendix 2a) and as a service area analysis (Appendix 2b). Chief Officer commentaries supporting the departmental financial position were set out in Appendix 3 of the report to Cabinet of 5 March. Business cases are being prepared to support transfers to and from reserves at the end of the year in accordance with the Reserves Policy approved by Cabinet in December 2012.

1.5 The overall position of the Capital Programme, which is monitored and reported in its entirety rather than just “PID approved” schemes, is set out at Appendix 5 of the report to Cabinet of 5 March, previously circulated to all Members. The Programme lists individual schemes that are either showing significant variations or are of particularly high profile. There is a current projected net underspend of £6.3 million against a revised net programme of £67.3 million. This compares to a forecast underspend of £9.4 million at quarter 2.

Key Issues

1.6 The 8 new amber and 7 new red exceptions this quarter include several targets projected as narrow misses, but in the main, performance in these cases is moving in the right direction. For example, although waste management targets (CP 4.03) may fall short we have landfilled less waste than ever before; and we forecast improvements in road safety outcomes (CP 4.04).

1.7 The Thrive Programme target (CP 6.01a) is reported as amber for the proportion of referrals going on to assessments, but the three measures of demand are all on target. The programme aims to reduce the high numbers and cost of looked after children by providing early intervention services and helping families to solve problems early. The projected budget outturn reflects the pressures that Thrive Programme funding is intended to cover as well as the investment costs associated with delivering the individual projects in the programme.

1.8 The Children's Services' forecast includes a net underspend on non-Thrive related activity of £652,000; this would reduce the funding needed from the Thrive Programme budget to £4.279m. A request to draw down funding from the Thrive Programme budget to cover the net amount will be made and is assumed in this report; this is subject to approval by the Thrive Executive Board, the Chief Finance Officer and the Chief Executive.

1.9 Any variations in the Children's Services financial outturn compared to budget must be apportioned according to the funding sources, i.e. from Dedicated Schools Grant (DSG) or the Council's own funding. Any underspend against DSG must be separately identified and carried forward for re-allocation by the Schools' Forum.

1.10 There has been net slippage of £1.1m on the Hastings Library project, the result of re-profiling the planning timetable. Past investments in library buildings in Forest Row, Wadhurst and Rye have been reflected in the high public satisfaction ratings recorded in 2012.

1.11 In addition to the slippage on the Hastings Library project the other most notable variations to the Capital Programme contributing to the forecast underspend of £6.3m are:

- £1.0m slippage on extra care / supported accommodation schemes as a result of delays in conveyance work;
- £0.9m slippage on ICT investment gaps which result from a better understanding of the Agile Working project requirements; and
- £1.3m slippage on Marley Lane/Sidley Depot, reflecting the loss of the proposed site and new site search commencing.

1.12 We have a large programme of economic development projects and although some slippage is inevitable, all projects are expected to be delivered. Additional costs are being incurred for the Bexhill & Hastings Link Road Scheme (CP 1.01f) as a result of protester action. The costs which arise from scheme prolongation and security are expected to be met this financial year from the risk provision provided within the overall scheme budget. A final funding decision is expected from the Department for Transport in March 2013 which will give greater certainty to the overall programme and allow estimates to be refreshed.

1.13 Money Market and Interest Earnings: despite a frozen base rate having consequences on the treasury management budget, matters such as slippage in the Capital Programme and the Revenue Budget underspend mean there is a projected underspend of £3.1m, including the amount received in short term interest to 31 December 2012 of £1.86m at an average rate of 0.64%. The Council has continued to follow an extremely prudent approach with security and liquidity as the main criteria before yield.

Savings monitoring

1.14 The Savings Plan target for 2012/13 is £19 million. The forecast for planned savings is £0.7 million below target, however mitigating savings of £0.7 million mean that the target is expected to be met. More details were given in Appendix 6 of the report to Cabinet of 5 March previously circulated to all Members.

1.15 The Cabinet has welcomed the following successes and achievements:

Strategic Management and Economic Development

The High Court in October refused an application for permission for judicial review of the provisional Bexhill to Hastings link road funding decision, given by the Department for Transport in March. This meant that archaeological and ecological preparatory works could start last year to enable advanced site clearance and removal of protest camps to be completed by the end of January. Newhaven Port has been selected by E.ON for the operations and maintenance for the proposed Rampion Off-shore Wind Farm. The news is a massive boost for Newhaven and the local economy, although it is subject to E.ON resubmitting and being granted a Development Consent Order. The first round of funding applications for a share of the £2.5 million from our Rural Growth and Employment Fund, which supports economic growth in rural areas of the county, closed on 30 November 2012. 22 applications were received totalling over £2.6 million which are currently being assessed. A second round of funding will be launched in March 2013 for the remaining funds. The County Council is currently taking bids from businesses for a further £1 million of funding from our Economic Intervention Fund. We launched our 'Go e-sussex' campaign to urge people to register their support for faster and more reliable broadband by visiting www.goesussex.co.uk and almost 3000 residents have given their support since the launch in November.

Community and Resources

The former St Anne's School site in Lewes is on the market. The site will only be sold for community use and cannot be used for housing development. Any new owner must show how they can work with current tenant, the voluntary organisation 3VA. The contract for a Public Services Network (PSN) for data was awarded in November and will initially be adopted by East Sussex County Council, Brighton & Hove City Council and Wealden District Council with view to additional organisations joining when their existing contracts end. This is part of our work with South East Seven (SE7) partners and the contract will deliver savings in the longer term. The business

case for full adoption of agile working practices was approved and means that procurement can begin to find an external partner to assist with implementation.

Community Services

We invested in our library buildings to address poor satisfaction ratings in 2009. Recent (2012) satisfaction results show significant improvements: (i) Forest Row from 77% to 93%; (ii) Wadhurst from 68% to 99%; and (iii) Rye from 71% to 95%. The Prison Library team received the inaugural Prison Library of the Year award which recognises the outstanding work to improve prospects (and to reduce reoffending) for the estimated 60% of inmates who have difficulties with basic literacy. Over 80 East Sussex couples celebrating their Diamond Wedding Anniversary in this Diamond Jubilee year attended a celebratory event in Eastbourne in October organised by our Registration Service. East Sussex Compact received the National Impact Award November 2012 for Compact working. The award recognised the contribution the East Sussex Compact made on the development of the Commissioning Grants prospectus.

Transport and Environment

The County Council was able to step in to provide a near normal bus service for around 1000 school children following Countryliner going into administration in October. To improve capacity and sustainability in the Community Transport sector, five operators have embarked upon accreditation for the Community Transport Association's Quality Mark, with sponsorship assistance from the County Council. More than 1200m of the A22 between Holmes Hill and Whitesmith was reconstructed using a technique that recycles material from the existing carriageway which shortens the duration of the works and is kinder to the environment. Over 50 members of our Buy With Confidence Scheme attended our first conference and participated in workshops on marketing, social media and conflict resolution. The joint waste collection contract covering Eastbourne, Hastings, Rother and Wealden was awarded to Kier and will save the County Council £1.8 million over the next 10 years from reduced waste management costs.

The Energy Recovery Facility (ERF) became operational in August 2011 and was running at full capacity by November 2011. The graph contained in the Cabinet papers previously circulated to all Members showed that in 2011/12 we halved the amount of waste we send to landfill compared to 2010/11 and made further reductions in 2012/13. The graph also highlighted the impact of a maintenance shutdown and our future targets will reflect the impact of any maintenance work on ERF capacity. The ERF requires a particular mix of materials to run efficiently. We received higher amounts of bulky waste (eg furniture) than anticipated and exceeded available capacity for shredding and/or storage. This has meant that although we are meeting targets for waste sent for energy recovery more waste was sent to landfill than targeted this year. We will review our future estimates for bulky waste and explore reuse options as part of our efforts to maximise diversion from landfill.

Annual road casualty statistics can be volatile but the long term trend is extremely positive. The graph contained in the Cabinet papers circulated previously to all Members showed that all road casualties have reduced significantly since 2005 and

although the number of slight and serious injuries increased slightly between 2011 and 2012, the number of fatalities fell to the lowest level recorded.

Community Safety

The evaluation for the pilot support service for high risk victims of anti-social behaviour and hate crime has been completed, and the report was presented to the partnership Resources and Performance Group in November. The Group approved the recommendation that funding for the service is extended. The Sussex Police and Crime Panel met for the first time on Monday 26 November 2012. The Police and Crime Commissioner, Katy Bourne, attended the meeting to outline her vision for the role. The Panel next meets on 11 January 2013. Meetings are webcast and open to the public, and take place at East Sussex County Council in County Hall, Lewes.

Children and Families

The demand for social care services, indicated by referral rates and social care assessment rates, is reducing.

The rate of referrals per 10,000 continues to fall and if the fall continues at this rate, we are likely to achieve or be very close to the 2013/14 target in Quarter 4.

Both the number of assessments and rate per 10,000 continue to fall, with the 2012/13 targets achieved in Quarter 3.

Learning and School Effectiveness

Key Stage 2 free school meal (FSM) pupils' performance is positive with the FSM/non-FSM gap narrowing by 5% to 20%. This was a direct result of an improvement in attainment of Key Stage 2 FSM pupils. The proportion that achieved level 4 or above (expected level for 11 year olds) in English and maths improved by 10% and now stands at 60%. This continues a very encouraging 3 year improving trend. The 14 primary schools which were directly targeted and supported by the Standards and Learning Effectiveness Service (SLES) closed the gap by 17.5% from 33.1% in 2011 to 15.6% in 2012 compared to a closing of the gap by 5% for all East Sussex schools.

The nine secondary schools which were directly targeted for support by the SLES closed the gap between FSM and non-FSM by 5.1% from 34.3% in 2011 to 29.3% in 2012.

Out of the 251 closed Targeted Youth Support (TYS) cases since 1 January 2012 who had received an intervention, 15 (6%) were subsequently referred to statutory social care services after the TYS case had closed. This is below the target of 15% for 2012/13.

42 per 10,000 10-17 year olds entered the Youth Justice System for the first time, an 85.3% reduction against Q3 of the 2010/11 baseline year. The introduction of Community Resolution has had the effect of diverting young people from entering the criminal justice system. We have also seen a drop due to the TYS referral pathway.

Adult Social Care

Between January and December 2012 we have supported 67.6% (11,088) of clients through Self Directed Support, and 77.3% (2537) of carers through Carers Grants. Initial results from the recent Carers Survey shows 73.3% of carers report they have been included or consulted in discussion about the person they care for, and 70.5% report they find it easy to find information about services. Between January and December 2012, 88.78% of older people discharged from hospital to reablement services were at home 91 days after their discharge from hospital.

1.16 The Cabinet recommends the County Council to:

- Y note the latest monitoring position for the Council Plan, Revenue Budget, Capital Programme and Savings Plan

2. Local Authority Mortgage Scheme

2.1 The Local Authority Mortgage Scheme is aimed at first time buyers, providing help for potential buyers who can afford mortgage payments, but not the initial deposit, to get on to the property ladder. At national level the scheme has proved very popular with first schemes being fully utilised quickly in many areas and second schemes being launched by many councils.

2.2 Under the scheme, each Local Authority will be able to specify three qualifying criteria; the maximum level of indemnity, the maximum loan size (based on 95% of maximum property valuation) and the qualifying post codes. If a potential buyer meets the strict credit criteria applied by the lender, and meets the criteria set out by the Local Authority to qualify for a mortgage under the scheme, the Local Authority will provide a top-up indemnity to the value of the difference between the typical Loan To Value (i.e. 75%) and a 95% LTV mortgage. The potential buyer will thereby obtain a 95% mortgage on similar terms as a 75% mortgage, but without the need to provide the substantial deposit usually required.

2.3 The Local Authority will be required to place a five-year deposit at the start of the scheme to the full value of the indemnity being offered. The deposit will be in place for the term of the indemnity – i.e. five years (with the possibility of a further two year extension if the mortgage is in arrears at the end of the initial five years) - and may have conditions / structures attached. The Local Authority will receive a five-year commercial deposit rate plus a premium. In the event of no default by the buyer, the deposit is returned to the Local Authority at the end of the indemnity period. The scheme is proven nationally and locally, and considered to be low risk.

2.4 The funding of the LAMS will be provided through the Council's normal cash flow and Treasury Management investments and does not require any new cash to support it.

2.5 This new initiative will have no impact on the existing approved Capital Programme. It is recommended to expand the overall Programme to show the scheme as a capital project, in line with the formal advice for such schemes. The £10 million recommended level will be used to contribute funding to schemes in district and borough areas and allows for second schemes in each area as appropriate,

depending on experiences and take up of the initial scheme. In the event of a district or borough not agreeing to provide match funding, the County Council may enter into arrangements direct with a mortgage provider.

2.6 The Treasury Management Policy should be amended to reflect the new arrangement, and SECTOR has recommended the following as best practice:

(1) after the non-specified investment section (to flag up that the LAM deposit is not part of the portfolio) the following should be inserted:

For authorities who participate in LAMS using the cash backed option, the mortgage lenders require a five year deposit from the local authority to match the five year life of the indemnity. The deposit placed with the mortgage lender provides an integral part of the mortgage lending, and is treated as capital expenditure and a loan to a third party. The Capital Financing Requirement (CFR) will increase by the amount of the total indemnity. The deposit is due to be returned in full at maturity, with interest paid either annually or on maturity. Assuming no default by the buyer, once the deposit matures and funds are returned to the local authority, the returned funds are classed as a capital receipt, and the CFR will reduce accordingly. As this is a temporary (five years) arrangement and the funds are expected to be returned in full, there is currently considered to be no need to set aside prudent provision to repay the debt liability in the interim period, so there is no MRP application.

(2) at the end of the Creditworthiness section, the following should be added:

The Council is currently participating in the cash backed mortgage scheme which requires the Council to place a matching five year deposit to the life of the indemnity. This is an integral part of the policy initiative and is not subject to the above criteria.

2.7 In addition to the Mortgage Scheme Indemnity Deed, the Local Authority Head of Paid Service or Monitoring Officer must provide Lloyds TSB Bank plc and Lloyds TSB Scotland plc with an Opinion Letter confirming that the Authority has the power to enter into, observe and perform the terms and obligations required of it under the Scheme. Where schemes have been established in a number of other authorities this has been provided by an independent firm of solicitors which the banks have found acceptable. Consideration is currently being given to which approach is the most appropriate. The Authority will also be required to indemnify the Head of Paid Service, Monitoring Officer or Chief Financial officer in respect of any personal liability he or she may incur by providing the opinion letter. Both the opinion letter and the Officer's Indemnity Deed will be in a prescribed form.

2.8 The Cabinet recommends the County Council to:

- Y (1) approve the expansion of the Capital Programme to include the Local Authority Mortgage Scheme;
- (2) approve the amendment to the Treasury Management Policy set out above to reflect the new arrangement;

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(3) give authority to the Head of Paid Service, Monitoring Officer and Chief Financial Officer to provide an opinion letter in whatever form they feel appropriate; and

(4) agree to indemnify the Head of Paid Service, Monitoring Officer and Chief Financial Officer in respect of any personal liability that he or she may incur by providing an opinion and providing the lender with an opinion letter in relation to each and every scheme that the Council enters into.

5 March 2013

PETER JONES
Chairman