REPORT OF THE CABINET

The Cabinet met on 10 December 2013 and 28 January 2014. Attendances:-

Councillor Glazier (Chair) (2)
Councillors Bennett (2), Bentley (2), Chris Dowling (2), Elkin (2), Maynard (2), Simmons (2) and Tidy (2)

1. Reconciling Policy, Performance and Resources: draft Council Plan, Revenue Budget and Capital Programme

1.1 The Cabinet has considered a report on Reconciling Policy, Performance and Resources (RPPR) including the draft Council Plan, the Revenue Budget for 2014/15 and the Capital Programme for 2014/15 – 2017/18. The draft Council Plan is attached at Appendix 1 of this report. The draft Revenue Budget is attached at Appendix 2 to this report and Capital Programme at Appendix 3. The Chief Finance Officer's statement on the budget robustness is attached at Appendix 4. The process has been developed to bring together business and financial planning processes to allow Members to set priorities and to direct resources towards meeting those priorities. In times of reducing financial resources there is a need for complete clarity about what the County Council's priorities are and relentless focus on maximising the impact it can make on their achievement, working as one Council across all departments and services. The County Council has agreed four overarching priorities for the Council:

- Driving economic growth;
- Keeping vulnerable people safe from harm;
- Building resilience for individuals and families to live independently; and
- Making best use of our resources.

Financial Outlook

1.2 The Medium Term Financial Plan (MTFP - Appendix 2, Annex 2) is based on the assumption that the Council will be required to contribute to the Government's programme of deficit reduction for the foreseeable future. The current MTFP covers the period 2013/14 – 2015/16 and was agreed by County Council in February 2013. It is based on an assessment of the likely income from central Government grants, business rates and Council Tax levels. This has led to the Council planning to make a cash reduction in spending of £60m during this period. Savings are planned in the ratio 1:2:1 over the period. By the end of 2013/14, service expenditure will have reduced by £16.8m. Further cash reductions in expenditure are planned of £27.7m in 2014/15 and £16.1m in 2015/16.

1.3 The updated MTFP adds a savings target of £27.3m in 2016/17. Whilst there have not been specific announcements from Government for this year, as it is beyond the date of the next general election, the Conservative Party is clear that it plans to clear the Government's budget deficit by 2020. The other main political parties have not made any similar announcements, but neither have they said they would increase public spending. It is therefore prudent to continue to plan on the basis of continuing diminishing resources from Central Government and restrictions on the Council's ability to raise money through Council Tax rises. The total cash reduction made by the County Council over the five years of the current Government from 2010-2015 will have been £75m. Looking even further forward, the County is estimating that the total cash reductions up to 2020 will need to be of the order of £110m. The Government has chosen to take a larger than average proportion of its savings from Local Government than other areas of public service and there is no reason to believe there will be any change in this policy in the future.

1.4 Savings of this scale are extremely challenging. They have meant and will continue to mean major changes to what the Council does and how it does it. Such radical changes to services take time to plan. Changing what services the Council funds and how they are provided has a long lead time because of the need to: engage service users and others to help design services that work for them; develop self support infrastructure where services are being withdrawn; and manage risk to the most vulnerable people in our communities in particular on whom 75% of resources are spent. Tough decisions have been and will continue to need to be taken and managers need to be given as much certainty as possible about future funding levels in order for them to be able to plan creatively for the future, both within services and across the Council as a whole.

1.5 This work will involve a rigorous use of the strategic commissioning discipline focused on our four agreed priority outcomes to guide spending decisions and use of resources. The approach will incorporate our “One Council” and partnership approach. Specific workstreams will be explored across East Sussex:

- Agile working – making the best use of our physical and personnel resources by moving services closer to the end user;
- Commissioning and procurement – looking at how best to meet local people’s needs through service delivery. This could mean a radical rethink across services about how those needs are met – looking at how we tackle social isolation in rural areas for example, rather than how we deliver traditional services such as social care and community transport. This will also involve working in partnership to meet those needs and to improve our purchasing power;
- Digital access and social marketing – the development of a Digital Access and Social Marketing Strategy will help us to deliver our services more efficiently and be an important component in demand management. There will be three strands to the work that are interlinked and need input from across all departments:
    - Transactional – digitising transactions, web access and channel choice;
    - Social marketing and demand management – helping people to do things differently by using the web to influence behaviour or to develop communities of place/interest that can become self-supporting to meet needs; and
    - Community engagement and leadership; and
- Working in partnership to meet local needs for example through improving our purchasing power through commissioning or with communities themselves to help meet identified need in new ways.

1.6 It is proposed that the current overall savings and spending plans for the next two years are adhered to in order that plans can be developed implemented and evaluated, with as much certainty as possible about future resources for operational budgets. The savings plans are set out in Appendix 2, Annex 3 and are based on the premise that departments absorb pressures arising from demographic change beyond that which has been budgeted for. As a point of clarification, the Impacts section for the Reduction in agency foster care and greater use of in house foster care placements in Appendix 3, Annex 3, should read:

Reduction in respite care.

The impact of this will be partially mitigated by the move to greater personalisation allowing families more choice and control over the support they receive. Evidence from other parts of the country shows that families tend to look at alternative ways to get a break from caring responsibilities rather than buying more expensive residential respite provision. This results in less pressure on overnight respite services.

1.7 The allocation for contract inflation and pay rises has been reviewed in the light of an anticipated increase in the minimum wage, which will affect contract prices as they come up for renewal and the County's pay structure. Additionally, a spike in inflation is likely to occur as the economy picks up.

1.8 The budget set for 2013/14 contained elements of contingency, because of the size of the challenge faced; the complexity and risk associated with its delivery; and to provide capacity to fund transformation work. At the end of Quarter 2 departments were reporting good progress on delivery of their savings plans and it is likely that some of this contingency could be released. This has identified an available pot of £10m. Given the one-off nature of this funding it is appropriate to use it for one-off expenditure rather than to delay implementation of the revenue savings, which are inevitable in the longer term. It could be kept as contingency, but given the concerns Members have raised about road condition and the need to provide for future capital provision, it is proposed that the unused contingency is deployed as follows:

- increase the funding for pothole repairs by planning to spend £1.5m to mitigate the impact of adverse weather conditions;
- increase the revenue contribution to capital by £5m to enhance the Highways Structural Maintenance programme for unclassified roads in 2014/15; and
- any remaining funding to be used to increase Capital Reserves. The current reserve has been fully committed to the current Capital Programme and the additional sum would allow for investment in known future needs e.g. secondary schools places.

1.9 A review of the contingencies contained within the MTFP for 2014/15 allow these to be reduced giving an additional resource pot of £7.6m. Given the one-off nature of this funding it is appropriate to use it for one-off expenditure rather than to delay implementation of the revenue savings.

Council Tax

1.10 Over the last three years the County Council has chosen to accept the Council Tax freeze grants offered by the Government. The Government has variously said that some past freeze grants would become part of our base grant and that freezes in other years were time limited, with no guarantee about what might happen beyond the life of the current Government. Accepting a Council Tax freeze grant, which goes into a diminishing grant base, would increase uncertainty about future funding. It is important that the Council maximises the control it has over its funding so that it can manage its own business as far as possible.

1.11 The Government has offered a Council Tax freeze grant for 2014/15 of £2.4m – broadly equivalent to a rise of just over 1% in Council Tax. Any increase in Council Tax above the level of freeze grant will provide further additional resources for allocation within the budget. The table below sets out the effect of accepting the freeze grant, and raising the Council Tax by 1.45% and 1.95% on the level of Council Tax and the base budget.

	Accept Freeze Grant	Council Tax increase of 1.45%	Council Tax increase of 1.95%
Net revenue budget of	£369.2m	£372.4m	£373.4m
Council Tax requirement of	£215.4m	£218.5m	£219.6m
A Council Tax increase of	0%	1.45%	1.95%
Band D Council Tax of per annum	£1,158.30	£1,175.10	£1,180.89

1.12 While we cannot be certain of the spending plans of Central Government ahead of the General Election in May 2015, further reductions are anticipated for the foreseeable future. In November a further £30m revenue budget savings requirement was forecast for 2016/17. The newly revised MTFP, which has been modelled on the Council accepting the Freeze Grant in future years, has reviewed risks and other items such as the funding of capital, resulting in a reduction of the budget savings requirement to £27.3m from £30m. Increasing Council Tax at 1.45% each year from 2014/15 would reduce the potential savings requirement from £27m to £18m, because it secures the additional funding in our base budget. If Council Tax was increased by 1.95% each year then the potential savings requirement would reduce from £27m to £14m.

1.13 It is therefore proposed that the Council increases Council Tax in 2014/15 by just under the maximum level allowed before a referendum is triggered. This would secure the funding the County Council needs to deliver its current savings plans and provide greater certainty about our ability to manage our funding in the future. At the time of the meeting the Government had not set the level of Council Tax rise which would necessitate a referendum, the cost of which is likely to be in the region of £1m. Cabinet agreed to meet immediately prior to County Council to consider the recommended level of Council Tax rise if the Government were to set a Council Tax referendum level under the current 2% before 11 February.

1.14 The following table models the resources that will be available at three levels of Council Tax discussed above: accepting the freeze grant, and increases of 1.45% and 1.95%. The table sets out proposals for the allocation of one-off resource for 2014/15.

2014/15	**Accept Freeze Grant**	**Council Tax increase of 1.45%**	**Council Tax increase of 1.95%**
Resources	**£m**	**£m**	**£m**
MTFP	7.60	7.60	7.60
Additional Council Tax income		0.70	1.80
Total one-off resource	**7.60**	**8.30**	**9.40**
Proposed use			
Increase budget for pothole repair[1]	0.75	0.75	0.75
Increase Highways Capital Maintenance budget (2nd tranche) – Unclassified roads	5.00	5.00	5.00
Transfer to Capital reserve	1.85	2.55	3.65
Total	**7.60**	**8.30**	**9.40**

1This is in addition to the £1.5m allocated in 2013/14

1.15 The options for investment in roads outlined at paragraphs above together with their potential impact was given at Appendix 5 of the January report to Cabinet previously circulated to all Members. Over the two year period 2013/14 and 2014/15 the Council will increase its investment in the highways service by £12.25m. This is in addition to £45m proposed in this report for further structural maintenance work in the capital programme for the period 2015/16 to 2017/18, creating a total additional investment of £57.25m over the next five years.

Council Plan

1.16 The Council Plan provides a summary for each strategic priority including planned action, the allocation of resources and targets for the next three years. It is still work in progress until final budget allocations are made and firm targets can be set. It will be published by 1 April 2014 and refreshed in July when final performance outturn figures for 2013/14 are available. Authorisation is sought for the Chief Executive to make final changes pre and post publication in consultation with Lead Members as appropriate.

1.17 Making best use of our resources – runs across all activities and the RPPR process itself is a key part of delivering of this objective.

1.18 Driving economic growth – is vital because helping to build a vibrant local economy is the single most important thing we can do to ensure our communities are resilient and to reduce the demand for services. The County Council does this in three ways: by creating the environment and infrastructure businesses say they need; by using resources to support the local economy; and by making sure that people have the skills they need to take advantage of opportunities.

1.19 Keeping vulnerable people safe – the County Council spends 75% of its budget on specific groups which include the most vulnerable people in our communities. There will always be children and adults who cannot be looked after at home and with families. Where it is clear this is the case for children, we will intervene early and find permanent or long-term placements for them through fostering or adoption, where appropriate. To protect vulnerable adults from any form of abuse, we work closely with a number of agencies such as Sussex Police, East Sussex Fire and Rescue Service, and the health services to ensure there are effective measures in place to protect people who are at risk of abuse and to investigate any abuse that does occur.

1.20 Building resilience – people prefer and need to be independent of public services. If we can encourage families and communities to work together to meet local need and support individuals to stay independent, we can meet our objectives of breaking dependency, reducing demand for services and therefore costs.

1.21 We are working on a range of programmes to help families with vulnerable children so they can get the best start in life. We are taking a lead role in the national Pathfinder Programme to reform the system for children with Special Educational Needs and Disability (SEND). The reforms will give families personal budgets to give them greater choice over how their children's needs are met. We will continue to invest in targeted Early Help services that give families the support they need before they get into difficulties. For example, the "keyworking" approach to supporting families aims to deal with the causes, not just the symptoms, of problems and to streamline the support they receive. We hope to both enable families to improve their lives and to reduce the total cost of intervention over the period of their lives.

1.22 We have a particular challenge in Adult Social Care because the number of people who need services will rise each year, simply because of the ageing population in East Sussex. We must, therefore, provide services to more people, with less money in a sustainable way, while providing the best possible outcomes for service users. The shift we are making in Adult Social Care, in partnership with health colleagues, is to support more people in their homes, supported housing, and their communities and to further reduce the demand for residential, nursing home and hospital care. The County Council and Clinical Commissioning Groups are committing to a radical transformation of health and social care to ensure a clinically and financially sustainable whole system. This is particularly important as once people are in residential care, it is difficult to move them back into their community. Residential care accounts for a significant proportion of current spend for both older people and adults with physical and learning difficulties. After consultation, the decision has been taken to maintain eligibility criteria, but reduce the overall level of support each client receives following a review of their support plan. This will provide care for as many people as possible and keep them safe. This is very challenging, both in terms of the number of cases we need to review, and in fully considering the risks when decisions are taken to reduce levels of support. In order to continue to provide services to as many people as possible at the same time as offering choice in what services people receive, we need to make the best use of the money we have available; this means looking critically at our directly provided services and considering alternatives when this provides better value and choice.

Staffing impacts and implications

1.23 As a responsible employer, the Council is committed to ensuring our employees are supported through times of change and we fully recognise the impact the current level of transition may have on individuals and teams. We have therefore taken proactive action to mitigate disruption to our employees and service delivery. An enhanced employee well-being support package was launched in September 2013 providing all of the workforce with 24 hour access to telephone counselling support and a full range of information providing practical guidance and support identifying practical solutions that minimise the negative impact of change. All employees who face a restructure are now invited to attend a 'resilience' workshop that enables participants to be coached in techniques which enable a more positive and realistic approach to change allowing more informed choices to be made. The response from managers, employees and Trade Unions has been extremely positive and the sessions have greatly reduced the level of anxiety for many employees.

1.24 It is anticipated that the Council will be required to make around 100-150 job losses over the coming financial year, however this figure will become clearer throughout the course of on-going consultation with employees and Trade Unions.

Capital Programme

1.25 A mid-year review of the Council's Capital Programme has been undertaken and a revised programme was approved by Cabinet in November 2013. Further investment needed for the Core Programme was reported to Cabinet in December (see paragraph 3 of this report). Details of the Capital Strategy and Programme are at Appendix 3.

1.26 The report on the Treasury Management Strategy to the January Cabinet meeting included the prudential indicators for the Capital Programme, and is referred to in a later paragraph of this report.

Robustness and Opportunity Cost of Reserves

1.27 The Chief Finance Officer is required to report on the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides, as part of the budget setting process. This was set out in Appendix 2 of the January report to Cabinet previously circulated to all Members.

Equalities

1.28 An assessment of the potential impact, from an equalities perspective, of the proposals in the Council's overall budget is set out in Appendix 2, Annex 3 (Revenue) and Appendix 3, Annex 1 (Capital). The Council's duties in relation to equalities must be taken into account when Members consider the recommendations to County Council on the Revenue Budget and Capital Programme. EqIAs, including appropriate consultation, will be carried out before service changes are agreed consequent to the proposed budget.

1.29 Whilst County Council is being asked to agree the Revenue Budget and Capital Programme, there remains scope for reconsideration of individual proposals in the light of new information and changing circumstances during the year (for example the outcome of EqIAs). When specific executive decisions are taken the full equalities implications of doing one thing rather than another can be considered in appropriate detail. If it is considered necessary, in light of equalities or other considerations, it is open to those taking the decision to spend more on one activity and less on another within the overall resources available to it.

Engagement Feedback

1.30 Departments will have been and will continue to consult with service users, stakeholders and partners on specific service changes. Materials were also provided for Members to use when talking to their constituents about the financial challenge the Council faces.

1.31 A number of our consultation and engagement exercises have been carried out and are planned on the overall budget proposals. The views of the Scrutiny Boards which met in December 2013 and January 2014 were set out in Appendix 6 of the January report to Cabinet previously circulated to all Members. A meeting with the Trades Unions was held on 16 January 2014, with young service users on 21 January and with our wider East Sussex Strategic Partnership Partners on 23 January. Feedback from these meetings was tabled at the Cabinet meeting.

1.32 The Cabinet **recommends** the County Council to:

✡ (1) approve the draft Council Plan at Appendix 1 and authorise the Chief Executive to finalise the Plan in consultation with the relevant Lead Members;

(2) approve the Medium Term Financial Plan 2014/15 to 2015/16 and note the forecast for 2016/17 presented at Appendix 2 - Annex 2;

(3) in accordance with the Local Government Finance Act 1992 to agree that:

(i) the net budget requirement is £373.4m and the amount calculated by East Sussex County Council as its requirements for the year 2014/15 is £219.6m;

(ii) the amount calculated by East Sussex County Council as the basic amount of its council tax (ie for a band D property) for the year 2014/15 is £1180.89p and represents a 1.95% increase on the previous year;

(4) advise the Borough and District Councils of the relevant amounts payable and council tax in other bands in line with the regulations and to issue precepts accordingly in accordance with an agreed schedule of instalments;

(5) authorise the Chief Executive, in consultation with the Chief Operating Officer, the Chief Finance Officer, Leader and Deputy Leader to make adjustments to the budget to reflect the final settlement;

(6) note the fees and charges set out in Appendix 2, annex 4;

(7) note the views on the RPPR proposals from engagement feedback;

(8) approve the Capital Programme including further investment in Core Programme Need 2014/15 to 2017/18 at Appendix 3.

2. Council Plan Monitoring – Quarter 2 2013/14

2.1 The Cabinet has considered a report on performance against the Council Plan, Revenue Budget, Capital Programme, Savings Plan and Risks for the second quarter of 2013/14. Broad progress against the Council's four strategic priorities is summarised below and headline data is provided in the Corporate Summary at Appendix 1 of the report to Cabinet on 10 December 2013. Strategic risks are reported at Appendix 2. A detailed report for each department was provided in Appendices 3 – 7 of the report to the Cabinet. The report follows the new Council officer structure effective from 1 November 2013.

2.2 Good progress can be seen across all our priority areas. For example this quarter we have seen: good use being made of the new Memory Assessment Service with another 393 referrals received this quarter; an 8.2% reduction in crimes reported compared to quarter 2 last year (rolling year data); progress on the Agile programme; the appointment of Medway Youth Trust to deliver the Youth Employability Service which will help young people successfully take part in education and/or work; initial plans giving the first areas covered by the roll-out of superfast broadband starting in quarter 3 with upgraded services due 6-9 months later; £4m funding secured from the Regional Growth Fund to support projects that lever private sector investment to create economic growth and sustainable employment; and official opening of The Keep historical resource centre. More detail of progress against each of the priority areas is set out in paragraphs 2.7 to 2.16 below. Of the 71 Council Plan targets 57 (80%) are rated green, 9 (13%) are rated amber, 2 (3%) are rated red, and 3 (4%) are proposed for amendment. These are:

- Support for those who wish to have Person Centred Plans, measure amendment - Number of Education, Health and Care Plans completed for young people aged 18 and over; target amendment – from 100% to establish baseline.
- Percentage of ESCC Procurement Spend in the local area, target amendment to 45% from establish method and set baseline.
- Education, Health and Care Plan feedback survey – delete measure 2013/14.

2.3 The Council is projected to underspend on its revenue budget by £1.046m (0.2% of the whole Council budget). The main variations include a projected overspend of £2.116m (1.1% of budget) in Adult Social Care (see paragraph 2.12 for more detail), and a projected underspend of £2.030m (7.1%) in Treasury Management.

2.4 Within the overall projected underspend referenced in 2.3 above, our 2013/14 savings plans are mainly on track. There is a projected shortfall of £2.352m, 10% of total, after mitigating savings of £0.170m. This shortfall is largely within Adult Social Care Community Based Services (see paragraph 2.12 for more detail) and is expected to be brought back in line by quarter 4.

2.5 The Capital Programme runs to 2017/18. As the projects approved by Members are developed, more accurate profiling is available and the mid-year review (current budget figures used in this report) was considered by Cabinet on 12 November 2013. The mid-year review resulted in £67m (including movement from 2012/13 outturn) being reprofiled into future years (£50m from original budget).

2.6 The risks that make up the strategic risk register have been reviewed by all the relevant risk owners. This has not resulted in any material changes this quarter.

Progress against Council Priorities

Driving economic growth

2.7 The Bexhill Hastings Link Road project is progressing to plan and is due to open in May 2015. There is an outstanding risk to the stability of the railway cutting. Options to mitigate the risk will be considered over the winter with agreed work expected to commence in spring 2014. We continue to monitor and manage construction to ensure the project remains on budget. The £15m Baldslow Link Road has been included on a list of seven schemes prioritised for a share of the £66m allocated to the South East Local Transport Board. The Newhaven Port Access Road is being completed in two phases. The Council is responsible for phase 2 which cannot begin until the developer has completed the first phase. The Council is carrying out technical work on costs and timescales in parallel with phase 1 (Appendix 6 of the report submitted to the Cabinet).

2.8 An additional 588 2 year olds took up a place at an early years provider since April, up 256 from quarter 1, but our target of 700 by September was missed. Another 123 children will receive funding from January 2014 which will take the total to over 700.

2.9 Provisional GCSE results for 2013 show that 59.6% of pupils achieved 5+ A*-C grades including English and maths, up from 58.2% last year, and in line with the national trend. Secondary schools supported by our Standards and Learning Effectiveness Service (SLES) improved by 8.2% while all other East Sussex secondary schools declined by 0.1%. Provisional results at Key Stage 2 show that SLES supported primary schools improved by 3% (provisional) while all other East Sussex primary schools improved by 0.2%, however, changes to assessment and reporting mean these results are not directly comparable with last year.

Keeping vulnerable people safe from harm

2.10 Good progress has been made with THRIVE including: more families engaging with early help services; reduced timescales for children moving in with their adoptive families; and a reduction in cost pressures. There has however been an increase in the rates of Child Protection Plans and Looked After Children this quarter, and we are investigating whether this is a seasonal increase or part of a longer term pattern. A projected £4.8m will be drawn from the THRIVE budget to meet investments as intended.

2.11 Road casualty figures are reported one quarter in arrears. Between April and June 86 people were killed or seriously injured on East Sussex roads. Although numbers continue to fall they are not doing so as quickly as expected. Partnership work to improve road safety was highlighted at the Town and Parish Council Conference on 18 October 2013.

Building resilience for individuals and families to live independently

2.12 The proportion of working age adults and older people receiving self directed support (72%) or direct payments (24%) continues to increase, the latter reaching the 2013/14 target level early. We are projecting savings of £0.526m in Community Based Services against a savings target for 2013/14 of £2.7m. Achieving the savings target is dependent on the outcomes of reviews of individual packages of care.

2.13 The Memory Assessment Service has received 792 referrals in the first six months of 2013/14 against a full year target of 1,000. 76% of safeguarding case file audits completed were either good or excellent against a target of 75%. The percentage of older people discharged from hospital to reablement/rehabilitation services is 87%, below the 88% target, and the Council Plan target is rated amber.

Making best use of our resources

2.14 The Keep Historical Resource Centre was officially opened by The Queen at the end of October and is open to the public from 19 November 2013.

2.15 Agile is progressing well and we are preparing to restate our business case for final approval in early 2014. Teams have been testing new technology which stores software applications centrally rather than on each computer and feedback has been largely positive. In addition to increased efficiency, cost and maintenance work will be reduced.

2.16 We are generally making good progress in the delivery of our priority outcomes with only a few targets off track. Overall revenue budget is projected to be balanced at year end. It has been necessary to make some adjustments to our Capital Programme, moving some spend to future years. Savings plans are mainly on track, but achieving them is an ongoing challenge.

2.17 The Cabinet **recommends** the County Council to:

- Approve the recommendations regarding the targets as set out in paragraph 2.2 of this report.

3. Capital Programme for RPPR: Further investment in Core Programme need

3.1 The current approved Capital Programme only includes provision for 2013/14 and 2014/15 in terms of core programmes (ie Corporate Property Maintenance, Highways Maintenance, ICT and Schools Basic Need).

3.2 Work is ongoing to fully identify these programme needs for the period 2015/16 to 2017/18. The current identified need requirements in total range from £95.8m to £164m.

	Schools	Highways	Property Maintenance	ICT	Total
	£m	£m	£m	£m	£m
Maximum requirement	36.5	75.0	50.0	2.3	164.0
Mid Range requirement	36.5	52.2	50.0	2.3	141.0
Minimum requirement	18.5	45.0	30.0	2.3	95.8

3.3 £105.5m of grant resources that have not yet been applied to fund the capital programme has been identified to fund this additional requirement. These are set out in the following table; the figures are either based on formal notification of funding received from central government or estimates based on current understanding of future funding intentions. The uncertainty over future public funding therefore carries a risk that it may change over time or not materialise.

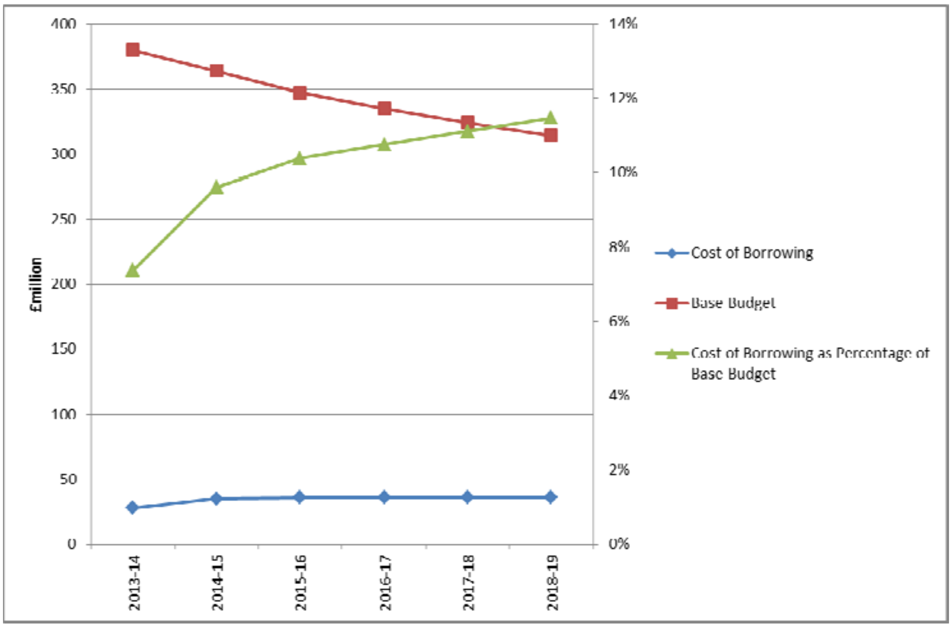
Funding Streams			
	Secured allocations	Estimates	Total
	£m	£m	£m
DfE – Basic Need (School Improvements)	13.2	21.1	34.3
DfE – School Maintenance	6.4	12.0	18.4
DfT – Local Transport Capital block funding	12.7	38.1	50.8
Capital Reserves	2.0		2.0
Total	**34.3**	**71.2**	**105.5**

Note: The Local Transport Capital Funding grant includes an element for Integrated Transportation as well as Highways maintenance.

3.4 Work is still ongoing to identify potential resources from EU and National Lottery grant funding, plus further Capital Receipts that could be applied. Utilisation of revenue under spends from 2013/14 could also be considered.

3.5 If additional resources are not identified then any spending over the £105.5m would require the use of further borrowing, which itself would have an impact on the Council's current RPPR strategy, The Council has already committed to £100m of new borrowing to fund the currently approved capital programme. Every £10m of additional borrowing would add a further £1m of financing costs to the base revenue budget.

3.6 The costs of servicing borrowing become a long term fixed element of the Council's revenue budget (c.£40m per annum by 2017/18). Commitment to additional costs has a consequential impact on the flexibility to manage the Council's overall budget. The following chart shows the impact that the approved £100m of borrowing will have on the revenue budget, increasing the ratio that the borrowing cost are of the net revenue budget from 7% to 11%.



3.7 Recommended financial practice requires councils to match the duration of any borrowing taken out with the life expectancy of the asset being funded. The £1m pa cost has been based on a borrowing duration of 25 years. The shorter life expectancy of improvements to the roads might have an impact on the final revenue costs.

3.8 The table at Appendix 8 of the report considered by the Cabinet in December summarised the identified needs requirements in service impact terms.

3.9 The Council's financial position limits its ability to fully fund the additional requirements; therefore a degree of choice will need to be made. The Capital Programme considered under paragraph 1 included proposals regarding this issue.

4. Conservators of Ashdown Forest: Budget 2014/15

4.1 the Cabinet has received the Conservators' draft budget for 2014/15 and considered the overall position and the balance of funding which may be made available to the Conservators from the Trust Fund as well as the contribution from the Council's own resources.

4.2 The balance on the Trust Fund is estimated to be some £175,756 at 1 April 2014.

4.3 While the Council has a statutory obligation to meet any shortfall between expenditure and income, the Conservators must prepare budget estimates for approval by the County Council. The Conservators are only empowered to spend what is provided for in the estimates approved by the County Council.

4.4 The Conservators have produced revised forecasts for 2013/14 and a draft budget for 2014/15 and have been approved by the Board of Conservators at their meeting on 25 November 2013. As presented, the Conservators' draft budget assumes the level of grant from the Trust Fund will continue at £65,100 resulting in a shortfall of £71,459.

4.5 The Higher Level Stewardship (HLS) Grant from the Department for Environment, Food and Rural Affairs (DEFRA) funds nearly 50% of the total expenditure currently incurred by the Conservators. It has been maintained at 2013/14 levels but this is not a guaranteed income stream with some uncertainty as to the future funding levels beyond 2015/16 and such reliance does pose some level of financial risk in the future for the Conservators.

4.6 The County Council's Reconciling Policy, Performance and Resources process sought to provide some certainty for the Conservators by planning to maintain the Council's own contribution to the Conservators for 2014/15 (and 2015/16) at the 2013/14 level of £75,800. This matches the provision in the CET Department Medium Term Financial Plan.

4.7 Annual income to the Trust Fund, from a long term lease with the Royal Ashdown Forest Golf Club, amounts to £70,000. The Grant to the Conservators from the Trust Fund can be maintained at £65,100 in 2014/15. The combination of maintaining the Trust Fund grant and the grant from the County Council's own resources at the current level would give the Conservators a modest surplus of £4,341 for the year.

4.8 While the County Council has a statutory obligation to meet the shortfall between expenditure and income of the Conservators, it also has the responsibility for approving the level of expenditure. The level of shortfall in the Conservators' budget can be funded from the Council's contribution if approved at the recommended level. The Cabinet has therefore recommended an annual grant of £65,000 from the Trust Fund, and a contribution of £75,800 from the Council's own reserves as set out in the Medium Term Financial Plan for 2013/14 to 2015/16. The Conservators' final budget will be amended to reflect these recommendations. The recommendations are reflected in the reconciling policy, performance and resources report in paragraph 1 of this report.

5. South Downs National Park Authority: Delegation for provision of planning services

5.1 Under the current Section 101 Agency Agreement, the South Downs National Park Authority pays a fee for a Planning Development Management Service from the County Council based on a past level of planning applications and enforcement work. The payment for 2013/14 amounts to £58,000. Potential future payments are likely to be slightly lower related to the ongoing financial circumstances within local government and the South Downs National Park Authority's desire to move towards more convergence of service provision standards and costs across the constituent authorities within the Park. The South Downs National Park Authority has indicated that the 2014/15 settlement is likely to involve a 2% reduction.

5.2 From 1 April 2011, the South Downs National Park Authority became the planning authority for the Park area. Since that time, the Planning Development Management service for the area has been provided in an innovative way using an agency arrangement whereby the 15 constituent authorities within the Park undertook the development management service with only the most “significant” cases being determined by the South Downs National Park Authority on a “call-in” basis. The host authorities and the South Downs National Park Authority together have to determine over 4,000 planning applications in the Park area which means that the Park is among the top 10 largest planning authorities in the UK in terms of applications handled. County Council on 19 October 2010 agreed the principle of entering the original Section 101 Agreement, which was ultimately completed in November 2011 for the period up to 31 March 2014.

5.3 In March 2012, 4 host authorities (Arun District Council, Brighton & Hove City Council, Wealden District Council and Eastbourne Borough Council) decided to withdraw from the arrangement for various reasons mostly either related to the minor scale of work involved or the additional burdens arising from the Agreement. The South Downs National Park Authority has had to increase staff levels to provide the development management service for these areas in-house.

5.4 Following the original Section 101 Agreement, the South Downs National Park Authority drew up a Service Level Agreement which identified responsibilities and standards to be met by both the South Downs National Park Authority and the host authority.

5.5 The South Downs National Park Authority on 19 November 2013 resolved to enter into new Section 101 Agreements with host authorities for up to a further 3 years period from April 2014 to March 2017. The South Downs National Park Authority also approved a short extension of the current Section 101 Agreements, if required, to enable all the necessary agreements and protocols to be completed. The new Section 101 Agreement is being offered to 10 host authorities as West Sussex County Council has formally confirmed that it does not wish to continue with delegation.

5.6 The arrangements to provide a development management service across the Park have developed rapidly especially over the last 18 months with the introduction of a new IT system, revised consultation requirements and a revised performance monitoring process. The County Council has provided a rigorous development management service for the area within the National Park with the determination of all the relevant planning applications and the provision of a planning enforcement service.

5.7 The South Downs National Park Authority remains strongly committed to delivering its development management service through agency arrangements. This strong partnership ethic has been supported by the County Council. The arrangement to deliver this form of development management service is unique among national park authorities and therefore largely untested. Apart from issues related to the implementation of a single IT Platform, the provision of the service has run smoothly in the area covered by the County Council.

5.8 Previously, Revenue Support Grant to the County Council was reduced in recognition of the creation of the South Downs National Park Authority. The agency agreement has therefore maintained the financial position for the County Council whilst still undertaking the complete development management work related to the Park area within East Sussex. This arrangement is an efficient use of skilled staff across the area and it retains a development management contribution to planning decisions within the Park.

5.9 The Cabinet **recommends** the County Council:

✡ (1) to agree to accept the delegation from the South Downs National Park Authority to enter a further Section 101 Agreement with the South Downs National Park Authority for the provision of planning services by the County Council as agent from April 2014 to March 2017, and if required a six month extension of the existing Section 101 Agreement; and

(2) to delegate authority to the Planning Committee and the Head of Planning to determine the applications that are received.

6. Treasury Management Strategy 2014/15

6.1 The Cabinet considered a report containing information about the borrowing limits, the prudential indicators and limits, the investment strategy and policy as required by Section 3 (1) of the Local Government Act 2003 and the Prudential Code for Capital Finance 2004.

6.2 The emphasis continues to be on security (protection of the capital sum invested) and liquidity (keeping money readily available for expenditure when needed). The strategy and limits are consistent with the proposed capital programme and revenue budget dealt with elsewhere on the agenda. As will be clear from the global events, it is impossible in practical terms to eliminate all credit risk. This Council seeks to be prudent.

6.3 Whilst the Council is recommended to approve borrowing limits to finance the capital programme, new external long-term/replacement borrowing will be considered taking into consideration the borrowing costs should there be a competitive rate.

6.4 This Council has always adopted a prudent approach on its investment strategy and in the last few years, there have been regular changes to the list of the approved organisations used for investment of short term surpluses. This list is regularly reviewed to ensure that the Council is able to invest at the best available rates consistent with low risk; the organisations are regularly monitored to ensure that their financial strength and low risk has been maintained. The 2014/15 strategy continues the prudent approach and ensures that all investments were only to the highest quality rated banks and only up to a period of two years.

6.5 These are self-imposed indicators that are set on an annual basis in Appendix 5.

6.6 Capital Financing Requirement and Minimum Revenue Provision statement is set out in Annex 2 and 3 to comply with best practice.

6.7 The Treasury management strategy and policy statement for 2014/15 remains unchanged from the current year and is set out in Section 5.

6.8 The Cabinet **recommends** the County Council to:

✡ (1) approve the treasury management strategy and policy statement for 2014/15 (adopted for 2013/14);

(2) determine that for 2014/15 the Authorised Limit for borrowing shall be £480m;

(3) adopt the prudential indicators as set out in Appendix 5; and

(4) approve the Minimum Revenue Provision (MRP) Statement for 2014/15 as set out in the attached Appendix 5.

28 January 2014

KEITH GLAZIER
Chair