REPORT OF THE CABINET

The Cabinet met on 16 December 2014 and 27 January 2015. Attendance:-

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 2015/16, draft revenue budget and capital programme 2014/15 – 2018/19

1.1 At its budget meeting in February, the County Council is required to agree the Council Plan, Budget and Capital Programme for the forthcoming year. To date, performance targets, broad spending and saving targets for the following two years have been set for our 13 service areas at this meeting. This year we face huge uncertainty about both the level of resources which will be available to the Council in future years and unprecedented change to how services are organised and delivered. It is therefore proposed to ask County Council to agree the draft Council Plan which will, when final, have firm targets for the next year and indicative targets for the two following years, the 2015/16 Revenue Budget and Capital Programme and a high level Medium Term Financial Plan (MTFP), giving a broad indication of the main funding changes expected across the next three years.

1.2 Whilst there will not be certainty about the level of Government funding beyond the next financial year until the settlement in December 2015, by the time of the State of the County report in the summer we will have indications of the direction of travel. By this time the general election will have taken place, the financial impacts of changes in legislation such as the Care Act will have begun to take effect and proposals for the various service change and facilitating programmes, such as East Sussex Better Together and income generation, will be more mature.

1.3 Whatever the result of the general election, all the main political parties appear set to continue the deficit reduction programme and, whilst manifestos are not yet published, protecting local government services in the south is unlikely to feature high on the priorities for any additional funding that might become available. A combination of the reduction in funding from Central Government and the growth in demand for services due to demographic changes will mean that it is likely that savings of £70m - £90m will need to be made over the period 2016/17-2018/19. This will be further updated in the next State of the County report, when the overall funding position will be clearer.

Council Plan

1.4 The Council has identified four overarching priority outcomes: Driving economic growth; Keeping vulnerable people safe; Helping people help themselves; and Making best use of resources. Making best use of resources is the gateway priority through which any activity and accompanying resources must pass. The remaining three priority outcomes guide our activities, direct our resources and are reflected in our Council Plan activities and targets. As resources tighten, we will need to have an ever sharper focus on these priority areas, defining clearly the outcomes we wish to achieve and monitoring our success in delivering these outcomes for the county’s residents, communities and businesses.

1.5 Following consultation with Members, stakeholders and partners, a number of key outcomes have been identified under the priority areas and they have been used to shape the draft Council Plan targets and indicators. In order to assess fully whether the work we are undertaking is making a positive impact on the priority outcomes, a number of new local indicators will need to be developed. Work to define suitable indicators has started and will be further refined in the coming months for inclusion in next year's Council Plan. The key outcomes that we will use are:

Making best use of resources
- Applying strategic commissioning to ensure that resources are directed to meet local need;
- Working as One Council both through the processes we use and how we work. We will work in a well-connected way across Council teams to achieve our priorities;
- Working in partnership to ensure that all publicly available resources are used to deliver maximum benefits to local people;
- Ensuring we achieve value for money in the services we commission and provide; and
- Maximising the funding available through bidding for funding and lobbying for the best deal for East Sussex.

Driving economic growth
- Employment and productivity rates are high throughout the county;
- Businesses are able to thrive in East Sussex and can access the skills and infrastructure they need;
- There is a unique East Sussex offer driving economic growth in targeted sectors; and
- All children progress well from early years to school leaver and into education, training or employment.

Keeping vulnerable people safe
- All vulnerable people in East Sussex are known to relevant local agencies and services are delivered together to meet their needs;
- People feel safe at home; and
- People feel safe with support services.

Helping people help themselves
- Commissioners and providers from all sectors put people first when providing services and information to help them meet their needs;
- The most vulnerable people get the support they need to maintain their independence and this is provided at or close to home; and
- Individuals and communities are supported and encouraged to be responsible, help others and make the most of community capacity and assets.

1.6 The Council Plan provides a summary for each strategic priority including planned action and targets for the next three years (Appendix 1 of the report, to be found in the additional documents). 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 2015 and refreshed in July when final performance outturn figures for 2014/15 are available. Authorisation is sought for the Chief Executive to make final changes pre and post publication in consultation with Lead Members as appropriate.

2014/15 Update and 2015/16 Revenue Budget

1.7 The Cabinet meeting in December considered the Council's financial and performance position for 2014/15 to the end of Quarter 2 (30 September). A summary of the key changes between then and 30 November is set out in Appendix 2. Overall the projected gross deficit for the year has reduced from £6.38m to £5.75m, a reduction of £0.63m. It is anticipated that the overspend can be managed within the general contingency of £1.5m and remaining inflation provision for 2014/15 after the minimum wage increase was not as anticipated when the budget was set.

1.8 The draft Revenue Budget for 2015/16, incorporating revisions to the MTFP, is set out in Appendix 3. Savings plans are set out in Appendix 4. They remain broadly unchanged from those agreed by County Council last year, with the exception of some changes considered by Cabinet at its meeting in December.

1.9 2015/16 is the final year of the current Council Plan and already had a 'balanced' budget position when it last went to committee. Since then the Provisional Settlement has been announced. While we still await further detail, the announcement was broadly as anticipated.

Provisional Grant Settlement

1.10 The 2015/16 Provisional Grant Settlement indicated that the Revenue Support Grant is broadly in line with the amount anticipated, but still £21.1m less than the amount received in 2014/15.

1.11 There have been some minor reductions in some specific grants, including the Public Health Grant (£0.4m), Local Reform and Community Voices (£0.1m), Extended Rights to Free Transport (£0.1m) and Local Flood Authority funding (£0.1m). Where these impact directly on Departments the impacts have been contained within the existing departmental budget allocations, in line with current practice.

1.12 In addition, the current allocations do not reflect the final grant amount in respect of the Council's share of retained National Non-Domestic Rates (NNDR), which will not be known until the Department for Communities and Local Government has received the base estimates of potential NNDR yields for 2015/16 from the Borough and District Councils and published them as part of the Final Grant Settlement for 2015/16. This will also include details of compensation for business rates capped at 2%.

1.13 The Council has received confirmation that the Secretary of State has approved the application for the establishment of an East Sussex NNDR Pooling arrangement with the Borough and District Councils and East Sussex Fire and Rescue Authority with effect from 1 April 2015. The benefits from this arrangement of £0.6m have already been built into the budget proposal.

Revenue budget 2015/16

1.14 At the Cabinet meeting in December changes to the existing MTFP were identified. Together with savings for Looked After Children that netted to nil (these are now reflected in the savings schedule at Appendix 4). In addition, a pressure of £0.3m annually relating to the running costs of the Public Service Network (PSN) has been identified. The PSN is an extranet site to allow all PSN partners to collaborate on information sharing and document management. The pressure has arisen due to reduced income from schools as charges were aligned to market prices to maintain school buy in.

1.15 A summary of the changes and how they are funded is provided below:-

	£m
Agile saving reduction	4.6
Public Service Network	0.3
Changes to the treatment of DSG resulting in pressures on Children's Services	1.2
Slippage on Highways savings	1.8
	7.9
Funded by:-	
Increased Council tax base above that for which was already budgeted for	2.1
Unused inflation provision (as the minimum wage provision was not as anticipated)	3.8
A reduction in the treasury management budget to reflect the reduction in borrowing to £94m; reduced from £100m approved 7th February 2012 as part of the 5 year programme.	0.2
Reduced contribution to the waste reserve	1.8
	7.9

1.16 In addition to the increase in the Council Tax base for 2015/16, the Borough and District Councils have indicated that they will collect more Council Tax and NNDR than they originally planned. This will provide the Council with an additional 'one-off' benefit next year which, in the first instance, can be used to remove the planned need for contributions from balances. It is proposed that the remaining £1.9m be allocated to reserves for capital expenditure, and the anticipated one-off impacts associated with the formation of the South East Business Services (SEBS) partnership, a business case for which will be presented to Cabinet on 10 March 2015.

1.17 The proposed budget also includes the addition of £4.2m of Government funding for the additional cost of new obligations under the Care Act.

1.18 The ongoing development of the Better Care Fund, with East Sussex Clinical Commissioning Groups, will create a £42.2m pooled budget in 2015/16 to transform health and social care community services. The 2015/16 East Sussex County Council budget includes £18.241m from the pooled budget to support existing activities for social care, carers and reablement service provision. The balance of pooled budget funding will be used to support health services provision, however, as services are transformed there will be opportunities to access funding within the pool. The Better Care Fund will be approved by the Department of Health it is anticipated in January 2015, incorporating plans to reconfigure services between 2015/16 and 2018/19.

Fees and Charges

1.19 A copy of the fees and charges which the Council agreed for 2014/15 are available for inspection at Council offices and on the Council's website. The Council is required to review the charges it makes for services:

- Members are recommended to delegate to the Chief Finance Officer authority to increase all fees and charges (save as those set out in Appendix 5), that were agreed last year, by up 2% for 2015/16.
- Appendix 5 sets out those fees where:
    i. there is a statutory requirement for the Council to approve an increase; or
    ii. new charges are being proposed; or
    iii. the level of the proposed fee or charge is to be reduced or
    iv. the level of the fee is to be increased by more than 2%.

1.20 These are recommended for approval by Members.

2013/14 to 2017/18 Capital Programme and assumptions for 2018/19 onwards

1.21 A review of the programme and the resources available for the Council to use to fund its capital expenditure has been ongoing. This has identified that £41.2m of resources are currently unallocated. This is an increase from the £22.2m reported in the State of the County report in July. The increase of £21m is made up of: £2.8m of additional S106 receipts; Government grants and revenue contributions, including targeted basic need of £8.5m; net programme variations of which the additional £1.5m relates to the cessation of the Pine Grove project and additional capital receipts of £8.2m.

1.22 A number of pressures have been identified which would add to the current approved Capital Programme for the period up to 2017/18. It is proposed that the £41.2m is allocated as set out in the table below.

Proposed allocations to the Capital Programme -2013/14-2017/18	**£m**
Core Essential Need	
Footways, Gullies and preventive measures maintenance need	6.3
Street Lighting replacement programme	2.6
County Bridge Structural Maintenance programme	1.4
Rights of Way & Bridge Resurfacing programme	1.3
ICT core maintenance and replacement programme	1.4
Schools' Basic Need programme	12.0
Total	**27.0**
Other	

Exceat Bridge repair	0.5
Bexhill to Hastings Link Road additional requirement	2.9
Economic Growth & Strategic Infrastructure Programme	2.8
Risk Management Resource Contingency	10.0
Total	**16.2**
Total proposed additions	**41.2**

1.23 The proposed allocation relates to changes to essential need and other new requirements.

New allocation – Essential Need

1.24 When the current five year programme was approved in February 2013 some of the essential need was not fully budgeted for within the final years of the programme. The additional allocations ensure that all non-schools essential need is fully funded until the completion of the programme in 2017/18.

1.25 The additional allocation for the Schools' Basic Need has arisen because of a combination of funding requirements:

- The delivery of the current Schools' Basic Need Programme is under pressure in light of significant increases in construction costs. While the Council is endeavouring to manage the increased costs through careful and thorough value engineering and efficient procurement solutions, current evidence indicates that costs have increased by up to 20%;
- The original allocation of funding targeted the highest priority areas. This subsequent allocation will make provision in the areas where we have not been able to secure an alternative solution; and
- To secure land on which to build new schools in areas of the county where this is considered the best option for delivering new places.

New Allocation – Current projects

1.26 The latest estimate of the total cost on the Bexhill link road scheme is forecast to increase by £2.9m above and beyond the contingency that had been set-aside. The reasons for this are due to increased archaeological investigations required during the construction of the works and weather related delays. This does mean this complex and significant project will be opening later in the year. Construction is continuing and the forecast outturn costs will be adjusted as progress is made. It should be noted there remains a risk of further increases in the forecast outturn in the event of, for example, poor weather conditions or other risks that may occur.

New allocations – New schemes

1.27 After rigorous appraisal it is proposed two new schemes are included within the programme.

- The Exceat Bridge is in a poor state of repair and requires major repair works. The original bearings are 40 years old and do not work properly, causing abutments to crack. In addition, the edge beams suffer from corrosion and support a sub-standard parapet providing insufficient vehicle containment.
- The Economic Growth and Strategic Infrastructure Programme is required to provide the Council's contribution to secure the Local Enterprise Partnership (LEP) funding that has already been identified and to finance further economic development initiatives that will unlock over 4,000 jobs, create over 20,000 additional homes and over 400sqm of new business space. This will in turn produce future receipts of Council Tax and business rates, whilst encouraging more spend within the local economy.

New allocation – Risk Management

1.28 There are a number of risks and uncertainties about the programme over the next few years including:

- inflationary pressures on construction costs;
- uncertainty about delivery of projects in the programme (e.g. Link Road and Highways procurement);
- still unknown requirements; and
- uncertainty regarding the level of government grants.

1.29 It is therefore proposed to hold the remaining £10.0m to cover these risks.

1.30 The full proposed revised programme incorporating the above changes is set out in the Capital Programme section of Appendix 3.

1.31 From 2018/19 onwards, the level of resources available to fund further capital expenditure will be significantly reduced due to a combination of reductions in Government grants, pressures revenue contributions and a reducing potential to generate capital receipts. This will be at a time of increasing spending pressures to meet the required expansion of secondary education capacity, maintaining the improvement in the road network and facilitating economic growth. The Council will therefore need to give careful consideration to how to spend the limited capital resources to best meet the delivery of the Council's priority outcomes.

1.32 Officers are currently reviewing the Council's capital needs and seeking to maximise potential alternative funding opportunities.

Council Tax requirement

1.33 In 2014/15 the Council agreed that accepting a Council Tax freeze grant would increase uncertainty about future funding and that it was important that the Council maximised the control it has over its funding so that it can manage its own business as far as possible. It therefore agreed to raise Council Tax by 1.95%.

1.34 The Government has confirmed that the referendum limit for 2015/16 will remain at 2% and offered a Council Tax Freeze Grant of 1% to Councils which do not raise Council Tax. The draft budget set out in Appendix 3 assumes a Council Tax increase of 1.95%, which will offer additional funding to that offered by the freeze grant as well as ensuring the increase is built into the Council base. It is therefore proposed that the Council be asked to consider increasing the Council Tax for 2015/16 by 1.95%, in line with planning assumptions and to secure the base budget as far as possible This would increase the annual precept from £1,180.89 to £1.203.91 an increase of £23.02 pa on a Band D property.

1.35 The formal Precept notice for issuing to the Borough & District Councils is set out on Appendix 6 for recommendation to County Council.

2016/17 to 2018/19

1.36 The MTFP as set out on page 5 of Appendix 3 sets out the currently anticipated spending requirements for the period 2016/17 to 2018/19. Further savings in the range of £70-90m over this period will be required to balance the budget. Although little is known about the outcome of a future government's comprehensive spending review, the Department for Transport has indicated that £6 billion nationally will be made available between 2015/16 and 2020/21 to tackle potholes and improve local roads. This provides increased assurance about the level of funding over a longer time frame and will enable better planning, but no additional money is being made available. The Council will receive £55m over that period, which is the amount that had been announced previously and incorporated in the Council's financial projections.

1.37 The Chancellor's Autumn Statement referred to the Office for Budget Responsibility – Economic & fiscal outlook report (Dec 2014) which identified that 60% of the overall required savings to balance public spending will be required over the period of the next Parliament. Our approach for 2016/17 and beyond includes four strands:

- Focus on local priority outcomes:
  - Using them to direct activity not describe it; and
  - Being clear about the East Sussex we want to create.
- Make best use of resources through:
  - Strategic commissioning; commission the most cost effective services;
  - One Council: working as a single organisation both through the processes we use, and how we work. We will work in a well-connected way across Council teams to achieve our priorities;
  - Working in partnership: working with our partners is central to everything we do and is aimed at delivering the most efficient service; and
  - Value for money: we will seek to achieve the greatest impact on our priority outcomes from our service spend and capital investments.
- Enabling programmes that deliver services in the most efficient way through such programmes as:
  - Agile working: making best use of our physical and personnel resources by moving them closer to where the services are delivered;
  - Community Resilience: enabling residents to do more for themselves; and
  - Digital: continuing to develop our digital access will help us deliver our services more efficiently.
- Maximise resources by:
  - Income generation: explore opportunities for increased income generation and commercialisation;
  - Making the most on any new powers/devolution if they are offered; and
  - Economic growth to maximise income from Council Tax and business rates and to reduce dependency by ensuring local people have access to good quality employment.

1.38 Running alongside these strands are a number of service change programmes which will help to deliver the priorities and will need to feed into our financial planning assumptions. These are:

- skills development in support of our Economic Development Strategy;
- the development of a more sustainable operating model for Children's Services;
- Care Act implementation and Better Together, delivering more integrated health and social care;
- Partnership working with Surrey on South East Business Services; and
- the service changes arising from the new highways contract.

1.39 The diagram at paragraph 5.4 of the report to the Cabinet illustrated how our operating principles, facilitating and service change programmes facilitate the delivery of our priority outcomes.

1.40 Whilst these programmes will help us to reduce costs and focus on priorities, delivering balanced budgets will not be possible without major change to some services and ceasing others. There is no possibility that efficiency savings alone can make the changes we need.

Robustness and Opportunity Cost of Reserves

1.41 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 is set out in Appendix 7.

Equalities

1.42 An assessment of the potential impact, from an equalities perspective, of the proposals in the Council's overall budget is set out in Appendix 4, completed Equality Impact Assessments (EqIAs), where available, are in the Members' Room. 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.

1.43 Whilst the 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 come to be 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 decisions to spend more on one activity and less on another within the overall resources available to it. A summary of the impact assessment of the Capital Programme on equalities is set out in Appendix 3.1.

Staffing Impacts and Implications

1.44 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. We provide an employee well-being support package giving the entire workforce 24 hour access to telephone counselling support and a full range of information providing practical guidance and support identifying pragmatic options that minimise the negative impact of change. All employees who face a restructure are invited to attend a ‘resilience/well-being’ workshop where participants are coached in techniques which enable a more positive and realistic outlook to change, allowing more informed choices to be made. The response to this support from managers, employees and Trade Unions has been extremely positive and the sessions have greatly reduced the level of anxiety for many employees.

1.45 It is anticipated that the Council will be required to reduce its workforce by around 100-120 over the coming financial year, however this figure will become clearer throughout the course of ongoing consultation with employees and Trade Unions.

Engagement Feedback

1.46 The comments of partners, businesses and Scrutiny Committees on the Council’s proposals are set out in Appendix 8. Meetings between members and trade unions and representatives of young people in the County have been held and feedback from these meetings was tabled at the Cabinet meeting. Officers have met with both groups to ensure that they have been kept informed as the RPPR process was developing.

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

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

(2) note the latest financial position for 2014/15 as set out at Appendix 2;

(3) approve the Medium Term Financial Plan 2014/15 to 2015/16;

(4) approve the net revenue budget estimates for 2015/16 set out in Appendix 3;

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

(i) the net budget requirement is £364.5m and the amount calculated by East Sussex County Council as its requirements for the year 2015/16 is £227.1m;

(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 2015/16 is £1203.91 and represents a 1.95% increase on the previous year;

(6) 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 as set out at Appendix 6;

(7) agree the savings for 2015/16 as set out in Appendix 4;

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

(9) approve those fees and charges set out in Appendix 5 which relate to functions which are not the responsibility of the Executive and to delegate authority to the Chief Finance Officer to approve an increase of all other fees and charges which are not the responsibility of the Executive by up to 2%;

(10) approve the Capital Programme including further investment in essential programme need 2014/15 to 2017/18 at set out at Appendix 3.

(11) note the Medium Term Financial Plan forecast for the period 2016/17 to 2018/19 as set out in Appendix 3; and

(12) note the outcome of consultation exercises as set out in Appendix 8.

2. Council Monitoring Report: Quarter 2 2014/15

2.1 The Cabinet considered a report which set out the Council's position and year end projections for the Council Plan targets, Revenue Budget, Capital Programme, Savings Plan, together with Risks for Quarter 2 (July – September) 2014.

2.2 Broad progress against the Council's four strategic priority outcomes is summarised below and an overview of finance and performance data is provided in the Corporate Summary at Appendix 1 of the report previously circulated to all Members. Strategic risks are reported at Appendix 2, also previously circulated.

Overview

2.3 We continue to make good progress across all our priority areas. Construction work on Newhaven Library was completed on 20 November 2014, ready for work to begin on the interior fit out. Motorists can now pay to park in ESCC controlled zones using a smartphone app, text message or phone following the official launch of cashless parking in July. The number of children with a Child Protection Plan reduced by 12 in Q2. 7.7% of care leavers are in university against the 2014/15 target of 7%. 12 have taken up places at university in September 2014. Attainment results show a strong improvement in results for Early Years Foundation Stage with 65.8% of children achieving a good level of development. This is a rise of 22.1 percentage points and East Sussex is in the top 20% of our statistical neighbours. Provisional results for KS4 (GCSE) are below those last year and KS5 (A Level and other) maintained a similar level to those in 2011. Locate East Sussex has helped three companies to relocate to East Sussex since April this year creating 14 new jobs. Our dedicated World War One website has received 18,402 page views since it was launched in August 2014. Of the 77 Council Plan targets, 62 (81%) are rated green, four (5%) are rated amber, five (6%) are rated red, six (8%) are proposed for amendment to reflect the latest monitoring position; these are:

- Appendix 2 Weight Management Service, the target for 2014/15 be amended to ensure a programme is in place for weight management services together with a target of 120 referrals. Achievement of targeted weight loss to be delayed and rolled over for reporting in 2015/16.
- Appendix 3 Agile savings, the target be amended with programme savings to be identified later at the completion of Tranche 1a, in Q4 rather than Q2.

- Appendix 4 Care leaver apprenticeships, the performance measure be amended and broadened to include all apprenticeships and not just County Council apprenticeships.
- Appendix 4 Number of referrals to statutory social care, the definition of a referral has been changed, which will result in fewer referrals. In order to maintain the same level of challenge the target be amended from 6,289 to 5,590.
- Appendix 5 Apprenticeships, the performance measure be amended and broadened to include work placement programmes in addition to the existing apprenticeship programme, and target amended to complete a review of the existing programme when a delivery model will be proposed.
- Appendix 5 The Pathways to Employment Scheme, target to be deleted because funding for the scheme ended in July 2014.

2.4 The projected year end overspend of £10.7m reported at quarter 1 has significantly reduced to £6.4m at quarter 2. Departments have made good progress, as anticipated, towards achieving savings targets and mitigations in key areas. Most notably the Community Care Budget, where reviews of individual packages of care have reduced the level of savings that are rated as ‘amber’ in relation to that budget from £7.9m to £4.2m. Across the whole Council the total value of ‘green’ and ‘amber’ rated savings is over £28m out of the £30m planned savings, representing approximately 93%. There are, however, some savings that will not be achieved as planned and consequently the relevant performance target shown at Appendix 3 of the report previously circulated to all Members has been scored as ‘red’. We remain confident that the three year savings target is achievable and we will continue to work on mitigations during the current year.

2.5 Whilst we anticipate that the projected overspend will continue to reduce as we progress through the year, the level currently projected could be funded from the contingency that was agreed for the 2014/15 budget.

2.6 As reported at quarter 1, the Agile programme has become more complex as significant changes are being made in the way we deliver services (for example SEND legislative changes; Social Care and Health integration and future savings plans and priorities as part of RPPR across all departments) and because of Government requirements on our ICT network. Planned savings from Agile for 2014/15 will be delayed while these services are redesigned and Agile work styles applied to new services. The £3m Agile enabled savings have therefore been consolidated into BSD for monitoring this financial year.

2.7 The forecast expenditure on the capital programme is £147.1m against a re-profiled budget of £166.6m. The main variations previously reported relate to the Bexhill to Hastings Link Road (£5.0m), Local Transport Plan schemes (£2.6m), Hastings Library (£5.5m), these plus Southover Grange (£1.1m) are explained in greater detail at Appendix 5 of the report previously circulated to all Members. A significant proportion of these variations and others reported in the other service annexes will result in a net sum of £18.234m of planned expenditure being delayed until 2015/16 financial year. This will re-profile the capital programme.

2.8 All strategic risks have been reviewed and three have been amended. Risk 6 (Local Economic Growth), Risk 7 (Schools) and Risk 9 (Workforce) all have amended risk control responses. There are no changes to any existing risk scores.

2.9 The Reconciling Policy, Performance and Resources (RPPR) report to Cabinet 27

January 2015 included a summary of significant changes to the monitoring position for the Council.

Progress against Council Priorities

Driving economic growth

2.10 In quarter 2, we approved 31 applications worth £909,000 from the Regional Growth Fund East Sussex Invest 3 Programme. 58 applications have been approved since the start of the programme in October 2013 and £2.57m of the £4m fund has been allocated. These are projected to safeguard 378 jobs (Appendix 5 of the report previously circulated to all Members).

2.11 The percentage of children achieving a good level of development at the Early Years Foundation Stage in East Sussex in the academic year 2013/14 is 65.8%. This is a rise of 22.1 percentage points (PP) compared to 2012/13 and 5.4 PP higher than the provisional national average. This provisional data shows that East Sussex is now in the top 20% of our statistical neighbours. Recent GCSE results show that there has been a small decline in the number of pupils achieving 5+ A*-C grades including English and maths. Provisional data indicates that only 52.7% of pupils achieved this in comparison to 59.9% of pupils in 2012/11. Provisional data for looked after children shows that 90% made two levels or more progress between KS1 and KS2 in writing, compared to 69% in academic year 2012/13 (Appendix 4 of the report previously circulated to all Members).

2.12 42% (£96m) of procurement spend was with local suppliers in quarter 2 compared to 48% in quarter 1. Following the 'Open for Growth Peer Review' earlier in the year, we are working with councils in East Sussex and the South East to develop and implement an action plan to ensure that our procurement activities are focused on increasing local spend (Appendix 3 of the report previously circulated to all Members).

2.13 The co-location between South East Coast Ambulance Service and East Sussex Fire and Rescue Service at The Ridge Fire Station in Hastings has been delivered in Q2 and is the second of the three target projects in the SPACES programme (the first being the completed Maltings/Southover Grange swap). The Bexhill project with Rother District Council and JobCentrePlus is scheduled for completion in quarter 4 (Appendix 3 of the report previously circulated to all Members).

Keeping vulnerable people safe

2.14 The number of children with a child protection (CP) plan reduced by 12 in quarter 2; however, with 601 children on a CP plan we are significantly above the target of 502. An independent audit was undertaken which identified the issues that affect the number of CP Plans but did not raise any concern in respect of threshold or practice. An action plan has been developed to challenge the ongoing high levels of children with CP plans (Appendix 4 of the report previously circulated to all Members).

2.15 Between January and June 2014, there were 173 people Killed or Seriously Injured (KSI) on the roads of East Sussex which represents a rise of 25% compared with the same period in 2011. A long-term reduction is still being achieved and the current forecast for 2014 is 9% lower than the 2005-2009 average. Detailed analysis of our 2013 crash data is being undertaken by Sussex Safer Roads Partnership (SSRP) and the report will form the basis for the targeted interventions by SSRP partners. On 15 January 2015 the Health and Wellbeing Board reviewed what can be done in partnership to reduce the number of KSI across the county (Appendix 5 of the report previously circulated to all Members).

2.16 The East Sussex Domestic Abuse Strategy has been agreed by partners, raising awareness of the elimination of violence against women. We have been working towards the Council being awarded 'White Ribbon' status by promoting an end to male violence against women. On 11 November 2014 the Cabinet endorsed our application to become a White Ribbon council and we have subsequently received confirmation that the application was successful (Appendix 2 of the report previously circulated to all Members).

Helping people help themselves

2.17 Between April and September 2014, 98% of working age adults and older people receiving our support and 100% of carers received self-directed support. 36.7% of working age adults and older people, and 100% of carers received direct payments (Appendix 2 of the report previously circulated to all Members).

2.18 The Reduce the Strength scheme preventing the sale of beer, cider or lager with an alcohol by volume of above 6.5% continues to be a success in Hastings, and to date 31 out of 36 premises have signed up to the scheme. It is anticipated that this will be replicated in Eastbourne; it is currently under consultation and is due to be rolled out in summer 2015 (Appendix 2 of the report previously circulated to all Members).

Making best use of our resources

2.19 Emissions from energy consumption for the first six months of 2014/15 are 5% lower compared to the same period last year. Projects being implemented this year include LED lighting improvements at County Hall, boiler conversion improvements at various schools and changes to street lighting in Hastings (Appendix 3).

2.20 There has been a 16% increase in recycling tonnage in the first four months of 2014/15 compared to the same period last year. This follows the introduction of new kerb side recycling services in four of the five District and Boroughs as well as a rise in the amount of household waste collected (Appendix 5 of the report previously circulated to all Members).

2.21 Sickness absence for the first six months, including schools is 1.49 days lost per Full Time Equivalent (FTE) employee which represents an increase of 5.8% on the same period in 2013/14. The latest end of year forecast is 8.27 days lost per FTE employee against a target of 6.95 (Appendix 3 of the report previously circulated to all Members).

3. Annual Audit letter and fee update 2013/14

3.1 The Cabinet considered a report concerning the Annual Audit Letter (AAL) which hast previously circulated to all Members and which summarised the key issues arising from the work carried out by the Council's external auditor (KPMG) during the year. The report contained no new findings or recommendations, but reflected the key issues already reported in the Annual Governance Report. The AAL was circulated to all Councillors and published on the Council's website prior to the Audit Commission's deadline of 31 October 2014.

3.2 The AAL was presented to the Audit, Best Value & Community Services Scrutiny Committee on 18 November 2014 and comments from the Committee were provided to the Cabinet at its meeting on 16 December 2014.

3.3 The external audit fee for 2013/14 is £138,036 (County Council of £111,429 and the Pension Fund of £26,607) for the core audit. The certification of grants work is still ongoing and the fee when confirmed will be funded from existing budgets.

3.4 The Council would like to extend its thanks to KPMG for their professionalism during the first year of our working relationship.

4. Treasury Management Strategy for 2015/16

4.1 The Cabinet considered a report which contained recommendations 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.

4.2 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. As will be clear from the global events, it is impossible in practical terms to eliminate all credit risk. This Council seeks to be as prudent as possible.

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

4.4 The 2015/16 counterparty list detailing investments with banks, etc., for 365 days or less duration (specified), and for more than 365 days duration (non-specified) investment is set out in Annex 4 and 6 of Appendix 9.

Current risks and their management

4.5 This Council has always adopted a prudent approach on its investment strategy and in the last few years, there have been 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.

4.6 The 2015/16 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.

Authorised Limit for borrowing

4.7 The background information and the calculation of the Authorised Limit for 2015/16 of £435m are set out in Annex 2 of Appendix 9 (Table 8)..

<u>Prudential indicators and Treasury Management indicators</u>

4.8 These are self-imposed indicators that are set on an annual basis in Annex 2 of Appendix 9.

<u>Capital Financing Requirement and Minimum Revenue Provision statement</u>

4.9 This is set out in Annex 2 and 3 of Appendix 9 in compliance with best practice.

Treasury management strategy and policy statement for 2015/16

4.10 The policy statement remains unchanged from the current year and is set out in Section 5 of Annex 1 of Appendix 9.

4.11 This policy sets out the acceptable limits on ratings, investment periods and amounts to be invested. Cabinet will also be aware that the financial position is kept under constant review and if at any time it is felt that any of these limits represent an unacceptable risk appropriate and immediate action will be taken accordingly.

4.12 The Cabinet **recommends** the County Council to

✡ (1) approve the treasury management strategy and policy statement for 2015/16.

(2) determine that for 2015/16 the Authorised Limit for borrowing shall be £435m;

(3) adopt the prudential indicators as set out in Appendix 9 Annex 2; and

(4) approve the Minimum Revenue Provision Statement for 2015/16 as set out in Appendix 9 Annex 3

5. The Conservators of Ashdown Forest: budget for 2015/16

5.1 The Cabinet has considered a report regarding the Conservators of Ashdown Forest (referred to as the Conservators throughout this report) who are responsible for the management the Forest. The Ashdown Forest Act (1974) states that:

"It shall be the duty of the Conservators at all times as far as possible to regulate and manage the forest as an amenity and place of resort subject to the existing rights of common upon the forest and to protect such rights of common, to protect the forest from encroachments, and to conserve it as a quiet and natural area of outstanding beauty".

5.2 The Conservators receive grants from both the Ashdown Forest Trust, for which ESCC is the trustee, and directly from the Council's budgets, as part of the CET contribution. The balance of the Trust fund is estimated to be £179,292 at 1 April 2015; shown in Appendix A of the Cabinet report previously circulated to all Members.

5.3 The Conservators have produced a draft budget for 2015/16, attached at Appendix B of the Cabinet report previously circulated to all Members. This has been approved by the Board of Conservators at their meeting on 10 November 2014.

5.4 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 £75,800, which will be met by the contribution from ESCC from the CET budget.

5.5 Assumed within the Conservators' draft budget, is the use of reserves for £19,410. This expenditure is expected to fund one off pieces of work within the Higher Level Stewardship (HLS) budget to include training for volunteers, invisible fencing and to enable the provision of a contingency. There is also £20,566 of capital expenditure planned within the 2015/16 budget, to include a new grain store and grazing projects.

5.6 The Conservators must maintain reserves sufficient to cover 6 months of staffing and administration costs. The resulting budgeted reserve balance for the year ending 2015/16 is £392,810, which exceeds the minimum balance of £189,456.

5.7 The Higher Level Stewardship (HLS) Grant from the Department for Environment, Food and Rural Affairs funds nearly 50% of the total expenditure currently incurred by the Conservators. It has been maintained at 2014/15 levels but this is not a guaranteed income stream as there are plans to dissolve this grant in time for the New Environmental Land Management Schemes (NELMS) grant introduction in January 2017. Such reliance does pose some level of financial risk in the future for the Conservators, in particular with regard to the timing of the HLS cessation, which may result in a funding gap for the Conservators. This will be factored into the budget for the 2016/17 financial year.

5.8 The Conservators are also anticipating the Forest Centre Development, for which no funding has currently been established. There are no plans to progress this until funding has been sought; therefore additional expenditure associated with this has not been included within the Conservators' budgets.

5.9 The Conservators are aware of the need to increase their income from other sources in order to maintain the level of care provided to the Ashdown Forest.

Recommended Grant Levels

5.10 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 2015/16 at the 2013/14 level of £75,800 as set out in paragraph 5.4 above. This matches the provision in the CET Department Medium Term Financial Plan.

5.11 Annual income to the Trust Fund, from a long term lease with the Royal Ashdown Forest Golf Club, amounts to £70,000 with the addition of bank interest. The Grant to the Conservators from the Trust Fund can be maintained at £65,100 in 2015/16.

5.12 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 deficit of £19,410, which has been proposed to be funded from their reserves.

5.13 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 Cabinet has therefore recommended an annual grant of £65,100 from the Trust Fund, and a contribution of £75,800 from the Communities, Economy and Transport budget. 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.

27 January 2015

KEITH GLAZIER
(Chair)