CABINET

WEDNESDAY, 15 OCTOBER 2014

11.30 AM OR AT THE CONCLUSION OF THE PLANNING COMMITTEE, WHICHEVER IS THE LATER, COUNCIL CHAMBER, COUNTY HALL, LEWES

MEMBERSHIP - Councillor Keith Glazier (Chair)
Councillors Nick Bennett, Bill Bentley, Chris Dowling, David Elkin (Vice Chair), Carl Maynard, Rupert Simmons and Sylvia Tidy

A G E N D A

1 Minutes of the meeting held on 16 September 2014 *(Pages 3 - 6)*

2 Apologies for absence

3 Disclosures of interests

Disclosures by all members present of personal interests in matters on the agenda, the nature of any interest and whether the member regards the interest as prejudicial under the terms of the Code of Conduct.

4 Urgent items

Notification of items which the Chair considers to be urgent and proposes to take at the appropriate part of the agenda. Any members who wish to raise urgent items are asked, wherever possible, to notify the Chair before the start of the meeting. In so doing, they must state the special circumstances which they consider justify the matter being considered urgent.

5a Scrutiny Review of Early Years Attainment: report of the Children's Services Scrutiny Committee *(Pages 7 - 32)*
Report by the Assistant Chief Executive

5b Early Years attainment: observations on the Scrutiny committee's report *(Pages 33 - 44)*
Report by the Director of Children’s Services

6 East Sussex Councils' "Open for Growth" Peer Challenge update *(Pages 45 - 92)*
Report by the Director of Communities, Economy and Transport

7 East Sussex National Non Domestic Rates Pooling Agreement *(Pages 93 - 98)*
Report by the Chief Operating Officer

8 Treasury Management: 2013/14 Stewardship/Half Year 2014/15 Report *(Pages 99 - 116)*
Report by the Chief Operating Officer

9 Any other items considered urgent by the Chair

10 To agree which items are to be reported to the County Council

PHILIP BAKER
Assistant Chief Executive
County Hall, St Anne's Crescent
LEWES BN7 1UE

7 October 2014

Contact Andy Cottell, 01273 481955,
Email: andy.cottell@eastsussex.gov.uk

NOTE: As part of the County Council's drive to increase accessibility to its public meetings, this meeting will be broadcast live on its website and the record archived for future viewing. The broadcast/record is accessible at

www.eastsussex.gov.uk/yourcouncil/webcasts/default.htm

CABINET

MINUTES of a meeting of the Cabinet held on 16 September 2014 at County Hall, Lewes.

---

35. PRESENT - Councillor Glazier (Chair)
Councillors Bennett, Bentley, Dowling, Elkin, Maynard, Simmons and Tidy

The following members spoke on the items indicated:

Councillor Barnes	-	item 8 (minute 42)
Councillor Birch	-	item 8 (minute 42)
Councillor Ensor	-	item 8 (minute 42)
Councillor Field	-	item 8 (minute 42)
Councillor Forward	-	items 5, 7 and 8 (minutes 39, 41 and 42)
Councillor Hodges	-	items 6 and 8 (minutes 40 and 42)
Councillor St Pierre	-	item 5 (minute 39)
Councillor S Shing	-	items 6 and 8 (minutes 40 and 42)
Councillor Shuttleworth	-	items 7 and 8 (minutes 41 and 42)
Councillor Stogdon	-	items 5 and 8 (minutes 39 and 42)
Councillor Tutt	-	items 5 and 8 (minutes 39 and 42)
Councillor Ungar	-	item 6 (minute 40)
Councillor Webb	-	items 7 and 8 (minute 41 and 42)
Councillor Whetstone	-	item 8 (minute 42)

36. MINUTES

36.1 The minutes of the meeting held on 22 July 2014 were agreed as a correct record.

37. INTERESTS

37.1 Councillor Field declared a prejudicial interest in item 7, in that a family member is the business manager at a school for children with SEN which accepts placements from the County Council.

37.2 Councillor Tutt declared a personal interest in item 8 as the parent of a child at an East Sussex school, but he did not consider this to be prejudicial.

38. REPORTS

38.1 Copies of the reports referred to below are included in the minute book.

39. COUNCIL MONITORING REPORT: QUARTER 1 2014/15

39.1 The Cabinet considered a report by the Chief Executive.

39.2 It was RESOLVED to (1) note the latest monitoring position for the Council;
(2) agree the proposed target amendment to set more challenging targets as set out in paragraph 2.1 of the report; and

(3) agree the adjustment to the base budget in relation to the treatment of the Dedicated Schools Grant (DSG) as set in paragraph 2.5 of the report.

Reason

39.3 The report sets out the Council's position and year end projections for Council Plan targets, Revenue Budget, Capital Programme and Savings Plan, together with risks for Quarter 1 2014/15.

39.4 The three amended targets are all more challenging, with an increase in the number of on-line learning courses delivered in libraries, increased inward investment and tourism, and reduction in the percentage of unclassified roads requiring maintenance.

39.5 Included in the forecast overspend is a sum of £1.2m relating to an issue that has been identified in relation to treatment of DSG which resulted in a pressure in Children's Services. Use of flexibilities in corporate budgets this financial year will resolve this, and an adjustment to the base budget will be incorporated into the Medium Term Financial Plan.

40. EFFICIENCY IMPROVEMENTS FOR MOBILE LIBRARY SERVICES

40.1 The Cabinet considered a report by the Director of Communities, Economy and Transport. The Director highlighted that it was proposed to retain the stops at Cripps Corner and Dumbrells Court in Ditchling, in addition to the 88 sites originally proposed for retention.

40.2 It was RESOLVED to (1) note the results of the Mobile Library Service consultation which has been undertaken from 1 May 2014 to 31 July 2014;

(2) agree the following proposed changes to Mobile Library Services to be implemented on 5 January 2015:

- To continue to visit 90 of the current 127 stops
- To combine stops in 16 communities along the mobile library route, where there are two stops a mile or less apart in the same community
- To offer alternative provision to 21 care home / sheltered housing settings via the Care Centre Service or the Home Library Service
- To offer a three weekly service in place of the current fortnightly schedule; and

(3) delegate authority to the Director of Communities, Economy and Transport to determine the location of stops in the 6 communities set out in Appendix 2b.

Reason

40.3 The Library Service have carried out a detailed communications plan to ensure that high quality information about proposals to change mobile library services has been received by users, their relatives, and key stakeholders. The consultation process has provided very useful feedback and comments about the proposals from residents, care homes and parish councils which will help the County Council to find solutions for each individual affected as well as providing alternative suggested locations for mobile stops which will be investigated and implemented wherever possible.

41. REPORT ON THE SECOND YEAR OF THE THRIVE PROGRAMME

41.1 The Cabinet considered a report by the Director of Children's Services.

41.2 It was RESOLVED to note the report and the progress made to date.

Reason

41.3 The THRIVE programme was established against a background of escalating demand and costs for Children's Social Care. An external expert led an interim evaluation and the results are very positive. The external opinion is that the programme is on track and delivering results in line with the programme change logic.

42. OFSTED INSPECTION OF EAST SUSSEX ARRANGEMENTS FOR SCHOOL IMPROVEMENT

42.1 The Cabinet considered a report by the Director of Children's Services.

42.2 It was RESOLVED to (1) note the report on the outcomes of the inspection as detailed in Appendix 1;
(2) note the proposals to address the findings of the inspection; and
(3) agree to release £370,000 from the Corporate Transformation Fund to be targeted on the areas outlined in Appendix 2.

Reason

42.3 The Council is committed to improving educational outcomes for all children and young people in the county as part of one of its key priority outcomes, driving economic growth. We are confident that we have the right strategy in place to ensure that children and young people make the appropriate levels of progress.

43. ITEMS TO REPORT TO THE COUNTY COUNCIL

43.1 The Cabinet agreed that item 5 should be reported to the County Council.

[*Note: the item to be reported refers to minute 39*]

This page is intentionally left blank

Agenda Item 5a

Report to:	**Cabinet**
Date:	**15 October 2014**
By:	**Assistant Chief Executive**
Title of Report:	**Scrutiny Review of Early Years Attainment**
Purpose of report:	**To provide an opportunity for the Cabinet to consider the report of the Children's Services Scrutiny Committee.**

RECOMMENDATION – to consider any comments the Cabinet wishes to make to the County Council on the report of the Children's Services Scrutiny Committee.

---

1. Financial Appraisal

1.1 Recommendation seven of the report seeks some re-allocation of existing funding to implement the recommendations of the Review. It is not envisaged that the implementation of the recommendations will result in a growth in the revenue budget of the Council.

2. Background and Supporting Information

2.1 The Children's Services Scrutiny Committee has completed its review of Early Years attainment in East Sussex, which encompasses the early education of children from birth to five years of age.

2.2 The Committee's report will be submitted to the County Council on 21 October 2014 and a copy is attached in appendix 1. The Cabinet has the opportunity to comment to the County Council on the recommendations in the Scrutiny Committee's report, although it cannot alter the report. Elsewhere on the agenda (item 5b) there is a separate report by the Director of Children's Services commenting on the Scrutiny Committee's report and recommendations.

3. Conclusion and Reason for Recommendation

3.1 Cabinet is invited to consider any comments it wishes to make to the County Council on the report of the Children's Services Scrutiny Committee.

PHILIP BAKER
Assistant Chief Executive

Contact Officer: Martin Jenks Tel No. 01273 481327

Local member*:* All

Background Documents: None

Scrutiny review of early years attainment

Report by the Review Board

of the Children's Services Scrutiny Committee

Councillor Kathryn Field (Chair)
Councillor Kim Forward
Councillor Alan Shuttleworth
Councillor Francis Whetstone
Catherine Platten (parent governor representative)

September 2014

Children's Services Scrutiny Committee – 15 September 2014

Cabinet – 15 October 2014

Full Council – 21 October 2014

East Sussex County Council

Report of the scrutiny review of early years attainment

Contents

	Recommendations	Page
	Home learning & Children's Centres	
1	Children's Centres fulfil a number of roles. However, they should focus their work to improve children's early development and educational attainment by: a) Conducting outreach work in order to know all the families in their area and to identify their needs early (children's centres KPI 9 & 10). b) Co-ordinating work to support families to ensure school readiness and language development needs are being met (children's centres KPI 1 & 5). c) Making child development progress and language development checkers available to all parents/carers. d) Providing parenting courses for parents/carers and examine ways of involving parents/carers in their children's learning to improve home learning environments (children's centres KPI 4). e) Working with Health providers to review the child development advice and guidance given to parents/carers from pre- birth through to age 2 in the light of the withdrawal of free universal antenatal classes.	7
2	Following the withdrawal of early years teachers from Children's Centres, examine the feasibility and benefits of bringing Children's Centres and the Early Years Improvement Team under the same management to strengthen the early years education role of Children's Centres.	7
	Information for parents and carers	
3	Children attending high quality early years provision have higher levels of attainment. It is important for parents and carers to have good information so they can access high quality early years provision and understand the benefits for their children. The review board recommends that: a) Information for parents/carers on the quality of pre-school providers should be improved to make it easier for them to identify high quality provision in their area and those settings who are working with the Council to improve attainment. b) Information for parents/carers on the East Sussex County Council (ESCC) web site must be easier to find, be up to date and show the Ofsted rating for the setting together with the qualification level of the staff (e.g. an A-Z list of settings assessed as 'good' or 'outstanding' together with qualification levels of lead and support staff). c) The ESCC website should contain advice for parents/carers highlighting the benefits of choosing 'good' or 'outstanding' settings for children's education.	8
	Transitions, assessment and the quality of early years teaching practice	
4	Attainment can be improved if pre-school early years providers work closely with primary schools and one another to improve transitions and school readiness, the quality of their assessment of children's progress, and their teaching practice. The review board recommends that: a) The Early Years 'Village' and quality across the foundation stage (QUAFS) projects are extended to all primary schools by September 2016. b) Early years hubs are developed to promote good practice through clusters of providers and consideration be given to creating foundation stage leaders/area co-ordinators for early years settings (a strategy is currently being introduced by the Early Years Team). c) Pre-school providers should be included in primary school alliances to facilitate the spreading of best practice across all settings. d) ESCC should take opportunities to promote pre-school provision co-located with primary schools, which could be either private, voluntary or maintained provision.	10

	Quality of Early Years Provision	
5	Evidence suggests that attending good quality early years provision leads to higher levels of attainment. However, not all provision in East Sussex is ‘good’ or ‘outstanding’ and levels of attainment are below national averages. The review board recommends that: a) ESCC continues to work with early years settings in the Ofsted categories of ‘requires improvement/satisfactory’ and ‘inadequate’, so that at least 85% of settings are in Ofsted categories of ’good’ or ‘outstanding’ by September 2015 and at least 90% by September 2016 to ensure all parents/carers have access to a good quality setting in their area. b) The Early Years Improvement Team continue to develop programmes to tackle early years foundation stage (EYFS) profile weaknesses in literacy development, communication & language development and mathematics development. c) Primary schools consider including an early years specialist as part of the school leadership team, and governing bodies should appoint a governor with specific responsibility for the early years foundation stage (EYFS). d) ESCC should develop enhanced quality assurance measures and target those settings whose attainment results are not in line with their Ofsted rating.	12
	Qualifications and Training	
6	Evidence highlights the role that highly qualified early years practitioners have in improving attainment. The review board believe that ESCC should take action to improve the qualification levels and practice of early years leaders and staff in East Sussex. It recommends that: a) ESSC adopt a policy that all child minders and pre-school early years staff should hold or be working towards at least a Level 3 qualification by September 2016. Any prospective child minders should be required to obtain a Level 3 qualification. b) ESSC provide a list of preferred training providers for Level 3 early educator training courses and higher level training, to increase the number of early years staff and practitioners with higher level qualifications. c) The Early Years Improvement Team provide training for managers of early years settings in staff mentoring/supervision, appraisal and staff development to support the development of best practice within settings (i.e. Level 5 minimum qualification standards for lead practitioners).	14
	Funding	
7	It is recognised that the Council’s financial position may not allow additional resources to be invested in early years education. However, some re-allocation of resources should be considered to improve early years attainment as evidence suggests this will also improve attainment at Key Stage 1 & 2. The review board recommends that: a) ESCC review the allocation of funding for early years education through the Reconciling Policy, Performance and Resources (RPPR) process, and by agreement with the Schools Forum, to provide a 2 year transitional programme of resources for early years provision in 2015/16 and 2016/17 to fund: • transformative measures to raise staff qualification levels in all settings; • training for early years educator level 3 qualifications; • delivery of more quality across the foundation stage and early years village projects and; • the establishment of peer to peer quality improvement networks so that all providers are included within a network of providers. b) The East Sussex early years funding formula is changed to encourage and enable pre-school providers to employ well qualified staff though the use of an enhanced lump sum supplement for high quality providers. c) Officers investigate the mechanism for calculating the per child amount in the early years funding that ESCC receives from central government, to ensure it reflects fairly the needs of children in the County.	16

Overview

1. The review board decided to examine the Early Years Foundation Stage (EYFS) because it is the basis for a child's education and supports later learning. There are possibilities to influence attainment through Children's Centres and in other parts of Early Years provision.
2. Early Years education covers children from birth up to the age of five years old. During this time a child may be educated at home, cared for by a child minder, attend a nursery or playgroup, and when they turn four years old, enter a reception class at a primary school.
3. The Early Years Foundation Stage is the statutory framework published in 2012 by the Department for Education that sets the standards for the development, learning and care of children from birth to age five. Early Years providers must ensure that they meet the learning and development requirements as specified in the Early Years Foundation Stage (EYFS).
4. In the summer term of the academic year that a child reaches age five, their progress is assessed against the areas of learning in the Early Years Foundation Stage (EYFS). A child is judged to have a good level of development (GLD) if they meet expected levels of development in the three prime areas of learning, and two specific areas of learning. These are:

   Prime

   - Communication and language development
   - Physical development
   - Personal, social and emotional development

   Specific

   - Literacy development
   - Mathematics development.
5. From September 2016 the EYFS assessment will no longer be mandatory and will be replaced by a new baseline assessment which will be carried out when a child enters the reception year at primary school.
6. In 2012/13, 44%[1] of East Sussex children were assessed as having a good level of development (GLD) in the Early Years Foundation Stage (EYFS). This is below the national average of 52%. For children in receipt of free school meals the gap in educational attainment was wider, with 33% of East Sussex children achieving a good level of development (GLD).
7. The review board found there are many different types of organisations and individuals (providers) involved in providing a child's early education. Some are private businesses such as nurseries and child minders; some are voluntary organisations; and others are local authority maintained primary schools and nurseries. These organisations do not always work closely together to enable children to move smoothly between settings (transitions) where their progress is monitored and their individual developmental needs met.

[1] In 2013/14, initial results indicate 65.6% of children were assessed as having a good level of development (GLD) in the EYFS.

8. Children do best when they have a nurturing home, attend a quality pre-school provision with highly qualified staff (child minders, nurseries, playgroups etc.), followed by a high achieving primary school. A key component of good quality early education provision is having well managed transitions when children move through and into the early education system, and are supported by highly qualified early years staff.

9. In this report, we have identified the key factors involved in attainment and we have made recommendations to improve early years attainment in East Sussex. Our recommendations address the areas of:

- Home learning and Children's Centres
- Support and Information for parents and carers
- Transitions
- Quality assurance
- Staff qualifications and training
- Funding of early years education

Factors affecting attainment

1. Home learning environment and the role of Children's Centres

A nurturing home

10. A child in the early stages of development learns most from their parents and caregivers, but not all parents/carers have the same capacity to support their children's early development. In such cases, support is available from other sources including Children's Centres and for those eligible, funded nursery places for 2 year olds.

11. The review board found that there is evidence that a nurturing home environment, sometimes referred to as a good 'home learning environment' (HLE), is an important factor. Research and practice shows that involving parents/carers in their children's education has a positive effect on improving attainment. An example of this is the early help programme which is designed to give support to children and families at an early stage.

12. Other support for parents/carers such as parenting classes, adult literacy classes, and training are ways in which a child's home learning environment can be improved. Key research suggests that a mother's education level is closely linked with providing a good home learning environment and a child's level of development. Children's Centres are well placed to support parents/carers to improve a child's home learning environment.

The role of children's centres

13. Local authority managed Children's Centres have an important role to play in early years education. They are already working with young children and their parents/carers in all areas of the County. The evidence suggests Children's Centres are well placed to meet children's early development needs, and in particular those children aged from birth to 2 years old. Their early help and outreach programmes, together with programmes delivered by healthcare partners, mean they can support and improve home learning environments.

14. Children's Centres provide venues at which additional nursery provision could be made. This may be particularly important in areas where there is a lack of high quality nursery places for 2 year olds, and where there are a number of children eligible for free nursery places.

15. Current provision is focussed around the early help programme to provide help and support to the most disadvantaged children and families. In 2015, the Council will become responsible for commissioning health-visiting services. This provides an opportunity to identify and support language and communication development issues at an early stage, which will in turn support literacy development.
16. The review board notes that Early Years teachers have been withdrawn from Children's Centres as part of recent restructuring exercises. The review board considers that it is vital that Children's Centres retain some emphasis on early years education, which was part of their initial role, alongside the early help programme.
17. Children's Centres are managed separately from the Early Years Improvement Team within Children's Services Department. Although the two teams work closely together, it is the review board's view that it would be beneficial if both teams were managed together to reinforce the early years education role that Children's Centres have.
18. The review board notes the consultation on the proposals to de-designate a number of Children's Centres and wants to be sure that services will be continued, especially in areas of deprivation.

Recommendations

1. Children's Centres fulfil a number of roles. However, they should focus their work to improve children's early development and educational attainment by:

a) Conducting outreach work in order to know all the families in their area and to identify their needs early (children's centres KPI 9 & 10).
b) Co-ordinating work to support families to ensure school readiness and language development needs are being met (children's centres KPI 1 & 5).
c) Making child development progress and language development checkers available to all parents/carers.
d) Providing parenting courses for parents/carers and examine ways of involving parents/carers in their children's learning to improve home learning environments (children's centres KPI 4).
e) Working with Health providers to review the child development advice and guidance given to parents/carers from pre- birth through to age 2 in the light of the withdrawal of free universal antenatal classes.

2. Following the withdrawal of early years teachers from Children's Centres, examine the feasibility and benefits of bringing Children's Centres and the Early Years Improvement Team under the same management to strengthen the early years education role of Children's Centres.

2. Take up of early years education places and access

Take up of funded places

19. The review board examined the level of take up of local authority funded nursery and pre-school places for 3 and 4 year old children. The take up levels of funded places are high across all areas of the County. For the most deprived 20% of children the take up rate was 92% in spring 2013. Therefore, the review board found that a poor take up rate of funded provision is not a contributing factor to the lower levels of attainment in East Sussex.

20. Although poor take up does not appear to be a factor, work should continue to promote the entitlement to free nursery places, and to target those children who would benefit most from early education support. Research evidence shows that attending good quality pre-school provision has a positive impact on attainment.
21. Other evidence that came to light during the review indicates that attending a nursery or pre-school place regularly, is as important as the number of hours a child attends. Even if a child cannot attend for all the hours they are entitled to (up to 15 hours per week), it is still beneficial for them to attend for as many hours as they can. Research studies have shown that it is important for children to develop positive relationships with staff. Attending regularly enables them to do this, to become familiar with the environment, and to understand what is expected of them.

Access

22. The Effective Pre-school and Primary Education Project (EPPE 3-11 project) is a research study that followed children's progress from Early Years provision through to Key Stage 2. It found children who do well, go to a good quality pre-school and school provision. Being able to access good quality child minders, nurseries, pre-schools and schools is important for attainment levels.
23. Parents and carers need to have good information about the early years provision that is available in their area when choosing where to send their child. They also need information on which type of provision would benefit their child most.
24. The review found that information available to parents/carers about early years provision needs to be improved. In particular, it was difficult to find information on the quality of pre-school provision and the Ofsted quality rating of that provision. It was not always easy to see the qualification level of the staff employed to look after the children, or whether the child minder, nursery or pre-school was working with the Council (or other organisations) to improve standards.

Recommendations

3. Children attending high quality early years provision have higher levels of attainment. It is important for parents and carers to have good information so they can access high quality early years provision and understand the benefits for their children. The review boards recommends that:

a) Information for parents/carers on the quality of pre-school providers should be improved to make it easier for them to identify high quality provision in their area and those settings who are working with the Council to improve attainment.

b) Information for parents/carers on the East Sussex County Council (ESCC) web site must be easier to find, be up to date and show the Ofsted rating for the setting together with the qualification level of the staff (e.g. an A-Z list of settings assessed as 'good' or 'outstanding' together with qualification levels of lead and support staff).

c) The ESCC website should contain advice for parents/carers highlighting the benefits of choosing 'good' or 'outstanding' settings for children's education.

3. Structure and nature of early years provision

The structure of the early years sector

25. There are many different types of organisation involved in providing early years education. Between birth and the age of 5, a child may be educated at home, go to a child minder, attend a nursery or playgroup and then enter the reception year at a primary school. A mix of private, voluntary, independent (PVI) and state maintained (provided by the local education authority) organisations and individuals operate the various types of provision.
26. The fragmented nature of early years provision can make it difficult to maintain quality and consistency across a child's early years education. This is supported by evidence from a number of sources including Ofsted's Early Years annual report 2012/13. There is evidence that different providers do not always "trust" each other's assessments of children's development and progress against the areas of learning described in the Early Years Foundation Stage (EYFS).

Transitions and quality across the foundation stage.

27. In response to the fragmented nature of early education provision, the Council's Early Years Improvement Team has set up the Quality Across the Foundation Stage (QUAFS) and Early Years 'Village' pilot projects to focus on transition between pre-school settings and the reception year in primary schools. These projects aim to improve the way children's development in the Early Years Foundation Stage (EYFS) is supported; how their progress is measured; how their move between establishments or settings is managed (transitions); and to encourage closer working relationships between pre-school providers such as nurseries and primary schools.
28. The review board believe that the Early Years 'Village' Quality Across the Foundation Stage initiatives have led to an improvement in children's attainment at the Early Years Foundation Stage (EYFS). At one school the Early Years Foundation Stage (EYFS) outcomes improved by 5.8% compared with a County average of 1.3%. The following factors were found to be important in improving attainment.

- Managing transitions to provide well connected, integrated, 'seamless' provision across the foundation stage and by developing early years foundation stage leaders.
- Improving the EYFS assessment process by undertaking joint assessments, joint moderation of EYFS results and training had led to improved quality assurance.
- School Readiness. Taking a co-ordinated approach to tackling identified weaknesses in the EYFS profile through literacy and mathematics support; communication and language development; improving self-help skills; sharing of assessments and identifying children with a special educational need and disability (SEND) at an earlier stage.

29. In a recent Ofsted inspection of arrangements for school improvement the inspectors found that: "Initiatives like the 'Village School' in the Early Years Foundation Stage, where private, voluntary or independent settings are working closely with local schools, is helping to prepare children for school more effectively and improve the quality of provision".
30. Possible solutions to improve attainment in East Sussex could be the extension of projects to improve quality such as the 'Village School' and quality across the foundation stage (QUAFS). It would also be beneficial to consider initiatives to develop opportunities to share good practice between early years providers.

31. This could be through the creation of foundation stage leaders and/or area co-ordinators who would be responsible for improving early years attainment across pre-school and primary school settings. Early years system leadership should also be considered when developing peer to peer support such as alliances, teaching schools etc. so that the foundation stage and pre-school providers are also included.

The nature of early years providers

32. In East Sussex, approximately 60% of children attend pre-school settings that are operated by private, voluntary and independent (PVI) sector organisations. The rest attend publicly provided maintained settings, such as nursery classes that are part of schools and Children's Centres. There is evidence to suggest that levels of attainment are higher in other parts of the country where there are more maintained nurseries.
33. The reason for this difference in attainment is attributed to the fact that maintained settings are more likely to have qualified teachers and early years practitioners, than PVI settings. Where nurseries and nursery classes are provided as part of primary school, there are better levels of attainment for young children. The impact of staff qualifications is explored in more detail in section 5 of the report.
34. The review board found that there are many 'good' and 'outstanding' providers in both the PVI and maintained sectors located across East Sussex. It was not clear from the evidence, that creating more maintained provision on its own, would have a substantial positive impact on attainment. The review board considered that it would be appropriate to address the nature and structure of provision in a way that develops good practice in all settings e.g. through cross phase alliances of schools, nurseries and other providers. The review board also believes that where primary school provision is being reviewed, consideration should be given to creating co-located pre-school provision.

Recommendations

4. Attainment can be improved if pre-school early years providers work closely with primary schools and one another to improve transitions and school readiness, the quality of their assessment of children's progress and their teaching practice. The review board recommends that:

- **a) The Early Years 'Village' and quality across the foundation stage (QUAFS) projects are extended to all primary schools by September 2016.**
- **b) Early years hubs are developed to promote good practice through clusters of providers and consideration be given to creating foundation stage leaders/area co-ordinators for early years settings (a strategy is currently being introduced by the Early Years Team).**
- **c) Pre-school providers should be included in primary school alliances to facilitate the spreading of best practice across all settings.**
- **d) ESCC should take opportunities to promote pre-school provision co-located with primary schools, which could be either private, voluntary or maintained provision.**

4. Quality of settings

35. There is strong evidence that good quality provision leads to better attainment in the Early Years Foundation Stage (EYFS). This is what the Department for Education (DfE) believe and they have highlighted the importance of having highly qualified early years practitioners as a way to improve attainment (see section 5 of this report). The Council needs to continue to work with education providers to ensure that there is good quality provision available to all children.

36. An analysis of the geographical location of good quality provision revealed there are ‘good’ and ‘outstanding’ providers in all parts of the County. However, around 20% of early years settings have not achieved this standard and 31% of primary schools. Those settings assessed as ‘requiring improvement’ (previously ‘satisfactory’) or ‘inadequate’ should continue to be targeted for improvement.

37. However, the picture in East Sussex is more complex than simply promoting good quality provision. The review board found that in 2012/13 around 82% of pre-school children attended a setting rated as either ‘good’ or outstanding and 80% of the early years settings were rated ‘good’ or ‘outstanding’, but average attainment at the Early Years Foundation Stage (EYFS) was still below the national average.

38. The review board explored the reasons why the level of attainment was lower than expected with the number of ‘good’ or ‘outstanding’ providers. It would appear there are a number of factors that may influence the Early Years Foundation Stage (EYFS) results.

Foundation stage profile weaknesses

39. Evidence from the review has identified the following areas that require improvement in order to increase good levels of development at the early years foundation stage (EYFS):

- Literacy development. This involves encouraging children to read and write, both through listening to others reading, and being encouraged to begin to read and write themselves.
- Communication and language development. This involves giving children opportunities to speak and listen in a range of situations and to develop their confidence and skills in expressing themselves.
- Mathematics development. This involves providing children with opportunities to practise and improve their skills in counting numbers, calculating simple addition and subtraction problems, and to describe shapes, spaces, and measures.
- Self-help skills (school readiness). Children manage their own basic hygiene and personal needs successfully, including dressing and going to the toilet independently. They can communicate their needs and separate confidently from their parent or carer.

40. Specific programmes are being used to target these areas of weakness, such as the East Sussex Early Years Speech, Language and Communication Pathway used to improve communication and language development. The Early Years Improvement Team has also targeted these areas of development through it’s annual training programme.

Quality assurance.

41. There are a number of local authorities that have better results than East Sussex, who have a history of quality assurance. Some of these local authorities are our statistical neighbours (i.e. they are similar in nature) and have used quality assurance systems based on the rating scales used in the Effective Pre-school and Primary Education Project (EPPE 3-11 project). East Sussex no longer has a quality assurance scheme in place.

42. The review board found evidence from the quality across the foundation stage approach that suggests that quality assurance is a factor in improving attainment. There must be a continued focus on those settings whose attainment results are not in line with their Ofsted rating.

Assessment consistency

43. It has been suggested that recent changes to the way in which the Early Years Foundation Stage Profile (EYFSP) is assessed have contributed to the lower results. In particular, assessments may have been applied too strictly and children may have been assessed as having lower levels of development than they actually had. Since 2013, additional training and moderation work has been undertaken to improve the consistency of assessments. It is believed that the impact of this work will be seen in the next set of Early Years Foundation Stage (EYFS) results in September 2014.

Ofsted inspections

44. At present, Ofsted does not separately inspect the reception year in primary schools. The Ofsted assessment rating is for the whole school, and may not necessarily reflect the quality of the reception year where the EYFS assessments are undertaken. Some commentators have suggested that there have been inconsistencies in the way Ofsted inspects the early years sector. Ofsted has announced that it will stop using consultants to carry out inspections in the future and is looking to adopt a more consistent approach to inspecting the different types of early years providers.

Early years expertise in primary schools

45. There is evidence that there is a lack of understanding of the Early Years Foundation Stage (EYFS) by primary school head teachers. Often primary school heads have more experience in Key Stage 1 and Key Stage 2 education for older children. This is currently being addressed by the Early Years Improvement Team, so that the appropriate level of attention and focus can be given to early years education in primary schools.
46. The review board recognise that arrangements for formally assessing a child’s progress are being changed. The review board considers that having a baseline assessment at the start of the reception year supports best practice and the review board believes that the sharing of information between phases is essential to ensure a child’s progress.

Recommendations

5. Evidence suggests that attending good quality early years provision leads to higher levels of attainment. However, not all provision in East Sussex is ‘good’ or ‘outstanding’ and levels of attainment are below national averages. The review board recommends that:

- **a) ESCC continues to work with early years settings in the Ofsted categories of ‘requires improvement/satisfactory’ and ‘inadequate’, so that at least 85% of settings are in Ofsted categories of ’good’ or ‘outstanding’ by September 2015 and at least 90% by September 2016 to ensure all parents/carers have access to a good quality setting in their area.**
- **b) The Early Years Improvement Team continue to develop programmes to tackle early years foundation stage (EYFS) profile weaknesses in literacy development, communication & language development and mathematics development.**
- **c) Primary schools consider including an early years specialist as part of the school leadership team, and governing bodies should appoint a governor with specific responsibility for the early years foundation stage (EYFS).**
- d) **ESCC should develop enhanced quality assurance measures and target those settings whose attainment results are not in line with their Ofsted rating.**

5. Qualification level of staff and training

Staff qualifications

47. Evidence from a number of research reports emphasise the impact of having highly qualified early years teachers and practitioners in improving early years attainment. The Nutbrown Review commissioned by the DfE provides some detailed research and evidence from the UK and other countries. In particular, studies have shown the link between providers who have qualified teachers and degree educated leaders and higher levels of attainment. Research suggests that all staff involved in early years education should have at least a Level 3 qualification in early years education.
48. For child minders and smaller PVI providers this may present a particular challenge, as having more highly qualified staff will be more expensive and may be viewed as unaffordable. For child minders there has been a change in focus from providing a service that looks after and cares for a child, to one that also educates a child. For example, Hampshire County Council have a policy that all child minders offering funded places should have a Level 3 qualification.
49. In East Sussex there are 232 pre-school groups who provide funded early years places. In 111 of these, the lead practitioner for the Early Years Foundation Stage (EYFS) holds a qualification higher than the minimum (early years educator Level 3 qualification), and 73 have a Foundation Degree or above. The Review Board’s recommendation is that lead practitioners (e.g. nursery managers and senior staff) should hold at least a Level 5 qualification.
50. The review board found evidence that the level of staff qualification was one of the most important factors in improving attainment. This has implications for the way the Council funds early years education and the training it provides.

Training

51. The Early Years Improvement Team provide an annual training programme to support and meet identified training needs of early years staff and managers in East Sussex. Each year part of the training programme focusses on specific areas of learning contained within the Early Years Foundation Stage (EYFS).
52. The majority of the training courses provided are short course programmes targeted around specific issues to meet statutory requirements, assessments, moderation or parts of the Early Years Foundation Stage (EYFS) e.g. safeguarding/child protection, EYFS assessments, Literacy, Understanding the World etc. At present there are no programmes to promote higher level qualifications such as Level 3 or above.
53. Future improvement support activity includes developing peer to peer support through alliances and system leadership. There are opportunities to use training as a mechanism to support system change and improvement.

Recommendations

6. Evidence highlights the role that highly qualified early years practitioners have in improving attainment. The review board believe that ESCC should take action to improve the qualification levels and practice of early years leaders and staff in East Sussex. It recommends that:

- **a) ESSC adopt a policy that all child minders and pre-school early years staff should hold or be working towards at least a Level 3 qualification by September 2016. Any prospective child minders should be required to obtain a Level 3 qualification.**
- **b) ESSC provide a list of preferred training providers for Level 3 early educator training courses and higher level training, to increase the number of early years staff and practitioners with higher level qualifications.**
- **c) The Early Years Improvement Team provide training for managers of early years settings in staff mentoring/supervision, appraisal and staff development to support the development of best practice within settings (i.e. Level 5 minimum qualification standards for lead practitioners).**

Issues

6. Funding

54. The main source of funding for early years education in East Sussex comes from the central government Department for Education (DfE). This is from the early years 'block' of the dedicated schools grant (DSG). The early years 'block' provides funding for nursery places for 2 year old children from deprived backgrounds and funds pre-school places for 3 and 4 year olds. Funding for the reception year in primary schools comes from the schools 'block' of funding, which is also funds the education of older children.

55. The early years funding in the dedicated schools grant is based on a per child amount multiplied by an estimate of the number of eligible children. For the financial year 2013/14, the funding that ESCC received from central government was £3,605.96 per child. The amount of funding per child is based on historic expenditure levels and is not calculated using a needs based formula. Therefore, early years funding per child is less than the amount paid to some of our neighbouring authorities, who have similar levels of deprivation.

Early years funding formula

56. The School and Early Years Finance (England) Regulations 2013 allow the Council to retain up to 20% of early years funding to pay for centrally provided services such as training, moderation and improvement services. At present East Sussex retains 10% of funding for centrally provided services. The remainder of the funding is allocated through the local early years funding formula to pay for 'free', funded, pre-school places for 3 and 4 year olds.

57. The early years funding for 3 and 4 year old children pays for pre-school places of up to 15 hours per week. The hours can be used flexibly over a minimum of 38 weeks, and up to a maximum of 570 hours in any one year. In 2013/14 early years providers were paid a base rate payment of £3.54 per hour, per child for funded places for 3 and 4 year olds. This is one of the lowest funding rates of our statistical and geographic neighbouring local authorities (the highest being £4.15 per hour per child). The average funding rate of our statistical neighbours is £3.77 per hour, per child.
58. The local funding formula for early years has to be agreed by the Schools Forum. The funding rate for early years providers has not been increased for the last 4 years until small increase was recently agreed. The funding rate has been increased from £3.54 to £3.60 per hour, per child from April 2014.
59. The review board examined the funding formulas that are used by other authorities. It found that there was a wide variety of approaches, which made direct comparisons difficult. The East Sussex local funding formula consists of a single payment rate of £3.60 per hour per child, with supplements for quality of 79p per hour per child (paid to providers with the highest level of staff qualification) and deprivation consisting of a lump sum payment of £92.52 per provider.
60. Other local authorities had more than one hourly rate that they paid pre-school providers, to reflect differences in the cost of some types of provision e.g. provision for children with disabilities. There was widespread use of additional payments to providers on top of the hourly rate. These additional payments (supplements) were used to pay for features of provision such as quality (including qualification levels of staff), levels of deprivation, and flexibility. The additional payments were made either by adding to the hourly rate paid per child, or via lump sum payment. Lump sum payments for quality can be important as they can incentivise PVI providers to employ more highly qualified staff.

Other funded early years services

61. There are other services for children which are funded from the Council’s main budget that are not part of the early years team. These are primarily the network of Children’s Centres around the County that provide services for children aged 0-5 and their families. The remainder of spending comes from an allocation of funding in the high needs ‘block’ to support pre-school children with disabilities and complex special educational needs.

Potential changes to the way ESCC funds early years

62. It is possible to use central government funding flexibly and to use funding from the schools ‘block’ to pay for early years education. A reallocation of expenditure between funding ‘blocks’ has to be agreed by the Schools Forum. There is an opportunity to re-focus education funding in a different way to achieve the best outcomes for children over their whole school career.
63. The way early years provision is funded can be used as a mechanism to improve the quality of early years provision. The Council may not be able to influence the amount of early years funding that it receives from central government. However, the local funding formula can facilitate the changes in attainment that the local authority would like to see. The most important issue is to ensure the Council uses the funding it gets as effectively as possible.

Recommendations

7. It is recognised that the Council's financial position may not allow additional resources to be invested in early years education. However, some re-allocation of resources should be considered to improve early years attainment as evidence suggests this will also improve attainment at Key Stage 1 & 2. The review board recommends that:

a) ESCC review the allocation of funding for early years education through the Reconciling Policy, Performance and Resources (RPPR) process, and by agreement with the Schools Forum, to provide a 2 year transitional programme of resources for early years provision in 2015/16 and 2016/17 to fund:
- **transformative measures to raise staff qualification levels in all settings;**
- **training for early years educator level 3 qualifications;**
- **delivery of more quality across the foundation stage and early years village projects and;**
- **the establishment of peer to peer quality improvement networks so that all providers are included within a network of providers.**

b) The East Sussex early years funding formula is changed to encourage and enable pre-school providers to employ well qualified staff though the use of an enhanced lump sum supplement for high quality providers.

c) Officers investigate the mechanism for calculating per child amount in the early years funding that ESCC receives from central government, to ensure it reflects fairly the needs of children in the County.

Conclusions

7. Concluding comments

64. A child's early education underpins their later learning as they progress through primary and secondary school. It is essential that all children get off to a good start and have access to high quality early years provision.

65. The review board recognises that a child's relationship with their parents/carers is of paramount importance. This should be reflected throughout a child's early education and all providers should strive to have strong relationships with parents and carers.

66. The review board found that having highly qualified early years staff, having well managed transitions between settings, and good relationships between settings and parents/carers are key components of good quality provision. It is also important that early years practitioners have opportunities to develop and spread best practice through training and peer to peer support.

67. East Sussex has many early years settings that have been assessed by Ofsted as 'good' or 'outstanding'. However, work needs to continue to ensure that all children have access to good quality provision, and that this provision is effective. Children's Centres should continue in their role of supporting children's early development.

68. The review makes a number of recommendations that can be implemented with existing resources. However, some re-allocation of funding may be required to bring about system wide improvements in early years attainment.

Appendix

Scope and terms of reference

During 2012/13 the Children's Services scrutiny committee noted that educational attainment in East Sussex was disappointing compared with many other authorities. Achieving a commonly accepted understanding of the underlying reasons for differences in attainment may provide the best chance of developing effective strategies to sustainably tackle underperforming schools or pupils.

On 9 September 2013 the Children's Services scrutiny committee established this scrutiny review board to investigate and report back to the committee on improving educational attainment in East Sussex.

On 3 December 2013 the review board held a scoping meeting to agree the terms of reference for the review. It was agreed to focus on the early years stage of education as this is important in providing a sound basis for a child's education and offers possibilities to influence attainment. Therefore, this review will examine the factors that lead to a strong and sustained improvement in attainment at the Early Years Foundation Stage (EYFS), looking at the performance of all early years settings.

Review Board Members

Councillors Kathryn Field (Chair), Kim Forward, Alan Shuttleworth, Francis Whetstone

Catherine Platten (parent governor representative)

Support to the Board was provided by the following officers:

Fiona Wright, Assistant Director – Schools, Youth & Inclusion Support

Ruth Szulecki, Early Years Development Manager, Early Years Improvement

Lesley Wickham, Head of Education Improvement, Early Years Improvement

Witnesses

Alison Rendle and Elizabeth Funge, Head of Education Improvement.

Diana Frankcombe, Senior Manager Governor Services & Planning

Debbie Adams, Head of Children's Centres Services

Sam Attwater, Nursery Manager Oakwood Nursery

John Greenwood, Executive Head of Oakwood Academy

Margaret Coleman, Head Teacher Manor Primary School

Review Board meeting dates

3 December 2013	2 June 2014
13 February 2014	1 July 2014
13 March 2014	29 July 2014
22 April 2014	

List of evidence papers

Item	Date
Excellence For All – A strategy for education improvement in East Sussex (2013 to 2015).	December 2013
Are you Ready for Your Inspection? A guide to inspections of provision on Ofsted's Early Years and Childcare Registers. Ofsted.	August 2012.
Early Years Foundation Stage Profile Handbook 2014 – Standards & Testing Agency	2013
Reforming assessment and accountability for primary schools: government response to consultation on primary school assessment and accountability. DfE.	March 2014
Nutbrown Review – Foundations for Quality DfE.	June 2012
More Great Childcare – Raising quality and giving parents more choice. DfE	January 2013.
Effective Pre-School and Primary Education 3-11 project. A longitudinal study funded by the DCSF (2003 – 2008)	2008
Sammons P. et al (2008) EPPE 3-11 Project: Influences on Children's Attainment & Progress in Key Stage 2.	2008
Sound Foundations, The Sutton Trust. A review of research evidence on quality of Early Childhood Education and Care for children under three.	January 2014
Premium Policies: What schools and teachers believe will improve standards for poorer pupils and those in low attaining schools. The Sutton Trust.	January 2012
Early Education and Childcare. Statutory guidance for local authorities. DfE.	September 2013.
Early years annual report 2012/13. Ofsted.	March 2014
Off to a flying start – assessment in reception Year: West Hove Infant School. Ofsted Good practice example.	19 July 2012
Early Years Foundation Stage Profile Attainment by Pupil Characteristics, England 2013. DfE.	21 November 2013
Quality and Inequality: Do three and four year olds in deprived areas experience lower quality early years provision? Nuffield Foundation.	May 2014
Exploring trends in Early Years Education Entitlement (EYEE) take up and Foundation Stage outcomes. ESCC	December 2009
School Readiness Briefing – Learning Together Alliance and Pilot Project. Early Years Improvement Team, ESCC.	March 2013
Children's Centres – Key Performance Indicators. ESCC.	February 2014
Early Years Improvement Team Training Strategy: 2014-15. ESCC.	2014

Early Years Foundation Stage areas of learning and their associated early learning goals

Prime areas of learning

Communication and language development involves giving children opportunities to speak and listen in a range of situations and to develop their confidence and skills in expressing themselves.

ELG 01	**Listening and attention:** Children listen attentively in a range of situations. They listen to stories, accurately anticipating key events, and respond to what they hear with relevant comments, questions or actions. They give their attention to what others say and respond appropriately, while engaged in another activity.
ELG 02	**Understanding:** Children follow instructions involving several ideas or actions. They answer 'how' and 'why' questions about their experiences and in response to stories or events.
ELG 03	**Speaking:** Children express themselves effectively, showing awareness of listeners' needs. They use past, present and future forms accurately when talking about events that have happened or are to happen in the future. They develop their own narratives and explanations by connecting ideas or events.

Physical development involves providing opportunities for young children to be active and interactive, and to develop their co-ordination, control, and movement. Children must also be helped to understand the importance of physical activity, and to make healthy choices in relation to food.

ELG 04	**Moving and handling:** Children show good control and co-ordination in large and small movements. They move confidently in a range of ways, safely negotiating space. They handle equipment and tools effectively, including pencils for writing.
ELG 05	**Health and self-care:** Children know the importance for good health of physical exercise and a healthy diet, and talk about ways to keep healthy and safe. They manage their own basic hygiene and personal needs successfully, including dressing and going to the toilet independently.

Personal, social and emotional development involves helping children to develop a positive sense of themselves and others; to form positive relationships and develop respect for others; to develop social skills and learn how to manage their feelings; to understand appropriate behaviour in groups; and to have confidence in their own abilities.

ELG 06	**Self-confidence and self-awareness:** Children are confident to try new activities, and to say why they like some activities more than others. They are confident to speak in a familiar group, will talk about their ideas, and will choose the resources they need for their chosen activities. They say when they do or do not need help.
ELG 07	**Managing feelings and behaviour:** Children talk about how they and others show feelings, talk about their own and others' behaviour, and its consequences, and know that some behaviour is unacceptable. They work as part of a group or class, and understand and follow rules. They adjust their behaviour to different situations, and take changes of routine in their stride.
ELG 08	**Making relationships:** Children play cooperatively, taking turns with others. They take account of one another's ideas about how to organise their activity. They show sensitivity to others' needs and feelings, and form positive relationships with adults and other children.

<u>Specific areas of learning</u>

Literacy development involves encouraging children to read and write, both through listening to others reading, and being encouraged to begin to read and write themselves. Children must be given access to a wide range of reading materials – for example books, poems, and other materials to ignite their interest.

ELG 09	**Reading:** Children read and understand simple sentences. They use phonic knowledge to decode regular words and read them aloud accurately. They also read some common irregular words. They demonstrate an understanding when talking with others about what they have read.

ELG 10

Writing: Children use their phonic knowledge to write words in ways which match their spoken sounds. They also write some irregular common words. They write sentences which can be read by themselves and others. Some words are spelt correctly and others are phonetically plausible.

Mathematics development involves providing children with opportunities to practise and improve their skills in counting numbers, calculating simple addition and subtraction problems, and to describe shapes, spaces, and measures.

ELG 11

Numbers: Children count reliably with numbers from one to 20, place them in order and say which number is one more or one less than a given number. Using quantities and objects, they add and subtract two single-digit numbers and count on or back to find the answer. They solve problems, including doubling, halving and sharing.

ELG 12

Shape, space and measures: Children use everyday language to talk about size, weight, capacity, position, distance, time and money to compare quantities and objects and to solve problems. They recognise, create and describe patterns. They explore characteristics of everyday objects and shapes and use mathematical language to describe them.

Understanding of the world involves guiding children to make sense of their physical world and their community through opportunities to explore, observe and find out about people, places, technology and the environment.

ELG 13

People and communities: Children talk about past and present events in their own lives and in the lives of family members. They know that other children do not always enjoy the same things, and are sensitive to this. They know about similarities and differences between themselves and others, and among families, communities and traditions.

ELG 14

The world: Children know about similarities and differences in relation to places, objects, materials and living things. They talk about the features of their own immediate environment and how environments might vary from one another. They make observations of animals and plants and explain why some things occur, and talk about changes.

ELG 15	**Technology:** Children recognise that a range of technology is used in places such as homes and schools. They select and use technology for particular purposes.

Expressive arts and design involves supporting children to explore and play with a wide range of media and materials, as well as providing opportunities and encouragement for sharing their thoughts, ideas and feelings through a variety of activities in art, music, movement, dance, role play, and design and technology.

ELG 16	**Exploring and using media and materials:** Children sing songs, make music and dance, and experiment with ways of changing them. They safely use and explore a variety of materials, tools and techniques, experimenting with colour, design, texture, form and function.
ELG 17	**Being imaginative:** Children use what they have learnt about media and materials in original ways, thinking about uses and purposes. They represent their own ideas, thoughts and feelings through design and technology, art, music, dance, role play and stories.

Contact officer for this review:

Martin Jenks, Scrutiny Lead Officer

Telephone: 01273 481327
E-mail: martin.jenks@eastsussex.gov.uk

C6F
County Hall
St Anne's Crescent,
Lewes BN7 1UE

Agenda Item 5b

Report to	**Cabinet**
Date	**15 October 2014**
Report By	**Director of Children's Services**
Title of Report	**Scrutiny Review of Early Years Attainment**
Purpose of Report	**To provide the Cabinet with the opportunity to comment on the report of the Scrutiny Committee Review of Early Years Attainment.**

RECOMMENDATIONS:
The Cabinet is recommended to:

1. **note and welcome the report of the Scrutiny Committee; and**
2. **advise the County Council that, in considering the report of the Scrutiny Committee, the Council be recommended to welcome the report of the Scrutiny Committee and to agree the response of the Director of Children's Services to the recommendations and their implementation as set out in the action plan attached as Appendix 1 to this report.**

1. Financial Appraisal

1.1 No additional resources are required. The review recommends consideration is given to approach Schools Forum regarding the allocation of Dedicated Schools Grant (DSG) across early years and schools in order to address some of the ambitious areas for development.

2. Supporting Information

2.1 The Scrutiny Review of Early Years Attainment is welcomed by the Department because it recognises the importance of Early Year Outcomes as a platform for their future achievements and aspirations. The recommendations of this report will demonstrate the Council's commitment to raising the profile, across our providers, of the significance of the development of good quality early years provision throughout East Sussex. It will make a useful contribution to the planned programme of further development of a rich early years experience.

2.2 The action plan attached as Appendix 1, responds to the recommendations made by the Scrutiny Committee.

3. Conclusion and Reason for Recommendation

3.1 The Scrutiny Review has provided a useful insight into Early Years Attainment in East Sussex. It is recommended that Cabinet advise the County Council that, in considering the report of the Scrutiny Committee, the Council be recommended to welcome the report of the Scrutiny Committee and to agree the response of the Director of Children's Services to the recommendations and their implementation as set out in the action plan attached as Appendix 1 to this report..

STUART GALLIMORE
Director of Children's Services

Contact Officer Lesley Wickham Tel. No. 01323 466866
Local member: All

BACKGROUND DOCUMENTS: None
Appendix 1 - Action Plan

Appendix 1

CHILDREN'S SERVICES SCRUTINY REVIEW OF EARLY YEARS ATTAINMENT – ACTION PLAN			
SCRUTINY RECOMMENDATION		**DIRECTOR'S RESPONSE AND ACTION PLAN**	**TIMESCALE**
	Home learning & Children's Centres		
R1	Children's Centres fulfil a number of roles. However, they should focus their work to improve children's early development and educational attainment by: a) Conducting outreach work in order to know all the families in their area and to identify their needs early (children's centres KPI 9 & 10). b) Co-ordinating work to support families to ensure school readiness and language development needs are being met (children's centres KPI 1 & 5). c) Making child development progress and language development checkers available to all parents/carers. d) Providing parenting courses for parents/carers and examine ways of involving parents/carers in their children's learning to improve home learning environments (children's centres KPI 4). Working with Health providers to review the child development advice and guidance given to parents/carers from pre- birth through to age 2 in the light of the withdrawal of free universal antenatal classes.	Children's Centres offer a range of services that encourage and support children's development and activities are planned that address key areas of early learning. Centres identify those children who are at a higher risk of achieving poor outcomes and monitor their take up of services. Centres acknowledge that many families may find it difficult to access services in the designated building and do therefore take services out into communities, an example being a Come and Play session that is offered at Jarvis Brook, an area of need near Crowborough, which focuses on encouraging language development and offers a range of home learning suggestion for parents to take away. The focus on early communication has resulted in the development of an Early Communication Pathway in partnership with the SLES early years improvement team and the NHS. The pathway aims to identify children whose language development is delayed or at risk of delay. The use of language checkers, a key element of the pathway, is extending and these materials are now available on CZONE for early years setting to access. It is not planned to make language checkers available for parents to use independently as if any developmental delay is identified professionals need to be on hand to offer advice and support.	

CHILDREN'S SERVICES SCRUTINY REVIEW OF EARLY YEARS ATTAINMENT – ACTION PLAN			
SCRUTINY RECOMMENDATION		**DIRECTOR'S RESPONSE AND ACTION PLAN**	**TIMESCALE**
		Those families who have more complex needs are offered support at home by the Children's Centre keywork service. The keyworker will agree a plan with a family which addresses a range of issues which impact on a child's development and readiness for school. The keywork service also offers parenting courses across the County in partnership with the NHS. Courses are scheduled in every Children's Centre Cluster. The courses offered are evidence based and cover a range of issues that impact on children's readiness to learn. Children's Centres work closely with the health visiting service who, through the recent "Call to Action" and resulting expansion of the service, are now offering a number of universal contacts at significant points in a child's early years. Health Visitors are able to identify children who are at risk of developmental delay and signpost them to group based activity or refer them to the Team Around the Family (which includes the Children's Centre keywork service) where support needs can be discussed and a support plan developed. It would be inappropriate to duplicate these universal contacts at a time when resources are decreasing. We have discussed with colleagues in the NHS the recent replacement of universal antenatal preparation classes with on line support. Antenatal education is not included in new national payment arrangements for midwifery. CCG colleagues, and colleagues in East Sussex Health Care Trust appreciate our concern about opportunities for expectant parents to meet each other, and the need for	

CHILDREN'S SERVICES SCRUTINY REVIEW OF EARLY YEARS ATTAINMENT – ACTION PLAN			
SCRUTINY RECOMMENDATION		**DIRECTOR'S RESPONSE AND ACTION PLAN**	**TIMESCALE**
		additional support for the most vulnerable families. Very vulnerable pregnant women will receive support through the keywork service. In addition, however, we have developed plans with midwifery, health visiting and Family Nurse Partnership colleagues to deliver new group based support to young parents in Hastings. The provision is due to start in early October. If the model is successful it may be extended to vulnerable parents in other areas.	
R2	Following the withdrawal of early years teachers from Children's Centres, examine the feasibility and benefits of bringing Children's Centres and the Early Years Improvement Team under the same management to strengthen the early years education role of Children's Centres.	Although currently sitting in different divisions within the department Children's Centres and the early years improvement team work closely together to ensure services are consistent and avoid duplication. The two services jointly facilitate network meetings for early years settings and have worked together to develop and implement the early communication pathway. Children's Centres also work closely with social care colleagues in the delivery of early help to families with complex needs. With the forthcoming transfer of commissioning responsibility for Health Visiting and the Family Nurse Partnership to the Local Authority in October 2015, a review of the structural relationship between the different elements of early years provision will be appropriate.	
	Information for parents and carers		

CHILDREN'S SERVICES SCRUTINY REVIEW OF EARLY YEARS ATTAINMENT – ACTION PLAN			
SCRUTINY RECOMMENDATION		**DIRECTOR'S RESPONSE AND ACTION PLAN**	**TIMESCALE**
R3	Children attending high quality early years provision have higher levels of attainment. It is important for parents and carers to have good information so they can access high quality early years provision and understand the benefits for their children. The review board recommends that: a) Information for parents/carers on the quality of pre-school providers should be improved to make it easier for them to identify high quality provision in their area and those settings who are working with the Council to improve attainment. b) Information for parents/carers on the East Sussex County Council (ESCC) web site must be easier to find, be up to date and show the Ofsted rating for the setting together with the qualification level of the staff (e.g. an A-Z list of settings assessed as 'good' or 'outstanding' together with qualification levels of lead and support staff). c) The ESCC website should contain advice for parents/carers highlighting the benefits of choosing 'good' or 'outstanding' settings for children's education.	The SLES Early Years team has been exploring ways of improving communication with parents and carers so that information is more accessible and recognises the importance of ensuring that parents and carers receive clear information about the location and quality of Early Years settings in their area. **Actions:** • Work with Children's Centres and other agencies to provide a wider network of communication links, so that parents and carers have a clear understanding of how to access appropriate Early Years provision /support for their children. • Improve the quality of information provided on the website.	March 2015 November 2014
	Transitions, assessment and the quality of early years teaching practice		
R4	Attainment can be improved if pre-school early years providers work closely with primary schools and one another to improve transitions and school readiness, the quality of their assessment of children's progress, and their teaching practice. The review board recommends that: a) The Early Years 'Village' and quality across the foundation stage (QUAFS) projects are extended to all primary schools by	It is pleasing that the Scrutiny Review Panel has acknowledged the role played by the Early Years Village Project in improving the quality of education for children in East Sussex and also endorses the planned strategy to establish Early Years Hubs to promote good practice across the county. **Actions:**	

CHILDREN'S SERVICES SCRUTINY REVIEW OF EARLY YEARS ATTAINMENT – ACTION PLAN			
SCRUTINY RECOMMENDATION		**DIRECTOR'S RESPONSE AND ACTION PLAN**	**TIMESCALE**
	September 2016. b) Early years hubs are developed to promote good practice through clusters of providers and consideration be given to creating foundation stage leaders/area co-ordinators for early years settings (a strategy is currently being introduced by the Early Years Team). c) Pre-school providers should be included in primary school alliances to facilitate the spreading of best practice across all settings. d) ESCC should take opportunities to promote pre-school provision co-located with primary schools, which could be private, voluntary or maintained provision.	• Expand the successful Village Project approach to strengthen the transition between Early Years Providers and Primary Schools, by identifying schools and settings in each Education Improvement Partnership to develop at least one Village Project per area. • Work with a group of identified headteachers to develop strategically placed Early Years Hubs across the county • Monitor the impact of the model to strengthen Early Years and KS1 outcomes by collecting progress data and feedback. • Work with Capital Project colleagues to ensure that all new building projects related to expansion of places include pre-school provision. **Outcome measures**: • Number of schools and settings engaged in Village Project increased by 50%. • In Year progress data and end of Key Stage data shows at least a 5% increase from previous year.	October 2014 October 2014 January and April 2015 data collection points and end of Key Stage outcomes July 2015 As opportunities arise
	Quality of Early Years Provision		

CHILDREN'S SERVICES SCRUTINY REVIEW OF EARLY YEARS ATTAINMENT – ACTION PLAN

	SCRUTINY RECOMMENDATION	DIRECTOR'S RESPONSE AND ACTION PLAN	TIMESCALE
R5	Evidence suggests that attending good quality early years provision leads to higher levels of attainment. However, not all provision in East Sussex is 'good' or 'outstanding' and levels of attainment are below national averages. The review board recommends that: a) ESCC continues to work with early years settings in the Ofsted categories of 'requires improvement/satisfactory' and 'inadequate', so that at least 85% of settings are in Ofsted categories of 'good' or 'outstanding' by September 2015 and at least 90% by September 2016 to ensure all parents/carers have access to a good quality setting in their area.	The CSD recognises the significance of high quality early years provision in securing the best outcomes for children and shares the aspirations of the Scrutiny Review to raise the percentage of early years settings that are in OfSTED categories of good or outstanding. **Actions:** Review the Service's processes for support and challenge to Early Years settings, especially those that are inadequate' or 'requires improvement', to ensure that they provide appropriately robust measures for improvement. **Outcome measure:** • New enhanced and intensive support protocols agreed and communicated to settings. • Increase in the number of settings improving OfSTED grading on re-inspection.	October 2014 Termly review - December 14 - March 2015 - July 2015
	b) The Early Years Improvement Team continue to develop programmes to tackle early years foundation stage (EYFS) profile weaknesses in literacy development, communication & language development and mathematics development. c) Primary schools consider including an early years specialist as part of the school leadership team, and governing bodies should appoint a governor with specific responsibility for the early years foundation stage (EYFS). d) ESCC should develop enhanced quality assurance measures and target those settings whose attainment results are not in line with their Ofsted rating.	Training for headteachers during 2013-2014 raised their awareness of the importance of their engagement with the Early Years Foundation Stage, so that they are able to support and challenge their practitioners regarding the quality of the curriculum and assessment in their schools. This has had a significant impact on East Sussex 2014 outcomes at the end of the Early Years Foundation Stage and has enabled headteachers to highlight to governors, the need to appoint highly qualified staff and allocate sufficient resources for further development of good quality provision at this key stage. The changes to the OfSTED framework so that the Early	

CHILDREN'S SERVICES SCRUTINY REVIEW OF EARLY YEARS ATTAINMENT – ACTION PLAN			
SCRUTINY RECOMMENDATION		**DIRECTOR'S RESPONSE AND ACTION PLAN**	**TIMESCALE**
		Years Foundation Stage in school receives a separate judgement, emphasises even more, the need for schools to be able to access good quality training and support. **Actions:** • commissioning of specialist training in Early Years speech, language and communication to accelerate improvement in targeted schools and settings; • Provision of EYFS CPD training programme to increase the focus on writing in Reception and early mathematics; • Identifying schools and pre-schools where improved outcomes are required; • Provision of ELKLAN training to identified schools and pre-schools. • Ensuring that all schools report in-year 'progress towards targets' attainment data for writing and mathematics. • Ensuring that schools participating in targetted programmes provide entry and exit data, as well as ongoing data throughout the programme. **Outcome measures** Increased levels of attainment across all aspects of language and communication and mathematics evident in end of year assessment, which are above national averages.	Termly September 2014 Term 2 2014 and Term 4 2015 Term 1 2014 to Term 4 2015 (according to programme)
	Qualifications and Training		
R6	Evidence highlights the role that highly qualified early years practitioners have in improving attainment. The review board believe that ESCC should take action to improve the qualification levels and practice of early years leaders and staff in East Sussex. It recommends that:	The CSD endorses this view and welcomes the recommendation that practitioners in East Sussex should have access to, and be encouraged to acquire, higher levels of qualifications. Although a wide range of training is offered to all settings, the opportunity to improve qualifications is	

CHILDREN'S SERVICES SCRUTINY REVIEW OF EARLY YEARS ATTAINMENT – ACTION PLAN			
SCRUTINY RECOMMENDATION		**DIRECTOR'S RESPONSE AND ACTION PLAN**	**TIMESCALE**
	a) ESSC adopt a policy that all child minders and pre-school early years staff should hold or be working towards at least a Level 3 qualification by September 2016. Any prospective child minders should be required to obtain a Level 3 qualification. b) ESSC provide a list of preferred training providers for Level 3 early educator training courses and higher level training, to increase the number of early years staff and practitioners with higher level qualifications. c) The Early Years Improvement Team provide training for managers of early years settings in staff mentoring/supervision, appraisal and staff development to support the development of best practice within settings (i.e. Level 5 minimum qualification standards for lead practitioners).	limited, due to financial constraints and lack of access to appropriate courses. **Actions:** • Commission leadership and management support/training for voluntary management committees and owners in Early Years settings; • Commission induction/training for new early years leaders, managers and owners; • Investigate the possibility of part funding the costs of additional accredited training for EYFS staff. **Outcome measures:** • Increased number of EYFS settings with highly qualified staff. • More staff accessing courses for higher level qualifications.	Autumn 2014 Spring 2015
	Funding		
R7	It is recognised that the Council's financial position may not allow additional resources to be invested in early years education. However, some re-allocation of resources should be considered to improve early years attainment as evidence suggests this will also improve attainment at Key Stage 1 & 2. The review board recommends that: a) ESCC review the allocation of funding for early years education through the Reconciling Policy, Performance and Resources (RPPR) process, and by agreement with the Schools Forum, to provide a 2 year transitional programme of resources for early	The CSD share the view that, in spite of the Council's financial position, there is a need to investigate ways of allocating additional resources to the development of Early Years education. **Actions:** Prepare paper to present to Schools' Forum on projected costs involved in: • facilitating training for early years practitioners to acquire higher qualifications; • supporting expansion of the Village Project to all schools	November 2014

CHILDREN'S SERVICES SCRUTINY REVIEW OF EARLY YEARS ATTAINMENT – ACTION PLAN			
SCRUTINY RECOMMENDATION		**DIRECTOR'S RESPONSE AND ACTION PLAN**	**TIMESCALE**
	years provision in 2015/16 and 2016/17 to fund: • transformative measures to raise staff qualification levels in all settings; • training for early years educator level 3 qualifications; • delivery of more quality across the foundation stage and early years village projects and; • the establishment of peer to peer quality improvement networks so that all providers are included within a network of providers. b) The East Sussex early years funding formula is changed to encourage and enable pre-school providers to employ well qualified staff through the use of an enhanced lump sum supplement for high quality providers. c) Officers investigate the mechanism for calculating the per child amount in the early years funding that ESCC receives from central government, to ensure it reflects fairly the needs of children in the County.	and settings in East Sussex; • establishing peer to peer quality improvement networks; • revising the funding formula for pre-school providers so that they are able to employ more qualified staff; • adjusting the level of funding per child so that it more fairly reflects the needs of the children in East Sussex.	

Agenda Item 6

Report to:	**Cabinet**
Date:	**15 October 2014**
By:	**Director of Communities, Economy and Transport**
Title of report:	**East Sussex Councils' 'Open for Growth' Peer Challenge Update**
Purpose of report:	**To provide an update on the progress of and activities resulting from the East Sussex Councils' 'Open for Growth' Peer Challenge**

Cabinet is recommended to note the progress and activities resulting from the peer challenge and the emerging action plan.

---

1. Financial Appraisal

1.1 No additional costs have been identified at this stage as arising from the recommendations of this report.

2. Background

2.1 Peer challenge is a tool that helps councils review their performance and was developed by local authorities and the Local Government Association (LGA) to replace the previous national performance framework of inspection and assessment, which judged performance against prescribed national criteria. Peer challenges are improvement focused, with the scope tailored with the council(s) involved. An 'Open for Growth' peer challenge looks at how councils are supporting their local economy and businesses.

2.2 All six of the East Sussex Councils (Eastbourne Borough Council, East Sussex County Council, Hastings Borough Council, Lewes District Council, Rother District Council and Wealden District Council) were to take part, and commissioned the LGA to undertake a first of its kind peer challenge across a two-tier area. The LGA brought together an expert team from within local government and other sectors to assess:

- what the councils do well to support local growth;
- how and where the councils could do better; and
- what businesses need from the councils to support the sector further.

2.3 The East Sussex Councils identified the following five priority areas for the focus of the peer challenge:

- Promotion of economic growth;
- Planning;
- Housing;
- Educating and training for skills; and
- Procurement.

2.4 The peer challenge took place in March 2014, with the peer team spending a week talking to Members, officers and partners. In total, the challenge team met over 250 key stakeholders.

2.5 A presentation of the initial findings was then delivered by the peer challenge team followed by a report which set out all the findings and their recommendations for next steps. The full report is attached as Appendix 1.

2.6 Since the final report was approved in July, the local authorities have worked together using the recommendations in the report to develop the first stage of an Action Plan that outlined the status of the report's key recommendations. In all, there are 30 recommendations across 5 key areas: (i) Leadership; (ii) Team East Sussex (TES); (iii) Partnership Working; (iv) Business Focus; and (v) Final Key Messages.

2.7 The subsequent work carried out by all the local authorities has been to identify those recommendations of high importance and rank the remainder accordingly. The group soon recognised that the majority of the recommendations were already being progressed. The developing Action Plan giving the current situation on each recommendation is given at Appendix 2.

2.8 Key recommendations include:

- Production of a strong and punchy East Sussex Growth Strategy.
- An effective, inclusive and forward looking Team East Sussex (TES).
- Build upon the effective working relationships under the ‘Duty to co-operate’, to look at the value of implementing a ‘Strategic Cross Boundary Planning Infrastructure Plan’.
- Better support to local business through the South East Shared Services Procurement Hub.
- Establish a new East Sussex Employment and Skills Partnership Board to influence and shape skills and training priorities with providers.

2.9 Two key recommendations recognised as ‘linked’ were specifically subject to an LGA facilitated workshop for the local authorities on 19 September. These were:

- A stronger East Sussex narrative and branding that maximises our growth potential.
- Recognise the importance of joining up the combined visitor / culture and tourism economies in East Sussex.

2.10 The workshop was viewed as successful and was facilitated well by the LGA. The findings from the workshop are:

- that all agreed with the principle of a joint East Sussex narrative and to move the process of defining it forward;
- the joint production of an East Sussex ‘prospectus’ to articulate the specific offers of East Sussex – a ‘package’ that plays into the strengths of a ‘county of contrasts’ and;
- the need for some new work on ‘perceptions’ to also be used as initial benchmarking and so test the effects of the actions.

2.11 The initial workshop will be followed up with a more focused meeting to agree methods and timings to progress the key agreements as above.

2.12 As appropriate to the individual recommendations, the Action Plan will be developed into more focused outcomes and timely actions. It will also be more specific about the contributions that partners will make to the achievement of the outcomes. This will inform (in part) the new East Sussex Growth Strategy and will be incorporated into the Councils’ business planning processes.

3. Conclusion and Reason for Recommendation

3.1 The report details the background and the work to date on the peer challenge recommendations and highlights how the majority of them are already being progressed, or explains how they will be.

3.2 Continued support from authorities in carrying through the recommendations independently and collectively will ensure the positive working relationships already well-established further enable growth.

RUPERT CLUBB
Director of Communities, Economy and Transport

Contact Officer: Shelagh Lorne Powell Tel. No. 01273 482637
Local Members: All

BACKGROUND INFORMATION
None

Appendix 1

Investment (open for growth) Peer Challenge

East Sussex Councils

10 - 14 March 2014

1. The Investment (open for growth) peer challenge

This is a report of the findings of an Investment (open for growth) peer challenge organised by the Local Government Association (LGA), in association with the Planning Advisory Service (PAS). The peer challenge was carried out at the invitation of the six East Sussex Councils and conducted by sector peers in the spirit of a 'critical friend' to promote the priority of growth for the East Sussex area.

1.1 Purpose

Councils by themselves cannot create economic growth, but they have a pivotal influence in creating the environment for it to flourish by being 'open for business'. This peer challenge was focused on assisting the East Sussex Councils understand where their key areas of influence lie and to assess how effectively they are set up to support, promote and facilitate a positive environment for economic growth that will benefit the residents and businesses of East Sussex.

The peer challenge aims to support the East Sussex Councils to align their services to facilitate and support economic growth. It is less about process and more about whether the vision, structures, relationships and resources are positioned to deliver this objective.

1.2 The perspective and methodology

For councils to be effective in promoting an environment conducive for economic growth, they need to be self-aware of their service contributions, but also to understand the factors that affect business or community confidence, and how decisions are made about investment.

This peer challenge takes account of a range of background documentation but its primary evidence was face-to-face meetings with a range of people both from within councils and from partner organisations, the business community, developers and community organisations. Through these meetings and extensive data gathering, the team worked to establish how effectively the councils and their partners performed to create an environment for growth.

Care is taken to differentiate between the common gripes levelled at council services and those that reflect the real experience of doing business with the East Sussex Councils and their partners. Such an external review is inevitably challenging. The goal is to provide a platform of understanding upon which recommendations can help councils meet their ambition for encouraging growth.

1.3 The peer challenge team

- Nick Hodgson, former Chief Executive, Derbyshire County Council
- Councillor Spencer Flower, Leader of Dorset County Council
- Councillor Ric Pallister, Leader of South Somerset District Council
- Councillor Graham Chapman, Deputy Leader, Nottingham City Council
- Daniel Mouawad, Chief Executive, South East Midlands Local Enterprise Partnership
- Richard Alderton, Head of Planning and Development, Ashford Borough Council
- Fiona McDiarmid, Assistant Director of Economic Development and Strategy, Norfolk County Council
- Joe Keech, Chief Planner, Devon County Council

- Phillipa Silcock and Richard Crawley, Principal Advisers, Planning Advisory Service
- Andrew Winfield and Gill Elliott, LGA Peer Challenge Managers.

1.4 Areas of focus

The focus of this peer challenge was to investigate the manner in which local government in East Sussex (Eastbourne Borough Council, East Sussex County Council, Hastings Borough Council, Lewes District Council, Rother District Council and Wealden District Council) are engaged in fostering economic growth within the locality, both together at the strategic level and separately within the communities of each borough/district.

The peer challenge was asked to focus particularly on:

- Ambition and corporate and political leadership
- Strategic planning and partnership working
- Promotion of economic growth and supporting businesses
- The role of planning in economic growth
- Housing and infrastructure needs
- Educating and training for skills for the current and future economy
- Procurement (in relation to support for the local economy).

It is these themes that are used to structure this report.

1.5 Follow up support

The LGA and PAS make a significant contribution in investment (open for growth) peer challenge delivery and are keen to ensure that councils follow this up with an improvement programme. After the peer challenge report is finalised, PAS and the LGA offer a follow-up Improvement Planning day to meet the councils' requirements and involving some members of the challenge team. Other support is also available from the LGA and PAS, and some of this is listed in Appendix 1.

1.6 Thanks

The team appreciates the welcome and hospitality provided by the East Sussex Councils and the candour and openness in which discussions were held. The team would like to thank the 250 key partners and stakeholders in the local economy from the public, private and third sector that they met during the process for their time and their contribution.

2. Executive Summary

2.1 The importance of growth for East Sussex

The former South East Plan showed that the East Sussex county economy was underperforming when compared to the rest of the South East. The Gross Value Added (GVA) per head of population is 68% of the national average and 63% of the South East average.

The six East Sussex Councils (Eastbourne Borough Council, East Sussex County Council, Hastings Borough Council, Lewes District Council, Rother District Council and Wealden District Council) recognise the importance of economic growth and have, as such, prioritised it as a strategic policy objective.

2.2 East Sussex is a county of contrasts and opportunities

The East Sussex population and employment patterns are predominantly urban and much of this is concentrated in the major coastal communities of Bexhill, Eastbourne, Hastings, and Newhaven. At the same time the county contains an outstandingly beautiful environment recognised through the establishment of the South Downs National Park and the High Weald Area of Outstanding Natural Beauty.

There is considerable and concentrated economic disadvantage particularly in Hastings (recognised as the 19th most deprived borough in England) but also in other coastal communities. There is considerable economic opportunity in both the urban and rural areas and the inter-connection between them is not sufficiently developed. The challenge is not only to achieve growth but to ensure its benefits are widely shared.

East Sussex is not a homogenous economic entity. Eastbourne and Hastings are recognised centres of economic areas, while Lewes, as the County Town, links closely to Brighton and Hove and parts of Wealden have links to both the Tunbridge Wells and Crawley areas. The links with Gatwick, London and the continent are unique but under-exploited assets.

The population is 531,000 (ONS mid 2012 estimates) and is the lowest of the three counties contained in the South East Local Enterprise Partnership (SELEP). However, the proportion of the population over 65 years is high at 24%, where the national average is 17%. This will have a significant impact on the future economy with a smaller population proportion being available for employment. It will also have a significant impact on housing needs for older people and their social care requirements.

Although the demography, socio-economic disparities and educational attainment levels are challenging, there is a good foundation to deal with these and opportunities to drive sectors of the economy. The ‘county of contrasts’ holds great potential for developing niche growth sectors that may not rely on expensive road and rail infrastructure but could flourish with the availability of high speed broadband.

However, the county needs to develop a narrative that takes account of the opportunities and advantages of the county and understand when to represent these with a coherent identity and unique selling point, which will underpin its economic growth and inclusion strategy.

2.3 Good Working Relationships

There are extremely positive relationships apparent across all tiers of local government in East Sussex. East Sussex County Council (ESCC) and the five District and Borough Councils enjoy positive and productive working relationships.

This is supported by a Joint Leaders' and Chief Executives' Group and a Joint Chief Executives' Group, the latter includes not only councils but chief officers from the Fire and Rescue Service and the Police. These are important public sector forum to enable East Sussex-wide working.

The pattern of working arrangements varies across East Sussex depending on the issues and how widely these are shared. For example, there is the increasingly important role of SELEP to direct economic growth, which covers the county areas of Essex, Kent and East Sussex and two Unitary Councils. The development of the SELEP strategic economic plan will provide an important platform for the future East Sussex economic growth strategy.

Effective, county-wide strategic partnership working has been essential to co-ordinate activity, agree priorities and to maximise the opportunities that SELEP can offer East Sussex. The success of this has been seen in the higher level of funding achieved from some funds than would have come from a proportional allocation. This provides a good foundation for future working within the federated structure of SELEP. The further development and resourcing of Team East Sussex (TES) and effective links to strategic and delivery partnerships operating at the level of the functioning economies, will be crucial to further strategic level success in the future.

An important area for future development will be to further develop opportunities for councils to combine resources to develop greater capacity. The recent joint waste contract has done much to build a climate of trust where more joint working can be considered. This might include joint working on projects, shared services and common performance standards, approaches to promoting economic growth. This might also include: employability hubs, development viability assessments and pre-application planning advice.

2.4 Working in Partnership

Successful partnership working will be important to develop the capacity to deliver economic growth priorities. However, this landscape should be continuously reviewed to check that the resources committed are delivering what was originally envisaged.

Effective partnerships can provide scope for engagement across the public sector and also bring in more commercial and entrepreneurial skills and resources. They also provide a chance to build social capital through partnerships with the community and voluntary sector in the community. Supporting innovative partnerships will require councils to consider new governance arrangements that are more agile and adaptable to changing circumstances in which they can be confident of having effective representation and influence. This will only be achieved if Government enables the new federated system to work through effective and autonomous use of budgets and without undue bureaucracy.

It will also be important that the partnership landscape is comprehensible and accessible and that there is a complementary fit across the piece. The partnership landscape in East

Sussex is complex and would benefit from mapping and, where necessary, review to ensure that partnerships remain fit for purpose and still fit together.

2.5 Proximity to Major Employment Areas and Infrastructure

The proximity to London, Gatwick airport and Brighton is important for the local economy and the 'agglomeration' effect. The Newhaven to Dieppe crossing provides access to mainland Europe and is poised for important development. However, transport infrastructure is recognised as a significant weakness for economic growth with no motorways in the county and only 7.4 miles of dual carriageway. The advantage of proximity to London is currently lessened by slow rail links. The economic potential and importance of Brighton and Hove which borders the county and Lewes and Newhaven in the west of the county is highlighted by the recent approval of the City Deal for the Greater Brighton City Region.

The aspirations for transport infrastructure improvements extend across the county area. However, it will be important to acknowledge that public sector spending constraints will require aspirations to be tempered with pragmatism and prioritisation. This will mean that some aspirations will not be realised in the short-term and will require tough decisions to be made on which transport infrastructure bids progress and which are deferred.

High speed broadband will be important for the future economy and is scheduled to be implemented by 2016 with area coverage of 95%. The economic opportunity presented is that smaller businesses could be attracted to East Sussex for the quality of life while successfully conducting and growing their business via high speed information connectivity. It will be important to map the likely broadband coverage and mobile phone gaps - 'not spots' - and make contingency plans to address these.

2.6 Housing

Housing is an essential component for economic growth, and the location of strategic housing growth, supported by infrastructure, will be a key component of future economic success. The particular issues in East Sussex are:

- Affordability where average house prices are 7.36 times greater than earnings (the national average is 5.44 times).
- A dysfunctional housing market in a number of coastal towns where comparatively cheap housing has contributed to a rise in the private rented sector often linked to the availability of benefits and low wages.
- Spatial Strategy for housing growth.

Housing issues can be linked to deprivation levels, which vary across the county in rural, urban and coastal areas. Hastings is the 19th worst nationally on the Index of Multiple Deprivation and this is partly due to the collapse of demand for visitor accommodation which was then often turned into poor quality rented housing creating a cycle of economic inactivity.

Growth is supported by the councils' good record on the delivery of housing. This is not just in terms of new build market and affordable housing. It is also the work and commitment to address housing market failure, due to the significant rise of the private rented sector and the quality of this housing, which is a particular issue in coastal towns.

The availability of development land for some coastal authorities to meet their housing growth requirements is a considerable constraint. The Duty to Co-operate, from the Localism Act 2012, will be important for councils to develop a mature discussion on housing and employment market areas, housing constraints and how they might work together to address housing growth needs and concentrate infrastructure investment accordingly (judged against other infrastructure priorities). This will be an important area to progress as economic growth will go hand in hand with the growth of mixed-tenure housing.

There were some good examples of innovative financial models – detailed in the body of this report – to deliver more housing and there is good learning to be obtained from these to extend this further, in particular by councils working together more closely in future on such initiatives.

2.7 Supporting Existing Businesses

The structure of the economy in East Sussex is different to other parts of the South East. East Sussex is dominated by micro businesses with 85% employing fewer than 10 people. ESCC conducts an annual survey of 1,000 local businesses which provides good intelligence and is used to steer local action.

However, not enough is known about the significant clusters of economic activity in East Sussex, their supply chain or what their future growth plans might be and how these could be supported. This knowledge will be important to develop as existing businesses will form the basis for the future economy. It will also enable potential benefits from the 'agglomeration' effect of interacting with local businesses, including small and medium enterprises (SMEs) even at micro-business level and the attraction to new businesses to join and profit from these business clusters. One particular area that could benefit from such an approach is tourism which is a major contributor to the county economy. This is an area of work that should be progressed by the East Sussex Councils working together.

2.8 Skills and Training

As in many parts of the country, businesses in East Sussex have concerns that education leavers do not possess the employability skills that they need and expect.

ESCC has recently drafted a Skills Strategy, which is about to go out to consultation with partners. Once approved, this should seek to be the principal strategic means to drive skills and training. It should seek to bind the range of different partners, working in this area, to work together to agreed priorities and outcomes.

2.9 Procurement

ESCC and Surrey County Council operate a joint procurement partnership which offers the obvious benefits of savings of economies of scale. ESCC has a target of 45% of procurement spend in the local area. For the current financial year, only 14% of this is with SMEs. The District and Borough Councils are achieving much higher rates of spend with SMEs. This would appear to be an area to explore further and could be progressed via the county-wide Procurement Hub, which encourages support to SMEs through working links with Chambers of Commerce and the Federation of Small Businesses.

3. Recommendations

To support the East Sussex Councils achieve their priorities of growth and inward investment, the peer challenge team has made the following recommendations:

R1: **Leadership**

- Use the emerging consensus around the Strategic Economic Plan (SEP), and a revised East Sussex economic growth strategy, as a catalyst for driving forward the next round of Local Plans.
- Raise the standards and improve the consistency of the councils' 'Open for Growth' services including a more consistently positive and proactive approach to the delivery of the planning system, especially development management, in East Sussex.
- Build consensus across the councils and develop a common and consistent strategic approach to support a shared vision and understanding of the role of house building as an economic generator and social benefit, linked to the economic growth and inclusion strategy.
- Focus on a small number of achievable infrastructure projects which are essential to the delivery of economic growth.
- Ensure that economic inclusion and opportunity as well as economic growth plays a key part in future strategy and delivery.
- Recognition that housing growth and delivery is key to economic growth

R2: **Team East Sussex**

- The SEP, cited in R1.1, should be developed under the strategy and guidance of Team East Sussex.
- Develop Team East Sussex as the partnership to co-ordinate the delivery vehicles for the East Sussex economic growth strategy in the federated structure of the LEP, to:
    - operate at a new level of maturity based on openness and trust between the partners
    - co-ordinate delivery vehicles; influence and advise on commissioning delivery
    - involve key public/private/third sector players as an executive driving force for the economic growth agenda
    - create the East Sussex 'narrative' which reflects the varying need and ambition across the county and which sets out an agreed vision for the future
    - ensure the right economic partnerships exist to deliver and initiate action and strategic thinking at a local and thematic level
    - encourage leadership and participation by all partners
    - operate a "light touch" approach that values innovation and creativity by all partners and enables rather than constrains this.
- Map the micro and niche clusters of business activity in East Sussex so that councils can engage with these commercial interests to understand their needs and be better able to provide support.
- Review the membership and resourcing of Team East Sussex to ensure all necessary stakeholders are included.

R3: **Partnership working**

- Be open to new opportunities to work more closely with existing partners to maximise outcomes, but also look out for opportunities to work with wider partners.

- Review different governance models to ensure partnerships are effective and are inclusive of the business sector, the third sector and community agencies to maximise social value and economic growth.
- Stretch ambition and trust by combining resources, as appropriate, to improve business access to services and to develop collective capacity.
- Help each other with the hard choices regarding the Duty to Co-operate whilst incorporating priorities across the area.
- Branding will be essential as will the need to recognise when to market as ‘East Sussex’ and when to market as ‘specific areas’ of the county (understand and play to collective and individual strengths as necessary) in a way which maximises the economic growth, opportunity and benefits for businesses and residents.

R4: **Business focus**

- Focus procurement activities where they will have the most chances of success in supporting local businesses while delivering value for money.
- Review, along with partners, procurement activities across the councils with a view to developing new procedures to promote and enhance opportunities for local businesses.
- Continue to recognise tourism and culture across the county as important elements for growth and consider building resources to further support these parts of the economy.
- Ensure that employers and business are able to influence and shape the skills and training priorities for the East Sussex economy with education and skills providers.
- Review the performance of Locate East Sussex and inward investment activities, with a view to understanding if increased resources would deliver added value.

R5: **Key message**

- East Sussex is poised to accelerate growth but this needs collective vision driven by a strategic view.
- Continue to build on partnerships across the county and understand when to work collectively and when to work independently. The consensus already achieved and the proven track record is the way for councils to deliver economic growth for their communities. This approach may require individual councils to trade some control on certain issues in exchange for enhanced rates of growth and prosperity across the county as a whole. Partnerships between councils are not constrained by Team East Sussex and may include additional regional, national and international working.
- Working together and stretching the boundaries for closer working will build trust and lead to mature working relationships between councils and partners.

4. Detailed findings

4.1 Ambition and Corporate and Political Leadership

East Sussex is a relatively small county which has the advantage of being capable of mobilising quickly behind growth initiatives.

There is a strong sense of ambition with all East Sussex Councils making economic growth a corporate priority. This is supported by committed political and managerial leadership. This is despite political complexities, for example the mix of political administrations across the area, and the churn associated with elections and the intake of newly elected Members. Ambition and leadership are supported by a good understanding, across the partners, of the issues hindering growth and often leads to consensus on what needs to be done to address these, for example action on infrastructure, housing linked to growth, school leaver skills and the creation of apprenticeships.

This ambition is supported by a willingness to take brave decisions, many of them project based, for example, providing and securing priority funding for the Bexhill to Hastings Link Road, funding for high speed broadband and commitment to planned housing delivery targets. Further strategic land releases may be considered in future. Local Plans, through Examination in Public, may require a more co-ordinated infrastructure supported approach for schemes.

This ambition and commitment is underpinned by good working relationships at both Member and officer levels and between authorities. This is an extremely important basis for collective working that enables the East Sussex Councils to set out agreed priorities with a single and a louder voice.

Supplementing county-wide working arrangements are the several initiatives where districts and boroughs are working together on local priorities/issues, for example, the Hastings and Rother Task Force, rural business support to farming and forestry business and community and tourism enterprise delivered through the Wealden and Rother Rural (WARR) partnership. This acknowledges when natural alliances are best positioned to progress these issues locally, and includes options outside the county area, for example Lewes and Brighton and Hove and the LEP Coastal Communities Group. It will be important to continue to press for support for the rural economy and SMEs through the 2015 Department for Environment, Food and Rural Affairs announced programmes of support.

With the priority given to economic growth, the East Sussex Councils have ensured that Economic Development services are being safeguarded. However, these are still relatively small given the need for, and the potential of, East Sussex to create growth. It would be worth considering whether these resources are sufficient to deliver and whether there might be means to aggregate this resource to greater effect.

Team East Sussex (TES) is an important vehicle that has been established to take forward East Sussex's economic growth and to support the South East Local Enterprise Partnership (SELEP). TES is well regarded in articulating the East Sussex 'offer' and 'ask' within the SELEP. Its membership includes a strong business voice, and representation from the Chambers of Commerce and the Federation of Small Businesses, the Leaders of each of the District/Borough Councils, ESCC and representation from the HE and FE sectors.

Working alongside this are the Leaders' and Chief Executives' Group and the Chief Executive's Group of East Sussex Councils, the latter of which includes senior representation from the Fire and Rescue Service and the Police. Both forums are reinforcing strong working relationships.

SELEP is the largest LEP outside London in England and includes the counties of Essex, Kent and East Sussex as well as two Unitary Councils. It has recently moved to a federated structure, based on the three county areas, to allow more a local focus. This should offer significant advantages for East Sussex to agree its priorities at a more local level and to then set out these out to the wider SELEP, where this adds value.

Historically, East Sussex has been successful in accessing SELEP funding. This success has been due in particular because East Sussex has had schemes ready ('shovel ready') for implementation. To date, it has secured £19.5m of Regional Growth Fund and Growing Places Fund, used for:

- £7m to the Priory Quarter Phase 3 in Hastings
- £1.5m for North Queensway Business Park in Hastings
- £6m for Bexhill Business Mall
- a further £3.6m will be secured for the Sovereign Harbour Innovation Centre at Eastbourne, subject to confirmation by the SELEP Board
- £1.9m of Rural Development Fund under the Leader Programme for rural business.

SELEP has £165m of European structural funds for the entire LEP area. This will be matched by UK Trade and Investment, the Skills Fund Agency, private leverage and council contributions. This funding will be available for business support, innovation and business, and work on skills and the reduction of worklessness. East Sussex will need to maintain its readiness to promote strategic delivery projects in the new funding allocations, with schemes for implementation, and at the same time clearly set out the East Sussex 'ask' from the new federated SELEP working arrangements.

The East Sussex Councils and partners on economic growth are poised at a moment of significant opportunity. The Strategic Economic Plan (SEP) will bid for a local Growth Deal and a share of the £2bn national Single Local Growth Fund. SELEP's bid for the period 2015-2016 proposes £148.22m Local Growth Fund for East Sussex being match funded by £451.31m with the aim of enabling 27,547 jobs and 32,913 homes. The bid was submitted at the end of March 2014.

The peer challenge team believes that TES should take an increasingly important role to maximise the above opportunity so that it becomes the partnership to co-ordinate the delivery vehicles that drive economic growth. All councils will need to get behind TES even if it means being bold and accepting some short-term aspirational sacrifices in the interests of long-term economic growth and inclusion. It will also be important to ensure strong links between the TES and structures that perform a valuable role at the level of the functioning economies that exist within the county, such as the Hastings-Bexhill Task Force and Sea Change. Such structures can be effective mechanisms for mobilising and co-ordinating resources at a local level and in delivering economic initiatives.

One of the first jobs for TES, following the SEP submission, should be to work with partners on an economic growth and inclusion strategy. Following the SEP submission and determination, it will be important for the East Sussex Councils and partners to develop an economic growth strategy that clearly sets out the East Sussex growth priorities, detail on resources and leveraging, related infrastructure priorities, partner roles and their contributions. Implementation timelines and the allocation of project lead roles will be important to avoid any loss of momentum in taking this forward.

4.2 Partnership Working

There are a large number of partnerships in existence and they take up a significant resource to operate. It would be beneficial to review the partnerships to ensure they remain fit for purpose, specifically, how they link to TES. Partnerships based on functional, economic areas or with sound branding in their sectors will continue to be of value.

At the same time there is a need to develop new partnership governance arrangements to encourage and enable working with social enterprise and community agencies so that these can assume an important and contributory role on economic growth.

The East Sussex Councils have made huge strides in engaging with the community and voluntary organisations, mainly through the organisations who represent the voluntary sector and larger voluntary organisations. This work will be important to support community led regeneration initiatives, neighbourhood planning and to enable the community and voluntary sector to contribute to sustainable communities. It would be useful to further develop a wider understanding of the link between social value and economic delivery.

In the midst of a public service austerity programme, it makes sense to continue to look for opportunities to drive up performance and efficiency through sharing resources, skills and best practice across councils and with other partners. This is not just to achieve financial efficiencies but to generate capacity and enable improved access to business advice services.

4.3 Promotion of Economic Growth and Supporting Businesses

East Sussex was described by partners as being “ahead of the pack” and “punching above its weight” while operating as the smallest partner in the largest LEP in the country outside of London. East Sussex has done well to have schemes ready for implementation and has been successful in making applications to SELEP under the Regional Growth Fund and the Growing Places Fund (GPF).

There is an excellent delivery vehicle in place in Sea Change Sussex, an economic development company, which was initially started in Hastings but is being developed as a successful East Sussex-wide model. Sea Change Sussex has led on a number of new projects, including: the Hastings Priory Quarter; Hastings North Queensway Business Park; the Bexhill Innovation Mall and the Sovereign Harbour Business Innovation Mall at Eastbourne and made effective use of the GPF funding secured to date.

Support and development of rural businesses has been achieved through the WARR partnership which successfully delivered some £2m of business and community support. The partnership is poised to consolidate this success through a further bid to the DEFRA

LEADER Programme from which monies are available for 2015 for the implementation of a second phase of rural business support.

There are a number of examples of good joint working across councils, for example SPACES (Strategic Property Asset Collaboration in East Sussex) reviews and seeks opportunities to reduce the size and cost of public sector property estate throughout East Sussex. A ten year plan and vision for collaborative asset management in East Sussex has been approved, which identifies a range of short-term opportunities and long-term aspirational targets to:

- achieve Capital Receipts in excess of £30m through property disposal
- reduce property revenue costs by £10m per annum
- reduce CO_2 production by 10,000 tonnes per annum by 2020.

Another example is the Newhaven project to expand the harbour and port facilities to enable it to secure the support base contract for the multi-million pound Rampion Offshore Wind Farm. This has seen all agencies coming together to ensure that a major planning application submitted in April/May can be determined by August with timing critical to meet E.ON's requirements. Joint working has shown that, when required, authorities can accelerate and co-ordinate their processes to meet commercial deadlines. These joint working principles should be taken forward to assist in delivering other economic growth projects. The examples of joint working point towards a growing maturity of councils willingness to work together to gain capacity and achieve shared priorities and bodes well for future working arrangements.

Locate East Sussex has an important inward investment role and is being funded by the East Sussex Councils, at £660,000 in a three year contract. Its purpose is to provide assistance with location decisions and access to funding to accelerate growth, as well as providing valuable connections to local planning and economic development teams. Locate East Sussex could be important to the creation of an environment that is more conducive to the growth of new and existing businesses, as well as promoting inward business migration. The various parts of the county offer distinctly different opportunities for business investment, and promotion should appropriately reflect this distinctiveness, rather than marketing the county as a single place.

However, the Locate East Sussex has a limited marketing budget of £50,000 and the question that councils will need to consider is whether this will be sufficient to deliver the inward investment growth sought. The peer challenge team believes that for Locate East Sussex to deliver, the East Sussex Councils must be ambitious for its success and consider if the balance of resources and ambition is correct (including the longer-term resourcing for inward investment). The business case for increased resourcing must, however, be built around clear strategic outcomes.

Tourism and culture are important sectors of the local economy and need to be recognised as essential components for future growth. For example, tourism activity in East Sussex is at 12.9%, higher than the national average of 10.9% and is estimated to generate £880m of income for the area. However, resources to support tourism are not significant across all councils and its importance is not appropriately reflected in the current SEP for the region. There are, however, more localised cultural strategies that drive much work at a borough and district level. Cultural activities account for 5.9% of employment in Tourism and related industries in East Sussex, the highest being in Lewes at 14.9%. Cultural regeneration is recognised as a strong driver for economic growth in Hastings and Rother, and is a strategic priority in the Hastings and Rother Task Force's Six Point Plan. There is already considerable joint work (ie. 1066 Country) and councils should consider if current models remain appropriate. It would be worth the East Sussex Councils considering the resources that each currently makes towards tourism and whether there is an opportunity to combine resources to gain more capacity. Also, the role of rural businesses in contributing to much of the tourist attraction of East Sussex's landscape and providing facilities and accommodation needs to be taken into account in integrating tourism support.

The team were told that the general perception was that the tourism sector was either 'looked down on' (in terms of the accommodation offer and the nature of jobs created) or taken for granted – it's always been here and always will be. Although, at a strategic level, there is recognition that tourism is a big part of the economy it will need further nurturing to a wider understanding that this plays an important and more sophisticated part of the overall economy.

Important for tourism is the role and potential of the cultural environment reflected in various plans across the county. Helping to guide this are a number of strategic plans at a countywide and more localised level. The East Sussex Cultural Strategy is built around a number of venues and organisations highly regarded nationally and internationally. These include the De La Warr Pavilion, Glyndebourne and the Towner Contemporary Art Gallery. Other cultural and destination management strategies focus on the distinct visitor destinations that exist across the county.

At district and borough level, the local offer is promoted separately. Whilst there are a few good examples of wider initiatives, for example the culture trail and the 1066 Country marketing brand, there seems to be general agreement that there is no identifiable strategic approach to marketing East Sussex. Although there was widespread agreement that the East Sussex tourism and cultural 'offer' is not well developed as a geographical entity, the team did not detect any emerging strategic product offer linking the 'horizontal' geographies of the Weald, South Downs and coastal into a single, coherent product that could be marketed and might offer more than the sum of the parts presently available.

National Parks have a statutory purpose of 'promoting, understanding and enjoyment' which closely relates to tourism and recreation. It would be productive for the East Sussex Councils to discuss with the South Downs National Park Authority the opportunities for closer working on tourism, to generate additional capacity and together to further develop this mutually important sector.

There are, however, important variations in the opportunities for using culture as a driver for economic growth across the county. For example, Bexhill, Eastbourne and Hastings in particular need to develop cultural and tourism agendas reflecting the urban, cultural, heritage, maritime, music, art and food festivals. These variations are distinct and often based on a strong sense of local heritage and innovation.

There are a number of examples of joint ventures across public and private sectors, for example the £70m Arndale shopping centre expansion in Eastbourne; the GPF funding for the Innovation Mall at Sovereign Harbour, Eastbourne; the Jerwood Gallery, Hastings; the mixed use development at North Street, Lewes; Eastbourne's partnership with CloudConnX offering superfast broadband and the Elva Business Centre, Bexhill-on-Sea.

These all show how councils and partners have worked to create viable funding packages to enable development. Joint ventures, and other innovative models of funding packages to deliver development, are essential at a time of financial constraint and they strengthen the partnership working approach where each has an important contribution to make.

The strategic relationship between East Sussex and Brighton and Hove and other neighbours was not clear to the team. Lewes, by geographical proximity, has an important axis with Brighton and Hove and this is reinforced by the working arrangements across the two through the Coast to Capital LEP, the Greater Brighton City Deal arrangements and the Coastal West Sussex and Greater Brighton Strategic Planning Board. Brighton and Hove is an important hub for the East Sussex and South East regional economy, which will be strengthened by the recent City Deal announcement, expected to deliver:

- 1,300 jobs in the short-term, rising to 8,500 jobs and £361m in annual GVA over the medium-term;
- £173m of investment in the medium-term, creating a network of Growth Centres across the City Region;
- The unlocking of sites to deliver up to 2,000 new homes over the medium-term;
- A £1.8m integrated business support programme across the Greater Brighton and wider Coast to Capital Local Enterprise Partnership area.

This should be incorporated into the wider East Sussex strategic planning arrangements for economic growth. This also applies to other strategic areas of interest that extend beyond the boundaries of East Sussex, for example Gatwick Airport just one hour journey time is of considerable strategic importance and strategically important road networks, for example the A21 road connecting East Sussex and Kent. The links to Ashford are important for economic growth in the eastern part of the county, particularly for Bexhill, Hastings and Rye.

Businesses perceive some local authorities as difficult to access, and that responses/support can be too variable. The team was not able to collect sufficient information to assess this by district and borough but there was variable performance and surprisingly few examples of a common approach to working with business. Advice and support, such as planning advice or tendering information, are offered by a range of different agencies to different standards and quality levels. In particular, developers indicated a strong desire for meaningful, co-ordinated pre-application advice. One commented that “I currently just pay lip service and tick the box but I would be prepared to pay extra for a proper pre-application service”. There is obvious scope here for much stronger sharing of best practice, and adopting minimum common approaches and service standards, so that businesses know what to expect and can be re-assured that all councils are striving to offer a consistently high level of support across the county.

The team saw no collective understanding of the existing or potential business/niche clusters in East Sussex. Although there are no large clusters, there are certainly micro and niche clusters that need to be better understood and which have significance within functioning economic areas. For example, there is a small and growing clusters of vacuum technology based and advanced engineering industries in the county providing valuable jobs and career opportunities. There is an annual survey that gathers valuable intelligence on business needs but there does not appear to be a structured approach to understanding the business sectors and niches and, from this, tailoring a means to work with these. SELEP has identified important contributors to the employment growth of the area, being: finance and business services, retail, professional services, health and social work, construction, other business services, and distribution, hotels and catering (tourism). In addition, there are also other sub-sectors, of which the most important are: cultural and creative industries; agriculture (including wine production); offshore renewables/renewables and education, for example foreign language schools. It will be essential to have a stronger understanding of these sectors to sustain the current and future economy and support their growth requirements.

There is an absence of a strategic economic framework to support coherent partnership working. Rather than an organised architecture for economic growth there appears, instead, to be lots of good projects and initiatives but uncertainty as to whether these always align with overarching priorities. It is likely that this lack of coherence is due to the current absence of an agreed set of priorities to deliver economic growth. Team East Sussex could work to provide the necessary coherence.

For example, the team found insufficient growth market focus. So, historically, there has been a focus on projects to address deprivation (or parts of it) through public funded regeneration programmes. However, this funding is likely to be less readily available and the area will therefore need to set out its ‘offer’ and ‘ask’ more clearly according to the opportunity. A clear narrative that sets out East Sussex’s ‘unique selling points’ will be important to ‘brand’ the area and, in so doing, differentiate it from other areas when competing for funding.

There is a lack of a consistent ‘narrative’ about East Sussex. This needs to be developed and balanced so that it avoids the ‘chocolate box’ presentation and includes both urban challenge and the traditional attraction of the countryside. The lack of a narrative could undermine the selling proposition to businesses and inward investment because it is not as clear as it needs to be. Once the narrative is developed, in tandem with an agreed set of economic growth and inclusion priorities, then the richness of the story will become evident and the area’s unique ‘offer’ and ‘ask’ clearly set out. This will be essential to inform the ‘branding’ of the area at county, district or other level according to the market or issue being addressed.

The team were unable to identify an agreed single set of priorities to deliver economic growth across East Sussex. There is an East Sussex Strategy from 2012 which is acknowledged to be out of date. It is recognised that this is a major piece of work to be undertaken once the SEP has been submitted and the outcome known. The team regard this as a critically important piece of work that must set out clearly economic growth and inclusion priorities and be grounded on a pragmatic understanding of what can be implemented and resourced.

Outcomes are notoriously difficult to define and capture and particularly for economic growth where this can be predominantly initiative/project based. However, this will be important in the future to evaluate the benefits of growth investment and to project the future economic profile and changes.

Good work is being conducted with East Sussex Local Forecasting Model and economic impact model. The ESCC ‘programme for growth’ undertook an economic impact assessment to quantify economic benefits. This estimated that the programme would generate £1.65bn GVA over twenty-five years and that for every £1 of capital investment there was a return of £3.40 GVA generated.

Economic opportunity and inclusion is critical to long-term economic sustainability in East Sussex, and a key challenge will be to ensure that the opportunities of economic growth (ie. jobs and wealth creation) are accessible to East Sussex residents. Capturing the benefits of growth is as important as the growth itself. Growth that does not stimulate local employment and prosperity is of limited value.

It will be important to build on this in the development of the economic growth strategy so that this can be founded on key milestones and measurable outcomes. It will be vital to measure achievement and to demonstrate the beneficial outcomes linked to significant inward investment. TES should have an important role to regularly monitor strategy delivery and outcome achievement.

4.4 Planning

Planning has a crucial role in delivering economic growth. For East Sussex, there is an important balance to be struck in promoting economic growth for sustainable communities, while conserving and enhancing the natural landscape that makes the county unique.

It was apparent to the team that growth has sometimes been seen as a political and a professional ‘problem’ – particularly on whether growth might spoil the area and where growth should take place and be prioritised. It will be necessary for the East Sussex Councils to move to shared ownership of a joined-up approach to housing and economic growth. Housing is an essential component of economic growth; economic growth is a priority for all East Sussex Councils. Progressing this will need strategic management so that sustainable community growth is achieved with integrated infrastructure without losing the intrinsic richness of the East Sussex environment.

This makes the development of Local Plans of great importance in setting out a spatial vision for each council area and for East Sussex as a whole. The Local Plans are in effect, the economic development strategies for each LPA and should not be seen as separate from the overall delivery of economic growth. Good progress has and is continuing to be made in developing the Local Plan framework for the East Sussex area, with adoption already achieved by Eastbourne, Hastings and Wealden with Rother close to adoption and Lewes progressing well (Lewes will be a joint Local Plan with the South Downs National Park Authority). It is through the certainty and encouragement of the LP process that investment will come. The current Government focus on housing must be balanced with appropriate employment and infrastructure provision to enable sustainable economic growth. Once adopted, the Development Planning process needs to be supported including through the appeal process and where historically allocated employment land has been under threat from residential applications.

This importance of a Plan led process is supported by evidence of working together and an increasing realisation of the importance of co-operation, for example:

- The recent establishment of a Strategic Planning Members’ Group is major step forward and should provide a sound basis for future policy development
- There is an emerging joined-up approach to infrastructure planning and effective Infrastructure Delivery Plan (IDP) development and a growing awareness of the importance of the Community Infrastructure Levy (CIL).

There is specific evidence of where the planning system has responded rapidly to help secure delivery of a major project. For example, Lewes District Council has worked in partnership with Newhaven Port and Properties and the County and Town Council, to put in place an ambitious Planning Performance Agreement for the Port which will secure an infrastructure investment of £35m that will help to safeguard the port's future.

Although by its nature the plan-making process is slow, the submission of the SEP should be a catalyst for developing a more joined-up approach to housing and economic planning. The section of the SEP dealing with East Sussex will assist in developing a shared strategic view of future economic and housing development, and set out the investment priorities. While it will necessarily take time for the next round of Local Plans to come forward, the East Sussex authorities could use the submission of the SEP as a basis for further developing their joint approach to the delivery of housing and economic development. In the short-term this could involve a changing emphasis in the interpretation of adopted policy and development management and in the longer-term by developing a clearer understanding of where there are direct links between housing provision and job growth. The submission of the SEP may also require the phasing of investment, as set out in Infrastructure Delivery Plans, to be revisited. There may be particular opportunities within functional travel to work areas and housing models for boroughs and districts to co-operate more actively.

The Duty to Co-operate (Localism Act 2011) will become increasingly important and will need both resourcing and strong political partnership working arrangements. The Strategic Planning Members' Group could have an important role on this (this has been an item for discussion already), with it being evident that the Duty is becoming increasing important for Local Plans' test of soundness. It is clear that a number of the East Sussex Councils have major constraints on housing growth; with a combination of National Park and AONB being limiting factors. Nevertheless, Wealden, for example, has been able to deliver significant volumes of planned housing within these constraints but such levels of growth cannot be sustained without significant and prioritised infrastructure investment. The Duty can build on the good working relationships across East Sussex to explore how housing numbers might be met by councils working together and what the quid pro quo might be for councils who accept additional housing.

There is an important role for the Strategic Planning Members' Group to develop this further and thought may need to be given to strengthening the political support this needs by means of assurance of all councils through their effective representation and the ability to influence economic strategy. For example, this could be by the involvement of Leaders and agreement on how the governance of decision-making in each district can support the Group and enable key decisions to be made.

Local Plans are often driven by the response to housing need but housing provision needs to be linked more clearly to economic growth objectives so that the two work in balance. Authorities should use their collective understanding of the area's economic growth potential, in terms of scale, type and location, as one of the key drivers for future housing provision across East Sussex. Accepting the major environmental constraints in some parts of the area, this could nonetheless lead to a change in the pattern of housing provision if greater strategic emphasis is placed on growth in the local economy and the distribution of benefits of that growth.

Creative approaches will be needed to protect valuable employment allocations, for example by site purchase and joint development. This will be important to resist developer pressure to convert these sites into housing development.

Although some councils have established quality standards for planning services conducive to supporting growth, development management performance in respect of standards and customer experience is variable, however, across county. The opportunity should be taken to review services across the county with a view to production of agreed best practice guidelines. This needs to be addressed so that applicants can not only see that councils are ‘open for business’ but also that they can have confidence that the planning service received will be broadly consistent across the county. The opportunity is to create a reputation for a consistent county-wide planning services working to quality standards, for example: pre-application advice; earlier Member involvement in controversial applications; early clarity on s106; monitoring performance on business applications which would contribute to raising planning performance. It may be useful for planning services to devise a set of ‘open for business’ metrics that could include quantitative measures, for example determination times of applications along with more qualitative measures, for example on jobs created, local labour agreements attached to major developments.

The commercial world is often frustrated by the lack of speed and drive in delivering a planning permission. Moving from enabling to pro-actively enabling, especially on larger schemes, should be the aim with all statutory agencies. Effective, integrated pre-application advice and the speedy delivery of s106 and legal agreements should be the aim across all councils to achieve delivering a planning permission capable of speedy implementation.

It may be worth building on current planning officer networking arrangements to establish a body to mirror the Strategic Planning Members’ Group that could provide a professional spatial voice to support the delivery of sustainable, economic-led growth. There are examples of this elsewhere, for example PUSH (Promoting Urban South Hampshire) http://www.push.gov.uk/ (although this was based on a shared local economy and infrastructure). In some areas that formerly had Growth Point status, such as Exeter/East Devon and Teignbridge, joint delivery arrangements have been retained to bring forward strategic developments - including main employment sites and the delivery of key infrastructure investment.

4.5 Housing

There is an East Sussex Housing Officers’ Group, which includes representation from registered social landlords (RSLs) and from County Council services, such as Children’s and Adults’ Services. This is good practice that enables a strategic housing view to be taken to co-ordinate housing related services and support.

House building is starting to pick up. The annual average is circa 1,400 dwellings a year, with more than 30% of completions being for affordable housing.

There were examples of enhanced service delivery achieved through innovative work conducted by councils to address housing priorities. In particular, work on the early adoption of Core Strategies has enabled significant housing and economic growth to be delivered. Other examples of specific projects include:

- joint funding (Hastings – the Borough Council and the Homes and Communities Agency (HCA) working together)
- affordable housing at Compass Point, Bexhill (council and HCA funding)
- 64 new build council dwellings in Wealden nearing completion for handover, with a further phase planned, and 163 affordable homes delivered in the district in 2012/13
- a key site development at North Street, Lewes (including housing, community infrastructure, a health centre and extra care housing)
- a joint venture at Eastbourne with the Arm's Length Management Organisation, for the council's housing stock, working with the council to buy sites to build a mix of: market housing for outright sale; rented housing and affordable housing. Funding comes from the Housing Revenue Account (HRA) financial 'headroom' and council taking advantage of borrowing at lower interest rates.

A notable feature of these schemes is how they have been developed to leverage external funding. This practice could be productively extended where councils might consider mechanisms to convert land or capital to work in partnership to leverage funding for housing development. This could be arranged as investment to realise an income stream while, at the same time, addressing council priorities and adding social value. Collective working, across local authority boundaries, offers real opportunities especially as the 'scaling up' of joint venture proposals could make these viable for external investors, which they might not be for individual authorities.

There are innovative housing models elsewhere that the East Sussex Councils might learn from. For example, Manchester City Council is building homes for sale and for market rent with HCA funding and in partnership with the Greater Manchester Pension Fund. Hackney London Borough Council is building new council homes for social renting through a programme funded by HRA 'headroom', cross-subsidy, rental income and shared ownership sales. The LGA and PAS would be happy to direct East Sussex to these and other examples.

Good work is being conducted to address housing market failure, in particular the imbalance of private rented sector housing and the quality of this stock, for example in Hastings - Seven Streets, St Leonards. This work is important as the comparatively cheaper accommodation in coastal towns encourages inward migration and can "funnel" need into these areas. It is estimated that 58% of the East Sussex population live in coastal urban areas.

The private sector rented sector housing imbalance is a feature of many coastal towns in the area, particularly in Hastings, and there is an opportunity to work on this collectively and share good practice. This could include licensing of Houses in Multiple Occupation (HMOs); inspection programmes across regulatory services, including Fire and Rescue Services; and active liaison through landlord forums. The latter are important to improve housing standards, and to enable homelessness discharge into the private sector.

A SELEP report, commissioned by the Coastal Communities Group, viewed housing market failure as an opportunity as, "housing is relatively cheap (hence viability issues) and development land is relatively available. Development of professionally managed market rented housing alongside homes for sale and affordable homes would boost the overall output of homes and meet a real need."

However, a coherent, shared vision and understanding of housing as an economic generator across East Sussex has not yet been articulated. Across England it is not uncommon to see housing, and housing numbers, driving Local Plans, indeed this appears to be almost the sole thrust of Government advice on such. The challenge for councils and strategic planners is to get the balance between housing provision and economic growth including, connected through integrated infrastructure, so that the contribution of each works to deliver the sustainable communities of the future. This will be important and should be tied into the work to develop an East Sussex economic growth strategy. The councils should commit to housing growth that delivers the mixed tenure and housing type required to complement and enhance business and employment growth.

With the team's recommendation of an enhanced role for TES, the above East Sussex Housing Officer Group's role might be adapted and strengthened by having the group report into TES so that housing is more closely linked to economic growth and the work of SELEP. The group is well placed to work alongside the Strategic Planning Officers' Group and the Strategic Planning Members' Group to incorporate strategic housing as a key component of the economic growth.

In the week following the peer challenge the Chancellor of the Exchequer announced a budget which places a heavy emphasis on housing, including:

- Help to Buy – the equity loan scheme will be extended to March 2020 with an extra £6bn to help a further 120,000 households purchase a home.
- Builders' Finance Fund – Government will provide a £500m recoverable Builders Finance Fund to provide loans to SME developers for sites of 15 to 250 units. Funding is available in 2015/16 and 2016/17 and will unlock 15,000 housing units stalled due to difficultly in accessing finance. The prospectus is due later this year.
- Estate Regeneration – Government will establish a £150m loan fund to kick-start the regeneration of some of the worst housing estates, with expressions of interest invited from private sector developers. Funding is available from 2015.
- Custom Build – Government will consult on a new 'Right to Build' to give custom builders a right to buy a plot from councils. Government will be seeking a small number of councils to act as vanguards to test the model. A new £150m Serviced Plots loan fund (2014/15 to 2018/19) will help provide up to 10,000 serviced plots for custom build. Councils will need to work with contractors or builders to access the fund and will also look to make the Help to Buy equity loan scheme available for custom build.

These present some opportunities for East Sussex that could be developed.

The burgeoning ageing population for East Sussex has significant implications for future housing and social care provision for older people. ESCC has a comprehensive 'Pathways to support and independence: a strategy for supported housing and housing support in East Sussex 2013 - 2018' with a detailed action plan to support delivery.

However, East Sussex Councils have an opportunity to recognise and shape a market for housing needs for older people that would: deliver social benefit; address strategic housing priorities; and provide councils with a return on investment. The provision of housing for older people is a rapidly increasing private sector market. There is no reason why councils should not move into this to offer residents quality housing and to maintain independent living, through assisted care technology and warden support arrangements. This could be founded on a partnership between councils and developers but could also involve Housing Associations, Clinical Commissioning Groups and the East Sussex Health and Well-being Board.

Finally, councils seeking to derive community benefit from approved development depend upon professional and specialist expertise to understand developer operating margins and viability. There would be benefit in councils contributing towards a shared Valuer, with commercial expertise to advise on development viability, S106 planning gain and CIL. This will be essential to evaluate proposed development and derive community benefit. Additionally, this expertise would assist councils in working on joint venture partnerships with commercial partners.

4.6 Infrastructure

The transport infrastructure for East Sussex is generally regarded as inadequate. There are no motorways and only short stretches of dual carriageway. Although geographically only a short distance to London, this is made more difficult by slow train and road times. This is exacerbated by the increasing trend of out-commuting where nearly one in four of residents in employment travel outside the county to work. Consequently, East Sussex has held aspirations for county-wide transport infrastructure improvements. However, in a climate of severely constrained public sector spending, these aspirations will need to be reined in and decisions made on which are the most important of these for shorter-term delivery and those to be deferred to a later date.

This will be an uncomfortable message for some parts of East Sussex where there are compelling cases for infrastructure improvement. However, it is a message that needs to be heeded and it will require some difficult decisions to be taken. Not to do so will dilute the infrastructure ‘ask’ for East Sussex and what can be realistically delivered.

It will be necessary to avoid concentrating on the inadequacies of infrastructure and ‘talking the county down’. There needs to be a recognition and promotion of existing infrastructure strengths such as the proximity to Gatwick, links to mainland Europe, high speed broadband developments and good logistics services which already operate.

The East Sussex Councils are working on their Infrastructure Development Plans (IDP) in support of their local plans. A template for strategic infrastructure delivery developed jointly by a number of the East Sussex Councils is now being adopted throughout the county. This joint approach will provide consistency, link to funding streams, through to delivery. Such consistency is a positive step, but it may be that a greater emphasis on economic growth and inclusion could lead to some changes in phasing and the prioritisation of investment. As part of this process, ESCC will need to ensure that economic growth objectives are directly reflected in the priorities for transport investment identified in the Local Transport Plan.

East Sussex partners recognise the importance of having ‘shovel ready’ schemes in the event of SELEP programme slippage. This has been a strength in the past where funding has come to the area because such schemes have been ready for implementation. It is understood that this will be important to maximise investment in the future, especially in the event of SELEP programme slippage.

The high speed broadband programme (to enable 97% of the county to have access to broadband), secured with funding from ESCC and contracts let with BDUK, will be important for business connectivity. [The cost of £34m is met by contributions from ESCC (£15m), Broadband Delivery UK (£10.4m) and BT (£9m).] The programme of implementation is ahead of schedule, in particular, fibre relay boxes are becoming operational in some rural areas. Work is still needed, however, to stimulate take-up of high speed broadband by business and the wider community to enable the remaining 3% to be covered by associated broadband communications options. At the same time there is a need to consider contingency arrangements to address any gaps as there is a commitment for 100% premises coverage by 2018.

Mobile phone coverage was reported to the team as patchy across significant rural and urban areas and will need addressing with the mobile phone providers. Lack of adequate coverage could be a deterrent to new business start-ups.

There are good examples of supported development and new infrastructure. The Bexhill to Hastings Link Road has cost circa £113m and not only improves the transport links to Hastings and north to the A21 but is creating new opportunities for a new High School and Vocational Skills Centre, a substantial new community to the north of Bexhill-on-Sea with 1,200 new homes and 50,000m^2 of commercial space. Similarly the Newhaven Port demonstrates strong partnership and political working to deliver a Clean Tech Growth Hub to capitalise on opportunities associated with E.ON’s operations and maintenance base for the Rampion wind farm; Veolia’s Energy Recovery Facility; and the new University Technology College for the marine and environmental engineering sector. However, there is a question on the possible future cessation of the Newhaven to Dieppe crossing which would present a potential economic loss and risk.

There is a clear consensus around the importance of a limited number of deliverable strategic transport investments that would best support future economic growth. If funding for these key schemes is not secured, or is delayed, authorities will need to consider the extent to which an alternative package of smaller scale transport investment schemes could help to unlock the area’s economic potential in the short to medium-term.

Councils will need to carefully review how they integrate economic growth and inclusion into their transport, housing and planning functions. This could be achieved by having proper regard to the SEP strategy (and subsequent East Sussex economic growth strategy): in the planning process; the prioritisation of transport investment and the next iteration of the LTP; and in district/borough housing investment plans. It would be sensible for councils sharing housing and economic interests to co-ordinate more closely their planning policy functions. Alternatively, this could be achieved via a shared strategic spatial development framework for the area – setting out what needs to be delivered, through which mechanisms and by whom.

As an example, the Greater Norwich Development Partnership (GNDP) has produced a Joint Core Strategy which brings together transport, housing and the economy www.gndp.org.uk.

4.7 Educating and training for skills

ESCC is drafting a corporate skills and training strategy which recognises many of the problems and issues that the area is working to address. This strategy prioritises engagement, retention, progression, connectivity and includes employer involvement in shaping the training offer and tackling disengagement. It is an important development and will need the involvement of schools, colleges and the range of other partner providers to deliver its objectives. Therefore it will be important to share the draft strategy and consult with partners on this. The strategy should reflect the different opportunities and challenges in the county and identify appropriate initiatives in this context. A stronger commitment to delivery that reflects local need and works hand in hand with local partners is important.

This strategy and action plan will need to agree the working relationship with the current East Sussex Adult Learning and Skills Partnership Board, which includes representatives from further and higher education, the voluntary sector, Jobcentre Plus etc. and also from the Economic Development and Skills Team that is represented on the SELEP Advisory Group. There is keen local interest at borough and district level and potential benefits to be achieved in harnessing this. It is also worth examining the potential for building on successful employability and workforce skills development initiatives that have operated in some borough and districts.

Some councils are set to increase their intake of apprentices matched by an increase also in the private sector. For example, ESCC currently has 20 apprenticeships and is aiming to increase this to 150 in coming years. The intention is that for large contracts let by the council, there will be a requirement that contractors take on a number of apprentices. This is encouraging and should be co-ordinated to be extended further. It would appear that local councils could have an important brokering role on this and more widely in matching the unemployed with training and job opportunities. This will build on some of the activities already taking place at a local level, including the Local Enterprise Apprenticeship Platform in Lewes District and Own Grown in Hastings and Rother. This should be extended to Sea Change Sussex and future delivery mechanisms that might be set up.

The evidence that councils leading on apprenticeships stimulate the private sector to also increase their take-up, could be enhanced by the recent budget announcement to extend the Apprenticeship Grants for Employers (AGE) scheme. This will provide £85m for 2014-2015 and 2015-2016 for over 100,000 grants to employers and £20m for post-graduate apprenticeships. TES could lead by example in adopting a challenging apprenticeship target, which all organisations and businesses across the county could be encouraged to contribute towards, with this backed by a strong local media campaign. This will, however, need to link with existing activities and should be co-ordinated through the existing Apprenticeships in East Sussex Strategy Group (administered by the County Council).

In Hastings, the University of Brighton will be expanding its intake from 800 to 2,000 students, specialising in a number of high tech. disciplines. This is significant for the number of students who will contribute to that part of the East Sussex economy and also for the training provided that should be aligned to what current and future employers see as the key clusters and sectors of the East Sussex economy. The University of Brighton will be an important economic partner to discuss such issues as housing and integration of students along with the current and future sectoral development in the area's economy. Furthermore, the emerging University Technical College in Newhaven will link with emerging high-value sectors of the economy.

There are three employment hubs developing. Own Grown is a Hastings initiative and is a good example of a local project extended to operate across the Hastings and Rother area.

The programme includes an Own Grown 1066 Pledge Apprenticeship initiative and brokered arrangements between potential apprentices and employers, involving Jobcentre Plus, Sussex Coast College, the National Apprenticeship Service and Own Grown brand. The Eastbourne Employability Hub is a pilot with the Borough Council, the County Council and Jobcentre Plus to provide a central resource on jobs, skills in demand, assistance in preparing for employment, and training, education and career information and guidance. Included in the target client cohort are 16-18 and 19-24 year NEET groups. The Local Enterprise and Apprenticeship Platform (LEAP) Lewes initiative also seeks to broker arrangements between potential apprentices and employers. This is a good example of successful partnership working, bringing together training providers, voluntary and community groups, employers and young people. LEAP also provides support for aspiring entrepreneurs providing extensive training and mentoring for business pre-starts.

ESCC’s Connexions 360 website for young people is a helpful tool for young unemployed people (http://www.connexions360.org.uk/Pages/default.aspx) offering support, advice and signposting. This should have an important role in the action plan to deliver the above skills and training strategy.

As in many places, the range of partners involved in skills and training are many and the coordination of services poor. One quote obtained onsite was, “lots of avenues, no real coordination between the avenues” and “lots of strategy, so little delivery”. This will be important to address and the skills and training strategy should make improving partnership coordination a priority – building on the work being done through the Apprenticeships in East Sussex Strategy Group and others.

Again, as in many places, the curricula of schools and some further education organisations are still too demand and funding-led. There is an essential coordinating role to establish the skills and training needs for the current economy and to project what these might be for the future. Identified skills and training needs must then form the basis for delivery by providers and will require councils and business representatives to engage with the Skills Funding Agency to agree a core set of skills and training priorities.

The ability of business and employers to influence and shape the training curricula of further and higher education providers will be essential for the new skills and training strategy and a good example of this is the University Technical College at Newhaven which is focusing on marine engineering and sustainability. Another example is the Sussex Coastal College which is aligning a number of courses to local job demand, for example vacuum technology.

The nature of the East Sussex economy means that there is a lack of large employers to drive systematic business engagement with the education and skills sector. With the preponderance of small and medium size enterprises (SMEs), it is essential that the views of SMEs, captured through the East Sussex Business Survey, help to make these necessary links. It is equally essential that support and brokerage projects (eg. LEAP and Own Grown) continue to support SMEs in engaging with skills, such as apprenticeships, in the local area.

Levels of self-employment are high in East Sussex, with Wealden and Rother having the highest levels in the SELEP area. The importance of the self-employed to the local economy, and particularly as they may expand to become SMEs, emphasises the importance of training and skills to both nurture entrepreneurial activity and to direct potential self-employers to support, advice and funding. Again, LEAP reflects this need and offers potential for expansion across the East Sussex economy.

Some councils appear not to be making the most of procurement and planning agreements to secure local jobs and training. An example of this is Local Labour Agreements where the planning authority reaches an agreement on large development to invest in skills training and support. This could be CV development; psychometric testing and other training to assist the local population gain the skills to apply for jobs resulting from that development. This could form part of an approach that the councils facilitate to get young people, and out of work adults, ready for future jobs. The LGA and PAS are able to provide examples of councils that have used such agreements. The challenge will be to overcome the dichotomy that those areas of the county where land values (and hence planning gain) are low are often those with the highest levels of unemployment.

Another example is from mapping commercial economic sectors across East Sussex so that supply chain gaps might be revealed. The East Sussex Councils and partners could then promote these as commercial opportunities that could be supported by Business Centres offering high quality and flexible facilities for business start-up and growth.

4.8 Procurement

The Public Services (Social Value) Act 2012 requires public bodies to consider how goods and services they purchase/commission might improve the economic, social and environmental well-being of the area.

The inclusion of procurement as an essential part of the East Sussex economic growth and inclusion strategy recognises the importance of public/private/third sector expenditure in supporting the local economy and the important role that councils have in how they exercise their spending power. For example, ESCC will have significant spend for goods and services, which creates the opportunity to influence markets.

There are some excellent procurement initiatives supporting the growth agenda. The Procurement Hub and Procurement Portal provide a good basis for greater public /private/ third sector partnership working. Other arrangements include the Improvement and Efficiency South East (IESE) partnership with Eastbourne Borough and Lewes District Councils and the shared service arrangement between Hastings Borough, Rother District and Wealden District Councils.

The team also encountered a number of specific areas of good practice, such as: the SPACES initiative’s asset management and contract alignment; ‘Build East Sussex’ supply chain management aimed at partnering principal contractors with local construction businesses; and the TRAC apprenticeship initiative. These have helped harness local buying power, created business opportunities for local companies that might otherwise not have existed and boosted apprenticeship provision.

However, it will be important to ensure that procurement activities are focused on where they will have the most chances of success, in supporting local businesses and employment creation, rather than chasing overall targets, which is a characteristic of current working arrangements.

Smarter procurement practice should involve more public/private/ third sector partners. More could be done to harness local spending power by coordinating/amalgamating partner procurement to support local suppliers and get better deals. Many people met by the team expressed a willingness to work together on this and just a 1% increase in local spend would have a major impact on the local economy.

Smarter working would also be achieved by standardising procurement requirements through the Procurement Hub – procurement procedures and rules, tender thresholds, insurance requirements, contract packages and a ‘tell us once’ approach would make it easier for SMEs to do business. Creating an East Sussex part of the joint procurement portal, to make it more relevant to local purchasers and suppliers, would promote a local ownership of the initiative and a procurement focus. The LGA and PAS would be able to direct East Sussex to councils that have advanced good practice in this field.

Procurement training and support is limited and disjointed between the public and private sector suppliers and it would be helpful to better co-ordinate its provision between the different agencies in an East Sussex wide programme to improve accessibility for SMEs and make the best use of the limited resources that are available.

Appendix 1

FOLLOW-UP SUPPORT

1. To aid the review/updating of Local Plans, the development of the East Sussex economic growth strategy and encourage further development of co-operation between councils on the allocation of housing and employment across the county.

   Soon to be published: PAS Guide to Objectively Assessed Need and housing targets

   This guidance note will help councils to understand how to calculate the objectively assessed need and housing targets within their area. It includes up to date advice based on recent Local Plan examinations. This can be used by councils on a self-serve basis. PAS expects also to be able to facilitate a discussion for a group of councils and to provide support in relation to discussions on the Duty to Co-operate.

2. To support the development of an improved pre-application offer across all the councils

   The LGA and PAS have worked with a cross-sector group to agree a set of 10 commitments that set out a framework for effective pre-application discussions. http://www.pas.gov.uk/web/guest/publications/-/journal_content/56/10180/5862911/PUBLICATION

   PAS area currently completing a suite of supplementary best practice notes that set out advice on how these commitments should be implemented by local planning authorities. Importantly this includes advice on the engagement of councillors in pre-application discussions. These will be launched through a series of workshops in May and June 2014.

   The LGA have a suite of case studies that look at how effective partnership with developers and the community at pre-application stage has resulted in delivery of developments to be proud of. http://www.pas.gov.uk/web/guest/publications/-/journal_content/56/10180/5862856/PUBLICATION

3. To help develop a quality performance framework that will monitor how the planning decision making system is working.

   PAS has developed a series of tools and templates to help councils to set up a system that will assess the effectiveness of development management services to make the decisions that enable sustainable developments to be delivered in a way that customers value. http://www.pas.gov.uk/web/pas-test-site/events-and-support2/-/journal_content/56/332612/5730199/ARTICLE

4. Not all councils manage their planning services in the same way. Wolverhampton City Council has developed a way of working in their development management service that has been designed to provide more active support for applicants and encourage investment in line with the economic growth plans. http://www.pas.gov.uk/web/pas-test-site/improvement-store/-/journal_content/56/332612/6011793/ARTICLE

Local Government Association
Local Government House
Smith Square
London SW1P 3HZ

Telephone 0207 664 3000
Fax 0207 664 3030
Email info@local.gov.uk
www.local.gov.uk

Appendix 2

The Investment (open for growth) Peer Challenge – Towards an Action Plan: Collated interest levels and forward actions

Notes:

1. Very few of the recommendations following consideration were considered new to the East Sussex local authorities; recommendations have been highlighted in green where they are considered be sufficiently detailed in terms of action and timelines to be identified as 'being progressed'.

2. All the recommendations were 'ranked' in terms of their importance according to the local authorities' responses; some were noticeably ranked 'high' as were *already* recognised as important and were already being progressed. Those ranked high (H) or high medium (H/M) are highlighted in column 1. In yellow

Recommendation	**1.Interest level: High; Medium; Low; None**	**2. Why?**	**3. How?**	**4. By When?**	**5. Potential impact**
R1: Leadership					
R1.1 Use the emerging consensus around the Strategic Economic Plan (SEP), and a revised East Sussex growth strategy, as a catalyst for driving forward the next round of Local Plans	**M/L**	Recognised as a need and already in train	East Sussex Growth Strategy. Integration and consolidation of existing documents – outcome oriented actions. This should be linked with the overarching Pride of Place vision and strategy for coherence and to build on existing consensus across the piece for East Sussex. The economic elements should be reviewed and strengthened, but maintained in context to ensure a balanced approach to growth. See notes on R2.25-7, R3.1&2, R4.4 and R5.1&2 Pulling together existing and improved economic evidence. Duty to Cooperate work programme agreed by East Sussex Strategic Planning Members Group (ESSPMG) is already part of the future Local	Nov 2014	Evidenced direction and leadership on key economic priority areas

			Plan process.		
R1.2 Raise the standards and improve the consistency of the councils' 'Open for Growth' services including a more consistently positive and proactive approach to the delivery of the planning system, especially development management, in East Sussex	**M/L**	A more shared approach to providing prompt and efficient responses to development proposals should generate positive developer perceptions of East Sussex as a 'go to' location to pursue economic growth.	Largely existing responsibility of B/Ds through their development management function; mechanisms already in place, cross authority officers groups. REMOVE: and the Strategic Planning Members Group (SPMG). Address need for a 'Strategic cross boundary Planning Infrastructure plan'	Ongoing	Positive responses to businesses/ developers submitting appropriate planning applications; more consistent and clearer guidance. HBC query on agreement to production of plan
R1.3 Build consensus across the councils & develop a common and consistent strategic approach to support a shared vision and under-standing of the role of house building as an economic generator and social benefit, linked to the economic growth and inclusion strategy	**H/M**	Without a correctly balanced housing supply there will be economic and/or social stagnation <u>Linked to R1.2</u>	Duty to Cooperate work programme agreed by ESSMPG -shared evidence base across ES to support economic growth. House builders engaged through the B/D SHMAs. Ongoing training for all councillors on planning committees; understanding the role of house building as economic generator+	Ongoing	Lack of stagnation through appropriate supply that also supports growth
R1.4 Focus on a small number of achievable infrastructure projects which are essential to the delivery of economic growth	**H**	To address key infrastructure needs across the county that are evidenced to deliver the most economic benefit	TES Strategic main decision making role in respect of agreed programme ESSPMG agreed to the development of a 'Strategic cross boundary Infrastructure Delivery Plan'; work programme already in place to deliver Plan. Provision of individual delivery plans used to help identify, bid and secure funding for key projects to unlock capital infrastructure	Plan 2015 (to be looked at for earlier Plan delivery) Ongoing	Economic impact benefits produced; improved transport infrastructure and ensuring ready & appropriate supply of employment space

			Ensure coherent messages by all and effective lobbying approach		
R1.5 Ensure that economic inclusion and opportunity as well as economic growth plays a key part in future strategy and delivery	**H**	Poverty and economic exclusion are key barriers to economic growth particularly in the coastal conurbations, but also in pockets of rural deprivation; to maintain/gain social cohesion and to assist local people grasp opportunities as they arise in a growing economy <u>Also see R4.4 in respect of skills</u>	To be reflected within the ES Growth Strategy. Maximising the benefits from funding opportunities from ESF and others addressing skills and employability programmes in ES. Stronger remit and influence on this agenda by TES and the ES Employability and Skills Board represented by cross sector organisations.	Nov 2015 Mar 15 onwards Oct 14 onwards	Reduced socio/economic exclusion over time measured by relevant indicators and 'closing the gap' against 'peer' neighbours areas and region. Comparison between areas within the County itself would show how TES is redressing economic disadvantage. Appropriate to benchmark local performance against peers i.e. Hastings & Thanet or Wealden/Mid Sussex to compare real changes with those with similar profiles. Can the LEP help in this? The Economic Partnerships operating at a local (functional economy) level (e.g. the Hastings/Rother Task Force) need to take a role in delivering this agenda.

R1.6 Recognition that housing growth and delivery is key to economic growth	**H**	See R1.3	Strategic Housing market Area Assessments, Local Plan targets. Governance under Duty to Cooperate and ESSPMG The TES needs to promote housing growth and the "governing" document should be the shared growth strategy.	2015	Closer alignment of infrastructure to housing development. More active 'live' progress reporting and information sharing
R2: Team East Sussex (TES)					
R2.1 The SEP, cited in R1.1, should be developed under the strategy and guidance of TES	**H/M**	SEP already produced; monitoring role for TES to be defined following SELEP delivery contracting with government	New TES terms of reference agreed. TES to approve draft ES Growth Strategy	Nov 2014	More strategic economic growth focussed organisation able to coordinate activity and lobby more effectively for key infrastructure, socio economic inclusion projects
R2.2 Develop TES as the partnership to co-ordinate the delivery vehicles for the East Sussex economic growth strategy in the federated structure of the LEP, to: HBC a little concerned that a plan for TES doesn't include a proper reference to our relationship with the LEP. There appears to be a silent assumption that this is a straightforward relationship based upon County boundaries. This neglects the coastal work that partners are actively engaged in and	**H/M**	To ensure momentum maintained and ES continues to benefit via SELEP. See R2.1	Agree forward planning role, areas, responsibilities and resources. Also timely progress tracking. More effective realisation of partnership objectives and coherent messages carried forward resulting in appropriate outcomes. Awareness, linkage to other LEPs/ Growth Deal Team and be informed / advised by these structures. Also essential linkages to be forged with existing strategic and other partnerships across East Sussex to build on the strength of existing	TES SEP role: By March 15 Ongoing Ongoing	Measure against deliverables in terms of projects and timeframes. Growth strategy needs to be in place / in line/ supportive of local plans. Delivery of growth is largely dependent upon external factors and it will not necessarily be TES that will be able to influence those at local level.

the cross LEP working on housing and tourism/culture.			relationships between public, private and community & voluntary sector working in a variety of arenas (e.g. care provision, social exclusion, access etc.)		
R2.2.1 operate at a new level of maturity based on openness and trust between the partners	**M/H**	Already strong working both at political, senior management level and officer level across D/DC and ESCC. Important in the coherence of our joint messages See R2.1	Includes Duty to Cooperate Should be cross county and beyond (e.g. Greater Brighton City Deal and C2C) Is this really an action in a real sense – is it not more a desirable approach?	Now ongoing	
R2.2.2 co-ordinate delivery vehicles; influence and advise on commissioning delivery	**M/H**	For strategic and / or region wide projects, otherwise could merely duplicate action taken by Councils / partners / increase unnecessary bureaucracy See R2.2 Look at the type of delivery management required, including existing (Sea Change, CC/B/DCs etc.) and external financial resources to help deliver (e.g. Access to finance, ERDF etc.) to address future infrastructure need	Identification of key strategic and or regional projects / delivery vehicles. Lead authority or partner to lead (using their own procurement rules) and report Development of TES through Duty to Co-operate - How – Development of TES as coordinating body? Delivery structures agreed as appropriate to individual projects to unlock future infrastructure requirements	Spring 2015 Ongoing	More effective delivery of tangible projects.
R2.2.3 involve key public/private/third sector players as an executive driving force for the	**H**	Under the Growth Strategy and SIF: To ensure maximum benefit for focused intervention in the county from	Ensure all partners & partnerships have ownership of and understand the objectives of the GS so also work towards its delivery. Where	From November 2014	Support social/economic inclusion

economic growth agenda		other stakeholder expertise, intervention and funds. To ensure that partners roles are clear and agreed at the outset to increase likelihood of successful delivery. Full participation is essential for effective partnership.	appropriate, co-design and co-produce delivery with partners. Community representative partners to advise on actions referred to in R1.5 above. Third sector rep. on EAB and TES; new TES ToR. Alongside appropriate reps on E&SP board Business reps on TES to cover across key sectoral areas – is Board membership sufficient – other methods? E.g. Economic Partnerships?	Nov 2014 Nov 2014	Improved voice of businesses and VCS enabling coherent and joint messages with public sector –elevating cross representation of TES.
R2.2.4 create the East Sussex 'narrative' which reflects the varying need and ambition across the county and which sets out an agreed vision for the future	**L/M**	Little shared narrative that impacts the whole county Also see R3.5; R4.3;	GS and 'Innovate East Sussex' Strategy and ES Business Guide Pride of Place articulates the integrated East Sussex vision to 2026 – adopted by all East Sussex Local Authorities (apart from South Downs National Park Authority)	Event October and on going	Increase inward investment, indigenous business growth and jobs
R2.2.5 ensure the right economic partnerships exist to deliver and initiate action and strategic thinking at a local and thematic level	**H**	To ensure that informed expertise is available *and used* to guide and influence investment decisions. Ensure that these partnerships have a real understanding and knowledge & not individual agendas What are the partnerships? Also see R3.1	Where possible via existing groups at both SELEP level and at the local level e.g. the EAB, the Rural Forum, 'Speak Up', SME Commission, Locate East Sussex etc. Ensure that these economic partnerships link in effectively with existing partnership structures – may not need to invent new partnerships, but develop a stronger, more coherent economic focus. Local Partnerships also include the Hastings and Rother Task Force, town partnerships and other county	On- going although slightly more formalised routes in to decision makers may be helpful as will under-standing of main partnerships out there, link back to TES as appropriate	More informed and evidenced decision making; improved chances of success

			wide. TES needs to link with these Existing partnerships to be mapped. NB ESSP and District & Borough strategic partnerships mapped these; should be updated rather than starting from zero.		
R2.2.6 encourage leadership and participation by all partners	**M/H**	Ensure strategic issues/projects are embedded in appropriate partner organisations along with TES	Review of Direction for TES: keep it tight, short, clear and sharply focused; demonstrate strategic fit, relevance and outcomes for each element. Need to look more towards forward planning next growth proposals and 'asks', work as appropriate on cross federated proposals and with other LEPS. To ensure effective learning and leadership of TES going forward. Ensure that Council Leaders and senior officers maintain their attendance at Team East Sussex meetings. Ensure decisions are communicated in partners' organisations, and that they feed in Sign up to finite list of strategic projects as per Duty to Co-operate (Strategic Cross Boundary Infrastructure Delivery Plan) QUERY role of Duty here and strategic list	On going	A strong TES with a sound profile
R2.2.7 Operate a "light touch" approach that values innovation and creativity by all partners and enables rather than constrains this	**H**	These are the values which will enable a creative approach to partnership working - To avoid unnecessary bureaucracy and focus on	Ensure that partnership arrangements discussed in R2.2.6 above are not onerous , and link with / reinvigorate existing arrangements Develop a shared framework that proactively stimulates innovation –	On going	Possible improvements in innovation/ innovative thinking

		delivery. There is a great deal of very proactive and supportive work going on. In some senses this happens because structures are sufficiently loose to encourage real co-operation and are not seen as being owned (or even led) by a particular organisation or individual. We should strive to maintain this sense of co-operation and be aware of the risks of losing this "light touch" approach.	creating the essentials of time, space, support and enthusiasm. Intrinsic to TES ToR		
R2.3 Map the micro and niche clusters of business activity in East Sussex so that councils can engage with these commercial interests to understand their needs and be better able to provide support	**H**	So we know who to engage with and then target interventions. To create a shared evidence and information base	'Innovate East Sussex' and ES Growth Strategy plus relevant datasets/ bases. Dataset overview to be provided ESCC AP	Nov 2014	Maximise degree of fit between resources and growth opportunities.
R2.4 Review the membership and resourcing of Team East Sussex to ensure all necessary stakeholders are included	**M**	Already being undertaken Also see R2.2.3	Evaluation by ESCEG and Leader's Group; reviewed ToR which recognises the need to take a balanced, integrative approach to all aspects of growth and prosperity.	Q3 2014/15	All relevant stakeholders included
R3: Partnership working					
R3.1 Be open to new opportunities to work more closely with existing partners to maximise outcomes, but also look out for opportunities to work with wider partners	**H**	An approach rather than an action Better chances of innovation/ best practice. Also see R2.2.5	Need to establish who are the real partners, who will enable / support progress; partnership mapping to take place Resourcing issue implicit in exploring new partnership opportunities	On going	To apply when increased benefit, savings can be identified

			Need to establish effective linkages between Team East Sussex and other partnerships and groupings throughout East Sussex, aligning actions and resources that fit where they touch. See earlier comments about existing structures, opportunities for sharpening focus, coherence; opportunity to update existing mapping to sharpen focus, coherence; opportunity to update existing mapping rather than reinventing the wheel TES plus governance		
R3.2 Review different governance models to ensure partnerships are effective and inclusive of the business & third sector and community agencies to maximise social value and economic growth	**M** See R2.2.3. and R2.2.5	To ensure governance is fit for purpose recognising that one size does not fit all and that the right representatives are around the table. Important that all sectors are involved to pursue both growth and inclusion agendas	Ensure that partners are aware of existing third-sector & other sectoral structures. Use evidence to inform provision e.g. sharing new data and associated analysis to aid all to target activity. Mapping exercise of all the partnerships will aid clarity. Leading on to ensuring effective sub groups/forums under/to advise TES (may then require updated TES ToR)	Ongoing Nov 2014 March 2015	More streamlined and appropriate involvement. More effective and evidence based expert advice provided to TES through sub groups (groups not to be invented where already in place)
R3.3 Stretch ambition and trust by combining resources, as appropriate, to improve business access to services and to develop	**H/M**	The current business support offer is not universal cross county nor between economically aligned areas and does not necessarily reflect	Working with SELEP to further develop the East Sussex Gateway for Growth under SELEP Growth Hubs. Use of LGF and ERDF. Better match of supply with	Spring 2015	Focused support where intervention can demonstrate real added value to business sustainability and

collective capacity		business need, may require simplification and better targeting to ensure discernable benefits) to business and the economy (and so has healthy positive cost benefit ratio)	evidenced demand e.g. via the business survey / barriers identified by the SME Commission etc.		growth; increased partnership capacity.
R3.4 Help each other with the hard choices regarding the Duty to Co-operate whilst incorporating priorities across the area	**H/M**	Inevitable tensions between meeting growth needs and maintaining green spaces, and urban/rural dimension	ES SPMG Agreement through ESCEG and Leader's Group	As per Duty to Co-operate work programme – in hand	Increased prospects of delivery of strategic projects
R3.5 Branding will be essential as will the need to recognise when to market as 'East Sussex' and when to market as 'specific areas' of the county (understand and play to collective & individual strengths as necessary) in a way which maximises economic growth, opportunity & benefits for businesses and residents	**M/L** Also see R2.2.4; R2.3 and R4.3	Although this *may have* potential we still need to determine whether this is required, what branding could mean / look like and who it is aimed at	Event October 2014 facilitated by LGA	October 2014 'branding/narrative event'	
R4: Business focus					
R4.1 Focus procurement activities where they will have the most chances of success in supporting local businesses while delivering value for money	**M/H**	To support local business development and growth. NB Local business support and VFM may not always be complementary especially when seeking economies of scale.	This has already commenced with procurement through the East Sussex Procurement Hub Look at best practice from other councils. Focus on below EU procurement levels where the bulk of the District council's procurement occurs and falls outside the requirements of the Social Value Act. Look to see how EU and above procurements do not disadvantage local business;	Ongoing	Greater retention of public-sector spend within the county. Better quality of provision and vfm as supplier relationships develop. More bids from local companies and potential for increase in local companies

			consider dividing contracts into lots; ensure financial requirements are not excessively onerous. The links the Procurement Hub has established with FSB procurement accord and other organisations should be built upon to include training and skills programmes, and regular opportunities to develop and deepen constructive working relationships Existing information can be analysed to create a baseline for the success of local contractors for the East Sussex Procurement Hub. Continue to investigate possible use of Local Multiplier 3 to ensure better retention of fiscal/other benefit from procurement within the county. Encourage companies are procuring contracts to advertise on the SE Shared Services Procurement hub portal. This would increase local company opportunities to bid. The catalysts for getting public/private/third sector partners to work together are to		winning tenders Possible economies and value added. Greater number of East Sussex businesses engaging with ESPH and registering with SESSP.

			provide training & awareness and ongoing opportunities to develop constructive relationships. A first step would be to hold a network meeting of interested parties to try to set up the training.		
R4.2 Review, along with partners, procurement activities across the councils with a view to developing new procedures to promote and enhance opportunities for local businesses	See R4.1 above		New procedures are already being developed because of changes required to link the e-procurement system with the SE Shared Services Portal		
R4.3 Continue to recognise tourism and culture across the county as important elements for growth and consider building resources to further support these parts of the economy Also see R2.2	**H** Also see R2.2.4; R3.5	As contributors to the local economy including contributing to sector diversification. Supports the overall visitor economy in both rural and urban areas	Cultural actions to be developed via the Cultural Advisory Board noting the organisations represented there also sit on the Cultural Destinations Consortium PLUS TES and local economic partnerships in the light of the work of County and local cultural and tourism partnerships. CAB is a new group and the ToR is still being developed but main focus is on cultural destinations not the visitor economy in its wider sense Tourism locus of B/DCs and supported locally Visitor economy requires future proofing and the cultural strategy implementation; can a collective	Culture in hand + input from 'narrative workshop' October Branding to be developed in accordance with strategic view of tourism. Actions around tourism are not logically placed with the Cultural Advisory Board Notwithstanding the cultural destinations consortium, tourism and culture are not identical. Tourism activity is	

			offer yield more spend in ES?	focused at local level (1066 Country etc.) and there is no agreement that this will change. This should be more central in the growth strategy and under the purview of TES itself at a strategic level Post Sept. 19 workshop	
R4.4 Ensure that employers, business are able to influence & shape skills and training priorities for the economy with education and skills providers	**H/M**	It is recognised that national funding policy, particularly EFA funding in relation to young people, does not always lend itself to employers being able to shape priorities to meet business need Essential that education and skills provision is relevant to local workforce needs	The Annual Business Survey as an {evidence} tool will continue to gather information from employers about needs and priorities, amongst other methods, and econometric forecasting will be used to forecast sectoral and occupational growth and resulting skills requirements. In addition, a new Employability and Skills Partnership linked with the East Sussex Strategic Partnership (for coherence and cross-sectoral linkage and relationships), drawing in both current and new partners including providers, the voluntary sector, B/DC and relevant economic partnerships	On-going; progression reinvigorated September 2014	Closer fit of education and training output to economic need.

			and businesses, is being formed and will meet early September 2014. The Partnership will cover a wide agenda and will help to ensure that employability and skills fully support sustainable economic growth in the county. There will need to be local partnerships within the different economic areas of the County. New web based 'employer skills portal' developed nationally enabling businesses to request training and then providers to look to meet requirements. The employability and skills partnership appears to exclude local economic partnerships and District Councils. It makes no mention of co-ordinated action at a local level focusing on specific economic geography. Moving forward ought to include the skills partnerships, employers and others working at a truly local level. TES needs to be involved in strategic discussions and ensuring proper identification of opportunities and need across the County.	Autumn 2014	
R4.5 Review the performance of Locate East Sussex and inward investment activities, with a view to	**M**	An existing contact between all 6 local authorities	The contract deliverables are already monitored and will be subject to a mid-term review in	Mid-term review in October 2014; further review	Increased take up of local commercial property; facilitating fit

understanding if increased resources would deliver added value			October via report to Leaders/ESCE meeting	including resourcing nearer completion of contract May 2015	between business premises and businesses which seek to expand; supporting inward investment; supporting business access to RGF 4
R5: Key messages					
R5.1 East Sussex is poised to accelerate growth but this needs collective vision driven by a strategic view	R5.1; R5.2; R5.3: **L** Low priority as seen as a summary of all actions already identified within the previous recommendations therefore there is no need to individually refer to these key messages. Pride of Place represents the integrated strategic vision for East Sussex as a whole (adopted collectively and individually by all local authorities across East Sussex apart from the South Downs National Park.; the economic elements in both the overarching document and individual area chapters should be reviewed and updated to provide a robust and current platform for this emerging Action Plan.				
R5.2 Continue to build on partnerships across the county and understand when to work collectively and when independently. The consensus already achieved and the proven track record is the way for councils to deliver economic growth for their communities. This approach may require individual councils to trade some control on certain issues in exchange for enhanced rates of growth and prosperity across the county as a whole. Partnerships between councils are not constrained by Team East Sussex and may include additional regional, national and international working					
R5.3 Working together and stretching the boundaries for closer working will build trust and lead to					

mature working relationships between councils and partners	

Agenda Item 7

Report to:	**Cabinet**
Date:	**15 October 2014**
By:	**Chief Operating Officer**
Title of report:	**East Sussex National Non Domestic Rates Pooling Agreement**
Purpose of report:	**To ask Cabinet to approve entering into the East Sussex National Non Domestic Rates Pooling Agreement.**

RECOMMENDATIONS:

Cabinet are recommended to approve entering into the East Sussex National Non Domestic Rates Pooling Agreement, and:
1. Endorse the Council's participation in an East Sussex NDR pool, this includes:
a) Endorse that the basic principle on which the agreement is based is that no authority will receive a lower level of funding than they would have received without the pool;
b) Endorse that any resources gained on the basis of the levy amount that was saved by individual authorities be shared on the following basis 40% to ESCC, 10% to the Fire Authority and the remaining 50% split amongst the District/Borough Councils;
c) That the finalisation of the submission, agreement of the Memorandum of Understanding, and the final decision on whether it is financial advantageous to partake in the pool is delegated to the Chief Finance Officer;
d) Chief Finance Officer to review the council's membership of the Pool on an annual basis; and
e) Note the lead authority in respect of the administration of the Pool will be Wealden District Council.

1. Financial Implications

1.1 Local authorities are free to come together to form pools for Non Domestic Rates (NDR) purposes. In such cases tariffs and top-ups can be combined – and this can result in lower payments being made to the government. Authorities within such arrangements need to agree how risks and benefits are shared. A pooling arrangement within East Sussex, covering the County, the five Boroughs and Districts and the Fire & Rescue service, could result in additional resources being retained within East Sussex. The estimates identify sums of £1.8m in 2015/16, £2m in 2016/17 and £2.2m in 2017/18 which would be shared between authorities and used for economic development purposes.

1.2 East Sussex County Council's share of the above would be £0.7m in 2015/16, £0.8m in 2016/17 and £0.9m in 2017/18.

1.3 The longer term benefit of operating a Pool arrangement is that a larger proportion of any increase in NDR resulting from economic development activity will be retained within the county.

2. Background

2.1 A new national funding regime was introduced on 1 April 2013 whereby local authorities effectively retain a proportion of any additional business rate income collected (above inflation) or conversely will experience a reduction in resources if the business rate base declines.

2.2 Under the scheme 50% of business rates is localised through a system of top-ups and tariffs that fix an amount to be paid by high yield authorities and distributed to low yield authorities – this amount being increased annually by inflation (RPI). The proportion retained by individual collection authorities in East Sussex is 40%, 9% is payable to East Sussex County Council, and 1% to Fire and Rescue authority (the government receive 50%).

2.3 The 50% central government share is distributed through the formula grant process (now termed Settlement Funding Assessment) – thus enabling the government to control the overall amount received by local authorities. Where there is disproportionate growth this will be used to provide a safety net for those authorities experiencing little or negative growth and allows the treasury to top slice business rates income.

A reset mechanism will be in place with the first reset in 2020 and periods of 10 years between resets thereafter.

3. Pooling

3.1 To date on a national basis there are 18 pools in operation, comprising 111 different authorities.

3.2 A report on the potential for pooling in East Sussex was first considered by the Leaders and Chief Executives/Directors of respective Councils on the 25 October 2013, with a subsequent report on the 25 April 2014 and more recently on the 25 July 2014 where all Councils agreed unanimously that an application should be submitted for 2015/16 on the basis of the arrangements and recommendations outlined in this report.

3.3 A company called LG Futures has been employed to collate and advise on the financial viability of the scheme, modelling some of the risks and identifying appropriate governance arrangements. LG futures will also help draft and coordinate the submission of an application on behalf of the seven authorities.

3.4 The issues are however complex and the financial figures and assumptions upon which the assessments are based are largely on the first year of a new funding stream and estimates for future years should be viewed with a level of potential change.

3.5 The 2015/16 pooling prospectus issued by the Department of Communities and Local Government (DCLG) makes it clear that a pooling application is unlikely to be approved merely on the basis that the pool will enable a greater level of business rates to be retained locally (to the detriment of the national pool). There will be a need for authorities therefore to agree a common objective to support any pooling application, for example making a clear link between economic development strategy, investment and consequent growth in the business rate base.

3.6 In brief the financial case for pooling remains strong. The joint application will need to be made by 31 October 2014 for it to apply in the 2015/16 financial year.

3.7 Agreement does need to be reached on a number of governance arrangements, namely:-
(1) Appointing a lead authority
(2) Supporting authorities that fall below the safety net
(3) Splitting the gains/losses from pooling
(4) Timetable and Authorisation
(5) Annual review

3.8 A summary of the suggested approach to each of these issues are set out on Appendix 1.

4. Recommendations

4.1 Cabinet are recommended to endorse:
a) The basic principle on which the agreement is based is that no authority will receive a lower level of funding than they would have received without the pool.
b) That any resources gained on the basis of the levy amount that was saved by individual authorities be shared on the following basis 40% to ESCC, 10% to the Fire authority and the remaining 50% split amongst the District/Borough Councils.
c) That the finalisation of the submission, agreement of the Memorandum of Understanding, and the final decision on whether it is financial advantageous to partake in the pool is delegated to the Chief Finance Officer.
d) The Chief Finance Officer to review the council's membership of the Pool on an annual basis; and to
e) Note the lead authority in respect of the administration of the Pool will be Wealden District Council.

KEVIN FOSTER
Chief Operating Officer

Contact Officer: Graham Friday, Interim head of Financial Planning Contact number: 01273 481579

East Sussex National Non Domestic Rate Pooling Agreement

The following paragraphs provide background to the general assumptions that will be used in finalising the terms of the agreement.

1. Appointing a Lead Authority

1.1 A lead authority will need to be named in the application. It has already been agreed that LG Futures will be contracted to advise the pool in 2015/16 (should an application be successful), and this will also provide a degree of objectivity and impartiality for all parties. The very limited costs being shared equally between the seven authorities.

1.2 Wealden DC has indicated that they would be prepared to undertake the role of lead authority to administer and manage the operation of the pool.

2. Supporting Authorities that fall below the Safety Net

2.1 Currently if local authorities suffer significant reductions in the business rate tax base, a safety net is applied to restrict losses in any one year to 7.5% of a Council's baseline funding level.

2.2 Authorities need to jointly agree as a basic principle that no authority will receive a lower level of funding than they would have received without the pool i.e. than under the current DCLG scheme.

2.3 Therefore if one of Boroughs and Districts was to see a reduction in their business rate collected because of loss of a major business, that loss would be covered by the retained levies from the other authorities, before the residual gain is shared between the seven authorities.

2.4 LG Futures were asked to undertake a sensitivity analysis to assess the impact of the potential overall cash benefit of both a 5% increase and 5% decrease in collection levels.

2.5 In terms of sensitivity analysis, the gain from pooling resulting from a 5% decrease in NDR income in 2015/16, across the whole county, would reduce the retained benefits from £1.8m to £0.6m. No authority would hit the safety net if NDR income was 5% lower than currently forecast. The gain from pooling from a 5% increase in NDR income in 2015/16 increases from £1.8m to £3.0m in 2015/16.

2.6 The key risk in the Pool arrangement revolves around the reduction in the business rate taxbase. This could arise as a result of recession, companies closing down, or the level of rating appeals that are still outstanding resulting in larger than estimated reductions in rateable values. The report by LG futures considered what level of loss would be required for the overall Pool to loss all of its potential benefit. For this to materialise each borough / district area would need to lose the equivalent of two of the highest rate payers, without warning, and for a whole year. The potential for this happening is considered as being highly unlikely in terms of growth being forecast in the economy as a whole. In all the Boroughs and Districts the majority of the highest business rate payers come from the Retail sector and consist of the major Supermarket chains.

3. Splitting the Gains/Losses from Pooling

3.1 Should a pool not be formed, each District and Borough Council will end up paying a levy to the government based upon the level of business rate growth in their respective areas. The formation of the pool allows authorities to offset the levy payable against "Top up "authorities e.g. ESCC and the Fire authority.

3.2 LG Futures were asked to provide options for the basis of sharing any net retained rates within the pool. The authorities Chief Finance Officers considered all options and agreed that a split based upon the levy amount that was saved by individual authorities, would be the most equitable solution. The basis of the split is 40% ESCC, 10% Fire authority and 50% split amongst the remaining District and Borough Councils. The following table shows the potential proceeds based on current levy projections.

Local Authority	2015/16 £m	2016/17 £m	2017/18 £m
Eastbourne	0.223	0.301	0.311
Hastings	0.061	0.063	0.066
Lewes	0.230	0.238	0.246
Rother	0.139	0.177	0.218
Wealden	0.243	0.251	0.260
East Sussex	0.716	0.823	0.880
East Sussex Fire	0.179	0.206	0.220
Overall	**1.790**	**2.057**	**2.201**

3.3 This split is seen as the simplest and most transparent solution. It also has the following benefits:
(i) simpler administration
(ii) allows resources to be used in a timely manner/each local authority can determine its own reserve policy should a budgeted surplus actually result in a loss.
(iii) still allows local authorities to combine resources for joint working and allows for match funding.
(iv) would be more straight forward if the pool was dissolved or gained/lost members in the future.

4. Timetable and Authorisation

4.1 An application has to be made by the 31st October 2014, in the form of a joint Memorandum of Understanding.

4.2 The DCLG regulations require that the submission itself has to be authorised by the Chief Financial Officer of each authority. The timescales for compilation and agreement of the submission is tight. In addition there is only a narrow window to decide whether to withdraw an application once the Local Government settlement is known in December 2014. For practicable purposes alone, it would appear to be sensible to delegate the finalisation of the submission and the decision on whether to submit and/or withdraw the application on financial grounds to the Chief Finance Officer.

5. **Annual Review**

5.1 Should the application be successful, the pool would continue to operate for a minimum of one year. Should an individual authority withdraw from the pool arrangement, then the pool will terminate and if required a new Pooling arrangements with a revised number of authorities could then be set up.

5.2 To ensure that this potential is managed the Memorandum of Undertaking will place an obligation on all authorities to review their membership of the pool annually and be given the authority to withdraw from the pool where it is not financially advantageous to retain membership. Such a decision is to be taken in consultation with the remaining authorities in the pool and at the earliest possible time, in order to allow for an alternative submission to be made.

Cabinet – 15 October 2014

Item 7 – Non domestic rate pooling agreement

Amended recommendations:

The Cabinet is recommended:

(1) To agree, subject to recommendation 2 below and the Chief Finance Officer being satisfied:

a) that no authority shall receive a lower level of funding than they would have received without the Pool; and

b) any resources gained on the basis of the levy amount saved by individual authorities be shared on the following basis: 40% to ESCC, 10% to the Fire Authority and the remaining 50% split amongst the District/Borough Councils;

to the Council's participation in an East Sussex National Non Domestic Rate Pool

(2) to agree to delegate authority to the Chief Finance Officer to agree the terms of, and enter into the Memorandum of Understanding and to take any other action to give effect to recommendation 1 above; and

(3) agree that the Chief Finance Officer shall review the Council's membership of the Pool on an annual basis

This page is intentionally left blank

Agenda Item 8

Report to:	**Cabinet**
Date:	**15 October 2014**
By:	**Chief Operating Officer**
Title of report:	**Treasury Management – 2013/14 Stewardship/Half Year 2014/15 Report**
Purpose of report:	**To present a review of the County Council's performance on treasury management for the year 2013/14 and Mid Year review for 2014/15.**

RECOMMENDATION: The Cabinet is recommended to note the Treasury Management performance in 2013/14 incorporating the Mid Year review for the first half of 2014/15

1. Introduction

1.1 The annual stewardship report reviews the Council's treasury management performance and Mid Year report is required by the Code of Practice for Treasury Management.

2. Supporting Information

2.1 The County Council's treasury management activities are regulated by a variety of professional codes and statutes and guidance. The County Council has adopted the CIPFA Code of Practice for Treasury Management in the Public Sector and operates treasury management service in compliance with this Code. These require that the prime objective of the treasury management activity is the effective management of risk, and that its borrowing activities are undertaken in a prudent, affordable and sustainable basis and treasury management practices demonstrate a low risk approach. The Code requires the regular reporting of treasury management activities to:

- Forecast the likely activity for the forthcoming year (in the Annual Treasury Strategy Report); and
- Review actual activity for the preceding year (this Stewardship report).
- A mid year review

2.2 This report sets out:

- A summary of the original strategy agreed for 2013/14 and the economic factors affecting this strategy (Appendix A).
- The treasury management activity during the year (Appendix B);
- The treasury management Mid Year activity for 2014/15 (Appendix C);
- The Prudential Indicators, which relate to the Treasury function and compliance with limits (Appendix D).

3. The economic conditions compared to our original Strategy for 2013/14

3.1 The original strategy and the economic conditions prevailing in 2013/14 are set out in Appendix A which is attached to this report. 2013/14 continued the challenging environment of the previous years, with concerns over the states of the UK economy and of European countries. The main implications have been continuing counterparty risk and low investment returns.

4. The Treasury activity during the year on short term investments and borrowing

The Treasury Management Strategy

4.1 The strategy for 2013/14, agreed in January 2013, continued the prudent approach and ensured that all investments were only to the highest quality rated banks and only up to a period of one year (revised to 2 years within the 2014/15 strategy). A more prudent approach was adopted throughout 2013/14 because of the uncertainties in the market and the emphasis was to be able to pre-empt/react quickly if market conditions worsen.

Short term lending

4.2 The total amount received in short term interest for 2013/14 was £1.35m at an average rate of 0.39%. This was below the average of base rates in the same period (0.5%) and against a backdrop of ensuring, so far as possible in the current financial climate, the security of principal and the minimisation of risk. This Council has continued to follow a prudent approach with security and liquidity as the main criteria before yield.

Short term borrowing

4.3 No borrowing was undertaken on a short-term basis during 2013/14 to cover temporary overdraft situations.

Long term borrowing

4.4 Details of our long term borrowing are included in Appendix B of the report. The important points are:

- No new borrowing was undertaking during 2013/14. It was agreed to use “internal borrowing” to finance new capital investment
- The average interest rate of all debt at 31 March 2014 (£262.9m) was 5.20%.
- Although a proactive approach has been taken to repayment and restructuring of debt, no cost effective opportunities arose during the year.

5. Treasury Management Mid Year Review 2014/15

5.1 The Treasury Management and Annual Investment Strategy for 2014/15 were approved by the Cabinet 28 January 2014 and there have been no policy changes to date.

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

6.1 The County Council is required by the CIPFA Prudential Code to report the actual prudential indicators after the end of each year. There are eight indicators which relate to treasury management and they are set out in Appendix D.

7. Conclusion and reason for recommendation

7.1 This report updates the Cabinet and fulfils the requirement to submit an annual/half yearly report in the form prescribed in the Treasury Management Code of Practice. Short term lending achieved improved returns toward the end of the year. This reflects the objective to ensure so far as possible in the financial climate, a prudent approach with security and liquidity as the main criteria before yield. Exposure to future risk continues to be minimised through proactive and constant review of the treasury management policy. The emphasis must continue to be able to pre-empt/react quickly if market conditions worsen.

KEVIN FOSTER

Chief Operating Officer

Contact Officer: Ola Owolabi Tel No. 01273 482017
Local Member(s): All

BACKGROUND DOCUMENTS

Cabinet 26 January 2013 Treasury Management Strategy for 2013/14
28 January 2014 Treasury Management Strategy for 2014/15

CIPFA Prudential Code and Treasury Management in the Public Services- Code of practice
Local Government Act 2003 Local Government Investments guidance

Appendix A

A summary of the strategy agreed for 2013/14 and the economic factors affecting this strategy and amendments to this strategy in the year

1. Background information

1.1 Cabinet receive an annual Treasury Management Strategy report in January 2013, which sets out the proposed strategy for the year ahead. This strategy includes the limits and criteria for organisations to be used for the investment of cash surpluses and has to be approved by the County Council.

1.2 This Council has always adopted a prudent approach to 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 in 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.

1.3 When the original strategy for 2013/14 was drawn up in January 2013, the money markets were still volatile with Banks reluctant to lend to each other. In this climate ensuring the security of investments continues to be difficult and caution has to be taken on where surplus funds can be invested.

1.4 At the same time, the Treasury Management Policy Statement was agreed as unchanged for 2013/14.

East Sussex County Council defined its treasury management activities as:

“The management of the organisation’s cash flows, its banking, money market and capital market transactions (other than those of the Pension Fund) the effective management of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

The County Council regards the successful identification, monitoring and management of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.

This authority acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

2. Long term borrowing

2.1 County Council’s past strategy was to borrow to support the Capital Programme and lend out other cash (rather than using internal borrowing). Historically this meant that the interest rate earned on cash balances was higher than the interest rate paid on loans from the Public Works Loans Board (PWLB). In the current financial climate, this interest rate differential has been removed. No new PWLB borrowing has taken place since January 2008. The average rate of all debt at 31 March 2014 of £262.9m is 5.20% (2012/13 of £264.2m is 5.20%). No new loans have been taken and no beneficial rescheduling of debt has been available

2.2 Our opportunity to restructure our debt has been significantly reduced since October 2010 as a result of the PWLB increasing all of its lending rates by 1% as part of the Government’s Comprehensive Spending Review. However, it did not increase the rate of interest used for repaying debt so that not only the cost of our future borrowing has increased but our opportunity to restructure our debt when market conditions allow has been significantly reduced.

2.3 The Council will not borrow purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing

Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

3. Investment

3.1 When the strategy was agreed in January of 2013, the advice given to us by our advisors, Capita, was that short term rates were expected to remain on hold for a considerable time. Economic forecasting remained troublesome with so many extermal influences weighing on the UK. There was consensus among analysts that the economy would remain weak and whilst there was still a broad range of views as to potential performance. Key areas of uncertainty included:

- the potential for the Eurozone to withdraw support for Greece at some point if the costs of such support escalate were to become prohibitive, so causing a worsening of the Eurozone debt crisis and heightened risk of the breakdown of the bloc or even of the currency itself;
- inter government agreement on how to deal with the overall Eurozone debt crisis could fragment; the impact of the Eurozone crisis on financial markets and the banking sector;
- the impact of the Government's austerity plan on confidence and growth and the need to rebalance the economy from services to manufactured goods;
- the under-performance of the UK economy which could undermine the Government's policies that have been based upon levels of growth that are unlikely to be achieved;
- the risk of the UK's main trading partners, in particular the EU and US, falling into recession ;
- stimulus packages failing to stimulate growth;
- elections due in Germany in 2013;
- potential for protectionism i.e. an escalation of the currency war / trade dispute between the US and China.
- the potential for action to curtail the Iranian nuclear programme
- the situation in Syria deteriorating and impacting other countries in the Middle East
- the focus of so many consumers, corporates and banks on reducing their borrowings, rather than spending, will continue to act as a major headwind to a return to robust growth in western economies.

The overall balance of risks remained weighted to the downside. Lack of economic growth, both domestically and overseas, would impact on confidence putting upward pressure on unemployment. It would also further knock levels of demand which would bring the threat of recession back into focus.

3.2 Capita believed that the longer run trend is for gilt yields and PWLB rates to rise due to the high volume of gilt issuance in the UK, and the high volume of debt issuance in other major western countries.

3.3 Given the weak outlook for economic growth, Capita saw the prospects for any interest rate changes before mid-2013 as very limited. There was potential for the start of Bank Rate increases to be even further delayed if growth disappointed.

4. Revised Strategy agreed for 2013/14

4.1 The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sector Asset Services al Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second, and then return. The strategy adopted in the original Treasury Management Strategy Report for 2013/14 approved by the Council on 29 January 2013, was subject to revision during the year due to a review of the Council's treasury management activities and counterparty list.

4.2 The strategy ensured that in the current economic climate a prudent approach was maintained. This would be achieved through investing with selected banks and funds which meet the Council's rating criteria. The emphasis would continue on security (protection of the capital sum invested) and liquidity (keeping money readily available for expenditure when needed) rather than yield. The strategy continued with this prudent approach.

4.3 It was recognised that movements within the money markets can happen with no notice and the Chief Finance Officer would have to amend this strategy in order to safeguard Council funds. As in the past any such actions would be reported to the next Cabinet meeting.

4.4 The expectation for interest rates within the strategy for 2013/14 anticipated low but rising Bank Rate (starting in quarter 1 of 2015), and gradual rises in medium and longer term fixed borrowing rates during 2013/14. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.

4.5 In this scenario, the treasury strategy was to postpone borrowing to avoid the cost of holding higher levels of investments and to reduce counterparty risk. External borrowing would only take place if the rates available were so low that the long term benefits would significantly exceed the short term cost. Opportunities for cost effective repayment of existing debt and restructuring opportunities were to be constantly monitored and would be taken if and when they emerge.

4.6 All of the investments were classified as Specified and non-Specified Investments. These investments were sterling investments for up to two years maturity with institutions deemed to be high credit quality or with the UK Government (Debt Management Account Deposit Facility). These were considered low risk assets where the possibility of loss of principal or investment income was small.

4.7 Investment instruments identified for use in the financial year under the 'Non-Specified and Specified' Investments categories. The County Council funds would be invested as follows:-

Specified Investments

4.8 *The use of Specified Investments - Investment instruments identified for use in the financial year are as follows:*

- Table below set out the types of investments that fall into each category, counterparties available to the Council, and the limits placed on each of these. A detailed list of each investment type is available in the Treasury Management Practices guidance notes;
- all investments will be within the UK or AAA sovereign rated countries.
- The Council's investments in Lloyds Banking Group were based on the fact that this group is part-nationalised by UK Government, and any changes to their credit ratings will impact on the duration of the Council investment with the Group.

Counterparty	Country/Domicile	Instrument	Maximum investments	Max. maturity period
Debt Management and Depost Facilities (DMADF)	UK	Term Deposits	unlimited	12 months
Government Treasury blls	UK	Term Deposits	unlimited	12 months
Local Authorities	UK	Term Deposits	unlimited	12 months
RBS/NatWest Group • *Royal Bank of Scotland* • *NatWest*	UK	Term Deposits (including callable	£60m	1 yr

Counterparty	Country/Domicile	Instrument	Maximum investments	Max. maturity period
Lloyds Banking Group • *Lloyds Bank* • *Bank of Scotland*	UK	deposits), Certificate of Deposits	£60m	1 yr
Barclays	UK		£60m	1 yr
Santander UK	UK		£60m	1 yr
HSBC	UK		£60m	1 yr
Individual Money Market Funds	UK/Ireland/ domiciled	AAA rated Money Market Funds	£60m	Liquidity/instant access
Counterparties in select countries (non-UK) with a Sovereign Rating of at least AAA				
Australia & New Zealand Banking Group	Australia	Term Deposits/Call Accounts	£60m	1 yr
Commonwealth Bank of Australia	Australia	Term Deposits/Call Accounts	£60m	1 yr
National Australia Bank	Australia	Term Deposits/Call Accounts	£60m	1 yr
Westpac Banking Corporation	Australia	Term Deposits/Call Accounts	£60m	1 yr
Royal Bank of Canada	Canada	Term Deposits/Call Accounts	£60m	1 yr
Toronto Dominion	Canada	Term Deposits/Call Accounts	£60m	1 yr
Nordea Bank Finland	Finland	Term Deposits/Call Accounts	£60m	1 yr
Cooperatieve Centrale Raiffeisen Boerenlleenbank BA	Netherlands	Term Deposits/Call Accounts	£60m	1 yr
Development Bank of Singapore	Singapore	Term Deposits/Call Accounts	£60m	1 yr
Oversea Chinese Banking Corp	Singapore	Term Deposits/Call Accounts	£60m	1 yr
United Overseas Bank	Singapore	Term Deposits/Call Accounts	£60m	1 yr
Svenska Handelsbanken	Sweden	Term Deposits/Call Accounts	£60m	1 yr
Nordea Bank AB	Sweden	Term Deposits/Call Accounts	£60m	1 yr

Non Specified Investments

4.9 Non-Specified investments are any other type of investment (i.e. not defined as specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out in Table below. Non specified investments would include any sterling investments.

Non-Specified Investment	Minimum credit criteria	Maximum investments	Max. maturity period
UK Local Authorities	Government Backed	£60m	2 years

4.10 The Council continues to recognise that movements within the money markets can happen with no notice and the Chief Finance Officer would have to amend the strategy in order to safeguard Council funds. As in the past any such actions would be reported to the next Cabinet meeting.

4.11 Additional requirements under the Code of Practice require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information has been and will continue to be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Sovereign ratings, Credit Default Swaps, equity prices, the Capita security and liquidity model and the CIPFA National treasury risk model as well as media updates etc.) would be assessed when comparing the relative security of differing investment counterparties.

4.12 All Money Market Funds used are monitored and chosen by the size of fund, rating agency recommendation, exposure to other Countries (Sovereign debt), weighted average maturity and weighted average life of fund investment and counterparty quality.

5. The Economy and Interest Rates in 2013/14

5.1 The financial year 2013/14 continued the challenging investment environment of previous years, namely low investment returns, although levels of counterparty risk had subsided somewhat. The original expectation for 2013/14 was that Bank Rate would not rise during the year and for it only to start gently rising from quarter 1 2015. This forecast rise has now been pushed back to a start in quarter 3 2015. Economic growth (GDP) in the UK was virtually flat during 2012/13 but surged strongly during the year. Consequently there was no additional quantitative easing during 2013/14 and Bank Rate ended the year unchanged at 0.5% for the fifth successive year. While CPI inflation had remained stubbornly high and substantially above the 2% target during 2012, by January 2014 it had, at last, fallen below the target rate to 1.9% and then fell further to 1.7% in February. It is also expected to remain slightly below the target rate for most of the two years ahead.

5.2 Gilt yields were on a sharply rising trend during 2013 but volatility returned in the first quarter of 2014 as various fears sparked a flight to quality. The Funding for Lending Scheme, announced in July 2012, resulted in a flood of cheap credit being made available to banks which then resulted in money market investment rates falling drastically in the second half of that year and continuing into 2013/14. That part of the Scheme which supported the provision of credit for mortgages was terminated in the first quarter of 2014 as concerns rose over resurging house prices.

5.3 The UK coalition Government maintained its tight fiscal policy stance but recent strong economic growth has led to a cumulative, (in the Autumn Statement and the March Budget), reduction in the forecasts for total borrowing, of £97bn over the next five years, culminating in a £5bn surplus in 2018-19.

5.4 The EU sovereign debt crisis subsided during the year and confidence in the ability of the Eurozone to remain intact increased substantially. Perceptions of counterparty risk improved after the ECB statement in July 2012 that it would do “whatever it takes” to support struggling Eurozone countries; this led to a return of confidence in its banking system which has continued into 2013/14 and led to a move away from only very short term investing. However, this is not to say that the problems of the Eurozone, or its banks, have ended as the zone faces the likelihood of weak growth over the next few years at a time when the total size of government debt for some nations is likely to continue rising. Upcoming stress tests of Eurozone banks could also reveal some areas of concern.

Appendix B

The treasury management activity during the year

1. Short term lending interest rates

1.1 Base interest rate remained at 0.5% throughout 2013/14. The rate is the lowest ever rate and the rate has remained unchanged for the longest period on record. The last change was over five years ago in March 2009.

1.2 There have been continued uncertainties in the markets during the year to date as set out in Section 5 of Appendix A.

1.3 Additional market information including Sovereign ratings, Credit Default Swaps, equity prices, the Capita security and liquidity model and the CIPFA National treasury risk model as well as media updates etc., have been used to assess the relative security of differing investment counterparties.

1.4 The strategy for 2013/14, agreed in January 2013, continued the prudent approach and ensured that all investments were only to the highest quality rated banks and only up to a period of up to two years.

1.5 The total amount received in short term interest for 2013/14 was £1.35m at an average rate of 0.39%. This was below the average of base rates in the same period (0.5%) and against a backdrop of ensuring, so far as possible in the financial climate, the security of principal and the minimisation of risk. This base rates return improved slightly towards the end of the financial year as a result of implementing a revised strategy approved in January 2014.

2. Long term borrowing

2.1 The County Council has had a strategy to borrow to support the Capital Programme and lend out surplus cash. Historically this meant that the interest rate earned on cash balances was higher than the interest rate paid on loans from the Public Works Loans Board (PWLB). In the current financial climate, this interest rate differential has been removed. The cost of new borrowing is now well in excess of the rate achievable on our investments.

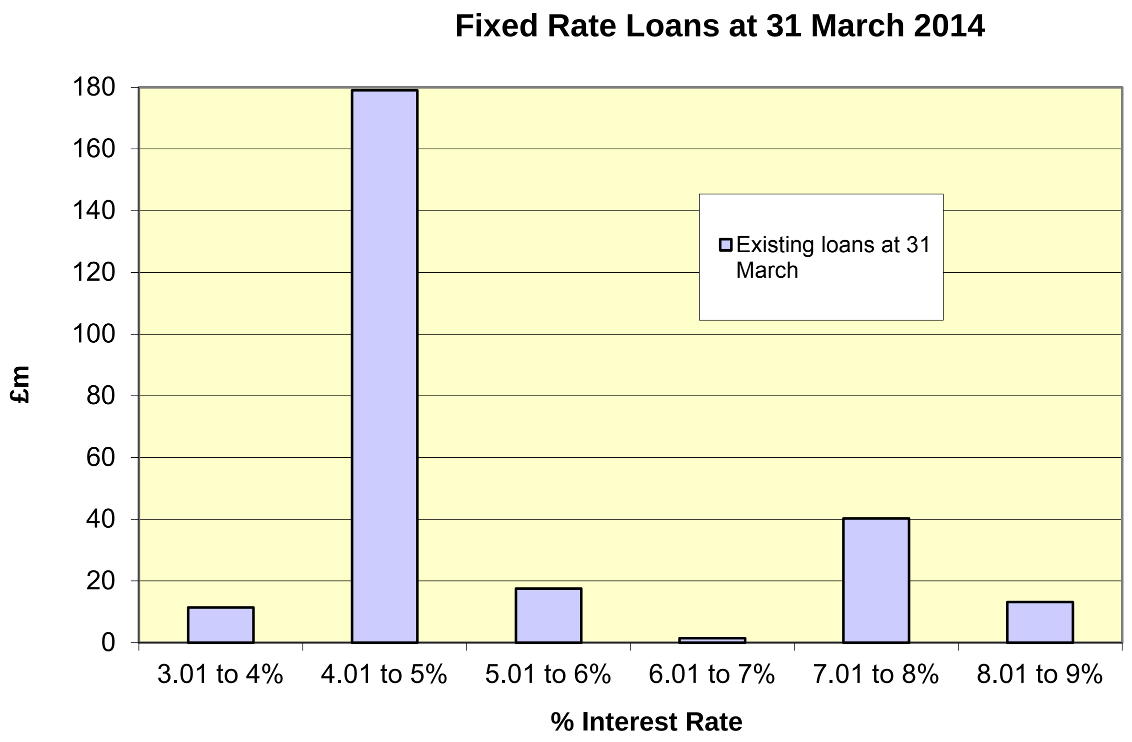
2.2 Given the current low rates of interest available, the Council has given consideration to possible future tranches of borrowing. In the short term this may lead to a 'cost of carry' as the interest rate on debt is higher than the rate at which we are earning interest on investments. However, from a medium to long term perspective, borrowing at these levels will save the Council many millions of pounds as forecasts for borrowing rates increase due to inflationary pressures in the system.

2.3 The average interest rate of all debt at 31 March 2014 of £262.9m was 5.20%.

2.4 Opportunities for cost effective repayment of existing debt and restructuring opportunities were constantly monitored but none emerged in the first six months of the year.

2.5 In the autumn of last year, the Department of Communities and Local Government asked local authorities to make a return to enable them to benefit from a small reduction in all of the PWLB rates for new loans. The PWLB "certainty rate" as it has been named reduced PWLB borrowing rates by 0.20% for most local authorities from November 2012. A return was submitted to keep our options open but despite this reduction, East Sussex did not borrow as the long term benefit did not exceed the short term costs.

2.6 The range of interest rates payable in all of the loans is illustrated in the graph below:



3. Short term borrowing

3.1 No borrowing was undertaken on a short-term basis during 2013/14 to date to cover temporary overdraft situations.

4 Treasury Management Advisers

4.1 The Strategy for 2013/14 explained that the County Council uses Capita as its treasury management consultant on a range of services which include:

- Technical support on treasury matters, capital finance issues and advice on reporting;
- Economic and interest rate analysis;
- Debt services which includes advice on the timing of borrowing;
- Debt rescheduling advice surrounding the existing portfolio;
- Generic investment advice on interest rates, timing and investment instruments;
- Credit ratings from the three main credit rating agencies and other market information;
- Assistance with training on treasury matters

Whilst the advisers provide support to the internal treasury function, under current market rules and the CIPFA Code of Practice the final decision on treasury matters remained with the Council. This service remains subject to regular review.

4.2 Capita is the largest provider of Treasury Management advice services to local authorities in the UK and they claim to be the market leading treasury management service provider to their clients. The advice has been and will continue to be monitored regularly to ensure a continued excellent advisory service.

Appendix C

The Treasury Management Activity Mid-Year Report - 2014/15

1. Background

1.1 As part of the County Council's governance arrangements for its treasury management activities, the Audit, Best Value and Community Services Scrutiny Committee is charged with oversight of the County Council's treasury management activities. To enable the Committee to fulfil this role, the Committee receives regular reports on treasury management issues and activities. Reports on treasury activity are discussed on a monthly basis with the Chief Finance Officer and the content of these reports is used as a basis for this report to the Committee.

1.2 The Treasury Management and Annual Investment Strategy for 2014/15 were approved by the Cabinet 28 January 2014 and there have been no policy changes to date. This report considers treasury management activity over the first quarter months of the financial year.

Summary of financial implications

1.3 The level of Council debt at June 2014 is currently £262.9m with two loans totalling £2.6m maturing with the PWLB in September 2014. The forecast for interest paid on long-term debt in 2014/15 is approximately £13.6m and is within the budgeted provision. The average balance of investments of approximately £383m generated investments income of £560k to June 2014. The forecast for 2014/15 is £2.0m, exceeding the previous year outturn of £1.35m.

2. Treasury Management Strategy

2.1 The Council approved the 2014/15 treasury management strategy at its meeting on 28 January 2014. The Council's stated investment strategy is to prudently manage an investment policy achieving first of all, security (protecting the capital sum from loss), liquidity (keeping money readily available for expenditure when needed), and to consider what yield can be obtained consistent with those priorities.

2.2 The Council's exposure to security and interest rate risk could have been reduced by repaying some of the £262.9m outstanding long-term debt as at 30 June 2014, and, where possible, by rescheduling the average maturity of the loans. However under the current economic conditions the costs of doing so in terms of interest and premium payable would be prohibitive.

2.3 The Chief Finance Officer is pleased to report that all treasury management activity undertaken from 1 April to 30 June 2014 period broadly complied with the approved strategy, the CIPFA Code of Practice, and the relevant legislative provisions.

3. Economic Review

3.1 After strong UK GDP growth of 0.7%, 0.8% and 0.7% in quarters 2, 3 and 4 respectively in 2013, and 0.8% in Q1 2014, it appears very likely that strong growth will continue into 2014 as forward surveys are very encouraging. There are also positive indications that recovery is starting to broaden away from reliance on consumer spending and the housing market into construction, manufacturing, business investment and exporting. This strong growth has resulted in unemployment falling much faster through the threshold of 7%, set by the Monetary Policy Committee (MPC) last August, before it said it would consider any increases in Bank Rate. The MPC has, therefore, now broadened its forward guidance by adopting five qualitative principles and looking at a much wider range of about eighteen indicators in order to form a view on how much slack there is in the economy and how quickly slack is being used up. Accordingly, markets are expecting a first increase around the end of 2014.

3.2 Also encouraging has been the sharp fall in inflation (CPI), reaching 1.5% in May, the lowest rate since 2009. Forward indications are that inflation is likely to fall further in 2014 to possibly 1%. The return to strong growth has also helped lower forecasts for the increase in Government debt by £73bn over the next five years, as announced in the Autumn Statement, and by an additional £24bn, as announced in the March 2014 Budget - which also forecast a return to a significant budget surplus, (of £5bn), in 2018-19. However, monthly public sector deficit figures have disappointed in this quarter.

3.3 In June, the Federal Reserve continued with its monthly $10bn reductions in asset purchases, which started in December 2014. Asset purchases have now fallen from $85bn to $35bn and are expected to stop by Q3 201, providing strong economic growth continues this year. First quarter GDP figures were depressed by exceptionally bad winter weather, but growth rates since then look as if they are recovering well.

3.4 The Eurozone is facing an increasing threat from deflation. In May, the inflation rate fell further, to reach 0.5%. However, this is an average for all EZ countries and includes some countries with negative rates of inflation. Accordingly, the ECB did take some rather limited action in June to loosen monetary policy in order to promote growth.

Interest Rate Forecast

3.5 The Council's treasury advisor, Capita Asset Services, has provided the following forecast:

	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
Bank rate	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.75%	2.00%	2.00%
5yr PWLB rate	2.70%	2.80%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.50%	3.60%
10yr PWLB rate	3.70%	3.70%	3.80%	3.90%	4.00%	4.00%	4.10%	4.20%	4.20%	4.30%	4.40%	4.40%
25yr PWLB rate	4.40%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%	4.80%	4.90%	4.90%	4.90%	5.00%
50yr PWLB rate	4.40%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%	4.80%	4.90%	4.90%	4.90%	5.00%

Capita Asset Services undertook a review of its interest rate forecasts in May, after the Bank of England's Inflation Report. However, more recent developments to the Bank of England's forward guidance have necessitated a second updating in this quarter carried out on 30 June. This latest forecast now includes a first increase in Bank Rate in quarter 1 of 2015 (previously quarter 4 of 2015).

3.6 Until 2013, the economic recovery in the UK since 2008 had been the worst and slowest recovery in recent history. However, growth rebounded during 2013 and the first quarter of 2014 to surpass all expectations, propelled by recovery in consumer spending and the housing market. Forward surveys are currently very positive in indicating that growth prospects are also strong for the rest of 2014, not only in the UK economy as a whole, but in all three main sectors, services, manufacturing and construction. This is very encouraging as there does need to be a significant rebalancing of the economy away from consumer spending to construction, manufacturing, business investment and exporting in order for this start to recovery to become more firmly established.

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

1.1 The County Council is required by the Prudential Code to report the actual prudential indicators after the end of each year. There are eight indicators which relate to treasury management and they are set on an annual basis and monitored, they comprise:-:

- Operational and authorised borrowing limits which includes short term borrowing (paragraph 1.2 below)
- Interest rate exposure (paragraph 1.3 below)
- Interest rate on long term borrowing (paragraph 1.4 below)
- Maturity structure of debt (paragraph 1.5 below)
- Maturity structure of investments (paragraph 1.6 below)
- Compliance with the Treasury Management Code of Practice (paragraph 1.7 below)
- Interest on investments (paragraph 1.8 below)
- Capital Financing Requirement and Minimum Revenue Provision (paragraph 1.9 below)

1.2 **Operational and authorised borrowing limits.**

The tables below sets out the estimate and projected capital financing requirement and long-term borrowing in 2013/14

	CAPITAL FINANCING REQUIREMENT	**2013/14**	**2013/14**	**2013/14**
		Estimate £m	**Revised Estimate £m**	**Estimated Actual £m**
	Capital financing requirement at 1 April 2013	396	387	387
ADD	Financing of new assets	21	-	-
LESS	Provision for repayments of debt	-16	-17	-15
		-------	-------	-------
	Capital financing requirement at 31 March 2014	**401**	**370**	**372**
ADD	Net borrowing for next year	54	10	
		-------	-------	
	Operational boundary	**455**	**380**	
ADD	Short term borrowing	20	20	Nil
		-------	-------	
	Authorised limit	**475**	**400**	

	ACTUAL BORROWING	**2013/14**
		Actual £m
	Long term borrowing at 1 April 2013	264.2
LESS	Loan redemption	-1.3
	Long term borrowing at 31 March 2014	**262.9**

The Capital Financing Requirement includes PFI Schemes and Finance Leases.

A revised Authorised Limit for 2013/14 of £400m reflected the move to International Financial Reporting Standards (IFRS) and previously agreed Private Finance Initiative (PFI) contracts and some leases (being reclassified as finance leases instead of operating leases) coming onto the County Council Balance Sheets as long term liabilities. This new accounting treatment impacted on the Authorised Limit.

The Operational boundary for borrowing was based on the same estimates as the authorised limit. It reflected directly the authorised borrowing limit estimate without the additional amount for short term borrowing included to allow, for example, for unusual cash movements. The Operational boundary represents a key management tool for in year monitoring and long term borrowing control.

The Authorised limit was consistent with the County Council's current commitments, existing plans and the proposals for capital expenditure and financing, and with its approved treasury management policy statement and practices. It was based on the estimate of most likely, prudent but not worst case scenario, with in addition sufficient headroom (short term borrowing) over and above this to allow for day to day operational management, for example unusual cash movements or late receipt of income. Risk analysis and risk management strategies were taken into account as were plans for capital expenditure, estimates of the capital financing requirement and estimates of cash flow requirements for all purposes.

The Authorised limit is the "Affordable Borrowing Limit" required by S3 of the Local Government Act 2003 and must not be breached. The Long Term borrowing at 31st March 2014 of £262.9m is under the Operational boundary and Authorised limit set for 2013/14. The Operational boundary and Authorised limit have not been exceeded during the year.

1.3 Interest rate exposure

The County Council continued the practice of seeking to secure competitive fixed interest rate exposure for 2013/14. To provide flexibility however it set limits on our variable rate exposure in case that became a more effective approach. There are figures for both borrowing and lending and a combined borrowing and lending table.

Borrowing	2013/14 Estimate	2013/14 Actual
Fixed Rate Exposure		
Upper Limit	100%	85%
Lower Limit *	85%	
Variable Rate Exposure		
Upper Limit	15%	15%
Lower Limit *	0%	

(* assumes all new borrowing is variable)

Lending		
Fixed Rate Exposure		
Upper Limit	100%	56%
Lower Limit	0%	
Variable Rate Exposure		
Upper Limit	100%	44%
Lower Limit	0%	

Borrowing and Lending combined		
Fixed Rate Exposure		
Upper Limit	100%	75%
Lower Limit	27%	
Variable Rate Exposure		
Upper Limit	100%	25%
Lower Limit	0%	

In 2013/14, borrowing has continued to be at a fixed rate. The County Council has no variable rate loans. Our lending has been both at fixed rates (to Banks and the Debt Management Office (DMO)) and variable rates (to Money Market Funds).

1.4 Interest rate on long term borrowing

The rate of interest taken on new long term borrowing will be monitored as the following targets have been set.

- Rate taken on borrowing is within 0.25% of lowest point for set loan period (i.e. 45-50 years) during the year

- Rate taken is within lowest eighth of rates available for set loan period (i.e. 45-50 years) during the year

No new borrowing has been taken in 2013/14.

1.5 Maturity structure of debt

The Council has set upper and lower limits for the maturity structure of its borrowings as follows.

	Lower limit	Upper limit	Actual 2013/14
Under 12 months	0%	25%	6%
12 months and within 24 months	0%	40%	2%
24 months and within 5 years	0%	60%	14%
5 years and within 10 years	0%	80%	8%
10 years and within 20 years	0%	80%	16%
20 years and within 30 years	0%	80%	15%
30 years and within 40 years	0%	80%	30%
40 years and above	0%	80%	10%

The County Council has not exceeded the limits set in 2013/14.

In addition, two targets have monitored the maturity structure of our debt. Not more than £20m of debt should mature in any financial year and not more than 15% to mature in any two consecutive financial years. New borrowing has been undertaken giving due consideration to the debt maturity profile, ensuring that an acceptable amount of debt is due to mature in any one financial year. This helps to minimise the authority's exposure to the risk of having to replace a large amount of debt in any one year or period when interest rates may be unfavourable. The bar chart in the attached Annex 1 shows the maturity profile.

1.6 Maturity structure of investments

The Investment Guidance issued by the government, allowed local authorities the freedom to invest for more than for one year. All investments over one year were to be classified as Non-Specified Investments. The County Council had taken advantage of this freedom and non-Specified Investments are allowed to be held within our overall portfolio of investments and in line with our prudent approach in our strategy, no new long term investments (over 364 days) have been taken in 2013/14.

1.7 Compliance with the Treasury Management Code of Practice

East Sussex County Council has adopted the CIPFA *Code of Practice for Treasury Management in the Public Services.*

1.8 Interest on investments

1.8.1. The table below sets out the average monthly rate received on our investments and compares it to the Bank of England Base rate to reflect both the interest rates available in the market and limitation in the use of counterparties.

Month	Amount £000	Monthly rate	Margin against Base Rate
April	140.7	0.50%	0.00%
May	129.0	0.41%	-0.09%
June	103.9	0.34%	-0.16%
July	107.9	0.34%	-0.16%
August	103.8	0.33%	-0.17%
September	101.1	0.34%	-0.16%
October	100.7	0.35%	-0.15%
November	91.7	0.34%	-0.16%
December	104.6	0.34%	-0.16%
January	107.7	0.40%	-0.10%
February	112.5	0.47%	-0.03%
March	147.0	0.54%	0.04%
Total for 2013/14	**1.350.6**	**0.39%**	**-0.11%**

1.8.2. The total amount received in short term interest for the year was £1.35m at an average rate of 0.39%. This was above the average of base rates in the same period (0.5%) but ensuring, so far as possible in the financial climate, the security of principal and the minimisation of risk. This Council has continued to follow a prudent approach with security and liquidity as the main criteria before yield.

1.9 Capital Financing Requirement and Minimum Revenue Provision (MRP)

1.9.1. The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2013/14 unfinanced capital expenditure (see below table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

1.9.2. Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the Government, through the Public Works Loan Board [PWLB] or the money markets), or utilising temporary cash resources within the Council.

1.9.3. Reducing the CFR – the Council's underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision – MRP, to reduce the CFR. This is effectively a repayment of the borrowing need. This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

1.9.4 The total CFR can also be reduced by:

- the application of additional capital financing resources (such as unapplied capital receipts); or
- charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

1.9.5. The Council's 2013/14 MRP Policy (as required by CLG Guidance) was approved as part of the Treasury Management Strategy Report for 2013/14 on 29 January 2013.

1.9.6. The Council's CFR for the year is shown below, and represents a key prudential indicator. It includes PFI and leasing schemes on the balance sheet, which increase the Council's borrowing need. No borrowing is actually required against these schemes as a borrowing facility is included in the contract.

CFR including appropriate balances and MRP charges for PFI Schemes and Finance Leases.

	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
	£m	£m	£m	£m
Total CFR	**372**	**360**	**395**	**390**
Movement in CFR	**-15**	**-12**	**35**	**-5**

Movement in CFR represented by				
Net financing need for the year (above)	-	3	50	9
MRP/VRP and other financing movements	-15	-15	-15	-14
Movement in CFR	**-15**	**-12**	**-35**	**-5**

Minimum Revenue Provision (MRP) Statement

1.10 The statutory requirement for local authorities to charge the Revenue Account each year with a specific sum for debt repayment has been replaced with a more flexible statutory guidance and a variety of options is provided to councils to replace the existing Regulations, so long as there is a prudent provision.

1.11 The statutory duty is that a local authority shall determine for the financial year an amount of minimum revenue provision (MRP) that it considers to be prudent. This replaces the previous prescriptive requirement that the minimum sum should be 4% of the Council's Capital Financing Requirement (CFR).

1.12 To support the statutory duty the Government also issued a guidance, which required that a Statement on the Council's policy for its annual MRP should be submitted to the full Council for approval before the start the financial year to which the provision will relate. The Council are therefore legally obliged to have regard to this MRP guidance in the same way as applies to other statutory guidance such as the CIPFA Prudential Code, the CIPFA Treasury Management Code and the CLG guidance on Investments.

1.13 The MRP guidance offered four options under which MRP might be made, with an overriding recommendation that the County Council should make prudent provision to redeem its debt liability over a period which is commensurate with that over which the capital expenditure is estimated to provide benefits (i.e. estimated useful life of the asset being financed).

1.14 The move to International Financial Reporting Standards (IFRS) involved Private Finance Initiative (PFI) contracts and some leases (being reclassified as finance leases instead of operating leases) coming onto the County Council Balance Sheets as long term liabilities. This accounting treatment impacted on the Capital Financing Requirement with the result that an annual MRP provision will be required.

1.15 The policy recommended for adoption from 1 April 2013 retained the key elements of the policy previously approved but now incorporates the IFRS changes (re PFI and finance leases) and the consequential updated Government Guidance. The policy adopted for 2013/14 is therefore as follows:-

1.16 For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy has been:

- Based on based on the non-housing CFR, i.e., The Council currently set aside a Minimum Repayment Provision based on basic MRP of 4% each year to pay for past capital expenditure and to reduce its CFR.

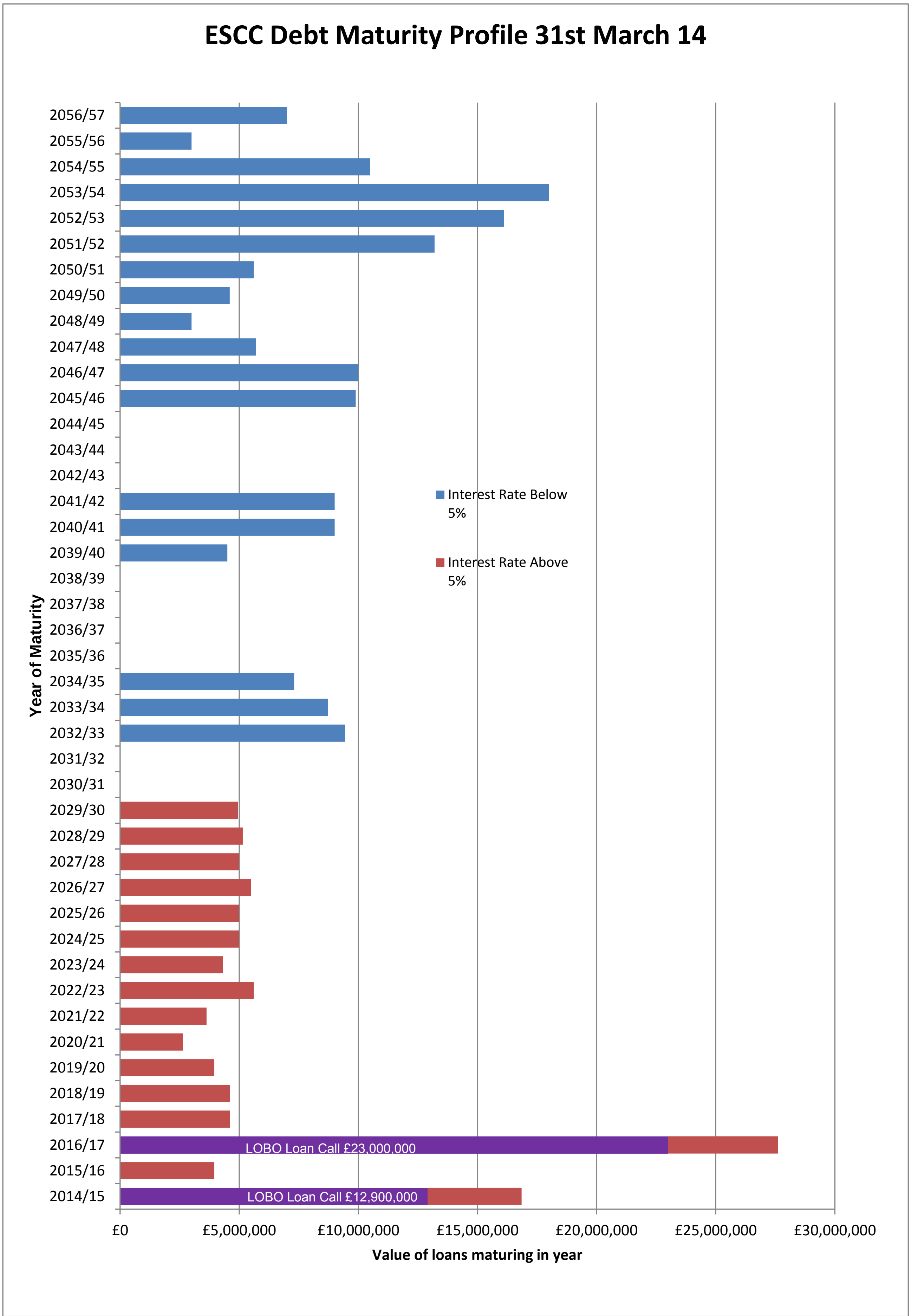
1.17 From 1 April 2008 for all unsupported borrowing the MRP policy has been:

- Asset Life Method – MRP will be based on the estimated life of the assets, in accordance with the proposed regulations (this option will be applied for any expenditure capitalised under a Capitalisation Direction).

- Asset Life Method (annuity method) The Council will also be adopting the annuity method, - MRP calculated according to the flow of benefits from the asset, and where the principal repayments increase over the life of the asset. The policy is being adopted as a result of any PFI's assets coming on the balance sheet and any related MRP will be equivalent to the "capital repayment element" of the annual service charge payable to the PFI Operator and for finance leases, MRP will also be equivalent to the "capital repayment (principal) element" of the annual rental payable under the lease agreement.

Under both methods, the Council has the option to charge more than the statutory MRP each year through a Voluntary Revenue Provision (VRP).

Annex 1



ESCC Debt Maturity Profile 31st March 14
Year of Maturity
2056/57
2055/56
2054/55
2053/54
2052/53
2051/52
2050/51
2049/50
2048/49
2047/48
2046/47
2045/46
2044/45
2043/44
2042/43
2041/42
2040/41
2039/40
2038/39
2037/38
2036/37
2035/36
2034/35
2033/34
2032/33
2031/32
2030/31
2029/30
2028/29
2027/28
2026/27
2025/26
2024/25
2023/24
2022/23
2021/22
2020/21
2019/20
2018/19
2017/18
2016/17
2015/16
2014/15
LOBO Loan Call £23,000,000
LOBO Loan Call £12,900,000
Interest Rate Below 5%
Interest Rate Above 5%
£0
£5,000,000
£10,000,000
£15,000,000
£20,000,000
£25,000,000
£30,000,000
Value of loans maturing in year