



CABINET

TUESDAY, 11 DECEMBER 2018

10.00 AM COUNCIL CHAMBER - COUNTY HALL, LEWES

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

A G E N D A

- 1 Minutes of the meeting held on 13 November 2018 (*Pages 3 - 4*)
- 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.
- 5 Council Monitoring: Quarter 2 2018/19 (*Pages 5 - 46*)
Report by Chief Executive
- 6 Looked After Children's Services Annual Report 2017/18 (*Pages 47 - 64*)
Report by Director of Children's Services
- 7 Treasury Management Stewardship Report 2017/18 and mid year report 2018/19.
(*Pages 65 - 82*)
Report by Chief Operating Officer
- 8 Annual Audit Letter (*Pages 83 - 92*)
Report by 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

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3 December 2018

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CABINET

MINUTES of a meeting of the Cabinet held on 13 November 2018 at County Hall, Lewes

PRESENT Councillors Keith Glazier (Chair)
 Councillors Nick Bennett, Bill Bentley, David Elkin (Vice Chair),
 Carl Maynard, Rupert Simmons, Bob Standley and Sylvia Tidy

Members spoke on the items indicated

Councillor Barnes	- item 5 (minute 34)
Councillor Charman	- item 5 (minute 34)
Councillor Godfrey Daniel	- item 5 (minute 34)
Councillor Philip Daniel	- item 5 (minute 34)
Councillor Elkin	- item 5 (minute 34)
Councillor Field	- item 5 (minute 34)
Councillor Galley	- item 5 (minute 34)
Councillor Lambert	- item 5 (minute 34)
Councillor Osborne	- item 5 (minute 34)
Councillor Shuttleworth	- item 5 (minute 34)
Councillor Standley	- item 5 (minute 34)
Councillor Tidy	- item 5 (minute 34)
Councillor Tutt	- item 5 (minute 34)
Councillor Ungar	- item 5 (minute 34)
Councillor Whetstone	- item 5 (minute 34)
Councillor Webb	- item 5 (minute 34)

31 MINUTES OF THE MEETING HELD ON 18 SEPTEMBER 2018

31.1 The minutes of the Cabinet meeting held on 18 September 2018 were agreed as a correct record

32 DISCLOSURES OF INTERESTS

32.1 Councillor Field declared a personal non prejudicial interest in item 5 as the Chair of Battle Pre-School.

33 REPORTS

33.1 A copy of the report referred to below is included in the minute book.

34 RECONCILING POLICY, PERFORMANCE AND RESOURCES

34.1 The Cabinet considered a report by the Chief Executive.

34.2 It was RESOLVED to –

- 1) note the proposed Core Offer set out in Appendix 1 of the report;
- 2) note the latest update on the Medium Term Financial Plan as set out in Appendix 2 of the report; and
- 3) agree the proposed areas of search for savings as set out in Appendix 3 of the report

Reason

34.3 The Core Offer, the latest Medium Term Financial Plan and the areas for search for savings will be used to develop proposals for the Council's budget for the next three years

35 ITEMS TO BE REPORTED TO THE COUNTY COUNCIL

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

[Note: The item being reported to the County Council refers to minute number 34]

Report to: Cabinet
Date: 11 December 2018
Report by: Chief Executive
Title: Council Monitoring Report – Q2 2018/19
Purpose: To report Council monitoring for quarter 2 2018/19

RECOMMENDATIONS

Cabinet is recommended to:

- 1) note the latest monitoring position for the Council;
 - 2) approve the proposed amendments to the performance measures set out in paragraph 2.1; and
 - 3) agree the outline proposal for use of £2.6m additional winter allocation as set out in Appendix 2, and delegate authority to the Director of Adult Social Care and Health to determine and implement more detailed spending plans
-

1. Introduction

1.1 This report sets out the Council's position and year-end projections for the Council Plan targets, Revenue Budget, Capital Programme, Savings Plan, together with Risks at the end of September 2018.

1.2 Broad progress against the Council's four strategic priority outcomes is summarised in paragraph 3 and an overview of finance and performance data is provided in the Corporate Summary at Appendix 1. Strategic risks are reported at Appendix 7.

2. Council Plan 2018/19 amendments and variations

2.1 Five performance measures are proposed for amendment to reflect the latest position. Three reflect more challenging Delayed Transfer of Care targets set by NHS England through the Better Care Fund for 2018:

- Number of hospital bed days lost due to delayed transfers from hospital care (Daily average) (Appendix 2, see ref i).
- Number of hospital bed days lost due to delayed transfers from hospital care due to Council social services (Daily average) (Appendix 2, see ref ii).
- Number of hospital bed days lost due to delayed transfers from hospital care due to local NHS (Daily average) (Appendix 2, see ref iii).

One amendment is due to issues with data collection within the rape, sexual violence and abuse service; some outcomes were not being recorded, affecting the reliability of the data. The new target reflects the new practice agreed with the service provider to improve data quality:

- When they leave the service the % of those affected by rape, sexual violence and abuse who have improved coping strategies (Appendix 2, see ref iv).

The final amendment is due to delays in the scheduled completion of the Queensway Gateway Road, which is being managed by Seachange Sussex:

- Work with Seachange Sussex to deliver major transport infrastructure – Queensway Gateway Road (Appendix 5, see ref i).

2.2 At quarter 2, the projected year-end overspend within service departments is £4.4m, this compares to a £4.2m overspend reported at quarter 1. This will be offset by an underspend in Centrally Held Budgets and Corporate Funding (as in 2.4). The main areas of overspend are:

- £3.3m (£2.6m in quarter 1) overspend in CSD: Early Help and Social Care have incurred increased costs due to funding private sector accommodation for vulnerable families in East Sussex who have been classified as Intentionally Homeless by District & Borough Housing

Departments, while the family's housing options are considered (£0.3m). There have also been additional (£0.1m) costs for care placements. There continues to be pressures in agency placements for young people with extremely complex needs within Looked After Children (LAC). There is also continued pressure on placements for disabled children. Additionally there has been an increase in both numbers and costs (£0.3m) of statutory Home to School Transport for pre 16 pupils, mainly relating to the new academic year, and which therefore couldn't be forecast at quarter 1. The department is working hard to manage these pressures, for example looking for Early Help and Social Care creative packages of support for children to remain at home, and continuing to work with CET to understand the home to school transport increases and to identify any opportunities to reduce costs. Looking ahead to 2019/20, the impact of the current pressures will be assessed as part of the pressures funding protocol and, where appropriate, be included within the Medium Term Financial Plan and form part of ongoing RPPR reporting. The department is also seeking external bid funding as appropriate.

- The savings forecast (table at Appendix 1 Corporate Summary) show £0.033m as yet unmitigated savings in CSD that will slip into 2019/20. This forms part of the overall departmental overspend.
- £1.5m (£1.3m in quarter 1) overspend in ASC: There are a range of service areas that have increased levels of demand and/or increased costs, including: the Integrated Community Equipment Service, which has seen a significant increase in demand during 2018/19; Extra-Care, where a re-tendering exercise has been undertaken because a provider was unable to fulfil the original contract; and Technology Enabled Care Services, which has also seen an increase in demand. Additionally there has been an increase in the number and cost of independent sector care packages for working age adults. Work is ongoing to mitigate the financial pressures within ASC. These include: interventions to reduce equipment spend and increase collection rates in the Integrated Community Equipment Service (ICES); working closely with our telecare provider to identify efficiencies; reviewing the provision of extra care to reduce expensive residential placements and void costs; and the use of additional one off funding to support expenditure that we have committed to alleviating winter pressures on our NHS partners.
- There are small amounts of underspend, amounting to £0.3m (previously a £0.2m overspend), being reported across CET; BSD; and Governance.

2.3 On 2 October 2018 the Secretary of State for Health and Social Care announced an extra £240m of funding would be made available to councils to provide adult social care during winter 2018/19. East Sussex County Council's allocation is £2.6m. The funding has been received for a specific purpose and is required to be used for reducing ASC Delayed Transfers of Care, helping to reduce extended lengths of stay, improving weekend discharge arrangements so that patients are assessed and discharged earlier and speeding up the process of assessing and agreeing what social care is needed for patients in hospitals. Outline proposals for allocating this funding are given at the end of Appendix 2, and it is recommended that authority is delegated to the Director of Adult Social Care to agree and implement more detailed spending plans in accordance with the funding conditions.

2.4 Within Centrally Held Budgets Business Rates income is expected to increase by £0.3m. The Treasury Management budget is also forecast to underspend by £0.8m, because of slippage in the capital programme, removing the need to borrow externally in 2018/19, and additional investment income from the increase in bank rate and the investment in the pooled property fund. The underspend will be used to offset the service overspend. The general contingency provision of £3.5m will support any remaining service overspend, with the remaining balance contributing to reserves.

2.5 The quarter 2 capital programme has a variation of £12.2m (£1.6m at quarter 1). This comprises £14.4m slippage, underspends of £0.4m on residual projects, offset by £2.6m spend in advance. This net reduction results in a reduced charge to the Treasury Management provision provided for borrowing and therefore represents opportunities foregone elsewhere.

The main movements are:

- Spend in advance of £1.8m for the School Basic Need programme on early procurement of land.
- Spend in advance of £0.8m on A22/A27 junction improvements, street lighting and bridge assessment strengthening.
- Slippage of £3.2m on Lansdowne Secure unit due to delays in procurement on the main contract.
- Slippage of £1.0m on capital building improvements, due to a re-phasing of building condition works and a review of capacity.
- Slippage of £1.4m on the Bexhill and Hastings Link Road due to a delay in settlement of part one compensation claims and other land claims.
- Slippage of £1.3m on Broadband. As a result of invoicing delays by the contractor, the money set aside for the payment of 2017/18 chargeable works was overestimated, reducing the amount that will be spent this year.
- Slippage of £1.2m on Newhaven Port Access Road due to a delay in receiving confirmation of funding from the Department for Transport.
- Slippage of £1.1m on Queensway depot due to ongoing negotiations on the purchase of a bungalow.
- Slippage of £0.9m on Hastings and Bexhill Movement and Access package, where progress has been delayed due to a shortage of staff resources which is now resolved.
- Slippage of £0.6m on the IT&D strategy arising from a saving to the cost of the mobile phone roll-out & Citrix renewal; however this is required in future years for further IT&D Strategy Implementation.
- Slippage of £0.6m on Economic Intervention Fund due to less grants than anticipated being awarded in quarter 2.
- Slippage of £0.5m on Terminus Road which has had to be redesigned due to groundwork issues which have impacted on progress to the design briefs.
- A number of residual projects have been removed from the programme resulting in an underspend of £0.4m. Should any final payments be incurred these will be managed through the Capital Risk Provision and additional budgets approved via the variation process for these specific schemes.

2.6 The Strategic Risk Register, Appendix 7, was reviewed and updated to reflect the Council's risk profile. The RAG for risk 5 (Reconciling Policy, Performance and Resources) has increased to 'Red'.

3. Progress against Council Priorities

Driving sustainable economic growth

3.1 The provisional 2018 Progress 8 result for state funded schools in East Sussex is -0.02, which is in line with the national average, meeting the target for the year. There have also been improvements in the key stage 2 results which have brought us broadly in line with national outturns (Appendix 4).

3.2 The target for the average Attainment 8 score for disadvantaged pupils has not been met. The East Sussex average score was 33.1 and the national score 36.6, a gap of 3.5 points (target no more than 3 points) (Appendix 4).

3.3 82 carriageway asset improvements schemes were completed in quarter 2, to maintain and improve the condition of the county's roads, this is an increase compared to quarter 1 and this is forecast to continue in quarter 3 (Appendix 5).

3.4 1,211 additional premises (total 7,906 under contract 2) had access to improved broadband speeds at the end of quarter 1 (reported a quarter in arrears), 88% of premises in the intervention area are able to receive superfast speeds (Appendix 5).

3.5 Business support programmes have helped local companies to create 62.75 jobs in quarter 2; Locate East Sussex also assisted nine businesses to move into, or relocate within, the county (Appendix 5).

3.6 The Council has spent £202.1m with local suppliers over the last 12 months, which equates to 57% of our total spend; 998 local suppliers were used (Appendix 3).

Keeping vulnerable people safe

3.7 Trading Standards made 65 positive interventions in quarter 2 to protect vulnerable people, including visiting 52 victims of rogue trading or financial abuse, installing 12 call blockers to protect people from telephone scams, and one intervention from the rapid response team (Appendix 5).

3.8 104 organisations have joined the East Sussex Against Scams Partnership, and with the assistance of other 'SCAM champions', 2,487 residents have participated in Friends Against Scams awareness sessions (Appendix 2).

Helping people help themselves

3.9 Trials of behaviour change initiatives, as part of the Council's £1m Road Safety scheme, began in quarter 2. The trials include changes to the Notice of Intended Prosecution and Operation Crackdown, with the aim of reducing speeding. Two infrastructure schemes to improve road safety were completed in quarter 2 (Appendix 5).

3.10 There have been improvements in the key metrics outlined in the Improved Better Care Fund in quarter 2. There has been a reduction in Delayed Transfers of Care and admissions to residential nursing homes, and an increase in the number of older people still at home 91 days after discharge from hospital into reablement/rehabilitation services (Appendix 2).

Making best use of resources

3.11 The Annual Report, which highlights the Council's progress against our priorities in 2017/18, was published in September 2018. The draft Portfolio Plans for 2019/20 – 2021/22 will be reviewed by the new Scrutiny Committee RPPR Boards in December before publication in March (Appendix 6).

3.12 Extensive lobbying of Government has continued in quarter 2, for recognition of the distinctly challenging financial situation the Council faces and the need for transitional funding. Lobbying work, with the assistance of our MPs, has included, amongst other activities:

- meetings between the Leader and one of James Brokenshire's, Secretary of State for Housing, Communities and Local Government, Special Advisors in August, the Special Advisor subsequently visited the county to get a better understanding of the challenges facing the Council;
- a meeting between the Leader and Kelly Tollhurst, MP, Assistant Government Whip and Minister for Small Business, to brief her on the Council's financial situation; and
- as a result of continued work with local MPs, Matt Hancock, Secretary of State for Health and Social Care, will visit the county to find out more about the work we are doing to integrate health and social care, and how despite this we still face significant demographic pressures (Appendix 6).

3.13 The Government's Budget was announced on 29 October 2018 and the local government settlement announcement due on 6 December 2018 will be for the fourth and final year of the four year financial settlement agreed in 2016/17. Implications of these will be considered as part of the RPPR process for 2019/20 onwards (Appendix 6).

3.14 There was a 7.1% reduction in CO2 arising from Council operations in quarter 2, when compared to the same quarter in 2017/18 (Appendix 3).

Becky Shaw, Chief Executive

How to read this report

This report integrates monitoring for finance, performance and risk. Contents are as follows:

- Cover report
- Appendix 1 Corporate Summary
- Appendix 2 Adult Social Care and Health
- Appendix 3 Business Services
- Appendix 4 Children's Services
- Appendix 5 Communities, Economy and Transport
- Appendix 6 Governance
- Appendix 7 Strategic Risk Register

Cover report, Appendix 1

The cover report and Appendix 1 provide a concise corporate summary of progress against our Council Plan Targets, Revenue Budget, Savings Targets, and Capital Programme.

The cover report highlights a selection of key topics from the departmental appendices, for the four Council priorities:

- driving sustainable economic growth;
- keeping vulnerable people safe;
- helping people help themselves; and
- making best use of resources.

More information on each of these topics is provided in the relevant departmental appendix referenced in brackets, e.g. (Appendix 2). More detailed performance and finance data is also available in the departmental appendices.

Departmental Appendices 2 - 6

The departmental appendices provide a single commentary covering issues and progress against key topics for the department (including all those mentioned in the cover report). This is followed by data tables showing progress against Council Plan Targets, Savings Targets, Revenue Budget, and Capital Programme for the department.

For each topic, the commentary references supporting data in the tables at the end of the appendix, e.g. **(ref i)**. The tables include this reference in the 'note ref' column on the right hand side. Where the commentary refers to the Revenue Budget or Capital Programme, it may refer to all or part of the amount that is referenced in the table, or it may refer to several amounts added together. Performance exceptions follow these rules:

Quarter 1	All targets not expected to be achieved at year end i.e. not RAG rated Green, and any proposed amendments or deletions. Changes to targets early in Q1 should be made under delegated authority for the Council Plan refresh in June.
Quarter 2	Targets that have changed RAG rating since Q1 including changes to Green (except where target was amended at Q1), plus proposed amendments or deletions.
Quarter 3	Targets that have changed RAG rating since Q2 including changes to Green (except where target was amended at Q2), plus proposed amendments or deletions.
Quarter 4	Targets that have changed RAG rating since Q3 to Red or Green (except where target was amended at Q3). Outturns that are not available are reported as Carry Overs. All target outturns are reported in the year end summary at Appendix 1.

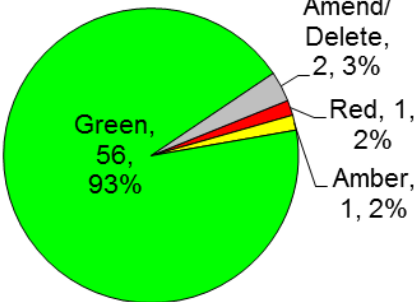
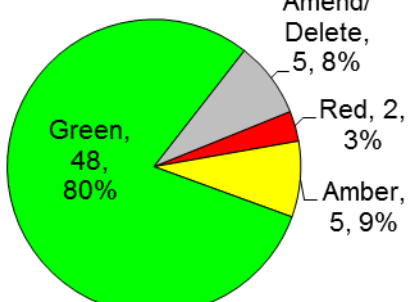
Strategic Risk Register Appendix 7

Appendix 7 contains commentary explaining mitigating actions for all Strategic Risks.

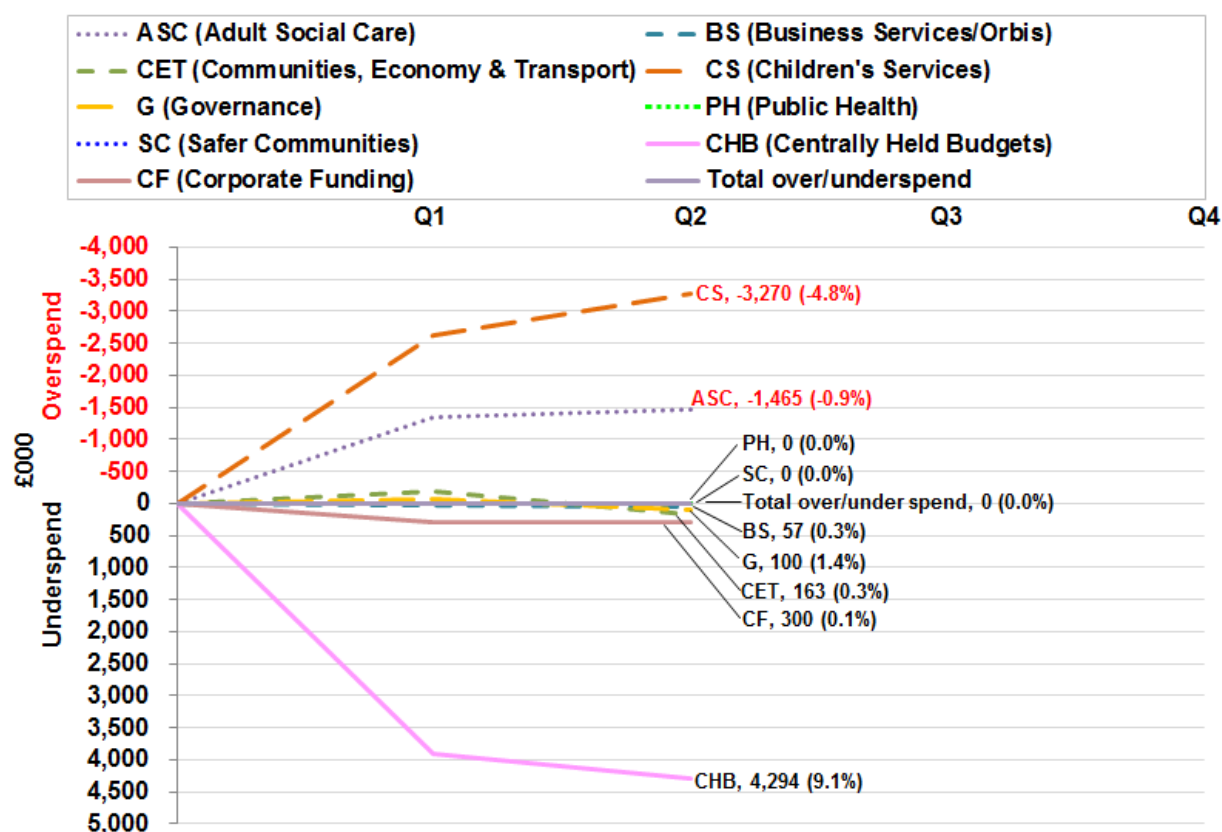
Council Monitoring Corporate Summary – Q2 2018/19

Council Plan performance targets

Priority	Red	Amber	Green	Amend / Delete
Driving sustainable economic growth	1	3	21	1
Keeping vulnerable people safe	1	2	7	1
Helping people help themselves	0	0	17	3
Making best use of resources	0	0	3	0
Total	2	5	48	5

Q2 2018/19	Q1 2018/19	Q2 2018/19
<p>There are 60 individual measures in the Council Plan.</p> <ul style="list-style-type: none"> Appendix 2 ASC&H – 2 amber, 4 amend / delete Appendix 4 CSD – 2 red, 3 amber Appendix 5 CET – 1 amend / delete 	 <p>Amend/Delete, 2, 3%</p> <p>Red, 1, 2%</p> <p>Amber, 1, 2%</p> <p>Green, 56, 93%</p>	 <p>Amend/Delete, 5, 8%</p> <p>Red, 2, 3%</p> <p>Amber, 5, 9%</p> <p>Green, 48, 80%</p>

Revenue budget outturn (net £000)



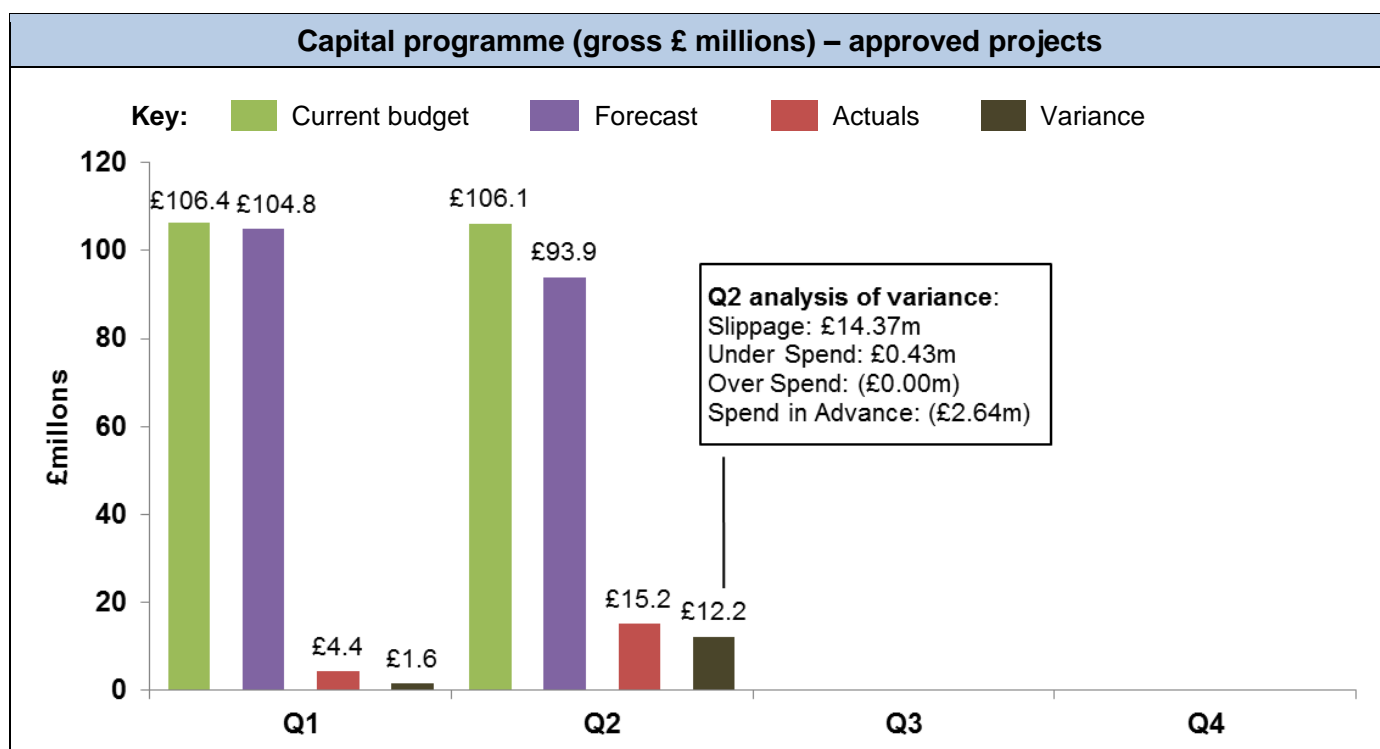
Revenue budget summary (£000)									
	Planned (£000)			Q2 2018/19 (£000)					
				Projected outturn			(Over) / under spend		
	Gross	Income	Net	Gross	Income	Net	Gross	Income	Net
Service Expenditure									
Adult Social Care	254,263	(89,193)	165,070	257,149	(90,614)	166,535	(2,886)	1,421	(1,465)
Safer Communities	522	(186)	336	363	(27)	336	159	(159)	-
Public Health	31,944	(31,944)	-	31,944	(31,944)	-	-	-	-
Business Services	47,521	(25,251)	22,270	47,079	(24,866)	22,213	442	(385)	57
Children's Services	320,483	(251,853)	68,630	326,588	(254,688)	71,900	(6,105)	2,835	(3,270)
Communities, Economy & Transport	115,787	(53,581)	62,206	116,276	(54,233)	62,043	(489)	652	163
Governance Services	8,152	(935)	7,217	8,267	(1,150)	7,117	(115)	215	100
Total Service Spend	778,672	(452,943)	325,729	787,666	(457,522)	330,144	(8,994)	4,579	(4,415)
Centrally Held Budgets (CHB)									
Treasury Management	23,236	(1,800)	21,436	22,636	(2,000)	20,636	600	200	800
Capital Programme	5,231	-	5,231	5,231	-	5,231	-	-	-
Unfunded Pensions	9,554	-	9,554	9,572	-	9,572	(18)	-	(18)
General Contingency	3,500	-	3,500	-	-	-	3,500	-	3,500
Contrib to Reserves	2,878	-	2,878	2,878	-	2,878	-	-	-
National Living Wage	3,021	-	3,021	3,021	-	3,021	-	-	-
Apprenticeship Levy	600	-	600	573	-	573	27	-	27
Levies, Grants and Other	831	(58)	773	861	(73)	788	(30)	15	(15)
Total CHB	48,851	(1,858)	46,993	44,772	(2,073)	42,699	4,079	215	4,294
Corporate Funding									
Business Rates	-	(76,181)	(76,181)	-	(76,481)	(76,481)	-	300	300
Revenue Support Grant	-	(14,966)	(14,966)	-	(14,966)	(14,966)	-	-	-
Council Tax	-	(280,344)	(280,344)	-	(280,344)	(280,344)	-	-	-
New Homes Bonus	-	(1,231)	(1,231)	-	(1,231)	(1,231)	-	-	-
Total Corporate Funding	0	(372,722)	(372,722)	0	(373,022)	(373,022)	0	300	300
Total	827,523	(827,523)	0	832,438	(832,617)	(179)	(4,915)	5,094	179
Balance of General Contingency to reserves	-	-	-	179	-	179	(179)	-	(179)
Final Total	827,523	(827,523)	0	832,617	(832,617)	0	(5,094)	5,094	0

Revenue Savings Summary 2018/19					
Service description	2018/19 (£'000) – Q2 Forecast				
	Original Target ¹	Target including items c/f from previous year(s)	Achieved	Slipped	Unachieved
Savings					
ASC	2,245	3,567	2,349	1,218	-
ASC – ESBT	7,386	7,386	2,961	4,425	-
BSD / Orbis	1,396	1,046	1,046	-	-
CS	4,029	4,840	1,675	2,425	740
CET	1,942	1,942	1,655	287	-
GS	84	109	109	-	-
Total Savings	17,082	18,890	9,795	8,355	740
Variations to Planned Savings					
Permanent Variations	-	-	740	-	(740)
Total Permanent Savings & Variations	17,082	18,890	10,535	8,355	0
Temporary Variations - use of reserve approved at Cabinet Feb 18	-	-	1,648	(1,648)	-
Temporary Variations - other	-	-	6,674	(6,674)	-
Total Savings with Variations	17,082	18,890	18,857	33 ²	0

¹ For ASC/ESBT the revised savings target was approved at Cabinet in June 18. All other targets are as per Cabinet in February 18.

² The as yet unmitigated slipped savings of £33k sit in CSD and form part of the forecast overspend of £3.3m for that department.

Savings RAGs	
Achieved / Green	on track to deliver in the year
Slipped / Amber	on track to deliver but not in the year, and there may be an offset variation
Unachieved / Red	will not be delivered but there may be an offset variation



Capital programme summary (£000)									
Approved project	Total project – all years*		2018/19 (£000)						
			In year monitor Q2				Analysis of variation		
	Budget	Projected	Budget	Actual to date	Projected 2018/19	Variation (over) / under budget	(Over) / under spend	Slippage to future year	Spend in advance
ASC	13,070	12,927	1,625	191	850	775	143	632	-
BSD	291,743	291,743	34,057	8,025	30,783	3,274	-	5,127	(1,853)
CS	15,341	15,341	1,363	227	1,113	250	-	250	-
CET	616,494	616,205	69,054	6,738	61,198	7,856	289	8,356	(789)
GS	-	-	-	-	-	-	-	-	-
Total	936,648	936,216	106,099	15,181	93,944	12,155	432	14,365	(2,642)
Scheme Specific Income			38,445		33,540	4,905			
Capital Reserves			21,000		21,000	-			
Non Specific Grants			22,436		22,436	-			
Capital Receipts			7,607		3,393	4,214			
Revenue Contributions			8,902		8,775	127			
Borrowing			7,709		4,800	2,909			
Total			106,099		93,944	12,155			

*This includes current budget for all finite current projects plus 5 years of rolling programmes.

As the Capital Programme is fully financed, the variation of £12m has resulted in an opportunity foregone in the region of £200,000 per annum (based on an investment rate of 1.7% (Link Asset Services investment rates)).

Centrally held budgets (CHB) and Corporate Funding

The Treasury Management (TM) Strategy, which provides the framework for managing the Council's borrowing requirement, continues to reflect a policy of ensuring minimum risk whilst aiming to deliver secure realistic investment income on the Council's cash balances. Investment rates available in the market have marginally improved as a result of the BoE bank rate increase to 0.75% on the 2nd August. The average level of Council funds available for investment purposes during the quarter was £252m. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme. The total amount received in short term interest for the quarter to 30 September 2018 was £516k at an average rate of 0.81%. Since the 1 August the Council has invested in the CCLA Local Authority Property Fund, a pooled property vehicle. The first payment of dividends is expected in October 2018, forecasted to bring in an additional £32k of investment income for the quarter.

At 30 September 2018, the majority of the Council's external debt was held as long term loans (£264.9m), and no cost effective opportunities have arisen during quarter 2 to restructure the existing debt portfolio. However opportunities to restructure debt will be investigated during 2018/19 as and when options are made available. No short or long term borrowing was undertaken in the quarter.

The TM budget is currently forecast to underspend by £0.8m at quarter 2 (£0.5m in quarter 1); this is based on the position on the capital programme removing the need to borrowing externally in 2018/19, alongside additional investment income from the increase in bank rate at 2 August 2018 and as a result the investment in the pooled property fund (CCLA LAPF) raising additional income.

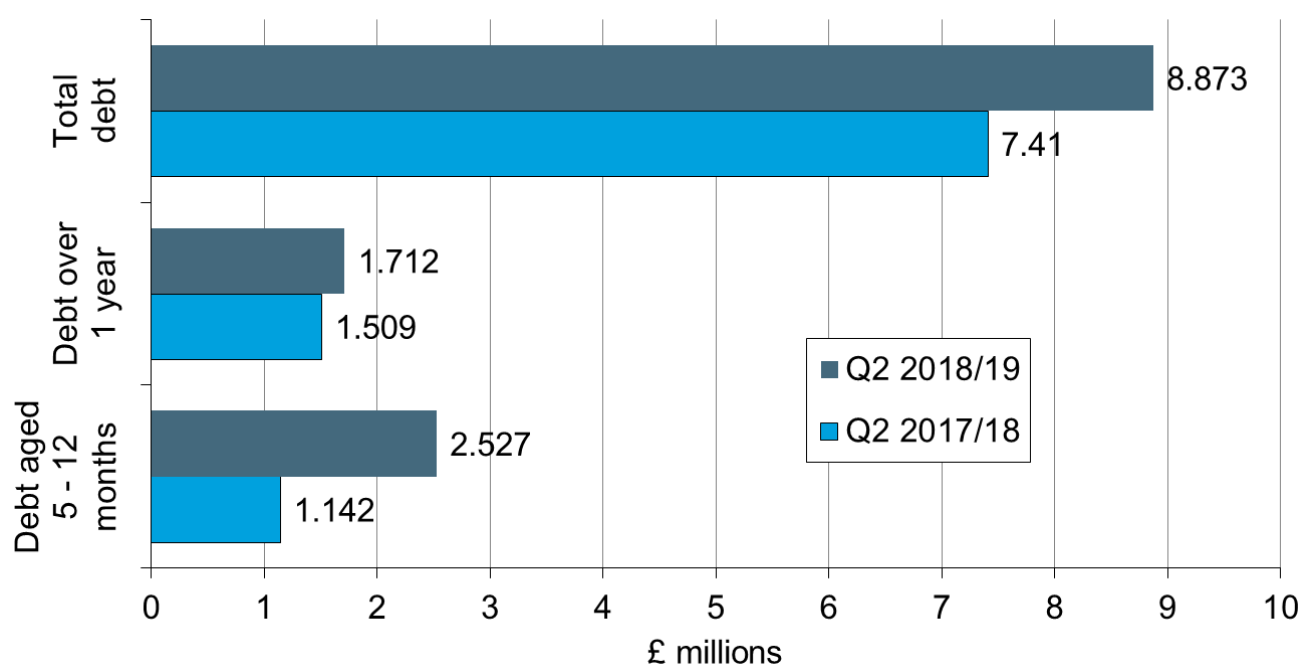
Centrally Held budgets include a general contingency provision of £3.5m. This will be used in the first instance to offset the service overspend. If there is remaining provision it would be transferred to reserves for use in future years, in line with the Reserves Policy.

General balances

The General Fund balance was £10.0m as at 31 March 2018. General balances allow the Council to manage unforeseen financial circumstances without the need to make immediate savings.

The Schools balances as at 31 March 2018 were £10.7m.

Outstanding debt analysis (£ millions)



The value of debt over 5 months at quarter 2 has increased by £1.916m when compared to the 2017/18 outturn of £2.323m. This is due to the rise in Clinical Commissioning Group (CCG) outstanding debt; currently £2.7m remains unpaid from quarter 4 in 2017/18. There are on-going and constructive discussions with High Weald Lewes Havens

CCG about the level of outstanding debts, which are anticipated to conclude successfully in the second half of 2018/19. Age Debt continues to be a high priority focus area with a continuous improvement approach to continually re-engineer systems and processes. Regular ASC debt case review meetings continue to ensure that the most appropriate steps are taken to recover debt promptly in consideration of the residents' circumstances and in accordance with the Care Act. The increase in total debt is due to the outstanding CCG debt at the end of quarter 2 this year compared to quarter 2 last year.

Adult Social Care and Health – Q2 2018/19

Summary of progress on Council Priorities, issues arising, and achievements

Adult Social Care

Health and Social Care Integration – The East Sussex Better Together (ESBT) system has seen a 6.1% increase in A&E attendances (6.2% for East Sussex Healthcare NHS Trust (ESHT) attendances) in 2017/18 compared to the national increase of 2%. In addition ESBT has seen an increase in non-elective emergency admissions of 13.4% (14.7% for ESHT admissions) compared to the national increase of 4%. The ESBT Clinical Commissioning Groups (CCGs) Urgent Care and Joint Commissioning team commenced a system wide urgent and emergency (UEC) demand driver diagnostic, which commenced in May 2018, to better understand what is driving the increases in demand across the system.

To deal with this increased demand in November 2018 a High Intensity User (HIU) service will go live in East Sussex. The HIU service (developed by NHS Blackpool) offers a robust way of reducing frequent user activity to 999, NHS 111, A&E, GP contacts and hospital admissions, freeing front line resources to focus on more clients and reduce costs. It uses a health coaching approach, targeting high users of services, and supports the most vulnerable clients within the community to flourish, whilst making the best use of available resources. The results for the patient cohort included were as follows:

- 999 calls were down by 89%.
- A&E attendances down by 93%.
- Admissions were down by 82%.
- 98% reduction in self-harm incidences.
- 44% reduction in police calls for the client cohort.

This approach has been replicated across the country and is now live in 41 CCGs with another 15 Health and Social Care areas going live in the next quarter to support winter pressures.

Better Care Fund (BCF) – There continues to be improvement against the key metrics as outlined in the iBCF:

- Delayed transfers of Care (DToC) (delayed days) from hospital per 100,000 population (aged 18+) has improved from 20.1 in July 2017 to 9.9 in July 2018.
- Performance in relation to permanent admissions of older people per 100,000 population (65+) to residential/nursing care for April to September 2018 is 240.6. Current forecasted performance is 481.2, therefore predicted to meet the target of 504.1 or less.
- Performance in relation to the proportion of older people (aged 65+) who are still at home 91 days after discharge from hospital into reablement / rehabilitation services for April to June 2018 is 90.7%, therefore the target of 90% or more is being met.

Delayed Transfers of Care (DToC) – DToC levels have continued to decrease. Between April and July 2018 there was an average 43 delayed transfers from hospital care per day this has improved from 93 in the same period last year (a 54% reduction). This can be broken down as follows:

- An average 34 delayed transfers from hospital care per day due to local NHS, this has improved from 56 in the same period in 2017 (a 39% reduction).
- An average eight delayed transfers from hospital care per day due to Council social services, this has improved from 35 in the same period in 2017 (a 77% reduction).
- One delayed transfer was attributable jointly to ASC and NHS.

New and more challenging targets have been set by NHS England through the Better Care Fund for 2018 (**ref i, ii and iii**).

Support with Confidence – The current membership at the end of Q2 is 190; this includes 135 Personal Assistants and 55 businesses, nine of which are CQC registered. The scheme currently has 77 live applications pending approval.

Technology Enabled Care Services (TECS) – As at August 2018, 7,730 clients were receiving TECS. Review of medication management has produced options for exploration.

Health and Social Care Connect (HSCC) – Activity is only available for April to June at this stage. This is due to a backlog in referrals being recorded. 85% of Health and Social Care Connect referrals were triaged and progressed to required services within required timescales (**ref v**). 92.4% of Health and Social Care Connect contacts were

appropriate and effective (i.e. lead to the provision of necessary additional services) (**ref vi**). This shortfall in performance is mainly due to HSCC holding 12 FTE vacancies for redeployment following the RPPR consultation process. Staff are due to transfer to HSCC at the end of October 2018 and recruitment is underway to fill remaining vacancies. It is anticipated that this will increase capacity and improve performance in order to meet the targets in Q3.

Safer Communities

Vulnerable Victims of Fraud & Scams – By the end of Q2, 104 organisations had joined the East Sussex Against Scams Partnership (ESASP) Charter and, with the assistance of other East Sussex ‘SCAM champions’, 2,487 residents have participated in Friends Against Scams awareness sessions which will hopefully reduce the likelihood of them – or people they know or care for – from becoming vulnerable victims of fraud and scams.

Cyber Crime, Cyber bullying and online safety – 10 Think Protect Connect sessions were delivered to East Sussex Schools in Q2. Think Protect Connect also formed part of the Local Safeguarding Children Board Practical Prevent training session delivered to frontline professionals in September and involved demonstrating how to use the resources with small groups of young people. This autumn we will be delivering a new online safety assembly and a workshop with specific ground rules around online behaviour and staying safe online as part of our Stay Safe Programme.

Recommissioning of the Substance Misuse Service – The Invitation to Tender documents were completed during Q2, and include the Substance Misuse Services Service Specification. These documents were written after consultation with local stakeholders and detail the needs of the county and outcomes for the new service. The provider tender process will commence in October.

Recovery Communities – Individuals from different walks of life and from all along the south coast came together at The De La Warr Pavilion in Bexhill on Wednesday 19 September to celebrate peoples’ journeys in their recovery from substance misuse. The event gave people in recovery the opportunity to share their experiences and support one another. Feedback from the event was positive with 84% of evaluation respondents rating the event as excellent, and 100% saying they would be interested in attending another event in the future.

The % of people affected by rape, sexual violence and abuse who report, after at least 12 weeks of engagement with the service, that they are more in control of their lives and/or more optimistic about the future – Due to issues around data collection, some outcomes were not being collected when the service user left the service, affecting the reliability of the data. An improvement plan was agreed with the provider, including that they would use the Outcome on Exit form, as they do for the domestic violence measure, as opposed to Survivors Network Outcomes Forms (SNOF), to improve data quality. It is proposed to amend this measure to: When they leave the service the % of those affected by rape, sexual violence and abuse who have improved coping strategies (**ref iv**).

Public Health

Public Health hosted an ‘infection control in care homes programme’ across East Sussex which is now well embedded across the county. Part funded by the three CCGs in East Sussex and the Council, it is a good example of joint working to promote health and reduce avoidable illness and hospital admissions in our vulnerable care home population. The programme provides high level training on infection prevention and control at no cost, to all care homes. It also includes ongoing support and advice and the opportunity for homes to receive a certificate of accreditation for changing practice in homes to improve care for residents in relation to infection control. A total of 152 homes out of 202 have infection control champions in place. This means that one or more members of staff in each home have attended training and cascaded the knowledge through the whole care home. A total of 77 homes have started their infection control audits which is a tool for them to evidence the improvements they have made. The homes also had access to oral health and hydration training. The programme continues until early 2019 when an ongoing ‘mop up’ and annual training sessions will continue.

Revenue Budget Summary

ASC – The current forecast outturn is an overspend of £1.465m (**ref x**), comprising a £1.006m overspend in the Independent Sector (**ref viii**) and a £0.459m overspend within Directly Provided Services and Assessment and Care Management (**ref ix**). The current position reflects two key pressures:

There are a range of service areas that have increased levels of demand and/or increased costs. These include the Integrated Community Equipment Service (ICES), which has seen a significant increase in demand during 2018/19; Extra-Care, where a re-tendering exercise has been undertaken following a provider being unable to fulfil the original contract; TECS, which has also seen an increase in demand across the duration of the contract to date; and an increase in the number and cost of independent sector care packages for working age adults.

The net budget of £165.070m includes in year savings of £10.953m (**ref vii**). This includes £1.322m carried forward from previous years and £9.631m agreed for 2018/19. The savings will be delivered in part in 2018/19, however, the full year impact will not be realised until 2019/20, because proposals will need to be implemented in line with statutory and contractual responsibilities and duties. The part year impact of the savings proposals will be managed within the authority’s overall Medium Term Financial Plan and the appropriate use of reserves and contingency funds including

the use of the one-off grant from the Ministry for Housing, Communities and Local Government in 2018/19 of £1.616m.

In October, the Government announced £240m of additional funding for councils to spend on adult social care services to help councils alleviate winter pressures on the NHS, get patients home quicker and free up hospital beds across England. East Sussex has been allocated £2,585,651 for 2018/19; proposals for allocating this funding are given in the table below. This additional funding is intended to enable further reductions in the number of patients that are medically ready to leave hospital but are delayed because they are waiting for adult social care services. The funding has to be focussed on reducing Delayed Transfers Of Care, helping to reduce extended lengths of stay, improving weekend discharge arrangements so that patients are assessed and discharged earlier and speeding up the process of assessing and agreeing what social care is needed for patients in hospitals. It is therefore recommended that authority is delegated to the Director of Adult Social Care to determine how this additional money is spent across services in Adult Social Care to ensure that the funding is used for the purpose for which it has been provided to the Council, and achieving the best outcome for the Council's residents.

Public Health – The Public Health (PH) budget of £27.390m comprises the PH grant allocation of £27.270m and £0.120m of CCG income. In addition to the PH Grant £4.554m is being drawn from reserves to meet one off projects of £2.783m, Nurseries of £0.170m and £1.601m to fund Early Help (ref xi).

Capital Programme Summary

The ASC Capital Programme for 2018/19 is currently projected to outturn at £0.9m, a variation of £0.8m. This is due to slippage on Greenacres of £0.2m and House Adaptations of £0.4m, and an underspend of £0.1m which is due to residual projects being removed from the programme.

NHS England has agreed to put forward £1.25m towards the capital development of the Greenacres site, with a further £1.1m to be met from capital receipts from Crowborough sites, bringing total agreed project budget to £2.35m. An additional £0.25m has been applied for from NHS England, and has been agreed in principle. Following further feedback arising from reviews of the site and project design, the costs of the proposed development are being reviewed and finalised prior to work commencing on site, in parallel with which, formal agreement from NHS England for the grant funding agreed in principle is yet to be received. The total cost is currently expected to be £3.161m. The additional amounts will be met from the additional £0.25m funding from NHS England and underspends within the remaining ASC Capital Programme.

Performance exceptions (See How to read this report for definition)								
Performance measure	Outturn 17/18	Target 18/19	18/19 RAG				Q2 2018/19 outturn	Note ref
			Q1	Q2	Q3	Q4		
Priority – Helping people help themselves								
Number of hospital bed days lost due to delayed transfers from hospital care (Daily average)	42	Amendment requested from 50 To 39.8	G	AD			43.1	i
Number of hospital bed days lost due to delayed transfers from hospital care due to Council social services (Daily average)	13	Amendment requested from 43 To 11.5	G	AD			8.4	ii
Number of hospital bed days lost due to delayed transfers from hospital care due to local NHS (Daily average)	26	Amendment requested from 34 To 24.4	G	AD			33.5	iii

Performance exceptions (See How to read this report for definition)								
Performance measure	Outturn 17/18	Target 18/19	18/19 RAG				Q2 2018/19 outturn	Note ref
			Q1	Q2	Q3	Q4		
Priority – Keeping vulnerable people safe								
Measure amendment requested from The % of people affected by rape, sexual violence and abuse who report, after at least 12 weeks of engagement with the service, that they are more in control of their lives and/or more optimistic about the future To When they leave the service the % of those affected by rape, sexual violence and abuse who have improved coping strategies	N/a	80%	G	AD			71%	iv
Percentage of Health and Social Care Connect referrals triaged and progressed to required services within required timescales	86%	90%	G	A			85%	v
Percentage of Health and Social Care Connect contacts that are appropriate and effective (i.e. lead to the provision of necessary additional services)	96%	95%	G	A			92.4%	vi

Savings exceptions (Projected - Red = will not be delivered but may be mitigated; Amber = on track to deliver but not in the year (& may be mitigated); Green = on track to deliver in the year)					
Service description	Q2 2018/19 (£'000)				Note ref
	Target	Achieved	Slipped	Unachieved	
Savings					
Supporting People	3,300	733	2,567	-	
Assessment and Care Management	1,958	1,360	598	-	
Learning Disability Services	1,530	585	945	-	
Older People Services	1,274	-	1,274	-	
Strategy, Commissioning and Supply Management	590	428	162	-	
Discretionary East Sussex Support Service (DESSS)	390	363	27	-	
All Other Savings	1,911	1,841	70	-	
Total Savings	10,953	5,310	5,643	0	
Variations to Planned Savings					
	-	-	-	-	
Permanent Variations	0	0	0	0	
Total Permanent Savings & Variations	10,953	5,310	5,643	0	
Use of ASC Support Grant 2018/19	-	1,616	(1,616)	-	
Use of One-off Funding	-	4,027	(4,027)	-	
Temporary Variations	-	5,643	(5,643)	0	
Total Savings with Variations	10,953	10,953	0	0	vii

Revenue budget

Revenue budget										
Divisions	Planned (£000)			Q2 2018/19 (£000)						Note ref
				Projected outturn			(Over) / under spend			
	Gross	Income	Net	Gross	Income	Net	Gross	Income	Net	
Adult Social Care:										
Physical Support, Sensory Support and Support for Memory & Cognition	109,635	(42,408)	67,227	107,037	(42,000)	65,037	2,598	(408)	2,190	
Learning Disability Support	53,942	(4,307)	49,635	56,998	(4,410)	52,588	(3,056)	103	(2,953)	
Mental Health Support	7,091	(1,043)	6,048	7,316	(1,025)	6,291	(225)	(18)	(243)	
Subtotal Independent Sector	170,668	(47,758)	122,910	171,351	(47,435)	123,916	(683)	(323)	(1,006)	viii
Physical Support, Sensory Support and Support for Memory & Cognition	15,418	(4,780)	10,638	16,102	(5,328)	10,774	(684)	548	(136)	
Learning Disability Support	7,555	(888)	6,667	8,502	(1,899)	6,603	(947)	1,011	64	
Mental Health Support	211	(187)	24	211	(187)	24	-	-	-	
Substance Misuse Support	591	(115)	476	573	(97)	476	18	(18)	-	
Equipment & Assistive Technology	7,240	(3,930)	3,310	7,200	(3,764)	3,436	40	(166)	(126)	
Other	5,150	(3,745)	1,405	4,299	(2,913)	1,386	851	(832)	19	
Supporting People	7,499	(518)	6,981	8,509	(1,528)	6,981	(1,010)	1,010	-	
Assessment and Care Management	25,071	(2,787)	22,284	26,127	(2,752)	23,375	(1,056)	(35)	(1,091)	
Management and Support	14,291	(24,440)	(10,149)	13,317	(24,365)	(11,048)	974	(75)	899	
Service Strategy	569	(45)	524	958	(346)	612	(389)	301	(88)	
Subtotal Directly Provided Services and Assessment and Care Management	83,595	(41,435)	42,160	85,798	(43,179)	42,619	(2,203)	1,744	(459)	ix
Total Adult Social Care	254,263	(89,193)	165,070	257,149	(90,614)	166,535	(2,886)	1,421	(1,465)	X
Safer Communities	522	(186)	336	363	(27)	336	159	(159)	0	
Public Health										
Health Improvement services	4,717	-	4,717	4,715	-	4,715	2	-	2	
Drug and alcohol services	6,101	-	6,101	6,101	-	6,101	-	-	-	
Sexual health services	4,160	-	4,160	4,160	-	4,160	-	-	-	
Health Visiting & School Nursing	8,769	-	8,769	8,769	-	8,769	-	-	-	
NHS Health Checks	823	-	823	823	-	823	-	-	-	
Management support and Public Health programmes	2,820	-	2,820	2,822	-	2,822	(2)	-	(2)	
Public Health Grant income	-	(27,270)	(27,270)	-	(27,270)	(27,270)	-	-	-	
Public Health CCG and Reimbursement income		(120)	(120)		(120)	(120)	-	-	-	
Sub Total for Core Services	27,390	(27,390)	0	27,390	(27,390)	0	0	0	0	
One Off Projects funded from PH Reserves	2,953	(2,953)	-	2,953	(2,953)	-	-	-	-	
Early Help funding	1,601	(1,601)	-	1,601	(1,601)	-	-	-	-	xi
Total Public Health	31,944	(31,944)	0	31,944	(31,944)	0	0	0	0	

Capital programme										
Approved project	Total project – all years (£000)		2018/19							Note ref
			In year monitor Q2 (£000)				Analysis of variation (£000)			
	Budget	Projected	Budget	Actual to date	Projected 2018/19	Variation (over) / under budget	(Over) / under spend	Slippage to future year	Spend in advance	
OP Service Improvements	536	406	130	-	-	130	130	-	-	
Greenacres	2,350	2,350	1,000	132	750	250	-	250	-	
LD Service Opportunities	5,092	5,092	95	54	95	-	-	-	-	
Continuing Programme:										
House Adaptations for People with Disabilities	2,719	2,719	387	5	5	382	-	382	-	
Refurbishment – Registration standards	2,373	2,360	13	-	-	13	13	-	-	
Total ASC Gross	13,070	12,927	1,625	191	850	775	143	632	0	

Winter Pressure Funding			
Area of Spend	Description	Amount (£'000)	Outcome
ICES	Funding the Council's additional contribution to the pooled fund in 2018/19 as ICES is currently overspending. Additional spend reflects impact of increased acuity of service users looked after in the community	880	Supporting people to live independently in the community reducing demand on Primary Care, Community Nursing and Acute attendances and admissions and support flow from step up and down services
Telecare	Additional equipment charges to WEL in 2018/19	125	
Discharge to Assess/ Homecare	Council assuming Provider of Last Resort in 16 villages supporting 20 clients a year in rural areas. This will provide flexible use of additional four hours homecare to support patients being discharged home with packages of care from four main providers. Average of 19 discharges a week. Provision of basic DLE for homecare providers to use to provide care for clients discharged from hospital without equipment. Additional Occupational Therapy to support discharge to assess and interim beds	150	Home Care Providers deliver safe services to vulnerable adults discharged from Hospital. Improved outcomes people in hard to reach areas
7 Day Working	Resourcing 7 day working at BSUH. Fund BHCCC and WSCC to undertake trusted assessor role in ED and Gateway Wards for East Sussex residents	50	Improved outcomes for clients leaving hospital
OT to Support Intermediate Care	Additional therapy capacity	15	
Interim Beds	14 interim beds across the county from mid-November to end of March	200	
Further OT support to additional Interim / Transitional / D2A beds funded from NHS and LA Winter Pressures Resources	As discussed and proposed at OpEx 22/11/2018. Occupational Therapy support to the additional community escalation beds to compliment the ESHT Physio therapy input	20	
Additional Independent Sector Spend October 2018 to March 2019	Funding for short-term packages of care. A net current budget pressure is forecast of £500k which was included in the Quarter 2 monitoring in relation to short term packages over the winter months. The increase will provide additional funding to support reduction in DTOCs and the needs of clients in hospital to be met	1,146	Providers deliver safe services to vulnerable adults discharged from Hospital. Reduced number of DTOCs
Total		2,586	

Business Services – Q2 2018/19

Summary of progress on Council Priorities, issues arising, and achievements

Summary of successes and achievements – Work has been progressing on developing a 'core offer' for Orbis and what this would mean in terms of service delivery and impact. Discussions around these options will take place with key stakeholders during Q3 and the agreed outputs will then form part of the RPPR process.

As of 1 September 2018, the Finance service is delivering integrated services (across East Sussex County Council (ESCC), Brighton and Hove City Council (BHCC) and Surrey County Council (SCC)) for Treasury Management, Taxation, Insurance and Financial Accounting.

The Property service has also established fully integrated teams providing Estates, Maintenance, Major Projects, Facilities Management, and Energy services to ESCC and SCC. This now provides a greater resilience and expertise to the partnership authorities. An integrated Property Senior Leadership Team is in place across all three Orbis partners.

Procurement has recently awarded a contract for Facilities Management Services that covers all three Orbis partners. The procurement delivered £400k in cash-releasing savings, and also included over £500k in Social Value commitment, including local employment opportunities for NEETs (people aged 16-24 Not in Education, Employment or Training), Long Term Unemployed, People with Disabilities and Ex-Offenders. The new contract also complements the new Property Services structure and service offer (referenced above).

IT & Digital have been continuing to enable partnership working across the Council. In July we became the first county council (one of only two councils at the time) to setup calendar sharing with NHS staff. This followed the previous success of linking Skype for Business with the NHS. These integrations have enabled staff from across the East Sussex Better Together partnership work in a more integrated and efficient way.

Apprenticeships – We have submitted returns to the Department for Education to show progression against the target for all public sector organisations to have apprentices make up 2.3% of their workforce. The Council achieved 1.02% of the workforce undertaking an apprenticeship between April 2017 to March 2018. Overall national and local figures are not due to be published until Jan 2019 but early indications show that the Council is above the national average. The Local Government Association (LGA) have recognised the work that the apprentice team have carried out within Council maintained schools in terms of uptake of apprenticeships and have used the Council for case studies to promote good practice for other county councils. Corporately, uptake continues to be for more professional qualifications (Project Managers and Operational Managers), and tenders are currently out to market for a variety of ICT based qualifications up to degree level. The apprenticeship team have also linked in with the LGA to access funding to provide project support to help councils overcome barriers in order to create multi-year apprenticeship plans.

The Apprentice Learning Group launched in September to support new entry level apprentices who join the Council. The group offers action learning sets, employment workshops, ongoing careers advice and coaching opportunities. In Q2 we had two cohorts, and these apprentices have gone on to form their own support network and some have accessed further coaching support.

Social Value – The Council has spent £202.1m with local suppliers over the past 12 months. 998 local suppliers were used, which equates to 57% of our total spend, exceeding our target for 52%.

In Q2, a total of nine contracts were awarded, four were out of scope of the Social Value Measurement Charter (SVMC), as they had predefined contractual terms. The five in-scope contracts had a total value of £23.5m and they secured £1.13m in Social Value commitment, which equates to an outturn of 4.8%. The social value committed in these contracts will aid local employment by recruiting ex-offenders, people with disabilities, as well as offering apprenticeships and other benefits. We expect to meet the 10% target by the end of the financial year. We continue to work closely with suppliers throughout the life of their contracts, which also gives us additional opportunities to secure social value benefits.

Property operations – Strategic Property Asset Collaboration in East Sussex (SPACES) continues to focus on One Public Estate (OPE) projects. The emergency services projects from phase 5 continue to have their feasibility studies and business cases developed and more will be known regarding whether they will go ahead by the end of 2018. These projects are expected to deliver capital receipts, housing opportunities and revenue cost reduction. Phase 7 has now been announced and SPACES is drawing up a bid including projects in Hailsham, Hastings, Eastbourne and Peacehaven across a variety of local authorities, health partners and emergency services. These projects focus on housing delivery and consolidation of civic estate. A further outcome has been delivered through SPACES with East Sussex Healthcare Trust sharing space in Rother District Council offices in Bexhill. This complements the Bexhill project for OPE which continues to be progressed.

Reduction in CO2 emissions – We aim to reduce the amount of CO2 arising from Council operations by 3% compared to 2017/18. A 7.1% reduction has been achieved in Q2 of 2018/19 compared to Q2 2017/18. This breaks down as a 7.9% reduction from schools and a 6.3% reduction from the corporate estate including street lighting.

The Energy Team support schools with energy saving in a number of ways, including through the LESS CO2

Programme (a partnership with Ashden), to promote sustainability in schools and save energy through simple low and no cost measures. The energy performance of the schools involved with Ashden decreased at a higher rate in both electricity and gas usage than schools not involved with Ashden. The overall average saving in energy costs for a school in the 12 months following the first workshop was just over £1,200.

IT & Digital infrastructure – 99.83% of key services were available during core hours (08.00 – 17.00 Monday to Friday except Local Area Network, where availability has been extended to be 24/7) during Q2. Weekend and planned unavailability is excluded.

A staff survey will take place in Q4 to establish the percentage of staff satisfied that the IT tools provided are the right ones to do their job.

Assurance – Following internal audits, 100% of the high risk recommendations due in Q2 have been actioned by management.

The percentage of insurance claims handled to first decision stage (i.e. initial repudiation or offer of compensation) within legal time frames was 99.2% in Q2. A majority of third party claims relate to the highway and these claims are now handled by East Sussex Highways (Costain and Jacobs). Information relating to these claims is included in these figures. Claims volumes have significantly reduced in Q2 due to the prolonged period of calm weather and the number of claims received relating to the previous winter period now tailing off. However, this reduction in claim volumes may be followed by an increase in Q3 and Q4 if the weather deteriorates and impacts the structure/surface of the highway.

Wellbeing – The combined Q1 and Q2 sickness absence outturn for the whole authority (excluding schools) is 3.97 days lost per FTE, a decrease of 4.3% since the previous year.

The larger departments, Children's Services and Adult Social Care and Health, have both seen a decrease in absence in Q1 and Q2; there has been a broad range of dedicated activities in order to support this including additional training sessions for managers to provide targeted support and coaching. The most significant increase is in Communities Economy and Transport (CET), due to short and long term absences. In order to address this, a report identifying employees/teams with the highest level of absence in CET has been run to explore any trends/hot spots that require HR intervention. It is positive to note that the absence rate in this department has decreased significantly in Q2.

Stress continues to be the primary driver for absence and targeted activities have included hosting wellbeing roadshows and raising awareness through yammer campaigns and newsletters. Funding has been secured from Public Health to train 80 members of staff as Mental Health First Aiders. This will form part of a dedicated campaign to promote being mentally healthy at work and to remove the stigma surrounding mental health.

Over 800 members of staff have now had an onsite health check; this check provides the employee with key health diagnostics and signposting to further support. The reduced sickness rate could indicate this has made a positive difference on supporting employees to be healthy at work.

Revenue Budget Summary – The 2018/19 Business Services net revenue budget is £22.3m including the £14.6m contribution to the Orbis budget (**ref iii**), and efficiency savings of £1.4m. Orbis services achieved £0.4m of the 2018/19 efficiencies last year, so the savings table shows the savings against the in-year savings target of £1m (**ref i**). The net budget has increased by £1.3m compared to the Medium Term Financial Plan as the Council's printing and franking budgets have been centralised into IT&D and Property respectively.

The Orbis operating budget now includes service delivery to BHCC and is in the final year of the initial three year programme to deliver £9.7m of efficiencies. Each partner contributes to the Orbis Operating Budget in proportion to their service delivery requirements, the contributions are currently 21%, 24% and 55% for BHCC, ESCC and SCC respectively. Services have delivered ongoing annual savings of £5.1m to date, and are implementing changes to deliver a further £4.6m of savings this year. Overall Orbis is on track to deliver its savings and some services are forecasting additional savings where they hold vacancies ahead of further efficiencies. As a result the ESCC contribution to the Orbis budget is likely to be £0.03m less than anticipated (**ref iii**).

The budgets managed by Orbis are likely to underspend by £0.03m, mainly due to a reduced contribution to the properties shared with other local district and boroughs (**ref ii**).

Capital Programme Summary – The 2018/19 capital budget is £34.1m and includes the £14.2m Schools Basic Need Programme (**ref vii**) and the £9.2m Building Improvements programme (**ref v**). The full year forecast variance is £3.2m. The basic need programme spend will be £1.8m higher than budgeted this year because this year's purchase of land for Hailsham Primary School expansion was profiled into 2019/20 (**ref vii**). A full review of the condition of buildings is underway, leading to delays of £1.0m to the building improvement programme (**ref v**). There is a saving to the cost of the mobile phone roll-out & Citrix renewal; however this is required in future years for further IT&D Strategy Implementation (**ref vi**). Lansdown Secure unit has slipped £3.2m due to delays on the procurement of the main contract (**ref viii**) and the agile project has slipped £0.3m (**ref iv**).

Performance Exceptions (See How to read this report for definition)								
Performance measure	Outturn 17/18	Target 18/19	18/19 RAG				Q2 18/19 outturn	Note Ref
			Q1	Q2	Q3	Q4		
There are no performance exceptions								

Savings exceptions (Projected - Red = will not be delivered but may be mitigated; Amber = on track to deliver but not in the year (& may be mitigated); Green = on track to deliver in the year)					
Service description	Q2 2018/19 (£'000)				Note ref
	Target	Achieved	Slipped	Unachieved	
Savings					
All planned savings	-	-	-	-	
Total Savings	1,046	1,046	0	0	i
Variations to Planned Savings					
	-	-	-	-	
	-	-	-	-	
Permanent Variations	0	0	0	0	
Total Permanent Savings & Variations	1,046	1,046	0	0	
	-	-	-	-	
	-	-	-	-	
Temporary Variations	0	0	0	0	
Total Savings with Variations	1,046	1,046	0	0	

The 2018/19 MTFP savings are £1.4m however £0.4m of this was achieved last year so the in-year target is £1m.

The table below represents the East Sussex 2018/19 Revenue Budget, and includes a line which is the contribution to Orbis Partnership. The second table shows the total Orbis Partnership 2018/19 Revenue Budget; of which East Sussex make a contribution to shared costs of 24%.

Revenue Budget										
Divisions	Planned (£000)			Q2 2018/19 (£000)						Note ref
				Projected outturn			(Over) / under spend			
	Gross	Income	Net	Gross	Income	Net	Gross	Income	Net	
Finance	2,534	(2,232)	303	2,519	(2,211)	308	15	(20)	(5)	
HR & OD	286	(451)	(165)	377	(542)	(165)	(92)	91	-	
IT & Digital	5,294	(3,028)	2,266	5,294	(3,029)	2,265	-	-	-	
Procurement	-	(80)	(80)	-	(80)	(80)	-	-	-	
Property	24,761	(19,461)	5,301	24,270	(19,004)	5,266	492	(457)	35	ii
Contribution to Orbis Partnership	14,646	-	14,646	14,619	-	14,619	27	-	27	
Total BSD	47,521	(25,251)	22,270	47,079	(24,866)	22,213	442	(386)	57	

Orbis Partnership Revenue Budget										
Divisions	Planned (£000)			Q2 2018/19 (£000)						Note ref
				Projected outturn			(Over) / under spend			
	Gross	Income	Net	Gross	Income	Net	Gross	Income	Net	
Business Operations	12,660	(6,177)	6,484	12,540	(6,177)	6,363	120	-	121	
Finance	12,713	(2,097)	10,615	12,645	(2,030)	10,615	68	(67)	-	
HR	7,658	(1,135)	6,523	7,791	(1,113)	6,678	(133)	(22)	(155)	
IT	22,988	(2,999)	19,989	22,988	(2,999)	19,989	-	-	-	
Management	2,333	-	2,333	2,118	-	2,118	215	-	215	
Procurement	5,679	(231)	5,448	5,153	(130)	5,023	526	(101)	425	
Property	12,655	(1,471)	11,184	12,883	(1,549)	11,334	(228)	78	(150)	
Total Orbis	76,686	(14,111)	62,576	76,118	(13,998)	62,120	568	(112)	456	
ESCC Contribution	0		14,646			14,619			27	iii

Capital programme										
Approved project	Total project – all years (£000)		2018/19							Note ref
			In year monitor Q2 (£000)				Analysis of variation (£000)			
	Budget	Projected	Budget	Actual to date	Projected 2018/19	Variation (over) / under budget	(Over) / under spend	Slippage to future year	Spend in advance	
SALIX Contract	3,868	3,868	369	350	369	-	-	-	-	
Property Agile Works	9,606	9,606	350	18	20	330	-	330	-	iv
Capital Building Improvements	84,373	84,373	9,209	2,770	8,209	1,000	-	1,000	-	v
Libraries Core Need	2,244	2,244	366	1	366	-	-	-	-	
IT & Digital Strategy Implementation	31,543	31,543	4,072	-	3,472	600	-	600	-	vi
Schools Basic Need	148,128	148,128	14,183	3,908	16,032	(1,849)	-	-	(1,849)	vii
Early Years	2,480	2,480	901	869	905	(4)		-	(4)	
Universal Infant Free School Meals	1,901	1,901	10	2	10	-	-	-	-	
Other Schools & CSD Projects	7,600	7,600	4,597	107	1,400	3,197	-	3,197	-	viii
Total BSD Gross	291,743	291,743	34,057	8,025	30,783	3,274	0	5,127	(1,853)	

Children's Services – Q2 2018/19

Summary of progress on Council Priorities, issues arising, and achievements

Summary of successes and achievements

On 3 October 2018, the Duke and Duchess of Sussex visited the Council managed Joff Youth Centre, in Peacehaven, where they met with 50 young people gathered from youth groups around the county, including the Youth Cabinet. The couple discussed the issue of mental health with the young people and what can be done to promote good mental health. The young people were preparing for this year's Takeover Challenge Day, a national initiative which encourages organisations to give young people a role in real-life decision making, on 23 November. The theme in East Sussex this year is mental health and emotional wellbeing, with a focus on ways young people can help each other and themselves.

At key stage 2 we have seen an improvement in results that brings us broadly in line with the national outturn. The proportion of East Sussex pupils achieving the expected standard in reading, writing and maths (RWM) in academic year 2017/18 was 63.7% which is less than one percentage point below the national rate of 64.2% (based on provisional data). This is an improvement of 6.7% on academic year 2016/17 when East Sussex was five percentage points below the national average. There have been improvements in all three areas including maths which has been an area of focus. The percentage of disadvantaged pupils achieving the expected standard in RWM at key stage 2 has improved by 8.1% to 49.1% compared to 50.7% nationally. For pupils with Special Education Needs and Disability (SEND) there has been a 6.3% improvement to 21.8% compared to 23.6% nationally. The rate of improvement for all measures is greater than the national rate of improvement which is 4.1% for RWM combined, 4.8% for disadvantaged and 3.2% for SEN. This achievement for our schools and pupils means that we have more children better prepared to make a successful transition to secondary education.

Provisional 2018 results for the average Progress 8 figure for state funded schools in East Sussex is -0.02, in line with the national average, meeting the target for the year. Four schools are 'well above' the national average for this measure and another four are 'above'.

Using value based interviewing, which assesses practitioners' resilience and capacity to meet the challenges of front line work, we had a very positive round of recruitment and 29 newly qualified social workers joined children's services on 17 September. This means that most teams are fully staffed.

Progress 8 score – It is too early to accurately predict the outturn for the average Progress 8 score for Looked After Children (LAC) (ref i). Published provisional 2018 results from the Department of Education will be available at Q3.

Attainment 8 score – The target for the average Attainment 8 score for disadvantaged pupils has not been met (ref ii). The East Sussex figure and the national figure for this measure have both reduced in 2017/18 compared to 2016/17. However, the East Sussex figure declined by 1.0 compared to 0.5 for the national figure meaning that there is now a gap of 3.5.

A new school improvement board has been established to take forward the ongoing development of a school-led system of improvement from September 2018. The board will provide overall strategic leadership to the work of all secondary schools and help to bring greater coherence and impact to the range of improvement work happening across the county. The board will focus on key areas for improvement including the performance of disadvantaged pupils and will have five main functions:

- Set the strategic direction and priorities for improvement.
- Ensure all schools are receiving the right challenge and support to help them improve.
- Build capacity for school-to-school support.
- Commission additional resources and expertise to deliver on the priorities for improvement.
- Evaluate the impact of its work and report on progress.

In addition, the Hastings Opportunity Area and the Strategic School Improvement Fund (SSIF) projects in primary and secondary will bring additional resource to address performance in this priority area.

Participation in education, training or employment with training – The percentage of young people meeting the duty of Raising the Participation Age (RPA) by either participating in education, training or employment with training or undertaking re-engagement provision at academic age 16 (Year 12) and academic year 17 (Year 13) have both been reported as amber at Q2 (ref iii & iv). It is too early in the academic year to accurately report on these targets. Enrolment data is still being received from colleges and providers and, therefore, the situation of 17% of the cohort is currently not known. This will be reported at Q3.

Revenue Budget Summary – The £68.630m net budget is forecast to be overspent at year end by £3.270m (ref ix). This is an increase of £0.641m on the forecast position at Q1.

Within the overall position, £3.370m overspend is forecast within Early Help and Social Care (ref vi); this is a

deterioration of £0.408m from the Q1 position. This increase is primarily due to increased spend in Locality, where the forecast overspend increased by £0.344m. There have been increased costs associated with identifying and funding private sector accommodation for vulnerable families in East Sussex who have been identified as Intentionally Homeless by District & Borough Housing Departments, while we consider the family's housing options. There have also been additional costs for care placements. In addition, at this time of year we have an annual intake of newly qualified social workers, so staffing costs peak. We have anticipated and included in this forecast a reduction in staffing costs later in the year due to predicted turnover.

We continue to do all we can to manage rising demand and costs, and are increasingly looking at creative packages of support for children to remain at home, but with extensive support, in order to prevent them becoming Looked After and incurring expensive placement costs.

In addition we are currently spot purchasing placements for care leavers and vulnerable young people aged 16 and 17. A re-commissioning process is underway that will reduce placement costs, but this is a protracted process and is unlikely to be completed until May 2019. We are also working alongside District and Borough Councils to prevent families becoming intentionally homeless as far as possible and to identify alternative housing if that happens.

There also continues to be significant pressures in Looked After Children (LAC) and agency placements for children with complex needs.

Education and ISEND are forecasting an overspend of £0.586m (**ref vii**), a small increase of £0.103m from Q1. This increase reflects the continuing pressure on placements for disabled children within ISEND, £0.153m. This was partly mitigated by an underspend in Standards and Learning Effectiveness of £0.050m, achieved as a result of efficiencies and pay cost control.

Communication, Planning and Performance (**ref viii**) is forecasting an overspend of £0.318m for the year, an increase of £0.170m from the Q1 position. This is primarily due to an increase of £0.332m in the forecast costs of statutory Home to School transport for of pre 16 pupils, where there have been increases in both the numbers and cost of journeys above that expected from our modelling. Work is continuing to understand the increases and to identify any opportunities to reduce costs. These increases have been partly offset by £0.162m of increased income generation.

Within the above outturn position, £4.807m (**ref v**) of the £4.840m planned 2018/19 savings are forecast to be achieved or to slip but be mitigated by variations, £0.033m will slip and is not currently expected to be mitigated. These savings figures also include £0.773m of savings brought forward from 2017/18.

Capital Programme Summary – Spending for the year is on track and forecast to stay within budget. £0.250m for the Conquest Centre will slip into future years (**ref x**).

Performance exceptions (See How to read this report for definition)								
Performance measure	Outturn 17/18	Target 18/19	18/19 RAG				Q2 2018/19 outturn	Note Ref
			Q1	Q2	Q3	Q4		
Priority – Driving sustainable economic growth								
Average Progress 8 score for Looked after Children (LAC)	Ac year 2016/17 ESCC: - 0.87 Nat.: -1.18	Ac year 2017/18 0.05 points or less below the national average for LAC	G	A			To be reported at Q3	i
The average Attainment 8 score for disadvantaged pupils	Ac year 2016/17 ESCC: 34.1 Nat.: 37.1	Ac year 2017/18 No more than 3 points below the national average	G	R			Ac year 2017/18 ESCC: 33.1 Nat: 36.6	ii
The percentage of young people meeting the duty of Raising the Participation Age (RPA) by either participating in education, training or employment with training or undertaking re-engagement provision at academic age 16 (Year 12)	95%	93%	G	A			To be reported at Q3	iii
The percentage of young people meeting the duty of RPA by either participating in education, training or employment with training or undertaking re-engagement provision at academic age 17 (Year 13)	88%	86%	G	A			To be reported at Q3	iv

Savings exceptions (Projected - Red = will not be delivered but may be mitigated; Amber = on track to deliver but not in the year (& may be mitigated); Green = on track to deliver in the year)					
Service description	Q2 2018/19 (£'000)				Note ref
	Target	Achieved	Slipped	Unachieved	
Savings					
Support Services, including Admissions, Buzz and Music service	322	312	10	-	
Home to School Transport	567	567	-	-	
SWIFT and YOT	182	182	-	-	
LAC	740	-	-	740	
SLES	614	614	-	-	
ISEND and ESBAS	831	-	831	-	
Early Help	1,561	-	1,561	-	
Safeguarding and QA unit	23	-	23	-	
Total Savings	4,840	1,675	2,425	740	
Variations to Planned Savings					
LAC – Pressure Funding	-	740	-	(740)	
Permanent Variations	0	740	0	(740)	
Total Permanent Savings & Variations	4,840	2,415	2,425	0	
ISEND and ESBAS grant	-	831	(831)	-	
Early Help – use of reserve approved at County Council Feb 2018	-	1,561	(1,561)	-	
Temporary Variations	0	2,392	(2,392)	0	
Total Savings with Variations	4,840	4,807	33	0	v

Revenue budget

Revenue budget										
Divisions	Planned (£000)			Q2 2018/19 (£000)						Note ref
				Projected outturn			(Over) / under spend			
	Gross	Income	Net	Gross	Income	Net	Gross	Income	Net	
Central Resources	2,923	(2,575)	348	2,692	(3,348)	(656)	231	773	1,004	
Early Help and Social Care	56,979	(10,210)	46,769	62,503	(12,364)	50,139	(5,524)	2,154	(3,370)	vi
Education and ISEND	83,005	(8,358)	74,647	83,163	(7,930)	75,233	(158)	(428)	(586)	vii
Communication, Planning and Performance	19,415	(4,237)	15,178	20,069	(4,573)	15,496	(654)	336	(318)	viii
DSG non Schools	-	(68,312)	(68,312)		(68,312)	(68,312)	-	-	-	
Schools	158,161	(158,161)	-	158,161	(158,161)	-	-	-	-	
Total Children's Services	320,483	(251,853)	68,630	326,588	(254,688)	71,900	(6,105)	2,835	(3,270)	ix

Capital programme

Capital programme										
Approved project	Total project – all years (£000)		2018/19							Note ref
			In year monitor Q2 (£000)				Analysis of variation (£000)			
	Budget	Projected	Budget	Actual to date	Projected 2018/19	Variation (over) / under budget	(Over) / under spend	Slippage to future year	Spend in advance	
Family Contact	188	188	14	11	14	-	-	-	-	
House Adaptations for Disabled Children's Carers	1,468	1,468	145	68	145	-	-	-	-	
Schools Delegated Capital	13,311	13,311	852	146	852	-	-	-	-	
Exceat Canoe Barn Changing Rooms	24	24	2	2	2	-	-	-	-	
Conquest Centre	350	350	350		100	250	-	250	-	
Total CSD Gross	15,341	15,341	1,363	227	1,113	250	-	250	-	x

Communities, Economy & Transport – Q2 2018/19

Summary of progress on Council Priorities, issues arising, and achievements

Summary of successes and achievements – Work on the town centre improvement scheme in Terminus Road in Eastbourne is progressing well. 82 carriageway asset improvements schemes were completed in Q2, to maintain and improve the condition of the county's roads. This is an increased number of schemes compared to Q1 and this is forecast to continue in Q3. Businesses were supported to create 62.75 jobs in Q2 through business support programmes. Locate East Sussex also assisted nine businesses to move into, or relocate within, the county. At the end of Q1 (reported a quarter in arrears) 7,906 premises had access to improved broadband speeds as part of our second contract of works, with 88% of premises in the intervention areas able to receive superfast speeds. Trading Standards provided six training workshops to businesses in Q2, with 80 delegates attending; there were also 65 positive interventions to protect vulnerable people, including visiting 52 victims of rogue trading or financial abuse, installing 12 call blockers to protect people from telephone scams, and one intervention from the rapid response team. Alongside partners we're currently seeking funding from the Cultural Development Fund to support the development of the Coastal Culture Trail; Hastings Borough Council submitted an expression of interest on behalf of the wider partnership and this has been approved for a full funding bid. 74 online learning courses were completed in our libraries in Q2, to help people get online and earn qualifications on topics including English, maths and ICT. Responses to Freedom Of Information requests are now being published on the Council's website.

Newhaven Port Access Road – Following approval of the business case by the Department for Transport (DfT) in August 2018, which released the remaining £10m funding for the project, the contract to build the road was awarded to BAM Nuttall. Construction started on 26 October 2018, and is scheduled to be complete in August 2020.

Queensway Gateway Road – Due to delays in the completion of the road, which is being managed by Seachange Sussex, it is proposed that the target for 2018/19 is amended to 'Complete the first phase of the road' (**ref i**). The delays are due to ongoing discussions on purchasing land, the relocation of Bartletts SEAT and the contract for construction.

Employability and Skills – The six established sector task groups have agreed a forward plan for actions for the academic year 2018/19. Over 80 Industry Champions have now been recruited, which doubles the number engaged since 2017/18. Over 50 businesses have signed up to take part in the Open Doors event in Q3, providing onsite visits to their premises for groups of students.

Road Safety – The trials of behaviour change initiatives, as part of the Council's £1m Road Safety scheme, began in Q2. These include the Notice of Intended Prosecution trial which involves simplifying and personalising the Notice of Intended Prosecution. In addition work has also continued to develop the trial for Operation Crackdown, which involves changing the letter sent to drivers reported through community speedwatch, with the aim of reducing subsequent speeding.

All the planned road safety route assessments for the year have been completed. Two infrastructure schemes to improve road safety have been completed, one in Cooksbridge and one in Ticehurst, while work is continuing to prepare schemes for the remaining routes.

The total number of KSI on our roads in the period April to June 2018 was 108, with five being fatalities. Of these 97 (four fatalities) occurred on county roads with 11 (one fatality) on the Trunk Road network. This is an 11.3% increase on the same period in 2017 when there were 97 KSIs.

Libraries – The teachers' library membership has been launched, allowing primary and special school teachers to borrow a number of books to help with students' education. The Library Service is continuing to provide outreach in children's centres, and we are working with Citizens Advice to support residents applying for Universal Credit.

Revenue Budget Summary – The net budget at Q2 is £62.206m and at this stage the budget is expected to be underspent by £163k. Of the savings target, £287k will slip into 2019/20 and will be mitigated by contributions from reserves and additional income (**ref ii**). The cost of departmental staff welfare and training is lower than expected (**ref iii**). The part year pre-closure costs of the seven closed libraries, mobile library, school library service and the requirement to hold a 90 day consultation on staff reductions has been offset by additional income from LearnDirect, the implementation of effective cost controls and energy savings at the Keep (**ref iv**). Income in the Registration Service for marriages is at the same level as last year, but will not achieve the increased income target; however this will be partially offset by a reduced forecast for the cost of the current scheme of road safety works (**ref v**). Waste disposal costs are over budget but are offset by the reduced cost of processing leachate at old landfill sites (**ref vi**).

Capital Programme Summary – The capital programme has a gross budget of £69.054m at Q2. There is currently slippage of £8.356m, spend in advance of £789k and an underspend of £289k. There are a number of Communities projects with small or residual remaining balances and it has been proposed that the programme is reduced by these amounts. Should any final payments be incurred these will be managed through the Capital Risk Provision and additional budgets approved via the variation process for these specific schemes. These schemes include; The Keep

(ref vii), Newhaven Library (ref viii), Southover Grange (ref ix), Library Refurbishment (ref x), Speed Management (ref xi), and Traveller sites (ref xii). The final account for dilapidations and potential loss of earnings claims at Hastings Library will result in some slippage (ref xiii). The review of the works undertaken by the Broadband contractor has identified a reduction in the costs for works completed in 2017/18, this will be utilised to augment Stage 3 of the programme (ref xiv). There is a delay in the settlement of Part 1 compensation claims and other land claims resulting from the Bexhill and Hastings Link Road project (ref xv). In spite of a good level of applications for Economic Intervention Fund Grants, monies can only be paid when applicant milestones are met and it is likely that not all payments can be made this year (ref xvi). Applications for the developing stalled business sites fund have been lower than anticipated this year (ref xvii). The Newhaven Port Access Road scheme was dependent upon receiving DfT funding approval. This was not received until late summer which has had implications on our ability to engage contractors and resulted in the scheme profile being revised (ref xviii). Not all of the new parking ticket machines will be installed this year, the remainder are scheduled for 2019/20 (ref xix). Previous staff shortages have been addressed and it is expected that progress on the Hastings and Bexhill Movement and Access package will now improve, with the majority of the works being delivered in 2019/20 (ref xx). Post construction landscape works have delayed completion of the Eastbourne/South Wealden Walking and Cycling scheme (ref xxi). In response to the consultation on the Hailsham/Polegate/Eastbourne Movement and Access Corridor, a breakdown in the design briefs has been requested which will impact on construction start dates, now expected in 2019/20 (ref xxii). Redesign due to groundwork issues has impacted on progress to the Terminus Road scheme (ref xxiii). The opportunity has arisen to accelerate spend on the A22/A27 scheme (ref xxiv). Previous staff shortages have now been addressed and it is expected the Other Integrated Transport Schemes will now make good progress (ref xxv). Ongoing research to identify the best options has resulted in a delay to the planning application for the Exceat Bridge (ref xxvi). The Queensway depot scheme is awaiting negotiation on the purchase of the bungalow (ref xxvii). The necessary viability assessment of using an alternate site for the Hailsham household waste site has delayed the start of the works (ref xxviii). There is the opportunity to complete additional bridge works and safety checks (ref xxix) and energy saving street lighting works (ref xxx) ahead of schedule.

Performance exceptions (See How to read this report for definition)								
Performance measure	Outturn 17/18	Target 18/19	18/19 RAG				Q2 2018/19 outturn	Note Ref
			Q1	Q2	Q3	Q4		
Priority – Driving supportable economic growth								
Work with Seachange Sussex to deliver major transport infrastructure – Queensway Gateway Road	Construction commenced	Amendment requested from: Construction Complete To: Complete the first phase of the road	A	AD			Construction of the 1st phase of the road up to the middle roundabout is scheduled to be complete in February 2019	i

Savings exceptions (Projected - Red = will not be delivered but may be mitigated; Amber = on track to deliver but not in the year (& may be mitigated); Green = on track to deliver in the year)					
Service description	Q2 2018/19 (£'000)				Note ref
	Target	Achieved	Slipped	Unachieved	
Savings					
Waste Disposal Service	558	558	-	-	
Waste	162	-	162	-	
Grass Cutting	400	400	-	-	
Review fees & charges across the Planning Service.	25	25	-	-	
Library and Information Service Transformation	125	125	-	-	
Library and Information Service Strategic Commissioning	653	528	125	-	
The Keep	19	19	-	-	
Total Savings	1,942	1,655	287	0	
Variations to Planned Savings					
	-	-	-	-	
Permanent Variations	0	0	0	0	
Total Permanent Savings & Variations	1,942	1,655	287	0	
Waste – use of reserve approved at County Council Feb 18	-	62	(62)	-	
Waste – Positive tonnage movements	-	100	(100)		
Libraries – use of reserve approved at County Council Feb 18	-	25	(25)	-	
Libraries – additional income	-	100	(100)	-	
Temporary Variations	0	287	(287)	0	
Total Savings with Variations	0	1,942	0	0	ii

Revenue budget

Divisions	Planned (£000)			Q2 2018/19 (£000)						Note ref
				Projected outturn			(Over) / under spend			
	Gross	Income	Net	Gross	Income	Net	Gross	Income	Net	
Management and Support	2,901	(150)	2,751	2,892	(162)	2,730	9	12	21	iii
Customer and Library Services	7,085	(2,198)	4,887	7,193	(2,248)	4,945	(108)	50	(58)	iv
Communities	3,897	(2,413)	1,484	3,872	(2,508)	1,364	25	95	120	v
Transport & Operational Services	77,056	(40,231)	36,825	76,952	(40,207)	36,745	104	(24)	80	vi
Highways	16,566	(2,220)	14,346	16,656	(2,310)	14,346	(90)	90	-	
Economy	5,409	(4,311)	1,098	5,485	(4,387)	1,098	(76)	76	-	
Planning and Environment	2,873	(2,058)	815	3,226	(2,411)	815	(353)	353	-	
TOTAL CET	115,787	(53,581)	62,206	116,276	(54,233)	62,043	(489)	652	163	

Capital programme

Approved project	Total project – all years (£000)		2018/19 (£000)							Note ref
			In year monitor Q2 (£000)				Analysis of variation (£000)			
	Budget	Projected	Budget	Actual to date	Projected 2018/19	Variation (over) / under budget	(Over) / under spend	Slippage to future year	Spend in advance	
The Keep	20,178	20,154	24	-	-	24	24	-	-	vii
Registration Ceremonies Website	30	30	22	8	22	-	-	-	-	
Newhaven Library	1,713	1,677	36	-	-	36	36	-	-	viii
Southover Grange	1,257	1,214	48	5	5	43	43	-	-	ix
Library Refurbishment	1,473	1,314	167	8	8	159	159	-	-	x
Speed Management	2,948	2,928	20	(65)	-	20	20	-	-	xi
Travellers Site Bridies Tan	1,347	1,340	7	-	-	7	7	-	-	xii
Hastings Library	9,503	9,503	645	106	335	310	-	310	-	xiii
Broadband	33,800	33,800	4,335	(3,152)	3,075	1,260	-	1,260	-	xiv
Bexhill and Hastings Link Road	126,247	126,247	2,912	(345)	1,555	1,357	-	1,357		xv
BHLR Complementary Measures	1,800	1,800	679	44	679	-	-	-	-	
Reshaping Uckfield Town Centre	2,500	2,500	13	-	13	-	-	-	-	
Economic Intervention Fund	9,791	9,791	1,549	142	908	641	-	641	-	xvi
Stalled Sites Fund	916	916	200	4	100	100	-	100	-	xvii
EDS Upgrading Empty Commercial Properties	500	500	200	50	200	-	-	-	-	
EDS Incubation Units	1,000	1,000	750	-	750	-	-	-	-	
North Bexhill Access Road	18,600	18,600	2,000	-	2,000	-	-	-	-	
Queensway Gateway Road	10,000	10,000	2,460	-	2,460	-	-	-	-	
East Sussex Strategic Growth Package	8,200	8,200	4,650	-	4,650	-	-	-	-	
LGF Business Case Development	196	196	166	10	166	-	-	-	-	
Newhaven Port Access Road	23,271	23,271	7,548	179	6,325	1,223	-	1,223	-	xviii
Real Time Passenger Information	2,728	2,728	301	24	301	-	-	-	-	

Capital programme										
Approved project	Total project – all years (£000)		2018/19 (£000)							Note ref
			In year monitor Q2 (£000)				Analysis of variation (£000)			
	Budget	Projected	Budget	Actual to date	Projected 2018/19	Variation (over) / under budget	(Over) / under spend	Slippage to future year	Spend in advance	
Parking Ticket Machine Renewal	1,700	1,700	1,150	-	1,042	108	-	108	-	xix
Hastings and Bexhill Movement & Access Package	9,643	9,643	1,913	68	1,038	875	-	875	-	xx
Eastbourne/South Wealden Walking & Cycling Package	7,450	7,450	805	138	693	112	-	112	-	xxi
Hailsham/Polegate/Eastbourne Movement & Access Corridor	2,350	2,350	600	15	224	376	-	376	-	xxii
Terminus Road Improvements	8,250	8,250	6,481	1,027	5,981	500	-	500	-	xxiii
Eastbourne Town Centre Movement & Access Package	3,000	3,000	-	-	-	-	-	-	-	
A22/A27 Junction Improvement Package	1,500	1,500	-	-	160	(160)	-	-	(160)	xxiv
Other Integrated Transport Schemes	37,101	37,101	3,037	763	2,791	246	-	246	-	xxv
Community Match Fund	1,500	1,500	200	132	200	-	-	-	-	
Exceat Bridge	2,633	2,633	447	4	370	77	-	77	-	xxvi
Queensway Depot Development	1,586	1,586	1,318	44	244	1,074	-	1,074	-	xxvii
Hailsham HWRS	97	97	97	-	-	97	-	97	-	xxviii
Core Programme - Highways Structural Maintenance	236,113	236,113	21,873	6,673	21,873	-	-	-	-	
Core Programme - Bridge Assessment Strengthening	13,310	13,310	1,000	339	1,285	(285)	-	-	(285)	xxix
Core Programme - Street Lighting - Life Expired Equipment	10,133	10,133	991	290	1335	(344)	-	-	(344)	xxx
Core Programme - Rights of Way	2,130	2,130	410	227	410	-	-	-	-	
Total CET	616,494	616,205	69,054	6,738	61,198	7,856	289	8,356	(789)	

Governance – Q2 2018/19

Summary of progress on Council Priorities, issues arising, and achievements

Reconciling Policy, Performance and Resources (RPPR) – Cabinet, on 17 July 2018, agreed to the development of a Core Offer, which will detail the services the Council can realistically provide with the funding available, and a revised Medium Term Finance Plan (MTFP). The Government's Budget was announced on 29 October 2018; and the local government settlement announcement, due on 6 December 2018, will be for the fourth and final year of the four year financial settlement which was agreed in 2016/17. Implications of these will be considered as part of the RPPR process for 2019/20 onwards. The Annual Report, which highlights the Council's progress against our priorities in 2017/18, was published in September 2018. The draft Portfolio Plans for 2019/20 – 2021/22 will be reviewed by the new Scrutiny Committee RPPR Boards in December before publication in March.

Transport for the South East (TfSE) – TfSE has now received the £1m grant awarded by the Department for Transport to fund the development of its Transport Strategy. Following a competitive tendering exercise the contract was awarded to Steer/WSP.

At the Shadow Partnership Board meeting on 17 September 2018 a workshop took place to consider the legal powers that TfSE should seek as part of its Proposal to Government to secure statutory status. A Member working group has been established to advise the Shadow Partnership Board on the development of the proposal. Staff have been appointed to an interim staff structure that will provide the resources necessary to drive forward the Proposal to Government and the development of the Transport Strategy. The staff structure is to be funded from contributions raised from the constituent authorities. TfSE exhibited alongside the three other Sub-National Transport Bodies in a Regional Hub at Highways UK on 7 and 8 November 2018.

Corporate Lobbying – Throughout Q2 we continued to actively lobby Government with the assistance of our MPs for recognition of the distinctly challenging financial situation the Council faces and the need for transitional funding:

- The Leader of the Council met with one of James Brokenshire's (Secretary of State for the Ministry of Housing, Communities and Local Government (MHCLG)) Special Advisors in August to set out what the Council needs to manage local pressures and remain financially sustainable.
- Following the meeting, the Special Advisor visited East Sussex to understand more about the particular local conditions contributing to our funding deficit and to explore options for increasing funding for the Council.
- The Leader also met with Kelly Tolhurst, MP, Assistant Government Whip and Minister for Small Businesses – to brief her on the Council's financial situation.
- The Leader and Chief Executive continued to meet with local MPs regularly, to discuss local issues and explore all avenues available to make our case for additional funding to the Treasury. As a result, Matt Hancock (Secretary of State for Health and Social Care) will visit East Sussex to find out more about the work we are doing on health and social care integration and the significant demographic pressures we face.
- Chief Officers met with a number of senior civil servants to discuss emerging policy and its impact on East Sussex and raise awareness across Government of the need for additional funding for authorities like the Council.
- We continued to work with others in the sector to make the strongest case possible for additional funding for Local Government. For example, throughout the summer, working with the County Councils Network, we achieved national press coverage of the financial crisis facing all local authorities.
- We continued to refine our messages and review all opportunities for lobbying presented by national developments, including in Parliament.

Supporting democracy – During Q2 we supported 39 meetings, including: one County Council meeting; two Cabinet meetings; nine Lead Member meetings; eight Scrutiny Committees and Review Boards; and 19 other committees and panels. In addition, 68 school admission appeals were received (a slight increase on Q2 2017/18).

The number of unique page views on the dedicated Members' Intranet site in Q2 was 1,279.

Following the first meetings of the Council's new Scrutiny Committees, several potential Scrutiny Review topics have been progressed. Support has been provided for Members to undertake more detailed initial research in order to assist the development of key lines of enquiry and terms of reference for full Scrutiny Reviews. Indications are that the new Committees are generating a more varied work programme of Scrutiny Reviews, Reference Groups and agenda items, and an overall increase in Member engagement. In Q2, the Members' ongoing training programme focussed on support for the new scrutiny arrangements, including arranging topic specific briefings on request. Information on the full range of available training opportunities has been provided on the Members' Intranet.

The East Sussex School Appeals Service continues to be in demand, with additional schools approaching the team to take up the service. Additional development work is being undertaken on the team's digital appeal management system, with the goal of delivering both further efficiencies and improvements in customer service. Options for

providing the appeals management system to other local authorities are also being explored.

Legal Services – The Orbis Public Law (OPL) Interim Leadership Team have been collating and analysing data to give a thorough understanding of: the current staff resources and skill levels across OPL; work volumes, current and expected, including work type and complexity levels; and current working arrangements and systems. An assessment of practice and procedures is being carried out, identifying what we do well and what we don't, and we are looking at any gaps in resources, including workforce expertise and skills, particularly where external legal work is bought in. We will then start work on designing the structure of the service we are aiming to implement in 2019/20.

OPL is also creating a single version of its digital case management system, which is currently hosted separately by the four OPL partners. This will facilitate legal work files being shared between partners and over five years will deliver a combined saving of £68,572. OPL plans to have the single system in place for April 2019.

During Q2 we represented Trading Standards in the prosecution of a restaurant for serving a dessert containing nuts to a young boy with a severe nut allergy, causing him to be hospitalised. The Judge ordered the defendant to pay fines and costs totalling £2,159. We also represented Trading Standards in a counterfeit tobacco prosecution where the defendant was sentenced to 24 weeks custody suspended for 18 months and ordered to pay costs of £1,297.

We carried out two blue badge prosecutions, with fines and costs totalling £1,135; and 123 education prosecutions. We continued to defend civil claims received against the Council, including a claim for personal injury which was discontinued following our application that the claimant's case was fraudulent.

We completed four S106 Agreements, including a complex agreement for the Lower Hoddern Farm Development in Peacehaven which includes provision for affordable housing, as well as four S278 and two S38 Agreements. These secured contributions of £50,000 for the Council. During Q2 we collected debts totalling £179,923 and agreed repayment plans totalling a further £21,308.

We continued to advise and represent Children's Services in relation to vulnerable children both for pre-proceedings and court applications with the ultimate aim of keeping children with their families if it is safe to do so. A significant percentage of cases are able to conclude with placement with family and friends, supported by the local authority. The number of care proceedings court cases being issued has increased from 17 in Q1 to 28 in Q2.

During Q2 we had 15 contentious vulnerable adult cases and 32 Community Deprivation of Liberty Safeguards (DOLS) applications in the Court of Protection. Demand for DOLS applications remains high and we have worked with Adult Social Care (ASC) to design and develop a 'toolkit' to support ASC staff in preparing their DOLS cases.

Coroner Services – In Q2, on average 175 deaths per month were reported to the coroner, a slight decrease on previous months. 40% of these deaths required a post mortem, and 86 (16%) of these require an inquest. In the same period 57 inquests were closed.

The availability of pathologists is an ongoing risk; with visiting pathologists covering long term sickness at the Conquest hospital. The Council continues to work closely with the East Sussex Hospital Trust's Mortuary Managers and the Senior Coroner to manage the risk.

Regulation of Investigatory Powers Act (RIPA) – In Q2 there were no RIPA authorisations for directed surveillance.

Local Government Ombudsman complaints – 21 decisions were issued in Q2 and of these, seven were closed before a full investigation. The Ombudsman referred one of these seven back to the Council to conduct a Stage 3 Children's Services complaint. Of the 14 fully investigated, seven were closed with no fault and the following seven were closed with the complaint partly or fully upheld:

Adult Social Care (ASC) – Financial Assessment: The Council was at fault for failing to consider all of the complainant's housing costs when undertaking a financial assessment. We agreed to provide a written apology and to complete a financial reassessment, refunding any financial loss incurred as a result of the original assessment.

ASC – Financial Assessment: The Council was at fault for failing to properly consider disability related expenditure (DRE) during a financial assessment and for operating an inflexible DRE policy that required receipts, without room for discretion. We agreed to provide a written apology to the complainant, to undertake a further financial assessment, and to make payments of £750 to reimburse expenditure met from the household budget and for recognition of the time and trouble resulting from pursuing the complaint. We also agreed to review our policy and processes on DRE.

ASC – The Council was at fault for failing to provide sufficient information to enable the complainant to make a fully informed decision when her husband's nursing home closed and she had to find another suitable home. We agreed to reimburse £5,842 in fees that the complainant had paid and to apologise for any distress experienced.

Children's Services (CS) – Transport Assistance: The Council was at fault for failing to properly consider the safety of the walking route to school for the complainant's disabled son. We agreed to walk the route with the complainant in order to reassess its safety and have subsequently agreed to provide free school transport from September 2018 and to reimburse the complainant £1,250 of petrol costs.

CS – School Admissions: The Council was at fault for delegating to a school, the decision as to which year group a child should enter during an in-year admission – the Council should have made the decision. We agreed to issue an

apology and pay £700 compensation. We also agreed to review our processes for in-year admissions to ensure that we make a best interest decision in accordance with the Admissions Code where a parent makes a request for their child to be educated in a different year group.

CS – Education Health and Care Plan (EHCP): The Council was at fault for failing to manage the complainant's expectations when she anticipated an early transfer for her child to an EHCP and for not giving her formal notification of the EHCP transfer review meeting. We agreed to apologise for the distress caused by this, to review our processes and to consider issuing a formal notification of meetings to parents.

CS – The Council was at fault for the way it handled a non-attendance referral, when we were made aware of bullying allegations. This case was the subject of a public report which was considered by the Governance Committee on 26 June 2018. We have written to apologise for the distress caused.

Effective publicity and campaigns – A countywide campaign to increase recycling by 1% was launched in July in partnership with district councils (except Lewes), using social media adverts and posts to increase knowledge about the role a household can play in reducing waste. Results from this first phase showed the adverts had a reach of more than 140,000 people and there were 524 extra visits to the recycling web page than in Q1.

Eight new providers of supported lodgings for young adults have been recruited, and 11 more are in the pipeline, since the start of an integrated marketing campaign. The campaign included local media and magazines, bus stop adverts, radio, and social media, and resulted in almost 6,000 visits to the supported lodgings webpage.

Media work – The press office dealt with 246 media enquiries during Q2 and there were 618 media stories about the Council, 455 of which were positive or neutral. We issued 35 press releases, which resulted in 128 media stories.

Web activity – A new website, Your East Sussex, saw 10,000 new users by August and helped to add 516 new subscribers to our digital newsletter for residents. Engagement with the newsletter was also high with an open rate of 59% and a click rate of 24% (10% is considered a good click rate for newsletters). Together the website and newsletter are part of the digital replacement of the printed Your County magazine, which has been discontinued.

Third Sector support – During Q2 3VA worked with Library Services to deliver an information day for five community libraries, who have said they would like to set up a virtual network to support each other.

SpeakUp is working to consolidate mechanisms for better connecting the locality/community networks, priority themes and areas of work from the eight networks. SpeakUp and East Sussex Better Together (ESBT) colleagues have finalised production of a joint "collaboration toolkit" to be rolled out across the county over the next few months. The toolkit aims to help partners navigate the governance and partnerships that help to deliver ESBT objectives, so that all organisations that play a part in the health and care system can contribute effectively.

The process for procuring a Civic Crowd Funding Platform provider has been completed and we hope to announce the preferred bidder in Q3. The first meeting of the Advisory Group took place in September, with the group agreeing to work with the new provider once the contract has been signed.

South East 7 (SE7) – Work in Q2 concentrated on establishing a list of priority areas for the SE7 to focus its future lobbying and representative work. The priorities (delivering continued sustainable economic growth in the South East, fair funding and building a society that works for all people of all ages) were reported to the October SE7 Leaders' Board meeting where they were agreed and will inform the partnership's work going forward.

Further preparation for the partnership's meeting with Lord Henley, Minister for Local Industrial Strategies, also took place in Q2. The meeting, in mid-October, will be an opportunity to set out the SE7 authorities' track record on delivering local growth and what more could be achieved with targeted support from the Minister and his Department. The SE7 Chief Executives' Group continue to meet regularly and senior civil servants from the MHCLG attended the September meeting to consider a range of topics including the steps the Ministry can take to secure the financial sustainability of local authorities.

World War 1 (WW1) commemorations – In Q2, 17,806 users viewed the East Sussex First World War website 30,417 times. This was a 44% increase in users and a 38% increase in views on Q2 2017/18.

The fourth and final Victoria Cross commemorative paving stone, dedicated to local soldier Private Claude Nunney VC, was unveiled by the Lord Lieutenant of East Sussex at the Hastings War Memorial in Alexandra Park on 2 September 2018. Just under 100 guests attended the unveiling ceremony, organised by the project, in partnership with Hastings Borough Council, including family descendants, representatives of the Canadian High Commission, veterans associations and local civic dignitaries. There was significant local press coverage of the ceremony.

We added eight new stories to our website in Q2, including one on Claude Nunney VC and one on the final months of the First World War. We also celebrated our four year anniversary and in addition to publishing our anniversary story summarising the project's achievements in the past year, we published the remaining local WW1 newspaper editions digitised by the project. The website has now published 255 stories and events, with 65% submitted by the public.

With the end of the First World War centenary approaching the project has begun to wind down, with the website and Twitter continuing to operate semi-actively until the end of November 2018. Plans are also underway to archive the

website and the wealth of resources that have been contributed by the public over the last four years.

Health and Wellbeing Board (HWB) – The HWB completed a questionnaire on the review of the board over the summer and a workshop was held on 12 October 2018, with board members and other interested parties, to discuss practical ways to make the HWB more successful. A set of proposals will be shared with the group at the December HWB based on the commentary at the workshop.

Revenue budget summary – The net budget of £7.217m is expected to underspend by £100k. In Corporate Governance this is mainly due to staff vacancies (**ref i**). In Corporate Support there is additional income (**ref ii**).

Performance exceptions
(See How to read this report for definition)

Performance measure	Outturn 17/18	Target 18/19	18/19 RAG				2018/19 outturn	Note ref
			Q1	Q2	Q3	Q4		
There are no Council Plan targets								

Savings exceptions

(Projected - Red = will not be delivered but may be mitigated; Amber = on track to deliver but not in the year (& may be mitigated); Green = on track to deliver in the year)

Service description	Q2 2018/19 (£'000)				Note ref
	Target	Achieved	Slipped	Unachieved	
Savings					
Communications	54	54	-	-	
3rd Sector	30	30	-	-	
Legal Services (slippage from previous year)	25	25	-	-	
Total Savings	109	109	0	0	
Variations to Planned Savings					
	-	-	-	-	
Permanent Variations	0	0	0	0	
Total Permanent Savings & Variations	109	109	0	0	
	-	-	-	-	
Temporary Variations	0	0	0	0	
Total Savings with Variations	109	109	0	0	

Revenue budget

Divisions	Planned (£000)			Q2 2018/19 (£000)						Note ref
				Projected outturn			(Over) / under spend			
	Gross	Income	Net	Gross	Income	Net	Gross	Income	Net	
Corporate Governance	5,213	(669)	4,544	5,168	(672)	4,496	45	3	48	i
Corporate Support	2,939	(266)	2,673	3,099	(478)	2,621	(160)	212	52	ii
Total Governance	8,152	(935)	7,217	8,267	(1,150)	7,117	(115)	215	100	

Capital programme

Approved project	Total project – all years (£000)		2018/19							Note ref
			In year monitor Q2 (£000)				Analysis of variation (£000)			
	Budget	Projected	Budget	Actual to date	Projected 2018/19	Variation (over) / under budget	(Over) / under spend	Slippage to future year	Spend in advance	
No current programme for Governance	-	-	-	-	-	-	-	-	-	
Total Governance	0	0	0	0	0	0	0	0	0	

Strategic Risk Register – Q2 2018/19		
Ref	Strategic Risks	Risk Control / Response and Post Mitigation RAG score
12	<p>CYBER ATTACK</p> <p>The National Cyber Security Centre (NCSC) has highlighted the substantial risk to British web infrastructure with elevated levels of Cyber Crime being reported against all areas of government. Cyber-attacks often include multi vector attacks featuring internet based, social engineering and targeted exploits against hardware, software and personnel. The remote nature of the internet makes this an international issue and an inevitable risk. Examples of the impact of a Cyber Attack include:</p> <ul style="list-style-type: none"> • Financial fraud related to phishing of executives and finance staff; • Loss of Personally Identifiable Information and subsequent fines from Information Commissioner's Office (4% of global revenue under the new General Data Protection Regulations); • Total loss of access to systems that could lead to threat to life. <p>A successful cyber-attack can shut down operations - not just for a few hours, but rather for multiple days and weeks. The collateral damage, such as information leaks and reputational damage can continue for much longer. Added to that, backup systems, applications and data may also be infected and therefore, of little usable value during response and recovery operations - they may need to be cleansed before they can be used for recovery. This takes time and consumes skilled resources reducing capacity available to operate the usual services that keep the Council working.</p>	<p>Most attacks leverage software flaws and gaps in boundary defences. Keeping software up to date with regular patching regimes; continually monitoring evolving threats and re-evaluating the ability of our toolset to provide adequate defence'. Ongoing discussion and communication with the Info Sec industry to find the most suitable tools and systems to secure our infrastructure.</p> <p>Expanding Security Information and Event Management (SIEM) system capabilities to align with SCC and leverage latest standards of automation, detection and prevention.</p> <p>Development of "Security Advocates". Trained staff that can cascade and share cyber security insights and highlight potential issues into the workforce. Promoting a visible approachable business based security team;</p> <p>Enhancing user awareness - Expanding E-Learning and policy delivery mechanisms to cover Cyber threat, educating staff around the techniques and methods used by active threats. With 77% of all malware installed via email, users to be given learning experiences of phishing at point of use in a safe and secure environment;</p> <p>Providing GDPR training and workshops to cascade vital skills and information to those affected by new Data Protection laws;</p> <p>ESCC servers moved to the Orbis Primary Data Centre for resilience – An accredited Tier 3 environment certified to these standards:</p> <ul style="list-style-type: none"> • ISO 27001 - IT Governance and Information Security Management • ISO 9001 - Quality Standard in Customer Service, Customer Processes, Product Process and Service, Efficiency and Continuous Improvement • ISO 14001 - Environmental Management and Best Practices for Corporate Environmental Responsibility. <p>Disaster Recovery services now to similarly be relocated to a Tier 3 Data Centre environment (Orbis Secondary Data Centre in Guildford).</p>

R

Strategic Risk Register – Q2 2018/19			
Ref	Strategic Risks	Risk Control / Response and Post Mitigation RAG score	
4	<p>HEALTH</p> <p>Failure to secure maximum value from partnership working with the NHS. If not achieved, there will be impact on social care, public health and health outcomes and increased social care cost pressures. This would add pressures on the Council's budget and/or risks to other Council objectives.</p>	<p>Implementation of East Sussex Better Together Programme by ESCC and Hastings and Rother CCG and Eastbourne, Hailsham and Seaford CCGs to transform health and social care in the county and deliver the Better Care Fund plan to improve outcomes for East Sussex residents, with robust governance arrangements reporting to County Council and Health and Wellbeing Board. In High Weald Lewes Havens the Connecting 4 You Programme has now been established to improve health and social care outcomes for residents. NHS England has applied formal directions to both NHS Hastings and Rother CCG and NHS Eastbourne, Hailsham and Seaford CCG which require them to develop and implement a financial recovery plan that contributes to achieving financial balance across the whole East Sussex system and ensures services are clinically sustainable as well as financially so. Leadership capacity, governance and wider capacity and capability of the CCGs will also be reviewed. Financial recovery will therefore be the focus of CCG and partnership attention for the rest of the financial year. The ambition of ESBT remains the same, however the pace of change will inevitably slow due to the need to achieve financial balance.</p>	R
5	<p>RECONCILING POLICY, PERFORMANCE & RESOURCE</p> <p>Failure to plan and implement a strategic corporate response to resource reductions, demographic change, and regional economic challenges in order to ensure continued delivery of services to the local community.</p>	<p>We employ a robust Reconciling Policy, Performance and Resources (RPPR) process for business planning. We have adopted a commissioning approach which means evaluating need and considering all methods of service delivery, which includes working with partner organisations to deliver services and manage demand. The Council Plan sets out targets for a 'One Council' approach to deliver our priorities and is monitored quarterly. The plans take account of known risks and pressures, including demographic changes and financial risks, to design mechanisms to deliver the Council's priorities. Central Government's plans for the future funding of local government services remain undeveloped. It is prudent therefore to continue to plan on the basis of current assumptions.</p>	R

Strategic Risk Register – Q2 2018/19		
Ref	Strategic Risks	Risk Control / Response and Post Mitigation RAG score
7	<p>SCHOOLS</p> <p>Failure to manage the expected significant reduction in resources for school improvement from 2017/18 and the potential impacts of changing government policy on education, leading to reduced outcomes for children, poor Ofsted reports and reputational damage</p>	<ul style="list-style-type: none"> • Work closely with schools to build a sustainable system across East Sussex, in order to ensure that the capacity and expertise is available to provide oversight of educational performance and to offer appropriate support and challenge where it is required. • Provide an opportunity for every school to be part of a local Education Improvement Partnership to support their ongoing improvement and for all partnerships to develop to the point where they provide a sustainable network through which all schools and other providers take responsibility for improvement in their local area. • Continue to develop commissioning model of school improvement including reviewing the level of trading by SLES to ascertain what is sustainable within reducing capacity and to identify core services that can be traded. • Continue to build relationships with academies and sponsors, including the Diocese of Chichester, ensure a dialogue about school performance, including data sharing. • Work with academies and maintained schools through the Education Improvement Partnerships to develop system leadership, school to school support and to broker partnerships to reduce pressure on SLES services. • Broker support to academies to address any performance concerns and investigate the feasibility of trading some LA school improvement services with all schools on a full cost recovery basis. • Where academies do not appear to be accessing appropriate support, bring this to the attention of the DfES, who may exercise their intervention powers. • Work with the Regional Schools Commissioner to ensure the work of the RSC and the LA is aligned and that schools have the support they need. • Review SLES activity in relation to our statutory responsibilities.

R

Strategic Risk Register – Q2 2018/19			
Ref	Strategic Risks	Risk Control / Response and Post Mitigation RAG score	
1	<p>ROADS</p> <p>Wet winter weather, over recent years has caused significant damage to many of the county's roads, adding to the backlog of maintenance in the County Council's Asset Plan, and increasing the risk to the Council's ability to stem the rate of deterioration and maintain road condition.</p>	<p>The additional capital maintenance funding approved by Cabinet in recent years has enabled us to stabilise the rate of deterioration in the carriageway network and improve the condition of our principle road network. However a large backlog of maintenance still exists and is addressed on a priority basis.</p> <p>The County Council's asset management approach to highway maintenance is maintaining the overall condition of roads, despite recent year's winter weather. However, severe winter weather continues to be a significant risk with the potential to have significant impact on the highway network. The recently approved five year capital programme for carriageways 2018/19 to 2022/23, and the six year additional capital programme for drainage and footways 2017/18 to 2022/23 provide the ability to continue to improve condition and build resilience into the network for future winter events.</p> <p>The past winter (2017/18) has been more severe than previous years. We gritted 52,584 km last year and gritted over 98,000 km this year. There were also two periods of snowfall this year. Whilst this was managed well it has led to an increase in carriageway potholes, which will put some additional pressure on the revenue budget as a result.</p> <p>Changes to the grass cutting policy could have an impact on the efficiency of the drainage system, with more material in the drains if it is not managed effectively.</p>	A
13	<p>DEDICATED SCHOOLS GRANT</p> <p>Failure to manage the loss of flexibility in the allocation of the Dedicated Schools Grant and High Needs (HN) Block funding and the potential increased risk to the Council's budget.</p>	<p>The County Council has agreed an approach to mitigate and fund DSG reductions.</p> <p>Through the RPPR process, and building on previous work to offset DSG reductions, funding to offset expected reductions to the highest risk areas has been planned over the next 3 years.</p> <p>For HN block in particular, a significant amount of work has been undertaken, working with schools, to reduce the pressure in this area. The funding of DSG reductions as described above, will also help with this.</p> <p>The on-going RPPR process will continue to part-mitigate this risk.</p>	A

Strategic Risk Register – Q2 2018/19			
Ref	Strategic Risks	Risk Control / Response and Post Mitigation RAG score	
8	CAPITAL PROGRAMME As a result of current austerity, the capital programme has been produced to support basic need only and as a result of this there is no resource for other investment that may benefit the County e.g. that may generate economic growth. Additionally there is a risk, due to the complexity of formulas and factors that impact upon them, or changes in these, that the estimated Government Grants, which fund part of the programme, are significantly reduced. There is also a risk that the move from S106 contributions to Community Infrastructure Levy will mean that Council has reduced funding from this source as bids have to be made to Districts and Boroughs. Slippage continues to occur within the programme, which has an impact on the effective use of limited resources.	Governance arrangements have been reviewed and developed with Property for the delivery of Schools Basic Need and capital property works in support of the robust programme delivery of the basic need programme. The Education Sub Board, which in part focuses on future need for schools places, continues to inform the Capital Strategic Asset Board of key risks and issues within the School Basic Need Programme. Regular scrutiny by the Capital Strategic Asset Board, of programme and project profiles (both in year and across the life of the programme) occurs on a quarterly basis. Financial regulations have been updated to reflect the revised governance arrangements. The Board also proactively supports the seeking and management of all sources of capital funding, including; grants, S106, CIL, Local Growth Fund and European grants. A working group has been set up to develop the process for bidding for CIL and work continues with Districts and Boroughs to maximise the Council's receipt of this limited resource. There continues to be Finance representation at the cross departmental Local Growth Fund Oversight group. A review is underway to strengthen capital programme reporting and project profiling with a view to driving down the amount of slippage within the capital programme. Actions from this review will be implemented across Q2 and Q3.	A
9	WORKFORCE Stress and mental health are currently the top two reasons for sickness absence across the Council, potentially leading to reduced staff wellbeing, reduced service resilience, inability to deliver efficient service and / or reputational issues.	The 2018/19 Q1+2 sickness absence outturn for the whole authority (excluding schools) is 3.97 days lost per FTE, a decrease of 4.3% since the same period last year. Although stress/mental health remains the primary reason for absence during Q1+2, time lost due to stress/mental health during this period fell by 16.2% compared to Q1+2 last year. A range of initiatives to address stress/mental health absences have been implemented, including: • Funding has been agreed to train 80 Mental Health First Aiders across the organisation. • Managers 'Mental Health Awareness' workshops have now been introduced as part of the corporate training programme. • the Return to Work forms are being developed to include more guidance for managers on mental health conditions • In addition, targeted training sessions from HR, OH and Firstcare have been ongoing in order to provide guidance for managers with high level of stress in their teams.	A
10	RECRUITMENT Inability to attract high calibre candidates, leading to limited recruitment choices and therefore lack of the expertise, capacity, leadership and/or innovation required to deliver services and service transformation.	An analysis of our current workforce demographics and recruitment and retention 'hotspots' has been completed and is being considered by CMT. Recommendations include establishing a short life task and finish group to specifically identify proposals for future attraction and engagement strategies in the context of the developing core offer and future workforce therefore required. In addition, a new staff benefits platform, 'My Staff Shop', launched in September 2018; the Relocation Scheme has been updated to be in line with the market and a new e-Recruitment system is due to be implemented during the early part of 2019.	A

Strategic Risk Register – Q2 2018/19			
Ref	Strategic Risks	Risk Control / Response and Post Mitigation RAG score	
6	<p>LOCAL ECONOMIC GROWTH</p> <p>Failure to deliver local economic growth, and failure to maximise opportunities afforded by Government proposal to allocate Local Growth Funding to South East Local Enterprise Partnership, creating adverse reputational and financial impacts.</p>	<p>The County Council and its partners have been successful in securing significant amounts of growth funding totalling £110m, via both the South East and Coast 2 Capital Local Enterprise Partnerships, to deliver a wide range of infrastructure projects in East Sussex. We have also secured outgoing EU funding for complementary economic development programmes supporting businesses to grow, including South East Business Boost, LoCASE, SECCADS and inward investment services for the county.</p> <p>The County Council is working with Wealden DC and developing a business case to secure Housing Infrastructure Funding (HIF) of approximately £30m. It will be submitted by March 2019. The aim is to accelerate housing development in Wealden, with the proposal if successful helping to unlock significant funding for county transport and school infrastructure improvements in one of our key Growth Corridors. The business case will also include an environmental mitigation package in recognition of the impact on the Ashdown Forest.</p> <p>Government is working on a new Shared Prosperity Fund, which seeks to combine growth funding and outgoing EU funding into one, and as a consequence we are working with partners to develop a pipeline of projects to ensure we are well-placed to capitalise when the fund is released, and calls for projects are issued.</p> <p>Government has also instigated a review of LEPs across the country, and we have contributed to the SE LEP response to Government to ask that the current SE LEP geography be retained.</p>	G

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Report to: Cabinet

Date of meeting: 11 December 2018

Report by: Director of Children's Services

Title: Annual Progress Report of Looked After Children's Services
1 April 2017 – 31 March 2018

Purpose: To outline the performance of the Looked After Children's Service
between 1 April 2017 to 31 March 2018

RECOMMENDATION: The Cabinet is recommended to note the contents of the report

1. Background

The Annual Report is attached as Appendix 1. At present the full comparative national data is still not available and so an update will be provided to the next Corporate Parenting Panel meeting so that local performance can be assessed in that context.

2. Budget Implications

The services for Looked After Children (LAC) are supported via core funding from the CSA budget, a small proportion of the Dedicated Schools Grant and the Pupil Premium for additional education support for children.

3. Recommendations and Reasons for them

The Corporate Parenting Panel has reviewed and agreed the contents of the report. The Cabinet is recommended to note the report

Stuart Gallimore
Director of Children's Services

Contact Officers:
Teresa Lavelle-Hill, Head of Looked After Children's Services 01323 747197
Sally Carnie, Head of Looked After Children's Services 01323 747197

Local Members: All

BACKGROUND DOCUMENTS:

The following documents are referred to in Appendix 1:
Annual Progress Report of East Sussex Fostering Service 1 April 2017 – 31 March 2018
Annual Progress Report of East Sussex Adoption and Permanence Service 1 April 2017– 31 March 2018
Independent Reviewing Officer's Annual Report 2017 – 2018
Annual Progress Report of East Sussex Virtual School 1 April 2016 – 31 March 2017

1 Looked after Children Trend Data

1.1 On 31 March 2018 there were 606 Looked After Children (LAC) in ESCC; this represents an increase of 45 children (8.1%) as compared to 2016/17 and a rate of 56.9 per 10,000 population. This is just below the Income Deprivation Affecting Children Index (IDACI) expected rate (a measure in terms of population profiles and deprivation levels) of 57.2 and below the 2016 England rate of 60.3.

1.2 There is a strong link between rates of LAC and the rate of children subject to Child Protection (CP) Plans, with arguably some risk held at that lower level. The rate of children subject to CP plans has shown a sharp increase from 44.9 per 10,000 in 2016-17 to 52.9 per 10,000 in 2017/18. This is higher than the IDACI expected rate of 42.9 and the 2016 England rate of 43.1.

1.3 The LAC data only ever gives a snapshot of the children moving in and out of the system at a fixed date each month/year and considerable activity sits beneath it. The data below is referred to as 'churn'. This cohort of children will come in and out of the system within the year, or some may come in and stay whilst others leave. It has been calculated that the churn figure for 2017/18 is 153 which, when added to the total number of LAC, equates to the service working with 759 children. This total figure is higher than last year (733 children), but the churn rate was lower than for the previous years (175 for 2016/17, 185 for 2015/16).

1.4 There was an increase in admissions to care from 198 during 2016/17 to 212 during 2017/18. This increase was across all age groups. The number of 0-5 year olds admitted to care during 2016/17 increased from 98 to 104 in 2017/18, with an increase in admissions for 6-12 year olds from 44 in 2016/17 to 50 for 2017/18, and for children aged 13+ an increase from 56 for 2016/17 to 58 in 2017/18.

1.5 At year end there was a decrease in the number of LAC discharged from care, from 183 in 2016/17 to 164. The number of 0-12 year olds discharged from care also fell to 89 during 17/18 from 106 in 16/17. This was made up of 60 0-5 year olds and 29 were 6-12 year olds. There was also a slight decrease in the 13+ age group from 77 discharged in 2016/17 to 75 in 2017/18.

1.6 The trend for the last three years is showing a picture of an overall increase in the number of LAC worked with year on year. During 17/18 there was an increased number of admissions and fewer discharges across every age cohort. This means that with the higher number of children being admitted to care, a lower proportion of the overall cohort moved into alternative permanent options such as adoption, special guardianship or returned to their birth families. This produced a net increase of children in permanent or long term foster placements, and significantly fewer in the churn data. The increase was largely related to the changes in policy and practice both locally and nationally in relation to children who suffer neglect, and the application of the Southwark Judgement whereby teenagers can be offered or request section 20 accommodation and hence become LAC rather than being viewed as homeless.

1.7 The trend within the specialist disability children's and transition services has been a decrease in the number of LAC. At year end 2016/17 there were 43 LAC, which reduced to 34 at year end 2017/18. Throughout this period personal budgets were being offered to support families in a flexible way and 143 personal budgets were given to families assessed as requiring support, with the aim of preventing harm and family breakdown. Placement of disabled children made when they cannot remain within their families has largely mirrored proportionally that of non-disabled children, with an emphasis on placing close to home and in foster care wherever

possible, with fewer children being placed in residential homes and out of county placements. At year end there were 8 children placed full time within the in house disability residential provision. The number of children placed out of county has reduced year on year to 8 children. These represent a small number whose health needs cannot be met within a family setting, local school or a children's home. 6 of these children are funded jointly by health budgets in the context of significant health issues, for example uncontrolled epilepsy or occasionally due to extreme challenging behaviour. The transforming care agenda and other local solutions are anticipated to reduce this number still further as plans are formulated to meet the health needs of disabled children more locally.

1.8 In terms of UASC, at year end ESCC was caring for 20 children, 4 fewer than the previous year. These young people were mainly male and over 16, with an additional 10 having ongoing support needs as care leavers. These young people usually arrived in a clandestine way via Newhaven, or were found elsewhere in East Sussex. East Sussex also continued to accept UASC via the National Transfer Scheme. A small number of young people disappeared from care placements before age assessments could be completed to determine whether they were indeed children.

1.9 The end of year snapshot data showing LAC placements were as follows (2017 figures in brackets):-

with foster carers	470	(429)
Of these: in house carers	331	(304)
Kinship carers	46	(38)
Agency carers	93	(87)
Placed for adoption	26	(30)
In supported lodgings	27	(14)
ESCC children's homes	21	(23)
Agency children's homes	29	(25)
Agency special schools	0	(1)
Placed with parents	20	(23)
Independent Living	4	(7)
Youth custody/secure unit	5	(5)
Hospital/NHS establishment	1	(1)
Absconded	0	(0)

2. Fostering

2.1 On 31st March 2018 there were 494 children in foster care. 409 of these children were placed with in-house foster placements as compared to 392 in the previous year. This includes in-house 'parent and child' placements, children subject to Special Guardianship Orders placed with their former foster carers and those older young people remaining in their 'Staying Put' fostering placements through to independence. As a result of increased LAC numbers overall, the number of East Sussex LAC placed with agency foster carers increased from 64 children 2016/17 to 85 at the end of March 2018.

2.2 As in 2016/2017 East Sussex County Council (ESCC) continued to be challenged in the number of foster carers that could be recruited. This is a national issue with the 'National Stocktake' report, published at the end of this financial year, confirming that there was a national shortage of foster carers.

2.3 Of the 534 referrals received between 1st April 2017 and 31st March 2018, 437 resulted in placements being made or children matched with carers and 97 were ultimately not required. However, on the 31st March 2018 there were still 36 active referrals for LAC waiting to be matched with foster carers. This will include children needing respite and some children for whom a planned entrance to care is being

delayed whilst we look for a suitable placement. It became increasingly clear that the fostering market was struggling to respond to the level of demand and complexity that ESCC LAC were presenting and thus that a search for an agency placement was not a solution to a lack of placement in house.

2.4 ESCC Fostering Service recruited 19 households offering 37 placements in 2017/18 compared with 21 households in 2016/17 offering 50 placements. 1 of these households was a transfer from an Independent Fostering Agency (IFA) with both an ESCC LAC and a West Sussex LAC in placement at the point of transfer. A further 12 assessments were allocated and booked for presentation to the Fostering Panel but did not progress to completion. This was due to changes in personal circumstances, insufficient evidence or information provided at Stage 1, and in 2 cases there were family members who did not wish to be assessed and approved as foster carers. However, there were 13 fostering assessments still in progress at year end compared to 6 at year end in the previous year. Overall when the recruitment figures were combined with the retention data, ESCC had a net loss of 4.3%. This compared well with the last available national benchmarking data which was published in 2015/16 and set the national figure at a 12% loss.

2.5 East Sussex Supported Lodgings provision has continued to be an invaluable resource for LAC, Care Leavers and homeless young people. In 2017/18 the Supported Lodgings service benefitted from Corporate Transformation funding for the Housing and Accommodation project to extend housing options for Care Leavers and homeless young people. As a result of this funding, the service has reviewed its recruitment strategy to maximize the potential of all applicants applying to the service, and encouraged people with a wide range of differing skills and experiences to apply.

2.6 From June 2017 to the end of March 2018, 61 Care Leavers (85%) and 11 16/17 year old vulnerable homeless young people (15%) were placed with Supported Lodgings providers. In addition providers were encouraged to extend their approval potential to take more parent and child, emergency duty and complex placements. As of 31st March 2018 there were 38 Supported Lodgings households providing a total of 62 placements across the county. In addition there were 9 new approvals, providing 12 additional beds.

Further detail is included in the Fostering Service Annual Report 2017-18.

3. Physical and Mental Health

3.1 Notifications to the CCG (Designated Nurse LAC) of entry into care have shown a significant improvement in timeliness through 2017/18.

East Sussex LAC KPIs – LAC Medical team	1 st Qtr	2 nd Qtr	3 rd Qtr
Initial Health Assessments			
ESCC Notifications of Entry to Care (requiring IHA)	43	60	42
ESCC Notifications received within 5 working days of entering care	17	46	36
% received within 5 working days of child entering care	40%	77%	86%

However, sometimes an appointment was delayed as consents and essential paperwork took a variable time to be sent to the medical team. In the last quarter only **12.5% (8/64)** referrals (including Notification, consents and essential paperwork) had been received within 5 days of a child entering care. This significantly impacted on the ability of the LAC medical team to see children within statutory timescales.

However further discussion is ongoing with health colleagues because it is often not possible to apply the 'Gold Standard' of having signed parental consent to a medical or which allows access to parental health records. Unsurprisingly parents can often refuse to sign and provide consent of any kind. Further work is underway to try and address this and improve the rate of timely health assessments.

3.2 The delays in a child being seen within 28 calendar days of entering care have been identified jointly and are being addressed by the LAC health operational group (ESHT and ESCC) that was set up when the contract moved back to ESHT. ESCC have now developed a robust IHA tracking system which, in collaboration with EHST colleagues, is giving a clearer picture of where delays occur and an ability to track all IHAs that were due for children entering care in any given month.

3.3 Review Health Assessments (RHAs) were initiated by the LAC Nurse team with requests for consent and paperwork from social care 3 months prior to an assessment being due, following this up as necessary with repeat requests at intervals. This resulted in the high percentage of assessments within timescales. This process was, however, burdensome for clinical staff and was affecting nurses' time and impacting on their ability to attend LAC reviews or to follow up on health care plans. Therefore from April 2018 the process of requesting a RHA is now initiated by social care. This process is still bedding in but it is anticipated that this will resolve the clinical issues.

3.4 Over the year to March 2018, the LAC nursing team undertook 386 RHAs. 61 of these were commissioned by other Local Authorities (child placed in East Sussex) and 10 were for children who were Looked After by ESCC but placed across the border (within travelling distance). In total 56 young people declined a review health assessment.

East Sussex LAC KPIs - LAC Nursing team	1 st Qtr	2 nd Qtr	3 rd Qtr	4 th Qtr
Review Health Assessments				
Number of RHAs completed by LAC nursing team	70	86	79	78
Number of young people declining a RHA	9	18	13	16
RHA of Primary children within 12 months of IHA or previous RHA	26/28	40/43	36/40	-
RHA of Secondary children within 12 months of IHA or previous RHA	34/34	29/31	29/30	-
RHA of 16 + young people within 12 months of IHA or previous RHA	7/8	11/12	6/9	-
Overall % RHA, for over 5 years, within timescales	96%	93%	90%	-

3.5 There is a particular challenge in commissioning both statutory health assessments and secondary health care (including CAMHS) for children placed out of area as processes are often complex and different areas have a variety of arrangements with providers. The IHAs for East Sussex children and young people placed out of area over the year were invariably delayed unless a young person was brought back to be seen by the local LAC medical team within East Sussex. The LAC nursing team will cover RHAs for all children placed within a reasonable distance in order to avoid delay. Young people placed in Brighton and Hove travel back into East

Sussex for IHAs due to a variation in provision in that area. The LAC health teams participate in a regional NHS England network and this participation, together with the increasing collaboration with LAC health teams from neighbouring authorities, is beginning to address these concerns.

3.6 The LAC Mental Health Service (LACMHS) received 52 new referrals during 2017/18, all but 3 of which were accepted and an initial consultation was offered. The 3 which were not accepted were due to the referrals not meeting LACMHS criteria (e.g. no care plan for permanence). A number of children were also seen urgently due to the severity of the symptoms they presented, such as suicidal thoughts and/or serious self-harm, depression or psychotic symptoms. In addition, there was also a cohort of LAC in receipt of on-going therapeutic support such as individual therapy, dyadic therapy (child and carer together), systemic therapy and/or consultation to the foster carer and network. Over the year 2017/18 this ranged between 72 and 79 LAC at any one time. LACMHS also provided:

- One Therapeutic Parenting Group (working with 10 carers of 8 young people, their social workers and supervising social workers)
- Two Therapeutic Parenting Groups provided to the residential staff of Homefield, Brodrick House and Hazel Lodge
- Weekly consultation to staff at Homefield, Brodrick House and Hazel Lodge.
- Weekly consultation to the Through Care Team
- Monthly 'drop in' surgeries to the Fostering Service and each of the three LAC teams
- Mental health services commissioned by NHS England to Lansdowne Secure Unit, including sessions of a child and adolescent psychiatrist, a clinical psychologist, and a mental health nurse. One Therapeutic Parenting Group for LSU was also completed in April 2017.

3.7 LACMHS continued to work in close collaboration with its partner agencies to provide a service for children with a care plan of permanent placement away from their birth family. The response to new referrals continued to be prompt (e.g. a risk assessment being provided within one week) and ongoing therapeutic work was highly valued by all partners. The challenge for LACMHS has been the increased complexity of children within the LAC cohort, and the consequent demand for intensive ongoing support to the child/young person and their networks. The impact of this on service delivery meant that the waiting time for ongoing therapeutic interventions for some children was longer than the service would have wanted.

4. Adoption and Permanence

4.1 Supporting Information

	2014/2015	2015/2016	2016/2017	2017/8
1. Number of children adopted	43	45	38	29
2. Number of adoption matches (children)	56	32	38	30
3. Number of permanent fostering matches (children)	7	10	14	5
4. Number of East Sussex adoptive matches (children)	33	26	30	30
5. Number of ASE adoptive matches (children)	6	0	0	0
6. Number of inter-agency matches (children):				
Permanence:	3	2	0	1
Adoption:	17	6	8	6

7. Number of prospective adopters approved (households)	50	41	30	25
8. Number of permanent carers approved (households)	4	2	1	3
9. Number of children approved for adoption up to 31 st March 2017 (including 2 re-approvals)	43	53	52	69
10. Number of children approved for permanence up to 31 st March 2017	26	14	32	24
11. Number of approved adopters waiting to be matched	20	22	20	12
12. Number of disruptions presented to Panel:				
Permanence:	0	0	0	0
Adoptions:	0	1	0	1

4.2 In 2017/18 there was a sharp increase in the number of children with a plan for adoption (ADM) from 52 children in 2016-2017 to 69. Within this group there were 2 large sibling groups of 6 and 5 respectively, plus a sibling group of 3 and 8 sibling pairs. Of the single children between the ages of 0-2 years, a number of them had significant complex medical needs and developmental delay. This cohort of children was particularly challenging in terms of family finding.

4.3 Despite the increased numbers of children approved, there were a number of plans changed unexpectedly which caused some delay, this was primarily due to late removal from the family home or to medical and legal complications. Nonetheless 30 matches were completed this year which was largely consistent with previous years.

4.4 During 2017/2018 the Adoption Service received 198 household enquiries, 81 households attended information events and 43 households registered their interest in adoption. The conversion rate from information event to registration remained high but unfortunately only 25 adopters were approved by the year end, this was a drop of 5 on 2016/2017. This was in part due to a significant number of the applicants having far more complex histories than the service had traditionally received. A number of assessments could not be completed and resulted in the applications being paused, whilst others were counselled out of adoption completely. This is the second year when the number of adopters being approved was lower than expected, and this has had an impact on the family finding element of the Service.

4.5 The Government's regionalisation agenda has gained significant momentum in the past year with 5 pilot regions going live in autumn 2017, and a further 4 going live in autumn 2018. ESCC is committed to the Adoption South East (ASE) partnership which submitted a bid earlier in the year. This proposal was accepted by the DfE who awarded a grant of £750k to explore the first stages of the development.

4.6 The adoption CAMHS service, AdCAMHS, has continued to offer a dedicated therapy and consultation service. The unique partnership model enabled clinicians and adoption social workers to think together to consider the therapeutic needs of children and their adoptive families. Undoubtedly the service contributed to the increased stability in adoption, promoted positive attachments and ultimately helped to prevent adoption breakdown for some families. Due to the limited clinical resource the service has considered therapists offering more consultations to social workers and doing less of the direct work, which could be bought in via the national Adoption

Support Fund (ASF). AdCAMHS was offering therapeutic support to 64 children at year end.

4.7 The demand for an assessment for post adoption support has continued to rise. With the increased placement of children with complex needs, older children and sibling groups this has significantly raised the challenge of adequately supporting these families in the longer term. Some of the most complex family situations required the service to coordinate multidisciplinary approaches. In these situations it was essential that the service worked closely with colleagues in the wider social work teams to manage risk and safeguarding concerns which at times lead to the use of Child Protection Plans, or to children being readmitted to the care system. In addition, there were an increased number of adopters who requested respite due to the complexities of their adopted children and the impact of their presenting behaviours on the family.

Further detail is included in the Adoption Service Annual Report.

5. Residential Services

5.1 Most of the children's homes have again received positive inspection outcomes from Ofsted during 2017/18. Brodrick Road maintained Outstanding overall, with Hazel Lodge and Homefield Cottage achieving an overall rating of Good. This is a real credit to the managers and staff teams within the homes as they care for the most challenging and complex young people who are unable to remain living in foster homes. Lansdowne Secure Children's Home was also judged to be Good overall in July 2017 with Outstanding in outcomes for education and related learning activities with a judgement of Improved Effectiveness in the interim inspection (which Secure Children's Homes are subject to regardless of their full inspection judgement) in February 2018. In relation to the disabled children's homes the Bungalow received a judgment of Requires Improvement in December 2017. Acorns received an Ofsted judgement of Good in August 2017.

5.2 Homefield Cottage is registered for 4 children of single gender (female) with behavioural and emotional difficulties between the ages of 11-18 years, it is located in a residential area of Seaford. The home had a very challenging mix of young people towards the end of the year, resulting in damage to the fabric of the home and assaults on staff. However, those young people were moved to different placements and a period of redecoration has since improved the appearance of the home allowing new placements to be planned for the coming months.

5.3 Brodrick Road is registered for 4 children of either gender with emotional and behavioural difficulties between the ages of 8-18 years, it is located on a residential road in Hampden Park, Eastbourne. The home has cared for some very challenging young people and has been able to offer very supportive and positive outreach support to young people returning to their birth families or to move on accommodation options aged 16+. Those who have moved on have been replaced by young people with equally complex and demanding needs but the staff team have ensured that they all have their particular needs met.

5.4 Hazel Lodge is registered for 4 children of either gender with emotional and behavioural difficulties between the ages of 11-18 years, it is located in a residential area in St Leonards on Sea and has maintained a reasonably settled group despite discharges and admissions during this period. Two residents were successfully returned to the care of their family, which was a really positive outcome for them. One resident unfortunately required admission to Lansdowne as a result of high risk involvement with local criminal groups and suspected county lines drug dealing.

5.5 Lansdowne has been granted £7.3 million by the DfE to expand the existing provision from 7 beds to 11/12 beds from March 2020. Work on the new extension will commence in October 2018. The new extension will contain a high dependency area which will meet the needs of those young people who have extremely challenging and complex behaviours and who need to be cared for away from the main group of residents for a time, until they can be integrated into the group. The work will make the home more adaptable and able to accept the types of referrals which are now being received from across the country. The management team will be planning additional recruitment of staff next year.

5.6 The Bungalow in Eastbourne continued to provide longer term care for severely disabled young people. It retained a relatively stable group of young people who would have been unable to live in a family environment, but who were enabled to remain close to their families with contact facilitated on site. The Bungalow team worked closely with the special schools to implement strategies for managing challenging behaviour and hopefully prevent breakdown of either the residential or the school placement. However, one young person was moved to a residential school due to her challenging behaviour which had become unmanageable in either the Bungalow or in the local special school.

5.7 Acorns in Bexhill provided regular overnight respite care for severely disabled young people. Despite this high level of support, some of the families were no longer able to care for their children and they moved in on a full time basis. Therefore Acorns managed a mixture of full time young people and those on respite. The strategy of reducing the number of disabled young people placed in residential schools, often out of county, meant that both units have managed some very complex and challenging behaviour during this period.

5.8 In relation to the children who receive a service from either The Bungalow or Acorns Unit there have been a range of specialist initiatives developed which include working with the transitions service to develop independence skills and move older adolescents onto adult placements at the age of 18.

6. Care Leavers Service

6.1 As a response to the Government's "Keep on Caring" strategy, the revised legislation and the appointment of a National Care Leaver's champion, ESCC undertook its own self-assessment of the service against the 10 'gold standards', which were developed from a range of sources including from the Ofsted framework, DfE data packs and the Children's Commissioner. The framework allowed ESCC to identify both its current strengths and the areas for development. The improvement plan for 2017/2018 formed the basis of a more sophisticated Local Offer which was drafted and consulted on with Care Leavers in March 2018. There remains some ongoing work for 2018 in relation to the formatting of the Offer and dissemination to young people and Corporate Parents. In addition, the opportunity for Care Leavers to return to the service for advice and guidance between the ages of 21 – 25 years is now embedded within local practice.

6.2 At the end of 2017/18, the service was working with 277 young people which was considerably higher than the 241 of the previous year. Of this cohort, 12 were under 16 compared to 13 in 16/17, 94 were 16 - 17 year olds (71 in 2016/17) and 171 18 - 24 year olds (157 in 2017/17). A significant proportion of these young people had highly complex behaviours with a range of challenging safeguarding issues. The introduction of the 'Through Care' model where younger LAC with chaotic challenging behaviours were referred to the service at an earlier stage has proved very beneficial for an increasing number of children. The aim of the pilot was to establish a relationship between the young person and a care leaving specialist to establish a more seamless transition into independence. This has worked well and

very positive feedback has been received from a number of key stakeholders. A Coramvoice survey was commissioned to take place in the autumn of 2018 and will pick up this feedback directly.

6.3 The Care2Work multi agency strategic board has implemented a range of developments designed to improve the skills of care leavers and to ensure a successful transition into education and employment. The action plan has been reviewed and updated until end of March 2019 to consolidate and embed the good practice already established.

6.4 As of 31st March 2018, of the children who were in continuous care for at least 12 months before sitting their GCSE examinations, 90% (56/62) of 16 – 17 year olds (year 12) were in education, training and employment (EET). This exceeded the target of 80% and is an improvement of 18% on last year's data. 87% (27/31) of 17 - 18 year olds (year 13) were EET, exceeding a target of 70% and showing an improvement of 16% on last year's data. Of all eligible care leavers, four young people secured University places for September 2017 and the target for the percentage of Care Leavers at University was exceeded by 3% (Target 10%-Achieved 13%).

6.5 During the spring of 2017 there were no 16 and 17 year old young people placed in bed and breakfast accommodation and no over 18 year olds placed in bed and breakfast accommodation by the local authority. This was possible because of the additional investment provided by the ESCC transformation fund to improve the accommodation offer for vulnerable young people.

The Project has remained focussed on the 5 key areas:

- Vulnerable young people including care leavers and homeless young people
- Increasing the numbers of supported lodgings providers
- Developing the market and undertaking specialist commissioning for supported semi-independent and independent accommodation
- Developing a 'Staying Close' provision to residential children's homes
- Developing a medium and high risk Crash Pad accommodation

6.6 Transition planning for LAC who are the most complex in terms of disability and who will continue to receive a service from ASC is managed by a specialist Transitions Team within Adult Social Care.

7. Performance

7.1 Although performance is set out in the grid below, the 2017/18 national data set has not yet been published by the DfE, therefore this section does not benchmark the performance of ESCC against other local authorities or statistical neighbours for 2017/18. Despite there being a higher rate of LAC per 10,000, there have been some real improvements in performance in relation to adoption timeliness, placement moves and stability for children and suitable accommodation for Care Leavers, with good performance being maintained in the majority of other areas. There has been a dip in performance for young people aged 19-21 who were in education, employment or training. However, this is snapshot data and the other indicators in relation to employability of older LAC and Care Leavers remains well above the South East and national average. A specific report from the Virtual School will be available later in the year when educational outcomes have been validated nationally. The Independent Reviewing Officer Report also provides some helpful information.

Where performance has improved/increased it is shown with a ↑ and where it has dipped with a ↓

Indicator Ref	Description	2017/18 Value	2016/17 Eng	2016/17 Value	2015/16 Eng	2015/16 Value	2014/15 Eng	2014/15 Value
NI 58	Emotional & Behavioural Health of children in care	14.4 ↓	14.1	14.1 ↓	14.0	13.5 ↑	13.9	15.4 ↓
Adoption Scorecard 1	Average time between a child entering care and moving in with its adoptive family, for children who have been adopted. (3 year average)	454 days ↑	520 days	479 days ↑	558 days	516 days ↑	593 days	520 days ↑
Adoption Scorecard 2	Average time between an LA receiving court authority to place a child and the LA deciding on a match with an adoptive family (3 year average)	220 days ↓	220 days	212 days ↑	226 days	222 days ↓	223 days	190 days ↑
Adoption Scorecard 3	% of children who wait less than 14 months between entering care & moving in with their adoptive family (3 year average)	64% ↑	53%	61% ↑	47%	53% ↓	47%	57% ↑
NI62 Placements 1	Number of children looked after with 3 or more placements during the year	11.1% ↑	10.0%	13.8% ↓	10.0%	10.8% ↓	10.0%	9.7% ↓
NI63 Placements 2	% of LAC under 16 who've been lac for 2.5 years or more & in the same placement for 2 years or placed for	70.2% ↓	70.0%	70.7% ↑	68.0%	65.0% ↑	68.0%	64.0% ↑

Indicator Ref	Description	2017/18 Value	2016/17 Eng	2016/17 Value	2015/16 Eng	2015/16 Value	2014/15 Eng	2014/15 Value
	adoption							
Placements 3	% of LAC at 31 st March placed outside LA boundary and more than 20 miles from where they used to live	10.3% ↓	13.0%	8.4% ↑	13.0%	9.4% ↑	12.5%	10.0% ↓
Leaving Care 2 * <i>see note below</i>	% of former relevant young people aged 19-21 who were in education, employment or training	51.9% ↓	50.0%	53.0% ↓	49.0%	61.0% ↑	47.8%	55.0% ↓
Leaving Care 3	% of former relevant young people aged 17-21 who were in suitable accommodation	77.3% ↑	84.0%	76.5% ↓	83.0%	81.7% ↑	80.7%	78.0% ↓
Thrive PI 9	Rate of Children looked after per 10,000 population aged under 18	56.9 ↓	62.0	53.0 ↓	60.0	51.7 ↔	60.0	51.7 ↑
PAF C19	Average of the % of children looked after who had been looked after continuously for at least 12 months who had an annual assessment and their teeth checked by a dentist during the previous 12 months.	88.2% ↓	86.0%	90.3% ↓	87.0%	92.8% ↑	87.7%	92.6% ↓
PAF C81	Final warnings, reprimands and convictions of lac	2.3% ↑	4.0%	3.4% ↑	5.0%	3.8% ↔	5.2%	3.8% ↓

** Leaving Care 2 Indicator – this is calculated using data collected at the time of each young person's 19th, 20th or 21st birthday.*

8. The Virtual School

8.1 The Virtual School (VS) for LAC maintained a core staffing establishment of caseworkers during 2017/18. These staff supported the education of all ESCC LAC, Care Leavers and adopted children wherever they were educated. A Teaching Assistant was also employed to enable direct work with LAC at the point of transition to a new setting or at other particularly challenging times. The VS advises on the placement and sustainability of specialist provision for disabled children by working in partnership with the Joint Agency Advisory Panel within ISEND.

8.2 Pupil Premium from the Government enabled the school to enhance its provision to schools, carers, individual LAC and to recruit a bank of specialist tutors. The primary focus for the use of this funding has been maintaining school placements and direct intervention to improve educational outcomes and school attendance (for full details of pupil premium spend and activity can be found in the Virtual School annual report). The VS continued to work with Bede's School to support LAC in boarding school settings. This has had positive outcomes both educationally and socially for all of these children. In addition, the VS team have continued to foster excellent working relationships across the Council and with the local community. Champions from different teams within the authority have raised the profile of LAC to ensure that needs are met quickly and to support effective joint working.

8.3 The attendance of LAC has continued to be an area of focus within the VS, with staff working as part of a countywide strategy to secure improved attendance.

8.4 Training in attachment has continued across East Sussex schools and the VS continued to develop partnerships with others in the LA working in the area of Mental Health and Emotional Well-being.

9. LAC who are Missing from Care and who are at risk of Child Sexual and Criminal Exploitation (CSE/CE)

9.1 Part way through 2017/2018, there was a change to the structure of the Multi Agency Child Sexual Exploitation Panel (MACSE). The primary change was to formally widen the remit of the MACSE panel to include children at risk of other forms of exploitation. The MACSE panel thus became the MACE Panel (Multi Agency Child Exploitation). The primary reason for this change was the continued identification of children at risk of criminal exploitation in East Sussex. This is most closely related to children being exploited to deal illicit drugs through county drug lines. The process still involved monthly multi agency meetings, on both sides of the county, co-chaired by Social Work Managers and the Police. A further positive multi agency audit was completed in April 2018 that identified continued positive working practices. The audit chose several of our highest risk children to be looked at in detail. The audit highlighted the positive multi agency information sharing that exists in these cases and that creative approaches are being used to try and reduce risk for children being exploited in this way. It was acknowledged however that criminal exploitation and county lines remains an increasing problem across East Sussex. We continue to see local East Sussex children being recruited and exploited in this way together with children from the London area who are also being sent to East Sussex as part of county lines activity. It is also worth noting that the recent OFSTED inspection in July 2018 also identified some examples of exceptional practice in how cases of this type were being addressed.

9.2 The strategic MACE Action Plan is overseen by the LSCB and remains a live document that is updated regularly and which includes details of emerging themes

from the casework that is being carried out. The priorities for 2017/2018 included continuing to tackle the continuing risks around criminal exploitation and developing better ways to disrupt county lines activity. There was a continued focus on male children and the particular challenges in supporting them with criminal and sexual exploitation.

9.3 Throughout 2017/2018, all Return Home Interviews (RHIs) relating to missing children were carried out by a national charity, Missing People, an independent organisation commissioned by the 3 Sussex authorities to deliver this work across Sussex. During 2017/18 however, concerns emerged about the performance of Missing People and a decision was taken in May 2018 by all 3 authorities to terminate the contract. This ended therefore on 31st July 2018 and the service has been brought back in-house. All East Sussex Children who are either LAC or subject to the MACE panel discussion have their Return Home Interviews offered to them by their allocated Social Worker (or trusted professional). All other East Sussex children have this service offered by a team of Caseworkers now based in the Multi Agency Screening Hub (MASH). The weekly missing meeting within the MASH continues on both sides of the county, reviewing all missing episodes over the past week. The Registered Homes Managers are able to feed into this meeting as appropriate. This reflects the recognition that this group of children are at a particularly high level of risk of and from going missing.

9.4 In 2017/18 54 LAC went missing, 32 of whom were missing more than once. There were also 10 LAC who were absent (ie not where they should be), and 4 of these were absent more than once. Of these there were 105 occasions of children being missing for less than 24 hours, 55 times when they were missing between 24-48 hours, 24 times when they were missing between 2 and 4 days and 10 times when they were missing for 5 days or more. All these children were actively tracked by Sussex Police and by Children Services staff. Risk assessments are regularly reviewed on high profile children who go missing and, where necessary, formal multi agency strategy discussions are held in line with Safeguarding Procedures.

9.5 Of the 54 LAC that went missing, 32 were male and 22 were female. 29 of this cohort were aged 16 and above.

10. Independent Reviewing Officer Service

10.1 The Independent Reviewing Office Service (IRO) is managed off line and is independent of the operational service for LAC and Care Leavers. However, IRO's work closely with Social Workers and Managers across the LAC Service to ensure the quality and effectiveness of care planning and ensure best practice. ESCC IROs are a relatively stable staff group with many children having had the same IRO throughout their journey through care. They are a well-qualified and experienced team who exercise appropriate levels of challenge as part of the review processes.

10.2 Most reviews were held well within timescales, were flexible, tailored to the child's needs and were compliant with at least minimum standards. IRO's fulfilled most of their expected functions to at least minimum standards and evidenced areas of good practice. However, the increased numbers of LAC within the system resulted in increased caseloads for each IRO and did not allow for the level of scrutiny which ESCC should aspire to. During 2017/18 1549 LAC review meetings were held for 724 children compared to 1529 in 16/17 and 1229 in 15/16.

10.3 Participation by children in their reviews remained stable and reflected the performance of previous years. Whilst the majority of LAC were aware of their right to an advocate, the take up of this service was inconsistent and was identified as an area for future development. The Children In Care Council (CICC) reflected back to the IRO service during 17/18 that LAC reviews no longer felt that they belonged to

the child and had drifted away from being 'the child's meeting'. Feedback from them suggested that the process had become overly bureaucratic with too many people in attendance. The IRO service has begun working with the CICC, LAC Managers and administrative staff to develop a more creative document and child centred processes and there is a commitment to re-launch the approach to LAC reviews in East Sussex during 2018/19.

10.4 Disabled children have largely retained consistent IRO's who were familiar with their needs and communication methods. The take up of advocacy has been limited among disabled children with the exception of the in-house children's homes. It is planned that this will be addressed by extending the advocacy service to the children with most complex needs regardless of their ability to fully understand or request this service.

10.5 The action plan 2018/19 for the IRO service will include:

- Develop a standalone form for IRO contribution to Care Proceedings
- Embed and develop the CPD programme
- Enhance the profile of IROs through lead areas and facilitating training
- Ensure robust, consistent scrutiny of care plans with use of the issues resolution process where necessary
- Roll out a more child friendly LAC review process/document in line with statutory duties and the requests of the CICC.
- Drive up standards within the unit to ensure that review decisions are circulated within timescales.
- Increase the expectation that IROs will visit or at least communicate with all LAC aged 5 and over between reviews.
- IROs will routinely record the quality of Health Assessments and PEPs.
- Dental Health amongst LAC in ESCC has been identified as being a particular cause for concern. This will be a focus for improvement across the LAC Service in 2018/2019. IROs will contribute to this target through pre and post review monitoring / discussions with carers, social workers and young people.

11. Corporate Parenting Panel

11.1 The Corporate Parenting Panel met quarterly during 2017/18 to scrutinise the performance of all services in relation to LAC and Care Leavers, paying particular attention to outcomes. It also received presentations from the Children in Care Council and from the East Sussex Foster Care Association. The reports set out below were presented and considered:

April 2017:

- Looked After Children (LAC) Statistics
- Ofsted Inspection reports for the following children's homes:
 - Acorns at Dorset Road
 - The Bungalow
 - Homefield Cottage
 - Lansdowne Secure Unit
- Children's Home Regulations 2015, Regulation 44: Inspection reports for December 2016 to February 2017 for the following children's homes:
 - Acorns at Dorset Road
 - Brodrick House
 - Hazel Lodge
 - Homefield Cottage
 - Lansdowne Secure Unit
 - The Bungalow, Sorrel Drive

July 2017:

- Independent Reviewing Officer (IRO) Annual Report 2016/17
- Annual progress report of the East Sussex Fostering Service
- Annual progress report of the East Sussex Adoption and Permanence Service
- Looked After Children (LAC) Statistics
- Ofsted Inspection reports for the following children's homes:
 - Hazel Lodge
- Children's Home Regulations 2015, Regulation 44: Inspection reports for April 2017 to June 2017 for the following children's homes:
 - Acorns at Dorset Road
 - Brodrick House
 - Hazel Lodge
 - Homefield Cottage
 - Lansdowne Secure Unit
 - The Bungalow, Sorrel Drive

October 2017:

- Looked After Children (LAC) Annual Report
- Looked After Children (LAC) Statistics
- Ofsted Inspection reports for the following children's' homes
 - Lansdowne Secure Unit
 - Brodrick House
 - Acorns at Dorset Road
- Children's Home Regulations, Regulation 44: Inspection reports for August 2017 – September 2017 for the following children's homes:
 - Acorns at Dorset Road
 - Brodrick House
 - Hazel Lodge
 - Homefield Cottage
 - Lansdowne Secure Unit
 - The Bungalow, Sorrel Drive

January 2018

- Presentation from the Children In Care Council (CiCC)
- East Sussex Foster Care Association (ESFCA)
- Looked After Children (LAC) Statistics
- The Virtual School Annual Report, including the use of Pupil Premium
- Ofsted inspection reports for the following children's homes
 - The Bungalow, Sorrel Drive
- Children's Home Regulations 2015, Regulation 44: Inspection reports for October 2017 – November 2017 for the following children's homes:
 - Acorns at Dorset Road
 - Brodrick House
 - Hazel Lodge
 - Homefield Cottage
 - Lansdowne Secure Unit
 - The Bungalow Sorrell Drive

12. Conclusion

12.1 Overall the LAC service continued to perform well during 2017-18 and to achieve good outcomes for children in the care of ESCC. The pressure on recruitment and retention of in house carers and on availability of placements within the private market in the South East has impacted on placement stability, especially for those children with the most complex needs.

12.2 The challenge for 2018/19 is to continue to ensure that the right children are in the right placements for the right amount of time, and that we secure the best outcomes possible within a context of reducing resource in Children Services.

12.3 It should be noted that shortly following year end, an Ofsted ILACs inspection was completed and reviewed the performance of the LAC services. It was very pleasing to note that a judgement of Outstanding was given to the overall service.

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Report to: **Cabinet**

Date: **11 December 2018**

By: **Chief Operating Officer**

Title of report: **Treasury Management – Stewardship Report 2017/18**

Purpose of report: **To present a review of the Council's performance on treasury management for the year 2017/18 and Mid Year review for 2018/19.**

RECOMMENDATION: Cabinet is recommended to note the Treasury Management performance in 2017/18 incorporating the Mid Year review for the first half of 2018/19.

1. Background

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 Council's treasury management activities are regulated by a variety of professional codes, statutes and guidance. The Council has adopted the Chartered Institute of Public Finance and Accountancy (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 2017/18 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 2018/19 (Appendix C);
- The Prudential Indicators, which relate to the Treasury function, Minimum Revenue Policy (MRP) and compliance with limits (Appendix D).

3. The economic conditions compared to our Strategy for 2017/18

3.1 The strategy and the economic conditions prevailing in 2017/18 are set out in Appendix A which is attached to this report. 2017/18 continued the challenging environment of the previous years, with concerns over the states of the UK economy and of European countries.

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

The Treasury Management Strategy

4.1 The strategy for 2017/18, agreed in January 2017, continued the prudent approach and ensured that all investments were only to the highest quality rated institutions. For banks the maximum investment period was one year and for other local authority lending two years. For the 2017/18 strategy Enhanced Money Market / Cash funds were included to manage liquidity and improve yield where possible.

Short term lending

4.2 At the Monetary Policy Committee (MPC) meeting 2 November 2017, the MPC by vote of 7-2 increased the Bank of England base rate from 0.25% to 0.50%.

4.3 The total amount received in short term interest for 2017/18 was £1.3m at an average rate of 0.53%. This was above the average base rates in the same period (0.35%) 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.

Long term borrowing

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

- No new borrowing was undertaken in 2017/18.
- The average interest rate of all debt at 31 March 2018 (£270.8m) was 4.80%.
- Public Works Loan Board (PWLB) Debt maturing during 2017/18 totalled £4.8m and was at an average rate of 8.00%.
- Although a proactive approach has been taken to repayment and restructuring of debt, no cost effective opportunities arose during the year, because there has been a considerable widening of the difference between new borrowing and repayment rates, which has made PWLB debt restructuring now much less attractive.

Minimum Revenue Provision (MRP)

4.5 Full details of the 2017/18 MRP policy are set out in appendix D, no changes were made to the MRP policy during 2017/18.

5. Treasury Management Mid Year Review 2018/19

5.1 The Treasury Management and Annual Investment Strategy for 2018/19 were approved by the Cabinet on 23 January 2018 reflecting a revised approach to investment options. This introduced new approved instruments into the strategy with the intention of improving yield and diversification. On the 2 August 2018 the MPC increased the Bank of England base rate from 0.50% to 0.75% the average rate of return for investments to 30 September 2018 was 0.75%.

5.2 As part of the revised approach to investments in August 2018, the council invested £5m in the CCLA Property Fund, a pooled property fund. Further options to invest within the remit of the strategy will be investigated during the year.

5.3 No further PWLB borrowing was undertaken in the period and cost effective opportunities to restructure debt are currently being reviewed with our Treasury Management advisors Link Asset Services. During 2018/19 PWLB debt to mature totals £4.6m, this historic debt is at an average rate of 8%.

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

6.1 The 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. The Council is fully compliant with these indicators.

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 throughout the period covered achieved returns between 0.46% and 0.92%. The key principles of security, liquidity and yield are still relevant. Officers are currently investigating further opportunities within the strategy to minimise costs and increase investment income.

KEVIN FOSTER

Chief Operating Officer

Contact Officer: Ian Gutsell Tel No. 01273 481399

BACKGROUND DOCUMENTS

Cabinet 24 January 2017 Treasury Management Strategy for 2017/18
23 January 2018 Treasury Management Strategy for 2018/19
CIPFA Prudential Code and Treasury Management in the Public Services- Code of practice
Local Government Act 2003 Local Government Investments guidance.

A summary of the strategy agreed for 2017/18 and the economic factors affecting this strategy

1. Background information

1.1 Cabinet received an annual Treasury Management Strategy report in January 2017, 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 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 The original strategy for 2017/18 was drawn up in January 2017 at a time of global political uncertainty and a potential resurgence of EU sovereign debt crisis. In this climate, ensuring the security of investments continues to be paramount 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 2017/18.

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 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. Investment

2.1 When the strategy was agreed in January 2017, it emphasised the continued importance of credit quality. The Treasury Management advisors Link Asset Services commented on short term interest rates, the UK economy, inflation, the outlook for long term interest rates and these factors were taken into account when setting the strategy.

2.2 Officers regularly review the investment portfolio, counterparty risk and construction, and use market data, information on government support for banks and the credit ratings of that government support. Latest market information is arrived at by reading the financial press and through city contacts as well as access to the key brokers involved in the London money markets.

2.3 This Council in addition to other tools uses the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- credit default swap (CDS) spreads to give early warning of likely changes in credit ratings; and
- sovereign ratings to select counterparties from only the most creditworthy countries.

2.4 The strategy going forward was to continue with the policy of ensuring minimum risk, but was also intended to deliver secure investment income of at least bank rate on the Councils cash balances.

2.5 As was clear from the events globally and nationally since 2008, it is impossible in practical terms to eliminate all credit risk.

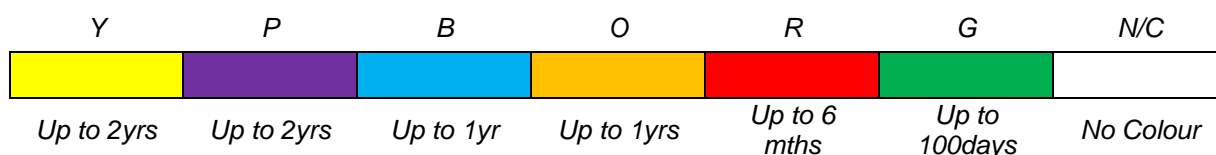
2.6 The strategy aimed to ensure that in the economic climate it was essential that a prudent approach was maintained. This would be achieved through investing with selected banks and funds which met the Council's rating criteria. The emphasis would continue on security (protection of the capital sum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

2.7 The Council's investment policy has regard to the Ministry of Housing, Communities & Local Government's Guidance on Local Government Investments ("the Guidance") and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Link Asset Services Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second, and then return.

2.8 Investment instruments identified for use in the financial year are listed in section 3.2 and 3.4 under the 'Specified and Non-Specified' Investments categories. Counterparty limits will be as set through the Council's Treasury Management Practices – Schedules.

2.9 The weighted scoring system produces an end product of a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments, i.e., using counterparties within the following durational bands provided they have a minimum AA+ sovereign rating from three rating agencies:

- Yellow 2 years
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 3 months
- No Colour, not to be used



2.10 The Link Asset Services credit worthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue influence to just one agency's ratings.

2.11 Typically the minimum credit ratings criteria the Authority use, will be a short term rating (Fitch or equivalents) of short term rating F1, long term rating A-, viability rating of A-, and a support rating of 1. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored daily. The Authority is alerted to changes to ratings of all three agencies through its use of the Link Asset Services credit worthiness service.

- if a downgrade results in the counterparty or investment scheme no longer meeting the Authority's minimum criteria, its further use as a new investment will be withdrawn immediately.

- in addition to the use of credit ratings the Authority will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Authority's lending list.

2.12 The Link Asset Services methodology was revised in October 2015 and determines the maximum investment duration under the credit rating criteria. Key features of Link Asset Services credit rating policy are:

- a mathematical based scoring system is used taking ratings from all three credit rating agencies;
- negative and positive watches and outlooks used by the credit rating agencies form part of the input to determine a counterparty's time band (i.e. 3, 6, 9, 12 months etc.).
- CDS spreads are used in Link Asset Services creditworthiness service as it is accepted that credit rating agencies lag market events and thus do not provide investors with the most instantaneous and "up to date" picture of the credit quality of a particular institution. CDS spreads provide perceived market sentiment regarding the credit quality of an institution.
- After a score is generated from the inputs a maximum time limit (duration) is assigned and this is known as the Link Asset Services colour which is associated with a maximum suggested time boundary.

2.13 All of the investments were classified as Specified (i.e., investment is sterling denominated and has a maximum maturity of 1 year) and non-Specified Investments (i.e., any other type of investment not defined as Specified). 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.

2.14 If investment instruments identified in the financial year under the 'Non-Specified and Specified' Investments categories were used, the Council funds would be invested as follows:

3. Specified Investments

3.1 An investment is a specified investment if all of the following apply:

- the investment is denominated in sterling and any payments or repayments in respect of the investment are payable only in sterling;
- the investment is not a long term investment (i.e. up to 1 year);
- the making of the investment is not defined as Capital expenditure by virtue of regulation 25(1)(d) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [SI 3146 as amended];
- the investment is made with a body or in an investment scheme of high credit quality (see below) or with one of the following public-sector bodies:
 - The United Kingdom Government;
 - A local authority in England or Wales (as defined under section 23 of the 2003 Act) or a similar body in Scotland or Northern Ireland; and
 - High credit quality is defined as a minimum credit rating as outlined in section 4.2 of this strategy.

3.2 The use of Specified Investments

Investment instruments identified for use in the financial year are as follows:

- The 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 investment 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.

Criteria for specified Investments:

Counterparty	Country/ Domicile	Instrument	Maximum investments	Max. maturity period
Debt Management and Deposit Facilities (DMADF)	UK	Term Deposits (TD)	unlimited	1 yr
Government Treasury bills	UK	TD	unlimited	1 yr
Local Authorities	UK	TD	unlimited	1 yr
<i>Lloyds Banking Group</i> • <i>Lloyds Bank</i> • <i>Bank of Scotland</i>	UK	TD (including callable deposits), Certificate of Deposits (CD's)	£60m	1 yr
<i>RBS/NatWest Group</i> • <i>Royal Bank of Scotland</i> • <i>NatWest</i>	UK		£60m	1 yr
<i>HSBC</i>	UK		£60m	1 yr
<i>Barclays</i>	UK		£60m	1 yr
<i>Santander</i>	UK		£60m	1 yr
<i>Goldman Sachs Investment Bank</i>	UK		£60m	1 yr
<i>Standard Chartered Bank</i>	UK		£60m	1 yr
Individual Money Market Funds (MMF)	UK/Ireland/ domiciled	AAA rated Money Market Funds	£60m	Liquidity/instant access
Enhanced Money Market / Cash Funds (EMMFs)	UK/Ireland/ domiciled	AAA Bond Fund Rating	£60m	Liquidity
Counterparties in select countries (non-UK) with a Sovereign Rating of at least AA+				
Australia & New Zealand Banking Group	Australia	TD / CD's	£60m	1 yr
Commonwealth Bank of Australia	Australia	TD / CD's	£60m	1 yr
National Australia Bank	Australia	TD / CD's	£60m	1 yr
Westpac Banking Corporation	Australia	TD / CD's	£60m	1 yr
Royal Bank of Canada	Canada	TD / CD's	£60m	1 yr
Toronto Dominion	Canada	TD / CD's	£60m	1 yr
Development Bank of Singapore	Singapore	TD / CD's	£60m	1 yr
Overseas Chinese Banking Corp	Singapore	TD / CD's	£60m	1 yr
United Overseas Bank	Singapore	TD / CD's	£60m	1 yr

Counterparty	Country/ Domicile	Instrument	Maximum investments	Max. maturity period
Svenska Handelsbanken	Sweden	TD / CD's	£60m	1 yr
Nordea Bank AB	Sweden	TD / CD's	£60m	1 yr
ABN Amro Bank	Netherlands	TD / CD's	£60m	1 yr
Rabobank	Netherlands	TD / CD's	£60m	1 yr
ING Bank NV	Netherlands	TD / CD's	£60m	1 yr
DZ Bank	Germany	TD / CD's	£60m	1 yr
UBS	Switzerland	TD / CD's	£60m	1 yr
Credit Suisse	Switzerland	TD / CD's	£60m	1 yr
Danske Bank	Denmark	TD / CD's	£60m	1 yr
Nordea Bank	Finland	TD / CD's	£60m	1 yr
JP Morgan Chase	U.S.A	TD / CD's	£60m	1 yr

*Enhanced Money Market / Cash Funds were added to the 2017/18 strategy to diversify investment options.

3.3 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. Enhanced Money Market / Cash Funds were added to the 2017/18 strategy to diversify investment options.

4. Non Specified Investments

4.1 Non-Specified investments are any other types of investment that are not defined as specified. The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below.

Non-Specified Investment	Minimum credit criteria	Maximum investments	Max. maturity period
UK Local Authorities	Government Backed	£60m	2 years
Local Capital Finance Company Limited	Local Government Agency Backed	£100k	N/A

4.2 Non specified investments would include any sterling investments and the purchase of shares in the Municipal Bonds Agency (Local Capital Finance Company Limited). The Council will make an investment in the form of shares in the Municipal Bond Agency (Local Capital Finance Company Limited) where the primary purpose is to support the Council's priorities rather than to speculate on the capital sum invested. With the exception of the municipal bonds agency investment, only investments where there is no contractual risk to the capital invested and where the rate of return justifies their use will be entered into.

4.3 The council had no exposure in Non-Specified investments during the 2017/18.

5. The economy in 2017/18 – Commentary from Link Asset Services in April 2018.

5.1 During the calendar year of 2017, there was a major shift in expectations in financial markets in terms of how soon Bank Rate would start on a rising trend. After the UK economy surprised on the upside with strong growth in the second half of 2016, growth in 2017 was disappointingly weak in the first half of the year which meant that growth was the slowest for the first half of any year since 2012.

5.2 The main reason for this was the sharp increase in inflation caused by the devaluation of sterling after the EU referendum, feeding increases into the cost of imports into the economy. This caused a reduction in consumer disposable income and spending power as inflation exceeded average wage increases. Consequently, the services sector of the economy, accounting for around 75% of GDP, saw weak growth as consumers responded by cutting back on their expenditure. However, growth did pick up modestly in the second half of 2017. Consequently, market expectations during the autumn, rose significantly that the MPC would be heading in the direction of imminently raising Bank Rate.

5.3 The minutes of the MPC meeting of 14 September indicated that the MPC was likely to raise Bank Rate very soon. The 2 November MPC quarterly Inflation Report meeting duly delivered by raising Bank Rate from 0.25% to 0.50%. The 8 February MPC meeting minutes then revealed another sharp hardening in MPC warnings on a more imminent and faster pace of increases in Bank Rate than had previously been expected. Market expectations for increases in Bank Rate, therefore, shifted considerably during the second half of 2017-18 and resulted in investment rates from 3 – 12 months increasing sharply during the spring quarter.

5.4 PWLB borrowing rates increased correspondingly to the above developments with the shorter term rates increasing more sharply than longer term rates. In addition, UK gilts have moved in a relatively narrow band this year, (within 25 bps for much of the year), compared to US treasuries. During the second half of the year, there was a noticeable trend in treasury yields being on a rising trend with the Fed raising rates by 0.25% in June, December and March, making six increases in all from the floor. The effect of these three increases was greater in shorter terms around 5 years, rather than longer term yields.

5.5 The major UK landmark event of the year was the inconclusive result of the general election on 8 June 2017. However, this had relatively little impact on financial markets.

The Treasury Management activity during the year 2017/18

1. Short term lending interest rates

1.1 Base interest rate was increased in November 2017 to 0.50%. The average rate for the year was 0.35%.

1.2 There have been continued uncertainties in the markets during the year as set out in Section 4 of Appendix A.

1.3 The strategy for 2017/18, agreed in January 2017, continued the prudent approach and ensured that all investments were only to the highest quality rated banks and funds using Link's colour coded credit methodology.

1.4 The total amount received in short term interest for 2017/18 was £1.3m at an average rate of 0.53%. This was above the average of base rates in the same period (0.35%) and against a backdrop of ensuring, so far as possible in the financial climate, the security of principal and the minimisation of risk.

2. Long term borrowing

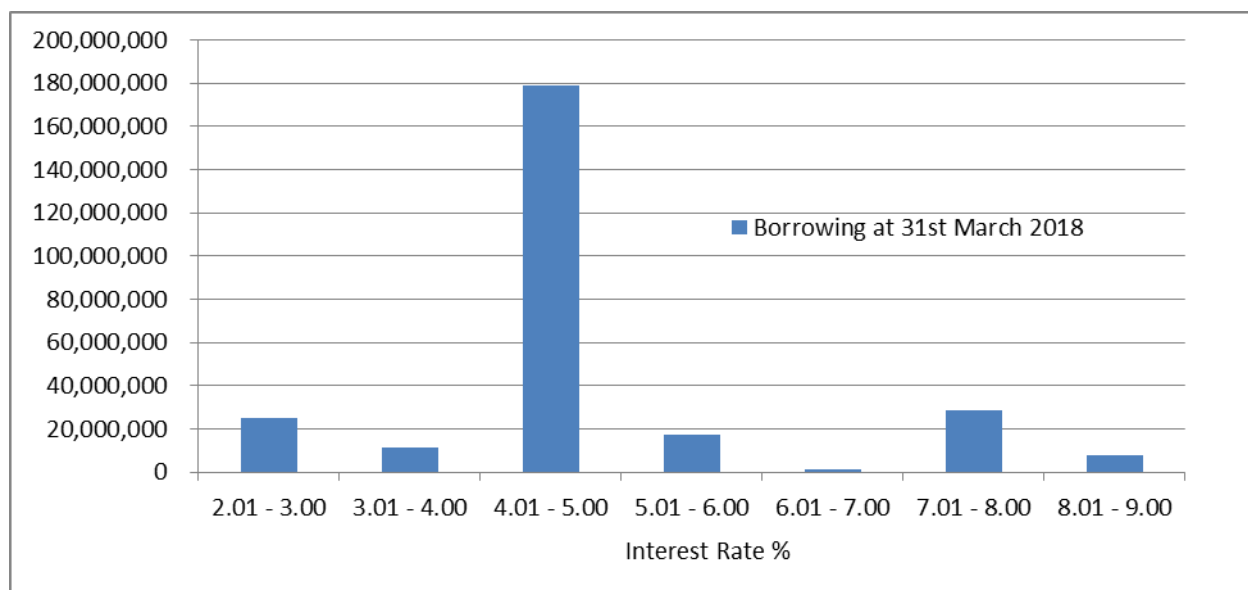
2.1 Officers constantly reviewed the need to borrow taking into consideration the potential increases in borrowing costs, the need to finance new Capital expenditure, refinancing maturing debt, and the cost of carry that might incur a revenue loss between borrowing costs and investment returns.

2.2 During 2017/18 £4.6m of PWLB debt matured at a coupon rate of 8%. This historic maturing debt was not replaced with additional in year new borrowing.

2.3 The average interest rate of all debt at 31 March 2018 of £270.8m was 4.80%. No beneficial rescheduling of debt has been available, due to a considerable widening of the difference between new borrowing and repayment rates, which has made PWLB debt restructuring now much less attractive. Consideration would have to be given to the large premiums (cash payments) which would be incurred by prematurely repaying existing PWLB loans. It is very unlikely that these could be justified on value for money grounds if using replacement PWLB refinancing.

2.4 The 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 future borrowing has increased but the opportunity to restructure debt when market conditions allow has been significantly reduced.

2.5 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 2017/18 to date to cover temporary overdraft situations.

4. Treasury Management Advisers

4.1 The Strategy for 2017/18 explained that the Council uses Link Asset Services 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

4.2 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.

4.3 Link Asset Services 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.

The Treasury Management Activity Mid-Year Report - 2018/19

1. Background

1.1 The Treasury Management and Annual Investment Strategy for 2018/19 were approved by the Cabinet 23 January 2018. The 2018/19 strategy broadened the approved instruments to improve yield and diversify the investment portfolio. Changes to the strategy are summarised below.

Investment option	2017/18	2018/19
Money Market Funds (Including LVNAV)	✓	✓
Bank Notice Accounts	✓	✓
Fixed Term Bank Deposits	✓	✓
UK Local Authorities	✓	✓
Enhanced Money Market Funds (VNAV)	✓	✓
Building Societies	✗	✓
Pooled Property Funds	✗	✓
Corporate Bond Funds	✗	✓
Multi Asset Funds	✗	✓
Equity Funds	✗	✗

1.2 This report considers treasury management activity over six months of the financial year.

2. Summary of financial implications

2.1 During the first half year investments have been held in bank notice accounts, money market funds and other local authorities. Counterparty credit quality remains a primary concern for the treasury team, with security, liquidity and yield in that order a priority. Measures have been taken to reduce the level of liquidity (prudently) to improve returns.

2.2 The Bank of England's Monetary Policy Committee increased the official Bank Rate on 2 August 2018 from 0.50% to 0.75%

2.3 In line with the revised annual investment strategy, in August 2019 the council invested £5m in the CCLA Local Authority Property Fund, a pooled property vehicle. Net yield on this fund for the quarter to 30 September 2018 was 4.07% which equates to £34k of income. This compares to an average rate of 0.75% for 6 months on the remainder of the councils investment portfolio.

2.4 The use of Multi Asset Funds will be explored with our treasury advisors Link Asset Services.

2.5 The average investment balance to September 2018 was £250m and generated investment income of £935k. The forecast for 2018/19 is £2.0m.

2.6 The level of Council debt at 30 September 2018 was £269m with two loans totalling £3.3m maturing with the PWLB in the next 6 months to 31st March 2019. The forecast for interest paid on long-term debt in 2018/19 is approximately £12.83m and is within the budgeted provision.

2.7 Opportunities to reduce the cost of carry (interest paid against interest received) are being explored as and when options arise. A new opportunity to reduce the cost of carry by restructuring £23.5m of the council's LOBO loans has arisen, which is currently being explored.

3. Treasury Management Strategy

3.1 The Council approved the 2018/19 treasury management strategy at its meeting on 23 January 2018. 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.

3.2 The Council's exposure to security and interest rate risk have been monitored closely. No further external borrowing has been undertaken in the period. Rescheduling any existing loans under the current economic conditions the costs of doing so in terms of interest and premium payable would be prohibitive.

3.3 The Chief Finance Officer is pleased to report that all treasury management activity undertaken from April 2018 to September 2018 period complied with the approved strategy, the CIPFA Code of Practice, and the relevant legislative provisions.

4. Economic Review (provided by Link Asset Services, October 2018)

4.1 The first half of 2018/19 has seen UK economic growth post a modest performance, but sufficiently robust for the Monetary Policy Committee, (MPC), to unanimously (9-0) vote to increase Bank Rate on 2nd August from 0.5% to 0.75%. Although growth looks as if it will only be modest at around 1.5% in 2018, the Bank of England's August Quarterly Inflation Report suggested that growth will pick up to 1.8% in 2019, albeit there were several caveats – mainly related to whether or not the UK achieves an orderly withdrawal from the European Union in March 2019.

4.2 Some MPC members have expressed concerns about a build-up of inflationary pressures, particularly with the pound falling in value again against both the US dollar and the Euro. The Consumer Price Index (CPI) measure of inflation is currently running at 2.5% but is expected to fall back towards the 2% inflation target over the next two years given a scenario of minimal increases in Bank Rate. The MPC has indicated Bank Rate would need to be in the region of 1.5% by March 2021 for inflation to stay on track. Financial markets are currently pricing in the next increase in Bank Rate for the second half of 2019.

4.3 Unemployment is now at a 43 year low of 4% on the Independent Labour Organisation measure, but despite that, wage inflation is currently not overly-strong at 2.6% (including bonuses). This is a global theme for the major economies of the world. Indeed, with UK wages running in line with the CPI measure of inflation, real earnings are, in effect, neutral. Given the UK economy is very much services sector driven, any weakness in household spending power is likely to feed through into tepid economic growth.

4.4 The MPC will need to tread cautiously before increasing Bank Rate again, especially given all the uncertainties around Brexit. Additionally, business sentiment surveys, such as the Purchasing Managers Index collated by Markit, suggest the UK is set for only modest GDP growth in the second half of 2018 with the monthly updated figure for annual growth being 1.5% as at the end of July. The housing market is going through a weak phase – with UK-wide house price growth averaging 2 to 3%, but with London and the south-east experiencing price falls.

5.0 Link Asset Services (LAS) forecasts

5.1 The flow of generally positive economic statistics after the end of the quarter ended 30 June meant that it came as no surprise that the MPC came to a decision on 2 August to make the first increase in Bank Rate above 0.5% since the financial crash, to 0.75%. However, the MPC emphasised again, that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate, (where monetary policy is neither expansionary or contractionary), than before the crash; indeed they gave a figure for this of around 2.5% in ten years' time but they declined to give a medium term forecast.

5.2 LAS do not think that the MPC will increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. We also feel that the MPC is more likely to wait until August 2019, than May 2019, before the next increase, to be followed by further increases of 0.25% in May and November 2020 to reach 1.5%. However, the cautious pace of even these limited increases is dependent on a reasonably orderly Brexit.

5.3 LAS, has provided the following forecast:

	Link Asset Services Interest Rate View										
	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate View	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.50%	1.50%
3 Month LIBID	0.75%	0.80%	0.80%	0.90%	1.10%	1.10%	1.20%	1.40%	1.50%	1.60%	1.60%
6 Month LIBID	0.85%	0.90%	0.90%	1.00%	1.20%	1.20%	1.30%	1.50%	1.60%	1.70%	1.70%
12 Month LIBID	1.00%	1.00%	1.00%	1.10%	1.30%	1.30%	1.40%	1.60%	1.70%	1.80%	1.80%
5yr PWLB Rate	2.00%	2.00%	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%
10yr PWLB Rate	2.40%	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%
25yr PWLB Rate	2.80%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.50%	3.50%
50yr PWLB Rate	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%

6. Borrowing advice:

6.1 Although yields have risen from their low points, yields are still around historic lows and borrowing should be considered if appropriate to Council's strategy. LAS still see value in the 40yr to 50yr range at present but that view would be negated if Bank Rate does not climb to at least 2.5% over the coming years. Accordingly, councils will need to review and assess their risk appetite in terms of any underlying borrowing requirement they may have, and also project forward their position in respect of cash backed resources. Any new borrowing should also take into account the continuing cost of carry, the difference between investment earnings and borrowing rates, especially as LAS forecasts indicate that Bank Rate may rise to only 1.50% by March 2021.

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

1.1 The 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 2.1 below)
- Interest rate exposure (paragraph 3.1 below)
- Interest rate on long term borrowing (paragraph 4.1 below)
- Maturity structure of investments (paragraph 5.1 below)
- Compliance with the Treasury Management Code of Practice (paragraph 6.1 below)
- Interest on investments (paragraph 7.1 below)
- Capital Financing Requirement and Minimum Revenue Provision (paragraph 8.1 below)

2. Operational and authorised borrowing limits.

2.1 The tables below sets out the estimate and projected Capital financing requirement and long-term borrowing in 2017/18

	Capital Financing Requirement	2017/18 Estimate	2017/18 Actual
		£m	£m
	Capital Financing Requirement at 1 April 2017	352	335
add	Financing of new assets	26	12
less	Provision for repayment of debt	(12)	(12)
less	Long term Capital loan*	-	1
	Capital Financing Requirement at 31 March 2018	366	336
add	Short Term Borrowing Provision	10	
	Operational Boundary	376	
add	Short Term Borrowing Provision	20	
	Authorised Limit	396	

	Actual Borrowing	2017/18 Actual
		£m
	Long Term Borrowing at 1 April 2017	275
less	Loan redemptions	(4)
add	New Borrowing	-
	Long Term Borrowing at 31 March 2018	271

*The Capital loan relates to an outstanding loan with other local authority.

2.2 The Capital Financing Requirement includes PFI Schemes and Finance Leases totalling £90m resulting in an underlying need to borrow of £246m.

2.3 The Operational Boundary was consistent with the 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. 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 Operational boundary represents a key management tool for in year monitoring and long term borrowing control.

2.4 The Authorised Limit for borrowing was based on the same estimates as the Operational Boundary but includes additional headroom for a short term borrowing to allow, for example, for unusual cash movements or late receipt of income.

2.5 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 2018 of £270.8m is under the Operational boundary and Authorised limit set for 2017/18. The Operational boundary and Authorised limit have not been exceeded during the year.

3. Interest rate exposure

3.1 The Council continued the practice of seeking to secure competitive fixed interest rate exposure for 2017/18. There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs or improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments;
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- Maturity structure of borrowing. These gross limits are set to reduce the Council’s exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

	2017/18	2018/19	2019/20
Interest rate exposure	Upper	Upper	Upper
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	15%	15%	15%
Maturity structure of fixed interest rate borrowing 2017/18			
	Lower	Upper	Actual 2017/18
Under 12 months	0%	25%	4%
12 months and within 24 months	0%	40%	2%
24 months and within 5 years	0%	60%	13%
5 years and within 10 years	0%	80%	9%
10 years and within 20 years	0%	80%	22%
20 years and within 30 years	0%	80%	18%
30 years and within 40 years	0%	80%	29%
40 years and above	0%	80%	2%

3.2 The Council has not exceeded the limits set in 2017/18. 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. 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.

4. Interest rate on long term borrowing

4.1 The rate of interest taken on any new long term borrowing has been defined with the assistance of Link Asset Services. The Accounts and Pensions Team have set up a recording process to monitor set trigger rates and work to an agreed protocol for potential future borrowing activity to fund the Capital programme.

5. Maturity structure of investments

5.1 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 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.

6. Compliance with the Treasury Management Code of Practice

6.1 East Sussex County Council has adopted the Chartered Institute of Public Finance and Accountancy (CIPFA), Code of Practice for Treasury Management in the Public Services. In December 2017, CIPFA, issued a revised Treasury Management Code and Cross Sectoral Guidance Notes, and a revised Prudential Code.

A particular focus of these revised codes was how to deal with local authority investments which are not treasury type investments e.g. by investing in purchasing property in order to generate income for the Authority at a much higher level than can be attained by treasury investments. The outcome is a new Capital Strategy document which will be presented to Cabinet as part of the 2019/20 budget papers.

7. Interest on investments

7.1 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	110	0.52%	0.27%
May	112	0.53%	0.28%
June	95	0.47%	0.22%
July	103	0.46%	0.21%
August	103	0.47%	0.22%
September	99	0.47%	0.22%
October	106	0.47%	0.22%
November	120	0.55%	0.06%
December	123	0.59%	0.09%
January	126	0.61%	0.11%
February	111	0.60%	0.10%
March	124	0.61%	0.11%
Total for 2017/18	1,332	0.53%	0.18%

7.2 The total amount received in short term interest for the year was £1.3m at an average rate of 0.53%. This was above the average of base rates in the same period (0.35%) 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.

8. Capital Financing Requirement and Minimum Revenue Provision (MRP)

8.1 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 2017/18 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.

8.2 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.

8.3 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.

8.4 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).

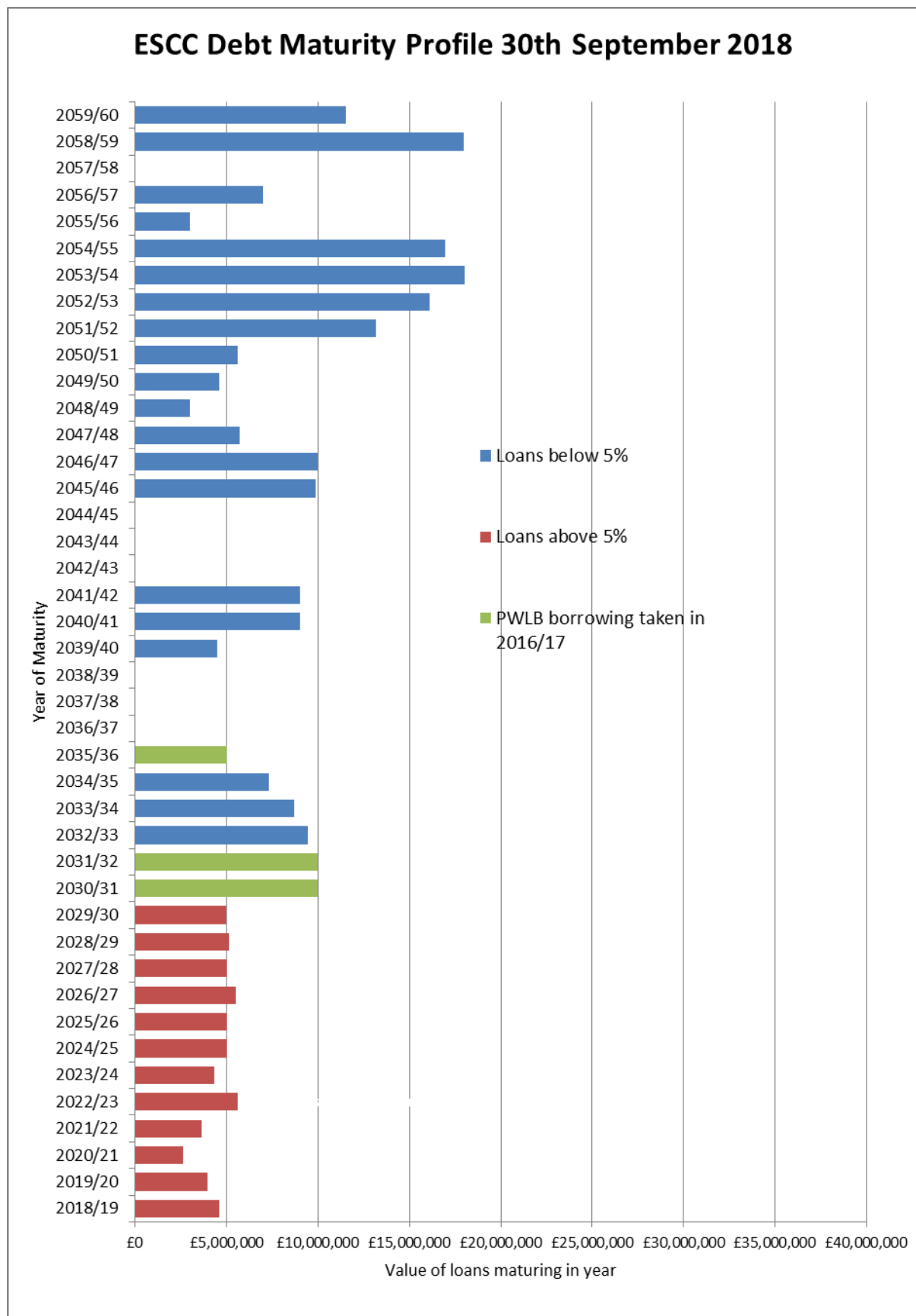
8.5 The Council’s 2017/18 MRP Policy (as required by Ministry of Housing, Communities & Local Government Guidance) was approved as part of the Treasury Management Strategy Report for 2018/19 on 23 January 2018.

8.6 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.

	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
	£m	£m	£m	£m
Total CFR	336	347	364	378
Movement in CFR	-	11	17	14

Annex 1



Report to: **Cabinet**

Date: **11 December 2018**

By: **Chief Operating Officer**

Title of report: **Annual Audit Letter and fee update 2017/18**

Purpose of report: **To seek Cabinet's approval of the Annual Audit Letter and fee update for 2017/18.**

RECOMMENDATION – The Cabinet is recommended to approve the Annual Audit Letter and the fee update for 2017/18.

1. Background

1.1 The external audit fees for 2017/18 was £110,179 (County Council of £83,572 and the Pension Fund of £26,607) for the core audit in line with the planned fee. The grant certification work is still ongoing; the final fee will be confirmed upon the conclusion of this work, with costs of these additional services funded from existing budgets. In addition, the fees incurred by the Auditors for the work on the elector objections relating to 2016/17, are yet to be confirmed.

1.2 During the audit, KPMG were asked by some auditors of the Pension Fund's admitted and scheduled bodies to undertake an enhanced suite of testing, which they are required to complete under the terms of the Public Sector Audit Appointments (PSAA) contract. This fee will be agreed through the PSAA fee variation process, and the Pension Fund is able to recharge onto the admitted bodies to which the work relates.

2. Supporting Information

2.1 The Annual Audit Letter (AAL) attached as Appendix A summarises key issues arising from the work carried out during the year. This report contains no new findings or recommendations, and reflects issues already reported within the 2017/18 External Audit Report to the Governance Committee, including the objection from local elector, which is currently being finalised.

2.2 KPMG issued an unqualified opinion on the Council's financial statements on 30 July 2018. This means that KPMG believe the financial statements give a true and fair view of the financial position of the Council and of its expenditure and income for the year. The financial statements also include those of the East Sussex Pension Fund (ESPF).

2.3 The AAL has been circulated to all Councillors, published on the Council's website, and was presented to the Audit Committee on 22 November 2018 for consideration.

3. Appointment of External Auditor from the Financial Year 2018/19

3.1 The Council contract with the KPMG has ended following the audit of 2017/18 Statement of Accounts and the Council would like to extend its thanks to KPMG for their support during the 2017/18 audit.

3.2 For the financial year 2018/19, the Council has used the PSAA to source the appointment of Grant Thornton LLP to audit the Council and ESPF accounts from 2018/19 to 2022/23. This appointment was made under regulation 13 of the Local Audit (Appointing Person) Regulations 2015, and approved by the PSAA Board.

4. Conclusion and reasons for recommendations

4.1 The Cabinet is recommended to approve the Annual Audit Letter and the fee update for 2017/18.

KEVIN FOSTER
Chief Operating Officer

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LOCAL MEMBERS

All

BACKGROUND DOCUMENTS

1. 2017/18 Independent Auditor's (KPMG) Annual Governance Report on ESCC Accounts and Value for Money conclusion report
2. 2017/18 Independent Auditor's (KPMG) Annual Governance Report on Pension Fund Accounts



Annual Audit Letter 2017/18

East Sussex County Council

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August 2018

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Joanne Lees, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (andrew.sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW 1P 3HZ.

This Annual Audit Letter summarises the outcome from our audit work at East Sussex County Council (the Authority) in relation to the 2017/18 audit year, which is the final year that KPMG is the auditor of the Authority and its pension fund.

Although it is addressed to Members of the Authority, it is also intended to communicate these key messages to key external stakeholders, including members of the public, and will be placed on the Authority's website.

Audit opinion

We issued an unqualified opinion on the Authority's financial statements on 30 July 2018. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year. The financial statements include those of the pension fund.

Financial statements audit

Our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole. Materiality for the Authority's accounts was set at £9.9 million which equates to around 1% of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision. Materiality for the Pension Fund was set at £33 million which is approximately 1% of assets.

We report to the Audit Committee any misstatements of lesser amounts, other than those that are "clearly trivial", to the extent that these are identified by our audit work. In the context of the Authority, an individual difference is considered to be clearly trivial if it is less than £495k for the Authority and (£1.65 million for the Pension Fund).

We did not identify any audit adjustments with just a small number of presentational amendments which have been made by the Authority.

Our audit work was designed to specifically address the following significant risks in relation to the Authority accounts:

- Management Override of Controls – Our audit methodology incorporates the risk of management override as a default significant risk. No issues were identified;
- Valuation of PPE – The Authority has adopted a rolling revaluation model which sees all land and buildings revalued over a three year cycle. As a result of this, however, individual assets may not be revalued for two years. This creates a risk that the carrying value of those assets not revalued in year differs materially from the year end fair value. We have raised a recommendation regarding the treatment of the contingency provision going forward in light of the new guidance due to be published – see appendix one for detail;
- Pensions Liabilities – Valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Authority's overall valuation. No issues were identified.

One further significant risk was identified relating specifically to the Pension Fund:

- Valuation of hard to price investments – our audit approach incorporated specific audit procedures in relation to investments in the pension fund that are inherently harder to value or do not have publicly available quoted prices, requiring professional judgement or assumptions to be made at year end. We did not identify any issues.

Other information accompanying the financial statements	Whilst not explicitly covered by our audit opinion, we review other information that accompanies the financial statements to consider its material consistency with the audited accounts. This year we reviewed the Annual Governance Statement and Narrative Report. We concluded that they were consistent with our understanding and did not identify any issues.
Pension Fund audit	There were no significant issues arising from our audit of the pension fund and we issued an unqualified opinion on the pension fund financial statements as part of our audit report.
Whole of Government Accounts	We reviewed the consolidation pack which the Authority prepared to support the production of Whole of Government Accounts by HM Treasury. We reported that the Authority's pack was consistent with the audited financial statements.
Value for Money conclusion	We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2017-18 on 31 July 2018. This means we are satisfied that during the year the Authority had appropriate arrangements for securing economy, efficiency and effectiveness in the use of its resources. To arrive at our conclusion we looked at the Authority's arrangements to make informed decision making, sustainable resource deployment and working with partners and third parties.
Value for Money risk areas	We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusion and considered the arrangements you have put in place to mitigate these risks. Our work did not identify any significant matters.
High priority recommendations	We raised no high priority recommendations as a result of our 2017-18 work.
Certificate	The audit cannot be formally concluded and an audit certificate issued as we are considering an elector query relating to 2016/17. Until we have completed our consideration of this we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014.
Audit fee	Our fee for 2017-18 was £83,572, excluding VAT (2016/17: £83,572). Our fee for the audit of the Pension Fund was £26,607 excluding VAT (2016/17: £26,607). The fee is consistent with the planned fees for the year. This year we have been requested to undertake enhanced procedures on behalf of a number of the admitted and scheduled bodies to the Pension Fund. The fee for this will be agreed with the Authority and the PSAA through the PSAA fee variation process, which can be recharged on to those bodies. Further detail is contained in Appendix 3.
Exercising of audit powers	<p>We have a duty to consider whether to issue a report in the public interest about something we believe the Authority should consider, or if the public should know about.</p> <p>We have not identified any matters that would require us to issue a public interest report. In addition, we have not had to exercise any other audit powers under the Local Audit & Accountability Act 2014.</p>

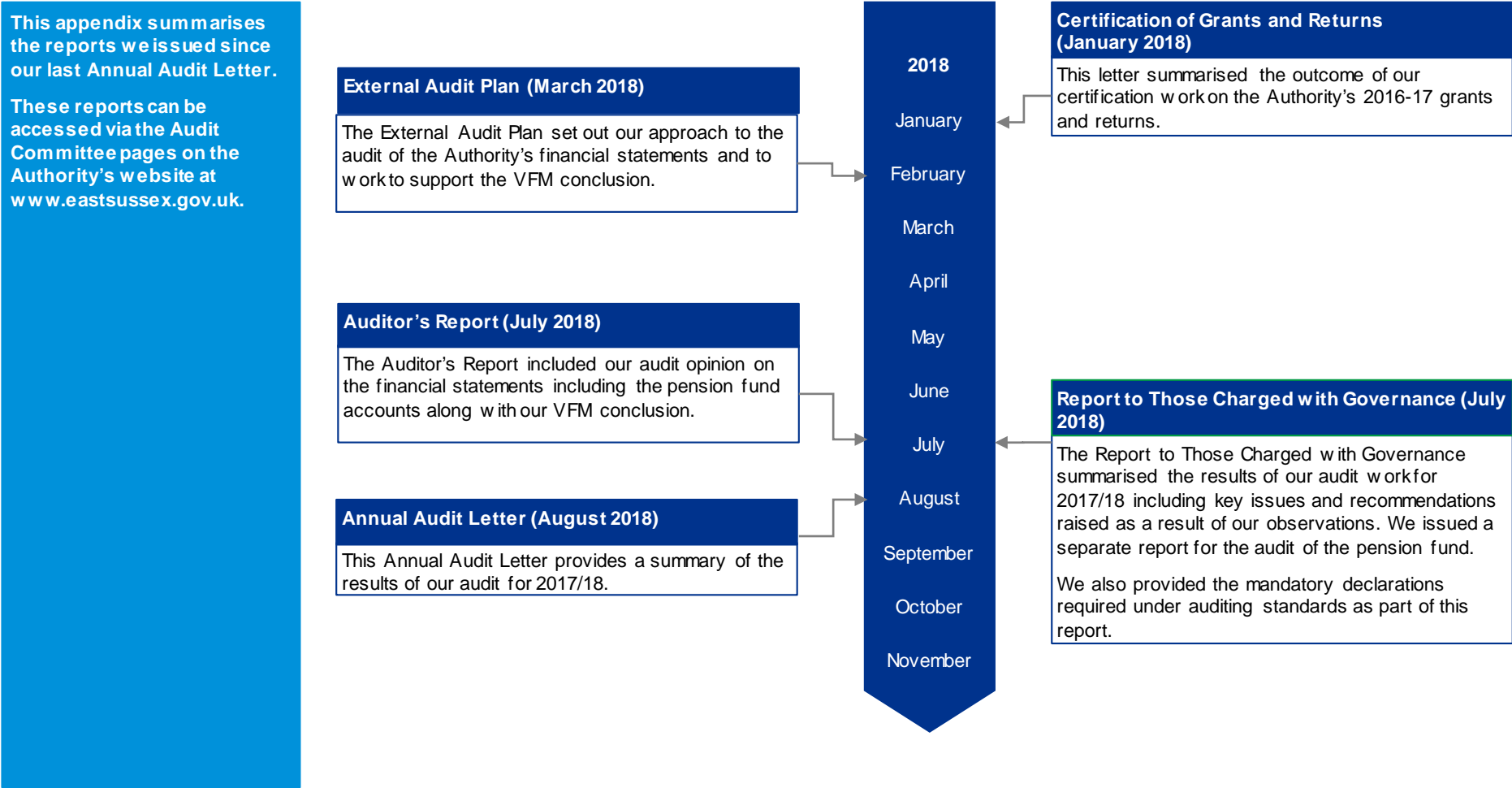
Appendix 1: Key issues and recommendations

We detail here the one medium priority recommendation arising from our 2017/18 financial statements audit. We note there were no recommendations arising during our 2016/17 audit which required follow up.

No.	Issue and recommendation	Management response / responsible officer / due date
1	<p>Use of a contingency provision within the land and buildings valuation</p> <p>During our review of the Council's land and buildings valuation, it was identified that the valuer has included a contingency provision of 5% of each revalued specialised asset, of a total value of £13.6m. Whilst current guidance on the subject does not expressly prohibit the use of a contingency provision for such assets, a number of valuers have moved away from using such provisions now as they are considered inconsistent with the instant build approach. Moreover, there is currently a RICs consultation ongoing regarding the guidance for specialised asset valuations, which states that a contingency provision should not be used where the instant build method is deployed.</p> <p>We recommend therefore that the Council review its need for a contingency provision in light of the new guidance as it is published, to ascertain if a contingency provision is appropriate and allowable in future years.</p>	<p>Accepted</p> <p>Pre the 2018/19 closure of account closure process, the Council (in consultation with our valuer) will review its need for a contingency provision as soon as the new Royal Institute of Chartered Surveyors (RICs) guidance is published.</p> <p>Responsible officer</p> <p>Ola Owolabi, Head of Pensions</p> <p>Due date</p> <p>31 May 2019</p>

Appendix 2: Summary of reports issued

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Appendix 3: Audit fees

This appendix provides information on our final fees for the 2017/18 audit.

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2017/18 planned audit fee.

External audit

Our final fee for the 2017/18 audit of the Authority was £83,572, which is in line with the planned fee. Fees have not yet been agreed with the Authority for the work on the elector objections relating to 2016/17.

Our final fee for the 2017/18 audit of the Pension Fund was in line with the planned fee of £26,607. In addition, during the year we were asked by auditors of the Pension Fund's admitted and scheduled bodies to undertake an enhanced suite of testing, which we are required to complete under the terms of the PSAA contract. This fee will be agreed with the Authority and the PSAA through the PSAA fee variation process, which the Pension Fund is able to recharge on to the admitted bodies to which the work relates.

Certification of grants and returns

In addition to the statutory external audit, we also undertake the certification of two grant claims, the NCTL (National College of Teaching and Leadership) and the TPA (Teachers' Pensions Agency) returns. Work on these is ongoing and the final fee will be confirmed upon the conclusion of this work.

Other services

We did not charge any additional fees for other services.



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