East Sussex County Council

CABINET

TUESDAY, 16 JULY 2019

10.00 AM COUNCIL CHAMBER - COUNTY HALL, LEWES

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

A G E N D A

1 Minutes of the meeting held on 25 June 2019 *(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 Reconciling Policy, Performance and Resources - State of the County *(Pages 5 - 98)*
Report by Chief Executive

6 Transport for the South East's draft proposal to Government - formal consultation *(Pages 99 - 124)*
Report by Director of Communities, Economy and Transport

7 Internal Audit Annual Report and Opinion 2018/19 *(Pages 125 - 140)*
Report by the Chief Operating Officer

8 Any other items considered urgent by the Chair

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

PHILIP BAKER
Assistant Chief Executive
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8 July 2019

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CABINET

MINUTES of a meeting of the Cabinet held on 25 June 2019 at Council Chamber - County Hall, Lewes

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

Members spoke on the items indicated

Councillor Bennett	- item 5 (minute 4)
Councillor Bentley	- item 5 (minute 4)
Councillor Godfrey Daniel	- item 5 (minute 4)
Councillor Philip Daniel	- item 5 (minute 4)
Councillor Davies	- item 5 (minute 4)
Councillor Galley	- item 5 (minute 4)
Councillor Shuttleworth	- item 5 (minute 4)
Councillor Simmons	- item 5 (minute 4)
Councillor Stogdon	- item 5 (minute 4)
Councillor Swansborough	- item 5 (minute 4)
Councillor Tidy	- item 5 (minute 4)
Councillor Tutt	- item 5 (minute 4)
Councillor Ungar	- item 5 (minute 4)
Councillor Webb	- item 5 (minute 4)

1 MINUTES OF THE MEETING HELD ON 23 APRIL 2019

1.1 The minutes of Cabinet meeting held on 23 April 2019 were agreed as a correct record.

2 APOLOGIES FOR ABSENCE

2.1 An apology for absence was received on behalf of Councillor Claire Dowling

3 REPORTS

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

4 COUNCIL MONITORING: END OF YEAR 2018/19

4.1 The Cabinet considered a report by the Chief Executive.

4.2 It was RESOLVED to:

1) note the end of year monitoring position for the Council and the significant progress made towards the Council's four priority outcomes; and
2) agree the transfer of £4.6m of the revenue budget underspend to the Capital Programme and to note the transfer of £3.4m of the revenue budget underspend to the Financial Management Reserve as set out in paragraph 2.3 of the report

Reason

4.3 The report set out the Council's position and year end provisional outturns for the Council Plan targets, revenue budget, capital programme, savings plan together with strategic risks for 2018/19

5 ASHDOWN FOREST TRUST FUND

5.1 The Cabinet considered a report by the Chief Operating Officer.

5.2 It was RESOLVED to – note the report and the Ashdown Forest Trust Fund income and expenditure account for 2018/19 and Balance Sheet as at 31 March 2019

Reason

5.3 To note the financial accounts for the Ashdown Forest Trust for 2018/19

6 ITEMS TO BE REPORTED TO THE COUNTY COUNCIL

6.1 The Cabinet agreed that items 5 and 6 should be reported to the County Council.
[Note: The items being reported to the County Council refer to minute numbers 4 and 5]

Report to:	**Cabinet**
Date:	**16 July 2019**
By:	**Chief Executive**
Title of report:	**Reconciling Policy, Performance and Resources (RPPR) – State of the County**
Purpose of report:	**To update members on the issues which need to be taken into account in the priority and budget setting process for 2020/21 and beyond**

RECOMMENDATIONS:
Cabinet is recommended to:

I) note the evidence base on demographics (appendix 1) and the National and Local Policy and Resources outlook (appendix 2);

ii) review the priority outcomes and Core Offer which form the basis of the Council's business and financial planning set out in paragraph 4 and appendix 3;

iii) agree the revised Medium Term Financial Plan as the basis for financial planning (appendix 4);

iv) continue the work on lobbying and communications based on the Core Offer and the need for sustainable funding for the county;

v) agree to receive reports on more detailed plans for the next three years in the autumn when there is greater certainty about funding; and

vi) agree the updated Capital Programme set out in appendix 5.

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1. Background

1.1 The State of the County report is part of the Council's Reconciling Policy, Performance and Resources (RPPR) process, its integrated business and financial planning cycle. The report sets out the context and provides an overview of the latest position in preparation for more detailed planning for 2020/21 and beyond. It builds on our recent year-end monitoring report to reflect on our achievements over the last year, the challenges in the year ahead arising from both local and national factors and in the light of all of this begins to refine our plans for the next three years to guide our business planning and budget setting processes.

1.2 The report sets out the evidence base (appendix 1), the national and local policy and resources context (appendix 2) within which the County Council is working. It also provides an update on our Core Offer (appendix 3), Medium Term Financial Plan (appendix 4) and the Capital Programme (appendix 5).

1.3 The Council spends over £370m net each year and it is vital that these resources, in partnership with others, are deployed in the most effective way. The Core Offer developed last year, builds on our priority outcomes to ensure our spending is directed towards areas of highest need. The Core Offer sets a realistic and ambitious assessment of the services East Sussex residents could reasonably expect of a competent County Council in a time of austerity. This needs to be a dynamic offer, which changes with circumstances and this report provides the opportunity for members to review the Core Offer, including the proposed refinement of the public health Core Offer, to ensure that it still best meets local circumstances, taking account of likely resources.

1.4 Moving to the Core Offer will contribute further savings in the next two years, but these will not meet the shortfall in funding we anticipate if no additional money is available from the Government. This may mean members face some extremely challenging choices when setting the budget if the Government cannot be persuaded to continue the one-off funding we have received in recent years in the short term and does not make long term sustainable funding available to local government.

1.5 Huge uncertainty dominates the context within which we are working. The timing of Brexit and nature of any deal will have implications for the national and local economy, the services we provide and the prospects for public services in a spending review. The change in the Prime Minister may have implications for a range of policy areas affecting the Council and its services.

1.6 Against this background the report sets out a proposed lobbying and communications activities to help us ensure that the Government is aware of the need for our funding gap to be addressed urgently if we are to maintain the Core Offer in the light of growing demand and ever diminishing resources.

2. Current Position

2.1 The County Council plays a key role in the quality of life of the residents, communities and businesses of East Sussex through services, employment, purchasing and how we work in partnership with others. Against a background of ever diminishing resources and increasing demand, especially in social care, the County Council has been working to ensure that the core set of services and infrastructure most needed from the Council is available to residents and businesses and that we support people to be actively involved in their communities and solve the issues that are most important to them.

2.2 We have worked to ensure:

- What we do represents good value for money;
- Our activities are transparent and we can be held to account;
- We operate as One Council and focus on key areas for County Council action;
- We prioritise the investment available for front line service delivery by maximising the resources available to us through income generation, treasury management and working in partnership with other organisations;
- We remain true to our purpose and carry out all we do professionally and competently; and
- We remain ambitious, optimistic and realistic about what can be achieved.

2.3 The council continues to perform well. In our services we seek to provide a culture of strong leadership and supportive management, which empowers staff delivering services to be creative and innovative in their work to support the County's residents and businesses. We use evidence to understand the needs in the locality and to evaluate the work we do to maximise the benefits we can achieve for the investment we can afford. This culture has led to good outcomes and innovative practice across all departments.

2.4 The council is deeply committed to working in partnerships, other public sector agencies, the voluntary and community sector, the education sector, residents and businesses towards the common goal of improving the health, economy and wellbeing of all those in the county we serve.

2.5 These two threads run through all our work. We have continued to deliver good quality services, notwithstanding the difficulties we face through ever growing demand and diminishing resources. Some examples of the quality services we provide are set out below.

2.6 Our children's services have been recognised as outstanding by Ofsted, and the inspectors cited the "East Sussex model of 'connected practice', resulting in helpful, enduring and trusting relationships between practitioners, children and their families, sometimes over many years. Examples of creative and purposeful direct work with children are widespread, and this work leads to substantial improvements in children's lives." "An accurate understanding of strengths and weaknesses underpins targeted and purposeful investment in well-regarded and nationally recognised projects and initiatives. This approach firmly supports continual improvement."

2.7 In Adult Social care we have continued to work on integration with health with the focus on financial sustainability and innovative service improvement. This work has been held up by the Care Quality Commission as best practice. Our innovations include:

- Home First - discharging people from hospital before ongoing needs are assessed, so patients are seen in their own home and there are lower rates of admission to residential care
- High Intensity User services – providing health coaching to people who are frequent users of emergency health services
- A&E 5 Pathways puts ambulance staff and GPs in contact with our Crisis Response team preventing A&E admissions
- Reablement and rehabilitation - helps people to regain mobility and skills so they are more able to stay at home and need less support
- Care with confidence – helps people to find the help they need at home
- Technology Enabled Care Services – 8,500 clients are using sensors which can detect falls; respond to fire alarms, dispense medication and do welfare checks.

We will continue to contribute to and work in partnership with East Sussex NHS partners and more broadly with the STP on the NHS five year plan.

2.8 Our sustained investment in roads since 2013 has halted deterioration and shown marked improvement in the condition overall;

- A roads from 7% needing improvement to 5%.
- B and C roads from 9% needing improvement to 7%.
- Our unclassified roads from 25% needing improvement to only 9%.

Whilst we have invested in planned maintenance for the long term, we still respond to problems when they happen. Last year we repaired 25,000 potholes in addition to our extensive surfacing and patching programmes.

2.9 We know transport infrastructure is key to delivering growth, unlocking employment and housing land and encouraging inward investment. We have:

- done work in our town centres including Heathfield and Eastbourne
- completed the North Bexhill and started work on the Newhaven Port access roads
- worked with Highways England on improvements at Polegate and Drusilla's roundabout and the study into a new dual carriageway, which will be published in the autumn
- established TfSE to ensure a strategic approach and single voice maximises investment.

2.10 Where savings have been made, we have innovated and concentrated our resources to support those with the greatest needs. We have also encouraged community action where the Council is no longer able to support local services. The new East Sussex Libraries: The Way Forward Strategy (2018/19 – 2022/23) sets out our vision for a modern library service. In support of the four strategic aims of the strategy it includes a new Children and Young

People's Offer, which provides literacy and numeracy support, including outreach work for pre-school and school age children and their families. Adults with low literacy are supported through accredited courses in English, Maths and ICT at Eastbourne and Hastings libraries and our community offer has seen libraries handed over to local groups to run in a number of community borrowing facilities opened in areas not previously served.

2.11 We have worked creatively and innovatively with others to ensure that our back office services are cost effective and support our front line workers effectively, contributing to the £1m savings in business services in the last year alone. We use our spend with suppliers to support local business wherever possible and to encourage social value such as apprenticeship opportunities and facilities offered to local voluntary groups. During 2018/19 we reduced the amount of CO2 arising from Council operations by 6%, 8.1% from schools; and a 4.6% reduction from the corporate estate, including street lighting.

2.12 The scale of savings we have had to make has not been easy or without impact on front line services. The Council has had to reprioritise its investment and reduce the extent and breadth of its service offer. This has meant significant impacts in community based Adult Social Care services, in assessment and care management staffing levels, in family centres, in the universal youth service offer, in the libraries and cultural offer and the amount spent on the highways network and the public realm. The continued pressure on budgets in the future means that, despite continuing commitment to maximise efficiency and generate income, services will continue to be concentrated on those in most urgent need and a comprehensive offer of universal services to all residents will not be maintained.

3 Demographic and Demand Changes and Financial Background

3.1 Appendix 1 sets out the key factors in relation to demography, housing, deprivation, health and economy affecting the county and the impact they are having on demand for our services. The main changes affecting demand are set out below in below.

Older People

3.2 Demand for ASC will continue to increase, both as a result of the growth in the proportion of older people in the population and the complexity of their needs with increasing longevity. The proportion of people over 65 in East Sussex is considerably higher than nationally – 26% in East Sussex compared to 18% in England. By 2023 this will have risen to 27% (19% in England). The proportion of those aged over 85 is already significantly higher in East Sussex than nationally and will continue to rise sharply. It is this group that are the most likely to need our services.

3.3 This increased demand is partially recognised by the Government, which has responded by making a series of short term, one-off funding streams available to Councils and the NHS. The Government last year announced an additional £20bn for the NHS between 2019/20 and 2023/24, through a series of above inflation annual increases. No additional ongoing money for social care has been announced, despite it serving the same population and being crucial to getting and keeping people out of hospital. In addition, there is significant concern that the allocation of the Better Care Fund, through Clinical Commissioning Groups to Local Authorities, could be under threat as funding of the NHS is realigned. The much heralded but delayed Social Care Green Paper is still awaited.

Children and Young People

3.4 The number of young people (aged 0-17) will increase by 3% in the next three years. Additional schools capacity in the right places to meet demand is either in place or planned.

3.5 The number of children in need of help and protection also continues to rise locally and nationally, linked to the increase in families experiencing financial difficulties. Additionally there is a growth in the numbers of children with statements of SEND or Education Health and Care Plans (EHCPs). Coupled with the extended period over which Councils have been made responsible for the education of children with SEND to 25 years old, which was unfunded, this has added considerably to the pressures in Children's Services.

Housing and Infrastructure

3.6 The key issues in this area are the growth in the number of households in the county and the need to provide suitable accommodation for the new and smaller households that will constitute the increase. In addition, the affordability gap between house prices and wages means that home ownership is unachievable for many. This has resulted in greater reliance on the private rented sector.

3.7 The number of households living in temporary accommodation in the County more than doubled between 2015/16 and 2017/18, with the largest numbers in Eastbourne. In addition, more households are being affected by the reduction in the benefit cap. The cap sets a national limit on how much benefit can be received by any households. In 2016 the cap was reduced from £26,000 to £20,000 for those with dependent children and from £18,200 to £13,400 for those without children. There has been more than a fourfold increase in households affected since the change was made. The cap is likely to affect households in the South East more than the rest of the Country due to high market rents for property and may be contributing to the number of families becoming statutorily intentionally homeless. These families cannot claim housing benefit or universal credit to help with the cost of housing resulting in the County Council meeting the cost to prevent children becoming destitute. The Council spent £423,000 on 20 such families in 2018/19.

3.8 The Council is supporting growth by making and attracting investment into the County. There is still much that needs to be done in terms of road and rail investment in particular to support the housing growth the county needs and to allow people in and moving to the county to access high quality employment

The Economy

3.9 Whilst improving, the economy in East Sussex still underperforms the rest of the South East. We need to keep on creating good quality jobs so that the county's economy continues to improve and to ensure that people have the right skills to take advantage of those jobs, to help local residents live prosperous, healthy and self-sufficient lives.

Resource Background

3.10 In addition to the pressures set out above, cost pressures arising from general inflation, contract prices and wage rises place a significant burden on service budgets to just stand still.

3.11 The next three years will see major change to the way local government is financed. Revenue Support Grant (RSG) will disappear to be replaced with a system of local government funding entirely through business rates and Council Tax. There is expected to be some continued redistribution of business rates across the country, based on a fair funding review of relative need and the Government has said that it will carry out a spending review in the autumn. However, the timing of both of these is uncertain and likely to be delayed due to Brexit and there is no indication that either will provide significant new resources for local government. The national uncertainty regarding the timing and deliverability of the Spending Review (SR), Fair Funding Review (FFR) and Business Rates Retention Review (BRRR), places a greater challenge in setting a balanced budget for 2020/21.

3.12 Any growth in the Council's resources will therefore need to come from either local Council Tax or business rates. Council Tax for East Sussex County Council is the 4th highest of any county in England. When district/borough precepts are taken into account, Council Tax in East Sussex borough and district areas is higher than in other English areas. Business rate growth in East Sussex has been historically fairly flat.

3.13 The national context in which our local issues are set, and which will need to be taken been taken into account in the Council's plans, is set out in appendix 2. The change in Prime Minister may also impact on a range of national policies

4 Council Priority Outcomes and Core Offer

4.1 The Council's business and financial planning is underpinned by its four priority outcomes, which provide a focus for decisions about spending and savings and will direct activity across the Council.

4.2 The current four priority outcomes are:

- Driving sustainable economic growth;
- Keeping vulnerable people safe;
- Helping people help themselves; and
- Making best use of resources.

The priority outcome that the Council makes the "best use of resources" is a test that is applied to all activities.

4.3 Those services across all departments which make the most significant contribution to achieving the outcomes under each of the priority areas have been prioritised for investment and, where possible, given relative protection from the requirement to make reductions. The scale of the savings the Council has delivered over an extended period means, however, that the scope for making savings in non-priority areas is very constrained and therefore savings in areas which support our priorities continue to be inevitable.

4.4 It was in the light of this challenge that the Core Offer was developed last year, to set as clearly as possible the services the Council believes local people need as a minimum. The Core Offer is set out in appendix 3, to which a refinement of public health offer has been added.

Public Health

4.5 The public health Core Offer sets out how we will meet our mandated responsibilities and to make the best use of the resources available, by targeting action where health inequality is greatest and by using evidence to ensure that interventions are effective. Currently our public health work is funded by a ring-fenced grant from the Government. The Government's current proposal under the fair funding review is for this grant to be subsumed into local funding. Even if the specific grant continues, it is expected to reduce over the next few years. The process of prioritising work on public health to identify the areas where risks to health are greatest, to create a healthier, happier and fairer County has therefore begun, with the development of a new public health Core Offer. Subject to Members' views, work will begin over the summer to identify specific changes and to develop savings proposals. A report on progress and areas of search for savings will be brought to Cabinet in October as part of the RPPR process.

East Sussex Core Offer

4.6 The Core Offer represents a level of service below which we should not go in order to meet the needs of residents, not only for the services we provide but to play our part in supporting them in their wider health and wellbeing needs. This includes access to well paid jobs, decent affordable housing and good mental and physical health. Over the next year we will seek to work with partners to ensure a clear, shared vision of what achieving those aims would look like for local people and to ensure that we are maximising the public value from spend to support those outcomes. Whilst this work is not anticipated to contribute significantly to savings, it will help further focus efforts to ensure the best use is being made of every public pound that is spent in the County. It will include continued work: with the NHS on integration of health and social care; with Team East Sussex on the economy, with our colleges on skills and with the voluntary and community sector on a wide range of local issues. We will also review our contributions to other important partnership activities in the County, for example housing, to see if there is more that we could do to help those with lead responsibilities meet local need.

4.7 One of the most urgent partnership endeavours over the coming years will be helping to reduce and mitigate the effect of climate change. The Council is already doing a great deal of work to reduce its carbon footprint and will review its actions to see what more could be done, both on our own and with others, to reduce our impact and to plan for the effects of change.

4.8 Cabinet is asked to review the current priorities and Core Offer (Appendix 3), including proposals for public health and agree them as the basis for future business and financial planning.

5. Medium Term Financial Plan

5.1 The Medium Term Financial Plan (MTFP) is set out in appendix 4. The level of government funding that ESCC will receive between 2020/21 – 2022/23 is yet to be confirmed, but based on latest information and assumptions, Government funding will reduce by £1.1m. In the same period there are unavoidable costs to cover projected inflation, demographic and service pressures of £60.6m. This equates to a real term loss of purchasing power of £61.7m over the next three years. Increased Council Tax receipts are forecast to bring £27.3m additional funding, but this still leaves a shortfall in spending power of £34.4m; the current forecast savings requirement.

Medium Term Financial Plan	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**
Total Resources	(380.606)	(390.571)	(401.297)
Total Expenditure	401.024	416.459	435.717
Total Budget Deficit	**20.418**	**25.888**	**34.420**
Annual Budget Deficit	**20.418**	**5.470**	**8.532**

5.2 Areas for search for savings to bring services to the Core Offer were approved at Council in February 2019. These would contribute towards mitigating this deficit:

	2020/21 £m	2021/22 £m	Total £m
Communities, Economy & Transport	1.462	0.917	2.379
Children's Services	2.337	0.268	2.605
Adult Social Care	0.248	0.000	0.248
Business Services / Orbis	1.161	0.787	1.948
Total Departments	**5.208**	**1.972**	**7.180**

5.3 The impact of these savings would be to reduce the total budget deficit to £27.240m:

	2020/21 £m	2021/22 £m	2022/23 £m
Total Budget Deficit	**15.210**	**18.708**	**27.240**
Annual Budget Deficit	**15.210**	**3.498**	**8.532**

5.4 The uncertainty arising from anticipated delays in future national funding reform and, the Spending Review, combined with an increased use of one-off funding which is not guaranteed beyond 2019/20, means it is difficult to plan for 2020/21 and beyond. The position presented above excludes the potential positive impacts of a number of national funding streams for which we have been lobbying, that could be implemented either ahead of reform or as part of it.

5.5 The budget for 2019/20 relied on one-off funding and embedded grant funding, which needs to be confirmed and to continue into 2020/21:

	£m
Grant / One-off Funding	
Social Care Support Grant	4.417
CSD High Needs Block	1.138
Winter Pressures	2.586
	8.141
Business Rates	
Business Rates Pilot: post-2019/20 mechanism	1.600
Business Rates Levy Surplus	1.133
	2.733

5.6 Income received to support core Adult Social Care services from the Better Care Fund (BCF) and Improved Better Care Fund (iBCF) is subject to pooled funding arrangements which requires agreement from both ESCC and local NHS Partners, and sign-off by NHS England.

5.7 Whilst ESCC is confident the BCF will be sufficient to meet demand in 2019/20, there is a real possibility that there may be additional conditions attached to future funding streams which could constrain the Council’s ability to meet the assessed care needs of the local population and put significant financial pressure on local NHS services.

	£m
Better Care Fund (BCF): supporting services and packages of care	
BCF: original allocation	11.708
BCF: joint working	9.046
iBCF	18.551
	39.305

6 Capital Programme

6.1 The approved programme has now been updated to reflect the 2018/19 outturn, approved variations and other updates, the details of which are set out in appendix 5, including the revised programme.

6.2 A summary of the movements in the gross programme are set out in the table below, further information on each item can be found in appendix 5:

	£m
Total Programme at Feb 2019 (gross)	363.2
2018/19 Outturn	(85.1)
Net nil variations	2.6
Specialist Provision in Secondary schools (Business Case)	2.3
Underspend	(0.9)
Total Programme at July 2019	**282.1**

6.3 The borrowing requirement at February 2019 was £85.6m. Use of borrowing in 2018/19 to support the capital programme was £3.0m.The borrowing requirement at June 2019 has increased to £88.2m, primarily due to proposed investment in Specialist Provision in Secondary Schools of £2.3m; a net reduction in grants of £3.4m; reduced funding from the revenue contribution to capital of £4.0m; and the removal of Valuing People Now receipts of £2.5m.This has been offset by the £4.6m from Treasury management underspend, additional s106 contributions of £1.3m; and an underspend on Hastings Library of £0.7m that can support the current planned programme. This does not include borrowing for the risk provision which remains at £7.5m to support the current programme.

6.4 The development of the Capital Strategy to 2029/30 continues and will be presented in the autumn.

7 Lobbying and Communications

7.1 The anticipated delay in the spending review means that the best outcome we can expect for next year is a continuation of the one-off funding we received in the last budget round as a minimum, which we will ask to be uplifted to reflect our real pressures. It is likely that all Central Government spending departments will be under pressure from their services and stakeholders. It is unlikely that the needs of local government will be addressed unless there is consistent pressure from MPs across the Country. The Council has been successful over the last year in raising the need for local government funding to be put on a long term and sustainable footing. We need to continue to press for the retention of the one-off funding and for a realistic settlement for the future, both directly with Ministers and Government departments and indirectly through our MPs, partners and stakeholders.

8 Next Steps

8.1 We will continue to press the case that there is urgent need for the Government to make additional funding available for local government. Even if there is some form of spending review in the autumn, the announcements about outcomes may not come in time for our budget planning. In this case we will use our RPPR process to plan our services within the resources available.

Becky Shaw
Chief Executive

Contact Officers:
Jane Mackney, Head of Policy and Performance
Ian Gutsell, Chief Finance Officer

Appendix 1

State of the County 2019
Focus on East Sussex

Rampion Windfarm Seaford

Most Least

Population 2019		Births		Deaths		Migration in		Migration out		Population 2023
555,110	+	20,200	-	25,000	+	143,120	-	118,000	=	575,430 +20,320 (3.7%)

Population change 2019-2023: compared to 2019, by 2023 there will be:

20,320 more people living in East Sussex (**+3.7%**)

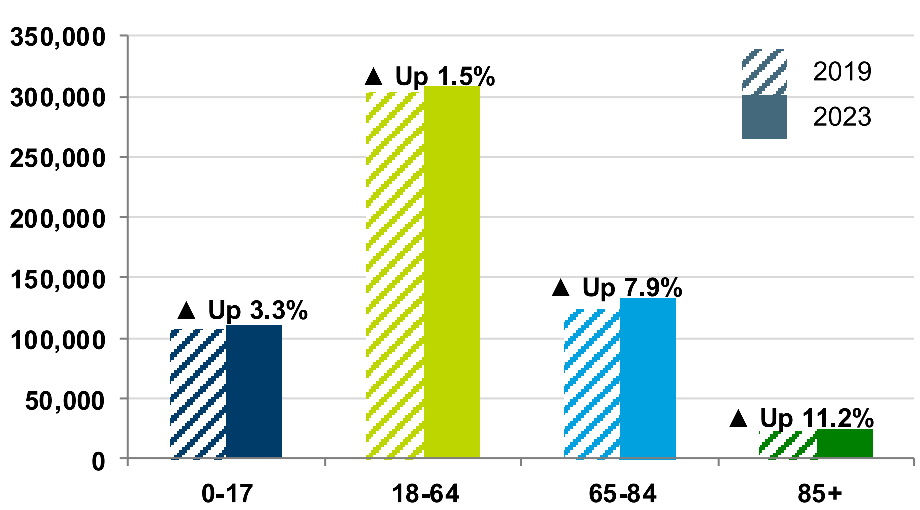
An increase of **3.3%** (**3,540** people) in the number of children and young people

An increase of **1.5%** (**4,620** people) in the working age population

8.4% (12,170) more people aged 65 and over

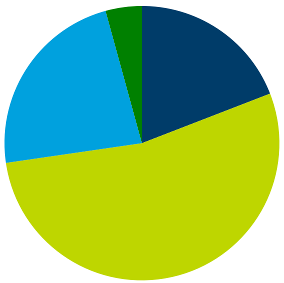
In East Sussex **4.3%** of people will be aged 85+, a greater proportion than England, **2.7%.** Ranked **2nd** in England for the highest proportion of population 85+, (ONS estimate 2017)

Projected population by age 2019-2023



Age band		2019	2023	Change
0-17		106,460	110,000	3,540
18-64		303,730	308,350	4,620
65-84		122,870	132,560	9,690
85+		22,050	24,530	2,480
All people		**555,110**	**575,430**	**20,320**

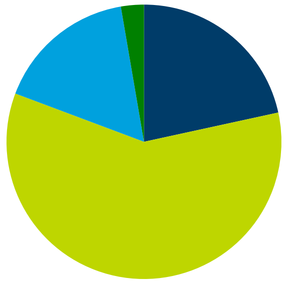
East Sussex



Population 2023

Age Range		East	England
0-17		19.1%	21.6%
18-64		53.6%	59.2%
65-84		23.0%	16.6%
85+		4.3%	2.7%

England



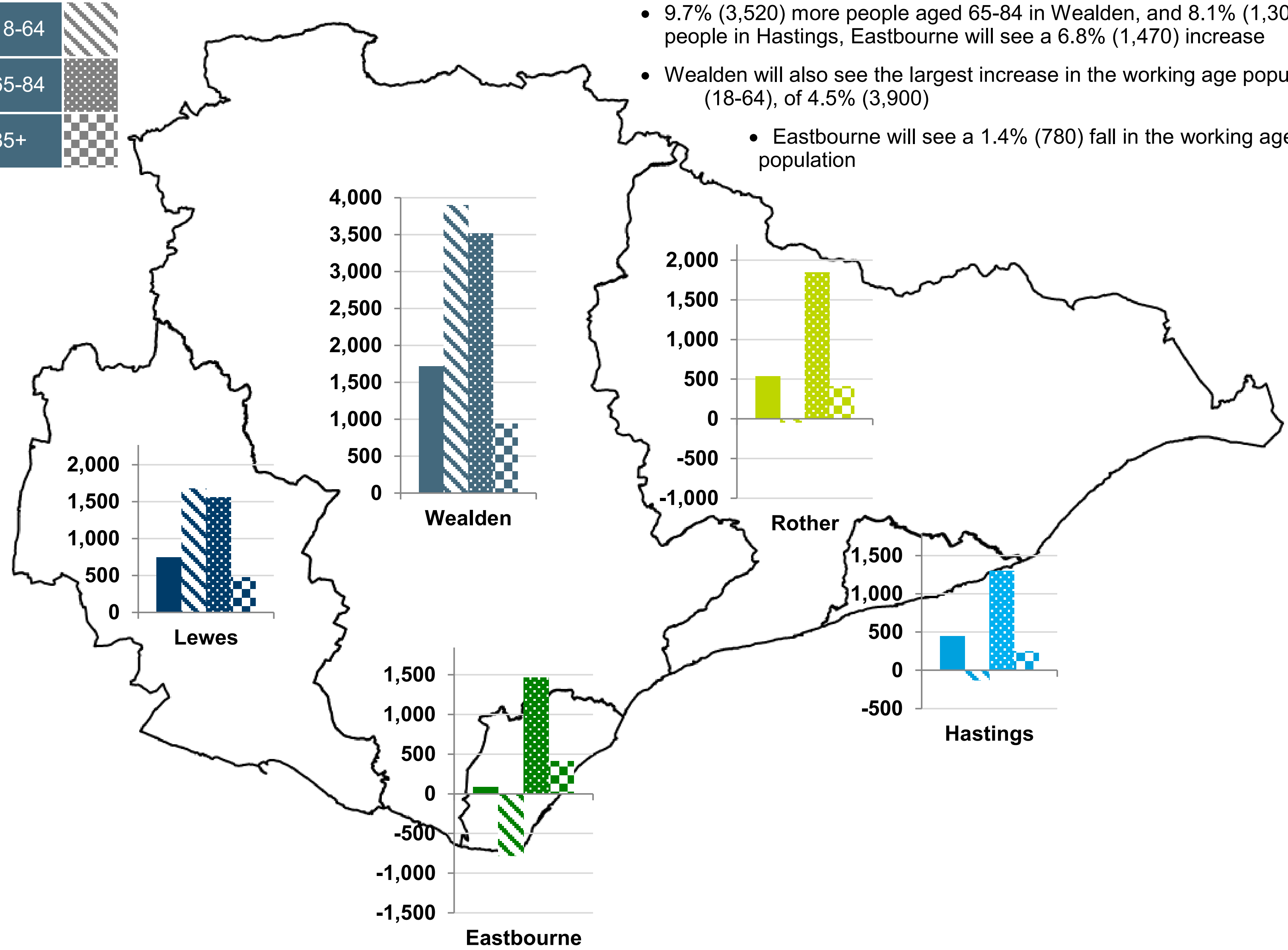
Source: ESCC population projections (dwelling led) April 2019. All figures round to nearest 10, therefore totals may not sum.
ONS trend-based population projections England May 2018

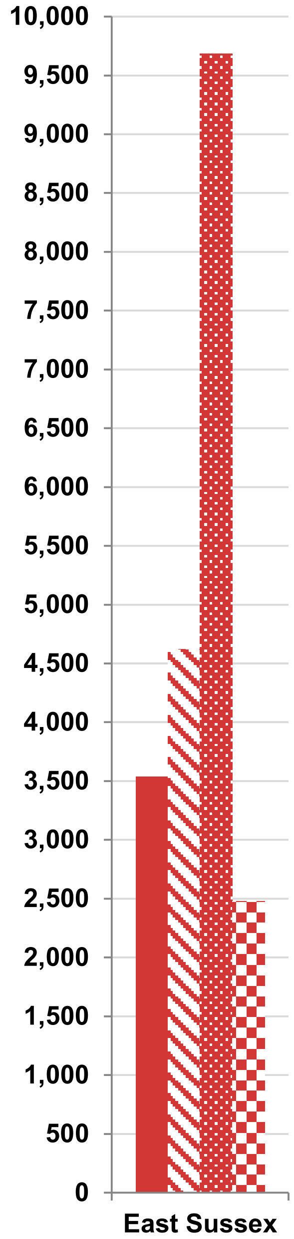
Age band
0-17
18-64
65-84
85+

East Sussex population change 2019 - 2023

Districts population change: by 2023 there will be

- An increase of 15.5% (940) more people aged 85+ in Wealden; the smallest increase will be in Eastbourne, 8.9% (410)
- 9.7% (3,520) more people aged 65-84 in Wealden, and 8.1% (1,300) more people in Hastings, Eastbourne will see a 6.8% (1,470) increase
- Wealden will also see the largest increase in the working age population (18-64), of 4.5% (3,900)
  - Eastbourne will see a 1.4% (780) fall in the working age population





Source: ESCC population projections (dwelling led) April 2019. All figures round to nearest 10, therefore totals may not sum.

Older people moving in and out of East Sussex 2015 - 17

- **8,914** people aged 65+ moved into East Sussex from elsewhere in England between 2015 - 2017. **5,675** moved out of the county, making the net increase **3,239**
- The largest net inflow of people arrived from Kent, Brighton & Hove, Surrey and Croydon
- The largest net outflow of people aged 65+ was to Devon, with **41** more people moving there than coming to East Sussex; second was Somerset with a total of **30**
- **2,065** people aged 65+ moved to East Sussex from London, with only **405** people moving into London
- Households of people aged 60+ have the highest average levels of disposable income, when compared to all other households
- The average life expectancy at 65 for people in East Sussex is a further **20.8** years

Areas with highest net inflow of internal migration 65+ 2015 - 2017			
Area	**In**	**Out**	**Net**
Kent	1,536	938	598
Brighton and Hove	729	354	374
Surrey	609	310	299
Croydon	322	44	278
Bromley	285	84	201
West Sussex	1,035	896	139
Bexley	127	24	102
Hertfordshire	190	89	101
Sutton	128	30	98
Merton	101	13	88
Lewisham	81	8	73
Lambeth	75	5	70
Essex	191	127	64
Wandsworth	73	12	61
Greenwich	68	10	58

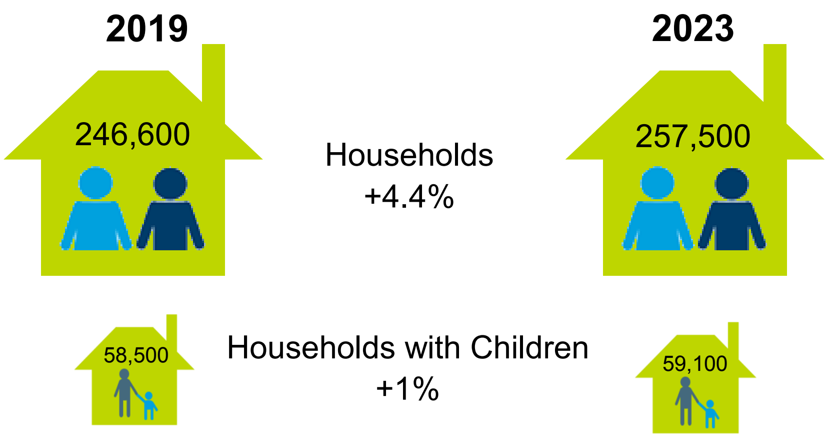
Areas with highest net outflow of internal migration 65+ 2015 - 2017			
Area	**In**	**Out**	**Net**
Devon	119	160	-41
Somerset	69	99	-30
Isle of Wight	40	63	-22
Cheshire East	10	29	-20
Gloucestershire	50	69	-19
North Yorkshire	34	49	-16
Lincolnshire	99	113	-14
Warwickshire	36	49	-13
Norfolk	145	158	-12

Main net flows 2015 - 2017 65+

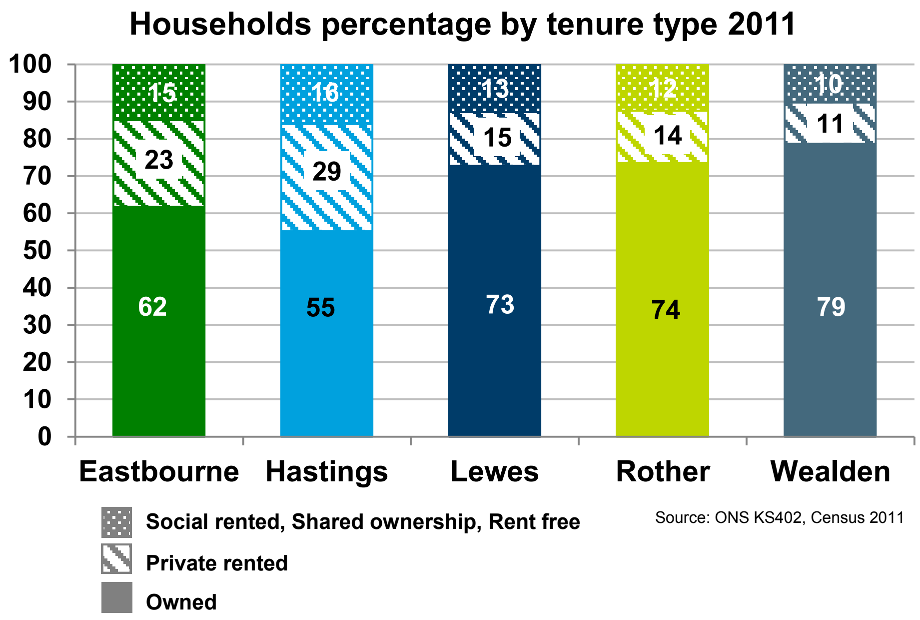
Net movements in

Net movements out

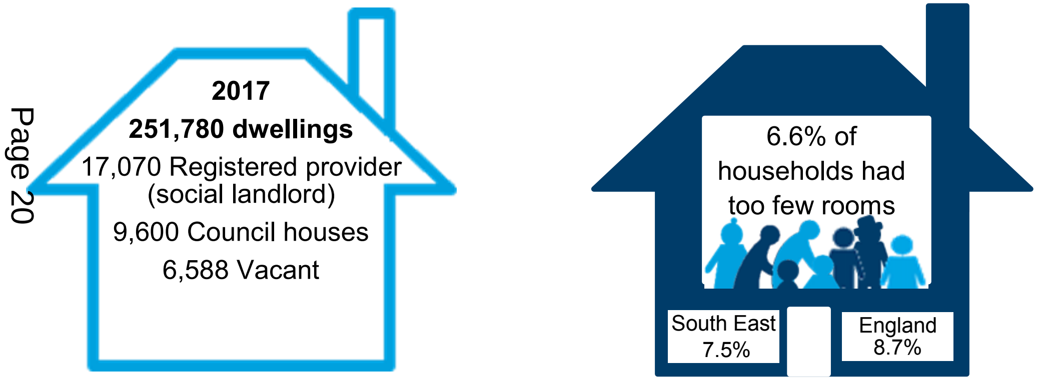
Sources: ONS 'Internal migration: detailed estimates by origin and destination local authorities, age and sex', and ENRICH and the National Institute for Health Research (NIHR)



Source: ESCC household projections by type, dwelling led, April 2019



Source: ONS KS402, Census 2011

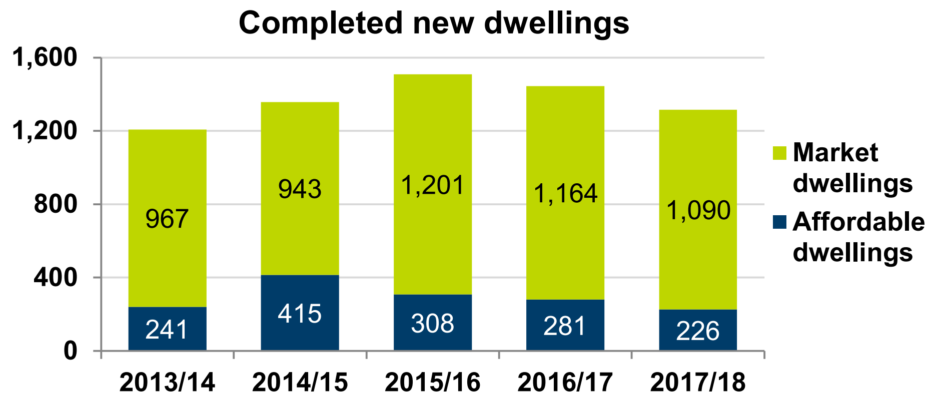


Sources: Census 2011, MHCLG live tables on dwelling stock including vacants
Note: Affordable housing includes housing for social rent, shared ownership, low cost home ownership and sub-market rent

Notes

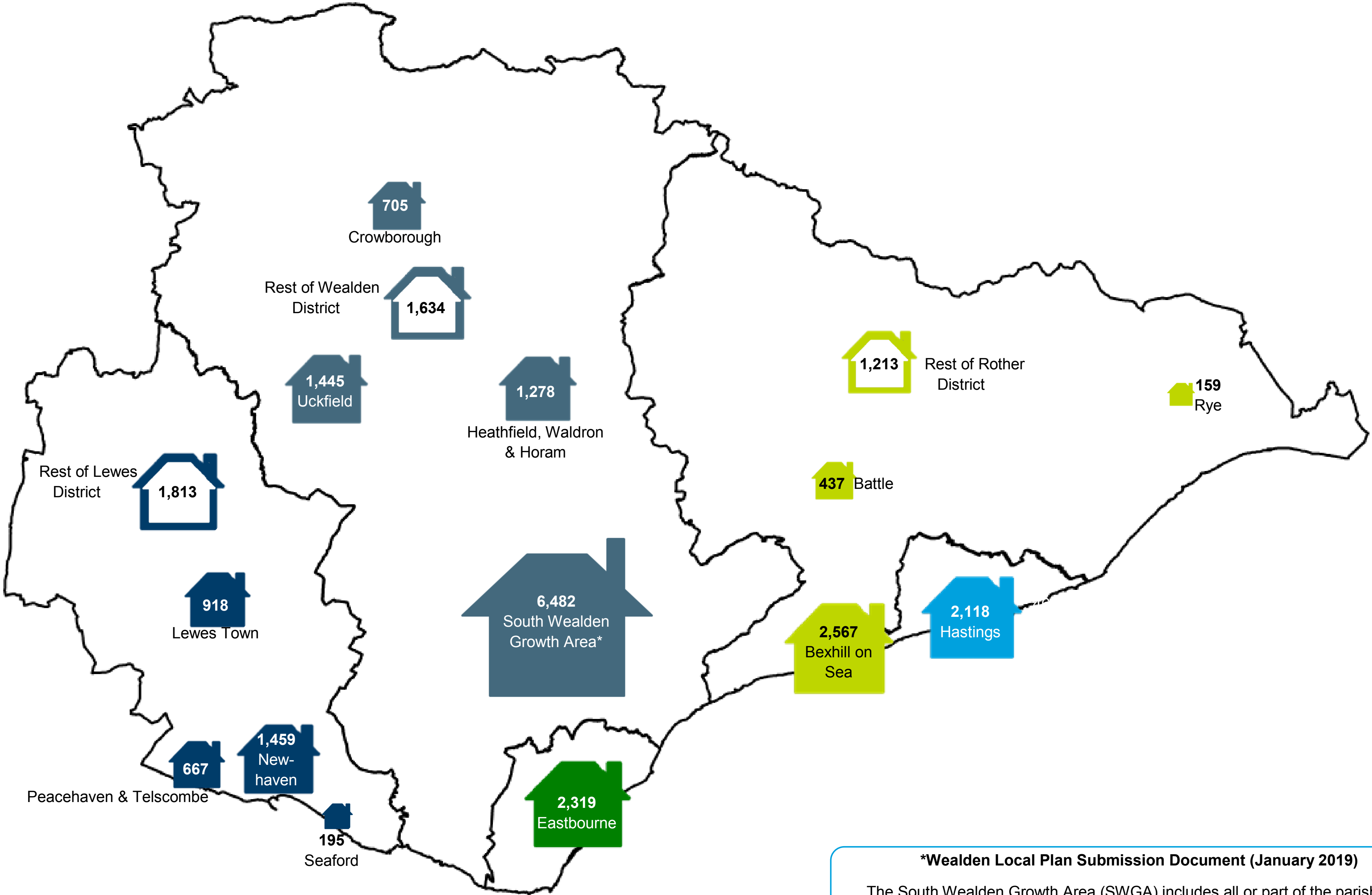
- A dwelling is a self-contained unit of accommodation used by one or more households as a home, e.g. a house, apartment, mobile home, houseboat. A single dwelling will be considered to contain multiple households if either meals or living space are not shared
- A household consists of one or more people who live in the same dwelling and also share meals or living accommodation, and may consist of a single family or some other grouping of people
- Social rented includes council houses and registered providers such as Housing Associations or not-for-profit housing providers approved and regulated by Government. They provide homes for people in housing need and many also run shared ownership schemes to help people who cannot afford to buy their home outright

Adopted Local Plans (adoption date)	Number of dwellings over plan period
Eastbourne: Core Strategy Local Plan (February 2013)	5,022 (2006-2027) 239 p.a.
Hastings: The Hastings Planning Strategy (February 2014)	3,400 (2011-2028) 200 p.a.
Lewes: Joint Core Strategy (June 2016)	6,900 (2010-2030) 345 p.a.
Rother: Core Strategy (September 2014)	5,700 (2011-2028) 335 p.a.
Wealden: Core Strategy (January 2019)	14,228 (2013-2028) 949 p.a.



Source: ESCC Housing Monitoring Database, Lewes District Council housing monitoring system

Planned housing growth in Adopted Local Plans (less completions to March 2018)



***Wealden Local Plan Submission Document (January 2019)**

The South Wealden Growth Area (SWGA) includes all or part of the parishes of Hailsham, Polegate, Hellingly, and Westham

Housing affordability 2018

Median average - house price : resident salary

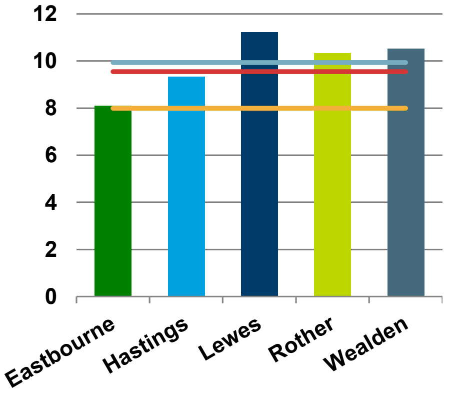
East Sussex

£278,500 10 x salary £28,746

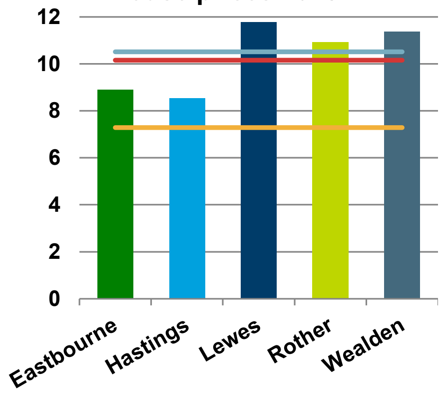
England

£239,000 8 x salary £29,869

Ratio: median earnings to median house prices 2018

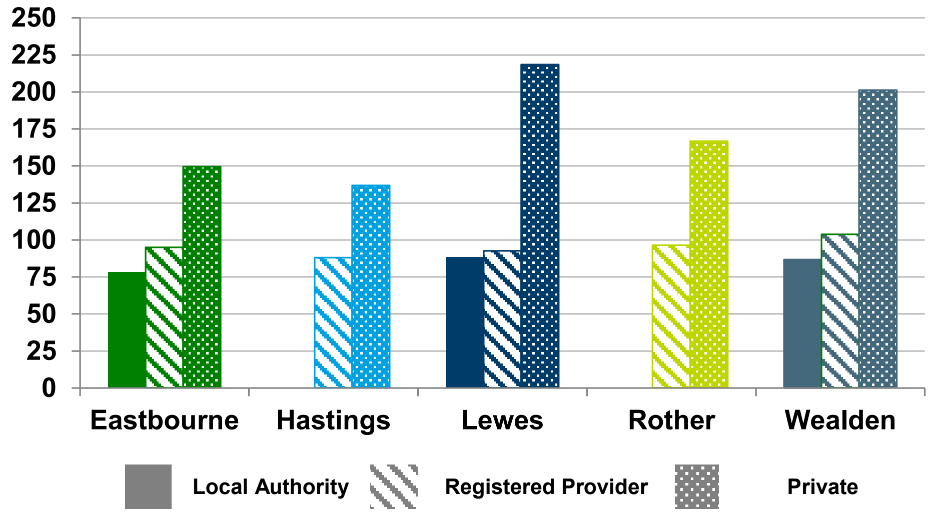


Ratio: lower quartile earnings to lower quartile house prices 2018



Housing affordability - renting

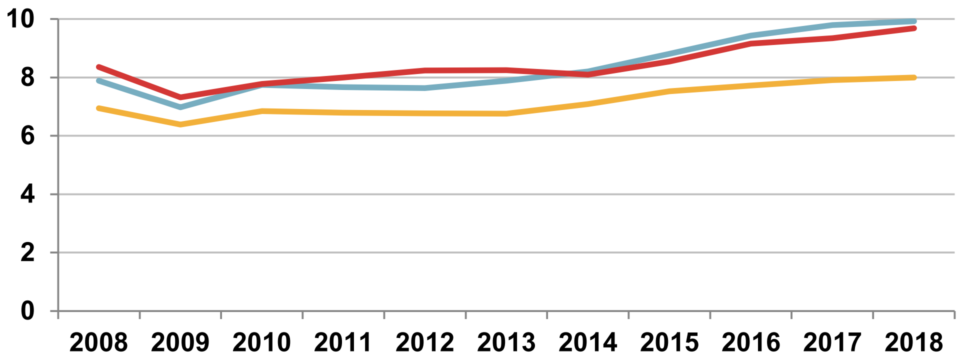
Average rent £ per week 2017/18



South East average not published, Hastings and Rother don't have any LA housing stock

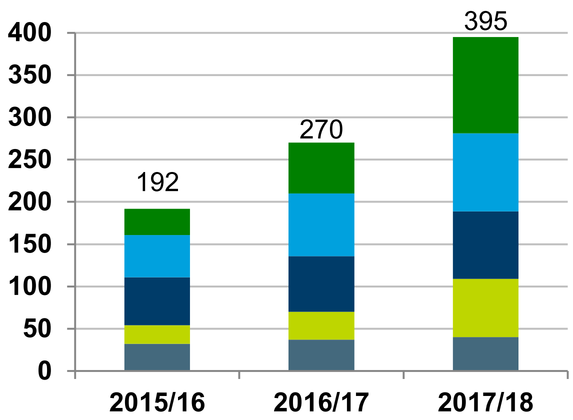
Source: Gov.uk Private rental market summary statistics, Gov.uk Live tables on rents, lettings and tenancies.

Ratio of median earnings to median house prices



Sources: ONS ratio of house price to residence-based earnings (lower quartile and median)

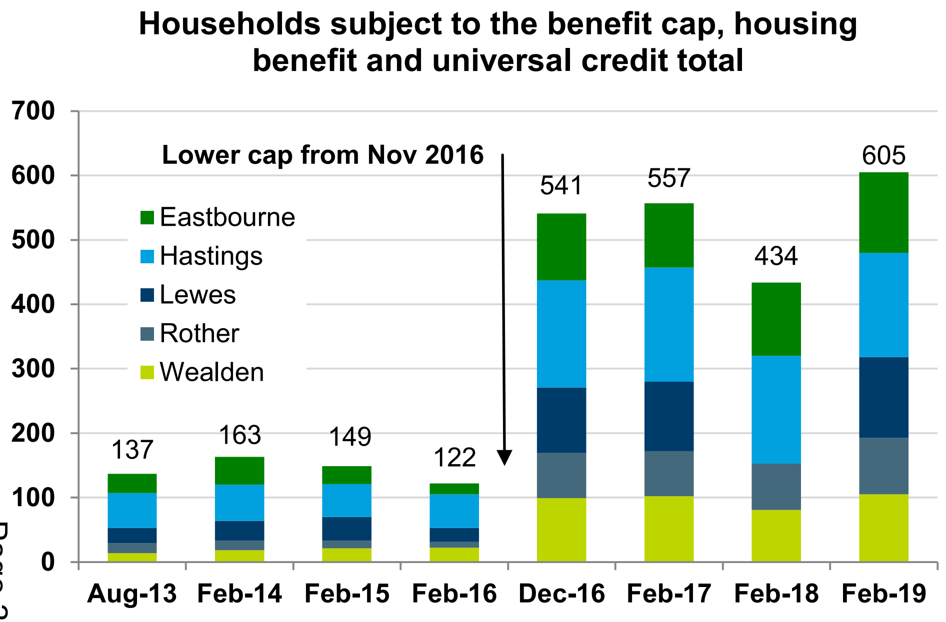
Number of households in temporary accommodation

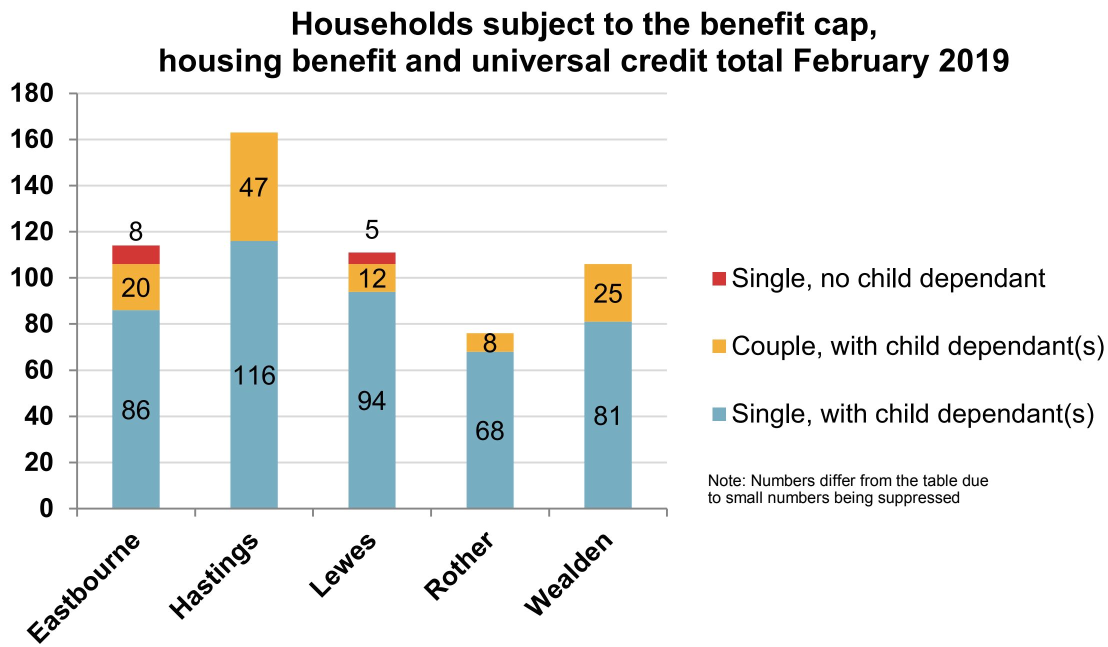


	2015/16	2016/17	2017/18
Eastbourne	31	60	114
Hastings	50	74	92
Lewes	57	66	80
Rother	22	33	69
Wealden	32	37	40

Source: Gov.uk live tables on homelessness

The Benefit Cap





Households subject to the benefit cap, housing benefit and universal credit by district

	Aug 13	Feb 14	Feb 15	Feb 16	Dec 16	Feb 17	Feb 18	Feb 19
Eastbourne	30	43	28	17	104	100	114	125
Hastings	54	56	51	52	166	177	167	162
Lewes	24	31	37	22	102	108	Sup	125
Rother	15	15	12	9	70	70	72	88
Wealden	14	18	21	22	99	102	81	105
East Sussex	137	163	149	122	541	557	434	605

Sources: Department for Works and Pensions, Small numbers may be suppressed (Sup)

The Benefit Cap, Housing Benefit and Universal Credit

- A limit on the total amount of benefit most people aged 16 -64 can get, it is applied through Housing Benefit or Universal Credit. Intended as an incentive to work, increase fairness, and make savings
- Rolled out from April 2013, first reported in East Sussex August 2013. The cap was £26,000 p.a. for couples and parents with children, £18,200 for single people without dependant children. Reduced to £20,000 and £13,400 in November 2016
- 74% (445) of capped households in East Sussex are single-parent families; England 71%

Intentionally homeless families

- Where a family is considered to be intentionally homeless by a local housing authority (district or borough council) Children's Social Care must ensure that a child is not destitute. This may require provision of temporary housing
- These families cannot claim Housing Benefit or Universal Credit to help with their housing costs, so the full cost is met by the County Council. East Sussex Children's Services spent £423,000 on 20 such families in 2018/19

Sources: East Sussex County Council Children's Services

Index of Multiple Deprivation (IMD) 2015

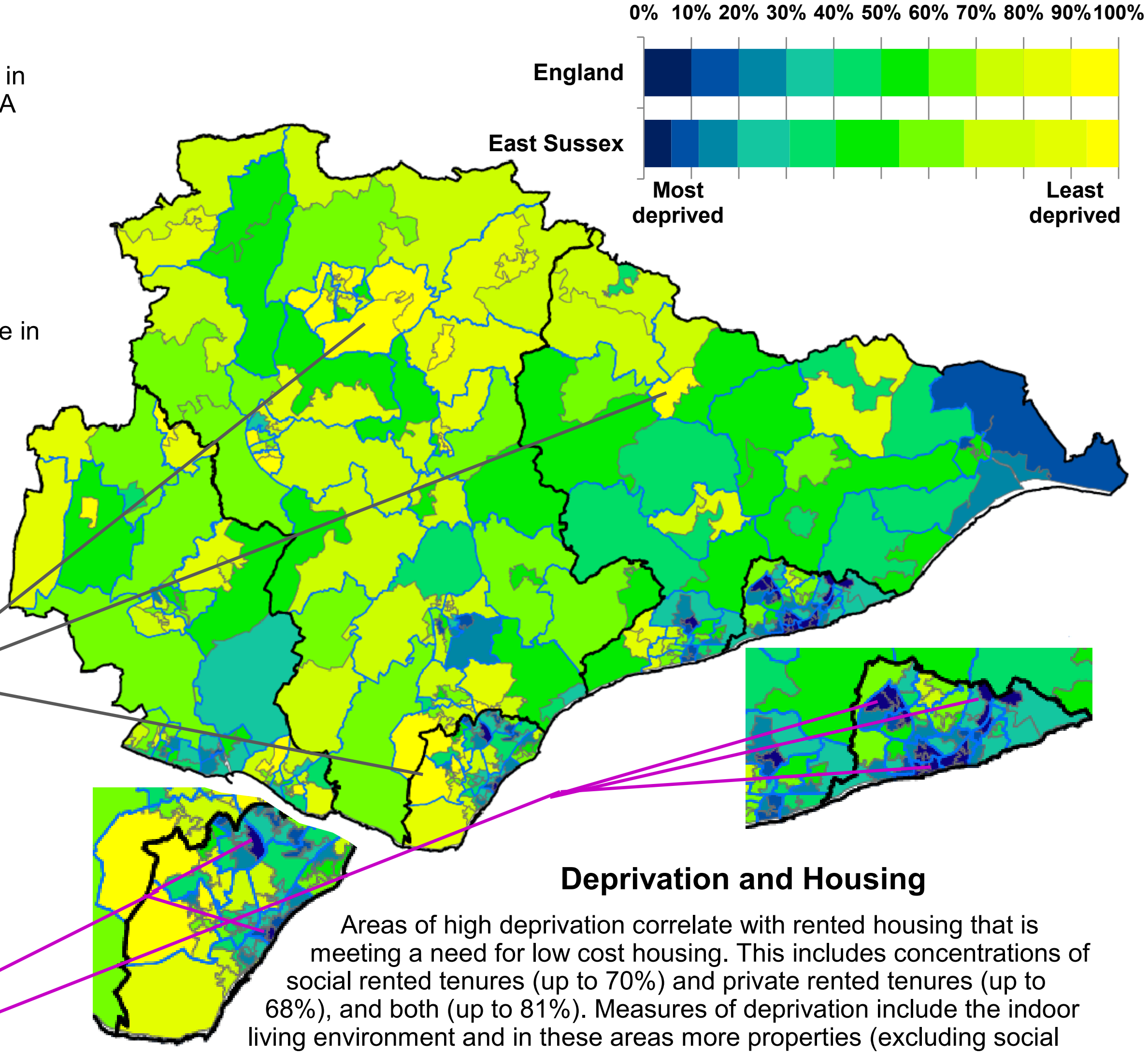
IMD is the official measure of relative deprivation for people living in small areas in England called Lower-layer Super Output Areas (LSOA). There are 32,844 LSOA averaging 1,500 residents each ranked from 1 (most deprived) to 32,844 (least deprived). IMD are weighted toward income/employment deprivation.

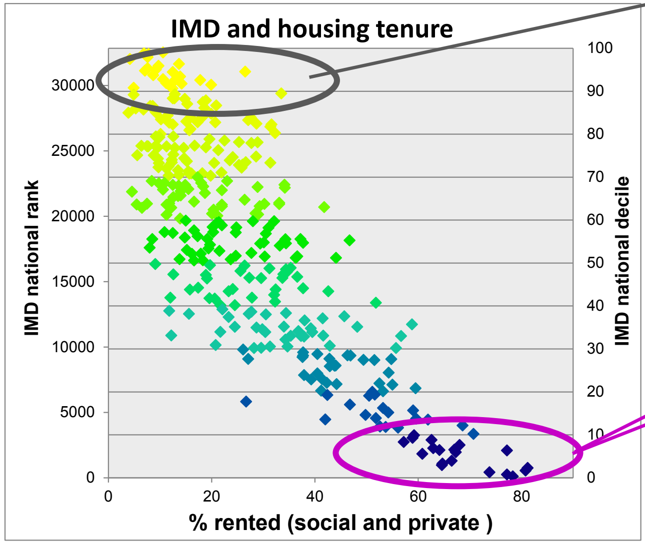
LSOA deprivation is shown by decile i.e. dividing the 32,844 areas into 10 equal groups from most deprived 10 per cent to least deprived 10 per cent. As it is a relative measure there will always be this even range across England.

In East Sussex there are 329 LSOAs, of which 19 are in the most deprived 10% nationally, 16 of these are in Hastings, 2 Eastbourne, and 1 Rother. 22 LSOA are in the least deprived 10% nationally, of these 14 are in Wealden, 4 Lewes, 3 Eastbourne, and 1 Rother.

People that are more deprived may produce higher demand for County Council and other public services, particularly where they are in clusters of deprived LSOA. They are characterised by poorer health and disability, lower skills, educational disadvantage, higher crime and drug misuse.

Further information about IMD is available on East Sussex in Figures, eastsussexinfigures.org.uk.





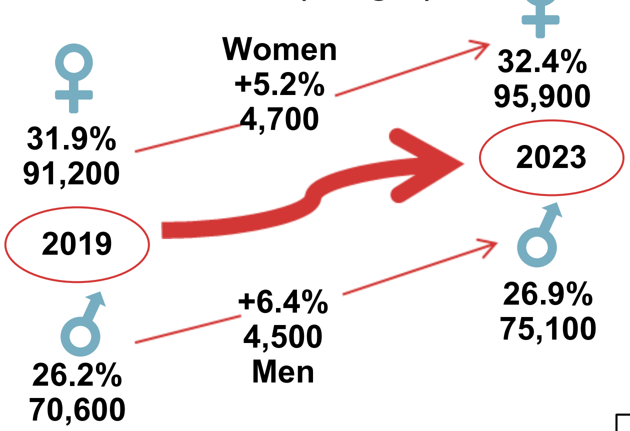
Deprivation and Housing

Areas of high deprivation correlate with rented housing that is meeting a need for low cost housing. This includes concentrations of social rented tenures (up to 70%) and private rented tenures (up to 68%), and both (up to 81%). Measures of deprivation include the indoor living environment and in these areas more properties (excluding social housing) may be in poor condition or without central heating, leading to higher heating costs and other negative outcomes.

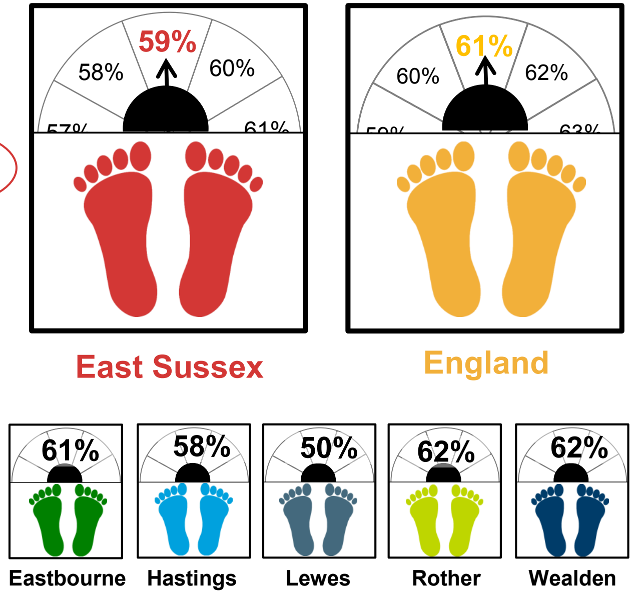
The relationship with housing tenure type means that the areas of high deprivation may not change IMD decile quickly unless there are significant housing developments or a process of gentrification. Where household income increases people are likely to move to other areas and be replaced by people with greater need for low cost housing. In the least deprived LSOA home ownership is highest, up to 95.2%. However, deprived people may be found in all areas, and not all people in a deprived area will be deprived, as suggested by the more even mix of tenure types across middle level deprivation areas.

Source: Ministry of Housing, Communities & Local Government (MHCLG) IMD 2015
Office for National Statistics (ONS) Census 2011 housing tenure

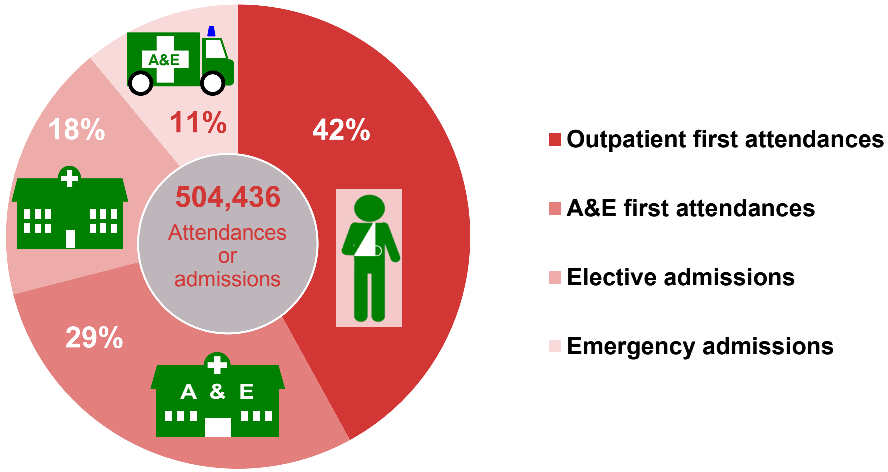
Estimated number of people with two or more long term conditions in East Sussex (all ages)



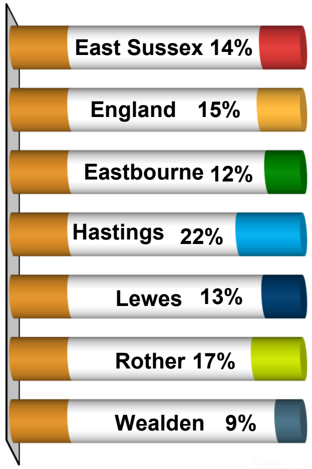
Adults overweight or obese 2016/17



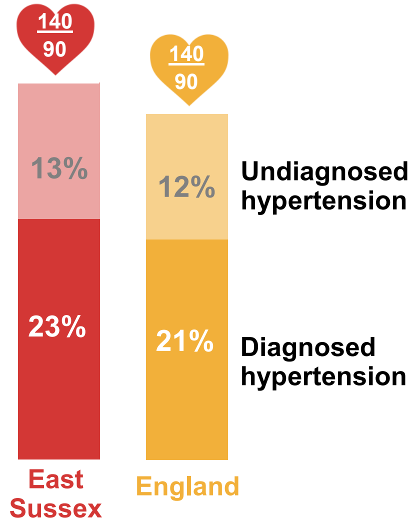
Hospital activity 2017/18



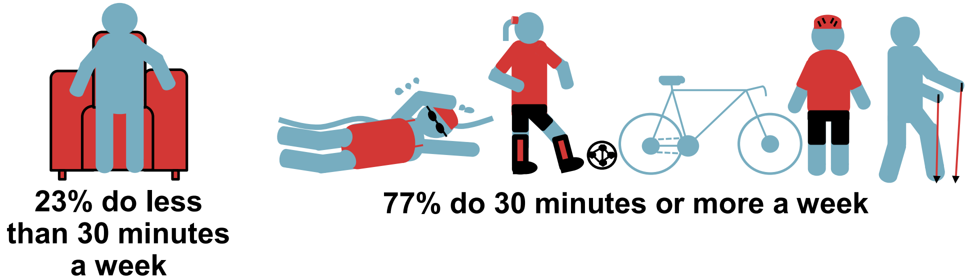
Current smokers age 18+, 2017



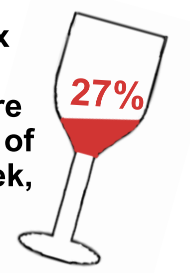
People with high blood pressure (hypertension) 2016/17



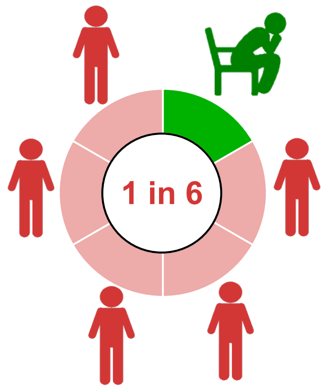
Physical activity amongst adults in East Sussex, 2017/18



East Sussex residents drinking more than 14 units of alcohol a week, 2017



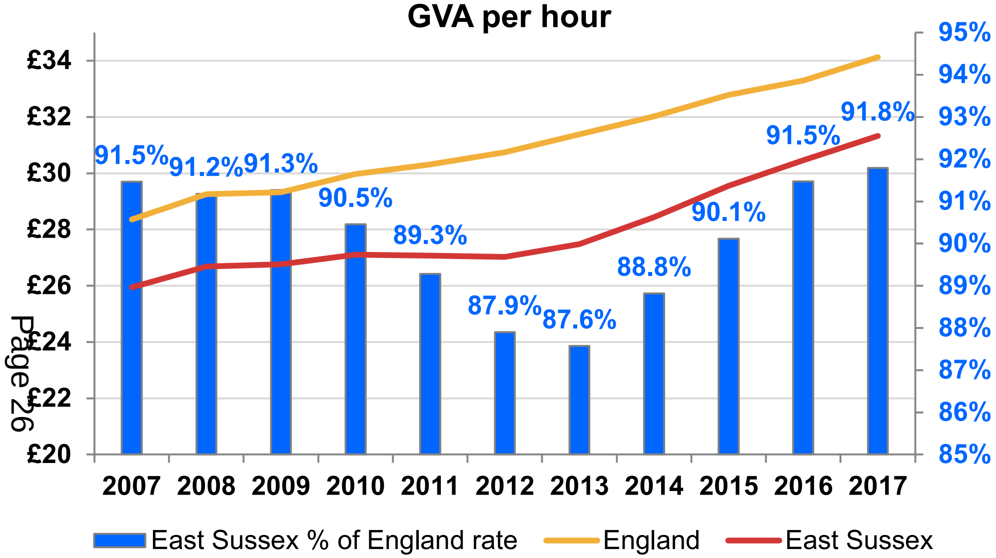
Estimated prevalence of people with a mental health condition at any one time



More information available from ***Picture East Sussex*** – *The Annual Report of the Director of Public Health 2018/19* www.eastsussexjsna.org.uk/publichealthreports

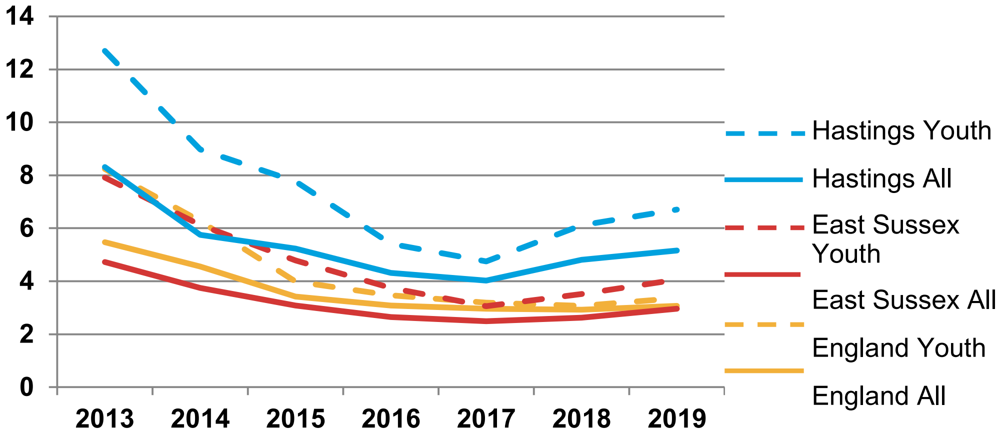
GVA per hour since 2008 recession

- Gross Value Added (GVA) per hour measures the value of goods or services produced in an area per hour worked in that area
- Following the 2008 recession the gap between GVA per hour in East Sussex and in England grew by 3.9%, with the East Sussex rate 87.6% of the England rate
- By 2016 the gap had returned to the 2007 rate of 91.5%



Source: ONS Subregional productivity: labour productivity indices by UK NUTS2 and NUTS3 subregions

Unemployment rate: percentage of adult and youth population

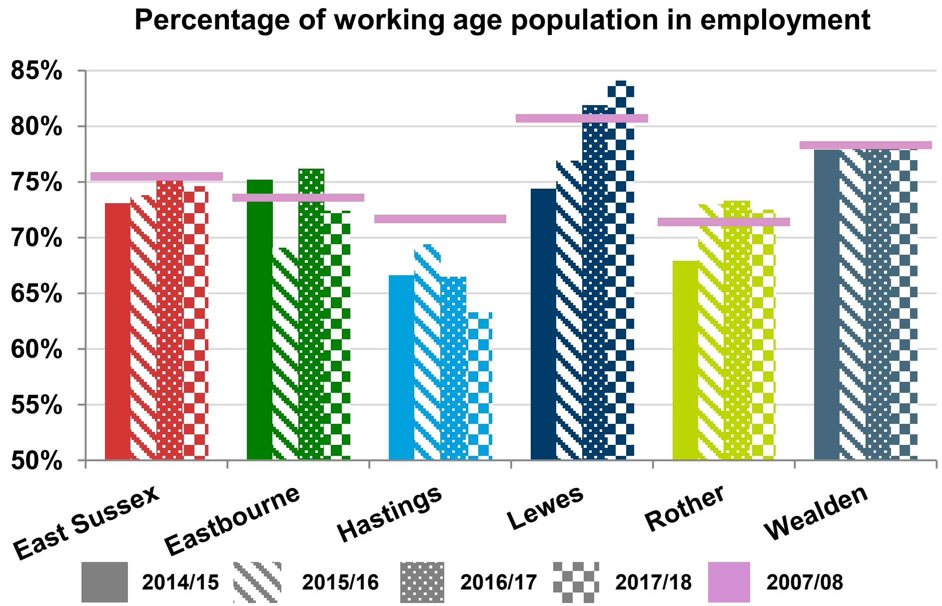


Sources: DWP alternative claimant count experimental statistics, ONS population statistics

Employment

- 74.6% of working age population (age 16-64) in employment 2017/18 (down from 75.5% in 2016/17), England 75.2%, South East 78.5%
- County employment remains below the pre-recession level of 75.5% in 2007/08
- Employment in Lewes didn't recover to pre-recession levels until 2016/17, and in Wealden until 2017/18
- Employment levels in Hastings recovered in 2009/10, since then they have been fluctuating downwards and in 2017/18 fell to 63.3%
- Employment in Eastbourne fluctuated after the recession; currently below the 2007/08 rate

Sources: ONS Annual Population Survey



Unemployment

- The Alternative Claimant Count records the number of people claiming any unemployment related benefit e.g. Universal Credit (seeking work), Job Seekers Allowance etc. At February 2019, East Sussex 3%, England 3.1%
- Youth (18-24) unemployment is higher, 4.1%, and impacted more by economic shocks (e.g. rapid change in GVA) than the general adult rate; this is an international trend explained by issues around finding a first job and labour market policies e.g. differential employment protection, minimum wages, targeted support (e.g. apprenticeships and vocational training for disadvantaged youth). In East Sussex it is most keenly seen in Hastings, 6.7%

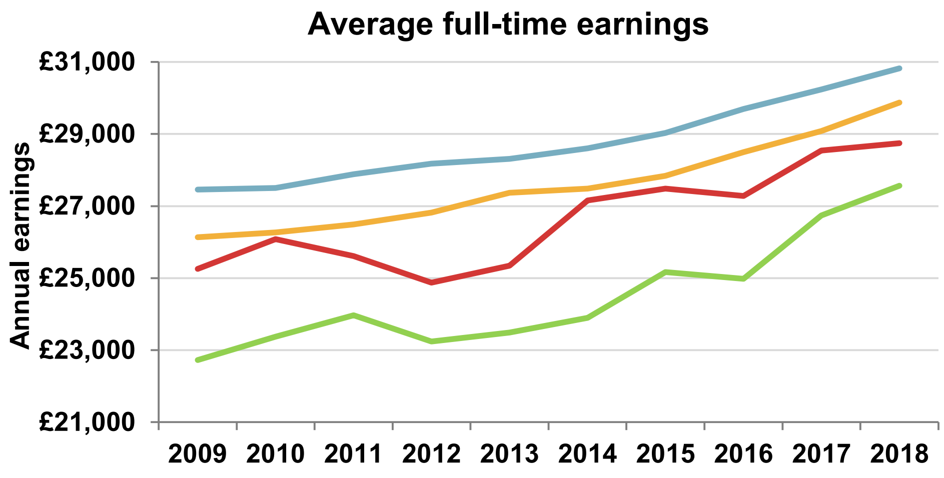
Earnings

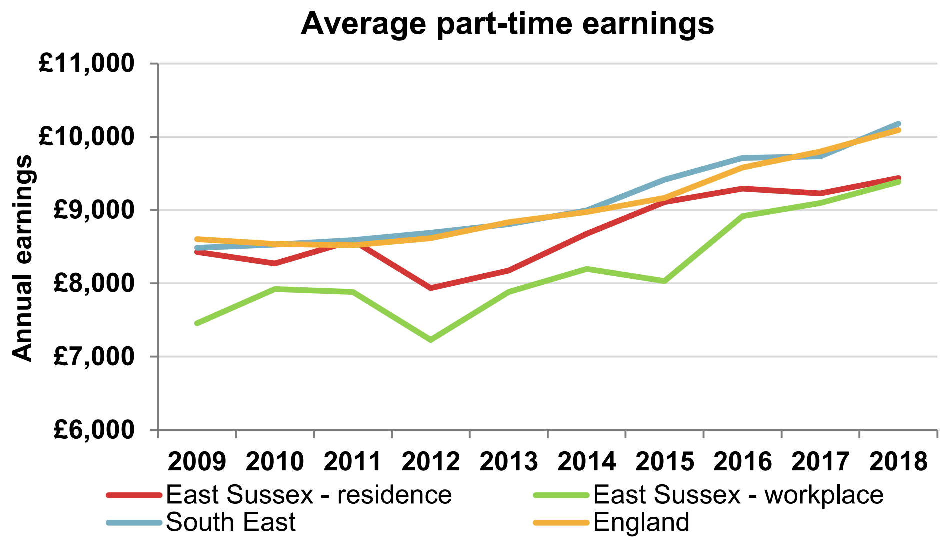
Average (median) full time earnings	Workplace-based			Residence-based		
	2009	2018	% Change 2009/18	2009	2018	% Change 2009/18
Eastbourne	£25,088	£28,940	15.35%	£23,377	£29,498	26.18%
Hastings	£20,558	£24,853	20.89%	£20,753	£23,518	13.32%
Lewes	£25,167	£32,281	28.27%	£27,201	£28,502	4.78%
Rother	***£21,848***	£22,383	2.45%	£28,240	£27,577	-2.35%
Wealden	£22,695	£26,623	17.31%	£28,609	£30,133	5.33%

Average (median) part time earnings	Workplace-based			Residence-based		
	2009	2018	% Change 2009/18	2009	2018	% Change 2009/18
Eastbourne	£8,934	***£10,324***	15.56%	***£8,708***	£11,378	30.66%
Hastings	***£6,987***	£10,387	48.66%	***£6,987***	£10,401	48.86%
Lewes	***£8,551***	***£9,177***	7.32%	***£8,916***	£11,038	23.79%
Rother	£6,800	£10,546	55.09%	***£6,466***	£9,826	51.97%
Wealden	***£6,518***	£8,160	25.19%	***£7,613***	***£9,334***	22.60%

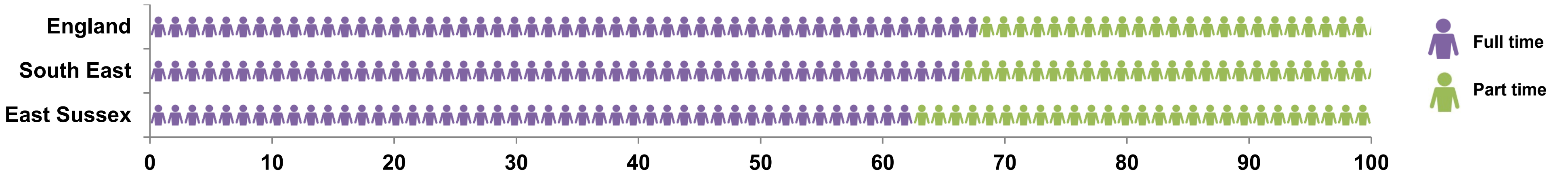
Data for annual earnings are not available for some areas. For these areas annualised weekly earnings are used and are recorded in ***bold grey italics.*** Annualised weekly earnings are not produced on an identical basis to annual earnings and are therefore not directly comparable. Purple figures have been calculated based on latest available percentage increase/decrease

Sources: Annual Survey of Hours and Earnings (ASHE), ONS Business Register and Employment Survey (BRES)

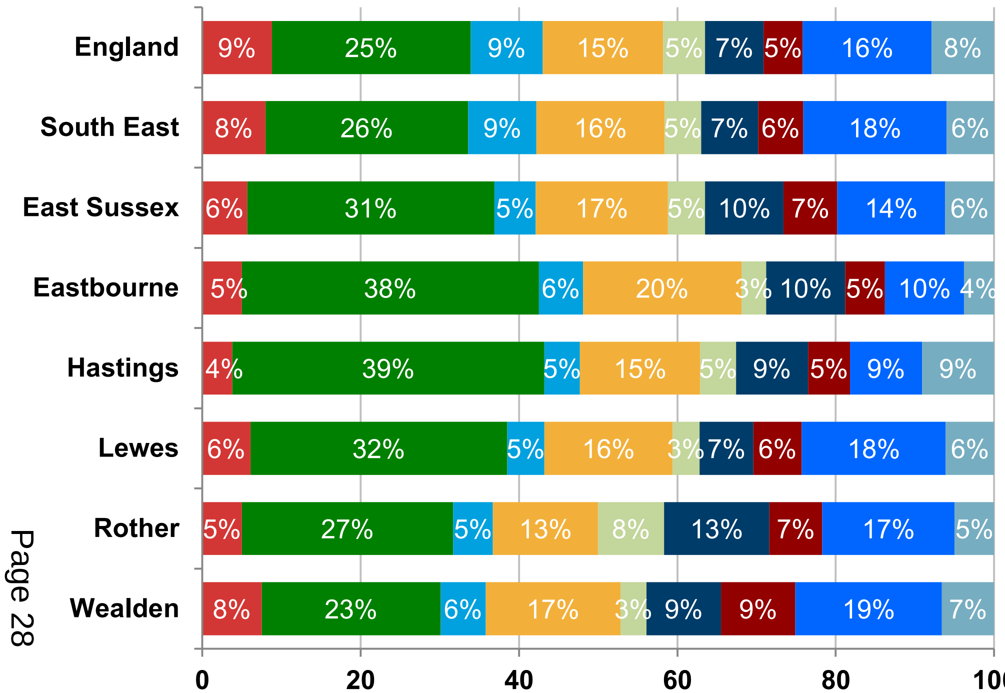




Percentage of people who work full time and part time



Employment by industry



	Professional, scientific and professional		Public admin, education and health		Admin and support services
	Retail and motor vehicles		Finance, insurance and real estate	Hotel	Accommodation and food
	Construction		Other		Manufacturing

Other includes: Arts, entertainment and recreation; Other service activities; Agriculture, fishing, mining and utilities; Transportation and storage; Information and communication.

Source: ESIF Employment by industry UK SIC (2007), 2015-2017 - Districts

Active Businesses:
2016: 23,880
2017: 24,170

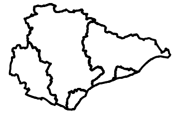
Source: ESCC Business demography, districts, ESCC New business registration rate, districts

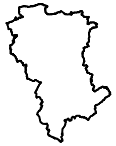
Grand opening

2017:
2,415 business starts
2,385 business closures, highest since 2009 (2,535)

Closing down sale

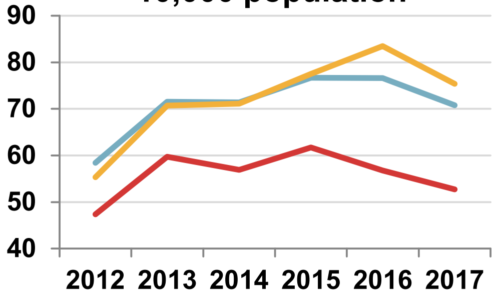
New business registration rate per 10,000 people:
East Sussex rate fell by 7.2% between 2016 and 2017





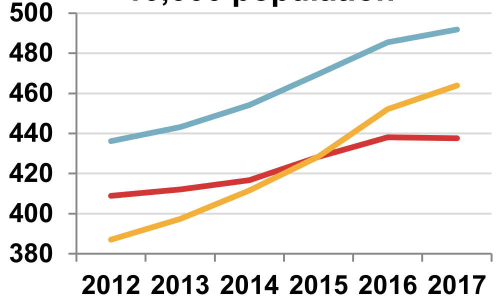
Highest in Wealden 60.0
Lowest in Hastings 48.3

New business rate per 10,000 population



Source: ONS Business Demography data. Nomis mid-year estimate population data

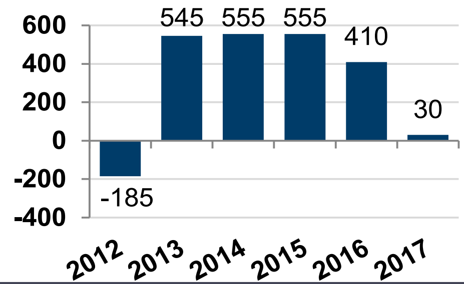
Active business rate per 10,000 population



East Sussex | South East | England

Source: ONS Business Demography tables

East Sussex Business births - deaths



Source: ONS Business Demography tables

	2012	2013	2014	2015	2016	2017
Eastbourne	-40	75	95	115	55	10
Hastings	5	70	95	130	55	15
Lewes	-65	160	155	70	95	15
Rother	-40	135	55	10	65	-10
Wealden	-45	105	155	230	140	0

eSussex Broadband

- The eSussex project, led by the Council, is aiming to improve internet connectivity for homes and businesses in the county by investing in fibre infrastructure
- Contract 1 invested £22m of public funding to connect premises, which weren't considered commercially viable by private providers, to fibre infrastructure to improve speeds and reliability
- Contract 2 invested an additional £6m of public funding to further extend fibre broadband coverage and increase speeds
- A third, £4m, publically funded contract began in January 2019
- Forecast superfast coverage, in summer 2019, was 97%

Source: ESCC Broadband team

Meeting business needs

- Innovative firms employ a higher share of Science, Technology, Engineering, Art and Maths (STEAM) graduates

- There are six Skills East Sussex (SES) business-led sector task groups for:
  * engineering;
  * land-based;
  * construction;
  * creative and digital industries;
  * visitor economy; and
  * health and social care

500

Students visited 44 businesses in November 2018 as part of the 'Open Doors' project to learn about the range of jobs available in industries including web design, event management, engineering, construction and hospitality among others.

Source: ESCC Economic Development

- Over **100** Industry Champions were recruited in 2018/19 to act as ambassadors for their sectors and promote STEAM careers to young people

Source: ESCC Economic Development

Qualifications of working age population 2018

- Qualification levels are broadly in line with England and South East averages
- Lewes and Wealden have a significantly higher proportion of better qualified people compared with other districts in the county

Qualifications of working age population 2018

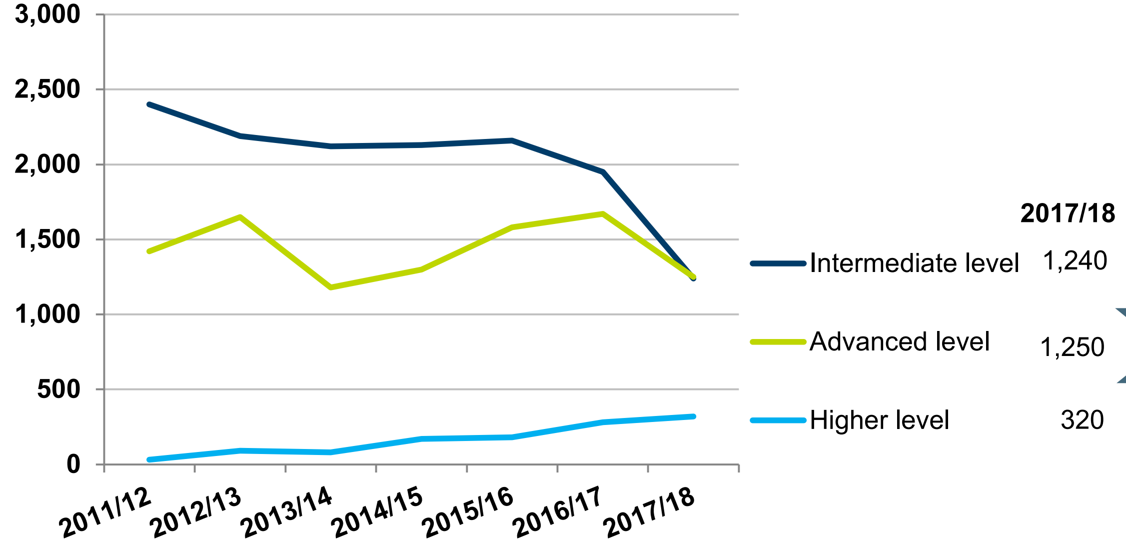
	None	Level 1	Level 2	Level 3	Level 4+	Other
England	7.6%	85.6%	75.0%	57.7%	39.0%	6.8%
South East	5.6%	89.2%	78.9%	61.8%	42.2%	5.2%
East Sussex	10.1%	84.8%	74.1%	53.6%	37.0%	5.0%
Eastbourne	6.6%	86.1%	72.4%	53.0%	33.4%	7.3%
Hastings	20.0%	76.0%	66.7%	46.5%	31.3%	4.1%
Lewes	7.3%	85.7%	75.1%	56.5%	45.2%	7.0%
Rother	19.0%	75.0%	67.7%	47.7%	25.9%	6.0%
Wealden	2.7%	95.1%	83.1%	60.2%	43.9%	2.2%

Note: Survey data, confidence intervals apply e.g. up to +/- 3.4% for East Sussex, with potentially much larger confidence intervals for District and Borough areas. Therefore care should be taken when reading these results.

None: No academic or professional qualifications

Source: ONS Nomis Annual Population Survey: Qualifications of working age population, 2018

East Sussex apprenticeship starts



Apprenticeship rates

28% Apprenticeship starts in East Sussex in 2017/18

14% Higher level apprenticeship starts in 2017/18

Apprenticeship Levy East Sussex County Council

December 2018:

1.1% of staff apprentices, against the 2.3% target

Placing us joint fourth highest nationally amongst county councils

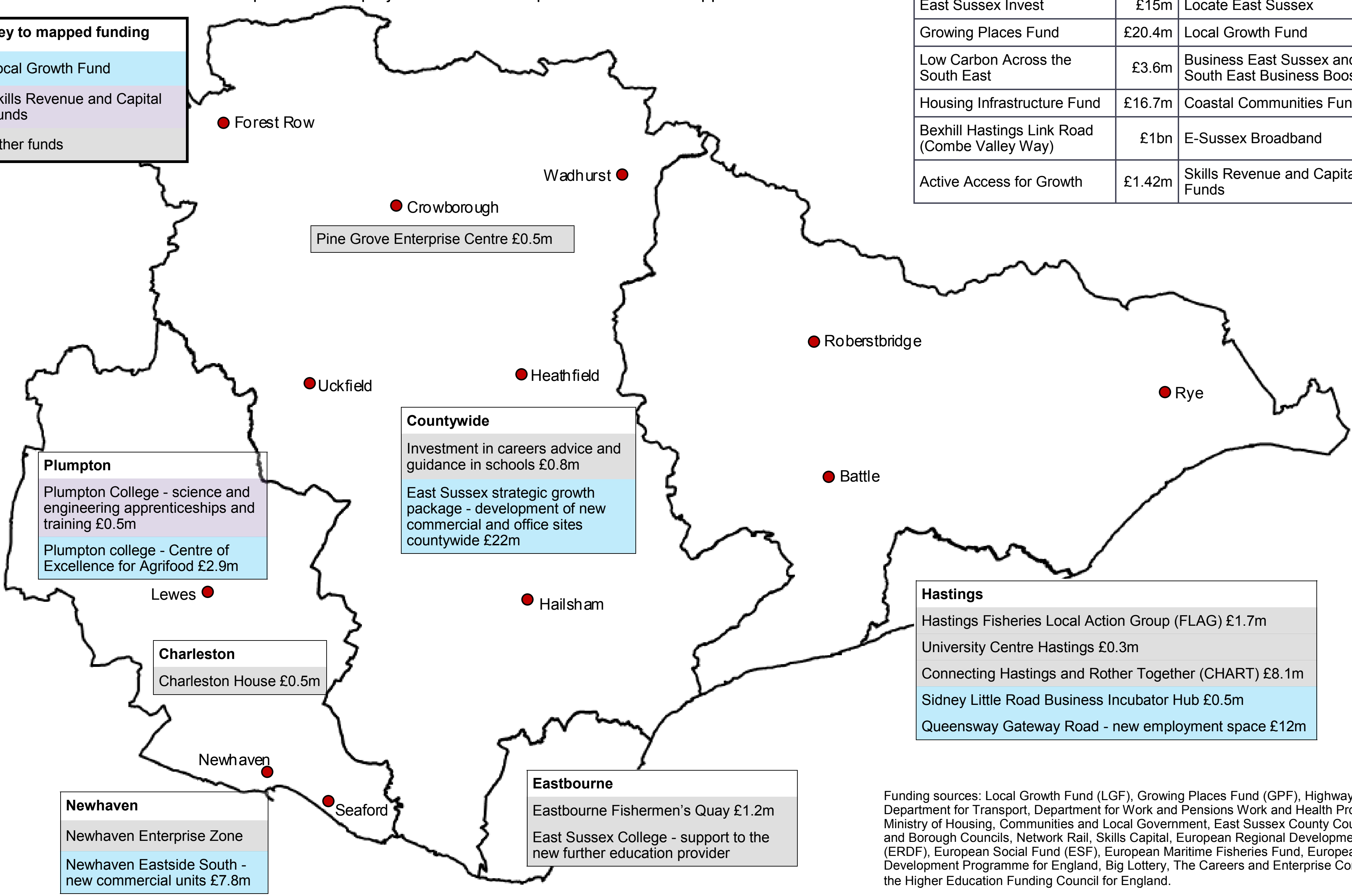
4th highest nationally

Source: Department for Education (DfE) further education data library, apprenticeships

The maps on the following two pages highlight programmes and schemes which will contribute towards the East Sussex Growth Strategy from 2014 until 2020.

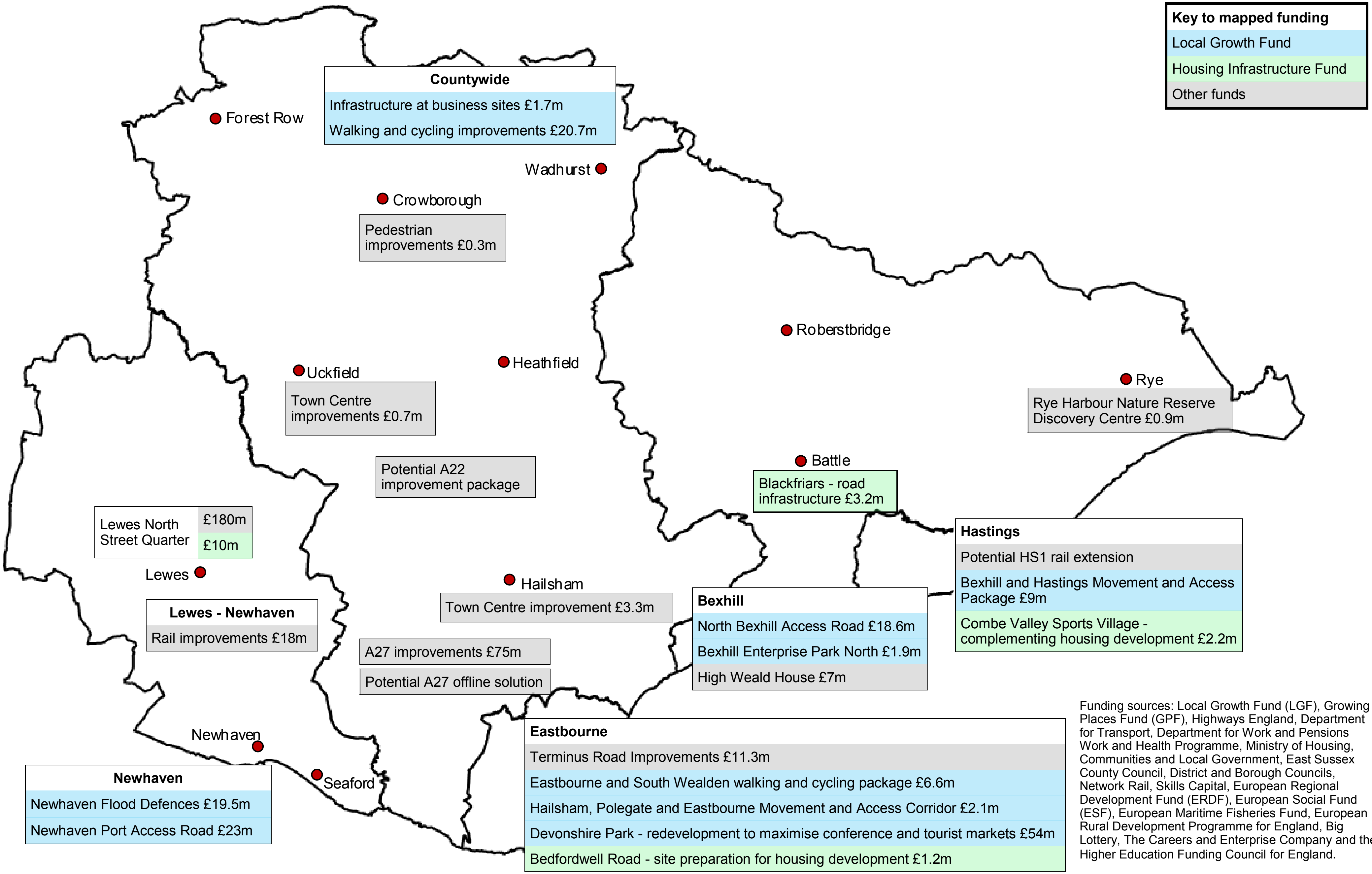
Skills and Business: This map focuses on projects which will help boost skills and support businesses.

Countywide funding and Investments, including leveraged funds			
East Sussex Invest	£15m	Locate East Sussex	£1.25m
Growing Places Fund	£20.4m	Local Growth Fund	£216m
Low Carbon Across the South East	£3.6m	Business East Sussex and South East Business Boost	£2.8m
Housing Infrastructure Fund	£16.7m	Coastal Communities Fund	£6.3
Bexhill Hastings Link Road (Combe Valley Way)	£1bn	E-Sussex Broadband	£28.5m
Active Access for Growth	£1.42m	Skills Revenue and Capital Funds	£10m+



Funding sources: Local Growth Fund (LGF), Growing Places Fund (GPF), Highways England, Department for Transport, Department for Work and Pensions Work and Health Programme, Ministry of Housing, Communities and Local Government, East Sussex County Council, District and Borough Councils, Network Rail, Skills Capital, European Regional Development Fund (ERDF), European Social Fund (ESF), European Maritime Fisheries Fund, European Rural Development Programme for England, Big Lottery, The Careers and Enterprise Company and the Higher Education Funding Council for England.

Infrastructure: This map focuses on projects which will improve the infrastructure in East Sussex.



Funding sources: Local Growth Fund (LGF), Growing Places Fund (GPF), Highways England, Department for Transport, Department for Work and Pensions Work and Health Programme, Ministry of Housing, Communities and Local Government, East Sussex County Council, District and Borough Councils, Network Rail, Skills Capital, European Regional Development Fund (ERDF), European Social Fund (ESF), European Maritime Fisheries Fund, European Rural Development Programme for England, Big Lottery, The Careers and Enterprise Company and the Higher Education Funding Council for England.

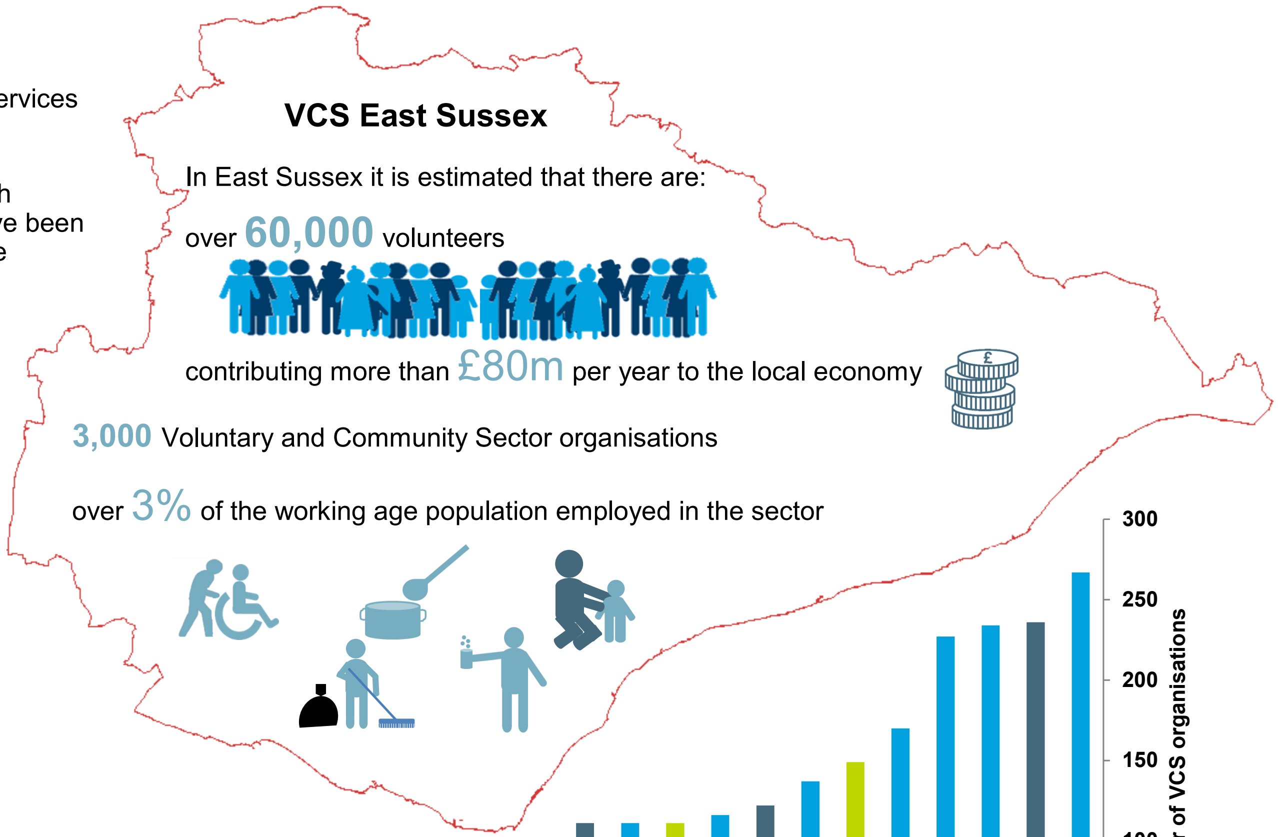
Voluntary and Community Sector work

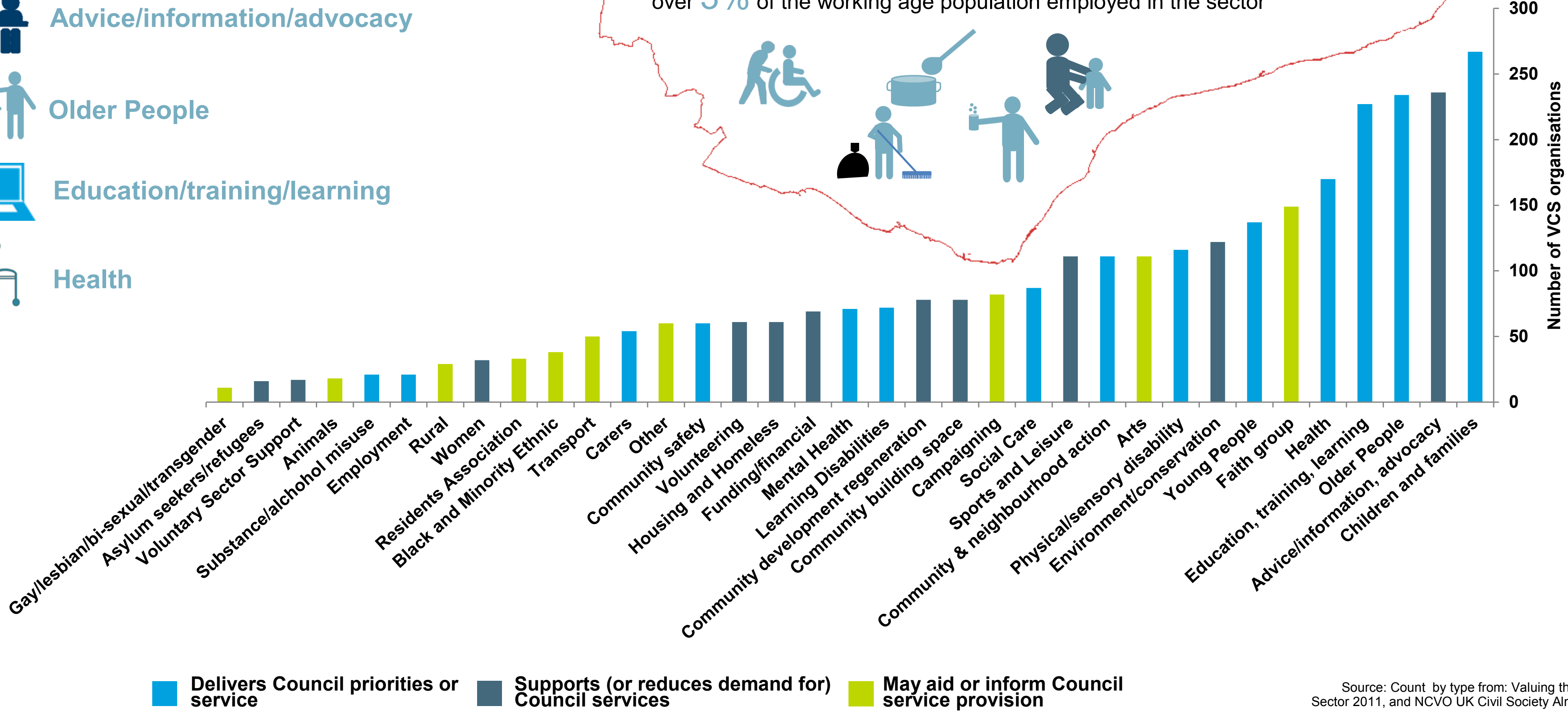
The Voluntary and Community Sector (VCS) provides a wide range of services in East Sussex.

The chart below gives an estimate of how many VCS organisations are contributing across 35 areas of work. These areas of work may align with Council priorities and services in several ways and broad categories have been applied to the chart although the work areas may apply to more than one category.

The top five areas of work for the VCS in East Sussex are:

1. Children & Families
2. Advice/information/advocacy
3. Older People
4. Education/training/learning
5. Health

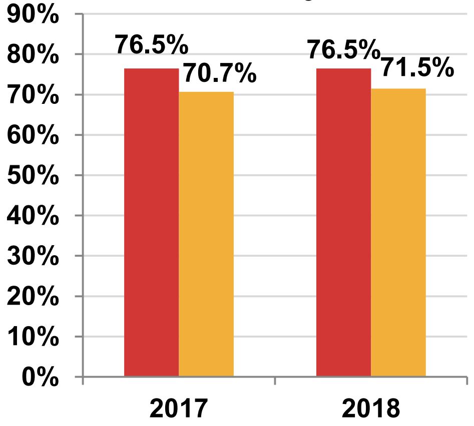




Source: Count by type from: Valuing the Voluntary Sector 2011, and NCVO UK Civil Society Almanac 2016

Early Years (age 0 - 5)

Children with a good level of development in learning



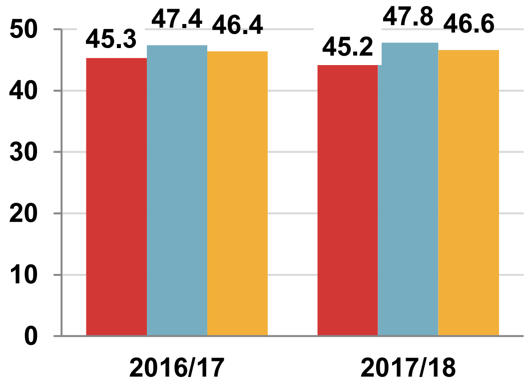
- Early Years Good Level of Development is achieving the expected standard for: communication and language; physical development; personal, social and emotional development; literacy and mathematics

Attainment/Progress 8

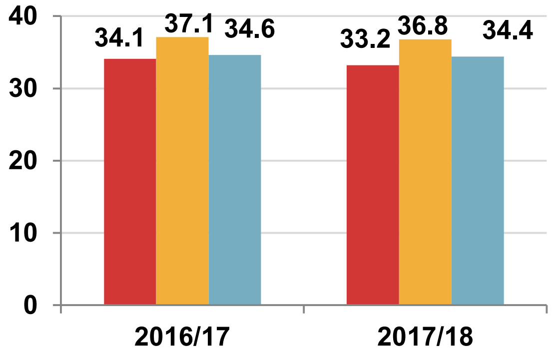
- Attainment 8 is the students' average achievement across eight subjects: English, mathematics, three English Baccalaureate (EBacc) subjects (from sciences, computer science, geography, history and languages), and three further subjects, from the range of EBacc subjects, or any other GCSE or approved, high-value arts, academic, or vocational qualifications
- Progress 8 is a measure of students' progress across the Attainment 8 subjects from the end of primary school (Key Stage 2) to the end of secondary school (Key Stage 4). Scores for East Sussex are in line with national

Attainment 8 Score

(Age 14 - 16)

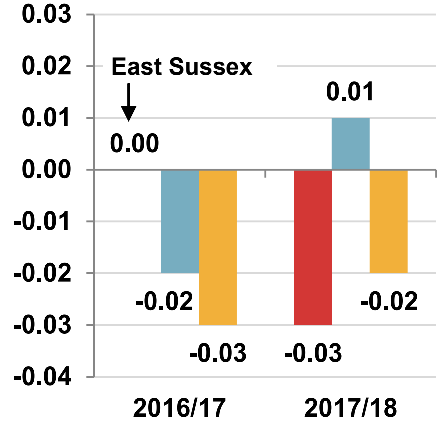


Attainment 8 score for disadvantaged pupils



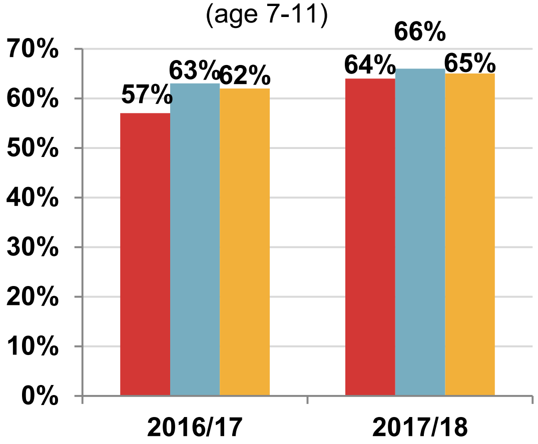
Progress 8

Average score (age 14 - 16)

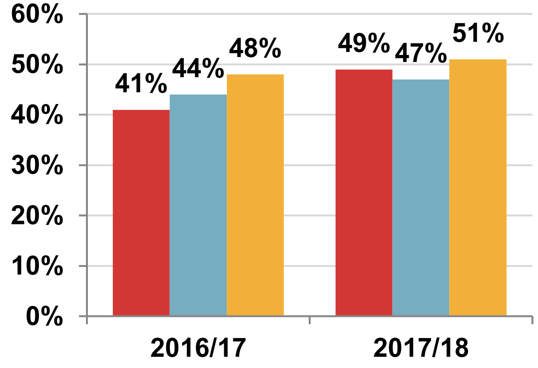


Key stage 2 Expected Standard

(age 7-11)

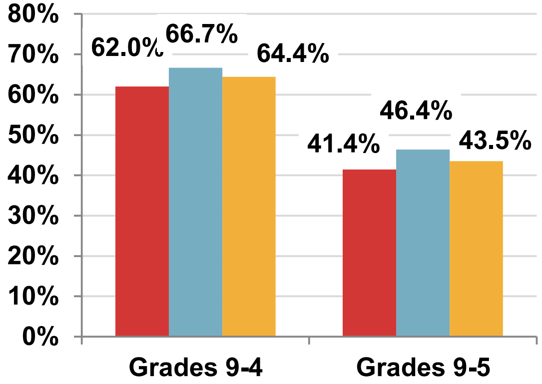


Key Stage 2 Expected Standard disadvantaged pupils



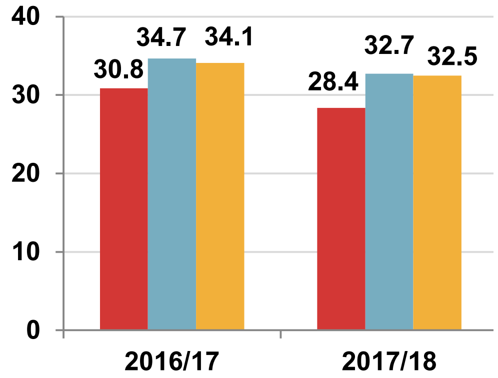
GCSE 2017/18 (age 14 - 16)

Pupils acheiving a pass in English and maths



A Level (age 16 - 18)

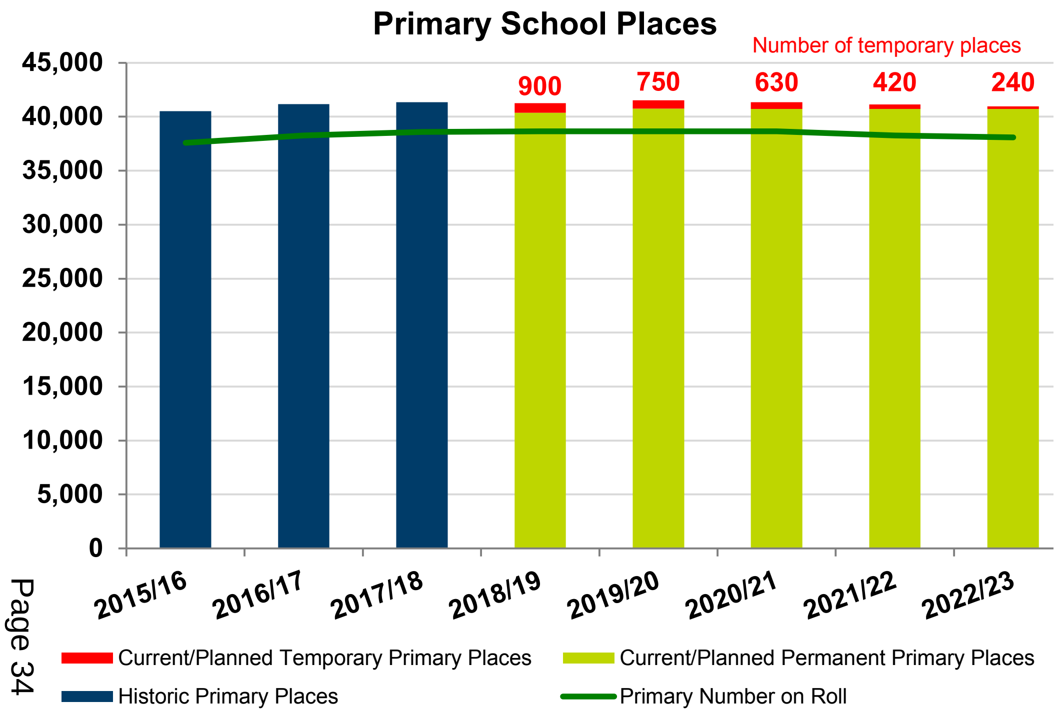
Average point score per entry best three



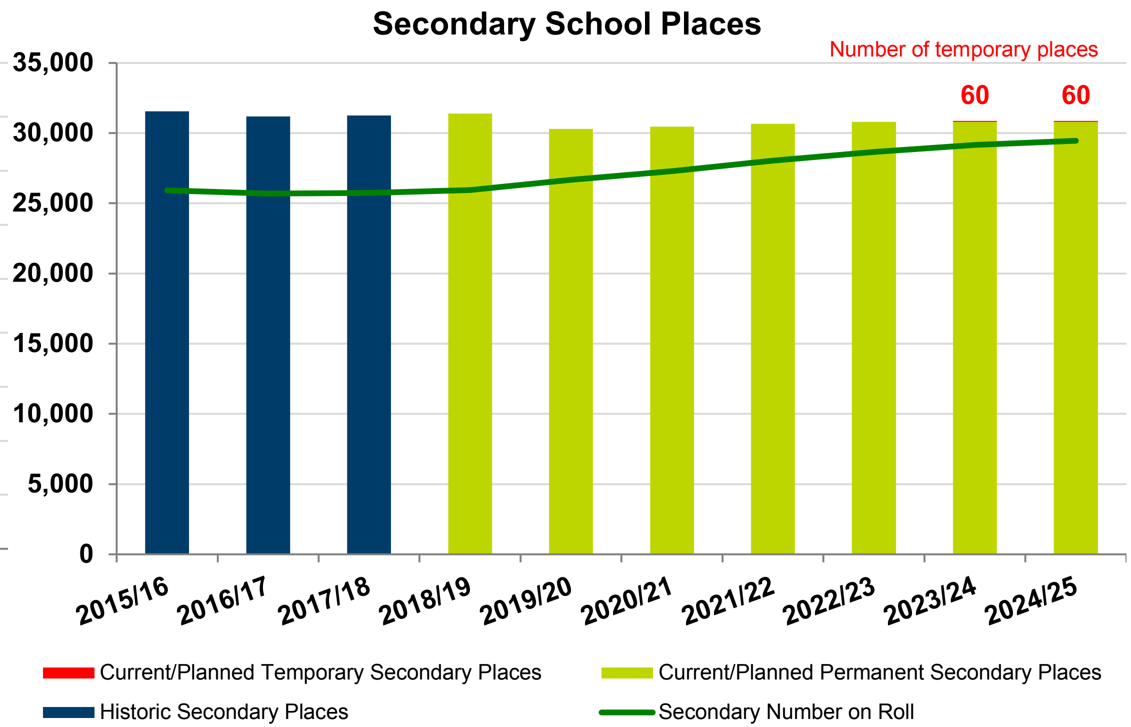
- At Key stage 2 the percentage of pupils reaching the expected standard in reading, writing and maths combined
- 2017/18 results are not directly comparable with 2016/17 because of changes to writing teacher assessment frameworks

East Sussex South East England

Source for all: DfE



Source: ESCC Pupil Forecasting Model 1st July 2017



Primary school places

- Additional capacity to meet known forecast demand is either in place or under construction
- Total numbers of pupils in primary schools have now plateaued and are forecast to fall from around 2021/22
- There will be a net reduction in capacity of 296 places, between 2018/19 and 2022/23, as previous temporary capacity, will be removed when no longer required

Secondary school places

- Additional capacity is planned to meet forecast demand in local areas
- Secondary pupil numbers are expected to continue to increase and peak around 2024/25
- There will be a reduction in capacity by 535 places between 2018/19 and 2024/25 due to the closure of UTC@Harbourside in Newhaven at the end of the 2018/19 academic year and the amalgamation of ARK Helenswood and ARK William Parker in Hastings from 2019/20

Projected change in youth population

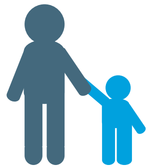
	2019	2020	2021	2022	% change 2019-2022	2023	2024	2025	2026	2027	% change 2023-2027
0-3	21,220	21,200	21,380	21,450	+1.1%	21,540	21,590	21,710	21,780	21,780	+1.1%
4-10	43,040	42,930	42,700	42,440	-1.4%	42,220	42,010	42,020	41,980	41,970	-0.6%
11-15	30,650	31,240	32,150	32,810	+7.0%	33,300	33,450	33,440	33,320	32,930	-1.1%
16-17	11,540	11,900	12,080	12,460	+8.0%	12,940	13,180	13,390	13,580	13,870	+7.2%

Source: ESCC population projections by age and gender (dwelling led) April 2019, numbers rounded to 10

Troubled Families results

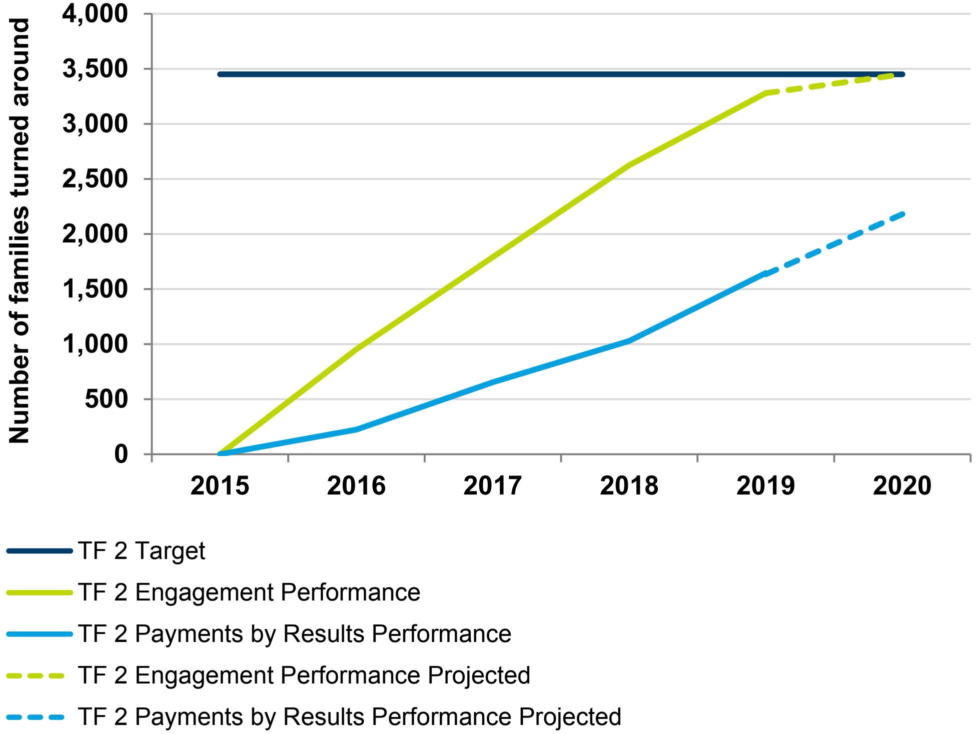
- The national Troubled Families programme (TF2) runs from 2015 -2020
- Troubled Families work is a core element of Children's Services delivery
- Payment by Results outcomes are achieved when families reach and sustain progress thresholds in six key areas
- Successful family outcomes impact positively on all priority outcomes and reduce demand for other services
- The 2012-15 Troubled Families 1 programme (TF1) successfully achieved the target of 1,015 households receiving support
- By the end of 2018/19, 3,278 families had received or were receiving support and 1,645 had achieved Payment by Results outcomes

Child Protection (CP) Plans



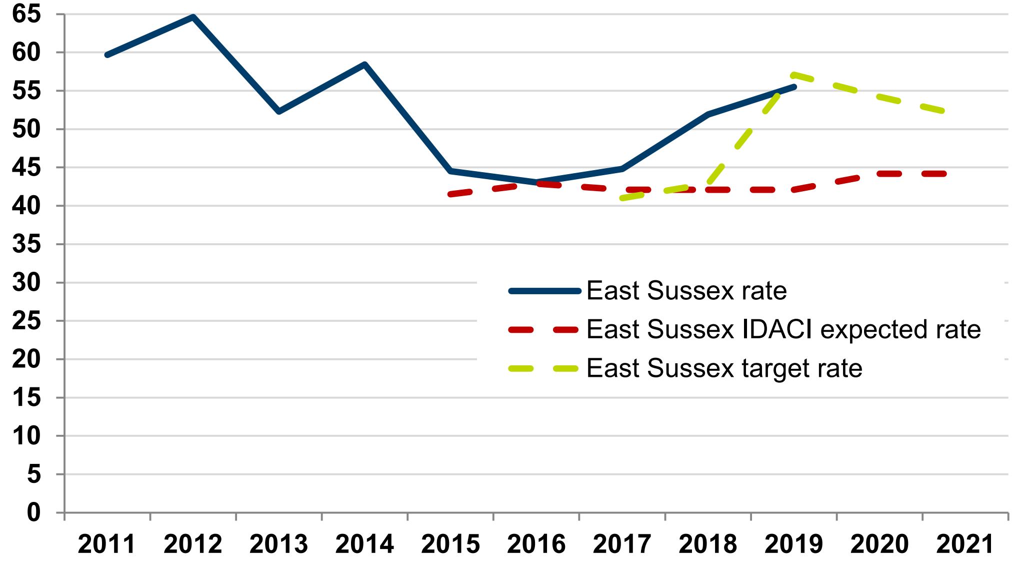
- At the end of March 2019, the number of CP plans was 588, a rate of 55.5 per 10,000 children
- This is above the expected rate benchmarked for child deprivation; the Income Deprivation Affecting Children Index (IDACI). The focus continues to be ensuring the right children are made subject to plans for the right amount of time
- Improved practice on Child Sexual Exploitation (CSE), domestic violence and neglect have resulted in more children being identified who need to have a CP plan

Troubled Families (TF) programme 2



Children with a Child Protection Plan

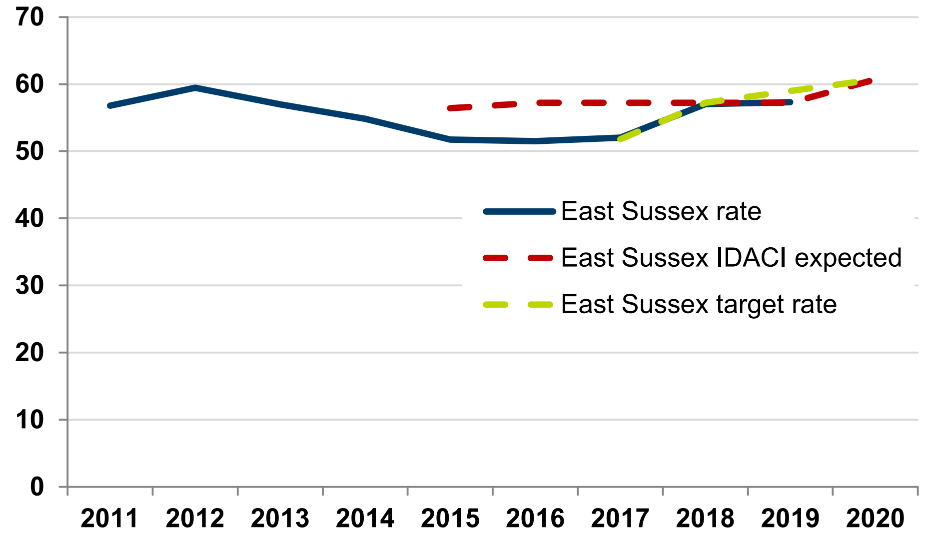
Rate per 10,000 aged 0-17



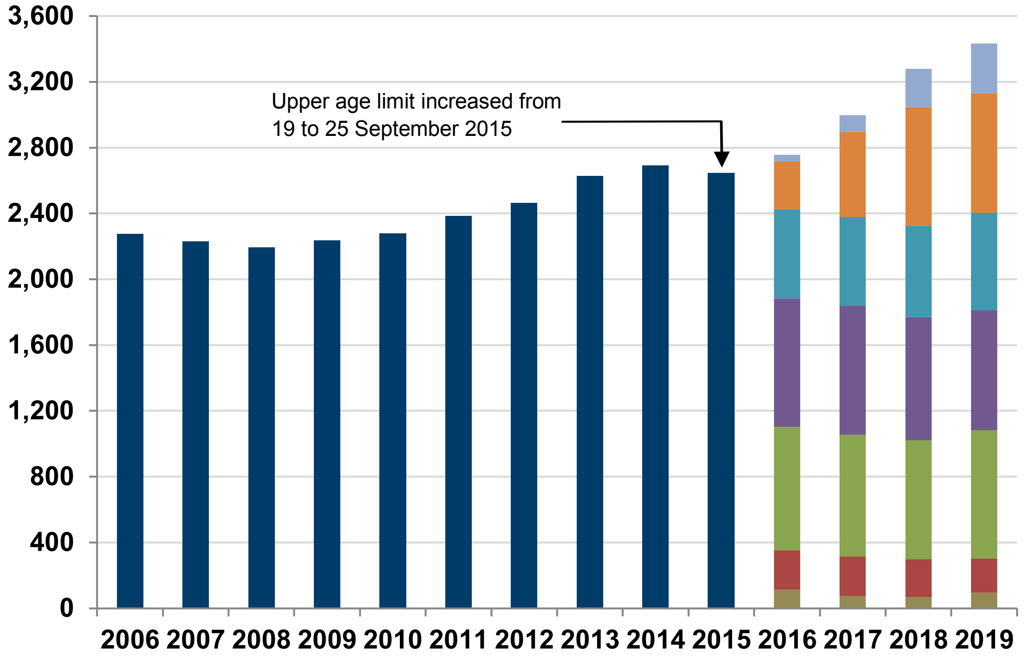
Source for all: ESCC Children's Services

Looked After Children

Rate per 10,000 aged 0-17



Young people with a Statement or EHCP



Source for all: ESCC Children's Services

Looked After Children (LAC)

- After reaching a low of 545 in 2016 LAC numbers have been increasing, with 607 children looked after at the end of March 2019 (57 per 10,000 children), this compares to a high of 620 at the end of 2012 (59 per 10,000 children)
- Our strategy of using Early Help and CP plans to keep children at home is connected to the rate of Looked After Children (LAC) which is similar to the IDACI expected rates

Special Educational Need (SEN) and Disability

- Council funded high cost placements at Independent and Non-Maintained Special Schools (INMSS) have increased significantly since 2015 but remain between 7% and 8% of the total number of Statements/Education, Health & Care Plans (EHCPs)
- EHCPs/Statement of SEN maintained by the Council increased by **50%** from 2010 (2,280) to 2019 (3,434)
- The vast majority of the increase since 2015 has been in the Key Stage 5 and Post 19 groups
- Numbers are currently forecast to rise to approximately 3,800 by 2021
- Majority of provision funded by a local authority (primarily ESCC) or from within a schools own delegated budget
- ESCC EHC Plan/Statement of SEN as a percentage of population aged 0 -25 (**2.30%** in 2019) continues to be above that for England (**1.65%** in 2017)
- Due to increased demand, there has been an increase in the number of alternative provision placements for primary age children; the county has secured agreement for four new free schools (three special schools and one alternative provision). The first, an alternative provision provider, is planned to open in 2019/20
- Evaluation of parental satisfaction locally is positive for new EHCPs

Until Sep-14 a Statement of SEN could remain in place until the young person reached the age of 19. Since the SEND reforms were introduced from Sep-15 EHC Plans can remain in place until the young person reaches the age of 25. Data prior to Sep-14 is expressed as a percentage population aged 0-19. Data since Sep-14 is expressed as a percentage population aged 0-25.

Compared to 2019, by 2023 there will be:

- An increase in the population of working age people (age 18-64) of **4,620** (1.5%)
- A countywide increase in older people (age 65+) of **12,170** (8.4%) from 144,920 to 157,090

→ Eastbourne: 1,870 more (up 7.1%) biggest increase in age 75-84 **(21.1%)**

→ Hastings: 1,550 more (up 8.3%), little rise in 65-74 (1.2%), but 9.7% in 85+ and **25.5%** in 75-84

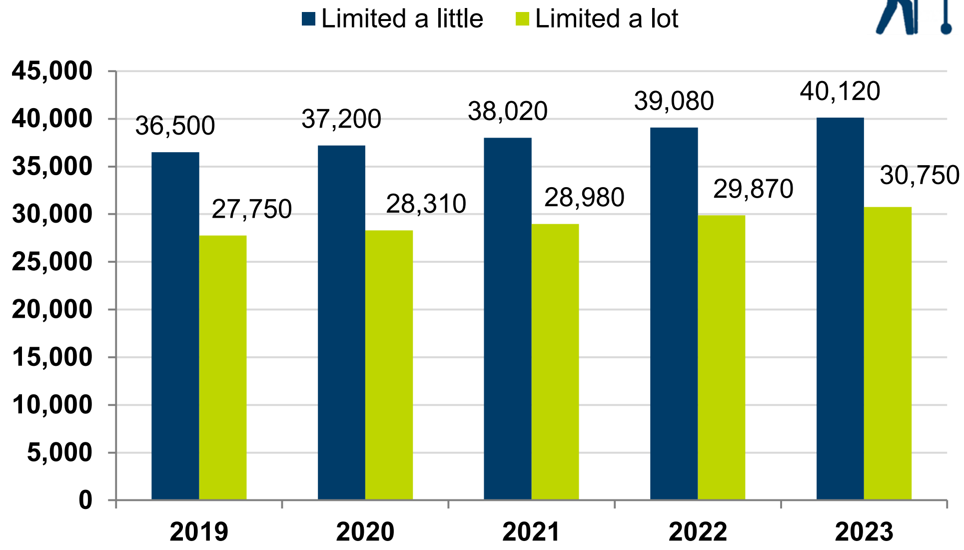
→ Lewes: 2,040 more (up 7.7%) biggest increase in age 75-84 **(21.1%)**

→ Rother: 2,260 more (up 7.3%), small decrease in 65-74 (-3.4%), **23.3%** rise in 75-84

→ Wealden: 4,450 more (up 10.5%), **25.7%** rise in 75-84 and 15.5% rise in 85+

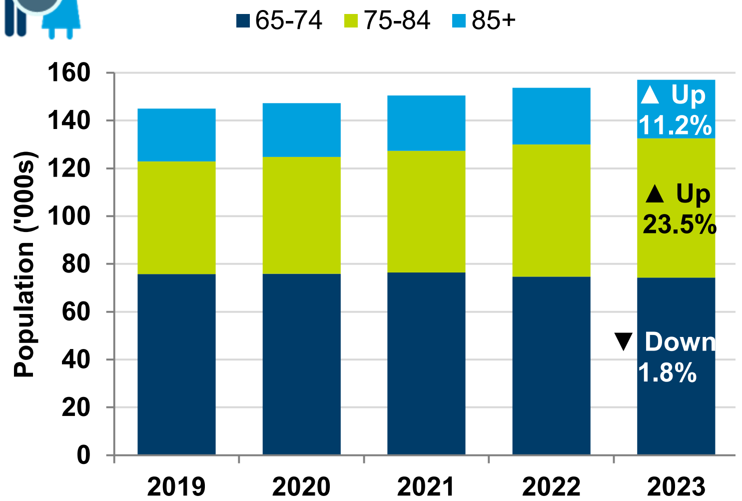
- 40,120 older people (age 65+) projected to have a limiting long term illness whose day to day activities are limited a little (up 9.9%), 30,750 limited a lot (up 10.8%)
- 12,020 older people (65+) projected to have dementia **(up 10.0%)**

Older people (age 65+) with a limiting long term illness projections



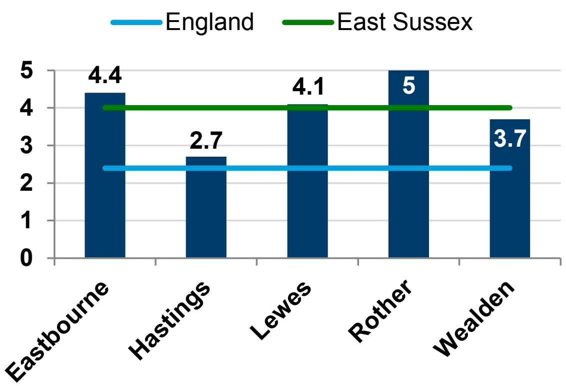
Source: POPPI, www.poppi.org.uk

Increase in older people, 2019-2023



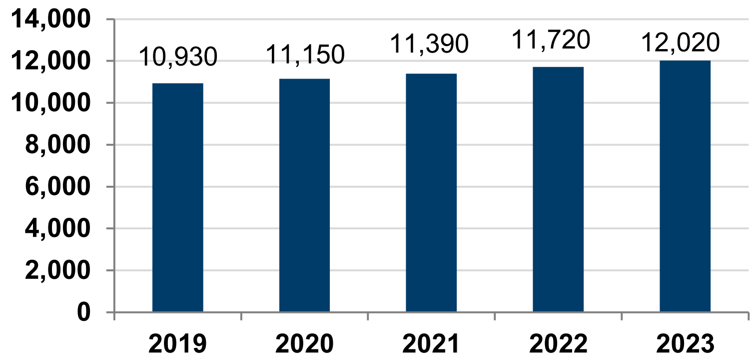
Source: ESCC population projections (dwelling led) April 2018

Population % 85+ (mid 2017 est)

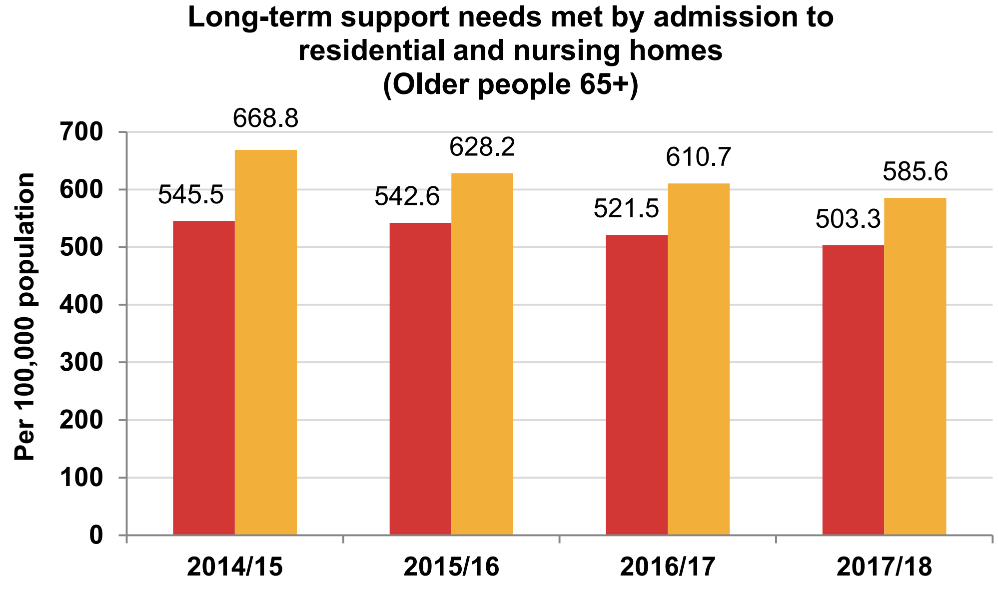


Source: ESCC Small area population estimates 2002 - 2017 - super output areas

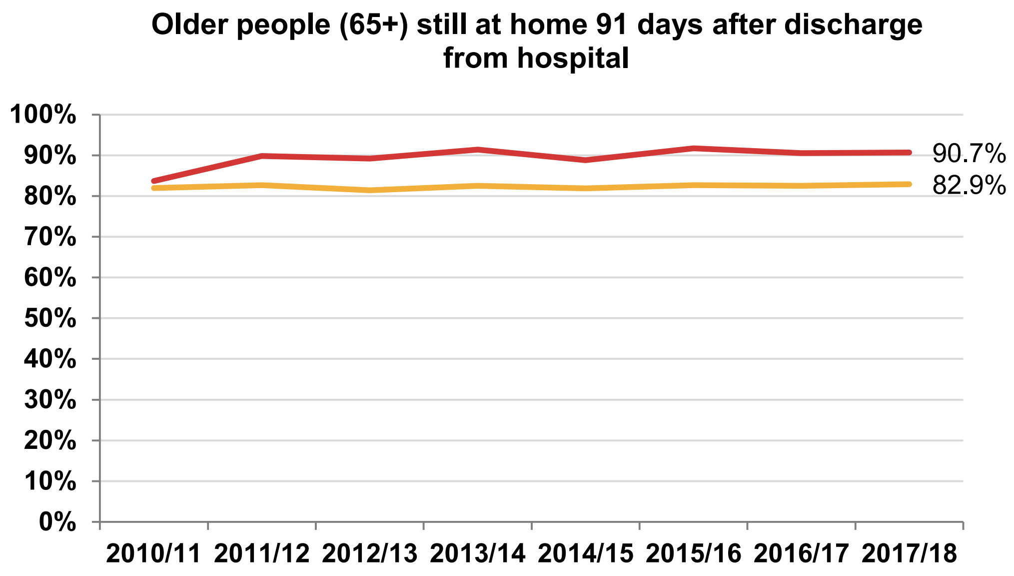
Older people (age 65+) with dementia projections



Source: POPPI, www.poppi.org.uk

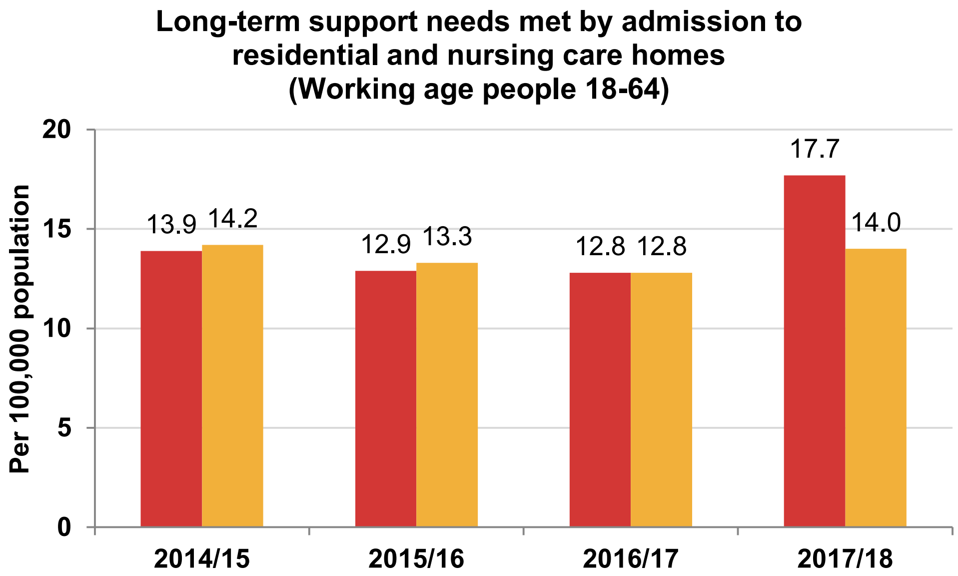


Source: NHS Digital Adult Social Care Outcomes Framework data ASCOF 2A2



Source: NHS Digital Adult Social Care Outcomes Framework ASCOF 2B1

East Sussex England



Source: NHS Digital Adult Social Care Outcomes Framework data ASCOF 2A1
Note: New definition 2014/15 onwards, not comparable to previous years

Community care and promoting independence

- Permanent admissions of working age people (18-64) to long term residential care have increased significantly in 2017/18, and are now above the national rate

- Permanent admissions of older people (age 65+) reduced in 2017/18 and remain significantly below the rate for England
- The proportion of older people (age 65+) still at home 91 days after discharge from hospital into reablement/rehabilitation services increased in 2017/18 to 90.7%, and remains significantly above the national figure, 82.9%
- The number of older people (age 65+) admitted to hospital due to falls has increased in 2017/18 to 2,229 per 100,000 (England 2,170)

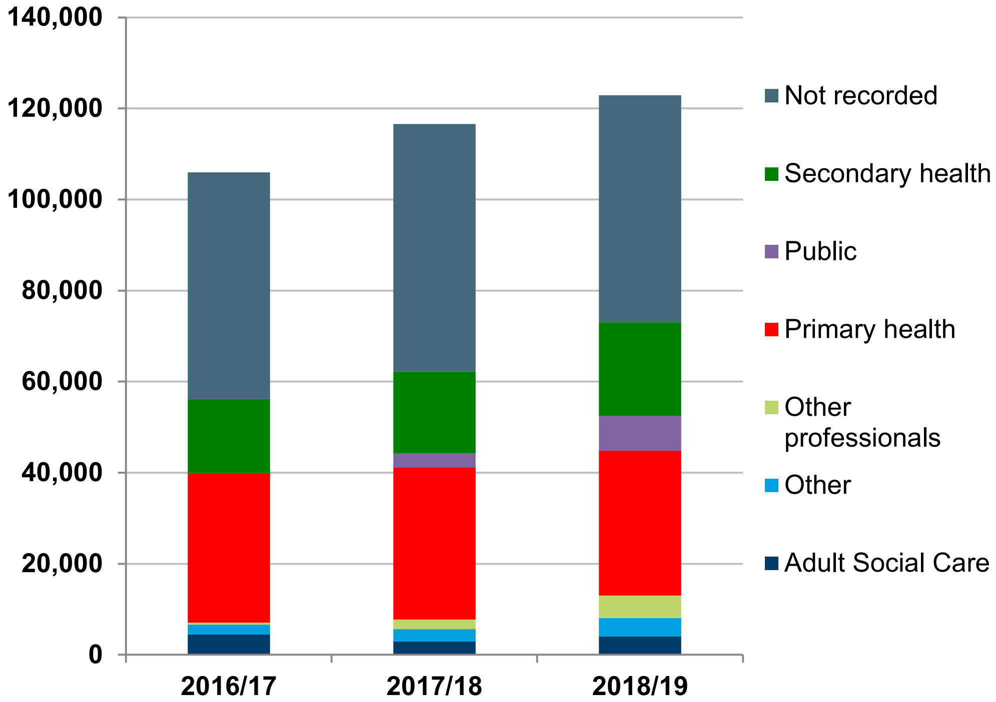
Source: ASCOF and Public Health Outcomes Framework

Integrating health and social care

- East Sussex is covered by three Clinical Commissioning Groups (CCGs): High Weald, Lewes and Havens (HWLH); Hastings and Rother (H&R); and Eastbourne Hailsham and Seaford (EHS)
- Work has continued on creating a single health and care programme across the whole of East Sussex. Senior leaders across the health and social care system in East Sussex will work together as a single executive group to deliver the transformation programme, based on the needs and priorities of our residents

Requests for support

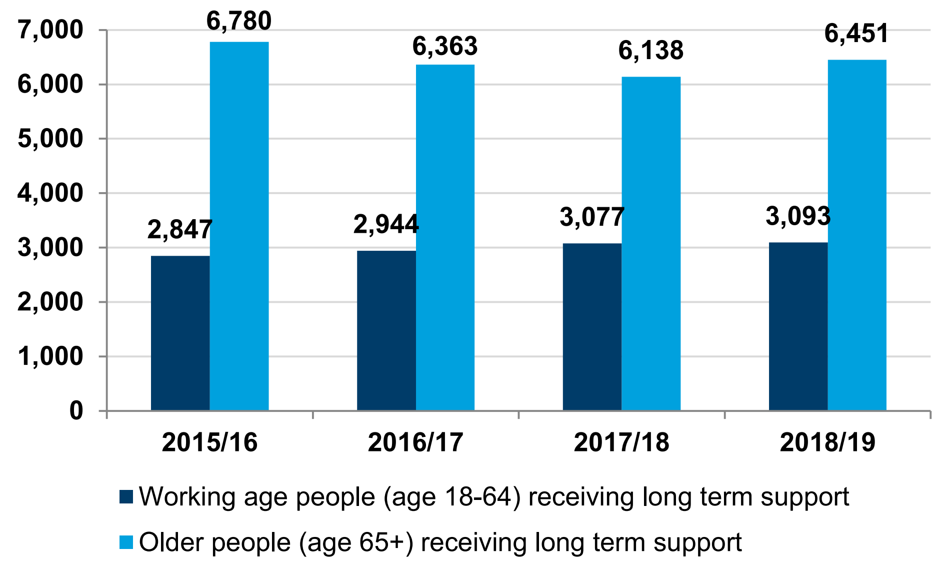
Health and Social Care Connect contacts/referrals



- Health and Social Care Connect (HSCC) received **122,886** contacts in 2018/19, an increase of **6,290 (5.4%)** compared to 2017/18

Source: East Sussex Health and Social Care Connect

People receiving Long term support

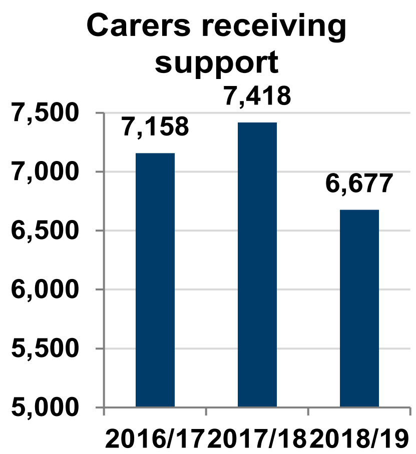


- The total number of clients receiving Long Term support has increased by 3.6% in 2018/19 to 9,544

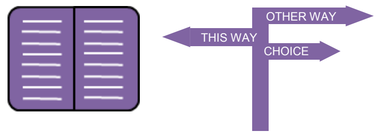
Long Term support encompasses any service or support which is provided with the intention of maintaining quality of life for an individual on an ongoing basis, and which has been allocated on the basis of eligibility criteria/policies (i.e. an assessment of need has taken place) and is subject to regular review

Source: East Sussex Health and Social Care Connect

Carers receiving support

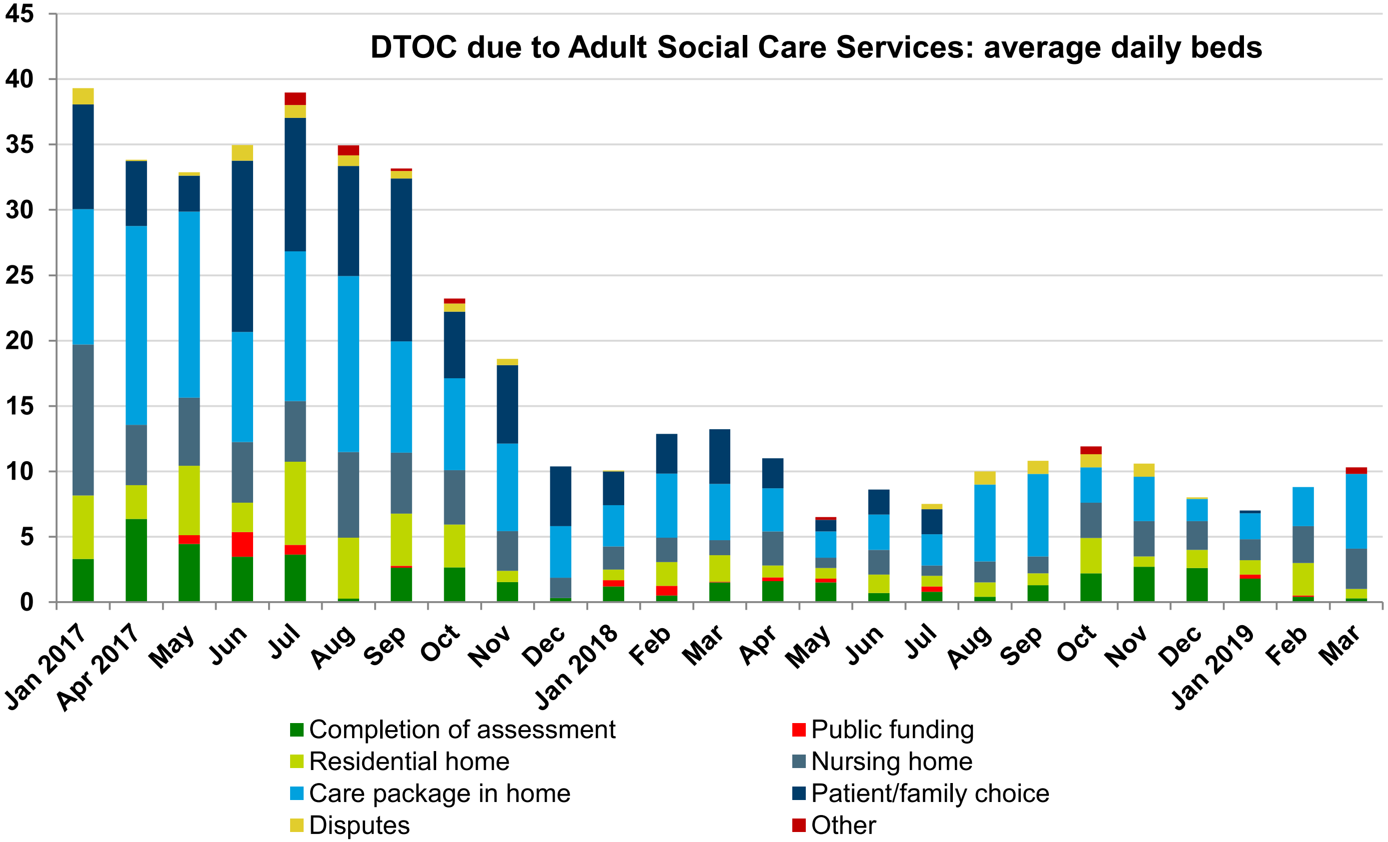


- The total number of carers receiving support has decreased by 10.0% in 2018/19
- Carers receive support including Information, Advice and Other Universal Services / Signposting



Source: East Sussex Health and Social Care Connect

Delayed Transfers of Care (DTOC)



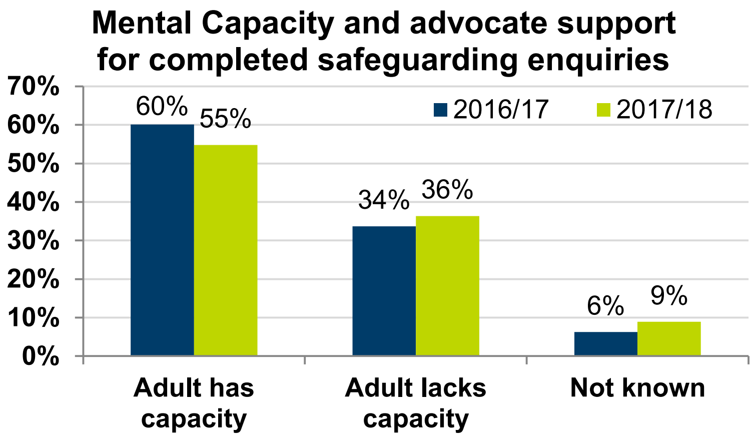
DTOC due to Council services only: average daily beds per month

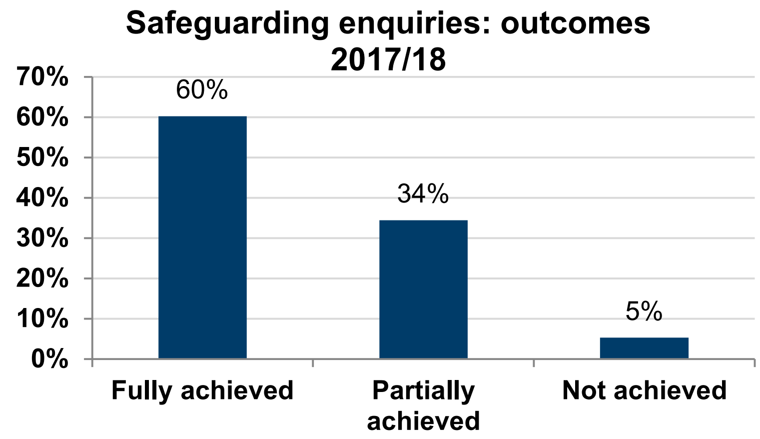
- Average daily DTOC beds is based on the number of delayed days divided by number of days in the month giving an average number of delays per day
- Delays attributable to Adult Social Care (ASC):
  10.1, January 2018 10.3, March 2019

Although the number of delays attributable to ASC have increased slightly, we are still meeting our target of 11.5 or less

- The main reasons for ASC delays in March 2019 were:
  - → Awaiting care package in own home: average 5.7 delays per day, 55% of delays
  - → Awaiting nursing home placements: 3.1 delays, 30% of delays

Adult Safeguarding





- There has been an increase in the percentage of safeguarding enquiries for adults who lack capacity between 2016/17 and 2017/18 (34% to 36%)
- However, of the adults who lacked capacity, 99% were supported by an advocate compared to 96% in 2016/17
- 94% of safeguarding enquiries resulted in the expressed outcomes being achieved or partially achieved in 2017/18

Source for all: East Sussex Adult Social Care and Health

We use a wide range of data to help us understand the context for our plans and the impact we are having through our work and in partnership. A selection of this data is listed below. Years are financial (April-March) or academic (September-August) unless otherwise stated.

CY = Calendar Year (January-December) NA = Data Not Available

Measure	16/17	17/18	*17/18 Eng*
Percentage of working age residents (16-64 year olds) with a level 4 or higher qualification (HNC, HND, degree etc.) (CY)	37.7% (2017)	37.0% (2018)	39.0% (2018)
Percentage of working age residents (16-64 year olds) with no qualifications or qualified only to NVQ1 (CY)	15.5% (2017)	20.9% (2018)	18.2% (2018)
Annual gross full time earnings, median average (residence based)	£28,546	£28,746	£29,869
Percentage of working age population (16-64 year olds) in employment	75.5%	74.6%	75.2%
People claiming unemployment related benefits (alternative claimant count) , percentage of population 16-64 year old	2.5%	2.6%	3.0%
New business registration rate per 10,000 people over 16	56.8	52.7	75.4
New houses built, total completed / total affordable	1445 / 281	1316 / 226	N/A
Percentage of children achieving a good level of development in all areas of learning ('expected' or 'exceeded' in the three prime areas of learning and within literacy and numeracy) in the Early Years Foundation Stage Profile (EYFSP)	76.5%	76.5%	71.5%
Percentage of pupils reaching the expected standard at key stage 2 in reading, writing and mathematics	57%	64%	65%
Average Attainment 8 score per pupil state funded secondary schools	45.3	45.2	46.6
Average Progress 8 score for state funded secondary schools	0.00	-0.03	-0.02
Percentage of pupils who achieved a 9-5 pass in English and maths GCSEs	38.4%	41.4%	43.5%
Average Attainment 8 score per pupil of Looked After Children	19.9	18.4	18.9
Average point score (APS) per entry for level 3 exams including A levels (16-18 year olds)	32.16	30.85	31.84
Attainment of A level students (age 16-18) average point score (APS) per entry, best 3	30.84%	28.35%	32.49%
Attainment of A level students (age 16-18) % achieving grades AAB or better at A level, of which at least two are in facilitation subjects	8.7%	8.9%	13.7%

Measure	16/17	17/18	*17/18 Eng*
Rate per 10,000 (aged 0-17 population) of Looked After Children	52	57	64
Rate per 10,000 (aged 0-17 population) of children with a Child Protection Plan	44.8	52.8	45.3
Percentage of children who ceased to be looked after adopted during the year ending 31 March	20%	20%	13%
Rate of hospital emergency admissions caused by unintentional and deliberate injuries in children and young people aged 0-14 years per 10,000 population	115.0	112.5	96.4
Percentage of children aged 4-5 years with excess weight (overweight or obese) LA by postcode of child	23.3%	23.3%	22.4%
Percentage of children aged 10-11 years with excess weight (overweight or obese) LA by postcode of child	30.3%	29.6%	34.3%
Proportion of people who use Adult Social Care services who feel safe	77.4%	71.5%	69.9%
Proportion of people (65 and over) who were still at home 91 days after discharge from hospital	90.5%	90.7%	82.9%
Long-term support needs of younger adults (aged 18-64) met by admission to residential and nursing care homes, per 100,000 population per year	12.8	17.7	14.0
Long-term support needs of older adults (aged 65 and over) met by admission to residential and nursing care homes, per 100,000 population per year	521.5	503.3	585.6
Proportion of older people aged 65 and over who received reablement services following discharge from hospital	1.6%	3.0%	2.9%
The outcome of short-term services: sequel to service: proportion of people who received short-term services during the year, where no further request was made for ongoing support or support of a lower level	97.6%	93.3%	77.8%
Proportion of people who use Adult Social Care services who find it easy to find information about support	79.4%	78.6%	73.3%
Social isolation: percentage of adult social care users who have as much social contact as they would like	51.3%	51.3%	46.0%
Suicide rate per 100,000 of population, three year average	2014-2016 12.8	2015-2017 13.1	2015-2017 9.6
Number of people killed or seriously injured on the roads (CY)	370 (2017)	355 (2018)	N/A

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Appendix 2

National and Local Policy and Resources Outlook 2019

1. Introduction

1.1. The national context that we are working and planning within remains deeply uncertain. Planning for Brexit continues to occupy Government and Parliamentary time and progress in a range of areas that require legislation or decisions from Central Government has been delayed as a result. This includes much-needed detail and certainty on the new system and quantum for local government finance from 2020/21 onwards (see 2.4 – 2.13), and the Social Care Green Paper which was planned for summer 2017 and is now expected at the earliest opportunity. The Queens Speech to launch the Government's next legislative session, which was planned to take place in June, has also been delayed.

1.2. On Friday 7 June, Rt Hon Theresa May MP resigned as Leader of the Conservative Party and Prime Minister. A Conservative Party leadership contest is underway and due to conclude with a new Prime Minister taking office in the week beginning 22 July. This adds further uncertainty to the national political picture and the context outlined within this paper is therefore subject to change under a new Government policy direction.

1.3 In spite of this uncertainty, East Sussex County Council (ESCC) continues to plan proactively to ensure we deliver excellent services to residents and meet our priority outcomes, working effectively with our partners to make the very best use of the resources we have. A look at the local and national developments that are setting the context and will influence and impact our work for the coming year is outlined in this appendix, in sections on:

- Overall Context
- Adult Social Care and Health
- Children's Services
- Schools
- Communities and Residents
- Community Safety
- Economy
- Infrastructure, Transport and Planning
- Environment
- Partnerships
- Workforce
- Funding and Income

2. Overall Context

Brexit

2.1. The UK was due to leave the European Union (EU) on 29 March 2019. Following a short initial extension, the EU Council granted a six-month extension to the Article 50 process and, as it stands, the UK will leave the EU on 31 October 2019. If a withdrawal agreement is ratified in the UK and EU before then, the UK will leave on the first day of the following month. The six-month extension means that the risk of leaving the EU without a deal (i.e. with no agreed transition or implementation period) has been removed in the immediate future and Government has ceased its planning for a 'no deal' exit. However, the change in Prime Minister means the future approach to Britain's exit from the EU, including whether a withdrawal agreement can be agreed before 31 October 2019, remains uncertain.

2.2. ESCC's approach has been to undertake pragmatic and proportionate planning for Brexit alongside Central Government, local partners and businesses and this will remain the case throughout the summer. As a member of the Sussex Emergency Resilience forum, we were involved in county-wide no-deal planning and preparation in March, and will contribute to any future local emergency planning for leaving the EU through that forum. We have considered the impact of a no-deal Brexit on our services and responded as required. Officers will continue to proactively share information in our networks, monitor developments and respond to any issues arising in advance of October.

2.3. Becky Shaw, Chief Executive is one of nine regional coordinators representing the South East on a Ministry for Housing, Communities and Local Government (MHCLG) working group. The group coordinates regional intelligence, escalates concerns to Government and shares key information with local authorities, partners and businesses to ensure they are prepared for our departure from the EU.

Spending Review and Local Government Funding

a) Spending Review 2019

2.4. The Chancellor of the Exchequer confirmed in the March 2019 Spring Statement that - providing an EU exit deal was agreed - the Government would hold a spending review this year, to conclude alongside the Autumn Budget. The expectation was that the spending review would set departmental resource spending for the next three years (2020/21-2022/23) and undertake a zero-based review of capital spending where each programme or project would be scrutinised from the bottom up, ensuring the maximum return for the country. A spending review is different to a comprehensive spending review, when all revenue spending is zero-based.

2.5. Liz Truss, Chief Secretary to the Treasury, has since said in evidence to the House of Lords Economic Affairs Committee that the spending review would be delayed to after the summer and was unlikely to take place this year. 2019/20 is the last year of the four year deal for local government funding, set at the last spending review in 2015. Without a spending review, we could see a "roll over" year take place, which continues uncertainty in our budget planning, as temporary funding allocations would be made, rather than longer term permanent funding arrangements.

2.6. Concerns about the unsustainability and insecurity of funding for local government are increasingly documented nationally. In October 2018, the National Audit Office (NAO) published its 'Financial sustainability of local authorities 2018 report' which found that since the NAO last reported in 2014 financial pressure on authorities had increased markedly. It concluded that authorities had done well to manage the 49.1% real-terms reduction in government funding between 2010/11 and 2017/18 but, because authorities faced a range of new demand and cost pressures while their statutory obligations had not been reduced and non-social care budgets had already been reduced substantially, authorities had less room for manoeuvre to find further savings. The report also found that the current spending review period had been characterised by one-off and short-term funding fixes, and the increasingly crisis-driven approach to managing local authority finances risked value for Government money. The NAO's analysis reflects ESCC's local experience and in our lobbying (see 2.14-2.16 below) we have emphasised the increasingly urgent need for additional long-term funding to maintain our services and provide value for public money.

b) Fair Funding Review

2.7. In December 2018, as part of the 2019/20 Provisional Local Government Finance Settlement, MHCLG released its latest consultation on the review of local authorities' relative needs and resources, also known as the Fair Funding Review (FFR). Government intends that the FFR considers cost drivers and pressures facing authorities (their local need), resources available to authorities, and then establishes a fairer link between the two with a new relative needs formula to allocate funding.

2.8. The relative needs formula proposed in the December consultation consists of a per capita foundation formula for upper and lower tier authorities, alongside seven service-specific funding formulae – for Adult Social Care (ASC), Children and Young People's Services, Public Health, Highways Maintenance, Fire & Rescue, Legacy Capital Finance, and Flood Defence and Coastal Protection. The foundation formula (allocating about a third of funding for upper tier authorities for services such as Libraries, Planning and Central Services) will be allocated on the basis of population, then subject to an Area Cost Adjustment to account for remoteness or rurality, local labour costs, and non-housing building costs.

2.9. The proposed foundation formula does not include any measure of deprivation as Government's analysis found that population is the most important cost driver for the services included in the foundation formula. However, deprivation will be taken into account in four service-specific formulas – ASC, Children and Young People's Services, Public Health and Fire & Rescue Services. For ASC, a formula incorporating a range of 18-64 and 65+ cost drivers is proposed and Government intends to publish a technical paper which will provide further background information in due course. Cost drivers for the proposed Children's and Young People's Services formula are to be determined and consulted on, which MHCLG planned to do before the summer.

2.10. ESCC responded to the consultation and we are broadly supportive of the proposals, including the use of population as the cost driver for the foundation formula; the move away from regression analysis of spending in social care to determine resources; and proposals for how locally raised resources, including Council Tax, are taken into account. However, without detail on proposals for the Children and Young People's Services formula (which forms over 20% of our annual net expenditure) or detail on weightings applied to the service formulae, it is difficult to undertake detailed analysis of the appropriateness of the formula. Government is currently analysing feedback on the consultation and intends to implement the new formula for the 2020/21 financial year, but this has been called into question by the national context outlined at the top of this paper.

c) Business Rates Retention

2.11. The Government also intends that local authorities retain 75% of Business Rates from 2020/21. In December 2018, the Government published a consultation on their proposals for Business Rates Retention Reform, seeking views on how to achieve the right balance of risk and reward in the new system so that authorities are incentivised to grow their local economies without creating a significant disparity between local need and resources. The consultation sought views on whether a partial, phased or full reset to the system should take place and how frequently resets should take place thereafter to ensure the national distribution of business rates resource remains broadly aligned with need.

2.12. ESCC responded to the consultation in support of frequent full resets. As our business rate growth is below the national average (2% compared to 11.5%) with limited opportunities to grow large property-based businesses that would increase revenue, frequent resets are needed to ensure our baseline resource keeps pace with growing need. Government is currently analysing feedback on the consultation, although as with the Fair Funding Review, implementation in 2020/21 has been called into question by the national context outlined at the top of this paper.

2.13. At the Provisional Local Government Financial Settlement 2019/20, MHCLG confirmed that the East Sussex Business Rates Retention Pilot bid had been successful for 2019/20. Retaining 75% of the business rate growth in East Sussex, since the last rebasing in 2013/14, will generate around £1.6m additional funding for ESCC this year and will not involve any additional charge to local businesses. This one-off gain is not reflective of the level of funding we might receive under a national 75% Business Rates Retention system.

Lobbying

2.14. We have been proactively lobbying with our local MPs and partners to secure sustainable funding for ESCC, for powers to improve our delivery of services, and for investment to guarantee East Sussex remains a great place to live, work and visit. Our lobbying in 2018/19, alongside other sector groups, helped increase Government awareness of the need for sustainable funding for local authorities. We received additional in-year and one-off funding in autumn 2018 as a result, which allowed us to defer some savings planned for 2019/20.

2.15. We have since been lobbying Government to take the opportunity in the spending review to provide a longer-term sustainable funding settlement for local authorities. We have written to the Treasury, worked with MPs to raise the issue in Parliament, met with civil servants to help build a detailed evidence-base of our pressures and spending need, and contributed to national lobbying activities undertaken by the Local Government Association (LGA) and County Councils Network. In April, we responded to the HCLG Select Committee's inquiry on 'Local Government finance and the 2019 Spending Review' making the case for Government to increase the total quantum of funding for local government in the spending review, to be distributed via the new relative needs formula.

2.16. With the spending review expected to be delayed this year, our focus over the summer will be on lobbying for guarantee from Government at the earliest possible opportunity that the funding we received for 2019/20 (including additional one-off funding grants) will continue as our new funding baseline, uplifted to reflect our pressures.

Climate Change Response

2.17. Climate change has risen to the top of the national and international agenda in recent months. The Intergovernmental Panel on Climate Change published a report in 2018 which set out that global net human-caused emissions of carbon dioxide would need to fall by 45% from 2010 levels by 2030, reaching net zero by 2050 to prevent global warming above 1.5 degrees. There is a considerable body of evidence that shows that a warming climate is negatively impacting society and, without action, this warming is likely to have significant economic and social consequences.

2.18. On 12 June the Prime Minister laid before Parliament a statutory instrument to amend the Climate Change Act 2008 and legislate a target for the UK to reach net-zero emissions by 2050. On 20 June six parliamentary committees (Business, Energy and Industrial Strategy; Environmental Audit; Housing, Communities and

Local Government; Science and Technology; Transport; and Treasury committees) announced plans for a citizens' assembly to discuss how the UK should tackle climate change. The assembly is expected to be set up in the autumn.

2.19. Since signing the Nottingham Declaration on Climate Change in 2000, ESCC has recognised the importance of mitigating climate change. Our approach has included:

- The County Council's own estate: a commitment to reduce corporate carbon emissions by 3% per year, which is in line with the national target of an 80% reduction between 1990 and 2050. Between 2008/9 and 2017/18 ESCC reduced its emissions by about 46%;
- Fuel poverty: supporting those in fuel poverty through a range of measures including improving insulation and installing more efficient boilers;
- Businesses: delivering free energy audits and awarding grants to local businesses to improve their energy efficiency and support them to invest in renewable energy through Low Carbon Across the South East (LoCASE);
- Renewable energy tariffs: working in partnership with other local authorities in East Sussex to encourage the take-up of the 'Sussex Tariff', which includes 100% renewable electricity;
- we have been closely involved in developing a tri-Local Enterprise Partnership (LEP) energy strategy, which includes the South East, Coast-to-Capital and Enterprise M3 LEPs (see further information at 8.7); and
- we are in the process of working with a range of local organisations to update the East Sussex Environment Strategy, which was originally prepared in 2011.

2.20. We are looking again at what more we can do as a County Council and with our partners to reduce our carbon emissions and environmental impact.

3. Adult Social Care and Health

<u>Growth pressures</u>

3.1. The number of adults over the age of 65 in East Sussex is expected to grow from nearly 145,000 in 2019 to over 157,000 in 2023, which represents an increase from 26% to 27% as a proportion of the overall population. This continues to drive demand for both social care and health services in East Sussex for the over 65s. This is evident in ongoing increases in non-elective admissions to acute settings as well as continued growth in expenditure in the older people's ASC budget. In addition to the local age profile of East Sussex, future demand growth is expected in line with national trends projecting an increase in the demand for social care services provided to younger adults.

3.2. As well as pressures linked to demographic trends, East Sussex is experiencing additional demand on ASC services as a result of national NHS initiatives. The NHS Transforming Care Programme places significant pressure on working age adult spend, while a national drive to reduce Continuing Healthcare (CHC) costs is expected to increase high cost packages of care through reviewing CHC eligibility.

<u>National funding uncertainty</u>

3.3. In 2019/20, over £30m of expenditure supporting core ASC services is planned to be funded from the East Sussex Better Care Fund (BCF), including the improved Better Care Fund (iBCF). In addition, £9m of the BCF is used to fund investment in improved working between health and social care, including spend on carers.

3.4. The NHS Long term Plan published earlier this year referred to National Audit Office findings that local authorities are using the BCF to replace core council funding rather than to add investment at the interface between health and care services. While ESCC is confident the BCF will be sufficient to meet demand in 2019/20, concern at a national level that funding is not being sufficiently invested in integration work could mean that additional conditions are attached to future funding streams which could constrain the Council's ability to meet the assessed care needs of the local population and put significant financial pressure on local NHS services.

3.5. At the same time, one-off Government grant funding announced in autumn 2018 has been essential for supporting service delivery and avoiding savings this year. The Council's winter pressures grant of £2.6m (provided for 2018/19 and 2019/20 only) is used to meet additional demand for nursing beds, homecare (particularly for hard to reach places) and equipment needs during the winter months; and an additional £4.4m of one-off social care support grant for 2019/20 has been used to reduce the need for further social care savings across ASC and CSD.

3.6. There is no certainty from Central Government that this one-off funding will continue after 2019/20. We are therefore actively lobbying Government to emphasise the importance of BCF and one-off funding for meeting our local ASC need and the need for it to, at the very least, continue in 2020/21.

Health and social care integration

3.7. Since 2014 we have worked closely with our local NHS partners with the vision of developing integrated, seamless services across health and social care in East Sussex, and moving towards a culture of all organisations taking joint responsibility for ensuring our community receives the best service possible within the available resources to improve health and wellbeing outcomes for everyone.

3.8. ESCC is a member of the East Sussex Health and Social Care Programme. The other members of the Programme are the Hastings and Rother Clinical Commissioning Group (CCG), Eastbourne, Hailsham and Seaford CCG, High Weald Lewes Havens CCG, East Sussex Healthcare Trust, Sussex Partnership NHS Foundation Trust and Sussex Community Foundation Trust. The Programme's ambition is to build an Integrated Care Partnership (ICP) that integrates the whole health and social care system to make the best use of our collective resources to meet the health and care needs of the people of East Sussex and this will continue to be the focus of work in the coming year.

3.9. The CCGs in East Sussex are considering merging to form one CCG for East Sussex. This change would support the development of an ICP in East Sussex and fully integrated health and social care commissioning for the whole population. If agreed, the new arrangements will be in place for 2020/21.The NHS is also establishing Primary Care Networks, led by General Practitioners, which will form a key element of the future health and social care partnerships within the county.

Sustainable Transformation Partnership

3.10. The Sussex and East Surrey Sustainable Transformation Partnership (STP) is led by the NHS and brings together health organisations in East and West Sussex, Brighton & Hove, Mid Sussex and East Surrey and represents around 1.9 million residents. The STP is developing its approach to clarify what NHS commissioning will take place across its whole footprint and what will be delegated to local CCGs. The intention is to identify what services can be more effectively commissioned across the whole geographical area where this provides financial and clinical benefits. This approach would also support the further integration of commissioning for social care services and an agreed range of NHS provision in East Sussex. The STP is also reviewing its governance arrangements to ensure local authorities are involved in its leadership, including ESCC.

4. Children's Services

Review of Early Help services

4.1. In common with many other Local Authorities, ESCC is seeing rising demand for both Early Help and Social Care services and the number of children subject to Child Protection Plans continues to be higher than in similar authorities. Work with partner agencies is ongoing to see whether a safe reduction in plans is feasible whilst we continue to ensure that children are adequately protected.

4.2. In order to ensure our Early Help services continue to support the most vulnerable families and reduce child safety concerns within available resources, a review of Early Help services is underway. A consultation on the draft Early Help Strategy 'Building Stronger Families' was launched on 21 May and will run until 29 July 2019. The draft Strategy sets out how £4.2m will be invested in Early Help services from 2020-2023 to target support for the most vulnerable families and young people, and how current services will change to provide savings of around £2.6m. The level of keywork support to individual families is proposed to reduce but will continue to be prioritised, while the consultation will consider whether some of the current Children's Centres and related support services will transfer to other providers or venues, or will close. Subject to the consultation and final decision, a revised and reduced structure and service offer is planned to be in place from April 2020.

Safeguarding

4.3. The County continues to experience an increase in drug related activity as London gangs target shire authorities in a development which is termed 'county lines'. This development sits within a range of other behaviours that are leading to an increase in the number of children who are being exploited and in response ESCC is working with partners and with the Local Safeguarding Children Board to develop 'Contextual Safeguarding', a response championed by the University of Bedford that involves understanding, and responding to, young people's experiences of significant harm beyond their families.

Children's Mental Health

4.4. There remains focus nationally on children and young people's emotional wellbeing and mental health and their ability to access services. Government has responded through implementing the core proposals of their 'Transforming children and young people's mental health provision' Green Paper. Locally, increasing numbers of children require support. The Children and Adolescent Mental Health Services (CAMHS) Transformation Grant continues to be focused on generating innovative solutions and specifically on: developing schools as responsive contexts for children; on extending the award winning i-Rock drop in service currently in Hastings to other parts of the county; and on integrating the referral process for both CAMHS and the Council's Single Point of Advice to refine and speed up the response to families in crisis.

Adoption South East proposals

4.5. 'Adoption - a Vision for Change' was published by the Department for Education (DfE) in 2016, with supporting legislation directing local authorities to form or join Regional Adoption Agencies (RAAs). Central Government seek to rationalise the adoption sector, creating a smaller number of regional adoption agencies in place of the 180 agencies in operation in England in 2015. By May 2019, half of local authorities nationally were already part of functioning RAAs, with remaining projects working towards implementation by April 2020.

4.6. Given both the existing four well-performing adoption services and strong relationships forged in a previous local consortium approach to adoption, the Directors of Brighton & Hove City Council, ESCC, Surrey County Council and West Sussex County Council initially met in 2016 to explore regionalisation, with a 'bottom line' of no increase to the amount currently spent on the adoption services in the four authorities and no deterioration in the quality of service to children or to prospective adopters. A successful application was made for grant funding of £700,000 to support development work and workstreams have been taking this thinking forward since that time. The name of the proposed RAA is Adoption South East.

4.7. Having considered various options and structural models and having learnt from RAAs that are already operational, there is now confidence that a South East RAA can be successfully delivered with minimal disruption to staff, within existing budgets and without diminution of service quality.

4.8. Consideration of a number of possible service models has resulted in all four authorities agreeing that, subject to agreement by Lead Member for Children's Services on 22 July, East Sussex should act as the lead authority in the RAA and therefore recruit to a jointly funded Head of Service post. The wider staff group from all four authorities would not be subject to TUPE transfer and remain in 'spokes' in their own local authority. The arrangement would be underpinned by a formal Inter Authority Agreement setting out the terms of the partnership and the respective roles and responsibilities.

5. Schools

<u>Schools landscape</u>

5.1. In line with our Excellence for All Strategy, we continue to work with all East Sussex schools to support them in improving standards. Increasingly, this work is delivered through brokering school to school support as we move away from directly providing school improvement services. An updated Excellence for All strategy will be published in September covering the period 2019-2021. The updated strategy will take account of our plan to move to a Core Offer, which for the Standards Learning and Effectiveness Service (SLES) means we will:

- Operate a light-touch monitoring of the performance of maintained schools. We will use our best endeavours to intervene when a school is at high risk of failure.
- Where academies in East Sussex are under-performing we will encourage the Regional Schools Commissioner to intervene.
- Use our best endeavours to improve the outcomes of pupils vulnerable to under-achievement.
- Promote post-16 participation in education and training, including provision and support for young people with learning difficulties/disabilities.

5.2. We are seeing a steady pattern of a few schools a year converting to academies. Though other schools express interest, the capacity of multi-academy trusts to support them remains limited and even when capacity is identified progress to conversion takes time. We continue to promote the opportunities of formal partnerships between schools, including federation and academy trusts. The impact of academy conversions (on ESCC's responsibilities, staff numbers, traded services and the liability of school staff pensions) will continue to be monitored.

Schools Funding

5.3. Schools continue to face a challenging financial landscape, in part caused by transition to the National Funding Formula (NFF), but also significantly by the real cost increases to provision to be absorbed within current funding levels.

5.4. The funding system for schools is being replaced by a new NFF, which determines the level of grant schools receive directly from the DfE. The formula is intended to rectify any disparities in the level of funding schools receive across the country. The current indication is that the NFF will be fully implemented by 2021/22. 2018/19, 2019/20 and 2020/21 are transitional years, where the total funding local authorities receive for schools is determined by the principles of the NFF, but local authorities retain the function of distributing the funding to schools using a locally determined formula. The Funding Formula Working Group (FFWG) comprised of ESCC and school representatives, has used this period to transition towards the NFF with a number of steps taken in 2018/19 and 2019/20. The FFWG are now looking at potential changes for 2020/21 with discussions underway. The aim of this gradual approach to adoption of the NFF has been to maintain stability in funding for schools.

5.5. Additional transitional funding (for 2018/19 and 2019/20) was provided by the DfE to ensure that no school would see a reduction in funding as a result of the introduction of the NFF during this period. One of the principles of the NFF is to allocate as much funding as possible via pupil-led factors. The major impact of this for East Sussex schools is to reduce the lump sum element of the budget significantly from historically levels. While the NFF's introduction shows an overall net financial gain for East Sussex schools, smaller schools with fewer pupils see little or no increase to their funding from its introduction. Funding levels beyond 2019/20 are uncertain.

5.6. More significant than the impact of the NFF are the real cost increases that schools are required to absorb which continue to pose a challenge for school budgets. Pay awards, higher National Insurance and pension contributions, the implementation of the National Living Wage and the Apprenticeship Levy have seen payroll costs increase and continue to add additional pressures (further detail on the Apprenticeship Levy is at 12.1-12.3). Additional inflationary pressure on bought in services and non-pay costs also impact on schools budgets. Larger schools, which will on the whole realise a gain when the NFF is fully implemented, have some level of protection against these cost pressures. However, small schools face a significant risk in their capacity to address the cost pressures faced.

5.7. To ensure sustainability, ESCC actively encourages schools to plan ahead, to operate differently and to use partnerships and collaborative working to operate more efficiently. We continue to support schools in financial difficulties to find sustainable models. ESCC has also supported schools in challenging Government for a fairer funding regime. Schools are reporting that pressure on their budgets is impacting negatively on children and young people, in particular those who are most vulnerable.

School places

5.8. Annually the County Council reviews school places as part of its statutory duty to ensure that the supply of school places across the county is in the right location, is of sufficient size, and is viable and of good quality. As part of this ongoing review we have determined this year that we should consult on the following school organisation changes:

- the proposed closure of Broad Oak Community Primary School with effect from 31 August 2020; and
- the proposed closure of Fletching CE Primary School with effect from 31 August 2020.

5.9. The County Council continues to receive some basic need funding for school places. The Secretary of State for Education has announced additional funding for local authorities for Special Educational Needs places and we are developing new special free schools and specialist facilities to increase the places available. We continue to rely on Council resources to meet basic need requirements alongside the funding we receive.

<u>Special Educational Needs and Disability (SEND) pressures</u>

5.10. East Sussex has historically had high numbers of children on statements which have now been transferred to Education, Health and Care Plans. Whilst the rise in number of new plans remains below that of our neighbouring authorities, the overall numbers of children who are subject to a plan remains high. This has an impact on finding suitable provision and on cost. Both locally and nationally, if this rise continues the High Needs Block of the Dedicated Schools Grant will come under sustained pressure. Children's Services has introduced new systems and processes and is working closely with our schools to manage this demand and try and ensure that children can attend their local school. The successful free school bids we made in 2017 will, over time, assist in managing the pressure for places and reducing some pressure on the High Needs Block.

5.11. National legislation relating to post-16 provision for young people with SEND was unfunded. Locally and nationally there has been a significant increase in the number of young people supported; and the associated costs have risen disproportionally.

5.12. In response to local authorities', schools' and colleges' concerns about the rising costs of provision for children and young people with SEN and in preparation for the spending review, the DfE is undertaking a national consultation on how SEND funding is allocated to optimise its use. It is likely that this will result in some changes to the management of the budget provided for settings, schools, colleges and the local authority. It is unclear at this stage whether this will impact positively or negatively on our responsibility to manage the DfE budget on behalf of all providers, children and young people. ESCC will be responding to set out the challenges of current funding arrangements and need for improved clarity in the guidance we receive.

<u>Hastings Opportunity Area</u>

5.13. The Hastings Opportunity Area is an ambitious two year programme to improve educational outcomes and social mobility for children and young people in Hastings. The programme is funded by the DfE, but delivered locally in partnership with ESCC and overseen by a Hastings Opportunity Board. A delivery plan was published in January 2018 and sets out how the programme will invest £6m direct funding to deliver the Plan's four priorities to:

- improve literacy;
- raise attainment in maths;
- improve mental health and resilience; and
- broaden horizons and prepare young people for work.

5.14. Funding is now fully committed and a wide range of projects and programmes are underway with good engagement from all schools. Impact is being closely monitored and the Board is discussing sustainability of the partnership working and programmes for the future.

6. Communities and Residents

Libraries

6.1. In March 2018, a new East Sussex Libraries: The Way Forward Strategy (2018/19 – 2022/23) was approved by Cabinet. Central to the implementation of our new libraries strategy has been the launch of the new Children and Young People's Offer, which provides literacy and numeracy support, including outreach work for pre-school and school age children and their families. The Summer Reading Challenge supported 4,800 children in East Sussex to maintain their reading skills during the 2018 school summer holidays by reading six books, and librarians actively supported 11 schools in areas of highest need in the county with visits to encourage participation in the challenge.

6.2. We launched the Teachers' Membership, a service for primary and special schools, which enables teachers to borrow up to 40 books from our special Teachers' Collection. We continue to offer support to schools in areas with highest needs free of charge (within our available resources), for example, working with Ore Village Primary Academy to improve their library and resources, and we provide some charged services to all schools, including participation in the Children's Book Award (39 schools participated and over 600 pupils enjoyed author visits in 2018). Supported by volunteers, we provide 13 rhymetime and 5 storytime sessions across all libraries every week, and an estimated 400 children and adults attend these sessions on a weekly basis. Our outreach activities include delivering weekly rhymetimes and storytimes in East Hastings and Shinewater Children's Centres, as well as providing three sessions at the summer school for 45 Looked After Children.

6.3. In order to implement our offer to provide support for adults with low literacy we secured a £100,000 contract from the East Sussex College Group to deliver accredited courses in English, Maths and ICT at Eastbourne and Hastings libraries. This contract has strengthened the Library and Information Service's relationship with local colleges and will enable the service to signpost learners to the colleges and vice versa.

6.4. The County Council is committed to maintaining a quality physical environment that meets the needs of our customers in every library, and is delivering a programme of capital schemes to refurbish and modernise library buildings. Crowborough Library reopened in January 2019, following refurbishment which included new carpeting, new shelving and new furniture and a refurbishment of Lewes Library was completed in April 2019, which has seen a large increase in students using the new study space on the mezzanine floor for exam revision.

6.5. Following the closure of seven libraries the County Council has supported community groups to set up Community Libraries with training and advice, stock, fixtures and fittings - and where former library buildings are in our ownership - a peppercorn lease for the buildings. Ringmer Village Library opened in June 2018 and the Langney Community Library opened in the late autumn of last year in a new rent-free unit in Langney Shopping Centre. In April 2019 we handed over the keys of Willingdon and Pevensey Bay libraries to the community and we expect these Community Libraries to open soon. We also launched the Community Collection

Membership (CCM) in 2018, which allows communities to borrow a range of items which can be made available locally to the community, for example in a village hall, café etc. Five CCMs have been set up in Fairlight, Pett, Chelwood Gate, Northiam and Ticehurst.

6.6. We will need to ensure that our library service continues to provide a modern and comprehensive offer that reflects the changing needs of residents as well as technological improvements in future.

The Keep

6.7. The Keep is our purpose-built county archive, based in Falmer, which we operate in partnership with Brighton & Hove City Council and the University of Sussex. Like many Council services, the running costs of The Keep are increasing at a time when our Government funding is decreasing. We have therefore begun development of a Sustainability Plan for The Keep; a three year savings and income generation plan to ensure its medium-term financial sustainability. The Sustainability Plan will include a review of the affordability of the services currently delivered at The Keep and the development of a new service offer, in line with our Core Offer.

Customer Experience

6.8. Our work to improve customer experience across Council services has continued in 2018/19, by gathering more feedback from customers about their interaction with us and acting on that feedback to implement measures that provide a better and more consistent customer experience. Our aim is to ensure that customers get a consistently high quality service from us and our contractors, and that in the current financial climate, we provide access to our services in the most cost-effective way. This means directing customers who are looking for information or reporting problems to our website and ensuring that our online information and tools provide customers with what they need and are easy to use, so that customers choose them by preference. Of course, this isn't always the appropriate way to access council services, and our skilled staff will continue to deal with customers with complex needs over the phone or in person.

6.9. We now have a good baseline of customer experience feedback across a range of services where previously this was limited, and have been able to build up a comprehensive picture of how customers view the Council when they contact us. We have used this feedback to improve our webpage content. A good example is the overhaul of our parking webpages, where we've replaced pdf files with content directly on the webpage to make access on mobile devices and reading much easier, in addition to making content more relevant, accurate and up-to-date. We've also used the feedback to make our email correspondence with customers clearer and more relevant to their needs, with simpler language and better signposting to further sources of information. An example of this work is the improvements made last year to emails notifying parents and carers of the school to which their children had been allocated.

6.10. In 2018/19, we piloted a random satisfaction survey for customers contacting us by phone, and the introduction of face-to-face customer feedback devices at Eastbourne and Hastings Libraries, County Hall, St Mary's and Ocean House. These pilots are now coming to an end and we will evaluate the lessons learned this summer. We have also set up a Customer Service Network, which provides staff from different customer-facing teams a quarterly forum to share knowledge and best practice and implement changes to improve customer experience. One of the changes we have made as a result of feedback from the Network has been the development of a new corporate "Introduction to Customer Services" training course, which is available to all staff. We have now embedded the Customer Promise, launched in 2017, into the procurement process for all contracts with a value of over £15,000 that deliver services to our customers.

7. Community Safety

East Sussex Road Safety Programme

7.1. Our Road Safety project aims to use behavioural change initiatives to influence the driving behaviour of targeted high risk groups to reduce the number of people Killed and Seriously Injured (KSI) on the county's roads. These groups include:

- Young drivers (17 – 25).
- Motorcyclists.
- Car drivers in relation to vulnerable road users (cyclists/pedestrians etc.).

7.2. The behavioural change initiatives were launched in 2018/19, in conjunction with the Behavioural Insights Team, together with the first phase of an extensive speed management programme. The speed management programme prioritised road safety interventions on high risk routes (identified based on the level of fatal and serious road crashes which have occurred there) to ensure that we target our resources effectively. These schemes are evidence based and include: lower speed limits; ensuring that there is a consistent approach to the traffic management features provided along the route; maintenance work; targeted safety schemes; and vulnerable road user studies.

7.3. Work on both the behaviour change and the speed management elements of this programme will continue in 2019/20. Early outcomes from this work will be available from winter 2019, with full outcomes and analysis the following year. It is expected that both elements of this programme will inform the future work of the Road Safety Team as well as work to address collisions and KSI across the county.

Home Office consultation on a new legal duty to prevent and tackle serious violence

7.4. As part of a suite of new measures to tackle violent crime, the Home Office launched a consultation on 1 April 2019 on introducing a new legal duty to prevent and tackle serious violence and address its root causes. The consultation sets out the need to take a multi-agency approach to understand the causes and consequences of serious violence, focused on prevention and early intervention, and informed by evidence and rigorous evaluation of interventions. This is often referred to as a 'public health' approach.

7.5. Three options are proposed for achieving the vision of an effective multi-agency approach:

- Option 1: introducing a new duty on specific organisations (organisations set out in Schedule 6 to the Counter Terrorism and Security Act 2015, including local authorities) to have due regard to the prevention and tackling of serious violence which will require primary legislation;
- Option 2: introducing a new duty through legislating to revise Community Safety Partnerships; and
- Option 3: a voluntary non-legislative approach.

7.6. ESCC has responded to the consultation supporting Option 1 – also Government's preferred option – as it would best deliver the vision and support partnership work underway and led by the Sussex Office of the Police and Crime Commissioner to implement the Government's Serious Violence Strategy. It is anticipated that this approach would not impose new functions on the agencies specified but would ensure that those agencies placed an appropriate and proportionate weight on preventing and tackling serious violence whilst carrying out their pre-existing functions. As part of our consultation response, we emphasised the need for appropriate funding to be provided for any new duties or activities we are required to undertake.

Domestic Abuse Services: Future Delivery of Support to Victims and their Children in Accommodation-Based Domestic Abuse Services

7.7. In May 2019, Government published a consultation to gather evidence and seek views on the delivery of support services to victims of domestic abuse and their children in accommodation-based services in England. Implementation of any policy changes brought forward as a result of the consultation and associated monitoring of activity would be the responsibility of ESCC as the top tier authority.

7.8. A new delivery model for accommodation-based support is proposed which includes the introduction of a statutory duty on local authorities to provide support that meets the diverse needs of victims of domestic abuse and their children. Views are sought on:

- the definition of accommodation-based services and support;
- leadership and responsibilities;
- local and national accountability; and
- guidance.

7.9. The proposed statutory duty would require Tier 1 local authorities (including County Councils) to convene a Local Partnership Board for domestic abuse accommodation support services. This Board should include representation from Police and Crime Commissioners, health bodies, children's services and housing providers, along with specialist domestic abuse service providers. The Board would be required to assess need for domestic abuse services, develop and publish domestic abuse strategies, decide what support services are required and commission these accordingly and report progress back to MHCLG. Tier 2 local authorities in two-tier areas (District and Borough Councils) would have an important role to play in contributing to needs assessments, strategy development and reporting on progress on outcomes. In some cases, it would be Tier 2 authorities which commissioned the support services in line with the wider strategy for the area. Tier 2 authorities would be subject to a statutory duty to co-operate with the Local Partnership Board.

7.10. The consultation will run for 12 weeks until 2 August 2019 and in response ESCC will work with Districts and Boroughs and partners from all sectors to undertake a needs analysis. This will inform the consultation submission, mapping needs against current provision and informing a gap analysis. This information will be used to promote and reinforce the requirement on Government to provide sufficient funding to respond to the proposed policy changes and improve response to the needs of victims and their families.

8. Economy

South East Local Enterprise Partnership (SELEP)

a) Local Enterprise Partnership Review

8.1. The Government published its recommendations from its review of LEPs in July 2018 and all LEPs were required to respond to the review on two key points - LEP geography (specifically the removal of overlapping geographies); and wider transition plans covering LEP structure and governance.

8.2. SELEP's response about its geography was that its existing geography should be retained including Lewes District which also straddled the Coast to Capital (C2C) LEP. After discussion it was agreed that Lewes District, including the Newhaven Enterprise Zone, would move entirely into SELEP. To minimise any disruption this will happen gradually over a two year transition period, and Lewes District Council will continue to maintain a presence on the Greater Brighton Economic Board.

8.3. SELEP's response on structure and governance was submitted in October 2018. The majority of Government's recommendations could be implemented immediately. On detailed consideration, and in order to ensure various funding streams remain accessible, SELEP has also agreed to the Government's board composition requirements of 20 members plus 5 co-opted, with a private sector majority of two-thirds; and committed to move toward becoming a legal personality, most likely a Company Limited by Guarantee.

8.4. All of the LEP Review requirements must be fully implemented by March 2020. To drive this forward, SELEP has broken the task into two workstreams covering 'Board Composition, Recruitment & Diversity' and 'Legal Personality'. The workstreams are expected to report back to the SELEP Strategic Board with recommendations in October 2019.

b) Key SELEP strategies

8.5. Over the past year, SELEP has produced and published a variety of key strategies. The Strategic Economic Plan, originally published in 2014, has now been fully refreshed and rebranded as the SELEP Economic Strategy Statement (ESS). The ESS was published in January 2019; it will form the starting point for developing the Local Industrial Strategy (see 8.9 – 8.10 for more detail) and provides a number of hooks and opportunities for East Sussex to support our key priorities and investments.

8.6. The SELEP Skills Strategy 2018-23 was formally launched at an event in September 2018. SELEP's vision for skills in the South East is to help deliver a flourishing and inclusive economy by equipping employers, adults and young people with the skills, conditions and aptitudes required for significant growth today and tomorrow. The strategy is accompanied by a suite of supporting sector reports and district-level tables.

8.7. The tri-LEP South East Local Energy Strategy was published in February 2019 and formally launched at an event in London in March 2019. Jointly developed by SELEP alongside the C2C and Enterprise M3 LEPs, the ambitious strategy offers a shared vision for the region to achieve cleaner energy by cutting carbon emissions and promoting clean growth. The strategy sets out how we will meet statutory climate change targets for 2032 and 2050, as well as how we'll support the government's Clean Growth Plan and Industrial Strategy.

8.8. SELEP is committed to giving 'social enterprise' due prominence in the development of the Local Industrial Strategy, and to eventually see the south east region recognised as the capital of social enterprise. As such, SELEP is currently working on a Social Enterprise Prospectus, setting out the scope and opportunities of the sector in the South East and presenting practical priorities for action to build a stronger, more impactful social enterprise sector. A working draft prospectus has been prepared and consultation sessions will take place through the summer/autumn. A final draft prospectus is expected to be approved in October

2019, with a formal launch to take place before the end of the year. A separate SELEP prospectus on the coastal communities will be produced to demonstrate the contributions and value these areas can play in supporting economic growth.

c) Local Industrial Strategy

8.9. The Government published its ‘Industrial Strategy: Building a Britain Fit for the Future’ in November 2017. All LEPs were tasked with producing Local Industrial Strategies (LIS) by March 2020. The UK Industrial Strategy focused on ‘five foundations of productivity’ (ideas, people, infrastructure, business environment and places) and highlighted four ‘grand challenges’ (artificial intelligence and data economy, clean growth, the future of mobility, and ageing society). SELEP will ensure its Local Industrial Strategy is aligned to these principles; it will also build upon its own Economic Strategy Statement published earlier this year (see 8.5).

8.10. SELEP is currently considering its overall approach to the Local Industrial Strategy and has recruited a Strategy & Intelligence Manager to lead the work, alongside an independent consultant. The LIS development will involve stakeholder engagement, gathering a robust evidence base from each federated area, and a series of consultation sessions throughout the summer/autumn. Work on this has already begun, with ESCC providing information for the evidence base. Team East Sussex had its first engagement session in June 2019. A first draft Local Industrial Strategy will be produced in November 2019. It is expected that a final version will be signed-off in January 2020.

<u>Business Support</u>

a) Scale Up Pilots

8.11. ESCC has set up three pilot ‘Scale Up’ programmes of support for businesses with the ambition and potential to grow. These programmes will work with groups of businesses, giving them intensive, expert support to help them overcome barriers to growth. One pilot will be in the Newhaven Enterprise Zone, another with the Construction and Built Environment sector and the third will work across all locations and sectors in the county. Each pilot will create a ‘peer network’ of businesses who can continue to challenge and inspire each other once the pilots have concluded.

b) Locate East Sussex

8.12. The county’s inward investment service – Locate East Sussex - is funded by the county council, borough and districts and match funded by European funding and is in its final year of funding. In the last 2 years of the 3 year contract it has supported 22 business to locate to East Sussex and 44 businesses to relocate within East Sussex, as well as supporting the creation of over 200 jobs. The Economic Development team is developing proposals to refocus the services to reflect partner priorities, customer demand and align with the Government’s ambitions to increase productivity in a future contract.

c) Business East Sussex Growth Hub

8.13. Our Business East Sussex Growth Hub has secured a further year’s funding of £113,000 and we will be looking to design a new business support service from 2020, which will meet Government’s aspirations for boosting productivity as set out in the Industrial Strategy (see above 8.9). We will also be working with partners to bid for a second round of European funding to develop and build on the successful South East Business Boost programme, which has given out over £800,000 in grants to Small and Medium-sized Enterprises (SMEs) in the county and provided over 100 businesses with specialist support.

Visitor Economy

8.14. The Visitor Economy accounts for almost 1 in 5 businesses in East Sussex, and a quarter of all jobs. In 2015 there were 23.6 million visits to the county and these visitors spent £1.1bn (55% as day trips and 45% overnight stays). The total GVA of the visitor economy in East Sussex was £1.7bn in 2016. This is an increase of £244m since 2013 and is 18.3% of all GVA in the county.

8.15. ESCC identifies strategic interventions, working with partners, to continue to grow this sector, which include:

- Gatwick Airport - recognising its role as a local tourism hub - has initiated Gatwick Gateway, a consortium to develop a series of itineraries featuring the A23/M23 corridor attractions, which will be published in time for the 2019 summer peak period.
- England's Creative Coast will be an art and geocache trail to attract international visitors and increase tourism spend. ESCC has been instrumental in raising the £1.37m to deliver the programme across East Sussex, West Sussex, Kent and the Essex Thames Estuary building on Culture Kent, the Estuary Festival and the East Sussex Coastal Culture Trail. Original art commissions linked to Geocaching at 7 key cultural destinations will be promoted using 3-day suggested travel itineraries for each region, incorporating cultural experiences, travel, and food and drink as well as practical information and a detailed map.
- The Sussex Modern partnership (Charleston, De La Warr Pavilion, Towner Gallery, Hastings Contemporary, Farley Farmhouse) and the Sussex Vineyards group are developing shared marketing tools to cross promote their destinations.
- Recent investment in visitor economy infrastructure includes: Eastbourne Borough Council's £54m investment in the redevelopment of Devonshire Quarter in Eastbourne providing a new state of the art conference facility to support the visitor economy; Charleston has raised £7.9m to transform the venue to a year round attraction with gallery, auditorium and larger café; and Glyndebourne has started work on a new production hub for scenery, costume and prop building.

Culture and the Creative Industries

8.16. ESCC leads the delivery of a county-wide Cultural Strategy which prioritises participation, creative industries and cultural tourism to ensure that the county benefits from the opportunities this sector offers. This work includes:

- The South East Creative Cultural and Digital Support (SECCADS) programme, an EU match funded bespoke business support services programme to attract and meet the needs of the Creative, Cultural and Digital Industries and address the key barriers to growth of the sector in the SELEP region. The value to East Sussex, including the grants programme, is £530,000 and two SECCADS co-ordinators will drive forward the work. The programme will run between November 2018 and June 2020.
- In addition, a further £100,000 has been secured to enable a detailed mapping of creative workspace opportunities across SELEP and the development of a Cultural Prospectus to be completed by early 2020.
- Culture East Sussex and the three Coastal Culture Trail galleries are leading on the development of a Coastal Cultural Enterprise Zone, which will support cultural activity from national galleries and creative businesses to local participation and skills development.
- Projects to increase arts and cultural engagement, which has proven benefits for the resilience of individuals and communities. These include the National Explorers programme led by Project Art Works, making mainstream galleries more accessible to people with disabilities; National Outlands experimental music touring network led by De La Warr Pavilion; and an NHS partnership initiative,

working with the Director of Public Health to engage the cultural sector in the future health of our communities.

Skills

8.17. ESCC continues to facilitate Skills East Sussex (SES), which oversees a range of business-led careers education, information, advice and guidance campaigns and curriculum development activity in the county via six task groups focussed on the skills needs of our priority sectors. Government has published its national Careers Strategy for schools and colleges, and is promoting the introduction of technical education to support the Industrial Strategy. Both of these policy changes are being carefully monitored by SES and embedded in the work of our task groups.

8.18. ESCC was successful in obtaining funding from the Careers Enterprise Company (CEC) to pilot a strategic careers programme – Careers Hub East Sussex - across our secondary schools and colleges. As part of this, our Enterprise Adviser Network supports 40 secondary schools and colleges in East Sussex, identifying initiatives and opportunities for employer engagement in school careers activities, and supporting schools to work towards national benchmarks that will now be inspected under the new Ofsted framework.

8.19. The County Council successfully secured £146,000 from the CEC to undertake a one year pilot project to scale up some of the excellent practice in the secondary schools Careers Hub. We will be working with 24 primary schools to review their curriculum and embed careers and aspirations, STEM activities, video resources and employer encounters that link learning with the world of work. All schools taking part in the project will be asked to identify a Careers Champion who can join a network in order to access training, share good practice and build on what works.

8.20. In the last academic year - 2017/18 - there was a 22% decrease in new apprenticeship starts compared to the same period in 2016/17. This compares to a decrease of 24% nationally. Apprenticeships East Sussex, a sub-board of SES, is actively lobbying on issues impacting on the take up of apprenticeships, in particular amongst Small and Medium Enterprises, since the introduction of the Apprenticeship Reforms in May 2017.

8.21. The ability of the county to secure large-scale funding to support skills provision post-Brexit is uncertain, as there will be no new European Social Fund contracts awarded after 2019. It is important that ESCC influences the framework for the new UK Shared Prosperity Fund (see paragraphs 8.27-8.28 below) to ensure that a pipeline of project funding is available in future.

East Sussex College Group

8.22. Our two largest Further Education colleges in East Sussex; Sussex Downs College and Sussex Coast College Hastings, merged in 2018 as a result of the Government's post-16 Area Review which aimed to have fewer, often larger, more financial resilient and efficient providers. East Sussex College Group was established on the 31 March 2018 as a result of the merger and retained 5 campuses; Eastbourne, Hastings Station Plaza, Ore Valley, Lewes and Newhaven.

8.23. ESCC supported the merger process through involvement in the Transition Board and consultation (alongside others) on their Strategic Plan 2018-21 which outlined their initial four stage approach as a newly merged East Sussex College to ‘stabilise, repair, improve and sustain’. ESCC maintains ongoing regular dialogue with the college’s Executive Team through various routes and via membership on their Board of Governors. The college has now produced an Education Case following a thorough review and analysis of performance, curriculum offer and local skills needs, capacity and forecasting. This, in turn is informing their emerging Estate Strategy which they are developing in partnership with key local stakeholders, including ESCC.

8.24. Sussex Coast College was inspected by Ofsted in December 2017 and was judged to be Good for Overall Effectiveness. Sussex Downs College was graded Requires Improvement for Overall Effectiveness in 2017, but an Ofsted monitoring visit to merged college campuses of Lewes & Eastbourne in December 2018 identified significant progress had been made in three areas and reasonable progress in two others. The merged college is likely to receive their full Ofsted inspection early 2020.

Broadband

8.25. Faster broadband to businesses and communities remains a priority and ESCC intends to increase coverage to as close to 100% as possible. Contracts 1 and 2 have delivered superfast and ultrafast broadband right across the county, including hard-to-reach rural areas, ensuring 97% coverage (from a baseline of 3% in 2011) with a third contract now in place forecast to go as close to 100% of premises in the county as possible by the end of 2020.

8.26. In the coming decades, fixed and mobile networks will be the enabling infrastructure that drives economic growth. Government wants to provide world-class digital connectivity that is gigabit-capable, reliable, long-lasting and widely available across the UK. It has set clear, ambitious targets for the future of telecoms infrastructure (15 million premises connected to full fibre by 2015, with coverage across all parts of the country by 2033). ESCC is in discussion with Building Digital UK (formerly Broadband Delivery UK) about their National Rural Gigabit Connectivity and Full Fibre projects and how we can use these in East Sussex to continue to support economic development and digital inclusion for all communities.

UK Shared Prosperity Fund

8.27. After the UK leaves the European Union, it will no longer receive European structural funding. This funding is used for boosting several aspects of economic development, including support for businesses, employment and agriculture, and is administered by the different nations of the UK.

8.28. The Government has pledged to set up a replacement Shared Prosperity Fund to “reduce inequalities between communities”. The Government has not yet published its consultation on the Fund and there are several issues that will need to be considered. These include:

- the priorities and objectives of the Fund;
- the amount of money to be allocated;
- the method of allocating it between the countries and regions of the UK, and whether this is based on need (and what measure is used to determine need);
- the model by which funding will be allocated, whether pre-allocating an amount for a country or region or inviting competitive bids from across the UK;
- the length of the planning period and the way in which this could conflict with domestic spending priorities; and

- who administers the funds (whether they are controlled from Westminster or by the devolved administrations) and the degree to which local authorities are involved.

9. Infrastructure, Transport and Planning

Transport for the South East and future mobility

9.1. Transport for the South East (TfSE) is becoming an influential and effective strategic partnership for the region. The proposed addition to the TfSE Shadow Partnership Board of Highways England (HE), Network Rail and Transport for London will further strengthen its relationships with strategic transport partners.

9.2. A draft proposal to Government setting out the case for TfSE to become a statutory sub-national transport body, with powers and responsibilities to deliver its Transport Strategy and support economic growth in the region was published for consultation in early May 2019. TfSE will be working with the Department for Transport (DfT) to determine the timing of its submission. Meanwhile, TfSE continues to actively build support across sectors and audiences, to make its case for statutory status.

9.3. The development of the draft Transport Strategy continues apace, with a launch event in October 2019 set to mark the start of a three-month public consultation. The strategy will set out a vision for transport-led sustainable economic growth which supports the delivery of the Industrial Strategy and Local Industrial Strategies (see paragraphs 8.9 – 8.10) while reducing emissions. It will reflect recent significant additions to the sustainability policy landscape – including the government's Clean Air Strategy and Road to Zero Strategy – and also set out how the region can harness the full benefits of future transport technology set out in the Government's 'Future of mobility: urban strategy'.

A27 and Road Investment Strategy 2020-2025

9.4. Highways England (HE) announced a package of smaller scale interventions for the A27 east of Lewes in September 2017 following the inclusion of the scheme in the Government's Roads Investment Strategy (RIS) 2015 – 2020. Since then, HE has been progressing the designs for these interventions. A series of public information exhibitions were held in early March 2019 on two of these interventions - capacity improvements at Polegate which comprise two lanes in both directions from Cophall to enhanced A27/A2270 traffic signal junction as well as improved capacity at Drusillas roundabout. There will be further exhibitions on the other interventions (safety improvements of Wilmington crossroads, new shared use path along the A27, a new path from Drusillas up to Berwick station, as well as new/upgraded crossings at Wilmington, Selmeston and Firle) in the summer. Construction of the first tranche of the small scale improvements is programmed to start in 2020 at the earliest and completion expected by late 2021/early 2022.

9.5. Although these smaller scale improvements address some of the existing issues on the A27 between Lewes and Polegate in the short to medium term, they do not address issues in the longer term, particularly with significant housing and employment growth planned in the South Wealden area. Accordingly, funding from the RIS allocation was secured in May 2017 by the A27 Reference Group (which comprises local MPs, local authority leaders and the LEPs) for a study to look at a new dual carriageway route between Lewes and Polegate. The HE commissioned study looking at these potential new route options was completed in May 2018.

9.6. The study, which was an early stage investigation, recognised that there is a strong strategic case for an off-line improvement between Lewes and Polegate to address current problems and to facilitate housing and economic growth in the area. It identified that all the route options considered would bring significant economic benefits outweighing the dis-benefits. The outcomes of the final study are being considered by the DfT as part of the development of HE's Roads Investment Strategy 2 (RIS2). RIS2, which is expected to be published in autumn 2019, will set out investment that Government will be make in the Strategic Roads Network (SRN) and that HE will be expected to deliver during the second road period between 2020 and 2025, as well as the strategic vision for the future of the SRN looking towards 2050.

9.7. TfSE (see paragraphs 9.1 – 9.3 above) identified 10 RIS2 priorities for the South East, including the A27 between Lewes and Polegate. It also identified the wider A27 as a high priority corridor for investment in its Economic Connectivity Review. We will continue to lobby and make the case to Government for its inclusion in RIS2. If identified as a priority in RIS2, we will actively engage with HE from late 2019/early 2020 onwards to ensure that we jointly maintain the momentum over the five year RIS2 period in progressing the scheme through the various design, consultation and statutory process stages in order to bring forward construction as early as possible.

9.8. In addition to the A27, improvements to the A21 Corridor - Kippings Cross to Lamberhurst, Flimwell and Hurst Green - were identified in our and TfSE's submission to Government on priorities for RIS2. Likewise, should any of the A21 schemes be identified as priorities within RIS2, we will actively engage with HE to jointly ensure their progression through the relevant stages.

<u>Major Road Network and A22</u>

9.9. The Government's 2017 Transport Investment Strategy laid out plans to consult on the creation of a Major Road Network (MRN) that comprises the busiest and most economically important local authority A roads to sit between the SRN, which is the responsibility of HE, and the local road network, which is the responsibility of local authorities. The creation of the MRN intends to provide more long-term certainty of funding, with a portion of the National Roads Fund being dedicated to the MRN.

9.10. Following the County Council's response to the Government's MRN consultation, a number of roads in East Sussex (below) were announced in December 2018 as part of the MRN:

- A22 Eastbourne to Forest Row (including Golden Jubilee Way)
- A26 Lewes to edge of Tunbridge Wells
- A259 Eastbourne to county boundary with Brighton & Hove
- A272 edge of Haywards Heath to Maresfield
- A259 Glyne Gap to Batchelors Bump, east of Hastings
- A21 Baldslow to Hastings seafront
- A2270/A2021 Polegate to Eastbourne town centre
- A2280 Cross Levels Way, Eastbourne
- A2102 Silverhill to St Leonards seafront (Hastings)

9.11. This opens up the opportunity to bid for National Roads Fund monies from the early 2020s towards interventions on these corridors. The MRN funding is eligible towards schemes such as bypasses or new alignments; missing links between existing stretches of the MRN or SRN; widening existing MRN roads; major structural renewals; major junction improvements; the introduction of Variable-Message Signs; traffic management; and the use of smart technology to raise network performance, or packages of improvements incorporating a number of these elements.

9.12. A Phase 1 of 'Early Entry' MRN schemes, commencing before April 2023, are in the process of being prioritised against the DfT's MRN criteria. This application process is being coordinated through TfSE and the County Council has put forward an outline business case relating to the section of the MRN on the A22 in south Wealden. The package comprises improvements to a number of junctions – Boship roundabout, Hempstead Lane, A295 South Road roundabout, A27/A22 roundabout and A22 Golden Jubilee Way/Dittons Road roundabout – which have been identified in the Wealden Local Transport Plan Study (2018) as infrastructure required to support the current and planned housing and employment growth in the Wealden Local Plan. If identified as a priority by TfSE, the outline business case will be submitted to DfT in July 2019.

Newhaven Port Access Road

9.13. The County Council has been continuing the construction of the Newhaven Port Access Road across the Newhaven–Seaford railway and Mill Creek to the harbour mouth. Construction began in January 2019 and is progressing well, with the road expected to be completed in late 2020.

Smart Transport Measures

9.14. In 2018 the County Council commissioned a technology study entitled 'Smart in East Sussex' to understand what measures could be applied to an urban, coastal and rural-split county like East Sussex, in relation to:

- air quality & carbon reduction solutions
- future energies
- tackling traffic congestion
- highways maintenance & management

9.15. The final report was produced in March 2019 and provides a series of prioritised recommendations for the County Council to consider when developing major infrastructure, sustainable transport and maintenance programmes, to support sustainable economic growth in East Sussex.

High Speed 1

9.16. Recognising the journey time and economic benefits it would bring to Hastings and Bexhill, we continue to work with Network Rail and other partners, including Kent County Council, to make the case for the extension of high speed rail services to run via Ashford International into East Sussex.

9.17. Funded by the local authorities and DfT, Network Rail has recently undertaken preliminary design work on the Ashford West junction which would enable the trains to run between the existing high speed rail link and the Marshlink (the line from Ashford westbound to Eastbourne). The study was completed in May 2019 and raised a number of unforeseen difficulties in the delivery of the enhancement works which would result in significant cost. In response, Network Rail have put forward potential options for progressing work on enabling high speed rail into the county: continue progressing the existing scheme to a detailed design; looking at an alternative scheme which would provide a new platform at Ashford International Station; and/or a timetabling study on the line speed improvements required on the Marshlink to reduce journey times. These options are being considered by all parties to determine the most appropriate way forward.

South East Airport Expansion

9.18. In June 2018, Parliament formally backed Heathrow Airport expansion and supported the Government's Airports National Policy Statement (ANPS). The ANPS sets out Government policy for new airport infrastructure including support for a new north west runway at Heathrow Airport. Heathrow Airport is currently stepping through the statutory processes which will result in a development consent order, to be submitted to the planning inspectorate in 2020. As with other areas, it is possible that Government policy on Heathrow Airport expansion could change with a new Prime Minister.

9.19. Meanwhile, Gatwick Airport has been developing its masterplan which seeks to utilise its emergency runway in response to demand for services. ESCC has long been supportive of expansion at Gatwick Airport because of the economic importance to East Sussex. During the Airports Commission work we recognised that expansion at Heathrow Airport was complicated to implement and that expansion of Gatwick Airport offered a quicker alternative to increasing aviation capacity in the South East. We remain supportive of Gatwick expansion and emphasise the importance of adequate surface transport arrangements in the event of either additional capacity being created by use of the emergency runway or more comprehensive expansion.

Review of parking charges

9.20. On 17 June, the Lead Member for Transport and Environment approved a six week consultation on proposals to increase parking pay and display tariffs and change the way in which resident permits are charged, making a link to vehicle emissions. Parking controls support improvements to air quality, management of curb space and demand management, particularly in congested town centres. The consultation will run from 1 July to 11 August 2019. Feedback from the consultation along with an Equalities Impact Assessment will be presented to Lead Member for Transport and Environment for decision in autumn 2019.

Planning policy outlook

9.21. During the past 12 months there have been revisions to the National Planning Policy Framework (NPPF) with a particular emphasis on seeking to boost the delivery of new housing across the country. Whilst further reform of national planning policy cannot be discounted over the coming 12-18 months, the expectation is that Government will instead now focus on changes to the process elements of the planning system.

9.22. This will include reform of the system for securing developer contributions for infrastructure, with a particular emphasis on how the Community Infrastructure Levy (CIL) is utilised alongside Section 106 agreements, which will be implemented through amended CIL regulations. The amended regulations, which we are broadly comfortable with, will come into effect on 1 September 2019 and include:

- removal of pooling restrictions – omission of regulation 123; and
- authorities will be allowed to charge a fee through S106 to contribute towards the cost of monitoring and reporting on developer contributions.

Further expansion of Permitted Development rights (i.e. developments that can be undertaken without the need for planning permission) are also expected during the coming year.

9.23. The Government has announced that it will publish a Planning Green Paper later in 2019, which will focus on "ensuring faster decision-making within the planning system". The Government consider a quicker decision-making process will aid in meeting their target of delivering 300,000 new homes per annum. The content of this Green Paper is likely to have implications for the County Council, both in terms of how we perform our various statutory consultee roles in the planning system and how we operate as a planning authority for waste and minerals matters.

9.24. Also anticipated over the course of the coming year are reports and reviews that could have implications for both local and national planning policy. One example is the Glover Review into protected landscapes, which is exploring how these areas can be improved, how people who live and work in these areas can be better supported and how they can support a growing rural economy. This will be particularly pertinent to East Sussex given that much of county is covered by both the South Downs National Park and the High Weald Area of Outstanding Natural Beauty.

9.25. Recent revisions to the NPPF have resulted in the need for Local Plan to be reviewed every five years (which was already standard practice for many Local Planning Authorities). Locally, this will mean reviews will commence on the Local Plans for Eastbourne and Hastings during the coming 12 months and the review into the East Sussex, South Downs National Park and Brighton & Hove Waste and Minerals Local Plan will continue through to the Examination in Public stage. In the Eastbourne and Hastings cases, a significant challenge is going to be accommodating the development needs for the boroughs due to tightly drawn administrative boundaries and coastal locations. Potentially, this will involve innovative approaches to meeting housing and employment needs and also possibly looking at locations beyond the plan areas for shortfalls of need being met. The County Council will have a key role to play in these Local Plan reviews and, in particular, any impacts upon the county's transport network will need to be considered and planned for.

9.26. The Wealden Local Plan is being examined by a Planning Inspector over summer 2019. A sound outcome from this Examination process will provide an up-to-date plan for the largest quantum of housing growth in the county, with a particular emphasis on south Wealden. However, if it is considered that the Local Plan is not sound, amendments and further consultation will be required, or potentially a more fundamental change of approach will be required for the plan.

10. Environment

Countryside Access Strategy

10.1. On 17 June, the Lead Member for Transport and Environment approved the transfer of four countryside sites (Seven Sisters Country Park, Ditchling Common Country Park, Ouse Estuary Nature Reserve and Riverside Park). This will see the transfer of these sites to South Downs National Park Authority, Sussex Wildlife Trust and Newhaven Town Council respectively. The Lead Member also delegated authority to the Director of Communities, Economy and Transport to continue discussions with Rother District Council with respect to Camber Sands and Broomhill, and to seek alternative arrangements for Chailey Common and Weir Wood Local Nature Reserves.

10.2. These changes will secure investment to improve the conservation and recreation ambition for these sites. The preferred bidders have the skills and expertise to enable these sites to flourish. This comes at a time when County Council budgets are under increasing pressure and we would not be able to invest in these sites to the degree it would wish. These bidders provide that opportunity for investment, protecting and enhancing these sites into the future.

New waste collection and recycling arrangements

10.3. From 29 June 2019 the way household waste is collected and recycled materials are disposed of has changed. A new waste collection and street cleansing contract for Hastings, Rother and Wealden was awarded to Biffa, replacing the previous contractor Kier, whilst in Lewes District and Eastbourne Borough the collection service is being carried out by an in-house workforce. One of the principle changes to this contract is the way in which recyclable materials are collected. Across all five boroughs and districts all recyclable materials are now collected in one bin and residents no longer have to separate glass. This, it is hoped, will make recycling easier for residents and increase recycling rates, with a corresponding reduction in the volume of black bag waste.

10.4. The way recycled materials are sorted to be recycled has also changed. Prior to 29 June Kier handled the recycled material on behalf of four of the borough and district councils and Lewes District had their own arrangements. The County Council paid recycling credit payments to the Borough and District Councils to cover the cost of providing this service on behalf of ESCC. Now the County Council has taken back responsibility for the disposal of recycled materials and has put in place arrangements with a recycling contractor Viridor to sort and sell-on the recycled materials. ESCC has a three year contract with Viridor and will benefit from a share of any income received from the sale of recycled materials. The level of income that the County Council can expect to receive is dependent on the market value of recycled materials.

10.5. The introduction of charging for garden waste collection by Wealden District Council on 1 July means that all households across the county now have to elect and pay for this service. County Council officers are monitoring the impact charging on tonnages and recycling rates.

Resources and Waste Strategy for England

10.6. The Department for Food and Rural Affairs published a Resources and Waste Strategy on 18 December 2018. Much of its content is subject to consultation focussed on:

- Consistent kerbside collections including a ‘core set’ of mandatory materials, better separation of materials, possibly separate food waste and possibly free garden waste. Mandatory ‘minimum standards’ of collection may be introduced
- Reform of the ‘Extended Producer Responsibility’ requirements for packaging waste and the adoption of ‘full net cost recovery’ for local authorities so they receive the full costs of collecting and disposing of packaging waste placed on the market
- Introducing a Deposit Return Scheme for the UK
- Taxing plastic packaging with less than 30% recycled content

10.7. All four consultations closed in mid-May 2019. The Government has indicated that it will consult with stakeholders again in early 2020 on the preferred approach and specific regulatory measures. Many of the proposals impact both waste collection and disposal arrangements. Any effects on existing and future waste arrangements need to be assessed in more detail as Government plans are unveiled.

11. Partnerships

Orbis
11.1. East Sussex and Surrey County Councils have been working in partnership on business services since 2015 through Orbis. Brighton & Hove City Council joined the partnership in May 2017 and Business Services budgets were integrated in April 2018.

11.2. The Orbis Business Plan 2021 sets out the savings to be achieved for 2019/20 and the areas of search for further efficiencies and savings in response to the financial challenges faced by the three partner councils. Orbis has achieved £9.7m ongoing savings between 2016/17 and 2018/19 for the partner councils. A further £8.2m of one-off savings have also been delivered by the partnership.

11.3. Orbis is going through a period of review and refresh to ensure the partnership fits the requirements of each sovereign partner. A number of changes will be implemented during the course of 2019/20 with the new operating model starting in April 2020.

11.4. For 2019/20 we will have both an internal focus on how we run the partnership and a customer focus on meeting the needs and priorities of the three partner councils. This means we will look at continued integration of specific services and the enabling IT and systems to support the partnership to realise financial and non-financial benefits. Orbis will continue to support and be responsive to the strategic priorities and change agendas of each individual partner council in order to ensure that the level and pace of change can be resourced and delivered.

Strategic Property Asset Collaboration in East Sussex (SPACES)
11.5. SPACES is a partnership between local authorities, emergency services, health services and a number of Government departments in East Sussex and Brighton & Hove. The programme was formed in 2011 as part of the East Sussex Strategic Partnership with the aim of facilitating co-location and collaboration on property based activity. It aims to achieve £30m in capital receipts, £10m reduction in revenue costs and a 20% reduction in CO_2 emissions. The total value of benefits delivered by SPACES across all partners for 2018/19 was nearly £16.5m, with another £4.5m identified within pipeline projects.

11.6. SPACES has successfully bid for funds from One Public Estate (OPE) phase 7, which has allocated funding to support the delivery of collaborative public sector land and property projects. SPACES will receive £450,000 towards the development of feasibility studies for four projects in Eastbourne, Hastings, Newhaven and Hailsham. The phase 5 OPE projects for Uckfield and Heathfield, where emergency services will co-locate into Fire Stations, have been approved by fire, police and ambulance services and are planned for delivery in 2019/20. These will lead to reduced revenue costs, capital receipts and an opportunity for aligned service delivery as well as potential for housing development on surplus sites.

11.7. In future there will be a focus on surplus sites to identify any marriage value or land swap opportunities. There will also be a focus on the challenges partner organisations face in their property based activity, such as finding appropriate resource, to identify if a joint approach could help overcome them. The SPACES Strategy is being drafted to help identify where SPACES can assist partners in achieving their property goals.

Collaborative working with the Voluntary and Community Sector

11.8. The relationship between ESCC and the network of Voluntary and Community Sector organisations who work in the county is absolutely crucial to delivering quality services, enabling local action, and engaging effectively with local communities.

11.9. The current reduction in public sector finances, together with an increased demand for and vulnerability faced by the voluntary sector is creating an unprecedented position, requiring real partnership working to serve East Sussex residents and make best use of the resources we have collectively to provide services and support. These circumstances demand that both the public sector and the voluntary sector change and develop the way in which we work together.

11.10. During 2019, a joint planning group will review and reset local arrangements so they are effective, well understood and accessible. The group will focus on the following areas:

- inward investment – ensuring East Sussex is well positioned to respond to funding opportunities;
- commissioning and procurement – pursuing and leading national best practice;
- meeting needs - collaborating across sectors to make best use of resources when providing services and support for local people;
- cross sector understanding - building a strong cross-sector knowledge base and joint long lasting approaches to workforce development; and
- strategic engagement – ensuring the “conversation” between ESCC and the voluntary sector is effective, wide ranging and strategic.

12. Workforce

Apprenticeship Levy

12.1. From 6 April 2017, all employers with an annual wage bill of over £3m must pay an Apprenticeship Levy, calculated at 0.5% of the annual wage bill. This currently equates to approximately £565,000 per annum for the Council and £426,000 for schools. The Levy is collected by Government and, in return, employers receive electronic vouchers that can be exchanged with local providers for training apprentices.

12.2. The Government has set a statutory target of 2.3% of the public sector workforce being apprentices. This currently equates to 104 apprentices for the Council and 124 in schools. By April 2019, 130 staff had undertaken an apprenticeship, approximately 57% of the 2.3% target. In the first year of reporting, no County Council met the 2.3% target.

12.3. A key component of the Council’s approach to apprenticeships is that they should complement existing workforce development and training plans already in place. Given the greater demands that the new standards place on managers, it is recognised that from a service delivery perspective, a balance needs to be struck between seeking to achieve the 2.3% target and spending the Levy, against distortion of the composition of the workforce. The intention is that the Levy is used to support the Council’s recruitment and retention needs, especially in "hard to recruit" areas.

Gender Pay

12.4. The Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017 required all employers with 250 or more employees to undertake a gender pay analysis and publish the data on the gov.uk website. Public sector bodies are required to publish by 31 March each year using pay data from the snapshot date of 31 March of the previous year.

12.5. This is the second year of reporting and the Council's median gender pay gap is 7.10%, a small improvement on last year which was 7.18%. This is lower than the average gender pay gap for County Councils of 11.5%. We already have in place a range of initiatives which improve the gender pay position including: occupational maternity pay, flexible working and investment in our staff, and have developed an action plan to look at further initiatives to reduce the gender pay gap.

<u>Workforce Make up and Shape</u>
12.6. The Council employs approximately 4517 headcount (3664 fte) in its non-Schools workforce of which approximately 81% are female and 19% are male. 4% of our employees are Black and Minority Ethnic (BME) and 3% identify themselves as having a disability. Overall, we have a higher proportion of part time workers than the national average which is a positive indication of opportunities for flexible working arrangements, helping our staff to achieve a work-life balance.

12.7. In considering the shape of the organisation, approximately 45% of the workforce are 'team members', 29% 'team leaders', 24% 'managers' and 2% 'senior managers'.

12.8. Like many Councils, we have a number of "hard to recruit" areas and our workforce is getting older, with over 67% of our staff aged 40+ and 41% aged 50+. The county as a whole is facing a decreasing working age population and the number of older people will rise sharply. Conversely, only 0.03% of our workforce is aged under 23 and 11% aged under 29.

<u>Workforce Development</u>
12.9. Over the coming years we expect to see changes to our workforce as a result of demographic change and growing diversity, changes to the state pension age, changing technologies, digital services and automation/robotics, and a workforce that will contain multiple generations from Generation Z to those in their 60s, with different needs and expectations.

12.10. It is essential that we are able support the workforce to deliver high levels of performance, underpinned by effective self-manged learning and development. The Council's People Strategy outlines our approach to developing the workforce over the next three years. The plans and interventions within the People Strategy include strategies to attract a diverse workforce, retain our existing highly skilled staff, and the Apprenticeship Levy (see 12.1 - 12.3 above) to attract more young people to work at the Council and the development of critical skills such as leadership, commercial and digital.

13. Funding and income

<u>2018/19 Outturn</u>
13.1. There was a £8.0m underspend in 2018/19. There still remains significant pressures in demand-led social care however, with a total overspend of £4.1m (ASC - £1.1m and Children's Services - £3.0m). Underspending in other departments helped to reduce the service budget overspend to £1.8m.

13.2. An underspend of £6.3m on centrally held budgets (Treasury Management (£2.2m), General Fund Contingency (£3.5m) and Business Rates and other budgets (£0.6m)), together with one-off funding from the national Business Rates Levy Surplus of £1.1m and £2.4m from the change in Minimum Revenue Provision policy, resulted in the total underspend of £8.0m.

13.3. The underspend has been allocated as follows:

- Capital Programme (£4.6m), to minimise the net cost to the Council of meeting its Capital Programme requirements, as a consequence of a lower level of borrowing.
- Financial Management Reserve (£3.4m), in order to manage future revenue funding uncertainties and help smooth the delivery of required future savings.

13.4. Capital Programme expenditure was £85.1m in 2018/19, against a budget of £92.2m, a variation of £7.1m. This was attributable to slippage of £8.2m and a small underspend of £0.2m, offset by spend in advance of £1.3m.

13.5. Reserves and balances have now been updated to reflect the outturn (see 13.13)

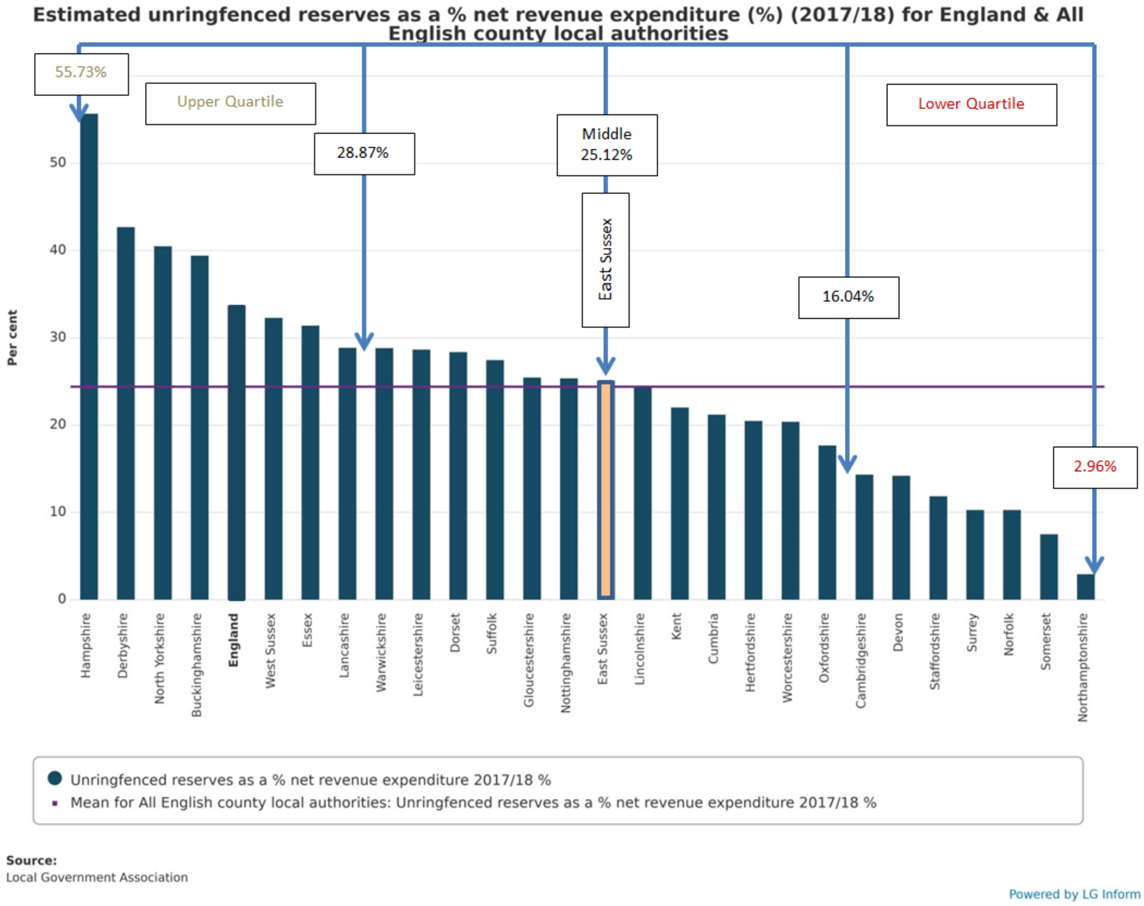
Reserves, Contingency and General Fund

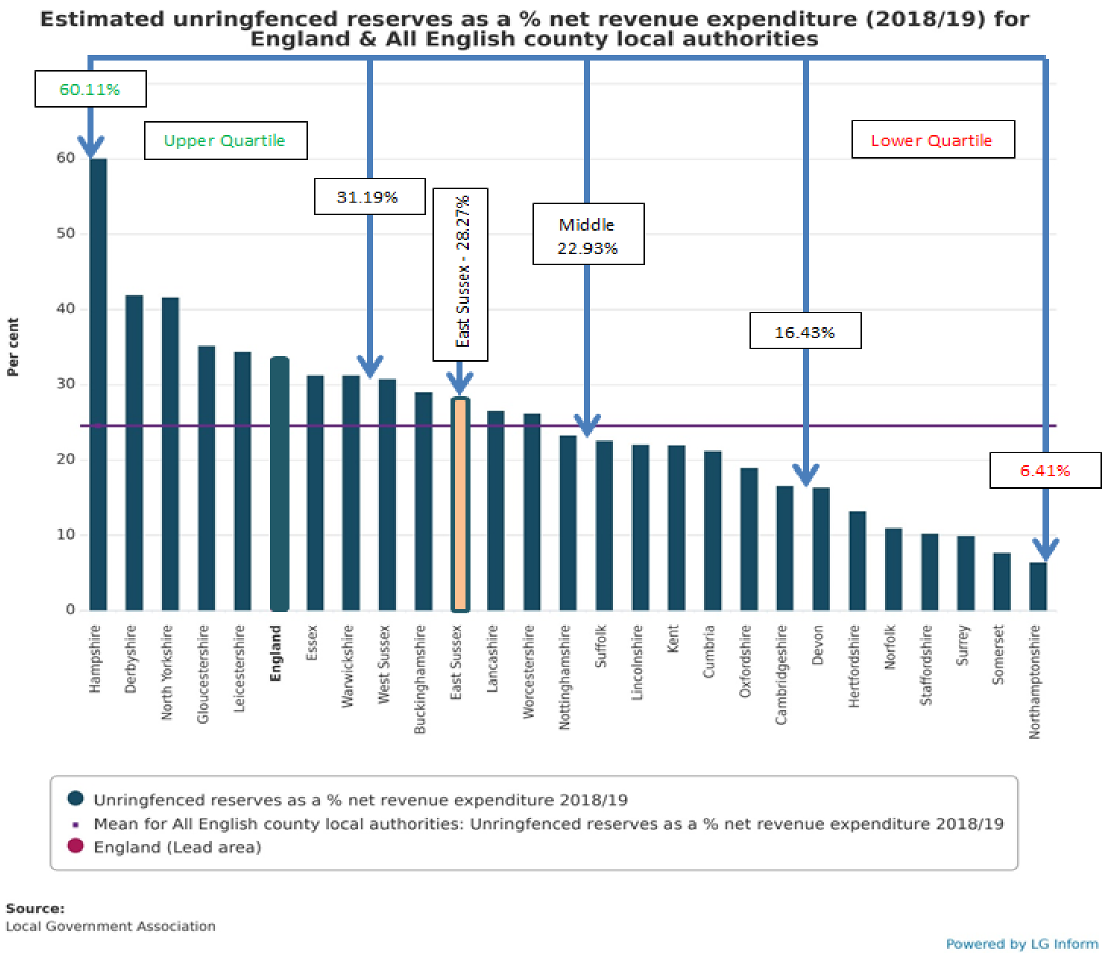
13.6. The Chartered Institute of Public Finance and Accountancy (CIPFA) has been developing a Financial Resilience Index, which aims to illustrate local authorities' financial position within each authority's comparator tier or nearest neighbour group. The index uses MHCLG Revenue Outturn returns submitted by authorities each year.

13.7. In May 2019, the BBC identified 11 authorities CIPFA said will have "fully exhausted" reserves within four years unless they were topped up. The authorities were identified by measuring the percentage change in reserves over the past three years (excluding public health and schools' balances). A large decrease may indicate financial risk.

13.8. The BBC used this methodology to compare reserves recorded in the MHCLG data for March 2018 and March 2015. The reserves of the 152 upper tier councils were £400m less than March 2015. ESCC ranked 41st of the 152 upper tier authorities with a decrease of 18%. Compared to the 27 Shire Counties, ESCC ranks 8th, although there are some significant outliers.

13.9. The LGA produces data similar to the CIPFA indicator, using the MHCLG Revenue Account (budget) returns submitted by authorities each year. This indicator shows the ratio of reserves balances (excluding schools) to the council's net revenue expenditure. A low level of reserves may indicate that a council has low capacity to cope with financial shocks. Looking at this in conjunction with the CIPFA indicator gives a better overview of a council's financial position (note - the LGA includes the Public Health reserve and the CIPFA indicator does not). The following two graphs provide a comparison of this analysis for 2017/18 and 2018/19.





13.10. It is the S151 Officer’s duty to consider the robustness of the Council’s budgets, the adequacy of reserves and the general fund when they are set annually.

This consideration is summarised in the published Robustness Statement and the position reported in February 2019 stands.

13.11. The Council's approach to the management and accounting for earmarked reserves is set in the Reserves Strategy adopted by the Cabinet in June 2017. The number of reserves was reviewed when setting the budget in February 2019.

13.12. Reserves are the only source of financing to which ESCC has to fund risks and one-off pressures over a number of years. Reserves can only be spent once and the possibility of creating new reserves in an era where budgets are tight and can become overspent, not just individually but corporately, is increasingly limited. The current financial uncertainty about future funding means it is prudent to bolster reserves when possible; the 2018/19 £8m underspend (see 13.1-13.3) has provided such an opportunity with £3.4m moved to the Financial Management Reserve.

13.13. The reserves are split into two categories: named service reserves and strategic reserves. ESCC reserves total £92.8m as at 1 April 2019:

Summary of Earmarked Reserves estimated at 1 April 2019

		Actual Balance @ 01.04.19 £'m	**Estimated Balance @ 31.03.23 £'m**
Held on behalf of others or statutorily ringfenced		**24.1**	**21.3**
Named Service Reserves			
Waste Reserve		12.8	8.6
Capital Programme (set aside for current programme) Reserve		10.5	0.0
Insurance Reserve		4.8	4.8
Subtotal Named Service Reserves		**28.1**	**13.4**
Strategic Reserves			
Financial Management		32.4	24.7
Priority Outcomes and Transformation		8.2	4.4
Subtotal strategic reserves		**40.6**	**29.1**
Total ESCC Service and Strategic Reserves		**68.7**	**42.5**
TOTAL RESERVES		**92.8**	**63.8**

13.14. The Council holds a general contingency in its revenue budget of £3.5m in 2019/20 to cushion the impact of unexpected events and emergencies in year. There is also a General Fund Balance of £10.0m which, whilst lower than a lot of other authorities', is considered adequate on the basis that the in-year general contingency base budget is also held.

Development of a 10 year Capital Strategy

13.15. The CIPFA revised 2017 Prudential and Treasury Management Codes require local authorities to set out a Capital Strategy. ESCC is developing a 10-year Capital

Strategy 2029/30. The limited resources available to fund capital expenditure means the Capital Strategy will need to be closely aligned to the Treasury Management Strategy, as significant borrowing will be required even to meet basic need.

East Sussex Pension Fund Tri-Annual Valuation

13.16. The 2019 tri-annual valuation of the East Sussex Pension Fund will take place during 2019. This will determine the employer pension contribution rates for the Council for the next three financial years from 2020/21. The results of the valuation will be available from November 2019; the impact will be reflected in the Medium Term Financial Plan, prior to approval of the budget in February 2020.

Investment and Returns

13.17. The Treasury Management Strategy seeks to minimise the cost of debt and maximise the income generated from investments. During 2018/19, opportunities were taken to repay £23m Lender Option Borrower Option (LOBO) loans, whilst also investing £5m in CCLA Property Funds. The Treasury Management budget will continue to be reviewed as opportunities are sought.

East Sussex County Council's Core Offer

As one council
We will:
- be driven by the needs of our residents, businesses and communities and focus on our four priority outcomes;
- be democratic, open and honest about our decision making;
- work with all our partners to make sure there is a shared view of priorities and that we make the most of opportunities and resources available in East Sussex;
- work effectively with the community and voluntary sector;
- work well as a single organisation;
- provide the best quality service we can within the resources we have available;
- compare our cost and performance against others to make sure we provide value for money;
- learn from others to improve outcomes for residents;
- ensure that as much money as possible is directed towards front line services;
- lobby hard to protect and promote the interests of East Sussex.

Customer Service
We will:
- respond to formal complaints and statutory information requests;
- seek to provide information and services online wherever possible.

Protecting and supporting vulnerable people

Children at risk
We will:
- provide a statutory social care offer to safeguard children at risk of harm. This includes: protecting children; looking after children who are in care, helping care leavers become successful adults and managing efficient and effective fostering and adoption services;
- we will provide an Early Help Service for 0-19 year olds where it helps us manage the demand for higher cost services, including an integrated service with Health Visitors for 0-5 year olds;
- we will work with partners to prevent young people from offending and to respond effectively when they do.

Special Education
We will:
- carry out statutory assessments of children with Special Education Needs (SEN), where there are significant barriers to learning;
- use our best endeavours to secure the right educational provision for those with the greatest need;
- fulfil our statutory duties to safeguard and promote the welfare of disabled children who meet the threshold under the Continuum of Need;
- where possible, work to build capacity in Early Years settings to ensure vulnerable pupils can attend a pre-school setting from 2 years old and can be supported to attend and succeed in mainstream schools.

Adults
We will:
- provide information and advice for all those seeking care and support;
- assess need and arrange help for individuals and their carers who are eligible for support from Adult Social Care;
- provide support that reduces the need for social care in the longer term and/or prevents the need for a more expensive service;

- continue to ensure that we safeguard vulnerable adults who are at risk of harm or abuse.

All Children

Schools

We will:

- operate a light-touch monitoring of the performance of maintained schools. We will use our best endeavours to intervene when a school is at high risk of failure;
- encourage the Regional Schools Commissioner to intervene where academies in East Sussex are under-performing;
- use our best endeavours to improve the outcomes of pupils vulnerable to under-achievement;
- promote post-16 participation in education and training, including provision and support for young people with learning difficulties/disabilities.

School planning and access

We will:

- plan to have enough Early Years and school places where they are needed;
- co-ordinate and administer the admission process;
- provide home to school transport where we have a statutory duty to do so.

Universal offer to all residents

Highways and Transport

We will:

- maintain roads, pavements, bridges, structures, highway drainage and verges and carry out repairs to our current standards;
- investigate road accident sites and take measures to prevent recurrence where this is possible;
- carry out safety audits of proposed highways improvement schemes;
- manage the national concessionary fares scheme and provide limited bus subsidies where they provide access to vital services, education and employment for communities which would otherwise be cut off;
- enforce civil parking restrictions where they are in place;
- carry-out strategic planning of the highways network to help to ensure the County's transport needs are met now and in the future;
- provide footpath clearance on priority and popular rights of way routes, maintain the Definitive Map and respond to public requests for footpath diversions and searches.

Economy and Trading Standards

We will:

- provide access to high quality employment to reduce avoidable reliance on public services by acting as a strategic economic authority that intervenes, in partnership, decisively and cost effectively where it can make a difference, especially by levering in external funding;
- carry out food sampling and food inspection where the risk is high; carry out reactive animal health disease control and take enforcement action where necessary.

Waste Management

We will:

- dispose of waste collected by the borough and district councils and provide sufficient waste sites to meet national guidance.

Planning & Environment
We will:
- fulfil our statutory duties on planning, development control, flood risk and environmental management, including specialist environmental advice where required;
- provide emergency planning services.

Libraries
We will:
- provide a library service which meets our assessment of current and future needs.

Public Health
We will:
- Work at population level to identify the areas where risks and threats to health are greatest to create a healthier, happier and fairer East Sussex.

- Support the NHS to ensure a population health focus lies at the heart of integration and innovation within the NHS in East Sussex

- Ensure the protection of public health through outbreak management; screening; immunisation and emergency planning and preparedness, working with all relevant agencies and professions to gain maximum impact from our combined efforts.

- Continue the universal offer for school nursing and health visiting and look at the specification of future contracts to see if services could add more value to early years and preventive programmes within children's health and social care.

- Continue to offer the NHS Healthcheck programme, targeting specific populations and groups with the aim of reducing the life and healthy life expectancy gaps across the County.

- Contribute to health improvement by making targeted interventions focused on those populations for which there is clear evidence of efficacy and by tackling the wider the causes of ill health. We will draw on the preventative nature of the NHS long-term plan locally to align and gain value from integrated commissioning, design and provision of services.

- Provide Drug and Alcohol Services which concentrate on the provision of successful treatment and prevention of harm and keep pace with new threats and new treatment options.

- Commission sexual health services which seek to increase efficiency by modernising the way services are delivered and focus on areas of highest risk, whilst maintaining quality and access.

- Reduce management and support costs by 15% to bring in line with reductions already made across the remainder of the Council.

Archives and Records
We will:
- manage the records which we are required to keep by law. We will meet our basic statutory duties as a Place of Deposit for public records at The Keep including a basic level of public access to those records.

Gypsies and Travellers
We will:
- manage our current portfolio of permanent and transit sites.

Registration Service
We will:
- fulfil our duties to register births, deaths and marriages.

Community Safety
We will:
- deliver our local Community Safety priorities, commission effective substance misuse and domestic abuse support services and fulfil our statutory duties in relation to Prevent; Modern Slavery and the Crime and Disorder Act.

Support Services
We will:
- work in partnership with others to provide the best value for money, ensuring professional and modern support to front line services as efficiently as possible so maximum resource is focussed on front line delivery;
- manage our assets and central financial resources, including Treasury Management,
- capital and reserves prudently and effectively to support the County Council's business and sustainability.

Appendix 4

1. Medium Term Financial Plan (MTFP) Update

1.1 The MTFP has been updated for regular calculated adjustments and the additional year, plus pressures agreed via the approved pressures protocol. The current version gives an up to date forecast of the savings challenge ahead where possible. The latest proposed MTFP position can be found at Annex 1, and the movements are summarised below and in subsequent paragraphs.

Movement since February Council	**Para**	***2020/21 Estimate £million***	***2021/22 Estimate £million***		***2022/23 Estimate £million***		***Total Estimate £million***
Council 5th February 2019 DEFICIT/(SURPLUS) - Core Offer before Savings		***17.087***	***4.152***		***0.000***		***21.239***
Normal Updates							
Business Rates Retention	1.2	0.386	*(0.597)*		*(1.742)*		(1.953)
Final Reduction in RSG to Zero (Based on Current Needs Assessment)	1.3				*0.509*		0.509
Increase in Council Tax base @ 1.10%	1.4				*(3.364)*		(3.364)
Council Tax Inflation uplift 1.99%	1.5	0.002			*(6.153)*		(6.151)
Council Tax Collection Fund	1.6	(0.400)					(0.400)
New Homes Bonus Reduction	1.7				*0.024*		0.024
NHB to Capital Reserve	1.7				*(0.024)*		(0.024)
Waste Housing Growth	1.8	(0.063)	*(0.016)*				(0.079)
Treasury Management MRP Review	1.9				*0.221*		0.221
General Contingency	1.10				*0.110*		0.110
Unfunded Pension - added years	1.11	(0.100)					(0.100)
Levies Increase	1.12				*0.012*		0.012
Normal Movements since February Council		**(0.175)**	***(0.613)***		***(10.407)***		**(11.195)**
Pressures Protocol							
Pay Award	1.13				*2.347*		2.347
Contractual inflation (contract specific)	1.14	0.211	*0.092*		*0.916*		1.219
Normal inflation for contracts	1.15	3.085	*1.839*		*9.154*		14.078
Adult Social Care Growth & Demography	1.16				*3.500*		3.500
Children's Services Growth & Demography	1.16				*2.822*		2.822
Waste Housing Growth	1.16				*0.200*		0.200
IT & Digital – Data Centre	1.17	0.093					0.093
Apprenticeship Team	1.18	0.117					0.117
Pressures Protocol - Approved		**3.506**	***1.931***		***18.939***		**24.376**
DEFICIT/(SURPLUS)		**20.418**	**5.470**		**8.532**		**34.420**

1.2 Business Rates Retention

The current planning assumptions on business rates have been added to 2022/23. These are inflation forecast at the latest OBRs estimate and for a 0.7% increase on the business rates base.

Since Full Council updated estimates on business rates income from District and Borough Councils (NNDR1 forecasts) have been received. This shows a slight improvement in income. The updated income is offset by the inclusion of an increased estimated business rate collection fund deficit, particularly impacting in 2020/21, as a result of the council's increased share in business rates in the pilot year. More information will be available regarding the collection fund deficit when we are able to review the District and Borough Councils final accounts and the pilot's Q1 monitoring due in July.

1.3 Final Reduction in RSG to Zero (Based on Current Needs Assessment)

The current assumption, ahead of reform, is based on the current needs assessment. The council would be due RSG up to 2021/22 under the current system, reducing to zero in 2022/23.

1.4 Council Tax Base Growth

The assumption for base growth is 1.1% based on current regression analysis. The calculation has been cross checked with infrastructure data on housing developments provided by CET in April 2018. Using these figures and applying averages in terms of bandings, discounts and exemptions an estimated base increase has been calculated. The increase projected by these numbers is also 1.1% per year over the 5 years, although this level of growth is dependent on developments going ahead.

1.5 Council Tax Inflation Uplift of 1.99%

The assumption is a council tax increase of 1.99%; the current limit before referendum is triggered post 2019/20.

1.6 Council Tax Collection Fund Surplus

For the last three years it has been estimated a decrease in the council tax collection fund surplus payments the Council will receive, due to District and Borough Councils' correction of a previous adjustment to the council tax base. Those planning assumptions have been correct up to 2019/20. The estimate for 2020/21 indicates that the decrease will now slow down. To reflect this £0.400m has been added to the estimate. This can be checked once the District and Borough Council's final accounts is available, to see if there are indications of regression.

1.7 New Homes Bonus Reduction

Update to NHB funding based on the latest 2018/19 housing data; this will not be updated again until the autumn. However, the system itself could reform as part of the funding review.

1.8 Waste Housing Growth

The Waste Contract Model has been updated for the latest estimates for 2020/21 and 2021/22.

1.9 Treasury Management MRP Review

The figures included reflect the impact of the change in Minimum Revenue Provision Policy, as approved by Full Council as part of the 2019/20 Treasury Management Strategy.

1.10 General Contingency

This is calculated at an agreed formula of 1% of net budget less treasury management.

1.11 Unfunded Pension - added years
The budget requirement for historic unfunded pensions has been reduced by £0.100m. This is in line with a pattern of spending over the last couple of years.

1.12 Levies Increase
The figures are reflective of the latest estimates of the Flood & Coastal Protection Levy, Sussex Inshore Fisheries Levy and New Responsibilities Funding.

1.13 Pay Award
Service inflation model has been updated for an additional year assuming a 2% pay award of £2.347m; this will be subject to any union pay claim and the negotiated offer.

1.14 Contractual Inflation (contract specific)
The service inflation model has been updated for an additional year. The methodology provides inflation to services for large contracts as per the contract but does not provide for inflation on running costs or small contracts (If included this would amount to a £2.4m pressure).

Additionally two pressures have been funded under the Pressures Protocol that fall within small contracts; being rents at two hub buildings and inflation on the SAP contract.

1.15 Normal Inflation for Contracts
The service inflation model has been updated for an additional year using the inflation figures published by the Office of Budget Responsibility (OBR) in the autumn.

Outside normal inflation provided for in approved models there is additional provision for inflationary pressures in ASC and CSD, agreed under the Pressures Protocol.

1.16 Growth and Demography
ASC, CSD and CET have submitted estimates approved under the Pressures Protocol for the additional year at 2022/23.

1.17 Other Service Pressures - pressures that cannot be managed within existing budgets without impacting service delivery
This contains an approved Pressures Protocol bid from BSD for the IT&D Data Centre to cover the cost implication of Link service changes and the need to increase disaster recovery resilience.

1.18 Other Service Pressures - statutory changes that are not funded by government
Provision agreed under the Pressures Protocol, to move from reserves-funded to establishing a permanent budget for the Apprenticeship Team in BSD.

2. Council Tax, Business Rates and New Homes

2.1 The table below shows the increases required in Council Tax, Business Rates or new homes to fund the current estimated deficit in the MTFP:

What we'd need to fill our £34.4m budget gap over the three years to 2022/23:	**The reality for the MTFP:**
14% average growth in **Business Rates** per year OR	Projected growth is less than **1%** per annum
5.8% average **Council Tax** rise per year OR	Council Tax is currently capped at **1.99%**
7,997 new homes built each year	Approximately **1,100** properties were built in East Sussex in 2017/18

3. Savings

3.1 Further work has been undertaken to confirm the deliverability of savings identified as part of the Core Offer work by CMT and Services during 2019/20 RPPR. At this point and subject to ongoing consultations, all identified savings are expected to be delivered in-year. A breakdown by department is shown below:

	Areas of search for savings - Feb 19		
	2020/21 £m	**2021/22 £m**	**Total £m**
Communities, Economy & Transport	1.462	0.917	2.379
Children's Services	2.337	0.268	2.605
Adult Social Care	0.248	0.000	0.248
Business Services / Orbis	1.161	0.787	1.948
Total Departments	**5.208**	**1.972**	**7.180**

4. Funding Scenarios

4.1 Given the uncertainty arising from delays in future national funding reform and potentially the Spending Review, combined with an increased use of one-off funding, it remains difficult to plan for 2020/21 and beyond.

It should be noted, therefore, that the current MTFP position excludes the potential positive impacts of a number of national funding streams for which we have been lobbying, that could be implemented either ahead of reform or as part of it. Should funding be rolled forward from 2019/20 into future years, clarity will be required on allocation bases, funding levels and timing of funding.

Likely funding scenarios with assumptions are shown below (noting that there are also less likely scenarios, not shown here, which include continued funding for children's services).

Likely Funding Scenarios	**Para**	***2020/21 Estimate £million***	***2021/22 Estimate £million***		***2022/23 Estimate £million***		***Total Estimate £million***
Business Rates, Proceeds of Pooling	4.2	(1.193)					(1.193)
Business Rates Levy Surplus 2019/20	4.3	(1.133)	*1.133*				0.000
Social Care Support Grant	4.4	(4.417)	*4.417*				0.000
Adult Social Care Winter Pressures Grant	4.5	(2.586)	*2.586*				0.000
Better Care Fund	4.5	2.586	*(2.586)*				0.000
Council Tax Increase @ 2.99% 2020/21	4.6	(2.876)	*(0.090)*		*(0.064)*		(3.030)
Total		**(9.619)**	***5.460***		***(0.064)***		**(4.223)**

4.2 Business Rates, Proceeds of Pooling
As the one-year pilot concludes, there is potential that we could revert back to the previous business rates pool, and that would continue until the new funding system was implemented.

4.3 Business Rates Levy Surplus 2019/20
The continued delays in delivery of business rates reform mean there will be no reset of existing baselines. Local authorities will continue to retain growth and tariff authorities will pay a levy on that growth. The Levy Account will again be in a surplus position that will require redistribution. We are expecting the 2019/20 Levy Accounts to be published in July when further assessment can be made.

4.4 Social Care Support Grant
The government may continue the Social Care Support Grant. This has therefore been assumed at the same level as for 2019/20; however the quantum available could change.

4.5 Adult Social Care Winter Pressures Grant
The Adult Social Care Winter Pressures Grant may continue; this is currently passed on to CCGs via the Better Care Fund and its application subject to NHS approval, so is shown as net nil.

4.6 Council Tax Increase 2020/21
For 2018/19 and 2019/20 the government allowed local authorities to increase council tax by 3% before referendum. Given this precedent and that additionally there has been the social care precept (so a further 6% in some cases) it would be a backward step for government in terms of tax creep to revert to 2%. Additionally these increases show their Core Spending Power figures in a better light. We could therefore assume an extra 1% in 2020/21 on the bases that central government will continue to apply a 3% cap and will not want to be seen to reduce the cap and therefore local government funding.

Annex 1: Medium Term Financial Plan

Medium Term Financial Plan	2019/20 Approved Budget £million	*2020/21 Estimate £million*	*2021/22 Estimate £million*	*2022/23 Estimate £million*
TAXATION & GOVERNMENT FUNDING		(375.145)	*(380.606)*	*(390.571)*
Business Rates (Inclusive of BRR Pilot)	(83.761)	4.749	*(2.316)*	*(1.742)*
Revenue Support Grant (RSG)		(2.015)	*1.506*	*0.509*
Council Tax	(290.498)	(8.526)	*(9.231)*	*(9.517)*
New Homes Bonus	(0.886)	0.331	*0.076*	*0.024*
TOTAL TAXATION & GOVERNMENT FUNDING	**(375.145)**	**(380.606)**	***(390.571)***	***(401.297)***
SERVICE PLAN				
Service Expenditure	340.888	341.236	*365.234*	*380.812*
Inflation				
Pay Award	3.635	2.208	*2.301*	*2.347*
Contractual inflation (contract specific)	0.889	1.005	*0.958*	*0.916*
Normal inflation for contracts	6.270	9.537	*8.782*	*9.154*
Adult Social Care				
Growth & Demography	3.538	3.840	*3.500*	*3.500*
Children's Services				
Dedicated Schools Grant	4.891	2.200		
Growth & Demography:	1.656	1.555	*1.070*	*2.822*
Looked After Children	1.043	(0.185)	*(0.591)*	
Post 16 i-Send (New Responsibility)	0.269			
Fostering	0.374			
Care leavers (New Responsibility)	0.163			
Home to School Transport	0.726			
Communities, Environment & Transport				
Waste Housing Growth	0.233	0.174	*0.213*	*0.200*
Street lighting Electricity/Re-payment of Investment		(0.195)	*(0.655)*	
Libraries Hastings rates and utilities	0.046			
Business Services				
IT & Digital Licences	0.297			
IT & Digital Data Centre		0.093		
Apprenticeship Team		0.117		
Savings				
Savings 2019/20	(5.131)			
Specific Grants				
Improved Better Care Fund	(14.902)			
Improved Better Care Fund - Supplementary	(3.649)	3.649		
NET SERVICE EXPENDITURE	**341.236**	**365.234**	***380.812***	***399.751***

Corporate Expenditure		33.909	*35.790*		*35.647*
Treasury Management	17.696	0.687	*(0.179)*		*0.221*
Funding Capital Programme - New Homes Bonus		0.555	*(0.076)*		*(0.024)*
General Contingency	3.570	0.050	*0.100*		*0.110*
Contribution to balances and reserves	0.908	(0.216)			
Pensions	10.338	0.785			
Apprenticeship Levy	0.600				
Levies & Grants	0.797	0.020	*0.012*		*0.012*
TOTAL CORPORATE EXPENDITURE	**33.909**	**35.790**	***35.647***		***35.966***
TOTAL PLANNED EXPENDITURE	**375.145**	**401.024**	***416.459***		***435.717***
CUMULATIVE DEFICIT/(SURPLUS)	**0.000**	**20.418**	***25.888***		***34.420***
ANNUAL DEFICIT/(SURPLUS)	**0.000**	**20.418**	***5.470***		***8.532***

Proposed savings 2020/21 to 2021/22		*(5.208)*	*(1.972)*		
CUMULATIVE DEFICIT/(SURPLUS) after savings		***15.210***	***18.708***		***27.240***
ANNUAL DEFICIT/(SURPLUS) after savings		***15.210***	***3.498***		***8.532***

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Appendix 5

1.0 Current Capital Programme - Expenditure Update

1.1 Table 1 summarises the movements to the approved programme 2019-23 since budget setting in February 2019. The changes have included year-end and other re-profiling in line with updated information and the approved governance and variation process. The changes are summarised in table 1 below.

Table 1 – Capital Programme (gross) movements updated for State of the County (SOC)

Movements (£m)	Ref	2018/19	2019/20	2020/21	2021/22	2022/23	Total
Approved programme at Feb 2019		91,949	103,107	80,140	44,998	42,970	**363,164**
Approved Variations*	(a)	235	3,579	(891)	(162)	(162)	**2,599**
Business Case – Specialist Provision in Secondary Schools	(b)		350	2,000			**2,350**
Re-profiling of 2018/19 slippage/spend in advance and further departmental review	(c)	(6,947)	2,641	95	756	3,455	**0**
Underspend	(d)	(172)	(515)	(250)			**(937)**
Less 2018/19 expenditure	(e)	(85,065)					**(85,065)**
Updated position – year-end 2018/19		**0**	**109,162**	**81,094**	**45,592**	**46,263**	**282,111**

*where these are negative it reflects a reduction in income, so gross programme has reduced accordingly.

1.2 At the end of 2018/19 capital expenditure was £85.1m (ref e) against a budget of £92.2m, (including £0.2m of approved variation) (ref a), a net variation of £7.1m (ref c + d).

1.3 Since February 2018, there have been some net nil approved variations which amount to £0.2m in 2018/19 (ref a). These include Schools Delegated Capital of £0.3m, a reduction in the Economic Intervention Fund (£0.1m) and some minor movements on residual projects (Southover Grange, Library Refurbishments and Older People’s Service Improvements).

1.4 Approved variations for 2019/20 onwards (ref a) are further detailed in table 2 below, and have been added to the proposed programme from 2019/20.

Table 2 – Approved variations 2018-2023

Variation	**Total £m**
2018/19 variations	0.3
Additional Pothole grant	0.6
School condition grant	(0.6)
Bexhill Enterprise North (new LEP project)	1.9
Skills for rural (new LEP project)	2.9
Sidney Little Road (new LEP project)	0.5
Reduction in Integrated Transport supported by s106 – s106 have been removed in line with CET advice, further review ongoing	(1.0)
Hastings and Bexhill Movement and Access Package s106	(0.7)
A22/A27 Junction Improvement Package (LEP removed)	(1.5)
Other minor variations	0.2
Total	**2.6**

1.5 A business case for investment of £2.35m in Specialist Facilities in Secondary Schools (ref b) has been approved by CMT and is therefore proposed that this is included in the Capital Programme. These facilities will cater for a broad range of lower level SEND needs where pupils' requirements could be met in a specialist facility that includes appropriate access to mainstream provision rather than in high cost independent placements. Investment in these facilities will create annual savings of £908,208 per year once the facilities are full, from 2027/28. There will also be savings to the transport budget. Payback will be managed via Treasury Management budgets and planning, which is expected to be within 7 years (excluding transport savings). It is expected that the scheme will generate sufficient savings to pay back the principal investment to the programme, £0.8m to 2022/23, with the remaining £1.55m being paid back post the current programme period. The interest element will be managed within treasury management.

1.6 As part of the ongoing RPPR process, departments have again reviewed spending profiles across all years, including slippage from 2018/19, to ensure projected expenditure is as realistic as current information allows. These amendments are shown across future years in table 1 (ref c) above. During 2018/19 outturn and as part of this review, underspends have been identified on Hastings Library, Speed Management and the Parking Machine Ticket Renewal project (ref d).

2.0 Current Capital Programme - Funding updates

2.1 The Capital Programme is funded by a combination of government grants, capital receipts and s106 contributions. As these do not cover the required investment in basic need the programme is also supported by borrowing. This directly impacts the revenue budget. The following paragraphs provide updates to these funding sources.

2.2 Capital receipts

Property Services have provided a schedule of capital receipts available to support the Capital Programme. Given ongoing revenue pressures, capital receipts for 2019/20 onwards were re-profiled to (a) provide funding that could support, in the main, short life assets due to the removal of the revenue contribution to capital, and (b) to allow a balance to be retained annually in the region of £3.0 - £4.0m to allow for future receipt flexibilities if they are required. Capital receipts of £2.6m were used to fund expenditure in 2018/19, leaving an estimated potential further £15.7m (including balances held). The future estimates are based on Property Officers' professional judgement and is on a site by site basis. The profile of receipts, however, is subject to change should any assets which have been declared surplus have that decision rescinded (i.e. they are re used for another purpose), or if the asset is retained but transferred under a long term lease at below market value (i.e. under the Council's Community Asset Transfer policy for 99 years at a peppercorn rent).

2.3 VPN receipts arise from the disposal of properties granted to the Council by the NHS, for the provision of accommodation for clients with a learning disability. A condition of the property grant is that capital receipts are ring-fenced to future Learning Disability developments. Such developments are beyond basic need and therefore require a business case to be approved for inclusion in the capital programme; as such, future VPN capital receipts estimated at £2.5m have been removed from general funding, as they will be brought into the capital programme to support business cases that are in line with NHS outcomes.

2.4 Non-specific grants
In December 2018, the Government announced an additional £100m nationally for the Special Provision Capital Funding, with ESCC receiving a further £0.8m towards its investment in Special School places of £18.0m within the current programme. The Schools condition grant has reduced by £0.2m per annum which is offset by a corresponding reduction in expenditure.

2.5 Following an analysis of school places required, it has become apparent that there is a risk that the £9.0m estimated school basic need grant for 2022/23 reduces to £4.3m. The grant submission is not due until July, and work is underway, via the school basic need sub board, to ascertain the reason for this and any corresponding increases in future years' grants due to profiling as we are not currently seeing an associated decrease in demand.

2.6 These movements result in a balance of £94.3m estimated government grants supporting the programme to 2022/23. There continues to be uncertainty in relation to these grants, 64% of which remain unconfirmed and therefore at risk. These estimates are based on current levels and formula projections.

2.7 Section 106 (s106) and Community Infrastructure Levy
A review of s106 has been undertaken and has identified further s106's of £1.3m for education provision that can be included in the programme, as well as some re-profiling of s106's in the programme. Work continues to review s106s held by the Council and by districts and borough council's to maximise the use of s106s within the programme and therefore reduce the borrowing requirement.

S106 agreements are being replaced by the Community Infrastructure Levy (CIL) and the Council has to bid to districts and boroughs for this funding, therefore there is a risk that income from CIL will not match previous levels arising from s106 agreements. The Council is working with the borough and district councils to ensure basic need is prioritised effectively across the county. In 2018/19, the Council were successful in a bid for £1.2m CIL from Lewes District Council towards education provision in the basic need programme. A cross-departmental CIL working group has been set up and we continue to work closely with districts and boroughs, to understand their bidding rounds and requirements to enable us to maximising CIL funding available to the capital programme.

2.8 Specific Grants and External Contributions
At year end 2018/19, a review was undertaken of historic balances in SAP, this resulted in an additional £0.5m of funding used to fund 2018/19 expenditure.

2.9 Treasury Management underspend
The 2018/19 revenue outturn position, as reported to Cabinet on 25 June 2019, identified the transfer of £4.6m, from the total underspend of £8m, to the capital programme to support the resourcing of agreed programme expenditure.

2.10 Revenue Contribution to Capital Outlay
In line with the Medium Term Financial Plan there is currently no contribution from revenue budgeted for within the resourcing of the capital programme.

2.11 Capital Risk Provision
There are a number of risks and uncertainties regarding the programme to 2022/23 and beyond which have necessitated holding a risk provision, these include:

- inflationary pressures on construction costs;
- uncertainty about delivery of projects in the programme, e.g. highways and infrastructure requirements;
- any as yet unknown requirements;
- residual project provision (previously removed) if required;
- and
- uncertainty regarding the level of government grants.

2.12 At February 2019, the Capital Risk Provision was £7.5m, which represented 2% of the programme. While capacity within borrowing arrangements is endured through Treasury Management for this provision, no borrowing for this is planned to be undertaken currently. These are not funds that are in the Council's accounts, but a permission to borrow for future emerging risks.

2.13 Borrowing
When the Capital Programme was set in February 2019 the borrowing requirement for the period 2019-23 was £85.5m (before the Capital Risk Provision). In 2018/19 £3.0m of borrowing was used to fund capital expenditure. The movements detailed above have also impacted on borrowing need. Table 3 below therefore shows the revised need to borrow of £88.3m, an increase of £5.8m. This is manageable within the current Treasury Management Budget and the continued use of in-year Treasury Management underspend.

2.14 Summary of Funding
Table 3 below provides a summary of the movements in funding required for the revised programme of £279.8m.

Table 2 – Summary of funding 2019-23

Funding Source (£m)	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**Total**
Capital receipts	(4,757)	(4,979)	(2,845)	(3,090)	**(15,671)**
Non-specific grants	(37,605)	(17,854)	(17,251)	(21,551)	**(94,261)**
S106 Contributions	(4,802)	(5,520)	(1,727)	(1,853)	**(13,902)**
Specific Grants/External contributions	(34,300)	(15,610)	(3,099)	(2,529)	**(55,538)**
Contributions from revenue reserves set aside	(1,274)				**(1,274)**
Community Infrastructure Levy	(1,200)				**(1,200)**
Capital reserves	(10,510)				**(10,510)**
Other departmental revenue contributions	(850)	(655)			**(1,505)**
Borrowing (excl. contingency)	(13,864)	(36,476)	(20,670)	(17,240)	**(88,250)**
Total	(109,162)	(81,094)	(45,592)	(46,263)	**(282,111)**

3 Potential Future Programme Updates

3.1 Capital Building Improvements - Property Services are undergoing a transition back to sovereign control. During this transition, work is ongoing to review the spend activity and to realistically profile planned work over the rest of the year. Given the timing of this and that a large proportion of the works is school related and therefore needs to be completed in school holidays, there is potential for this programme of works to slip into future years. Further updates will be provided when more information is available.

3.2 Transport Infrastructure requirements/Community Infrastructure Levy (CIL) - Communities, Environment and Transport (CET) have identified £27m of basic need transport infrastructure requirements necessary up to 2024 to support the delivery of growth allocated in Local Plans across the County. These have been identified through joint infrastructure work with district, boroughs and the South Downs National Park Authority during the production of Local Plans and are included in the Infrastructure Delivery Plans which authorities have produced to outline essential infrastructure required to support these Local Plans. CET have confirmed these schemes will be principally funded by Development Contributions including the Community Infrastructure Levy (CIL) and external funding sources. These will therefore enter the programme in line with the current variation process as and when funding streams are confirmed.

3.3 Property Asset Disposal and Investment strategy
At State of the County 2017 it was agreed to set some money aside in the Financing Reserve to help realise returns in future years through support for investment and/or for reduced borrowing in the capital programme. The Property Asset Disposal and Investment Strategy was approved at Cabinet on 24 April 2018. During 2019/20 opportunities will be considered that align with the priorities within the strategy which can now be facilitated by the use of some of these funds to bring forward the development of potential investment sites. Updates will be provided to this through the RPRR process as necessary.

4.0 Future Capital Strategy

4.1 In 2017, the CIPFA Prudential Code was revised and included the requirement for Local Authorities to produce a Capital Strategy. The Council’s current Capital Strategy was approved as part of RPPR 2019/20, however, it is recognised that this needs further development. It will also require annual review as part of RPPR on an ongoing basis. The Capital Strategy is currently being updated for 2020/21 and will include a 10 year capital programme in recognition of the need to provide a planned capital programme over a longer period. Link Asset Services have provided a summary checklist of the expectations of a Capital Strategy, this is shown in the table below, alongside the ongoing work streams required to build the 2020/21 Capital Strategy.

Table 3 – Capital Strategy Development and work streams

Ref	Link Capital Strategy Guidance	Work Stream
1	Apply a long-term approach: 20-30 years Ensure corporate plan priorities drive identified capital investment ambition Demonstrate integration with other strategies and plans Produce a 10 year capital investment plan, with actions, timescale, outputs and outcomes Explore internal influence on Capital Strategy e.g. Corporate Plan, Local Plan, Asset Management Plan	The Council is developing a 10 year Programme that will link to a 10 year investment plan and include service and corporate strategic plans.
2	Explore external influence on Capital Strategy e.g. Combined Authority, Local Enterprise Partnership, Scottish Futures Trust	This will be ongoing and linked to Treasury Management and Local Enterprise Partnership/ other CET economic regeneration work. External influences will also include the considerations at section 3.3.
3	Examine commercial activity/ambitions Determine implications of Investment Strategy	The Capital Strategy will link to the Property Asset Disposal and Investment Strategy but also wider commercial awareness as the Strategy develops.
4	Examine available resources and capacity to deliver Assess affordability against ambition and address any gap Identify capital financing principles	The funding of the Capital Programme will be developed and reviewed annually through RPPR, linking in to Treasury Management and affordability.
5	Capture risks and mitigating factors Outline governance, monitoring processes and procedures.	The Capital Strategy and monitoring will be governed through the Capital Strategy Asset Board, sub-boards and working groups e.g. Community Infrastructure levy group. Ensuring there is a sub board in place for each basic need area to manage programmes.

4.2 Current Capital Programme

The current programme (updated at section 1), focusses on a strategy to deliver core need as efficiently as possible, together with service developments and investment opportunities outside core need that are supported by a business case that demonstrates benefits. This ensures EQIA criteria are met without the requirement for a process of resource rationing. Approved bids are added to the programme in line with current variation policy and financial regulations.

4.3 Core basic need is defined as:-

- Schools Places (early years, primary, secondary and special);
- Highways Structural Maintenance, Bridge Strengthening and Replacement, Street Lighting, and Rights of Way;

- Property Building Maintenance;
- ICT Strategy;
- Adults' and Children's House Adaptations Programme; and
- Libraries.

4.4 In addition to core need, there are a number of other fully funded schemes which are either funded through Local Enterprise Partnerships, or for the provision of grants and loans. These were originally pump primed in the 2013-18 programme and include the Economic Intervention Fund which, by 2021/22, will be self-funding.

4.5 Other Considerations for the development of the strategy

4.6 The principle for the future Capital Strategy will need to consider how investing in capital schemes in the medium to long term supports service priorities with a view to meeting need/reducing demand on services, supporting commercialism and the Council's priorities. In order to provide a holistic approach to the Capital Strategy will need to link to a number of other strategies and plans.

4.7 Work will include revisiting basic need, reviewing departmental investment aspirations, with clear links to other strategies and policies that impact the capital programme. All of which will need to be costed and include clear outcomes relating to the level of investment required. These will include financial payback, gross value added as well as environmental considerations.

4.8 Departments have begun to outline their future aspirations and strategies that would require investment over this period. Initial thinking looks at three strands as follows:

- Revised basic need – Delivering the Council's statutory duties, and would include strategies such as Building Priority works based on condition surveys, the Education Commissioning Plan, Libraries Commissioning Plan and the Highways Strategy.
- Strategic Development – Supporting Service and Corporate Strategies and the wider organisational visions. This would include links to the Property Asset Disposal and Investment Strategy, Local Plans from district and borough council's and the Bedded Accommodation Plan.
- Bids – Business cases setting out benefits to the organisation that would be assessed on a case by case basis and ability to pay back investment.

4.9 Funding considerations

4.10 The net Capital Programme (after specific funding) is funded by a combination of government grants and capital receipts. As these do not cover the required investment in basic need, the programme is also supported by borrowing which directly impacts the Council's revenue budget. Currently there is no Revenue Contribution to Capital Outlay (RCCO) considered within the planning assumptions.

4.11 Projecting the current programme forward has currently been estimated at a funding shortfall of £164m. This is based on high level assumptions that will need further review and refinement, particularly in terms of school and highway basic need, Community Infrastructure Levy, government grants and capital receipts, Current Treasury Management analysis estimates, that for every £10m borrowed, there will be an associated revenue cost of £780,000 per annum.

5 Ongoing work

5.1 Work will continue to refine and update the Capital Programme through the normal RPPR process. The Children's Services Sub-Board continues to scrutinise the School Basic Need programme at a more granular level with an aim to manage and, where possible, drive down costs further. There is a CET Capital Board and an IT & Digital Board, where their respective programmes are scrutinised. The Capital Strategic Asset Board has built in further in-year scrutiny of the Programme in line with the Quarterly monitoring cycle and there are regular reviews of income streams, including a new sub board specifically looking at maximising and managing CIL.

6.0 Conclusion

6.1 Taking into account the movements set out above, the proposed 2019-23 Capital Programme is now £282.1m. Consideration as described above will be given to how to plan for additional years and there affordability. This could be delayed in light of the ongoing revenue uncertainty; however, it is important that revenue decisions are taken with an understanding of the impact on future capital planning and affordability.

6.2 The detailed 2019-23 Programme is set out below at annex 1.

Annex 1

CAPITAL PROGRAMME 2019-23	Total Budget £'000	Previous Spend £'000	19/20 Current £'000	20/21 Current £'000	21/22 Current £'000	22/23 Current £'000	Total Remaining £'000
Adult Social Care							
Greenacres	2,598	669	1,145	784			1,929
Grant Funding	(1,498)	(578)	(920)				(920)
House Adaptations	2,719	736	194	989	400	400	1,983
Gross	5,317	1,405	1,339	1,773	400	400	3,912
Scheme Specific Resource - Grant/External Contribution	(1,498)	(578)	(920)				(920)
Scheme Specific Resource - S106 Contrinution							
Net	**3,819**	**827**	**419**	**1,773**	**400**	**400**	**2,992**
Business Services							
SALIX Contract	3,868	2,445	373	350	350	350	1,423
SALIX Grant - 94106	(3,598)	(2,175)	(373)	(350)	(350)	(350)	(1,423)
Property Agile Works	9,713	9,318	286	109			395
CERA Contribution	(616)	(509)	(107)				(107)
Early Years Nurseries	2,480	2,445	35				35
Early Years Capital Fund	(1,406)	(1,406)					
Schools Contribution	(50)	(50)					
Section 106 - D&Bs	(150)	(19)	(131)				(131)
Lansdowne Secure Unit - Phase 2	7,600	967	6,030	603			6,633
Grant - 94104	(7,600)	(967)	(6,030)	(603)			(6,633)
Universal Infant Free School Meals	1,901	1,896	5				5
Free School Meals Grant - 94194	(1,901)	(1,896)	(5)				(5)
Special Provision in Secondary Schools	2,350		350	2,000			2,350
Core Programme - Schools Basic Need	135,548	83,472	22,062	13,979	4,353	11,682	52,076
School Contribution	(41)	(41)					
Section 106 - D&Bs	(15,179)	(3,772)	(4,480)	(4,720)	(1,727)	(1,773)	(12,700)
Further S106 and Grant	(148)	(148)					
Core Programme - Capital Building Improvements	82,093	48,980	7,519	8,982	7,982	7,982	32,465
Core Programme - Libraries Basic Need	2,244	247	524	778	169	526	1,997
Section 106 - D&Bs	(80)					(80)	(80)
Core Programme - IT & Digital Strategy Implementation	31,543	18,269	4,797	3,794	2,305	2,550	13,446
Gross	279,340	168,039	41,981	30,595	15,159	23,090	110,825
Scheme Specific Resource - Grant/External Contribution	(15,360)	(7,192)	(6,515)	(953)	(350)	(350)	(8,168)
Scheme Specific Resource - S106 Contribution	(15,409)	(3,791)	(4,611)	(4,720)	(1,727)	(1,853)	(12,911)
Net	**248,571**	**157,056**	**30,855**	**24,922**	**13,082**	**20,887**	**89,746**
Children's Services							
House Adaptations for Disabled Children's Carers Homes	1,468	840	160	160	168	140	628
Schools Delegated Capital	13,467	10,363	837	791	760	729	3,117
Grant - 94977	(13,449)	(10,345)	(837)	(791)	(760)	(729)	(3,117)
Section 106	(18)	(18)					
Conquest Centre redevelopment	350	30	311	15			326
Gross	15,285	11,233	1,308	966	928	869	4,071
Scheme Specific Resource - Grant/External Contribution	(13,449)	(10,345)	(837)	(791)	(760)	(729)	(3,117)
Scheme Specific Resource - S106 Contrinution	(18)	(18)					
Net	**1,818**	**870**	**471**	**175**	**168**	**140**	**954**

CAPITAL PROGRAMME 2019-23	Total Budget £'000	Previous Spend £'000	19/20 Current £'000	20/21 £'000	21/22 £'000	22/23 £'000	Total Remaining £'000
Communities, Economy & Transport							
Registration Ceremonies Website	30	23	7				7
CERA Contribution	(30)	(30)					
Hastings Library	9,503	8,608	130				130
CERA Contribution	(43)	(43)					
Broadband	33,800	22,459	1,304	3,484	3,276	3,277	11,341
BDUK Grant - 94191	(13,640)	(10,640)	(1,931)	(1,069)			(3,000)
Broadband Clawback	(5,200)	(1,682)	(2,009)	(1,509)			(3,518)
Bexhill and Hastings Link Road	126,247	123,071	1,497	784	643	252	3,176
LEP Funding (SELEP)	(1,586)	(1,586)					
Rental Income from Acton's Farm	(44)		(33)	(11)			(44)
Historic England Grant	(407)	(187)	(87)	(67)	(66)		(220)
NB Roundabout Contribution	(12)	(12)					
BHLR Complementary Measures	1,800	1,429	206	165			371
Section 106 - 94350	(36)	(36)					
Exceat Bridge Replacement (Formerly Maintenance)	2,633	317	660	1,000	656		2,316
National Productivity Investment Fund	(2,133)		(660)	(1,000)	(473)		(2,133)
Economic Growth & Strategic Infrastructure Programme							
Economic Intervention Fund	9,791	5,711	999	1,899	1,066		3,964
Recycled Loan Repayments	(1,700)	(700)	(435)	(565)			(1,000)
CERA Contributions	(900)	(900)					
Bond Repayment	(80)	(80)					
Stalled Sites	916	343	166	210	150	47	573
EDS Upgrading Empty Commercial Properties	500	323	117	60			177
EDS Incubation Units	1,000	1,000					
North Bexhill Access Road	18,602	18,602					
LEP Funding (SELEP)	(17,010)	(17,010)					
Queensway Gateway Road	10,000	8,430	1,570				1,570
LEP Funding (SELEP)	(3,989)	(3,989)					
East Sussex Strategic Growth Package	8,200	7,850	350				350
LEP Funding (SELEP)	(7,850)	(7,850)					
A22/A27 Junction Improvement Package	1,500						
LEP Funding (SELEP)	(1,000)						
S106 Contributions - D&B held	(500)						
LGF Business Case Development	196	196					
Bexhill Enterprise Park North			1,940				1,940
SELEP Funding			(1,940)				(1,940)
Skills for Rural Businesses Post-Brexit			2,134	784			2,918
SELEP Funding			(2,134)	(784)			(2,918)
Sidney Little Road Business Incubator Hub			381	119			500
SELEP Funding			(381)	(119)			(500)
Integrated Transport - LTP plus Externally Funded							
Hastings and Bexhill Movement & Access Package	9,718	1,141	4,322	3,594			7,916
LEP Funding (SELEP)	(8,869)	(1,141)	(4,322)	(3,406)			(7,728)
Section 106	(75)			(188)			(188)
Eastbourne/South Wealden Walking & Cycling Package	7,017	3,215	1,846	1,956			3,802
LEP Funding (SELEP)	(5,835)	(2,556)	(1,846)	(1,433)			(3,279)
Section 106 - 94806	(550)	(250)		(300)			(300)
Hailsham/Polegate/Eastbourne Movement & Access Corridor	2,350	468	1,027	855			1,882
LEP Funding (SELEP)	(1,564)	(254)	(1,027)	(283)			(1,310)
Section 106 - 94806	(250)	(151)		(99)			(99)
Other Integrated Transport Schemes	36,240	24,492	2,085	3,036	2,819	2,819	10,759
Developer and Other Contributions - Various	(6,160)	(4,009)	(205)				(205)
Section 106 - Various	(3,672)	(3,672)					
LEP Funding (SELEP)	(162)	(162)					

CAPITAL PROGRAMME 2019-23	Total Budget £'000	Previous Spend £'000	19/20 Current £'000	20/21 £'000	21/22 £'000	22/23 £'000	Total Remaining £'000
Communities, Economy & Transport							
Community Match Fund	1,500	122	241	637	250	250	1,378
CERA Contributions	(900)	(300)	(150)	(150)	(150)	(150)	(600)
Parish contribution	(60)		(60)				(60)
Eastbourne Town Centre Phase 2	3,486	228	830	2,428			3,258
LEP Funding (SELEP)	(3,000)		(830)	(2,170)			(3,000)
Section 106	(100)			(100)			(100)
Terminus Road Improvements	8,250	5,755	2,245	250			2,495
External Contributions - Various	(450)		(450)				(450)
Section 106 - C.8.18.004.1	(353)	(353)					
LEP Funding (SELEP)	(3,055)	(2,550)	(505)				(505)
Newhaven Port Access Road	23,271	6,382	13,001	3,888			16,889
DfT Funding	(10,000)	(5,065)	(4,935)				(4,935)
Real Time Passenger Information	2,728	2,482	127	189			316
Section 106 - Various	(797)	(559)	(118)	(189)			(307)
Parking Ticket Machine Renewal	1,670	920	555				555
Queensway Depot Development (Formerly Eastern)	1,956	318	300	1,338			1,638
Hailsham HWRS	97		73	24			97
Section 106	(97)		(73)	(24)			(97)
Core Programme - Highways Structural Maintenance	235,743	163,452	23,624	18,476	17,850	12,946	72,896
CERA Contributions	(7,800)	(2,600)	(1,300)	(1,300)	(1,300)	(1,300)	(5,200)
DoT Highways Network Grant	(2,300)	(2,300)					
DfT Pothole Grant	(1,767)	(1,767)	(605)				(605)
LEP Funding (SELEP)	(10,185)	(10,185)					
External Contributions - Various	(61)	(61)					
Core Programme - Bridge Assessment Strengthening	13,310	8,199	1,266	1,300	1,285	1,260	5,111
Core Programme - Street Lighting and Traffic Signals - life expired eq	10,133	6,861	1,115	854	680	623	3,272
Core Programme - Rights of Way Surface Repairs and Bridge Replac	4,883	3,177	416	430	430	430	1,706
Gross	587,070	425,574	64,534	47,760	29,105	21,904	163,303
Scheme Specific Resource - Grant/External Contribution	(117,792)	(77,659)	(25,845)	(13,866)	(1,989)	(1,450)	(43,150)
Scheme Specific Resource - S106 Contrinution	(6,330)	(5,021)	(191)	(800)			(991)
Net	**462,948**	**342,894**	**38,498**	**33,094**	**27,116**	**20,454**	**119,162**
Total Gross	**887,012**	**606,251**	**109,162**	**81,094**	**45,592**	**46,263**	**282,111**
Scheme Specific Resource - Grant/External Contribution	**(148,099)**	**(95,774)**	**(34,117)**	**(15,610)**	**(3,099)**	**(2,529)**	**(55,355)**
Scheme Specific Resource - S106 Contribution	**(21,757)**	**(8,830)**	**(4,802)**	**(5,520)**	**(1,727)**	**(1,853)**	**(13,902)**
Total Net	**717,156**	**501,647**	**70,243**	**59,964**	**40,766**	**41,881**	**212,854**

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Report to: **Cabinet**

Date of meeting: **16 July 2019**

By: **Director of Communities, Economy and Transport**

Title: **Transport for the South East's draft proposal to Government – formal consultation**

Purpose: **To advise Cabinet of the proposed County Council's response, as a constituent authority, to Transport for the South East's formal consultation on their draft proposal to Government.**

RECOMMENDATIONS: **Cabinet is recommended to agree the County Council's response on the Transport for the South East's formal consultation on their draft proposal to Government as set out in paragraphs 2.7 to 2.13 below.**

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1 Background Information

1.1 Under legislation contained in the Cities and Local Government Devolution Act 2016, a sub national transport body (STB) is a body corporate, which may only be established by the Secretary of State if it is considered that:

- its establishment would facilitate the development and implementation of transport strategies for the area; and
- the objective of economic growth in the area would be furthered by the development and implementation of such strategies.

1.2 Since 2016, sixteen upper tier authorities in the South East have been working together to develop a proposal for a Sub-National Transport Body (STB), Transport for the South East (TfSE), for their geography as shown at Appendix 1. This covers Brighton and Hove, East Sussex, Hampshire, Isle of Wight, Kent, Medway, Portsmouth, Southampton, Surrey and West Sussex and the six unitary authorities of Berkshire.

1.3 In addition, the five Local Enterprise Partnerships - Coast to Capital, Enterprise M3, Solent, South East and Thames Valley Berkshire as well as two National Park Authorities (South Downs and New Forest); 44 Boroughs and Districts across the geography; the transport industry and end user voice are represented in TfSE's governance which currently comprises a shadow Partnership Board, Transport Forum and Senior Officer Group.

1.4 To achieve statutory status, TfSE is required to develop a Proposal to Government which will need to demonstrate the strategic case for the creation of a sub-national transport body and set out how TfSE will fulfil the statutory requirements for such a body as outlined in the enabling legislation. The draft Proposal also needs to identify the types of powers and responsibilities that the STB will be seeking, as well as identifying the proposed governance structures.

1.5 The legislation also requires that a new sub-national transport body will be promoted by, and have the consent of, its constituent authorities, and that the proposal has been the subject of consultation within the area and with neighbouring authorities.

1.6 TfSE's draft proposal to Government was published for a full twelve week public consultation between 3 May and 31 July 2019. This has been made available on the TfSE website and has been circulated to relevant stakeholders for their views. All constituent authorities are expected to provide a formal response to the consultation.

1.7 Following the consultation, the Shadow Partnership Board will consider next steps at their September meeting. If the board wish to submit the proposal to Government formal consent will be required from all constituent authorities to signal their support for the creation of TfSE as a statutory body. In the meantime, the Secretary of State has written to all STBs stating he will consider the views of STBs in development of national transport policy and investment decisions. He has also indicated that STBs should work with the department to ensure a more stable financial footing through the spending review process. He has also indicated that whilst he does not rule out formal statutory status his preference is to continue with the informal partnership for the time being. The TfSE Board will consider their approach to this following the consultation at their September Board meeting. The Board have agreed that work on the proposal should continue.

1.7 If the Board consider there is a compelling argument for a more formal status they will need to agree to submit a proposal. Once the Government has received the proposal from TfSE, it is expected that there will be a period of three to six months while the Secretary of State considers the request. The Secretary of State will then formally respond to the TfSE proposal setting out the powers and responsibilities that have been granted. Work will then begin on drafting the Statutory Instrument which will be laid before Parliament which is expected to come forward in 2020. All constituent authorities will be required at that point to give their consent to the creation of the statutory body following the formal response from the Secretary of State.

2 Supporting Information

The Draft Proposal to Government

2.1 TfSE's draft Proposal to Government is attached at Appendix 2. The draft proposal sets out the ambition for TfSE, the strategic and economic case for its establishment; its proposed constitutional arrangements; and its proposed functions in terms of the powers and responsibilities it is seeking.

Constitutional arrangements

2.2 The draft proposal identifies that each constituent authority will appoint one of their elected members or their elected mayor as a member of TfSE on the Partnership Board. It is proposed that the regulations should provide for the appointment of persons who are not elected members of the constituent authorities to be co-opted members of the TfSE Partnership Board. Currently two representatives for the five LEPs, a representative from the Boroughs and Districts, the Chair of the TfSE Transport Forum and a representative from the protected landscapes in the TfSE area have been co-opted onto the Shadow Partnership Board. The arrangements also include the establishment of a Scrutiny Committee alongside the existing Transport Forum and Senior Officer Group.

2.3 In terms of decisions, the starting point will be consensus. However if that can't be achieved then decisions will require a simple majority of those Constituent Bodies who are present and voting. Where consensus cannot be achieved on the following matters, it will require enhanced voting arrangements:

- the approval and revision of the Transport Strategy;
- the approval of TfSE annual budget; and
- changes to the TfSE constitution.

2.4 Decisions on these issues will require both a super-majority, consisting of three quarters of the weighted vote in favour of the decision, with the number of votes based for each constituent authority being based on their per capita population, and a simple majority of the constituent authorities. The details of the proposed weighting voting system are set out in Section 5 of the draft Proposal at Appendix 2.

Functions

2.5 The specific functions that TfSE is seeking as part of its Proposal to Government are set out in Section 6 at Appendix 2. In summary, these include the following:

- General STB functions relating to the preparation of a Transport Strategy, advising the Secretary of State and co-ordinating transport functions across the TfSE area (with the consent of the constituent authorities);
- Being consulted on rail franchising and setting the overall objectives for the rail network in the TfSE areas;
- Jointly setting the Road Investment Strategy (RIS) for the TfSE area;
- Obtaining certain highways powers which would operate concurrently and with the consent of the current highways authority to enable regionally significant highways schemes to be expedited;
- Securing the provision of bus services, entering into quality bus partnership and bus franchising arrangements;
- Introducing integrated ticketing schemes;
- Establishing Clean air zones with the power to charge high polluting vehicles for using the highway;
- Power to promote or oppose Bills in Parliament; and
- Incidental powers to enable TfSE to act as a type of local authority.

2.6 The proposed powers would operate concurrently and with the consent of the constituent authorities.

Response to draft proposal

2.7 Overall we are supportive of TfSE's draft Proposal to Government, with the County Council being heavily involved in its development and acting as accountable body since its inception.

2.8 In relation to the constitutional arrangements, we support the proposed structure of the Partnership Board including the co-opting representatives from the Local Enterprise Partnerships, the Transport Forum and the two National Parks which has worked effectively in its shadow format. With its move to a formal status it is welcomed that, as proposed, a Scrutiny Committee is established to review the Board's decisions or actions in relation to the discharge of its functions, powers and responsibilities.

2.9 In relation to the voting arrangements, we welcome the approach of, first and foremost, seeking decisions by consensus, but recognise that in some instances this may not be achievable. Therefore, the majority approach as put forward in the draft Proposal is supported. We also support the super majority approach for particular decisions that cannot be agreed by consensus. We have experience of how this works in practice through our representation on the South East Local Enterprise Partnership, where similar arrangements exist in relation to the number of votes/representatives being proportionate to the constituent authority's per capita population. In this case, East Sussex would have 4 votes on the Board.

2.9 Overall we are supportive of the powers and responsibilities being sought by TfSE. We agree that TfSE should not seek the powers and responsibilities as set out in section 5.6 of the draft proposal and also support TfSE in them not acting as a co-signatory to rail franchises or being responsible for rail franchising. However, there are a number of comments which we would wish to highlight.

2.10 It is recognised that there may be some of the powers and responsibilities being sought by TfSE which other STBs who have been given statutory status – Transport for the North – have not been granted by the Secretary of State. This particularly relates to setting the High Level Output Specification (HLOS) for rail and the Roads Investment Strategy (RIS) for the Strategic Road Network (SRN), both of which are set nationally by the Department for Transport. In the event that neither of these powers and responsibilities are given by the Secretary of State to TfSE, as an alternative TfSE should seek a more formal and strengthened role in influencing Government's decisions on the HLOS and RIS, thereby providing a single voice on the regional priorities across their geography.

2.11 In relation to the proposed power and responsibility to 'enter into agreements to undertake certain works on Strategic Road Network, Major Road Network or local roads', it would be helpful for further clarity to be provided in the rationale on why and where TfSE would envisage using this power relating to constructing, reconstructing , altering, improving or maintaining roads.

2.12 Regarding the 'Right to be consulted about new rail franchises', this is supported. As part of the development of the South Eastern franchise during 2017/18, the County Council along with Kent County Council were actively engaged from the outset by the Department for Transport on the franchise specification. We would expect that for future franchising arrangements, and subject to the outcomes of the Williams Rail Review, that a similar approach would be in place with TfSE and that the respective local authorities would be engaged throughout in shaping the franchise specification. This could be made more explicit in the rationale.

2.13 In relation to bus franchising, whilst it is unlikely that such a power would be implemented in East Sussex, it is recognised that some other parts of the TfSE geography would wish to use this. The responsibility for introducing integrated ticketing schemes is also supported. The powers to introduce an integrated ticketing scheme at a sub-national level, concurrent with those available to local transport authorities, would be significantly beneficial for encouraging more seamless cross-TfSE journeys by public transport.

3 Conclusion and Reasons for Recommendations

3.1 The establishment of TfSE provides an opportunity to support and grow the economy through the delivery of their transport strategy – a programme of integrated transport projects and programmes to unlock growth, boost connectivity and speed up journeys whilst improving access to opportunities for all and protecting and enhancing our region's unique environment.

3.2 Through the proposed range of powers and responsibilities being sought, TfSE will enable the Council to more directly influence how and where money is invested by strategic transport providers, and help drive improvements for the travelling public and for businesses in the County, so helping to secure delivery of longstanding transport infrastructure ambitions. In doing so, TfSE will provide a more co-ordinated strategic role that speaks with one voice for the region to Government.

3.3 TfSE has set out their draft proposal to Government for how they would achieve their ambition which is currently out to consultation. Overall the County Council is supportive of TfSE's draft proposal, and has a number of detailed comments as set out in sections 2.7 to 2.13 of this report which would form the basis of the County Council's formal response. Cabinet is recommended to consider our support for TfSE's draft proposal as well as the detailed comments on their proposal and offer their views.

RUPERT CLUBB
Director of Communities, Economy and Transport

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LOCAL MEMBERS

All

BACKGROUND DOCUMENTS

Transport for the South East – Draft Proposal to Government, May 2019

Appendix 1 – Transport for the South East Geography

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TRANSPORT FOR THE
South East

Proposal to Government

Draft for consultation

May 2019

1. Executive summary

1.1 Transport for the South East is a sub-national transport body (STB) established to speak with one voice on the strategic transport priorities for the South East region.

1.2 Our aim is to support and grow the economy through the delivery of our transport strategy – a programme of integrated transport projects and programmes to unlock growth, boost connectivity and speed up journeys while improving access to opportunities for all and protecting and enhancing our region's unique environment.

1.3 By operating strategically across the South East on transport infrastructure – a role that no other organisation currently undertakes on this scale – we will directly influence how and where money is invested and drive improvements for the travelling public and for businesses in a region which is the UK's major international gateway.

1.4 Already we are commanding the attention of government, facilitating greater collaboration between South East local authorities, local enterprise partnerships (LEPs) and government to shape our region's future.

1.5 Our next step is to become a statutory body. This draft proposal will be subject to a public consultation from May to July 2019 before being submitted to Government by the end of 2019 for consideration.

1.6 Our draft proposal has been developed in partnership with TfSE's members and stakeholders and represents a broad consensus on the key issues facing the region and the powers required to implement our transport strategy.

1.7 The constituent authorities and LEPs have steered the development of the proposal, with input from members of our Transport Forum, which brings together representatives of transport operators, transport users and other interest groups.

1.8 Our members and stakeholders are clear that a statutory sub-national transport body for the South East is vital if we are to successfully:

- Increase our influence with Government and key stakeholders;
- Invest in pan-regional strategic transport corridors;
- Enable genuinely long-term planning; and
- Support the delivery of jobs, housing and growth.

1.9 We have only proposed those powers for TfSE which are proportionate and will be effective in helping us achieve our strategic aims and objectives, complementing and building on the existing powers of local authorities.

1.10 These powers would enable us to deliver significant additional value at regional level through efficient and effective operational delivery, better coordination of pan-regional schemes and the ability to directly influence and inform national investment programmes.

2. The Ambition

"The South East is crucial to the UK economy and is the nation's major international gateway for people and businesses.

"We will grow the South East's economy by facilitating the development of a high quality, integrated transport system that makes the region more productive and competitive, improves access to opportunities for all and protects the environment."

Transport for the South East vision statement

2.1 Transport for the South East (TfSE) was established in shadow form in June 2017. In the short period since, we have emerged as a powerful and effective partnership, bringing together 16 local transport authorities, five local enterprise partnerships and other key stakeholders including protected landscapes, transport operators, district and borough authorities and national agencies to speak with one voice on the region's strategic transport needs.

2.2 Our shared vision is to ensure the delivery of a high quality, sustainable and integrated transport system that:

- Supports increased productivity to grow the South East and UK economy and compete in the global marketplace;
- Works to improve safety, quality of life and access to opportunities for all; and
- Protects and enhances the South East's unique natural and historic environment.

2.3 Our transport strategy, which covers the period to 2050, will form the basis for achieving that vision. It will be supported by a targeted investment plan which will identify how we can grow the GVA of the South East to £500 billion by 2050 and create almost three million additional jobs.

2.4 TfSE has already, in shadow form, added considerable value in bringing together partners and stakeholders to work with Government on key strategic issues, securing positive outcomes for the region in the Roads Investment Strategy 2 and Major Road Network consultation, influencing rail franchising discussions and providing collective views on schemes such as southern and western rail access to Heathrow.

2.5 The requirements within our draft proposal seek to provide TfSE with the initial functions and powers to move to the next stage of our development – to begin delivering the transport strategy and realising the benefits that a high quality, sustainable and integrated transport system can unlock for people, businesses and the environment.

2.6 We are clear that we only seek those powers and functions which are necessary to deliver our strategy and achieve our vision. Our requirements differ from those of other STBs and reflect the different geographic, economic, political, social and environmental characteristics of our region and the strategic objectives of TfSE and its partners.

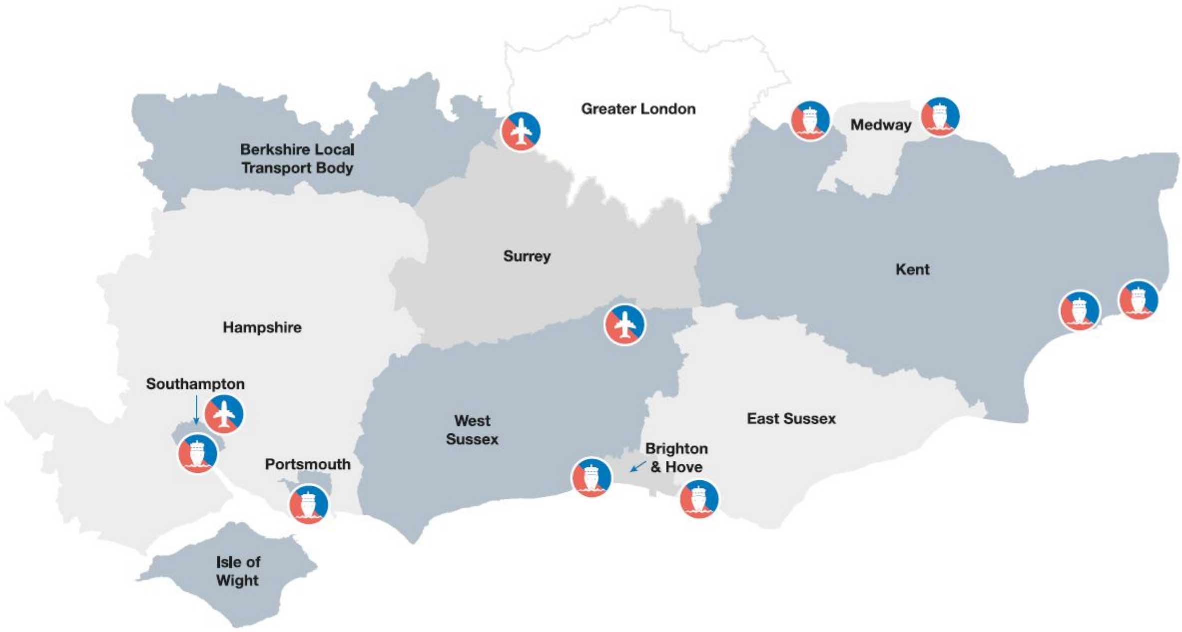
3. The Strategic and Economic Case

The Transport for the South East area

3.1 The South East is already a powerful motor for the UK economy, adding more than £200 billion to the economy in 2015 – second only to the contribution made by London and more than Scotland, Wales and Northern Ireland combined.

3.2 It is home to 7.5m people and 329,000 businesses including some of the world's biggest multinationals as well as a large number of thriving, innovative SMEs. It is a world leader in knowledge intensive, high value industries including advanced engineering, biosciences, financial services and transport and logistics.

3.3 The South East area includes both of the nation's busiest airports in Heathrow and Gatwick, a string of major ports including Southampton, Dover and Portsmouth, many of the country's most vital motorways and trunk roads and crucial railway links to London, the rest of Britain and mainland Europe.



3.4 The South East's international gateways support the economic wellbeing of the whole of the UK. As we withdraw from the European Union, they will be integral to supporting a thriving, internationally facing economy.

3.5 Half of all freight passing through Dover going on to other parts of the country. Southampton sees £71 billion of international trade each year and Portsmouth handles two million passengers a year. More than 120 million air passenger a year use Gatwick, Southampton and Heathrow airports.

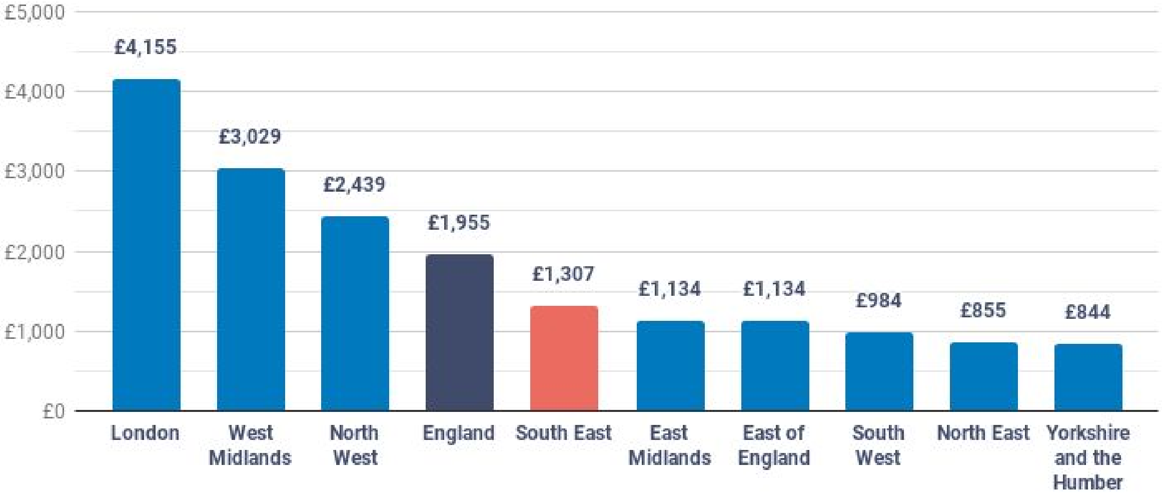
3.6 Our people and infrastructure are not our only assets. With two national parks, numerous areas of outstanding natural beauty and much of the region allocated as green belt, the South East draws heavily on its unique and varied natural environment for its success. It offers outstanding beaches, historic towns, dynamic cities and unparalleled links to London, the UK, Europe and the rest of the world. It is, in short, an amazing place to live, work and visit.

The scale of the challenge and why change is needed

3.7 But we face a real challenge. Despite these enviable foundations – and in some cases because of them – our infrastructure is operating beyond capacity and unable to sustain ongoing growth.

3.8 Despite the economic importance of the region to the UK economy, contributing almost 15% of UK GVA (2015), the South East has seen continued underinvestment in transport infrastructure with a per capita spend that is significantly below the England average and a third of that in London.

Planned transport infrastructure spending per head



Source: IPPR North analysis of planned central and local public/private transport infrastructure spending per capita 2017/19 onwards (real terms 2016/17 prices)

3.9 So while transport links to and from the capital are broadly good, elsewhere connectivity can be poor – even between some of our region's major towns and cities. Train journey times between Southampton and Brighton (a distance of around 70 miles) are only marginally less than the fastest train journeys between London and Manchester. The corresponding journey on the A27 includes some of the most congested parts of the South East's road network.

3.10 Underinvestment in road and rail infrastructure is making life harder for our residents and businesses. New housing provision is being hampered by the lack of adequate transport infrastructure. In our coastal communities, lack of access to areas of employment and further education and higher education are major contributors to high unemployment and poor productivity.

3.11 These are challenges that extend beyond administrative and political boundaries. They require TfSE to have the powers to effectively join up transport policy, regulation and investment and provide clear, strategic investment priorities which will improve connectivity into and across the region, boost the economy and improve the lives of millions.

The powers to achieve our vision

3.12 To enable us to achieve our vision through the efficient and effective delivery of the transport strategy, we propose that a range of functions exercisable by a local transport authority, passenger transport executive or mayoral combined authority are included in the regulations to establish TfSE on a statutory footing.

3.13 We have only sought those powers which we believe are proportionate and will be effective in helping us achieve our strategic aims and objectives, complementing and building on the existing powers of local authorities. The powers will be sought in a way which means they will operate concurrently with – and only with the consent of – the constituent authorities.

3.14 These powers would enable us to deliver significant additional value at regional level in three key areas:

- **Strategic influence:** Speaking with one voice and with the benefit of regional scale and insight to influence the development of national investment programmes; a trusted partner for government, Network Rail and Highways England.
- **Coordination:** Developing solutions which offer most benefit delivered on a regional scale; working with partners and the market to shape the development of future transport technology in line with regional aspirations.
- **Operational:** Accelerating the delivery of schemes and initiatives which cross local authority boundaries, ensuring strategic investment happens efficiently and that the benefits for residents and businesses are realised as soon as possible.

The benefits of establishing TfSE as a statutory body

3.15 **One voice for strategic transport in the South East**
TfSE will provide a clear, prioritised view of the region's strategic transport investment needs. We already offer an effective mechanism for Government to engage with local authorities and LEPs in the region; statutory status would take that a step further, enabling us to directly inform and influence critical spending decisions by Government and key stakeholders including Highways England and Network Rail.

3.16 **Facilitating economic growth**
The transport strategy will facilitate the delivery of jobs, housing and growth across the South East and further build on our contribution to UK GVA. Implementation of strategic, cross-boundary schemes, particularly investment in the orbital routes, will connect economic centres and international gateways for the benefit of people and businesses, regionally and nationally. TfSE also offers a route to engage with other sub-national transport bodies and Transport for London on wider cross-regional issues.

3.17 **Delivering benefits for the travelling public**
TfSE can support the efficient delivery of pan-regional programmes that will offer considerable benefits to the end user – for example, integrated travel solutions

combined with smart ticketing will operate more effectively at a regional scale and can best be facilitated by a regional body than by individual organisations.

3.18 **Local democratic accountability**
Our transport strategy will be subject to public consultation and will, in its final form, provide a clear, prioritised view of investments agreed by all the South East's local transport authorities and with input from passengers, businesses and the general public. Delivery of the strategy will be led by the Partnership Board, comprising elected members and business leaders with a direct line of accountability to the people and organisations they represent.

3.19 **Achieving the longer term vision**
Securing statutory status offers TfSE the permanence and security to deliver the transport strategy to 2050, providing a governance structure that matches the lifecycle of major infrastructure projects. It will provide confidence to funders, enable us to work with the market to ensure the deliverability of priority schemes and support development of the skills needed to design, build, operate and maintain an improved transport network.

4. Constitutional arrangements

Requirements from legislation

Name

4.1 The name of the sub-national transport body would be 'Transport for the South East ("TfSE")' and the area would be the effective boundaries of our 'constituent members'.

Members

4.2 The membership of the STB is listed below:

Bracknell Forest Borough Council
Brighton and Hove City Council
East Sussex County Council
Hampshire County Council
Isle of Wight Council
Kent County Council
Medway Council
Portsmouth City Council
Reading Borough Council
Royal Borough of Windsor and Maidenhead Council
Slough Borough Council
Southampton City Council
Surrey County Council
West Berkshire Council
West Sussex County Council
Wokingham Borough Council

Partnership Board

4.3 The current Shadow Partnership Board is the only place where all 'constituent members' are represented at an elected member level[1]. Therefore this Board will need to have a more formal role, including in ratifying key decisions. This would effectively become the new 'Partnership Board' and meet at least twice per annum. The Partnership Board could agree through Standing Orders if it prefers to meet more regularly.

4.4 Each constituent authority will appoint one of their councillors / members or their elected mayor as a member of TfSE on the Partnership Board. Each constituent authority will also appoint another one of their councillors / members or their elected mayor as a substitute member (this includes directly elected mayors as under the Local Government Act 2000). The person appointed would be that authority's elected mayor or leader, provided that, if responsibility for transport has been formally delegated to another member of the authority, that member may be appointed as the member of the Partnership Board, if so desired.

[1] The six constituent members of the Berkshire Local Transport Body (BLTB) will have one representative between them on the Partnership Board.

4.5 The Partnership Board may delegate the discharge of agreed functions to its officers or a committee of its members in accordance with a scheme of delegation or on an ad hoc basis. Further detail of officer groups and a list of delegations will be developed through a full constitution.

Co-opted members

4.6 TfSE proposes that governance arrangements for a statutory STB should maintain the strong input from our business leadership, including LEPs and other business representatives. The regulations should provide for the appointment of persons who are not elected members of the constituent authorities but provide highly relevant expertise to be co-opted members of the Partnership Board.

4.7 A number of potential co-opted members are also set out in the draft legal proposal. Co-opted members would not automatically have voting rights but the Partnership Board can resolve to grant voting rights to them on such issues as the Board considers appropriate, for example on matters that directly relate to co-opted members' areas of interest.

Chair and vice-chair

4.8 The Partnership Board will agree to a chair and vice-chair of the Partnership Board. The Partnership Board may also appoint a single or multiple vice-chairs from the constituent members. Where the chair or vice-chair is the representative member from a constituent authority they will have a vote.

Proceedings

4.9 It is expected that the Partnership Board will continue to work by consensus but to have an agreed approach to voting where consensus cannot be reached and for certain specific decisions.

4.10 A number of voting options were considered to find a preferred option that represents a straightforward mechanism, reflects the characteristics of the partnership and does not provide any single authority with an effective veto. We also considered how the voting metrics provide a balance between county and other authorities, urban and rural areas and is resilient to any future changes in local government structures.

4.11 The steering group considered these options and preferred the population weighted option based on the population of the constituent authority with the smallest population (the Isle of Wight with 140,000 residents).

4.12 This option requires that the starting point for decisions will be consensus; if that cannot be achieved then decisions will require a simple majority of those constituent authorities who are present and voting. The decisions below will however require both a super-majority, consisting of three quarters of the weighted vote in favour of the decision, and a simple majority of the constituent authorities appointed present and attending at the meeting:

(i) The approval and revision of TfSE's transport strategy;
(ii) The approval of the TfSE annual budget;

(iii) Changes to the TfSE constitution.

The population weighted vote would provide a total of 54 weighted votes, with no single veto. A table showing the distribution of votes across the constituent authorities is set out in Appendix 1. This option reflects the particular circumstances of TfSE, being based on the population of the smallest individually represented constituent member who will have one vote, and only a marginally smaller proportionate vote. It is considered that this option is equitable to all constituent authority members, ensures that the aim of decision making consensus remains and that smaller authorities have a meaningful voice, whilst recognising the size of the larger authorities in relation to certain critical issues.

4.13 The population basis for the weighted vote will be based on ONS statistics from 2016 and reviewed every ten years.

4.14 The Partnership Board is expected to meet twice per year. Where full attendance cannot be achieved, the Partnership Board will be quorate where 50% of constituent members are present.

Scrutiny committee

4.15 TfSE will appoint a scrutiny committee to review decisions made or actions taken in connection with the implementation of the proposed powers and responsibilities. The committee could also make reports or recommendations to TfSE with respect to the discharge of its functions or on matters relating to transport to, from or within TfSE's area.

4.16 Each constituent authority will be entitled to appoint a member to the committee and a substitute nominee. Such appointees cannot be otherwise members of TfSE including the Partnership Board.

Standing orders

4.17 TfSE will need to be able to make, vary and revoke standing orders for the regulation of proceedings and business, including that of the scrutiny committee. This will ensure that the governance structures can remain appropriate to the effective running of the organisation.

4.18 In regards to changing boundaries and therefore adding or removing members, TfSE would have to make a new proposal to Government under Section 102Q of the Local Transport Act 2008 and require formal consents from each constituent authority.

Miscellaneous

4.19 It may be necessary that certain additional local authority enactments are applied to TfSE as if TfSE were a local authority, including matters relating to staffing arrangements, pensions, ethical standards and provision of services etc. These are set out in the draft legal proposal.

4.20 TfSE also proposes to seek the functional power of competence as set out in section 102M of the Local Transport Act 2008.

4.21 TfSE will consider options for appointing to the roles of a Head of Paid Service, a Monitoring Officer and a Chief Finance Officer whilst considering possible interim arrangements.

Funding

4.22 TfSE will work with partners and the Department for Transport to consider a sustainable approach to establishing the formal STB and effectively and expeditiously as possible, bearing in mind the considerable support among regional stakeholders for TfSE's attainment of statutory status.

Governance: Transport Forum and Senior Officer Group

4.23 The Partnership Board will appoint a Transport Forum. This will be an advisory body to the Senior Officer Group and Partnership Board, comprising a wider group of representatives from user groups, operators, District and Borough Councils as well as Government and National Agency representatives.

4.24 The Transport Forum will meet quarterly and be chaired by an independent person appointed by the Partnership Board. The Transport Forum may also appoint a vice-chair for the Transport Forum, who will chair the Transport Forum when the chair is not present.

4.25 The Transport Forum's terms of reference will be agreed by the Partnership Board. It is envisaged that the Transport Forum will provide technical expertise, intelligence and information to the Senior Officer Group and the Partnership Board.

4.26 The Partnership Board and Transport Forum will be complemented by a Senior Officer Group representing members at official level providing expertise and co-ordination to the TfSE programme. The Senior Officer Group will meet monthly.

5. Functions

TfSE's proposal is to become a statutory sub-national transport body as set out in section part 5A of the Local Transport Act 2008.

General functions

5.1 Transport for the South East proposes to have the 'general functions' as set out in Section 102H (1) including:

a. to prepare a transport strategy for the area;
b. to provide advice to the Secretary of State about the exercise of transport functions in relation to the area (whether exercisable by the Secretary of State or others);
c. to co-ordinate the carrying out of transport functions in relation to the area that are exercisable by different constituent authorities, with a view to improving the effectiveness and efficiency in the carrying out of those functions;
d. if the STB considers that a transport function in relation to the area would more effectively and efficiently be carried out by the STB, to make proposals to the Secretary of State for the transfer of that function to the STB; and
e. to make other proposals to the Secretary of State about the role and functions of the STB. (2016, 102H (1))5.

5.2 The general functions are regarded as the core functions of a sub-national transport body and will build on the initial work of TfSE in its shadow form. To make further proposals to the Secretary of State regarding constitution or functions, Transport for the South East will need formal consents from each 'constituent member'.

5.3 Transport for the South East recognises that under current proposals the Secretary of State will remain the final decision-maker on national transport strategies, but critically that the Secretary of State must have regard to a sub-national transport body's statutory transport strategy. This sets an important expectation of the strong relationship Transport for the South East aims to demonstrate with Government on major programmes like the Major Road Network and Railway Upgrade Plan.

Local transport functions

5.4 Initial work has identified a number of additional powers that Transport for the South East may require that will support the delivery of the transport strategy. The table below provides an assessment of these functions.

5.5 The powers which are additional to the general functions relating to STBs will be requested in a way that means they will operate concurrently and with the consent of the constituent authorities.

Table 1: Proposed powers and responsibilities

POWER	RATIONALE
General functions	
Section 102 H of the Local Transport Act 2008 Prepare a transport strategy, advise the Secretary of State, co-ordinate the carrying out of transport functions, make proposals for the transfer of functions, make other proposals about the role and functions of the STB.	This legislation provides the general powers required for TfSE to operate as a statutory sub-national transport body, meeting the requirements of the enabling legislation to facilitate the development and implementation of a transport strategy to deliver regional economic growth. Government at both national and local level recognises that the solutions required to deliver regional economic growth are best identified and planned for on a regional scale by those who best understand the people and businesses who live and work there.
Rail	
Right to be consulted about new rail franchises *Section 13 of the Railways Act 2005 – Railway Functions of Passenger Transport Executives*	We are seeking the extension of the right of a Passenger Transport Executive to be consulted before the Secretary of State issues an invitation to tender for a franchise agreement. The right of consultation is significant to TfSE as it confirms our role as a strategic partner, enabling us to influence future rail franchises to ensure the potential need for changes to the scope of current services and potential new markets identified by TfSE are considered. TfSE is uniquely placed to provide a regional perspective and consensus on the priorities for rail in its area. This would benefit central government as a result of the vastly reduced need for consultation with individual authorities. We recognise that changes to the current franchising model are likely following the Williams Review; regardless of these changes, TfSE is clear that it should have a role in shaping future rail service provision.
Set High Level Output Specification (HLOS) for Rail *Schedule 4A, paragraph 1D, of the Railways Act 1993*	TfSE requires a strong, formal role in rail investment decision making over and above that which is available to individual constituent authorities. We act as the collective voice of our constituent authorities, providing an evidence-based regional perspective and consensus on the priorities for investment in our rail network. This power would enable TfSE to act jointly with the Secretary of State to set and vary the HLOS in our area, ensuring TfSE's aspirations for transformational investment in rail infrastructure are reflected in the HLOS and enabling an integrated approach across road and rail investment for the first time.

Highways	
Set Road Investment Strategy (RIS) for the Strategic Road Network (SRN) *Section 3 and Schedule 2 of the Infrastructure Act 2015*	TfSE requires a strong, formal role in roads investment decision making over and above that which is available to individual constituent authorities. We act as the collective voice of our constituent authorities, providing an evidence-based regional perspective and consensus on the priorities for roads investment. This power would enable TfSE to act jointly with the Secretary of State to set and vary the RIS in our area, ensuring TfSE's aspirations for transformational investment in road infrastructure are reflected in the RIS and enabling an integrated approach across road and rail investment for the first time.
Enter into agreements to undertake certain works on Strategic Road Network, Major Road Network or local roads *Section 6(5) of the Highways Act 1980, (trunk roads) & Section 8 of the Highways Act 1980 (local roads)*	We are seeking the power that local highway authorities currently have to enter into an agreement with other highway authorities to construct, reconstruct, alter, improve or maintain roads. These powers, operated concurrently with the local authorities, will enable TfSE to promote and expedite the delivery of regionally significant cross-boundary schemes that otherwise might not be progressed. They would overcome the need for complex 'back-to-back' legal and funding agreements between neighbouring authorities and enable us to reduce scheme development time and overall costs.
Acquire land to enable construction, improvement, or mitigate adverse effects of highway construction *Sections 239,240,246 and 250 of the Highways Act 1980*	This power, exercisable concurrently and only with the consent of the relevant highway authority, would allow preparations for the construction of a highways scheme to be expedited where highway authorities are not in a position to acquire land. Land acquisition by TfSE could facilitate quicker, more efficient scheme delivery, bringing forward the economic and broader social and environmental benefits.
Construct highways, footpaths, bridleways *Sections 24,25 & 26 of the Highways Act 1980*	The concurrent powers required to effectively promote, coordinate and fund road schemes are vital to TfSE. Without them, we would not be able to enter into any contractual arrangement in relation to procuring the construction, improvement or maintenance of a highway or the construction or improvement of a trunk road. Granting of these powers would enable TfSE directly to expedite the delivery of regionally significant road schemes that cross constituent authority boundaries that otherwise might not be progressed.

Make capital grants for public transport facilities	
Make capital grants for the provision of public transport facilities *Section 56(2) of the Transport Act 1968*	This concurrent power would enable TfSE to support the funding and delivery of joint projects with constituent local authorities, improving deliverability and efficiency. Constituent authorities would benefit from the granting of this concurrent power as they may, in future, be recipients of funding from TfSE to partly or wholly fund a transport enhancement within their local authority area.
Bus service provision	
Duty to secure the provision of bus services *Section 63(1) Transport Act 1985*	Local transport authorities and integrated transport authorities have a duty to secure the provision of such public passenger transport services as it considers appropriate and which would not otherwise be provided. Travel-to-work areas do not respect local authority boundaries. TfSE is seeking to have this duty concurrently with the local transport authorities in our area, enabling us to fill in identified gaps in bus service provision within our geography or secure the provision of regionally important bus services covering one or more constituent authority areas which would not otherwise be provided.
Quality Bus Partnerships *The Bus services Act 2017 Sections 113C – 113O & Sections 138A – 138S*	TfSE is seeking powers, currently available to local transport authorities and integrated transport authorities, to enter into Advanced Quality Partnerships and Enhanced Partnership Plans and Schemes to improve the quality of bus services and facilities within an identified area. These powers would be concurrent with the local transport authority in the area. This would allow us to expedite the introduction of partnership schemes covering more than one local transport authority area which otherwise might not be introduced.
Bus service franchising *The Bus Services Act 2017*	This power, currently available to Mayoral Combined Authorities, would enable TfSE to implement bus service franchising in its area with the consent of the affected local transport authorities. We believe extending this power to STBs is consistent with the intention of the legislation in terms of delivering passenger benefit across travel-to-work areas and could enable a level of bus provision which otherwise would not exist. It would only be implemented with the consent of the local transport authority.

Smart ticketing	
Introduce integrated ticketing schemes *Sections 134C- 134G & Sections 135-138 Transport Act 2000*	We are seeking powers concurrently with local transport authorities to enable TfSE to procure relevant services, goods, equipment and/or infrastructure; enter into contracts to deliver smart ticketing and receive or give payments. This would enable us to expedite the introduction of a cost effective smart and integrated ticketing system on a regional scale which would dramatically enhance the journey experience and increase access to transport to support jobs and education.
Air quality	
Establish Clean Air Zones *Sections 163-177A of the Transport Act 2000 – Road User Charging*	Local transport authorities and integrated transport authorities have the power under the Transport Act 2000 to implement road charging schemes. TfSE is seeking this general charging power as a mechanism for the introduction of Clean Air Zones, enabling reduced implementation and operating costs across constituent authority boundaries. This will be subject to the consent of the local transport authority. Transport is a major contributor to CO_2 emissions and poor air quality; these are increasingly critical issues which our transport strategy will seek to address.
Other powers	
Promote or oppose Bills in Parliament *Section 239 Local Government Act 1972*	Local authorities have the power to promote or oppose Bills in Parliament; granting the power concurrently to TfSE reflects the devolution agenda of which STBs are a key part. Under the Transport and Works Act 1992, a body that has power to promote or oppose bills also has the power to apply for an order to construct or operate certain types of infrastructure including railways and tramways. Granting of this power would enable TfSE to promote, coordinate and fund regionally significant infrastructure schemes, accelerating delivery of cross-boundary schemes which might otherwise not be progressed.
Incidental amendments *Local Government Act 1972, Localism Act 2011, Local Government Pension Scheme Regulations 2013*	A statutory STB requires certain incidental amendments to enable it to operate as a type of local authority, with duties in respect of staffing, pensions, monitoring and the provision of information about TfSE. The incidental amendments sought are listed below in Appendix 2.

Powers and responsibilities not being sought

5.6 Transport for the South East does not propose seeking the following functions/powers:

POWER	RATIONALE
Set priorities for local authorities for roads that are not part of the Major Road Network (MRN)	TfSE will only be responsible for identifying priorities on the MRN
Being responsible for any highway maintenance responsibilities	There is no intention of TfSE becoming involved in routine maintenance of MRN or local roads
Carry passengers by rail	There are no aspirations for TfSE to become a train operating company
Take on any consultation function instead of an existing local authority	Local authorities are best placed to seek the views of their residents and businesses
Give directions to a constituent authority about the exercise of transport functions by the authority in their area	Constituent authorities understand how best to deliver their transport functions to meet the needs of their residents and businesses

5.7 The Williams Review, to which TfSE have submitted a response, could recommend significant changes to the structure of the rail industry, including the role of STBs in both operations and infrastructure enhancement. As a result, we will keep the following functions under review pending the Williams recommendations and subsequent White Paper.

POWER	RATIONALE
Act as co-signatories to rail franchises	There are no current aspirations for TfSE to become involved in this area.
Be responsible for rail franchising	

6. Summary of support and engagement

6.1 This draft Proposal was shaped and endorsed by the TfSE Shadow Partnership Board in March 2019 prior to the launch of the consultation.

6.2 During the consultation process, the draft Proposal will be made available on the TfSE website and feedback sought via social media and other promotional activity. Meetings will be held with key stakeholders such as Network Rail, Highways England, Transport for London, England's Economic Heartlands and the Transport Forum.

6.3 Following the consultation period, TfSE will update the draft Proposal and publish a summary of the comments received.

6.4 TfSE will seek consent from its constituent authorities and the final draft Proposal will be endorsed by the Shadow Partnership Board in autumn 2019.

6.5 The final Proposal will include a summary of engagement activities, including a list of the organisations engaged in the process and an appendix with a number of letters of support from key organisations and businesses.

Appendix 1: Distribution of votes

TfSE constituent authorities	**Population**[2]	**Number of votes**[3]
Brighton and Hove City Council	287,173	2
East Sussex County Council	549,557	4
Hampshire County Council	1,365,103	10
Isle of Wight Council	140,264	1
Kent County Council	1,540,438	11
Medway Council	276,957	2
Portsmouth City Council	213,335	2
Southampton City Council	250,377	2
Surrey County Council	1,180,956	8
West Sussex County Council	846,888	6
Bracknell Forest Council	*119,730*	
Reading Borough Council	*162,701*	
Royal Borough of Windsor & Maidenhead	*149,689*	
Slough Borough Council	*147,736*	
West Berkshire Council	*158,576*	
Wokingham Borough Council	*163,087*	
Berkshire Local Transport Body (total)	901,519	6
Total	**7,552,567**	**54**

[2] Population as per ONS 2016 estimates
[3] Number of votes = population/140,000 (the population of constituent authority with the smallest population, this being the Isle of Wight)

Appendix 2: List of incidental powers sought

This appendix sets out the incidental amendments that will be needed to existing legislation. They include areas relating to the operation of TfSE as a type of local authority with duties in respect of staffing, pensions, transparency, monitoring and the provision of information about TfSE.

(1) Section 1 of the Local Authorities (Goods and Services) Act 1970 has effect as if TfSE were a local authority for the purposes of that section.

(2) The following provisions of the Local Government Act 1972 have effect as if TfSE were a local authority for the purposes of those provisions—

(a) section 101 Arrangements for discharge of functions by local authorities
(b) section 111 (subsidary power of local authorities);
(c) section 113 (secondment of staff)
(d) section 116 (member of TfSE not to be appointed as officer);
(e) section 117 (disclosure by officers of interests in contracts);
(f) section 135 (standing orders for contracts);
(g) section 142(2) (provision of information);
(h) section 222 (power to investigate and defend legal proceedings);
(i) section 239 (power to promote or oppose a local or personal Bill).

(4) Sections 120, 121 and 123 of that Act (acquisition and disposal of land) have effect as if—

(a) TfSE were a principal council;
(b) section 120(1)(b) were omitted;
(c) section 121(2)(a) were omitted.

(5) Section 29 of the Localism Act 2011 (registers of interests) has effect as if—

(a) TfSE were a relevant authority, and
(b) references to “the monitoring officer” were references to an officer appointed by TfSE for the purposes of that section.

(6) In the Local Government Pension Scheme Regulations 2013—

(a) in Schedule 2 (scheme employers), in Part 2 (employers able to designate employees to be in scheme), after paragraph 14 insert—
“15. Transport for the South East.”;
(b) in Schedule 3 (administering authorities), in the table in Part 2 (appropriate administering authorities for categories of scheme members), at the end insert—

“An employee of Transport for the South East	East Sussex County Council”

(7) The Local Authorities (Arrangements for the Discharge of Functions) (England) Regulations 2012 have effect as if TfSE is a local authority within the meaning of s 101 Local Government Act 1972.

Report to: **Cabinet**

Date: **16 July 2019**

By: **Chief Operating Officer**

Title of report: **Internal Audit Annual Report and Opinion 2018/19**

Purpose of report: **To give an opinion on the County Council's control environment for the year from 1 April 2018 to 31 March 2019**

RECOMMENDATIONS

Cabinet is recommended to note the internal audit service's opinion on the Council's control environment.

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1. Background

1.1 The purpose of this report is to give an opinion on the adequacy of East Sussex County Council's control environment as a contribution to the proper, economic, efficient and effective use of resources. The report covers the audit work completed in the year from 1 April 2018 to 31 March 2019 in accordance with the Internal Audit Strategy for 2018/19.

2. Supporting Information

2.1 All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The latter states that authorities 'must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'. Annually, the Chief Internal Auditor is required to provide an overall opinion on the Council's internal control environment, risk management arrangements and governance framework to support the Annual Governance Statement.

2.2 It is a management responsibility to establish and maintain internal control systems and to ensure that resources are properly applied, risks appropriately managed and outcomes achieved.

2.3 No assurance can ever be absolute; however, based on the internal audit work completed, the Orbis Chief Internal Auditor can provide reasonable assurance that East Sussex County Council has in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2018 to 31 March 2019.

2.4 This opinion, and the evidence that underpins it, is further explained in the full Internal Audit Service's Annual Report and Opinion which forms Annexe A of this report. The report highlights:

- Key issues for the year, including a summary of all audit opinions provided;
- Progress on implementation of high risk recommendations;
- Key financial systems;
- Other internal audit activity;
- Anti-fraud and corruption activity.

2.5 Section 6 of the annual report sets out details of internal audit performance for the year, including details of compliance against the relevant professional standards.

3. Conclusions and Reasons for Recommendation

3.1 Cabinet is recommended to note the internal audit service's opinion on the Council's control environment.

KEVIN FOSTER
CHIEF OPERATING OFFICER

Contact Officers: Russell Banks, Orbis Chief Internal Auditor, 01273 481447
Nigel Chilcott, Audit Manager, 01273 481992

BACKGROUND DOCUMENTS
Internal Audit Strategy and Annual Audit Plan 2018/19
Internal Audit Progress Reports 2018/19

ANNEXE A

INTERNAL AUDIT
ANNUAL REPORT & OPINION
2018/2019

East Sussex County Council

1. Internal Control and the Role of Internal Audit

1.1 All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The full role and scope of the Council's Internal Audit Service is set out within our Internal Audit Charter.

1.2 It is a management responsibility to establish and maintain internal control systems and to ensure that resources are properly applied, risks appropriately managed and outcomes achieved.

1.3 Annually the Chief Internal Auditor is required to provide an overall opinion on the Council's internal control environment, risk management arrangements and governance framework to support the Annual Governance Statement.

2. Delivery of the Internal Audit Plan

2.1 The Council's Internal Audit Strategy and Plan is updated each year based on a combination of management's assessment of risk (including that set out within the departmental and strategic risk registers) and our own risk assessment of the Council's major systems and other auditable areas. The process of producing the plan involves extensive consultation with a range of stakeholders to ensure that their views on risks and current issues, within individual departments and corporately, are identified and considered.

2.2 In accordance with the audit plan for 2018/19, a programme of audits was carried out covering all Council departments and, in accordance with best practice, this programme was reviewed during the year and revised to reflect changes in risk and priority. This has included responding to and investigating allegations of fraud and other irregularities.

2.3 All adjustments to the audit plan were agreed with the relevant departments and reported throughout the year to the Audit Committee as part of our periodic internal audit progress reports.

3. Audit Opinion

3.1 No assurance can ever be absolute; however, based on the internal audit work completed, the Chief Internal Auditor can provide reasonable [1]assurance that East Sussex County Council has in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2018 to 31 March 2019.

[1] This opinion is based on the activities set out in paragraph 4 below. It is therefore important to emphasise that it is not possible or practicable to audit all activities of the Council within a single year.

3.2 Further information on the basis of this opinion is provided below but in summary, the results of internal audit activities during the year have been generally favourable, albeit with a small number of partial opinions issued. There have been no minimal assurance opinions. The instances of partial assurance opinions are not considered sufficiently significant in terms of overall organisation governance to impact on our reasonable assurance annual audit opinion.

3.3 Where improvements in controls are required as a result of our work, we have agreed appropriate remedial action with management.

4. Basis of Opinion

4.1 The opinion and the level of assurance given takes into account:

- All audit work completed during 2018/19, planned and unplanned;
- Follow up of actions from previous audits;
- Management's response to audit findings;
- Ongoing advice and liaison with management, including regular attendance by the Chief Internal Auditor and Audit Managers at organisational meetings relating to risk, governance and internal control matters;
- Effects of significant changes in the Council's systems;
- The extent of resources available to deliver the audit plan;
- Quality of the internal audit service's performance.

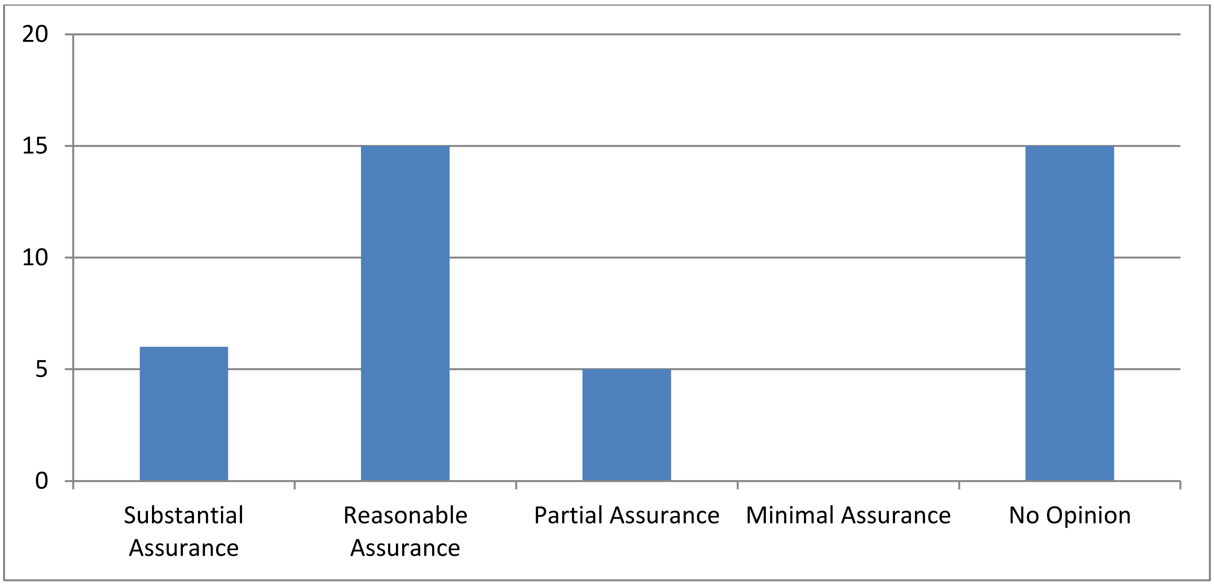
4.2 No limitations have been placed on the scope of Internal Audit during 2018/19.

5. Key Internal Audit Issues for 2018/19

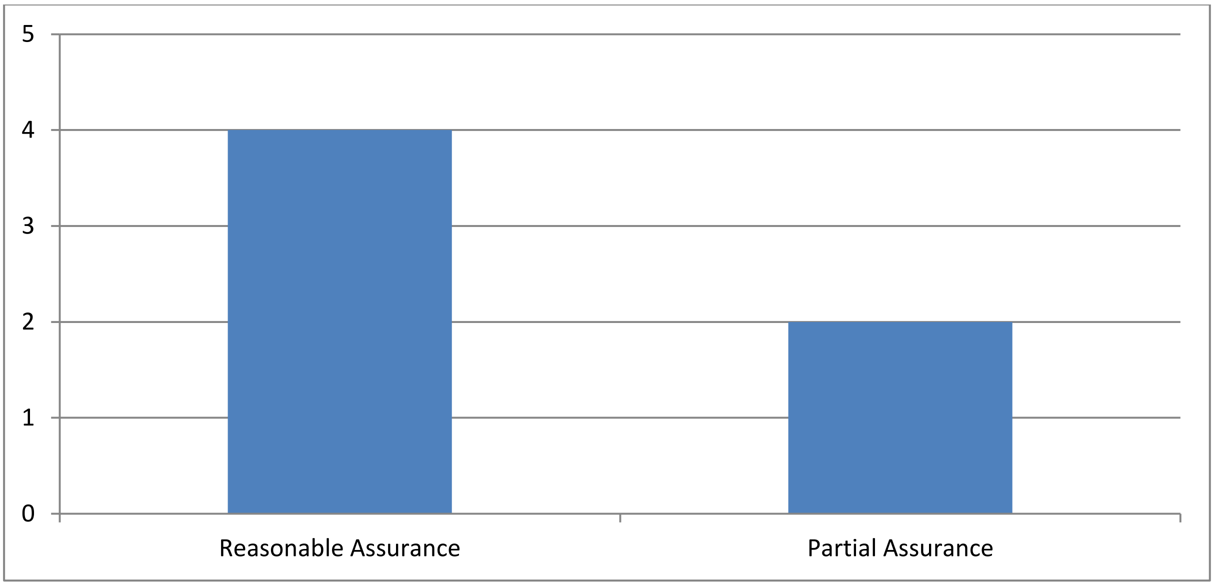
5.1 The overall audit opinion should be read in conjunction with the key issues set out in the following paragraphs. These issues, and the overall opinion, have been taken into account when preparing and approving the Council's Annual Governance Statement.

5.2 The internal audit plan is delivered each year through a combination of formal reviews with standard audit opinions, direct support for projects and new system initiatives, investigations, grant audits and ad hoc advice. The following graphs provide a summary of the outcomes from all audits finalised during 2018/19 with standard audit opinions:

Non-Schools Audit Opinions



Schools Audit Opinions



5.3 A full listing of all completed audits and opinions for the year is included at Appendix B, along with an explanation of each of the assurance levels. The results of all audit work completed is reported to the Corporate Management Team (CMT) and Audit Committee throughout the year.

5.4 A total of 5 non-school audits received partial assurance opinions within the year and there were no minimal assurance opinions. This compares with 3 partial assurance and no minimal assurance opinions in 2017/18. The 5 non-school audits that received partial assurance this year were:

- Home to School Transport
- Staff Travel and Expenses
- Orbis Integrated Budget Management
- Business Operations Cultural Compliance
- Surveillance Cameras

5.5 Whilst actions arising from these reviews will be followed up by Internal Audit, either through specific reviews or via established action tracking arrangements, it is important that management take prompt action to secure the necessary improvements in internal control. As at 31 March 2019, of the 30 high risk agreed actions due by the end of 2018/19, it is pleasing to report that all had been implemented within the agreed timescales.

5.6 At the time of producing this report, a total of 12 reviews (including unplanned reviews) remained in progress; the majority of which are at draft report stage. All of these will be completed during the first quarter of 2019/20. The finalisation of these reports will result in 100% completion of the 2018/19 internal audit plan.

Key Financial Systems

5.7 Given the substantial values involved, each year a significant proportion of our time is spent reviewing the Council's key financial systems, both corporate and departmental. Of those completed during 2018/19, all have resulted in either substantial or reasonable assurance being provided over the control environment.

5.8 During the year, the organisation undertook considerable work to upgrade SAP. This had the potential to create significant risk exposure if not completed in a properly controlled manner. We therefore provided focussed support on specific areas of the upgrade, including in relation to project governance, the control environment within the upgraded system, system testing, data integrity and interfaces. The upgrade was successfully completed in March 2019.

Other Internal Audit Activity

5.9 In addition, Internal Audit have continued to provide advice, support and independent challenge to the organisation on risk, governance and internal control matters across a range of areas. These include:

- Statutory Officers Group – to consider current risk and governance issues facing the authority with a view to ensuring appropriate management/response arrangements are in place;
- Business Continuity Response Team - to consider the adequacy and effectiveness of business continuity arrangements across the Council;
- Orbis Customer Access Portal (OCAP) - to support the development of the OCAP project (to deliver a new integrated customer service platform) through attendance at steering and working group meetings, providing independent advice, support and guidance;
- Procurement Controls - highlighting areas arising from recent audit investigations to drive improvement in procurement across the Orbis partnership; and

- Pension Fund Annual Benefit Statements (ABS) - to review the controls around the issuing of ABS to members of the Pension Fund.

Anti-Fraud and Corruption

5.10 The Orbis IA structure came into effect from 1st April 2018. The integrated structure was designed to deliver resilience, flexibility and quality, specialisms and sustain a strong sovereign focus. A key strand of the structure was the formation of a counter fraud team that would deliver specialist fraud resource across the partnership.

5.11 The service continues to cover a wide range of fraud and corruption related risks. During 2018/19, we logged 18 allegations under the Council's Anti-Fraud and Corruption Strategy, in all cases identified through the Council's confidential reporting hotline or notifications from departments. As a result of the allegations, 5 investigations were undertaken by Internal Audit, with the remainder being referred to local management, another local authority or assessed as requiring no further action. The following provides a summary of the investigation activity undertaken by Internal Audit in the last 12 months:

- A joint investigation was undertaken with TIAA (the organisation responsible for investigating fraud within Clinical Commissioning Groups (CCG's) in the NHS) regarding an allegation that a GP practice was inflating its figures on quarterly returns to the Council in respect of sexual health services, which are funded by Public Health. The investigation found that an over-payment of approximately £38,000 had been made to the GP practice as a result of the template they used to record services being designed incorrectly. However, we were unable to establish any evidence that the template had been deliberately designed in this way in order to defraud Public Health. Following the investigation, a number of internal control improvements were put in place by Public Health, including the issuing of a standard template for all GP practices to use. The overpayment was subsequently recovered.

- An allegation was received regarding a member of staff within Adult Social Care consistently over-claiming business mileage. In investigating this, we found that, rather than any deliberate attempt to defraud the Council, the individual demonstrated a lack of understanding with regards to how business mileage should be calculated. It was therefore agreed that they would pay back the over-claimed mileage and be subject to formal standard setting on this occasion, and support would be provided in terms of completing future claims.

- We provided support and advice to a management investigation following receipt of an anonymous allegation that raised concerns about a member of staff initiating the setting-up of a business which conflicted with their role within the Council. The investigation determined that there was no evidence of fraud or deliberate attempts to conceal information; rather a lack of awareness of policy. In conjunction with Human Resources, management determined that the employee should be subject to formal standard setting on this occasion.

- An audit investigation was undertaken following an anonymous allegation that a manager within the Council had friendships with contractors that he was responsible for employing and had personally benefited from using their services. Our investigation confirmed the existence of personal relationships with contractors that went beyond that considered appropriate by an officer in this role, including socialising and receipt of hospitality. The manager had not declared this in accordance with the Council's Code of Conduct and Conflict of Interest policy, despite regular reminders to do so, and therefore no measures to manage the conflict had been put in place. In addition, the manager had also not declared hospitality received from a potential contractor relating to a large contract due to be let by the Council. During the course of the investigation, the officer concerned left the Council. In response to these issues, an internal control review was undertaken to ensure that appropriate management controls were put in place to help avoid future repetition. In addition, management initiated a review of the relevant contracts in this area to ensure the existence of robust and transparent arrangements.

- An audit investigation was undertaken following an allegation of conflict of interest within one of the County's schools, specifically in relation to the appointment and subsequent management of family members. The investigation confirmed that clear conflicts of interest existed and that these were neither properly declared nor effectively managed. As part of the investigation, a range of governance weaknesses were identified resulting in suspension of the school's delegated budget and the replacement of the governing body with an Interim Executive Board, run directly by the local authority. This school will now be subject to a full internal audit review during 2019/20 to confirm that a robust control environment is in place and the issues arising from this investigation have been suitably addressed.

5.12 Any internal control weaknesses identified during our investigation work are reported to management and actions for improvement are agreed. This work is also used to inform future internal audit activity.

5.13 As well as the investigation work referred to above, we continue to be proactive in the identification and prevention of potential fraud and corruption activity across the Authority and in raising awareness amongst staff. During 2018/19, this has also involved the review and alignment of policies and procedures to ensure the Counter Fraud Team deliver a consistent standard of service across the Orbis partners. Progress over the last 12 months is outlined below:

Priority	Progress to date
Reactive Investigations	The counter fraud team is responsible for assessing and evaluating fraud referrals received by each sovereign partner, and then leading on subsequent investigations. The team have implemented a coordinated approach to assessing and logging referrals and adopted consistent procedures for recording investigations.

Priority	Progress to date
	During the 12 month period to date, there have been several investigations across the partnership which have been resourced through a mixture of the counter fraud team and sovereign audit teams, supported by advice and direction form the counter fraud team.
National Fraud Initiative (NFI) Exercise	The counter fraud team have taken on responsibility for the coordination and submission of datasets at each authority. The NFI Key Contacts are members of the counter fraud team to ensure a consistent approach is followed and good practice is shared across all partners. Results from the matching exercise were received in Spring 2019 and the counter fraud team is liaising with partner authorities to review, prioritise and investigate flagged matches.
Counter Fraud Policies	Each Orbis partner has in place a counter fraud strategy that sets out their commitment to preventing, detecting and deterring fraud. The counter fraud team is reviewing the sovereign strategies and aligning with best practice to ensure a robust and consistent approach to tackling fraud. As a priority, the Anti-Money Laundering policies have been reviewed and updated to reflect recent changes in legislation.
Fraud Risk Assessments	Fraud risk assessments have been consolidated to ensure that the current fraud threat has been considered and mitigating actions identified.
Fraud Response Plans	The Fraud Response Plans take into consideration the fraud risk assessments and emerging trends across the public sector and provide a proactive counter fraud programme. These have been reviewed and aligned to deliver an efficient and effective programme of work across the Orbis partners. This will form the basis of planned proactive work for 2019/20 and include an increased emphasis on data analytics.
Fraud Awareness	The team have been rolling out a programme of fraud awareness workshops to help services identify the risk of fraud and vulnerabilities in their process and procedures. Workshops have been delivered to several teams across the partners from a mix of services.

5.14 Whilst it is our opinion that the control environment in relation to fraud and corruption is satisfactory and the incidence of fraud is considered low for an organisation of this size and diversity, we continue to be alert to the risk of fraud. This includes working with local fraud hubs; the aim of which is to deliver a strong and co-ordinated approach to preventing, detecting and responding to fraud.

Amendments to the Audit Plan

5.15 In accordance with proper professional practice, the Internal Audit plan for the year was kept under regular review to ensure that the service continued to focus its resources in the highest priority areas based on an assessment of risk. Through discussions with management, the following reviews were added to the original audit plan during the year:

- Property Disposals
- Pension Fund – Annual Benefit Statements
- Non-Household Waste Charging Scheme
- Surveillance Cameras
- Orbis Customer Access Portal
- Pension Fund Strategy
- Purchase To Pay Change Programme
- Procurement Controls - Lessons Learned from Investigations
- SAP Upgrade
- Timeliness of Waivers

5.16 In order to allow these additional audits to take place, the following audits have been removed or deferred from the audit plan and, where appropriate, will be considered for inclusion in future audit plans as part of the overall risk assessment completed during the annual audit planning process. These changes have been made on the basis of risk prioritisation and/or as a result of developments within the service areas concerned requiring a rescheduling of audits:

- Parking
- Connecting 4 You
- General Ledger
- Supply Chain Management
- IT and Digital Project Management
- Property Investment
- Buzz Active
- LAS/Controcc

6. Internal Audit Performance

6.1 Public Sector Internal Audit Standards (PSIAS) require the internal audit service to be reviewed annually against the Standards, supplemented with a full and independent external assessment at least every five years. The following paragraphs provide a summary of our performance during 2018/19, including the results of our first independent PSIAS assessment, an update on our Quality Assurance and Improvement Programme and the year end results against our agreed targets.

PSIAS

6.2 The Standards cover the following aspects of internal audit, all of which were independently assessed during 2018 by the South West Audit Partnership (SWAP) and subject to a refreshed self-assessment in 2019:

- Purpose, authority and responsibility;
- Independence and objectivity;
- Proficiency and due professional care;
- Quality assurance and improvement programme;
- Managing the internal audit activity;
- Nature of work;
- Engagement planning;
- Performing the engagement;
- Communicating results;
- Monitoring progress;
- Communicating the acceptance of risks.

6.3 The results of the SWAP review and our latest self-assessment found a high level of conformance with the Standards with only a small number of minor areas for improvement. Work has taken place to address these issues, none of which were considered significant, and these are subject to ongoing monitoring as part of our quality assurance and improvement plan.

Key Service Targets

6.4 Performance against our previously agreed service targets is set out in Appendix A. Overall, client satisfaction levels remain high, demonstrated through the results of our post audit questionnaires, discussions with key stakeholders throughout the year and annual consultation meetings with Chief Officers.

6.5 Significantly, we have completed 93.4% of the 2018/19 audit plan, exceeding our target of 90%. As reported in 5.6 above, a small number of outstanding reviews were nearing completion at year end, with all reports due to be finalised in quarter 1 of 2019/20.

6.6 Internal Audit will continue to liaise with the Council's external auditors (now Grant Thornton) to ensure that the Council obtains maximum value from the combined audit resources available.

6.7 In addition to this annual summary, the Corporate Management Team (CMT) and Audit Committee will continue to receive performance information on internal audit throughout the year as part of our quarterly progress reports.

Appendix A

Internal Audit Performance Indicators 2018/19

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
Quality	Annual Audit Plan agreed by Audit Committee	By end April	G	Approved by Audit Committee on 25 March 2019
	Annual Audit Report and Opinion	By end July	G	Approved by Audit Committee on 13 July 2018
	Customer Satisfaction Levels	90% satisfied	G	100%
Productivity and Process Efficiency	Audit Plan – completion to draft report stage	90%	G	93.4%
Compliance with Professional Standards	Public Sector Internal Audit Standards	Conforms	G	Last independent external assessment awarded highest level of conformance. Confirmed in most recent self-assessment
	Relevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures and Investigations Act	Conforms	G	No evidence of non-compliance identified
Outcome and degree of influence	Implementation of management actions agreed in response to audit findings	95% for high priority agreed actions	G	100%
Our staff	Professionally Qualified/Accredited	80%	G	87%

Appendix B

Summary of Opinions for Internal Audit Reports Issued During 2018/19

Substantial Assurance:

(Explanation of assurance levels provided at the bottom of this document)

Audit Title	Department
Community Infrastructure Levy	CET
HR Payroll	BSD
Pension Fund External Control Assurance	BSD
Pension Fund ACCESS Pool	BSD
Treasury Management	BSD
Risk Based Budget Monitoring	Corporate

Reasonable Assurance:

Audit Title	Department
ESBT Information Governance	ASC
Transition of Young People into Adult Social Care	ASC
Pension Fund Processes and Systems	BSD
LAS and Controcc	ASC
LCS and Controcc	CSD
Contract Management – Mobile Phones	BSD
Apprenticeship Levy	BSD
SAP Application Controls	BSD
Third Party Services	BSD
Disaster Recovery	Corporate
Preparedness for the General Data Protection Regulation	Corporate
Lease Management	BSD
Care Leaver Payments and Grants	ASC
Non-Household Waste Charging Scheme	CET
Safeguarding in Schools	CSD
Polegate Primary School	CSD
Sedlescombe CE Primary School	CSD
St. Mary the Virgin CE Primary School Follow-Up	CSD
Wallands Community Primary School	CSD

Partial Assurance:

Audit Title	Department
Home to School Transport	CET
Staff Travel and Expenses	BSD
Orbis Integrated Budget Management	BSD
Business Operations Cultural Compliance	BSD
Surveillance Cameras	BSD
Denton Community School	CSD
Southover CE Primary School	CSD

Other Audit Activity Undertaken During 2018/19 (including direct support for projects and new system initiatives and grant audits):

Audit Title	Department
Ongoing Support for Procurement Transformation	BSD
Orbis Policy Review	Corporate
Atrium	BSD
Troubled Families	CSD
Procurement Controls	BSD
Pensions Administration – Annual Benefit Statements Regulatory Breach	BSD
Property Disposals	BSD
SAP Upgrade	BSD
Procure to Pay Change Programme	BSD
OCAP Advice	BSD
Pension Fund Strategy	BSD
Bus Subsidy Grant	CET
National Fraud Initiative	BSD
DFT Grant	CET
Broadband UK	CET

Audit Opinions and Definitions

Opinion	Definition
Substantial Assurance	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Reasonable Assurance	Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Partial Assurance	There are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk.
Minimal Assurance	Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives.