East Sussex County Council

CABINET

TUESDAY, 10 DECEMBER 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 12 November 2019 *(Pages 3 - 6)*

2 Apologies for absence

3 Disclosures of interests

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

4 Urgent items

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

5 Council Monitoring: Quarter 2 2019/20 *(Pages 7 - 46)*
Report by Chief Executive

6 Looked After Children's Services Annual Report 2018/19 *(Pages 47 - 78)*
Report by Director of Children's Services

7 Treasury Management Annual Report 2018/19 and mid-year report 2019/20 *(Pages 79 - 98)*
Report by the Chief Operating Officer

8 Annual Audit Letter 2018/19 *(Pages 99 - 116)*
Report by the Chief Operating Officer

9 Any other items considered urgent by the Chair

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

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

2 December 2019

Contact Andy Cottell, 01273 481955,
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www.eastsussex.gov.uk/yourcouncil/webcasts/default.htm

CABINET

MINUTES of a meeting of the Cabinet held on 12 November 2019 at Council Chamber - County Hall, Lewes

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

Members spoke on the items indicated

Councillor Bennett	- item 5 (minute 20)
Councillor Godfrey Daniel	- item 5 (minute 20)
Councillor Davies	- items 5, 6 and 7 (minutes 20, 21 and 22)
Councillor Ensor	- item 6 (minute 21)
Councillor Field	- item 7 (minute 22)
Councillor Galley	- item 5 (minute 20)
Councillor Maynard	- item 6 (minute 21)
Councillor Scott	- item 5 (minute 20)
Councillor Stephen Shing	- item 5 (minute 20)
Councillor Stogdon	- item 7 (minute 22)
Councillor Tidy	- item 7 (minute 22)
Councillor Tutt	- item 5 (minute 20)
Councillor Ungar	- items 5 and 6 (minute 20 and 21)
Councillor Webb	- items 5, 6 and 7 (minutes 20, 21 and 22)
Councillor Whetstone	- item 7 (minute 22)

18 MINUTES OF THE MEETING HELD ON 8 OCTOBER 2019

18.1 The minutes of the Cabinet meeting held on 8 October 2019 were agreed as a correct record.

19 REPORTS

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

20 RECONCILING POLICY, PERFORMANCE AND RESOURCES UPDATE

20.1 The Cabinet considered a report by the Chief Executive.

20.2 It was RESOLVED to:

1) welcome the additional one-off funding expected for 2020/21 but note that it is one-off and does not affect the savings position over the next Medium Term Financial Plan;
2) agree that planning continues on the basis that the 2% Adult Social Care precept is agreed by the County Council when setting the budget;
3) agree that, subject to funding being available, the savings in relation to Early Help family key workers (£0.981m) are not implemented in 2019/20 or 2020/21;
4) ask officers to continue to develop proposals for the one-off expenditure set out in paragraphs Q to AD in appendix 3 of the report and to invite Scrutiny Committees to consider the suggested proposals, along with any others suggested by Members; and
5) agree that lobbying should continue for a sustainable funding regime to meet the needs of residents of East Sussex.

Reason

20.3 The Medium Term Financial Plan (MTFP) has been updated to reflect announcements since State of the County was presented to Cabinet on 16 July 2019. The position now shows a revised total deficit over the three-year MTFP of £25.4m. However, due to the nature of the one-off funding projected to be received in 2020/21, there is a surplus of £6.3m in 2020/21. This provides an opportunity to explore options for the use of this one-off surplus. The report sets out the options put forward to date.

21 SCRUTINY REVIEW OF THE CHANGING CARE MARKET: ADULT SOCIAL CARE WORKFORCE - REPORT OF THE PEOPLE SCRUTINY COMMITTEE

21.1 The Cabinet considered a report by the People Scrutiny Committee and a report by the Director of Adult Social Care and Health with observations on the Scrutiny Committee's report.

21.2 It was RESOLVED to:

1) note and welcome the report of the Scrutiny Committee; and
2) recommend the County Council to welcome the report of the Scrutiny Committee and to agree the response of the Director of Adult Social Care and Health to the recommendations and their implementation as set out in the action plan attached as Appendix 1 to the Director's report.

Reason

21.3 The Scrutiny Review of the Changing Care Market: Adult Social Care Workforce is welcomed by the Adult Social Care Department. The Review builds on the work that was being was being taken forward across the County Council and provides practical recommendations which will help further enhance the support we offer as one council to the independent care sector regarding older people services

22 SCRUTINY REVIEW OF SUPPORT TO UNACCOMPANIED ASYLUM SEEKING CHILDREN - REPORT BY THE PEOPLE SCRUTINY COMMITTEE

22.1 The Cabinet considered a report by the People Scrutiny Committee and a report by the Director of Children's Services with observations on the Scrutiny Committee's report.

22.2 It was RESOLVED to:

1) note and welcome the report of the Scrutiny Committee; and
2) recommend the County Council to welcome the report of the Scrutiny Committee and to agree the response of the Director of Children's Services to the recommendations and their implementation as set out in the action plan attached as Appendix 1 to the Director's report.

Reason

22.3 The Scrutiny Review of Support for Unaccompanied Asylum-Seeking Children is welcomed by the Children's Services Department as it will help enhance the levels of support it already provides to this especially vulnerable group of children and young people. The Scrutiny Review has sought to develop practical, achievable recommendations that will complement the work already being undertaken to support young asylum-seekers.
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23 DEED OF VARIATION TO THE INTEGRATED WASTE MANAGEMENT SERVICES CONTRACT

23.1 The Cabinet considered a report by the Director of Communities, Economy and Transport together with a further report containing exempt information set out in a later agenda item.

23.2 It was RESOLVED to:

1) note the report and approve the principle of entering into the Deed of Variation to the Integrated Waste Management Services Contract; and
2) delegate authority to the Director of Communities, Economy and Transport to agree the final terms of the Deed of Variation to the Integrated Waste Management Services Contract

Reason

23.3 The Councils could have pursued dispute resolution earlier in the negotiations; however, this would have incurred considerable costs for the Councils and may ultimately have been unsuccessful in some or all of the disputes. The agreement reached with Veolia is considered to be positive for the Councils and resolves a number of current contractual and legacy issues dating back to the 2007 Holding Agreement.

23.4. The negotiated agreement represents a £10m reduction in contract costs across the life of the contract. Based on the Joint Working Agreement between East Sussex County Council (ESCC) and Brighton & Hove City Council (BHCC), the ESCC share of this is £6.9m and BHCC £3.1m. Further detail is provided under a later item on the agenda that contains exempt information.

24 ITEMS TO BE REPORTED TO THE COUNTY COUNCIL

24.1 The Cabinet agreed that agenda items 5, 6 and 7 should be reported to the County Council.
[Note: The items being reported to the County Council refer to minute numbers 20, 21 and 22]

25 EXCLUSION OF THE PUBLIC AND PRESS

25.1 It was RESOLVED to – exclude the public and press from the meeting for the remaining agenda items on the grounds that if the public and press were present there would be disclosure to them of exempt information as specified in paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 (as amended), namely information relating to the financial or business affairs of any particular person (including the authority holding that information).

26 DEED OF VARIATION TO THE INTEGRATED WASTE MANAGEMENT SERVICES CONTRACT

26.1 The Cabinet considered a report by the Director of Communities, Economy and Transport.

26.2 It was RESOLVED to – note the report.

Reason

26.3 The report contained exempt information in relation to an earlier item on the agenda.

Agenda Item 5

Report to: Cabinet
Date: 10 December 2019
Report by: Chief Executive
Title: Council Monitoring Report – Q2 2019/20
Purpose: To report Council monitoring for quarter 2 2019/20

RECOMMENDATIONS

Cabinet is recommended to:

1) note the latest monitoring position for the Council; and

2) approve the proposed amendment to the performance measure set out in paragraph 2.1.

1. Introduction

1.1 This report sets out the Council's position and year-end projections for the Council Plan targets, Revenue Budget, Capital Programme, and Savings Plan, together with Risks at the end of September 2019.

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

2. Council Plan 2019/20 amendments and variations

2.1 One performance measures is proposed for amendment:

- Road Safety, from:

  Percentage of *young male drivers* who were aware of the social media campaign who report they changed their behaviour;

  to:

  The percentage of *young drivers and their passengers* who report positive attitudinal and behavioural change in response to the engagement campaign designed to reduce risk of collisions/KSIs immediately after intervention and over time.

  The target remains at 15%, see Appendix 5, ref ii.

2.2 The details of over and underspends in each department are set out in the relevant appendices, and show a total forecast overspend of £6.1m (a decrease of £0.3m from Q1's forecast of £6.4m). The main headlines are:

- The reduction on last quarter's forecast overspend from £1.0m to £0.8m for Adult Social Care, is due to a small reduction in demand led costs (equal to 0.1% of the ASC budget).
- Children's Services is projected to overspend by £5.9m (£5.5m in Q1), principally due to the increases in agency placements for Looked After Children as reported previously. The movement from Q1 is mainly due to two Section 17 placements and five more Asylum Seekers than had been forecast.

2.3 Within Treasury Management (TM), the strategy to maximise income and minimise the cost of debt where possible continues, together with opportunities being taken to repay debts where advantageous to do so. No additional short or long term borrowing was undertaken in the quarter and no further cost effective opportunities have arisen to restructure the existing PWLB or wider debt portfolio. There is currently an estimated £1.2m underspend, which has increased from Q1 by £0.6m, reflecting that the Council is unlikely to borrow this year; this will be used to offset service overspend. There is continued uncertainty around the impact of Brexit, and other TM considerations, meaning there could be fluctuations in forecasts over the year.

2.4 Corporate Funding continues to show additional income of £0.4m for Business Rates, reflecting final forecast information from Districts & Boroughs.

2.5 The general contingency of £3.6m will partially offset the deficit after applying underspends from TM, other centrally held budgets and Business Rates; the remaining deficit of £0.6m will be covered through use of reserves.

2.6 The Capital Programme expenditure for the year is projected to be £100.8m against a budget of £110.4m, a variation of £9.6m (£0.3m in Q1). It should be noted that the majority of slippage (£7.6m) is in schemes being delivered by or in partnership with others, where those organisations control the timetable.

Variances within the Council's control are:

- slippage due to additional groundwork discovered during initial works over the summer at the Reef Way project (£0.6m);
- a review and re-profile of the schools basic need programme to match need in future years (£1.4m);

Variances outside the Council's direct control are:-

- a delay by the DfE at Summerdown, as the DfE proceed through their process and negotiate with the trust (£2.9m);
- a delay to the Hastings and Bexhill Movement and Access Scheme, delivered via LEP, resulting in slipping due to resourcing issues, third party objections and safety audit issues (£2.6m);
- a delay to the Eastbourne and South Wealden Walking and Cycling Package, delivered via LEP, due to resourcing issues (£1.0m);
- suspension of work on Eastbourne Town Centre, delivered via LEP, agreed in October, pending the completion of the Terminus Road stage (£0.7m).
- a delay of the Hailsham/Polegate/Eastbourne Movement & Access Corridor, delivered via LEP, due to the need for wider transport modelling work (£0.4m);

2.7 The Strategic Risk Register, Appendix 7, was reviewed and updated to reflect the Council's changing risk profile. Risk 1 (Roads), Risk 4 (Health), Risk 5 (Reconciling Policy, Performance and Resource), Risk 6 (Local Economic Growth), Risk 7 (Schools), Risk 9 (Workforce) and Risk 15 (Climate) all have updated risk control measures. No new risks have been added to the Strategic Risk register following this review and no existing risks have been removed.

3. Progress against Council Priorities

Driving sustainable economic growth

3.1 82 carriageway asset improvement schemes were completed in quarter 2, to maintain and improve the condition of the Council's roads (Appendix 5).

3.2 Businesses were assisted to create 49 jobs in quarter 2, through business support programmes; Locate East Sussex also assisted 12 businesses to move into, or relocate within, the county (Appendix 5).

3.3 Provisional 2019 Key Stage 2 (KS2) data for East Sussex shows 45.8% of disadvantaged pupils achieved the expected standard in reading, writing and maths, compared to 51.4% nationally, a gap of 5.6 percentage points (Appendix 4).

3.4 Key Stage 4 results (Appendix 4).

- Progress 8; this is a measure of how well pupils progress from end of key stage 2 to the end of key stage 4 compared to students across England who got similar results at the end of key stage 2. Because it is a relative measure the national average score will be close to zero. A higher/positive result means pupils on average make more progress, and a lower/negative result means pupils on average make less progress. Progress scores are significance tested, based on DfE methodology and will be deemed to be one of the following: well above average, above average, average, below average or well below average. The provisional overall Progress 8 score for East Sussex for academic year 2018/19 is -0.05 (below average) compared to -0.03 nationally.

- Attainment 8; this measures the average achievement of pupils in up to 8 qualifications. The total average Attainment 8 score for East Sussex in 2019 is 45.2 (the same as 2018), compared to 46.7 nationally.

3.5 The overall effectiveness judgement for schools inspected at 30th August 2019, places East Sussex 27th across all schools in the Ofsted league of schools that are good or outstanding. In August 2014 East Sussex was ranked 130th out of 152 (Appendix 4).

Keeping vulnerable people safe

3.6 East Sussex Clinical Commissioning Groups and East Sussex County Council have successfully bid to become a trailblazer for the implementation of new Mental Health Support Teams (MHSTs) in schools. This is an additional resource to set up new provision aimed at building greater capacity to support more children with Mental Health and Emotional Wellbeing needs. It has been indicated that we have been awarded funding for three MHSTs covering in total approximately 24,000 pupils / 60 schools (Appendix 4).

3.7 Trading Standards made 66 positive interventions to protect vulnerable people in quarter 2; including visiting 59 victims of rogue trading or financial abuse and installing seven call blockers to protect people from telephone scams (Appendix 5).

Helping people help themselves

3.8 A project has been delivered to ensure all GP surgeries in East Sussex have access to advice and guidance from hospital consultants to prevent unnecessary referrals to hospital. There have been 4,000 fewer hospital referrals this year compared to the same period last year. The project will be expanded to review the number of pathology tests requested by GPs to optimise the use of the testing service at the hospital (Appendix 2).

3.9 Services for adults to help them live independently and delay the need for residential or nursing care resulted in 90.8% of older people still at home 91 days after discharge from hospital into reablement/rehabilitation services, while the rate of permanent admissions of both working age and older people to residential/nursing care were on target for the year (Appendix 2).

3.10 Three infrastructure schemes to improve road safety have been delivered in 2019/20 with a further scheme currently being implemented. Subject to costs and the availability of funding from the identified budget, it is planned that a further 6 schemes will be implemented this year (Appendix 5).

Making best use of resources

3.11 Lobbying of the Government has continued in quarter 2, including the Leader writing to Rishi Sunak MP; the Leader signing the County Councils Network letter urging the Prime Minister to deliver on his promise to ‘level up’ funding; Luke Hall MP, and the new Minister for Local Government agreeing to meet the Leader and East Sussex MPs, a meeting date is to be confirmed (Appendix 6).

3.12 Transport for the South East (TfSE) successfully launched their draft Transport Strategy on 10 October 2019, at a conference attended by over 250 representatives from local authorities, businesses and transport organisations. The keynote address at the conference was delivered by George Freeman, Minister of State at the Department for Transport. A consultation on the strategy will close on 10 January 2020 (Appendix 6).

Becky Shaw, Chief Executive

How to read this report

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

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

Cover report, Appendix 1

The cover report and Appendix 1 provide a concise corporate summary of progress against all our Council Plan Targets (full year outturns at quarter 4), Revenue Budget, Savings Targets, and Capital Programme.

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

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

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

Departmental Appendices 2 - 6

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

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

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

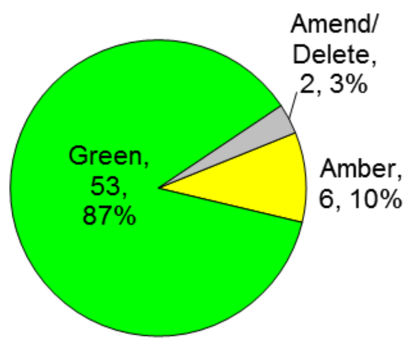
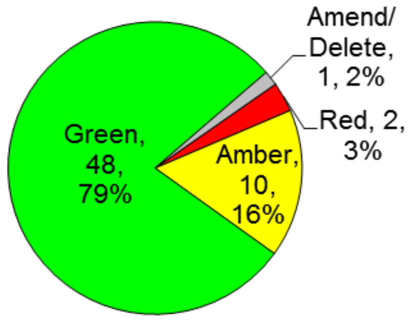
Strategic Risk Register Appendix 7

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

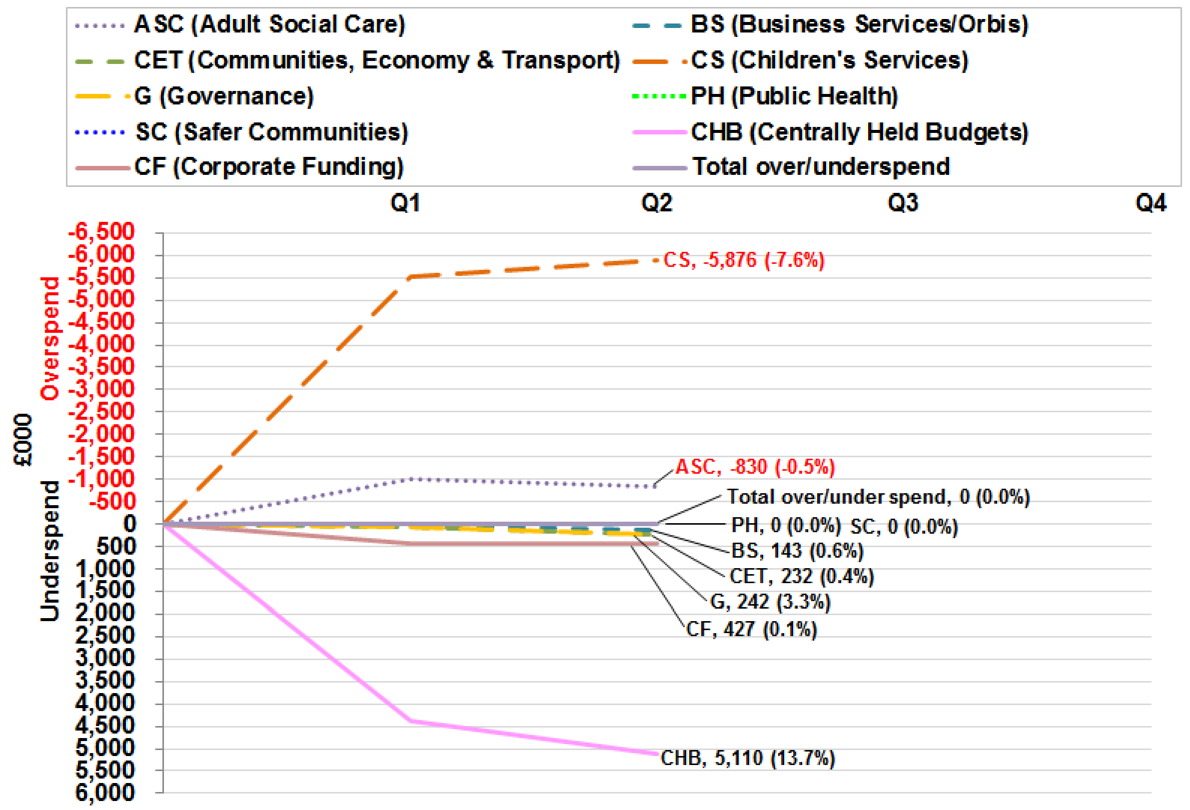
Council Monitoring Corporate Summary – Q2 2019/20

Council Plan performance targets

Priority	Red	Amber	Green	Amend / Delete
Driving sustainable economic growth	2	5	20	0
Keeping vulnerable people safe	0	0	11	0
Helping people help themselves	0	3	16	1
Making best use of resources	0	2	1	0
Total	**2**	**10**	**48**	**1**

Q2 2019/20	Q1 2019/20	Q2 2019/20
There are 61 individual measures in the Council Plan. • Appendix 2 ASC&H – 2 amber • Appendix 3 BSD – 2 amber • Appendix 4 CSD – 2 red, 4 amber • Appendix 5 CET – 2 amber, 1 amend/delete		

Revenue budget outturn (net £000)



APPENDIX 1

Revenue budget summary (£000)									
	Planned (£000)			Q2 2019/20 (£000)					
				Projected outturn			(Over) / under spend		
	Gross	Income	Net	Gross	Income	Net	Gross	Income	Net
Service Expenditure									
Adult Social Care	262,709	(91,594)	171,115	267,562	(95,617)	171,945	(4,853)	4,023	(830)
Safer Communities	583	(247)	336	1,128	(792)	336	(545)	545	-
Public Health	29,092	(29,092)	-	28,162	(28,162)	-	930	(930)	-
Business Services	47,224	(23,975)	23,249	47,902	(24,796)	23,106	(678)	821	143
Children’s Services	320,769	(243,457)	77,312	329,391	(246,203)	83,188	(8,622)	2,746	(5,876)
Communities, Economy & Transport	117,283	(57,974)	59,309	116,576	(57,499)	59,077	707	(475)	232
Governance Services	8,303	(937)	7,366	8,120	(996)	7,124	183	59	242
Total Service Spend	**785,963**	**(447,276)**	**338,687**	**798,841**	**(454,065)**	**344,776**	**(12,878)**	**6,789**	**(6,089)**
Centrally Held Budgets (CHB)									
Treasury Management	20,186	(2,600)	17,586	18,355	(2,000)	16,355	1,831	(600)	1,231
Capital Programme	2,300	-	2,300	2,300	-	2,300	-	-	-
Unfunded Pensions	10,338	-	10,338	10,199	-	10,199	139	-	139
General Contingency	3,570	-	3,570	-	-	-	3,570	-	3,570
Contrib to Reserves	6,653	-	6,653	6,617	-	6,617	36	-	36
Apprenticeship Levy	600	-	600	579	-	579	21	-	21
Levies, Grants and Other	984	(4,823)	(3,839)	894	(4,846)	(3,952)	90	23	113
Total CHB	**44,631**	**(7,423)**	**37,208**	**38,944**	**(6,846)**	**32,098**	**5,687**	**(577)**	**5,110**
Corporate Funding									
Business Rates	-	(84,325)	(84,325)	-	(84,752)	(84,752)	-	427	427
Revenue Support Grant	-	-	-	-	-	-	-	-	-
Council Tax	-	(290,684)	(290,684)	-	(290,684)	(290,684)	-	-	-
New Homes Bonus	-	(886)	(886)	-	(886)	(886)	-	-	-
Total Corporate Funding	**0**	**(375,895)**	**(375,895)**	**0**	**(376,322)**	**(376,322)**	**0**	**427**	**427**
Total	**830,594**	**(830,594)**	**0**	**837,785**	**(837,233)**	**552**	**(7,191)**	**6,639**	**(552)**
Use of reserves to cover remaining deficit	-	-	-	(552)	-	(552)	552	-	552
FINAL TOTAL	**830,594**	**(830,594)**	**0**	**837,233**	**(837,233)**	**0**	**(6,639)**	**6,639**	**0**

APPENDIX 1

Revenue Savings Summary 2019/20					
	2019/20 (£'000) – Q2 Forecast				
Service description	**Original Target for 2019/20**	**Target including items c/f from previous year(s)**	**Achieved in-year**	**Will be achieved, but in future years**	**Cannot be achieved**
Savings					
ASC	730	6,817	6,211	606	-
BSD / Orbis	1,003	1,003	1,003	-	-
CS	1,049	3,640	2,382	1,258	-
CET	2,349	2,636	1,786	850	-
GS	-	-	-	-	-
Total Savings	**5,131**	**14,096**	**11,382**	**2,714**	**0**
ASC			-	-	-
BSD / Orbis			-	-	-
CS			-	-	-
CET			-	-	-
GS			-	-	-
Subtotal Permanent Changes [1]			**0**	**0**	**0**
Total Savings & Permanent Changes	**5,131**	**14,096**	**11,382**	**2,714**	**0**

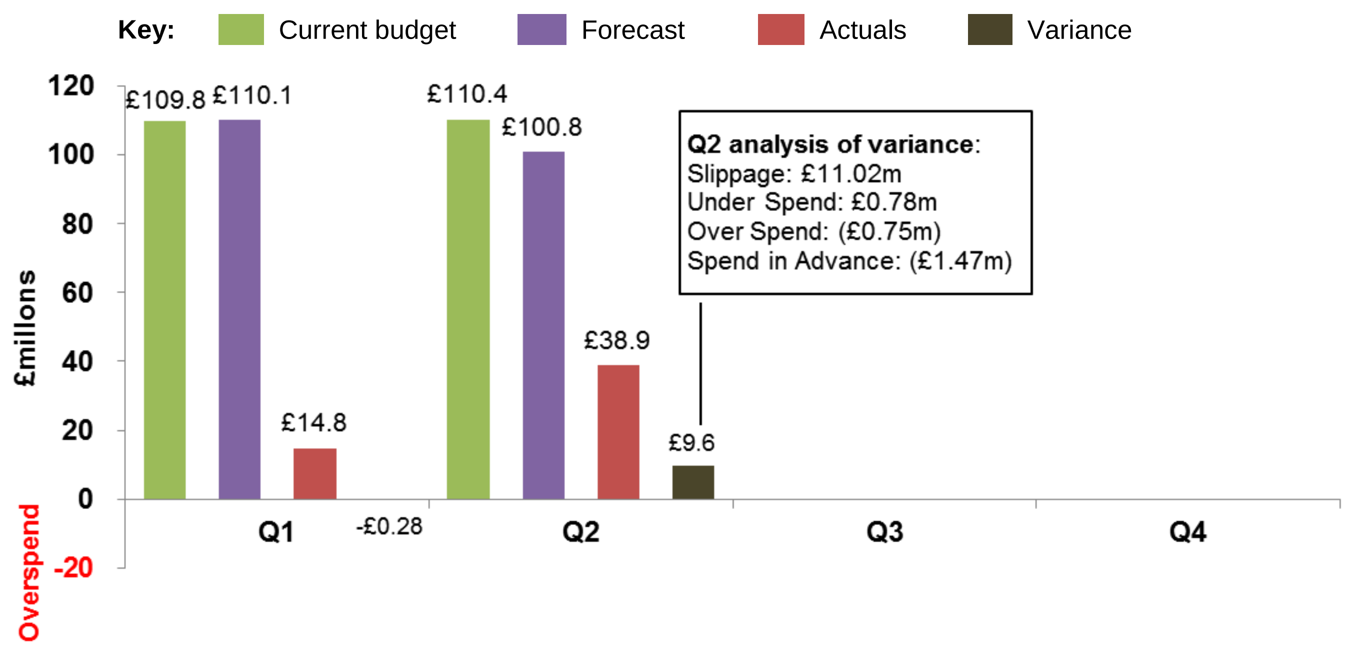
Memo: treatment of savings not achieved in the year (£'000)	**Temporary Funding** [2]	**Part of reported variance** [3]	**Total**
ASC	-	606	606
BSD / Orbis	-	-	-
CS	1,258	-	1,258
CET	850	-	850
GS	-	-	-
Total	**2,108**	**606**	**2,714**

[1] Permanent changes will replace a previously agreed saving that can no longer be achieved. It is done via approval of quarterly monitoring.

[2] Temporary funding will only replace a slipped or unachieved saving for one year; the saving will still need to be made in future years (or be replaced with something else).

[3] The slipped or unachieved saving will form part of the department's overall variance - it will either increase an overspend or decrease an underspend. The saving will still need to be made in future years (or be replaced with something else).

Capital programme (gross £ millions) – approved projects



Capital programme summary (£000)

Approved project	Total project – all years*		2019/20 (£000)						
			In year monitor Q2				Analysis of variation		
	Budget	Projected	Budget	Actual to date	Projected 2019/20	Variation (over) / under budget	(Over) / under spend	Slippage to future year	Spend in advance
ASC	10,409	10,409	2,017	1,095	2,017	-	-	-	-
BSD	278,673	278,673	41,981	15,334	36,891	5,090	5	5,394	(309)
CS	27,311	27,193	1,840	1,661	1,722	118	25	93	-
CET	569,079	569,079	64,534	20,843	60,160	4,374	-	5,534	(1,160)
GS	-	-	-	-	-	-	-	-	-
Total	**885,472**	**885,354**	**110,372**	**38,933**	**100,790**	**9,582**	**30**	**11,021**	**(1,469)**
Scheme Specific Income			39,780		39,780	-			
Capital Reserves			10,510		10,510	-			
Non Specific Grants			37,605		37,605	-			
Capital Receipts			4,757		4,757	-			
Revenue Contributions			3,856		3,856	-			
Borrowing			13,864		4,282	(9,582)			
Total			**110,372**		**100,790**	**(9,582)**			

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

Centrally held budgets (CHB) and Corporate Funding

The Treasury Management Strategy, which provides the framework for managing the Council's cash balances and borrowing requirement, continues to reflect a policy of ensuring minimum risk whilst aiming to deliver secure realistic investment income on the Council's cash balances. Investment rates available in the market remain above the BofE bank base rate of 0.75%; however there is market uncertainty with political events in the UK and in the run up to the 31 October Brexit deadline. The average level of Council funds available for investment purposes during the quarter was £221m. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of Council Tax receipts, external debt repayments, receipt of grants and progress on the Capital Programme. The total amount received in short term interest for the quarter was £590k at an average rate of 1.06%.

The majority of the Council's external debt was held as long term loans (£239.2m). On 30 September a £1.3m PWLB loan matured at 8.13% and during 2019/20 a further £2.6m of fixed term PWLB debt will mature in December and March; this historic debt is at coupon rates of 7.88% and 8.5%. No additional short or long term borrowing was undertaken in the quarter and no further cost effective opportunities have arisen to restructure the existing PWLB or wider debt portfolio.

There is currently an estimated £1.2m underspend, which has increased from Q1 by £0.6m, reflecting that the Council is unlikely to borrow this year. Noting that there is continued uncertainty around the impact of Brexit, and other Treasury Management considerations, meaning there could be fluctuations in forecasts over the year. The current forecast accounts for this uncertainty, and will be used to offset service overspend in the first instance.

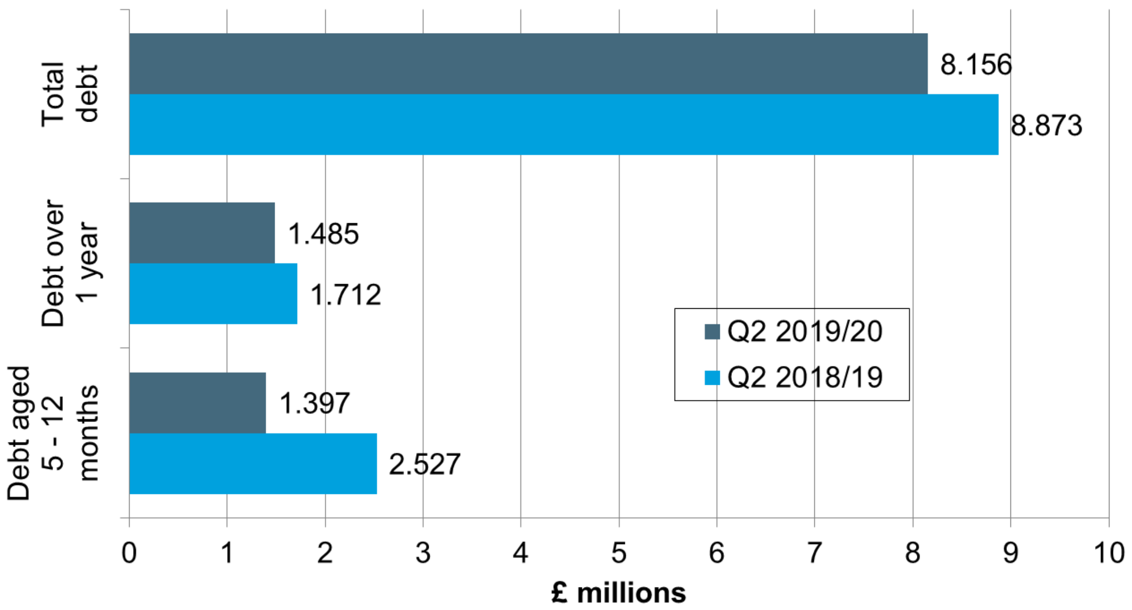
The Council holds a general contingency of £3.6m that will offset the deficit; the remaining deficit will be covered through use of reserves.

General balances

The General Fund balance was £10.0m as at 30 September 2019. General balances allow the Council to manage unforeseen financial circumstances without the need to make immediate savings.

The Schools balances as at 30 September 2019 were £14.2m.

Outstanding debt analysis (£ millions)



The value of debt over 5 months at Quarter 2 has increased by £0.707m to £2.882m, compared to the 2018/19 outturn of £2.176m.

However, the value of debt compared to the same period last year has decreased substantially by £1.357m (32%).

The value of invoiced income continues to rise. An extra £4.4m was invoiced for services up to Quarter 2 this year compared to Quarter 2 in 2018/19.

The collection of income continues to be a high priority focus area. Priorities for Quarter 3 include the testing and roll out of an improved auto debt recovery process relating to estate cases and becoming AUDDIS (Automated Direct Debit Instruction Service) compliant with our bank as a pre-requisite to enable paperless direct debit collection, (providing the business case supports this approach).

Adult Social Care and Health – Q2 2019/20

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

Adult Social Care (ASC)

Health and Social Care Integration – Health and social care partners have developed the first draft of the East Sussex place-based plan for 2020/21 in response to the NHS Long Term Plan. The new East Sussex Health and Social Care System Partnership Board will be responsible for assuring delivery of the plan which will be finalised in December 2019. We have also provided Sussex Health and Care Partnership Integrated Care System (previously referred to as STP) with the plan to enable a Sussex response to the NHS Long Term Plan. There are three place-based plans for East Sussex, West Sussex and Brighton & Hove, in addition to the things that will be taken forward on an Integrated Care System wide basis.

Right Referral Right Time – This year a project has been delivered to ensure all GP surgeries in East Sussex have access to a digital service to request advice and guidance from hospital consultants to prevent unnecessary referrals to hospital. The project has also introduced a monthly clinical reference group to review referrals that led to no further action at hospital and look to understand how these type of referrals can be reduced by education or improved processes. There have been 4,000 fewer hospital referrals so far this year compared to the same time last year. A further expansion of this project will review the number of pathology tests requested by GPs to optimise the use of the testing service at the hospital. NHS Improvement (NHSI) are supporting this part of the project providing a national pathology expert to advise on how we can improve.

Locally Commissioned Respiratory Service – Following the introduction of a service managed by our GP community to provide care for Chronic Obstructive Pulmonary Disease patients we have seen a reduction in emergency admission for these patients, as they can now access the right care locally to manage their condition better and also when the condition exacerbates. The service works in an integrated way with our hospitals to make sure patients have a seamless pathway.

East Sussex Integrated Dataset – During Q2 we approved a project to provide an integrated dataset of health and social care data. The outcomes of the project will be:

- Linked data for NHS and councils to improve population health outcomes, reduce health inequalities and transform and improve services.
- More life-course, whole-pathway and holistic analyses and understanding of patient journeys.
- Identification of patterns and trends which will assist improvements in prevention, care, treatment and support – including predictive analytics.
- Support for a culture of collaborative problem solving across our system.

Minimising unnecessary delayed discharges from hospital – Between April and August 2019 there were an average of 47.2 delayed transfers from hospital care per day, an improvement from 90.2 in the same period in the 2017 (the baseline year), equating to a 48% reduction. This can be broken down as follows:

- An average 37.7 delayed transfers due to the local NHS, this has improved from 53.0 in the same period in 2017 (a 29% reduction).
- An average 8.2 delayed transfers due to Council social services, this has improved from 35.2 in the same period in 2017 (a 77% reduction).
- An average 1.3 delayed transfers jointly attributable to ASC and the NHS.

Although the target of 39.8 for all delays and the target of 24.4 for NHS delays is not being achieved, implementation of a number of actions to reduce Delayed Transfers of Care (DToC) within the county such as Discharge to Assess beds (designed to avoid unnecessary admissions to acute hospitals and, where an admission is necessary, ensure that people are discharged as soon as is safe and practical back to their own homes, or as close to home as possible) have led to a significant reduction from the 2017 baseline.

We will be continuing to implement a number of actions to reduce DToC in the county.

Reabling people to maximise their level of independence – Reablement services are provided to help people to regain mobility and daily living skills, especially after a hospital stay. A range of measures are used to look at how effective reablement services are:

- 74% of service users discharged from the Joint Community Rehabilitation Service in Q2 required no on-going care.
- Between April and June 2019, 90.8% of older people discharged from hospital to reablement / rehabilitation services were at home 91 days after their discharge from hospital.
- Between October 2018 and September 2019, 92.5% of people who received short-term services to increase their independence made no further request for support.

Enabling people to live independently at home and delaying dependency

- Frail adults across East Sussex can receive Technology Enabled Care Services (TECS), to help manage risks and maintain independence at home. TECS includes Telecare, which offers a range of sensors and detectors to meet different needs, such as wearable alert buttons, fall detectors or medication dispensers. At the end of September 2019, 8,339 people were receiving TECS.
- The rates of permanent admissions to residential / nursing care between April and September 2019 are on track to meet targets:
    - The rate of permanent admissions of older people is 255.0 per 100,000 population aged 65 and over. Performance is on track to meet the target of 494.0 which would be a reduction on the rate of admissions made in 2018/19 (497.6). This is one of the key measures contained within the Better Care Fund (BCF).
    - The rate of permanent admissions of working age adults is 6.5 per 100,000 population aged 18 to 64. Performance is on track to meet the target of 12.8 which would be a reduction on the rate of admissions made in 2018/19 (14.4).

Adults are able to take control of the support they receive

- There are currently 238 members signed up to Support with Confidence. This is made up of 188 Personal Assistants (PA’s) and 50 businesses. In addition to these, there are 78 current applications being processed (73 PA’s and five businesses).
- At the end of Q2, 33.0% of working age and older clients were receiving Direct Payments. This equates to a total of 1,581 people. Direct Payments are offered to all clients where appropriate and support is in place at the start of the process to ensure as many clients as possible take up Direct Payments and continue to receive them for as long as required.

Adults are supported to find and keep safe and affordable accommodation.

- 1,065 people were supported in Q2 through STEPS to Stay Independent to maintain their independence and provided with advice and support on topics such as debt, welfare and healthy lifestyles.
- 1,105 people were supported through the Home Works service to find and keep safe and affordable accommodation and to improve their health, wellbeing and independence.

Safer Communities

The Safer Communities Partnership priorities and work streams from 2020 to 2023 were approved at the Safer Communities Board in September 2019. These were developed in partnership with East Sussex Safeguarding Children Partnership and Safeguarding Adults Board. Alongside existing work streams, partners wished to focus on preventative activity in the three following priority areas:

- Prevent and protect vulnerable adults, young people and our communities from being exploited by serious and organised criminals in relation to county lines, modern slavery & human trafficking, and fraud-related harm.
- Prevent and protect individuals from becoming victims of serious violent crime, including knife crime.
- Prevent and protect individuals from the serious harm of domestic violence & abuse; rape and sexual violence and abuse; stalking and harassment; and harmful practices.

In addition to these priority areas, a cross cutting theme was identified:

- Raise awareness of online safety and encourage young people to develop a positive and healthy relationship with social media, the internet and mobile phones.

Vulnerable People being Exploited & Recruited by Organised Crime Groups – A Communities Against Exploitation session took place at St Barnabas Church in Bexhill this September. The session was aimed at local organisations to help raise awareness of the different types of exploitation locally. Following the session 100% of attendees ‘agreed’ or ‘strongly agreed’ that they would be confident about reporting or sharing information if they thought someone was being exploited. The Safer East Sussex Team also attended the Festival of the Sea weekend to continue raising awareness of exploitation to the hundreds of people who visited the Festival this year.

Modern Slavery and Human Trafficking – The first Modern Slavery First Responder training sessions for local authorities were delivered in partnership with the Safeguarding Adults Board, Stop the Traffik and Sussex Police in Q2. Key staff from ASC and colleagues from Rother District Council learnt about the changes to the national referral mechanism, which is a process for identifying victims and ensuring they receive the appropriate support. Practical activities included engaging with potential victims and how to refer using the new Modern Slavery pathway in East Sussex.

Substance Misuse Service – The new substance misuse treatment service is being embedded and is making strong links with other community assets in order to provide a holistic and person centred approach to treatment. A celebration of recovery was held at St Mary in the Castle in Hastings, and included art work, music and recovery stories from members of the recovery community. A range of projects, including all our commissioned services, contributed, reflecting the many different routes to recovery.

Domestic Violence and Abuse, Sexual Violence and Abuse, Stalking and Harassment and Harmful Practices – Brighton & Hove City Council and East Sussex County Council are continuing to redevelop a joint strategy to create an enhanced and coordinated response to domestic violence and abuse, sexual violence, and other forms of violence, including stalking and harassment and harmful practices, and are committed to recommissioning services to reflect identified need and realistic service response. Multi-agency work is underway to review service pathways and make improvements for victims and to ensure that resources are being used most efficiently.

Public Health

Public Health worked with colleagues from Children's Services and East Sussex CCGs to put together a successful bid to NHS England to set up Mental Health Support Teams (MHSTs) in schools and colleges in East Sussex; please see the Children's Services Q2 monitoring report for further details.

The asset based peer approach project, with members of the Gypsy and Traveller community, reached the final three in the 'Community Health Development Award' at the Health and Wellbeing Awards 2019, providing positive exposure for the project.

A business breakfast was held at the Best4Biz business conference (Council sponsored Chambers of Commerce event) during the Mental Health Awareness week in May, to raise awareness of Mental Health at Work (MHaW) and encourage businesses and employers to attend the MHaW Public Health conference on 16/10/19, to learn what more businesses can do to encourage their employees to thrive at work. The breakfast was a great success, fully booked with 100 attendees.

Following the launch of the Keeping Children Safe social media toolkit in Q1 there has been a marked increase in the number of professionals referring families into the Child Home Safety Advice and Equipment Service commissioned by Public Health and provided by the East Sussex Fire and Rescue Service.

A number of Public Health abstracts (concise summaries of research) were selected through Peer Review at the following conferences:

- PHE Annual Conference 2019:
  - Reframing and re-energising Suicide Prevention on the Sussex Coast using Design Methods.
  - The effects of cold water swimming on mental health and wellbeing.
  - Extending the reach of behaviour change support in East Sussex.
  - Better beginnings – embedding a best practice approach to healthy food in early years settings in East Sussex.
- International Association Suicide Prevention Conference – World Congress:
  - Reframing and re-energising Suicide Prevention on the Sussex Coast using Design Methods.

Revenue Budget Summary

Public Health

The Public Health (PH) budget of 28.226m comprises the PH grant allocation of £26.550m, CCG funding of £0.07m and £1.606m drawn from reserve to support in year spending. In addition to the PH grant there is a planned draw down of £0.866m to meet one off projects.

ASC

The net ASC budget of £171.115m includes growth and demography funding and an inflationary uplift to support the independent sector care market.

The budget is currently forecast to overspend by £0.830m **(ref iii)**, comprising of £0.738m **(ref i)** in the Independent Sector and £0.092m **(ref ii)** in Directly Provided Services. While the Independent Sector budget is currently projected to overspend slightly, the budget faces continued risk on expenditure in working age adults due to the ongoing impact of high cost packages of care transferring from the NHS from Continuing Healthcare (CHC) and the national Transforming Care Programme (TCP). The application of one-off funding from the Better Care Fund (BCF) has enabled these risks to core ASC services to be mitigated in part during 2019/20. The pressure in Directly Provided Services results from continued demand led pressures, offset in part by the impact of vacancies, particularly in management and support functions.

In June 2018, cabinet approved savings of £9.631m, representing a significant reduction to the budget. The full year impact of these savings is now being realised. The 2019/20 budget is shown net of further savings £0.730m to meet the Council's Core Offer. The savings will be delivered in a full year, however, as in previous years the full cash saving will not be achieved within 2019/20, reflecting that the proposals will need to be implemented in line with statutory responsibilities and duties. The part year impact of the savings proposals will be managed within the authority's overall Medium Term Financial Plan and the appropriate use of reserves and contingency funds.

Capital Programme Summary

The ASC Capital Programme for 2019/20 is currently projected to be fully spent by the end of the financial year. Work continues at pace on the Greenacres development, to meet the needs of people with a learning disability and/or autism with challenging behaviour who are part of the Transforming Care cohort, which is forecast to outturn at £1.824m **(ref iv),** in addition to £0.193m **(ref v)** on house adaptations for people with disabilities - a demand led budget to continue to support clients to live independently at home.

Performance exceptions (See How to read this report for definition)								
Performance measure	Outturn 18/19	Target 19/20	19/20 RAG				Q2 2019/20 outturn	Note ref
			Q1	Q2	Q3	Q4		
There are no exceptions at Q2								

Savings exceptions						
Service description	2019/20 (£'000) – Q2 Forecast					Note ref
	Original Target For 2019/20	Target including items c/f from previous year(s)	Achieved in-year	Will be achieved, but in future years	Cannot be achieved	
Savings						
Working Age Adults: Nursing, Residential and Community Based services	247	247	124	123	-	
Meals in the Community	483	483	0	483	-	
All Other savings (including carried forward from prior years)	-	6,087	6,087	-	-	
Total Savings	**730**	**6,817**	**6,211**	**606**	**0**	
			-	-	-	
			-	-	-	
			-	-	-	
Subtotal Permanent Changes			**0**	**0**	**0**	
Total Savings and Permanent Changes	**730**	**6,817**	**6,211**	**606**	**0**	

Memo: treatment of savings not achieved in the year (£'000)	Temporary Funding	Part of reported variance	Total	Note Ref
Working Age Adults: Nursing, Residential and Community Based services	-	123	123	
Meals in the Community	-	483	483	
	-	-	-	
Total	**0**	**606**	**606**	

Revenue budget										
Divisions	Planned (£000)			Q2 2019/20 (£000)						Note ref
				Projected outturn			(Over) / under spend			
	Gross	Income	Net	Gross	Income	Net	Gross	Income	Net	
Adult Social Care:										
IS - Physical Support, Sensory Support and Support for Memory & Cognition	114,795	(42,034)	72,761	113,077	(43,924)	69,153	1,718	1,890	3,608	
IS - Learning Disability Support	56,941	(4,302)	52,639	61,918	(5,169)	56,749	(4,977)	867	(4,110)	
IS - Mental Health Support	7,436	(1,042)	6,394	7,627	(997)	6,630	(191)	(45)	(236)	
Subtotal Independent Sector	**179,172**	**(47,378)**	**131,794**	**182,622**	**(50,090)**	**132,532**	**(3,450)**	**2,712**	**(738)**	**i**
Physical Support, Sensory Support and Support for Memory & Cognition	15,048	(4,193)	10,855	14,943	(3,388)	11,555	105	(805)	(700)	
Learning Disability Support	7,520	(654)	6,866	7,431	(750)	6,681	89	96	185	
Mental Health Support	3,008	(2,984)	24	3,109	(2,984)	125	(101)	-	(101)	
Substance Misuse Support	591	(115)	476	591	(115)	476	-	-	-	
Equipment & Assistive Technology	6,304	(3,346)	2,958	6,429	(3,801)	2,628	(125)	455	330	
Other	619	(199)	420	711	(278)	433	(92)	79	(13)	
Supporting People	6,495	(310)	6,185	6,630	(465)	6,165	(135)	155	20	
Assessment and Care Management	25,796	(2,819)	22,977	26,670	(3,595)	23,075	(874)	776	(98)	
Carers	3,515	(2,821)	694	3,513	(2,821)	692	2	-	2	
Management and Support	14,350	(26,775)	(12,425)	14,594	(27,330)	(12,736)	(244)	555	311	
Service Strategy	291	-	291	319	-	319	(28)	-	(28)	
Subtotal Directly Provided Services and Assessment and Care Management	**83,537**	**(44,216)**	**39,321**	**84,940**	**(45,527)**	**39,413**	**(1,403)**	**1,311**	**(92)**	**ii**
Total Adult Social Care	**262,709**	**(91,594)**	**171,115**	**267,562**	**(95,617)**	**171,945**	**(4,853)**	**4,023**	**(830)**	**iii**
Safer Communities	**583**	**(247)**	**336**	**1,128**	**(792)**	**336**	**(545)**	**545**	**0**	
Public Health										
Health Improvement Services	4,706	-	4,706	4,605	-	4,605	101	-	101	
Drug and Alcohol Services	6,101	-	6,101	6,101	-	6,101	-	-	-	
Sexual Health Services	4,335	-	4,335	4,243	-	4,243	92	-	92	
Health Visiting and School Nursing	9,329	-	9,329	8,843	-	8,843	486	-	486	
NHS Health Checks	1,026	-	1,026	1,026	-	1,026	-	-	-	
Management Support and Public Health Programmes	2,729	-	2,729	2,478	-	2,478	251	-	251	
Public Health Grant	-	(26,550)	(26,550)	-	(26,550)	(26,550)	-	-	-	
Surplus to General Reserves	-	(70)	(70)	-	(70)	(70)	-	-	-	
Surplus to General Reserves	-	(1,606)	(1,606)	-	(676)	(676)	-	(930)	(930)	
Sub Total for Core Services	**28,226**	**(28,226)**	**0**	**27,296**	**(27,296)**	**0**	**930**	**(930)**	**0**	
One Off Projects Funded from Project Reserve	866	(866)	-	866	(866)	-	-	-	-	
Early Help Funding	-	-	-	-	-	-	-	-	-	
Total Public Health	**29,092**	**(29,092)**	**0**	**28,162**	**(28,162)**	**0**	**930**	**(930)**	**0**	

Capital programme										
Approved project	**Total project – all years (£000)**		**2019/20**							**Note ref**
			In year monitor Q2 (£000)				**Analysis of variation (£000)**			
	Budget	**Projected**	**Budget**	**Actual to date**	**Projected 2019/20**	**Variation (over) / under budget**	**(Over) / under spend**	**Slippage to future year**	**Spend in advance**	
OP Service Improvements	-	-	-	10	-	-	-	-	-	
Greenacres	2,598	2,598	1,824	1,081	1,824	-	-	-	-	**iv**
LD Service Opportunities	5,092	5,092	-	4	-	-	-	-	-	
House Adaptations for People with Disabilities	2,719	2,719	193	-	193	-	-	-	-	**v**
Total ASC Gross	**10,409**	**10,409**	**2,017**	**1,095**	**2,017**	**0**	**0**	**0**	**0**	

Business Services – Q2 2019/20

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

Summary of successes and achievements – During Q2, the Council signed up to the Local Digital Declaration. We joined over 150 other local authorities in signing up to the collective ambition to co-create the conditions for the next generation of local public services, where technology is an enabler rather than a barrier to service improvements and where organisations share a vision to deliver more user-centred, cost-effective local public services through open, collaborative and reusable work.

Investment in workforce values and training has enabled all staff within IT & Digital to receive Customer Excellence training. In addition, 85 staff have received specialist professional and technical training and sat relevant exams. This will provide consistent quality and industry best practice support to our stakeholders.

Savings achieved through procurement, contract and supplier management activities – In Q2, officers from Property and Procurement across the three Orbis partners have worked together to deliver the new contract where all electricity used by East Sussex County Council, including all 40,000 of the Council's street lights and illuminated signs, libraries and Council buildings, will come from renewable sources from April 2020. Savings in the region of £100k per year were delivered, with the Orbis Partners (SCC and BHCC) benefitting from the shared learning generated from the approach taken previously by ESCC.

We worked with our colleagues in Children's Services to deliver a contract to Brighton Dome & Brighton Festival (BDBF) that enabled the further development of the music service to East Sussex.

In Q2, the measure for economic, social and environmental value committed through annually awarded contracts, as a percentage of our spend with suppliers, has grown to 11% **(ref i)**.

In April 2019 a new contract was awarded for the cleaning of schools and council sites. The new provider has had some problems in establishing the new service, but discussions to improve performance are ongoing.

Social Value – Q2 marks the 'soft' launch of the Social Value Marketplace (SVM) website at the Speak Up Community Forum in September. The SVM has been developed by Orbis to encourage partnership collaboration across the sectors and to secure additional value from public sector spend. It has been designed as an innovative platform that will help councils leverage their expenditure with suppliers to maximise community benefit in line with the Public Services (Social Value) Act 2012. The SVM will enable local charities to request non-financial support from suppliers that are looking to give something back to the community and will complement the use of our Crowdfunding site that was launched last year. Procurement are working with internal teams to prepare for the public launch which will take place in November 2019.

Apprenticeships – As part of the reporting arrangements, all Levy paying public sector bodies are required to report by 30 September each year their achievement against the Government set target of 2.3% of the workforce becoming an apprentice. For 2018/19, we have seen a modest increase compared to last year and have achieved 1.79% i.e. 136 new learners over the previous year (in 2017/18 we achieved 1.1%). In order to meet the 20% off the job training requirement, we have agreed with departments that all new administrative vacancies now have a built-in allowance for apprenticeship training to be undertaken. We anticipate that this will lead to an increase in take-up of these roles from a demographic of 18-25 year olds, thereby addressing a key workforce planning issue in the Council to recruit and attract young people into the sector. In addition, we have introduced a 'right learner, right course' scheme whereby before an apprenticeship is commenced, our internal employer provider meets with potential learners and service managers to ensure the apprenticeship is the 'right fit' for the individual.

Internal audit – 100% of the high risk actions due have been implemented by management within agreed timescales, exceeding our target of 97%.

Insurance claims – 100% of liability claims were handled to first decision (i.e. initial repudiation or offer of compensation) within the relevant legal time frames. This is in excess of the 95% target. A majority of third party claims relate to the highway and these claims are now handled by East Sussex Highways (Costain Jacobs).

Property operations – Our continued aim is to reduce the amount of CO2 arising from Council operations by 3% compared to 2018/19. There has been a 10.0% reduction achieved by Q2 compared to Q2 of 2018/19. This breaks down as a 14.6% reduction from schools and a 5.1% reduction from the corporate estate. This target is now under review following the decision of County Council on 15 October to set a target of achieving carbon neutrality from its activities as soon as possible and in any event by 2050.

Property Strategy – The continued overall focus of the Strategic Asset Collaboration in East Sussex (SPACES) partnership is on delivering the One Public Estate (OPE) projects, having received £760,000 funding across Phases 5, 6 and 7, spread across all the East Sussex district and boroughs. The partnership is developing a place based focus, recognising where multiple activities are taking place in one area, and where they can be complimentary to each other. Aligned to this approach and in the context of the Council developing our asset strategy, the Council is meeting with each District and Borough council to consider opportunities in each geographical area. The total value of benefits delivered by SPACES (a total across all SPACES partners) to the end of Q2 was over £18.6m, with another £2.5m identified within pipeline projects. The partnership also enables knowledge sharing. In July, the SPACES Board received an item explaining Section 106 (planning obligations under Section 106 of the Town and Country Planning Act), the Community Infrastructure Levy, and advice on how organisations can best utilise opportunities and inform local plans. This enabled SPACES partners to share this knowledge within their respective organisations.

In line with the Property Asset Investment Strategy identified in Q1, several key sites are being taken forward and include St Anne's Crescent, which is progressing more slowly than anticipated through the South Downs National Park Authority (SDNPA). The Key delay is due to the SDNPA pre planning process being undertaken through a range of workshops and their Design Panel reviews, which has proved difficult to coordinate and secure dates with the key parties available.

The larger and more complex sites, including Hindslands and Helensdown, are under discussion and will be taken forward once the brief has been established through consultation with service departments and in light of emerging Local Planning Policy Frameworks **(ref ii)**.

IT & Digital infrastructure – IT & Digital have been continuing to enable partnership working across the Council. Following its successful launch in East Sussex during July and in Surrey during August, the new MyServiceHub IT portal (Cherwell) went live in Brighton and Hove City Council in September. Cherwell is now live across all three councils and is a significant milestone in our progress operating as one IT service, using one system across the Orbis geography. This system underpins our digital service provision and provides a modern platform for other services to further build on.

In Q2, IT & Digital hosted the third New Social Worker Induction in Lewes. This is now a regular event that enables Newly Qualified Social Workers to come together, as a cohort, to do their IT&D elements all in one place at one time. 30 New Social Workers were supplied with digital tools including being some of the first to receive the newly refreshed devices to support their flexible workstyle. Immersed in the learning programme, they were quickly operational and trained in areas ranging from Cyber awareness, Information Governance and the Social Care System.

Wellbeing – The 2019/20 Q1+2 sickness absence outturn for the whole authority (excluding schools) is 3.73 days lost per FTE, a decrease of 6.0% since the previous year.

Although it is positive to see a decrease in absence, Mental Health continues to be the primary driver and a targeted campaign was launched on 10 October 2019 to address this. The aim of the campaign is to remove the stigma surrounding mental health and to increase confidence in being able to address poor mental health in the workplace. The campaign video has already been viewed over 300 times and now forms part of our staff induction. Employee and managers guides have been created as part of the supporting toolkit providing targeted advice, signposting and support on Mental Health.

72 members of staff have been trained as accredited Mental Health First Aiders (MHFA). By the end of March 2020, a small additional cohort of staff will be trained as accredited MHFA instructors to qualify them to deliver future MHFA training within the Council, allowing us to further grow our internal MHFA community in a cost-effective way.

Time lost due to Mental Health related absence has increased in schools, to address this HR are planning to launch a comprehensive Mental Health offer at the Services to Schools conference on 30 January 2020.

Revenue Budget Summary – The 2019/20 Business Services net revenue budget is £23.2m including the £13.9m contribution to the Orbis budget and efficiency savings of £1m. The full year estimated outturn is an underspend of £0.1m **(ref iv).** This is due to a £0.3m likely underspend on non-schools building maintenance, offset by a £0.2m overspend on the Contribution to Orbis budget.

Following the changes to the Orbis model Property is reviewing its service delivery and structures. There are currently resourcing issues which has led to delays to the non-schools building maintenance programme. Plans are being put in place to address this however there is still likely to be a year-end underspend of £0.3m **(ref iii)**.

The Orbis operating budget is in its fourth year and has challenging savings targets of £3.2m this year. This is in addition to the £9.7m (or 17% of budget) annual ongoing savings already achieved. The changes to the Orbis model have also added to the uncertainty of the Orbis budgets. All services apart from management and Procurement are forecasting an overspend, leading to an overall Orbis overspend of £1m **(ref iv)**. Some of these are in services no longer managed by Orbis but the costs are still part of the Orbis Joint Operating budget. Each partner contributes to the Orbis Operating Budget in proportion to their service delivery requirements, the contributions are currently 21% (Brighton & Hove City Council), 24% (ESCC) and 55% (Surrey County Council). The likely ESCC Contribution to Orbis overspend is £0.2m. **(ref v)**.

Capital Programme Summary – The 2019/20 capital budget is £42.0m and includes the £22.1m Schools Basic Need Programme and the £7.5m Building Improvements programme. The full year estimated variance is slippage of £5.1m **(ref viii)**, a change of £5.4m since Q1. The largest change is Schools Basic Need (£4.6m), mainly because of a delay to schemes and a saving to one scheme. The Summerdown Free School spend is re-profiled to 2020/21 (£2.8m), and there is also slippage of £0.6m on the Reef Way project which is being delayed due to unforeseen additional groundworks. £1.4m of Schools Basic Need programme budget has been reprofiled to match need in future years **(ref vii)**. In addition the resourcing issue in Property has led to delays to the non-schools building improvements schemes **(ref vi)**.

Performance Exceptions (See How to read this report for definition)								
Performance measure	**Outturn 18/19**	**Target 19/20**	**19/20 RAG**				**Q2 19/20 outturn**	**Note Ref**
			Q1	**Q2**	**Q3**	**Q4**		
Priority – Driving sustainable economic growth								
Economic, social and environmental value committed through contracts, as a percentage of our spend with suppliers	11.8%	≥10.0% of value of annual contracts awarded	**A**	**G**			Year to date: 11%	**i**
Priority – Making best use of resources								
Deliver the Property Asset Investment Strategy	Resource model in place	Development of feasibility studies for a minimum of 4 key sites	**G**	**A**			Possible slippage to completing study for St Anne's site	**ii**

Savings exceptions						
Service description	**2019/20 (£'000) – Q2 Forecast**					**Note ref**
	Original Target For 2019/20	**Target including items c/f from previous year(s)**	**Achieved in-year**	**Will be achieved, but in future years**	**Cannot be achieved**	
Savings						
All planned savings	1,003	1,003	1,003	-	-	
	-	-	-	-	-	
	-	-	-	-	-	
Total Savings	**0**	**0**	**0**	**0**	**0**	
			-	-	-	
			-	-	-	
			-	-	-	
Subtotal Permanent Changes			**0**	**0**	**0**	
Total Savings and Permanent Changes	**1,003**	**1,003**	**1,003**	**0**	**0**	

Memo: treatment of savings not achieved in the year (£'000)	**Temporary Funding**	**Part of reported variance**	**Total**	**Note Ref**
	-	-	-	
	-	-	-	
	-	-	-	
Total	**0**	**0**	**0**	

Revenue Budget										
Divisions	Planned (£000)			Q2 2019/20 (£000)						Note ref
				Projected outturn			(Over) / under spend			
	Gross	Income	Net	Gross	Income	Net	Gross	Income	Net	
Finance	2,506	(1,720)	786	3,187	(2,401)	786	(681)	681	-	
HR & OD	356	(404)	(48)	375	(428)	(53)	(19)	24	5	
IT & Digital	5,865	(2,520)	3,345	5,982	(2,637)	3,345	(117)	117	-	
Procurement	-	(80)	(80)	-	(80)	(80)	-	-	-	
Property	24,612	(19,251)	5,361	24,311	(19,250)	5,061	301	(1)	300	iii
Contribution to Orbis Partnership	13,885	-	13,885	14,047	-	14,047	(162)	-	(162)	
Total BSD	**47,224**	**(23,975)**	**23,249**	**47,902**	**(24,796)**	**23,106**	**(678)**	**821**	**143**	

Revenue Budget										
Divisions	Planned (£000)			Q2 2019/20 (£000)						Note ref
				Projected outturn			(Over) / under spend			
	Gross	Income	Net	Gross	Income	Net	Gross	Income	Net	
Finance	13,148	(7,370)	5,778	13,248	(7,370)	5,878	(100)	-	(100)	
HR & OD	12,684	(2,298)	10,386	13,173	(2,437)	10,736	(489)	139	(350)	
IT & Digital	7,192	(1,399)	5,793	7,153	(1,325)	5,828	39	(74)	(35)	
Procurement	22,975	(3,040)	19,935	23,095	(3,040)	20,055	(120)	-	(120)	
Property	2,316	-	2,316	2,071	-	2,071	245	-	245	
Contribution to Orbis Partnership	4,916	(235)	4,681	4,811	(185)	4,626	105	(50)	55	
Total BSD	12,963	(1,473)	11,490	13,398	(1,243)	12,155	(435)	(230)	(665)	
Revenue Budget	**76,194**	**(15,815)**	**60,379**	**76,949**	**(15,600)**	**61,349**	**(755)**	**(215)**	**(970)**	**iv**
ESCC Contribution			**13,885**			**14,047**			**(162)**	**v**

Capital programme										
Approved project	Total project – all years (£000)		2019/20							Note ref
			In year monitor Q2 (£000)				Analysis of variation (£000)			
	Budget	Projected	Budget	Actual to date	Projected 2019/20	Variation (over) / under budget	(Over) / under spend	Slippage to future year	Spend in advance	
SALIX Contract	3,868	3,868	373	341	283	90	0	90	0	
Property Agile Works	9,713	9,713	286	15	286	0	0	0	0	
Capital Building Improvements	81,445	81,445	7,519	2,647	7,140	379	0	379	0	vi
Libraries Core Need	2,244	2,244	524	269	539	(15)	0	0	(15)	
IT & Digital Strategy Implementation	31,543	31,543	4,797	618	4,797	0	0	0	0	
Schools Basic Need	135,524	135,524	22,062	9,999	17,431	4,631	0	4,925	(294)	vii
Early Years	2,480	2,480	35	30	35	0	0	0	0	
Universal Infant Free School Meals	1,906	1,906	5	0	0	5	5	0	0	
Special Provision in Secondary School	2,350	2,350	350	0	350	0	0	0	0	
Lansdown Unit (CSD)	7,600	7,600	6,030	1,415	6,030	0	0	0	0	
Total BSD Gross	**278,673**	**278,673**	**41,981**	**15,334**	**36,891**	**5,090**	**5**	**5,394**	**(309)**	**viii**

Children's Services – Q2 2019/20

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

Summary of successes and achievements

East Sussex Safeguarding Children Partnership (ESSCP) – The Children and Social Work Act 2017 created new duties for police, health and the local authority to make arrangements to safeguard and promote the welfare of children in their area. In response the Local Safeguarding Children Board (LSCB) has transitioned into the new East Sussex Safeguarding Children Partnership as from 29 September 2019. East Sussex has a strong track record for its partnership work with vulnerable children and young people and the ESSCP will continue to build upon this foundation. The new multi-agency arrangements are set out in the ESSCP document.

New Single Point of Advice (SPoA) referral process - Monday 16th September was the start of a new referral process for 0-18 year olds who are experiencing social, emotional and mental health difficulties. Sussex Partnership Foundation Trust staff have joined ESCC colleagues and all referrals are now triaged at the multi-agency SPoA hub by the joint team who are all experienced in working with children and young people who are experiencing difficulties with their emotional wellbeing. The new referral process offers advice and guidance to accessing support, a simplified referral route and offers timely and easier access to the right service.

Mental Health Support Teams working in schools and colleges - On 7th January 2019, the Government published the NHS Long-Term Plan that re-confirmed the commitments from the 2017 Children and Young People's Mental Health Green Paper that set out proposals to improve mental health support in schools and colleges. Over the next five years the NHS will fund new Mental Health Support Teams (MHSTs) working in schools and colleges, building on the support already available, which will be rolled out to between one-fifth and a quarter of the country by the end of 2023.

East Sussex Clinical Commissioning Groups and East Sussex County Council have been notified that their bid was successful to become a trailblazer in the implementation of new MHSTs in schools. This is an additional resource to set up new provision aimed at building greater capacity to support more children with Mental Health and Emotional Wellbeing needs. As these new teams will be focussed around schools, this provides us with an excellent opportunity to build on the whole-school work on mental health and emotional wellbeing that is already underway and align it with support pathways for individual children. For East Sussex, it has been indicated that we have been awarded funding for three MHSTs covering in total approximately 24,000 pupils / 60 schools in the following areas:

- High Weald Lewes Havens CCG area – Havens Locality
- Eastbourne Hailsham Seaford CCG area – South Downs Locality
- Hastings and Rother CCG area – Rother Alliance Partnership, Rye, Bexhill Primary Partnership

Excellence for All strategy – We published our updated Excellence for All strategy 2019/21 which outlines the shared vision, values and ambitions the local authority and our partners have for creating an excellent education system in East Sussex where no pupil or educational establishment is left behind. There is a sharper focus on the most disadvantaged and on how we will deliver improvement through the partnership structures in the county.

Overall effectiveness judgement of schools – The most recent overall effectiveness judgement for schools inspected, at 30th August 2019 by phase of education and local authority, places East Sussex 27th across all schools in the Ofsted league of schools that are good or outstanding. In August 2014 East Sussex was ranked 130th out of 152.

Attainment gap for disadvantaged pupils in reading, writing and maths at Key Stage 2 (KS2) (ref i)
Provisional 2019 KS2 data for East Sussex shows 45.8% of disadvantaged pupils achieved the expected standard in reading, writing and maths, compared to 51.4% nationally, a gap of 5.6 percentage points. The gap has widened when compared to 2018, when the gap was 1.4 percentage points, the East Sussex outturn is also a 3.5 percentage point decrease on the 2018 result, which was 49.3%. When we look at the subjects individually, maths has seen an improvement in the number of disadvantaged pupils reaching the expected standard when compared to 2018, up by 1.1 percentage points to 60.9%. Reading rates fell both in East Sussex and nationally, but the fall in East Sussex was more marked, with a fall of 4.5 percentage points compared to 1.7% nationally. The reasons for the outturns are complex and will vary from school to school. However in so far as we can draw conclusions at this early stage there seem to be a number of themes:

- Reading fell for all pupils in East Sussex and some of the reasons appear to be around fluency of reading, being able to read at speed and with accuracy.
- Ensuring pupils are well prepared for the tests and able to respond to any changes or challenges in the test papers as well as being able to complete the test in the time allocated.
- Ensuring that schools look across all pupils to ensure that pupils are on track to meet the expected standard in all three subjects and don't miss out on one of the three key subjects.

- Recruitment of high quality teachers, particularly in our coastal areas.

A significant proportion of our larger primary schools underperformed and this had a major impact on the overall East Sussex outcomes.

Where the local authority and Educational Improvement Partnerships (EIPs) have led school improvement work with priority schools, these schools have an improving picture of outcomes and Ofsted judgements. The newly established Primary Board will have a key focus on outcomes for disadvantaged pupils and will be closely monitoring the actions of schools and EIPs and their impact.

Average Progress 8 Score for state funded schools (ref ii) - The provisional overall Progress 8 score for East Sussex for academic year 2018/19 is -0.05 (0.03 decrease from 2018) compared to -0.03 nationally. The total average Attainment 8 Score for East Sussex in 2019 is 45.2 (the same as 2018), compared to 46.7 nationally. The percentage of East Sussex pupils achieved grades 9-4 in English and maths in 2019 is 63.5% (1.5% increase from 2018) compared to 64.6% nationally. The percentage of East Sussex pupils achieved grades 9-5 in English and maths in 2019 is 41.5% (0.1% increase from 2018) compared to 43.2% nationally.

East Sussex has improved its performance against English Baccalaureate measures and has narrowed the gap in these measures with national. 23.3% of pupils achieved grades 9-4 in all EBacc subjects (4.7% increase from 2018) compared to 24.9% nationally (0.7% increase from 2018). 15.5% of pupils achieved grades 9-5 in all EBacc subjects (2.6% increase from 2018) compared to 17.1% nationally (0.3% increase from 2018).

To improve performance the Secondary Board's priorities for 2019/20 are:

- Commitment to maximise attendance and minimise exclusions
- Affirmative action to raise achievement – and close 'achievement gaps' where they exist
- Classroom teaching and leadership at all levels are of the highest quality
- Reduce in-school variation in standards across subjects

Average Progress 8 score for Looked After Children (LAC) (ref iii) – local knowledge of the cohort and their GCSE grades indicates the outturn for this measure may be lower than the target. Provisional data will be available at Q3.

The average Attainment 8 score for disadvantaged pupils (ref iv) –Progress 8 and Attainment 8 outturns indicate that this measure may be lower than the target. Provisional data will be available at Q3.

The percentage of young people meeting the duty of Raising the Participation Age (RPA) by either participating in education, training or employment with training or undertaking re-engagement provision at academic age 16 (year 12) (ref v) and 17 (year 13) (ref iv) – The quarter two outturn is based on August data as September data is not available until the end of October, therefore, a lot of enrolment data from post 16 providers is still to be added. Participation may be lower this year due to a number of reasons including: the ongoing lack of apprenticeship for 16 – 18 year olds; lack of re-engagement provision due to changes in the European Social Fund contractors; and East Sussex College Group not running Princes Trust programmes or summer programmes.

Revenue Budget Summary – The £77.311m net budget is forecast to be overspent by year end by £5.876m **(ref xii)**. This is an increase of £0.345m on the forecast position at Q1.

Within the overall position, £5.853m of the overspend is forecast within Early Help and Social Care **(ref ix)**; this is a deterioration of £0.285m from the Q1 position. This increase is primarily due to increased spend in Locality (£0.382m) where there has been continued pressure on care placements and difficulties in sourcing accommodation for families in need. We have also experienced increased numbers of Asylum seekers (£0.180m). These pressures, which were fully explained in Q1, have been partially offset by a reduction in forecast overspend for Looked After Children £0.223m, through the careful management of agency placements despite continued pressure in both numbers and complexity of need of children, and in Children's' Centres, £0.054m resulting from vacancy controls.

Education and ISEND are forecasting an overspend of £0.300m, as per the Q1 position **(ref x)** with the pressure remaining largely in the residential facilities, and strategies continuing to be pursued to both manage and mitigate this.

Communication, Planning and Performance **(ref xi)** is forecasting an overspend of £0.440m. This represents an increase on Q1 of £0.060m, which is primarily due to one-off costs associated with the transfer of the Music Service to Brighton Dome & Brighton Festival.

The above overspends have been mitigated by an underspend in Central Resources of £0.717m **(ref viii)** as a result of efficiencies and pay cost controls.

The Department is also continuing to carry out a review of costs across the service with a view to identifying new savings and scrutinising pressure areas.

Within the above outturn position, £2.382m **(ref vii)** of the £3.640m savings planned 2019/20 are forecast to be achieved, with the remainder mitigated through temporary funding. These savings figures also include £2.591m of savings brought forward from 2018/19.

Capital Programme Summary – £0.093m of slippage is expected in House Adaptations for Disabled Children's Carers due to a number of cases now not likely to be progressed in the current year **(ref xiii)**, a late part-refund of an arbitration fee was received in May **(ref xiv)**, but the rest of spending for the year is on track and forecast to stay within budget.

Performance exceptions (See How to read this report for definition)								
Performance measure	**Outturn 18/19**	**Target 19/20**	**19/20 RAG**				**Q2 2019/20 outturn**	**Note Ref**
			Q1	**Q2**	**Q3**	**Q4**		
Priority – Driving sustainable economic growth								
% of disadvantaged pupils achieving at least the expected standard in each of reading, writing and maths at KS2	Ac year 17/18 ESCC: 49% Nat Av: 51%	Ac year 18/19 No more than 4 percentage points below national average	G	R			Ac year 18/19 ESCC: 45.8% Nat Average: 51.3%	**i**
Average Progress 8 Score for state funded schools	Ac year 17/18 ESCC: -0.03 Nat Av: -0.02	Ac year 18/19 At national average	G	R			Ac year 18/10 ESCC: -0.05 Nat Average: -0.03	**ii**
Average Progress 8 score for Looked After Children	-1.49 (National Average -1.2)	No more than 0.5 points below the national average for looked after children	G	A			Provisional outturn reported at Q3	**iii**
The average Attainment 8 score for disadvantaged pupils	Ac Year 2017/18 ESCC: 33.2 Nat Av: 36.8	Ac year 18/19 No more than 4 points below national average	G	A			Provisional outturn reported at Q3	**iv**
% of young people meeting the duty of RPA by either participating in education, training or employment with training or undertaking re-engagement provision at academic age 16 (year12)	93.9%	93%	G	A			89.6%	**v**
% of young people meeting the duty of RPA by either participating in education, training or employment with training or undertaking re-engagement provision at academic age 17 (year13)	86.4%	86%	G	A			83.2%	**vi**

APPENDIX 4

Savings exceptions

Service description	2019/20 (£'000) – Q2 Forecast: Original Target For 2019/20	Target including items c/f from previous year(s)	Achieved in-year	Will be achieved, but in future years	Cannot be achieved	Note ref
Savings						
Schools Learning and Effectiveness Service (SLES): promote high standards	124	124	124	-	-	
SLES: Performance monitoring	725	725	725	-	-	
SLES: Clerking Service	158	158	158	-	-	
Home to School Transport	42	42	42	-	-	
Support Services, including Admissions, Buzz and Music service	-	10	10	-	-	
SWIFT and YOT	-	166	166	-	-	
ISEND and ESBAS	-	831	570	261	-	
Early Help	-	1,561	564	997	-	
Safeguarding	-	23	23	-	-	
Total Savings	**1,049**	**3,640**	**2,382**	**1,258**	**0**	
			-	-	-	
			-	-	-	
			-	-	-	
Subtotal Permanent Changes			**0**	**0**	**0**	
Total Savings and Permanent Changes	**1,049**	**3,640**	**2,382**	**1,258**	**0**	**vii**

Memo: treatment of savings not achieved in the year (£'000)	Temporary Funding	Part of reported variance	Total	Note Ref
Reform Grant	261	-	261	
Corporate Reserves	997	-	997	
	-	-	-	
Total	**1,258**	**0**	**1,258**	

Revenue budget

Divisions	Planned (£000)			Q2 2019/20 (£000): Projected outturn			(Over) / under spend			Note ref
	Gross	**Income**	**Net**	**Gross**	**Income**	**Net**	**Gross**	**Income**	**Net**	
Central Resources	1,727	(1,578)	149	1,010	(1,578)	(568)	717	-	717	**viii**
Early Help and Social Care	61,071	(10,226)	50,845	68,254	(11,556)	56,698	(7,183)	1,330	(5,853)	**ix**
Education and ISEND	81,316	(5,465)	75,851	84,197	(8,046)	76,151	(2,881)	2,581	(300)	**x**
Communication, Planning and Performance	21,155	(4,450)	16,705	20,430	(3,285)	17,145	725	(1,165)	(440)	**xi**
DSG non Schools	-	(66,238)	(66,238)	-	(66,238)	(66,238)	-	-	-	
Schools	155,500	(155,500)	-	155,500	(155,500)	-	-	-	-	
Total Children's Services	**320,769**	**(243,457)**	**77,312**	**329,391**	**(246,203)**	**83,188**	**(8,622)**	**2,746**	**(5,876)**	**xii**

APPENDIX 4

Capital programme										
Approved project	Total project – all years (£000)		2019/20							Note ref
			In year monitor Q2 (£000)				Analysis of variation (£000)			
	Budget	Projected	Budget	Actual to date	Projected 2019/20	Variation (over) / under budget	(Over) / under spend	Slippage to future year	Spend in advance	
House Adaptations for Disabled Children's Carers	1,420	1,327	160	6	67	93	-	93	-	xiii
Diploma Exemplar Programme	3,251	3,226	-	(25)	(25)	25	25	-	-	xiv
Schools Delegated Capital	22,284	22,284	1,369	1,369	1,369	-	-	-	-	
Conquest Centre	356	356	311	311	311	-	-	-	-	
Total CSD Gross	**27,311**	**27,193**	**1,840**	**1,661**	**1,722**	**118**	**25**	**93**	**0**	

Communities, Economy & Transport – Q2 2019/20

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

Summary of successes and achievements – Construction of the Newhaven Port Access Road has continued on schedule during Q2, with completion currently expected in autumn 2020. 82 carriageway asset improvement schemes were completed in Q2, to maintain and improve the condition of the Council's roads. Businesses were assisted to create 49 jobs in Q2 through business support programmes; Locate East Sussex also assisted 12 businesses to move into, or relocate within, the county. The South East Creative, Cultural and Digital Support programme has awarded grants to nine small and medium-sized enterprises (SMEs) in East Sussex; two SMEs are receiving mentoring to support job creation; and three business engagement events took place. Projects to grow cultural tourism have continued in Q2; familiarisation trips for tour operators to the England's Creative Coast art and geocaching trail have been organised.

Terminus Road Eastbourne – The works, to modernise the town centre and improve the pedestrian environment, have continued in Q2 in both Terminus Road and Cornfield Road. The scheme is currently scheduled to be complete in Q3.

Queensway Gateway Road – Sea Change Sussex, the scheme promoter, have encountered challenges in relocating a car dealership on the site, which has affected the scheduled timetable for delivering the scheme. Sea Change Sussex are looking, with the Council, at possible temporary solutions to link the completed sections of the road to the A21 ahead of, and whilst, the main connection works are completed **(ref i)**.

Employability and Skills – The Careers Hub has supported schools to achieve an average of 3.7 of the national Gatsby benchmarks at the end of Q2. 130 Industry Champions have been recruited since the start of the programme and continue to provide support to schools and colleges. The six sector task groups, plus Apprenticeships East Sussex, are working to meet the Skills East Sussex (SES) priorities, with updates to the SES board on progress provided in September.

Road Safety – Trials of the behavioural change initiatives launched as part of the Council's £1m Road Safety Scheme have continued in Q2. Preparations are being made to analyse the effectiveness of the Anniversary trial, which measures the effectiveness of sending reminders to drivers who have previously committed a speeding offence. Following feedback from partners and recent research Phase 2 will assess the impact of an engagement campaign focused on young drivers and their potential passengers. The proposed amended approach is based on evidence that shows that sustained attitudinal and behavioural change is likely to reduce long term risk of collisions /KSIs. It is therefore proposed that the performance measure is amended **(ref ii)**. Following the campign we will assess the percentage of young drivers and their passengers who report positive attitudinal and behavioural change in response to the engagement campaign designed to reduce risk of collisions/KSI immediately after intervention and over time. Three infrastructure schemes to improve road safety have been delivered in 2019/20 with a further scheme currently being implemented. Subject to costs and the availability of funding from the identified budget, it is planned that a further six schemes will be implemented this year.

Trading Standards – Trading Standards provided seven training workshops to businesses in Q2, with 88 delegates attending. There were also 66 positive interventions to protect vulnerable people, including visiting 59 victims of rogue trading or financial abuse and installing seven call blockers to protect people from telephone scams.

Revenue Budget Summary – The revenue budget is projected to underspend by £232k. The most significant variances are in Transport where the late introduction of parking charge increases will result in £850k of the savings target not being achieved this year **(ref v)**. £550k of the shortfall will be offset from the £871k underspend in the Waste Service with the remaining £300k transferred from the Parking Reserve. The underspend in Waste is mainly from reduced waste volumes due to the combined impact of public behaviour and service changes from the various councils involved. There is also a £100k underspend in the Concessionary Fares budget along with smaller Transport variances **(ref iv)**. Departmental underspend will be used to fund the cost of implementing the Records Management Policy **(ref iii)**.

Capital Programme Summary – The CET capital programme has a gross budget of £64.534m and at Q2 is expected to have slippage of 5.534m and spend in advance of £1.160m. The Bexhill Hastings Complementary Measures Scheme is delayed so that work can be done alongside planned Highways England resurfacing work **(ref vi)**. There is spend in advance on stalled sites **(ref vii)**. Work on the Newhaven Port Access Road is running ahead of programme but there are some critical activities to come **(ref viii)**. Resourcing issues, third party objections and safety audit issues means that the Hastings and Bexhill Movement and Access Scheme is slipping **(ref ix)**. There are also resourcing issues in the Eastbourne and South Wealden Walking and Cycling Package **(ref x)**. The Hailsham, Polegate and Eastbourne Corridor scheme will slip due to the need for wider transport modelling work **(ref xi)**. The delay in completing Terminus Road has resulted in an increased cost of compensation and construction **(ref xii)**. The overspend is being offset from the Integrated Transport budget **(ref xiii)**. There are a number of Integrated Transport projects that are overspending including the A22 barrier works, RR90 cycle route, and Ghyll Road Scheme, these are offset by slippage in a number of other schemes. Work on Eastbourne Town Centre will cease until completion of the Terminus Road Phase **(ref xiv)**. Community Match projects are awaiting confirmation of the scope of works required **(ref xv)**. Additional surveys and land tax costs have advanced spend on the Queensway depot following the purchase of the bungalow **(ref xvi)**.

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

Performance measure	Outturn 18/19	Target 19/20	19/20 RAG Q1	Q2	Q3	Q4	Q2 2019/20 outturn	Note Ref
Priority – Driving sustainable economic growth								
Work with Seachange Sussex to deliver major transport infrastructure – Queensway Gateway Road	First phase completed in Q3	Complete second phase of the road	G	A			Challenges relocating car dealership will affect timescales for full scheme delivery	i
Amendment requested from: ~~Road Safety: Percentage of young male drivers who were aware of the social media campaign who report they changed their behaviour~~ **To:** Road Safety: The percentage of young drivers and their passengers who report positive attitudinal and behavioural change in response to the engagement campaign designed to reduce risk of collisions/KSIs immediately after intervention and over time.	Phase One of campaign run via social media and was successful; Phase Two targeting young males currently being developed	15%	A	AD			Following feedback from partners and recent research, phase 2 will assess the impact of an engagement campaign focused on young drivers and their potential passengers. Recent research has demonstrated that for young drivers, the risk of being killed in a crash significantly increases when there are young passengers in the vehicle. The proposed amended approach is based on evidence that shows that sustained attitudinal and behavioural change is likely to reduce long term risk of collisions /KSIs. It is therefore proposed that the performance measure is amended.	ii

Revenue budget

Divisions	Planned (£000) Gross	Income	Net	Q2 2019/20 (£000) Projected outturn Gross	Income	Net	(Over) / under spend Gross	Income	Net	Note ref
Management and Support	3,648	(2,378)	1,270	3,889	(2,387)	1,502	(241)	9	(232)	iii
Customer and Library Services	7,075	(2,045)	5,030	7,069	(2,044)	5,025	6	(1)	5	
Communities	4,374	(2,854)	1,520	4,517	(3,005)	1,512	(143)	151	8	
Transport & Operational Services	80,499	(43,625)	36,874	79,246	(42,827)	36,419	1,253	(798)	455	iv
Highways	15,023	(2,382)	12,641	14,969	(2,328)	12,641	54	(54)	-	
Economy	3,817	(2,662)	1,155	3,822	(2,667)	1,155	(5)	5	-	
Planning and Environment	2,847	(2,028)	819	3,064	(2,241)	823	(217)	213	(4)	
TOTAL CET	**117,283**	**(57,974)**	**59,309**	**116,576**	**(57,499)**	**59,077**	**707**	**(475)**	**232**	

Savings exceptions						
	2019/20 (£'000) – Q2 Forecast					
Service description	**Original Target For 2019/20**	**Target including items c/f from previous year(s)**	**Achieved in-year**	**Will be achieved, but in future years**	**Cannot be achieved**	**Note ref**
Savings						
Civil Parking Enforcement	1,000	1,000	150	850	-	v
Highways Maintenance	889	889	889	-	-	
Household Waste Disposal	200	200	200	-	-	
Waste	-	162	162	-	-	
Concessionary Travel	150	150	150	-	-	
Library and Information Services	-	125	125	-	-	
Archives and Records	32	32	32	-	-	
Road Safety Services	32	32	32	-	-	
Ashdown Forest	31	31	31	-	-	
Environmental Advice Services	15	15	15	-	-	
Total Savings	**2,349**	**2,636**	**1,786**	**850**	**0**	
			-	-	-	
			-	-	-	
			-	-	-	
Subtotal Permanent Changes			**0**	**0**	**0**	
Total Savings and Permanent Changes	**2,349**	**2,636**	**1,786**	**850**	**0**	

Memo: treatment of savings not achieved in the year (£'000)	**Temporary Funding**	**Part of reported variance**	**Total**	**Note Ref**
Civil Parking Enforcement use of underspend in Waste services and transfer from reserves	850	-	850	
Total	**850**	**0**	**850**	

APPENDIX 5

Capital programme										
Approved project	Total project – all years (£000)		2019/20 (£000)							Note ref
			In year monitor Q2 (£000)				Analysis of variation (£000)			
	Budget	Projected	Budget	Actual to date	Projected 2019/20	Variation (over) / under budget	(Over) / under spend	Slippage to future year	Spend in advance	
Registration Ceremonies Website	30	30	7	-	7	-	-	-	-	
Hastings Library	8,738	8,738	130	1	130	-	-	-	-	
Broadband	33,800	33,800	1,304	(1,249)	1,304	-	-	-	-	
Bexhill and Hastings Link Road	126,247	126,247	1,497	330	1,497	-	-	-	-	
BHLR Complementary Measures	1,800	1,800	206	107	133	73	-	73	-	vi
Economic Intervention Fund	9,675	9,675	999	303	999	-	-	-	-	
Stalled Sites Fund	916	916	166	124	230	(64)	-	-	(64)	vii
EDS Upgrading Empty Commercial Properties	500	500	117	-	117	-	-	-	-	
Queensway Gateway Road	10,000	10,000	1,570	-	1,570	-	-	-	-	
East Sussex Strategic Growth Package	8,200	8,200	350	-	350	-	-	-	-	
Bexhill Enterprise Park North	1,940	1,940	1,940	-	1,940	-	-	-	-	
Skills for Rural Businesses - Post Brexit	2,918	2,918	2,134	-	2,134	-	-	-	-	
Sidney Little Road Business Incubator Hub	500	500	381	-	381	-	-	-	-	
Newhaven Port Access Road	23,271	23,271	13,001	6,657	13,143	(142)	-	-	(142)	viii
Real Time Passenger Information	2,798	2,798	127	-	127	-	-	-	-	
Parking Ticket Machine Renewal	1,475	1,475	555	259	559	(4)		-	(4)	
Hastings and Bexhill Movement & Access Package	9,057	9,057	4,322	278	1,747	2,575	-	2,575	-	ix
Eastbourne/South Wealden Walking & Cycling Package	7,017	7,017	1,846	163	814	1,032	-	1,032	-	x
Hailsham/Polegate/Eastbourne Movement & Access Corridor	2,350	2,350	1,027	74	679	348	-	348	-	xi
Terminus Road Improvements	8,250	9,000	2,245	2,050	2,995	(750)	(750)	-	-	xii
Other Integrated Transport Schemes	35,251	34,501	2,085	542	1,383	702	750	702	(750)	xiii
Eastbourne Town Centre Movement & Access Package	3,486	3,486	830	108	148	682	-	682	-	xiv
Community Match Fund	1,500	1,500	241	(4)	119	122	-	122	-	xv
Exceat Bridge	2,633	2,633	660	326	660	-	-	-	-	
Queensway Depot Development	1,956	1,956	300	363	500	(200)	-	-	(200)	xvi
Hailsham HWRS	97	97	73	-	73	-	-	-	-	
Highways Structural Maintenance	236,348	236,348	23,624	8,975	23,624	-	-	-	-	
Core Programme - Bridges	13,310	13,310	1,266	816	1,266	-	-	-	-	
Core Programme - Street Lighting -	10,133	10,133	1,115	415	1,115	-	-	-	-	
Core Programme - Rights of Way	4,883	4,883	416	205	416	-	-	-	-	
Total CET	**569,079**	**569,079**	**64,534**	**20,843**	**60,160**	**4,374**	**0**	**5,534**	**(1,160)**	

Governance – Q2 2019/20

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

Reconciling Policy, Performance and Resources (RPPR) –

The Annual Report, which highlights the Council's progress against our priorities in 2018/19, was published on our website in October 2019. The draft Portfolio Plans for 2020/21 – 2022/23 will be reviewed by the Scrutiny Committee RPPR Boards in December, before publication in March.

Transport for the South East (TfSE) – The TfSE Shadow Partnership Board met in September 2019 and agreed the draft Transport Strategy for consultation. A successful launch event was held on 10 October at a conference attended by over 250 senior representatives from local authorities, businesses and transport organisations. George Freeman, Minister of State at the Department for Transport, provided the keynote address. The Transport Strategy identifies that with the right investment in the region's transport network the South East's economy will more than double over the next thirty years – from £183bn to between £450bn and £500bn per year – creating an additional 500,000 jobs, boosting quality of life and access to opportunities and helping cut the South East's carbon emissions to net-zero. The Strategy proposes a shift away from the current focus on planning for vehicles to one based on providing for people and places. Instead of expanding the network to address congestion this approach would see increased investment in public transport alternatives, developing integrated land use planning policies, and adopting emerging transport technologies, and demand management policies. Engagement events took place throughout October to engage with stakeholders, community groups, MPs and residents. The consultation will close on 10 January 2020.

The recent consultation on the draft proposal to Government resulted in almost 100 responses, with overwhelming support for the creation of a statutory Sub-national Transport Body in the south east. The proposal, which forms the basis of the bid for statutory status, was revised to take account of the comments received and agreed by the Shadow Partnership Board in September 2019. Discussions are underway with the Department for Transport to agree the most appropriate timescales for submission of the proposal.

Corporate Lobbying – In Q2 we continued to lobby for an adequate funding settlement for 2020/21, of at least the funding level received in 2019/20, uplifted to reflect ongoing financial pressures. This was partly delivered on in the one-year Spending Round in September, which confirmed continuation of one-off funding grants allocated last financial year and additional funding for social care and Special Educational Needs and Disability provision. Lobbying activities this quarter included:

- The Leader wrote to Rishi Sunak MP to congratulate him on his appointment as the new Chief Secretary to the Treasury, share detail on our medium term financial position published at State of the County, and offer to meet, with East Sussex MPs, to discuss working together.
- The Leader signed a public County Councils Network letter urging the new Prime Minister to deliver on his promise to 'level up' funding for communities by committing to deliver the fair funding review and ensure county councils' future funding reflects their local need. The letter was published in the Daily Telegraph and received widespread national media coverage.
- Following a letter from the Leader in Q1, Luke Hall MP, the new Minister for Local Government agreed to meet with the Leader and East Sussex MPs to discuss Council funding. The General Election was called before a meeting date was agreed.
- The Leader and Chief Executive wrote to, and met with, local MPs to keep them briefed on our latest financial position and discuss other local priorities.

Lobbying will continue in Q3 as we focus on securing a longer-term sustainable funding settlement in the next Spending Review under the next Government.

Supporting democracy – During Q2 we supported 32 meetings including: one County Council meeting; one Cabinet meeting; eight Lead Member meetings; eight Scrutiny Committees and Review Boards; and 14 other committees and panels. We also published agendas for a further 16 meetings. There were 654 unique page views on the Members' Intranet site.

Scrutiny Committees have continued to pursue a broad range of work, including several active scrutiny reviews which aim to make recommendations to improve services and address challenges. Two reviews were completed during Q2 and will be considered by Cabinet and Council in Q3. Two workshop sessions were held during Q2 which enabled Members to develop their approach to undertaking effective scrutiny reviews, taking into account recently updated national guidance.

With oversight from the Member ICT and Development Reference Group, we have continued to deliver the Member training programme. Training delivered in Q2 focused on scrutiny, social media and IT, with further topics scheduled for Q3.

The main round of school appeals concluded at the end of the summer term, with remaining hearings for both primary and secondary school appeals taking place early in Q2. Further late September intake and other in-year appeals have been received and hearings arranged as required following the start of the autumn term. The service is supporting an increasing number of academy trusts as well as maintained schools. In total 78 school admission appeals were received during Q2, 35 of which were for academy schools which are signed up to our service. The majority of appeals continue to be submitted using the secure online digital appeal management system and further development of this system is planned to enhance the administration of the appeals process.

Legal Services – During Q2 we assisted Trading Standards in securing a confiscation order for fraudulent trading resulting in a fine of £14,459, which included a payment to Trading Standards of £5,350. We also assisted Trading Standards in the successful prosecution of a counterfeit trading offence which resulted in a fine of £300 and costs of £500. Through successful legal mediation, we achieved the settlement of an historic debt case with an agreement reached to pay £32,500 to the Council. We collected other debts totalling £48,933 and agreed repayment plans totalling a further £9,038. We also carried out 95 prosecutions for failure to send a child to school. In addition, we dealt with 17 contentious vulnerable adult cases and 59 Deprivation of Liberty applications in the Court of Protection.

In Q2 we completed six 106 agreements which helped to secure financial contributions for the Council in excess of £47,000. In addition highway rights were secured with the completion of two Deeds of Dedication and one Deed of Easement. Works to improve or create highways were secured under six highways agreements. The property team continued to work alongside colleagues to manage the Council's property portfolio, undertaking all aspects of commercial property work including completing sales of disposable assets, leases and licences.

In Q2 we also continued to advise and assist Children's Services both in pre-proceedings and court applications with the ultimate aim of keeping children with their families, where it is safe to do so. In Q2, we applied for care proceedings in respect of 22 families compared to 18 in Q1 and at the end of Q2 we had a total of 53 live care proceedings compared to 64 in Q1. We are currently working with Sussex Police on a new protocol for sharing of information in relation to public law proceedings, which will reflect the shared aim of working together in the interests of the safety of children.

Coroner Services – On average 178 deaths per month were reported to the Coroner in Q2. This is slightly lower than the Q1 figure of 197. 91 inquests were opened in Q2, whereas 74 were opened in Q1, and 70 were closed, a similar number to the 71 closed in Q4. The Council continues to work closely with the East Sussex Hospital Trust's Mortuary Managers and the Senior Coroner to manage the availability of pathologists.

Regulation of Investigatory Powers Act (RIPA) – No RIPA applications for Directed Surveillance were made in Q2.

Local Government Ombudsman complaints – 20 decisions were issued in Q2 with 11 of these cases relating to Adult Social Care (ASC), one Communities, Economy & Transport (CET) and eight Children's Services (CS). 11 were closed before a full Ombudsman investigation for reasons including, insufficient evidence of fault, complaints being out of the Ombudsman's jurisdiction and the complaint not having been through our internal complaints processes.

Of the nine fully investigated, six were closed with no fault found and three were closed with the complaint partly or fully upheld.

ASC – Transitions Service: Fault was found with the way the Council planned a disabled child's transition from children to adults services. This included a delay in referring a college placement request, a lack of effective joint working and information sharing between ISEND and the Transitions team and delays in completing the Deprivation of Living Safeguards assessment. The Council agreed to apologise for the faults found and pay £500 in recognition of the distress caused. We also agreed to draw up a protocol to ensure effective joint working and information-sharing between officers in ISEND and the Transitions team, arrange a briefing session for officers and provide information about the systems we have put in place to identify young people whose specialist educational placements are ending.

CS – Fault was found that the Council failed to follow the statutory children's complaint procedure properly. The Council agreed to escalate the complaint to stage 2 of the procedure.

CS – Child Protection: The Council was found at fault for not taking action to progress the case after the Review Child Protection Conference Chair had issued his recommendations in July 2018. Furthermore, it was at fault for not bringing the date of the subsequent conference forward after it decided to recommend the cessation of the child protection plan in March 2019. The Council agreed to apologise for the faults outlined and to pay the complainants £500 in recognition of the injustice caused. The Council also agreed to send a copy of the decision statement to all social workers and managers working in child protection for learning purposes, with a briefing stressing the importance of adhering to timeframes, of considering the use of independent assessors and of bringing forward the date of conferences when necessary.

Effective publicity and campaigns – Three new videos were launched featuring cabinet members/scrutiny chairs explaining some of the Council's recent key investments and decisions (road re-surfacing, a new primary school, wildlife verges etc.). Together they have been viewed more than 21,000 times, with more than 180 shares among the positive responses.

A focused campaign to help recruit to hard-to-fill social care roles in Crowborough coincided with 16 shortlisted applications for 12 posts by the end of Q2 – the highest rate of interest ever received. The campaign refined the job description, created short and memorable video advertising and targeted it at specific local audiences via social media and newsletters.

Media work – The press office issued 36 press releases in Q2 which resulted in 159 media stories, of which were 32 were radio or television. There were also 181 media enquiries in this period with 476 referring to the Council.

Web activity – Q2 saw 3.2 million page views of the Council's main website from 384,551 users. Almost 55% of visitors were using a mobile or tablet device but those visitors account for only 48% of pages viewed, with desktop users visiting more pages on average.

Third Sector support – During Q2 we worked with Crowdfunder and our local partners to further develop the digital marketing and promotion for Crowdfund East Sussex, with the second round of How to Crowdfund training sessions taking place in Hastings and Eastbourne. Examples of successful crowdfunding are emerging, such as the Rother Field and St. Martin DEMENTIA SUPPORT: Tackling isolation & loneliness programme.

We have also supported the development of the Social Value Market Place led by Orbis Procurement. The market place brings together the private, public and Voluntary, Community and Social Enterprise (VCSE) sectors to improve the social, economic and environmental wellbeing of East Sussex through the delivery of social value.

We continued Partnership Plus discussions and took the lead on exploring with partners how we could redraft and revitalise the East Sussex Compact so that it better reflects the growing collaborative relationships we have with the VCSE sector, and our public sector colleagues.

We agreed and signed new contracts for the Generic Infrastructure Services (GIS) with three providers covering all of East Sussex, the providers are 3VA, HVA, and RVA. Providers are keen to continue building relationships with public sector officers and elected members, to enable stronger relationships and understanding of the local VCSE sector. The new GIS contract provides a wide range of services and activities aimed at enabling local VCSE organisations to build greater resilience, self-sustaining capacity and capabilities to deliver activities and services that benefit the users of their services and communities.

East Sussex Community Voice, our Healthwatch East Sussex (HWES) provider, continues to deliver a robust service, and has been nominated for a Healthwatch England Diversity and Inclusion Award, with winners to be announced in Q3. HWES are an active VCSE partner on a number of strategic partnerships and boards, including the East Sussex Health and Wellbeing Board, and Sussex Health and Care Partnership.

South East 7 (SE7) – In August the Leader wrote on behalf of SE7 Leaders to the new Chancellor of the Exchequer and Secretary of State for Housing, Communities and Local Government congratulating them on their appointments and encouraging them to work with SE7 to deliver shared priorities. The SE7 Leaders' Board met in September, where it was agreed Cllr Keith Glazier would continue as Chair of the partnership and Cllr Tim Oliver, Leader of Surrey County Council, was appointed the partnership's new Vice Chair. The Board also received a presentation from Kent County Council on their review of older people's housing provision, discussed the merits and opportunities of older people's housing solutions for reducing social care demand and costs, considered the impact of the Spending Round on SE7 authorities' 2020/21 budgets and discussed Brexit preparations. SE7 Chief Executives continue to meet regularly, including with senior civil servants, to progress the partnership's work and monitor opportunities for the partnership.

Health and Wellbeing Board (HWB) – On 17 September 2019 the HWB considered a report on the proposals for developing a joint plan and for integrated health and social care in East Sussex. The HWB endorsed the approach and agreed to receive a further report in December with more detailed plans for 2020/21, including proposals for an Integrated Care Partnership. The Board also approved plans for the Better Care Fund, which sets out how the investment will be used to meet performance targets for improved joint working and priorities for integration. These plans will now be subject to NHS assurance and if agreed will enable a pooled budget to be set for the Fund.

Revenue budget summary – The Governance budget is projected to underspend by £242k, due to staff vacancies and a reduction in non-staff spend across all teams. There is some additional spend on the Coroner's pathology fees.

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

Performance measure	Outturn 18/19	Target 19/20	19/20 RAG				2019/20 outturn	Note ref
			Q1	Q2	Q3	Q4		
There are no Council Plan targets								

APPENDIX 6

Savings exceptions						
Service description	2019/20 (£'000) – Q2 Forecast					Note ref
	Original Target For 2019/20	Target including items c/f from previous year(s)	Achieved in-year	Will be achieved, but in future years	Cannot be achieved	
Savings						
There are no targeted savings in 2019/20	-	-	-	-	-	
	-	-	-	-	-	
	-	-	-	-	-	
Total Savings	**0**	**0**	**0**	**0**	**0**	
			-	-	-	
			-	-	-	
			-	-	-	
Subtotal Permanent Changes			**0**	**0**	**0**	
Total Savings and Permanent Changes	**0**	**0**	**0**	**0**	**0**	

Memo: treatment of savings not achieved in the year (£'000)	Temporary Funding	Part of reported variance	Total	Note Ref
	-	-	-	
Total	**0**	**0**	**0**	

Revenue budget										
Divisions	Planned (£000)			Q2 2019/20 (£000)						Note ref
				Projected outturn			(Over) / under spend			
	Gross	Income	Net	Gross	Income	Net	Gross	Income	Net	
Corporate Governance	5,000	(534)	4,466	4,779	(536)	4,243	221	2	223	
Corporate Support	3,303	(403)	2,900	3,341	(460)	2,881	(38)	57	19	
Total Governance	**8,303**	**(937)**	**7,366**	**8,120**	**(996)**	**7,124**	**183**	**59**	**242**	

Capital programme										
Approved project	Total project – all years (£000)		2019/20							Note ref
			In year monitor Q2 (£000)				Analysis of variation (£000)			
	Budget	Projected	Budget	Actual to date	Projected 2019/20	Variation (over) / under budget	(Over) / under spend	Slippage to future year	Spend in advance	
No current programme for Governance	-	-	-	-	-	-	-	-	-	
Total Governance	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	

Strategic Risk Register – Q2 2019/20			
Ref	**Strategic Risks**	**Risk Control / Response and Post Mitigation RAG score**	
12	**CYBER ATTACK** The National Cyber Security Centre (NCSC) has highlighted the substantial risk to British web infrastructure with elevated levels of Cyber Crime being reported against all areas of government. Cyber-attacks often include multi vector attacks featuring internet based, social engineering and targeted exploits against hardware, software and personnel. The remote nature of the internet makes this an international issue and an inevitable risk. Examples of the impact of a Cyber Attack include: • Financial fraud related to phishing of executives and finance staff; • Loss of Personally Identifiable Information and subsequent fines from Information Commissioner's Office (4% of global revenue under the new General Data Protection Regulations); • Total loss of access to systems that could lead to threat to life. A successful cyber-attack can shut down operations - not just for a few hours, but rather for multiple days and weeks. The collateral damage, such as information leaks and reputational damage can continue for much longer. Added to that, backup systems, applications and data may also be infected and therefore, of little usable value during response and recovery operations - they may need to be cleansed before they can be used for recovery. This takes time and consumes skilled resources reducing capacity available to operate the usual services that keep the Council working.	Most attacks leverage software flaws and gaps in boundary defences. Keeping software up to date with regular patching regimes; continually monitoring evolving threats and re-evaluating the ability of our toolset to provide adequate defence'. Ongoing discussion and communication with the Info Sec industry to find the most suitable tools and systems to secure our infrastructure. Expanding Security Information and Event Management (SIEM) system capabilities to align with SCC and leverage latest standards of automation, detection and prevention. Development of "Security Advocates". Trained staff that can cascade and share cyber security insights and highlight potential issues into the workforce. Promoting a visible approachable business based security team; Enhancing user awareness - Expanding E-Learning and policy delivery mechanisms to cover Cyber threat, educating staff around the techniques and methods used by active threats. With 77% of all malware installed via email, users to be given learning experiences of phishing at point of use in a safe and secure environment; Providing GDPR training and workshops to cascade vital skills and information to those affected by new Data Protection laws; ESCC servers moved to the Orbis Primary Data Centre for resilience – An accredited Tier 3 environment certified to these standards: • ISO 27001 - IT Governance and Information Security Management • ISO 9001 - Quality Standard in Customer Service, Customer Processes, Product Process and Service, Efficiency and Continuous Improvement • ISO 14001 - Environmental Management and Best Practices for Corporate Environmental Responsibility. Disaster Recovery services now to similarly be relocated to a Tier 3 Data Centre environment (Orbis Secondary Data Centre in Guildford).	R

APPENDIX 7

Strategic Risk Register – Q2 2019/20			
Ref	**Strategic Risks**	**Risk Control / Response and Post Mitigation RAG score**	
4	**HEALTH** Failure to secure maximum value from partnership working with the NHS. If not achieved, there will be impact on social care, public health and health outcomes and increased social care cost pressures. This would add pressures on the Council's budget and/or risks to other Council objectives.	In addition to ongoing work to develop an East Sussex Plan and contributing to the Sussex Health and Care Partnership Strategy response to the LTP, progress has been made on the following: • Meetings are ongoing between Chief Executives and Senior Executives from East Sussex CCGs, ESCC, ESHT, SCFT and SPFT to develop our Integrated Care Partnership proposal. The proposal covers long term objectives and the elements that will be in place for April 2020, in summary: • A common operating model across community and primary care reflecting NHS LTP commitments and ESCC priorities • A common planning process to align investment with priorities across health and social care resources to deliver outcomes • A single framework for managing resources and agreement on alignment and/or pooling of resources • Agreed accountability and risk sharing for the aligned and pooled resources • Agreed contractual framework including the AIC, supported where appropriate by an MOU/ partnership agreements • A single programme is being constructed and resourced to deliver this across the system, including the identified steps in the overall roadmap • The East Sussex Health and Social Care System Partnership Board has now launched and our system partnership governance structure agreed to include representation from organisations that impact on the wider determinants of health. This will oversee developments of both the East Sussex Plan and ICP proposals • First draft proposal will be ready to be shared more widely across system partners by the end of October to align with East Sussex Long Term Plan implementation • The consultation for the Sussex CCGs operating model has now been launched with implications for East Sussex for joint commissioning, health and care population commissioning and primary and community care. In developing a common operating model there are strong dependencies with PCN development and the Network DES Contract, which needs to sufficiently align with local ICP model development at the optimum scale and scope to achieve shared outcomes and delivery across primary and community care. The need for early engagement on ICP model development with new PCN Clinical Directors is supported and structured on ICP footprints has been flagged with CCG colleagues.	**R**

Strategic Risk Register – Q2 2019/20			
Ref	**Strategic Risks**	**Risk Control / Response and Post Mitigation RAG score**	
5	**RECONCILING POLICY, PERFORMANCE & RESOURCE** Failure to plan and implement a strategic corporate response to resource reductions, demographic change, and regional economic challenges in order to ensure continued delivery of services to the local community.	We employ a robust Reconciling Policy, Performance and Resources (RPPR) process for business planning. We have adopted a commissioning approach which means evaluating need and considering all methods of service delivery, which includes working with partner organisations to deliver services and manage demand. The Council Plan sets out targets for a 'One Council' approach to deliver our priorities and is monitored quarterly. The plans take account of known risks and pressures, including demographic changes and financial risks, to design mechanisms to deliver the Council's priorities. We will continue to lobby for the need for long term, predictable and sustainable funding for local government and East Sussex, which reflects our residents' real and growing need through the fair funding review and anticipated spending review next year. We will also continue to make realistic and deliverable plans for working within the funding we are likely to have available, reflecting the recent Government announcement as part of its one year spending round.	R
15	**CLIMATE** Failure to limit global warming to 1.5°C, requiring global net human-caused emissions of carbon dioxide (CO_2) to fall by about 45 percent from 2010 levels by 2030, reaching 'net zero' around 2050. This increases the risks to East Sussex of hotter, drier summers; changing rainfall patterns, with more intense rainfall episodes and longer periods without rainfall; milder winters; more frequent extremes in weather that are either prolonged or severe; and sea level rise with potential for increased storm surges.	Climate change adaptation: we are following national adaptation advice, including working with partners on flood risk management plans, a heatwave plan and drought plans. Climate change mitigation: we are continuing to reduce the County Council's own carbon footprint, which was cut by 46% between 2008-9 and 2017-18.	R

Strategic Risk Register – Q2 2019/20			
Ref	**Strategic Risks**	**Risk Control / Response and Post Mitigation RAG score**	
14	**NO-DEAL BREXIT** The UK withdraws from the EU with no agreed deal, transition or implementation period leading to disruption in the county, failure to deliver Council services and/or increasing existing areas of risk. Key areas at risk of disruption: - Disruption at Newhaven port and across the ESCC road network; - Disruption to waste collection and disposal; - Disruption to fuel supply; - Disruption to service delivery due to staff availability; - Communication with staff, partners and public; and - Procurement and the effect on the supply chain.	Relevant Council teams are actively monitoring Brexit discussions and developments, considering potential implications/ disruption and developing contingency plans. This work takes place as part of business as usual activity to identify how the national and local context impacts on services. Many of the key areas at risk of disruption are already on the Strategic risk register (Workforce, Recruitment) or departmental risk registers and are subject to business as usual risk management. The Communities, Economy and Transport (CET) Department is leading the assessment of a no deal Brexit from an Emergency Planning and Resilience perspective. Chief Officers are involved in regional and national information and developments in relation to Brexit. To ensure a coordinated response, Brexit planning is a regular item at Corporate Management Team (CMT) meetings, and a short life Brexit Task Group has been set up to avoid unnecessary impact on the Council's usual business. The task group will share actions that are being taken; monitor progress on agreed actions; and identify any common ground to avoid duplication. The task group is comprised of a representative from each department and lead officers from HR, Procurement and Emergency Planning.	**R**
1	**ROADS** Wet winter weather, over recent years has caused significant damage to many of the county's roads, adding to the backlog of maintenance in the County Council's Asset Plan, and increasing the risk to the Council's ability to stem the rate of deterioration and maintain road condition.	The additional capital maintenance funding approved by Cabinet in recent years has enabled us to stabilise the rate of deterioration in the carriageway network and improve the condition of our principle road network. However a large backlog of maintenance still exists and is addressed on a priority basis. The County Council's asset management approach to highway maintenance is maintaining the overall condition of roads, despite recent year's winter weather. However, severe winter weather continues to be a significant risk with the potential to have significant impact on the highway network. The recently approved five year capital programme for carriageways 2018/19 to 2022/23, and the six year additional capital programme for drainage and footways 2017/18 to 2022/23 provide the ability to continue to improve condition and build resilience into the network for future winter events. Additional DfT money from 2018/2019 has supported this approach.	**A**

Strategic Risk Register – Q2 2019/20			
Ref	**Strategic Risks**	**Risk Control / Response and Post Mitigation RAG score**	
7	**SCHOOLS** Failure to manage the expected significant reduction in resources for school improvement from 2017/18 and the potential impacts of changing government policy on education, leading to reduced outcomes for children, poor Ofsted reports and reputational damage	• In September 2019 the Department published its refreshed Excellence for All strategy. The updated strategy outlines the shared vision, values and ambitions the local authority and our partners have for creating an excellent education system in East Sussex where no child or educational establishment is left behind. There is a sharper focus on the most disadvantaged and on how we will deliver improvement through the partnership structures in the county. • Work closely with schools to build a sustainable system across East Sussex, in order to ensure that the capacity and expertise is available to provide oversight of educational performance and to offer appropriate support and challenge where it is required. • Provide an opportunity for every school to be part of a local Education Improvement Partnership to support their ongoing improvement and for all partnerships to develop to the point where they provide a sustainable network through which all schools and other providers take responsibility for improvement in their local area. • Continue to develop commissioning model of school improvement including reviewing the level of trading by SLES to ascertain what is sustainable within reducing capacity and to identify core services that can be traded. • Continue to build relationships with academies and sponsors, including the Diocese of Chichester, ensure a dialogue about school performance, including data sharing. • Work with academies and maintained schools through the Education Improvement Partnerships to develop system leadership, school to school support and to broker partnerships to reduce pressure on SLES services. • Broker support to academies to address any performance concerns and investigate the feasibility of trading some LA school improvement services with all schools on a full cost recovery basis. • Where academies do not appear to be accessing appropriate support, bring this to the attention of the DfE, who may exercise their intervention powers. • Work with the Regional Schools Commissioner to ensure the work of the RSC and the LA is aligned and that schools have the support they need.	**A**

Strategic Risk Register – Q2 2019/20			
Ref	**Strategic Risks**	**Risk Control / Response and Post Mitigation RAG score**	
8	**CAPITAL PROGRAMME** As a result of current austerity, the capital programme has been produced to support basic need only and as a result of this there is no resource for other investment that may benefit the County e.g. that may generate economic growth. Additionally there is a risk, due to the complexity of formulas and factors that impact upon them, or changes in these, that the estimated Government Grants, which fund part of the programme, are significantly reduced. There is also a risk that the move from S106 contributions to Community Infrastructure Levy will mean that Council has reduced funding from this source as bids have to be made to Districts and Boroughs. Slippage continues to occur within the programme, which has an impact on the effective use of limited resources.	Governance arrangements continue to be reviewed and developed with Property for the delivery of Schools Basic Need and capital property works in support of the robust programme delivery of the basic need programme. The Education Sub Board, which in part focuses on future need for schools places, continues to inform the Capital Strategic Asset Board of key risks and issues within the School Basic Need Programme. Regular scrutiny by the Capital Strategic Asset Board, of programme and project profiles (both in year and across the life of the programme) occurs on a quarterly basis. Financial regulations have been updated to reflect the revised governance arrangements. The Board also proactively supports the seeking and management of all sources of capital funding, including; grants, S106, CIL and, Local Growth Fund monies. A cross department sub board has been set that oversees the process for bidding for CIL and to the use of S106 funds, work continues with Districts and Boroughs to maximise the Council's receipt of these limited resources. As part of 2019/20 budget setting, a risk factor has been introduced to acknowledge and address the continuous level of slippage in the capital programme, its impact on the financing of the capital programme, and therefore on treasury management activity. The Board will monitor the risk adjusted budget alongside the original budget to further scrutinise those projects continuing to slip. During 2019, improving the monitoring and reporting of the capital programme will be a key area of focus.	**A**
9	**WORKFORCE** Stress and mental health are currently the top two reasons for sickness absence across the Council, potentially leading to reduced staff wellbeing, reduced service resilience, inability to deliver efficient service and / or reputational issues.	The 2019/20 Q1+2 sickness absence outturn for the whole authority (excluding schools) is 3.73 days lost per FTE, a decrease of 6.0% since the same period last year. Although stress/mental health remains the primary reason for absence, time lost due to stress/mental health during 2019/20 Q1+2 fell by 3.4% compared to 2018/19 Q1+2. Interestingly, during that period whilst days lost due to stress have fallen by 24.6%, Mental Health has increased by 27.9% A range of initiatives to address mental health absences have been implemented, including: • 72 Mental Health First Aiders have been trained across the organisation • ESCC Campaign launched for World Mental Health Awareness Day on 10 October 2019 • Employee and Managers Mental Health Guides have been produced alongside a supporting toolkit and dedicated resource intranet page • A Bereavement guidance document is being produced to provide managers with clearer guidelines and signposting on support available • The Return to Work forms are being developed to include more guidance for managers on mental health conditions such as stress/anxiety, diagnosed mental health condition and bereavement • Stress Risk Assessment form is being reviewed to encourage meaningful conversations and to provide targeted signposting for employees both in and out of work	**A**

APPENDIX 7

Strategic Risk Register – Q2 2019/20			
Ref	**Strategic Risks**	**Risk Control / Response and Post Mitigation RAG score**	
10	**RECRUITMENT** Inability to attract high calibre candidates, leading to limited recruitment choices and therefore lack of the expertise, capacity, leadership and/or innovation required to deliver services and service transformation.	An analysis of our current workforce demographics and recruitment and retention 'hotspots' has been completed and has been considered by CMT. Two work-streams of 'attracting and recruiting the future workforce' and 'leading the workforce' are now being progressed. These will report in January 2020. A new e-Recruitment system went live on 1 April 2019; customer feedback will be sought following 6 months of operation with the aim of identifying any further areas for improvement.	**A**
6	**LOCAL ECONOMIC GROWTH** Failure to deliver local economic growth, and failure to maximise opportunities afforded by Government proposal to allocate Local Growth Funding to South East Local Enterprise Partnership, creating adverse reputational and financial impacts.	The County Council and its partners have been successful in securing significant amounts of growth funding totalling £115m, via both the South East and Coast 2 Capital Local Enterprise Partnerships, to deliver a wide range of infrastructure projects in East Sussex. We have also secured outgoing EU funding for complementary economic development programmes supporting businesses to grow, including South East Business Boost (SEBB), LoCASE, SECCADS and inward investment services for the county. We continue to bid for further EU funding for the above with bids being prepared for submission in July for a SEBB 2 and separately an inward investment programme looking to commence in April 2020 for a further 3 years. The County Council has worked with Wealden DC and developed an outline business case that has been submitted to the Major Road Network programme in May 2019, to secure funding for approximately £34.3m towards local transport interventions along the A22/A27 Growth Corridor. Government is working on a new Shared Prosperity Fund, which seeks to combine growth funding and outgoing EU funding into one, and as a consequence we are working with partners to develop a pipeline of projects to ensure we are well-placed to capitalise when the fund is released, and calls for projects are issued. Furthermore, there are several new funds currently being released for bidding including Future High Streets, Stronger Towns Fund and European Social Fund and we have been actively working with partners in submitting proposals and await the outcome. Government has also instigated a review of LEPs across the country. We are supporting the two work-streams that have been established to address SELEP board composition, diversity and appointments AND the establishment of a legal personality as a company limited by guarantee. We are now working with SELEP partners to compile the Government's requirement that every LEP has in place a Local Industrial Strategy by March 2020, which will be a key determinant to accessing future Government funding. East Sussex have been successful in securing an additional £2.46m funding from the SELEP for two projects that will create new jobs and workspaces in Bexhill and provide a replacement for Exceat Bridge to improve connectivity and support housing growth.	**G**

Report to: **Cabinet**

Date of meeting: **10 December 2019**

Report by: **Director of Children's Services**

Title: **Annual Progress Report of Looked After Children's Services 1 April 2018 – 31 March 2019**

Purpose: **To outline the performance of the Looked After Children's Service between 1 April 2018 to 31 March 2019**

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

1. Background

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

2. Budget Implications

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

3. Conclusion and reason for recommendation

The Corporate Parenting Panel has reviewed and agreed the contents of the report.

Stuart Gallimore
Director of Children's Services

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

Local Members: All

BACKGROUND DOCUMENTS: None

List of Appendices
Appendix 1 - LAC Annual Report 2018 – 2019

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East Sussex Looked After Children's Services Annual Progress Report 2018/19

Who did we look after? (1)

- On 31 March 2019 there were 600 Looked After Children (LAC) in ESCC; this represents a decrease of 3 children (0.5%) as compared to 2017/18 and a rate of 56.9 per 10,000 population. This is just below the Income Deprivation Affecting Children Index (IDACI) expected rate (a measure in terms of population profiles and deprivation levels) of 57.2 and below the 2017 England rate of 64.0.
- The LAC data only ever gives a snapshot of our children moving in and out of the system at a fixed date each month/year and considerable activity sits beneath it. The data below is referred to as 'churn'. This cohort of children will come in and out of the system within the year, or some may come in and stay whilst others leave. It has been calculated that the churn figure for 2018/19 is 188 which, when added to the total number of LAC, equates to the service working with 788 children. This total figure is higher than last year (756 children), and the churn rate is also higher than for the previous years (153 for 2017/18, 175 for 2016/17).

Who came in and out of care?

- There was a decrease in children coming into care from 212 during 2017/18 to 195 during 2018/19.
- The number of 0-5 year olds admitted to care during 2018/19 decreased to 87 (from 104 in 2017/18).
- The number of 6-12 year olds admitted to care during 2018/19 decreased to 38 (from 50 in 2017/18).
- The number of children aged 13+ increased from 58 for 2017/18 to 70 in 2018/19.
- At year end there was an increase in the number of our LAC leaving care, from 164 in 2017/18 to 197 in 2018/19.
- The number of 0-12 year olds leaving care increased slightly to 90 during 18/19 from 89 in 17/18. This was made up of 70 0-5 year olds and 20 were 6-12 year olds.
- There was an increase in the 13+ age group from 75 of our young people leaving care in 2017/18 to 107 in 2018/19

The trend for this year is showing, for the first time, a slight decrease in our LAC numbers as compared to the previous 3 years. During 18/19 there was a reduction in children coming into care in the 0- 12 year olds but an increase in the 13 plus age group. This increase was largely related to the changes in policy and practice, both locally and nationally, in relation to children who suffer neglect, sexual and criminal exploitation and also a more rigorous application of the Southwark Judgement, whereby teenagers can be offered section 20 accommodation and hence become LAC rather than being viewed as homeless. Although there were higher numbers of children leaving care across all age ranges, the overall ‘churn figure’ indicates not only greater numbers of our LAC worked with throughout the year, but that many of these children presented with greater levels of complexity particularly in the 13 plus age cohort.

Who did we look after? (2)

Children with disabilities who are looked after

- The number of our LAC with disabilities remains similar in 2018/19 to that of 2017/18.
- At 31 March 2019 there were **31** LAC with disabilities, 9 of whom, were aged between 16-19. This compares with 34 LAC, 14 of whom were aged between 16-19 in 2017/18.
- There were 10 LAC placed in residential schools and 7 were jointly funded with health. These children represent all of the LAC with disabilities placed out of county. The remaining LAC were placed within the county in either agency, in-house foster care or ESCC residential units. There is only one independent children's home in East Sussex and there was one child placed there.

Unaccompanied Asylum Seeking Children (UASC)

- At 31 March 2019 ESCC was caring for 36 UASC, 16 more than the previous year.
- These young people were mainly male and over 16, with an additional 27 having ongoing support needs as care leavers.
- In the last year, 5 children have come via The Vulnerable Children's Resettlement Scheme and the remainder have been spontaneous arrivals, found either by the Police or at Newhaven Port.

Looked after young people who offend

- The Youth Offending Team (YOT) worked with 48 of our young people. This accounted for 12.7% of the total young people worked with by the YOT throughout the year. Our LAC aged 10-17 is less than 1% of the total population of this age group across the county therefore our LAC are still over-represented. There is an agreed protocol in place which focuses on decriminalizing them where possible.

Where children are living
(end of year snapshot data)

*Agency refers to mainstream schools

Placement type	2018/19	2017/18
With foster carer	473	470
Of these; in house carers	327	331
Kinship carers	49	46
Agency carers	97	93
Placed for adoption	21	26
In supported lodgings	33	27
ESCC children's homes	18	21
Agency children's homes	27	29
Agency special schools	1	0
Placed with parents	23	20
Independent living	0	4
Youth custody/secure unit	2	5
Hospital/NHS establishment	2	1
Absconded	0	0

How well did we do? (1)

Indicator Ref	Description	2018/19 Value	2017/18 Eng	2017/18 Value	2016/17 Eng	2016/17 Value	2015/16 Eng	2015/16 Value
NI 58	Emotional & Behavioural Health of children in care	14.3 ↑	14.2	14.4 ↓	14.1	14.1 ↓	14.0	13.5 ↑
Adoption Scorecard 1	Average time between a child entering care and moving in with its adoptive family, for children who have been adopted. (3 year average)	420 days ↑	486 days	454 days ↑	520 days	479 days ↑	558 days	516 days ↑
Adoption Scorecard 2	Average time between an LA receiving court authority to place a child and the LA deciding on a match with an adoptive family (3 year average)	197 days ↑	201 days	220 days ↓	220 days	212 days ↑	226 days	222 days ↓
Adoption Scorecard 3	% of children who wait less than 14 months between entering care & moving in with their adoptive family (3 year average)	57% ↓	56%	64% ↑	53%	61% ↑	47%	53% ↓

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

How well did we do? (2)

Indicator Ref	Description	2018/19 Value	2017/18 Eng	2017/18 Value	2016/17 Eng	2016/17 Value	2015/16 Eng	2015/16 Value
NI62 Placements 1	Number of children looked after with 3 or more placements during the year	12.0% 4i	10.0%	11.1% ↑	10.0%	13.8% 4i	10.0%	10.8% 4i
NI63 Placements 2	% of LAC under 16 who've been lac for 2.5 years or more & in the same placement for 2 years or placed for adoption	70.1% 4i	70.0%	70.2% 4i	70.0%	70.7% ↑	68.0%	65.0% ↑
Placements 3	% of LAC at 31stMarch placed outside LA boundary and more than 20 miles from where they used to live	11.5% 4i	15.0%	10.3% 4i	13.0%	8.4% ↑	13.0%	9.4% ↑
Leaving Care 2 * see note below	% of former relevant young people aged 19-21 who were in education, employment or training	52.1% ↑	51.0%	51.9% 4i	50.0%	53.0% 4i	49.0%	61.0% ↑

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

How well did we do? (3)

Indicator Ref	Description	2018/ 19 Value	2017/ 18 Eng	2017/ 18 Value	2016/ 17 Eng	2016/ 17 Value	2015/ 16 Eng	2015/ 16 Value
Leaving Care 3 * see note below	% of former relevant young people aged 19-21 who were in suitable accommodation	79.9% ↑	84.0%	77.3% ↑	84.0%	76.5% ↓	83.0%	81.7% ↑
Thrive PI 9	Rate of Children looked after per 10,000 population aged under 18	56.6% ↑	64.0	56.9 ↓	62.0	53.0 ↓	60.0	51.7 ↔
PAF C19	Average of the % of children looked after who had been looked after continuously for at least 12 months who had an annual assessment and their teeth checked by a dentist during the previous 12 months.	87.8% ↓	86.0%	88.2% ↓	86.0%	90.3% ↓	87.0%	92.8% ↑
PAF C81	Final warnings, reprimands and convictions of lac	2.0% ↑	4.0%	2.3% ↑	4.0%	3.4% ↑	5.0%	3.8% ↔

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

So, in summary

- Although performance is set out in the grid above, the 2018/19 national data has not yet been published by the DfE.
- The rate of our LAC per 10,000 has remained fairly constant.
- There continued to be improvement in performance relating to Adoption timeliness, with good performance being maintained in the majority of other areas.
- The figures for care leavers are snapshot data. The other indicators, in relation to employability of older LAC and care leavers, remain above the South East and National average.

The physical health of our children

Initial Health Assessment (IHA) Monthly Performance Summary 2018-19 and 2019-20 Q1

Steps taken to improve performance in Initial Health Assessments (IHA)

- **Full review and relaunch of the process** by key social care and health personnel starting in Spring 2018.
- Robust IHA tracking system developed in collaboration with East Sussex Healthcare Trust colleagues which provides a clearer picture of where delays occur.
- There is also the option to track all due IHAs for children entering care in any given month.
- There was a significant improvement in performance from September 2018 onward, this has continued into 2019/20.
- Greater responsibility for the timely completion of all necessary paperwork was taken by the social work staff including the clarification for parental consent where required.
- Better communication at both the operational and strategic levels between social care and health staff.
- **43% of IHAs were completed within 20 days** against a target of 65% and **61% within 25 days** against a target of 75% in 2018-19. (This target has been met in the first quarter of 2019/20 with 71% completed within 20 days and 76% completed within 25 days thus demonstrating that there has been a sustained improvement which has been embedded into practice).
- **294 Review Health Assessments (RHA)** were completed by East Sussex Healthcare Trust for East Sussex LAC in 2018/19.

Areas for improvement 2019/20

- **Exceed target for IHAs within statutory timescales**
- **Improve timeliness and reporting of RHAs**
- **Improve quality of health passports for care leavers**
- **Improve pathways into mental health services for LAC and Care Leavers**

The mental health of our children (1)

LAC Children's Mental Health Service (LACMHS)

- **LACMHS received 50 new non-urgent referrals during 2018/19** and all but **3** were accepted and an initial consultations were offered.

- **An additional 35 of our children and young people were also seen urgently** due to the severity of the symptoms they presented with, such as suicidal thoughts and/or serious self-harm, depression or psychotic symptoms.

- **In addition, there was also a cohort of up to 84 LAC** at any one time, who were **in receipt of on-going therapeutic support**. This took the form of individual therapy, dyadic therapy (child and carer together), systemic therapy and/or consultation to the foster carer and network. LACMHS also provided:
  - One Therapeutic Parenting Group (working with 10 carers of 8 young people, their social workers and supervising social workers).
  - Weekly consultation to staff at Homefield, Brodrick House and Hazel Lodge.
  - Weekly consultation to the Through Care Team.
  - Monthly 'drop in' consultation surgeries to the Fostering Service and each of the three LAC teams.
  - LACMHS continued to work in close collaboration with its partner agencies to provide a service for those LAC with a care plan of permanence away from their birth family.
  - The response to new and urgent referrals continued to be prompt with a risk assessment being provided within one week. Ongoing therapeutic work was highly valued by all partners and was deemed to be a significant contributor to the outstanding judgement made in the OFSTED inspection.

The mental health of our children (2)

Areas for development in 2019/20 for LACMHS

LACMHS has developed a number of strategies for reducing the waiting time for on-going therapeutic work which have been approved by both Health and Children's Services Managers during this year, and which will be implemented and reviewed over the coming year.

Our approach is informed by the voice of children and young people

12,166 local votes in Make Your Mark 2018 from 17 schools which equals 21% of young people aged 13 – 18 in East Sussex.

The Youth Cabinet, CICC and other local youth voice groups developed their campaigns which focused on these top priorities:
End Knife Crime, Mental Health and Homelessness.

In October 2018, the Duke and Duchess of Sussex met with 50 young people from youth groups around the county. They discussed the issue of mental health with the young people and what could be done to promote good mental health.

In November 2018 more than over 50 young people took part in East annual Sussex Takeover Day and discussed mental health and emotional wellbeing.

The Joff Youth Centre, part of the royal visit to Peacehaven of the Duke and Duchess of Sussex

The Education of our children

- The Virtual School caseworkers continued to support the education of all ESCC LAC, including care leavers, and developed their role of providing advice and guidance for children adopted from care, subject to special guardianship orders and child arrangement orders.
- The Virtual School funded and worked with the Placement Support Team to facilitate the Coram Bright Spots Survey which gathered the thoughts of looked after children (4-18 years) . A feedback event and a range of service meetings gave children and staff an opportunity to hear about the survey outcomes. Discussion was held about the findings and a plan was created to inform practice across the authority.
- The Virtual School increased it's bank of casual intervention teachers and worked in partnership with Alternative Education providers to improve the quality of short-term interventions. The team also continued to work closely with ESCC and external services to develop school practice.
- At Key Stage 2 there was an improvement in progress in Reading and Maths, and a very slight decrease in Writing. Teacher training has been put in place to respond to this.
- At Key Stage 4, progress and attainment scores decreased yet individual data showed that a small number of young people did not achieve any qualifications, and as such, had a significant impact on average scores. These were mostly our young people who came into care as teenagers. This is likely to continue to be an issue and is reflective of the National picture. Interventions were put in place to engage our LAC who were at risk of poor outcomes. The pathway into post 16 education remained a focus.
- In relation to our Care Leavers, as of March 2019, of the children who were in continuous care for at least 12 months before sitting their GCSE examinations, 86.1% of 16 — 17 year olds (year 12) were in education, training and employment (EET). This exceeded the target of 80% but is a reduction of 4 % on last year's data. 87% of 17 ¬18 year olds (year 13) were EET, exceeding a target of 70% and matching last year's data. 10% of Care Leavers accessed University which matches the 10% target.

Children in Foster Placements

- On 31 March 2019 there were 585 of our LAC in foster care. 450 of these children were placed within in-house foster carers as compared to 392 in the previous year. This included in-house 'parent and child' placements, children subject to Special Guardianship Orders placed with their former foster carers, and those older young people who remained in their 'Staying Put' fostering placements through to independence .
- The commissioning of external independent IFA placements remained at a similar level to that of 2017/18 with the total figure of mainstream LAC agency foster placements at 80.
- The Fostering Duty Team was extremely busy and provided a centralised service which commissioned all placements for our LAC. In 2018/19 the team:
- Received 532 referrals for children needing placements.
- Worked on a total of 608 placements, 121 of which were not required.
- Made 487 placements of which 398 were placed with in-house foster carers.
- The service often needed to respond to emergency and same day placements, the placement of LAC subject to care proceedings, and those LAC whose existing placements had disrupted. Many of these LAC presented with very complex and challenging behaviours.
- The Duty Team were involved in the matching of LAC, the quality assurance of all independent Fostering and Residential placements. In 2018/19:
  - 21 fostering households offering 36 placements were approved, compared to 19 fostering households offering 37 placements in 2017/18
  - A further 14 assessments of prospective foster carers were allocated for assessment, and booked for presentation to the Fostering Panel, which did not progress.
  - There were 9 Fostering assessments still in progress at year end.
  - The number of foster carers who retired was 10 in 2018-19 compared to 22 in the previous year. 21 new fostering households were approved giving the service a net increase in its resources.
  - On 1 April 2019 all foster carer allowances were uplifted by 3% by East Sussex County Council.

Children in Supported Lodgings

Supported Lodgings

- Between April 2018-March 2019, 40 of our young people have been newly accommodated in Supported Lodging's placements. This cohort included LAC and homeless young people.
- Supported Lodging's providers/carers were encouraged to extend their approval range. 2 Supported Lodging's carers were approved under Fostering regulations to become Fostering/Lodgings providers.
- Focused support and training was developed to support providers caring for young people with more complex needs.
- As at 31 March 2019 there were 48 Supported Lodging's households providing a total of 73 placements across the county.
- In the year 2018/19 there were:
    - 10 new Supported Lodging's approvals which provided 13 additional placements.
    - The Supported Lodgings team received 129 referrals requesting placements for young people. Of the 129 referrals, 53 were closed, 76 young people were placed.
    - **Please see the relevant link at the end of this report.**

Dong with his supported lodgings family, who help young people gain independence

Dame Jacqueline Wilson launching the new fostering information van which will help to recruit more foster carers

Adoption and Permanence key facts

	2015/16	2016/17	2017/18	**2018/19**
Number of children adopted	45	38	29	**27 (AOs)**
Number of adoption matches (children)	32	38	30	**39**
Number of permanent fostering matches (children)	10	14	5	**4**
Number of East Sussex adoptive matches (children)	26	30	30	**33**
Number of ASE adoptive matches (children)	0	0	0	**2**
Number of inter-agency matches (children):				
Permanence:	2	0	1	**1**
Adoption:	6	8	6	**4**
Number of prospective adopters approved (households)	41	30	25	**33 (of which 4 2nd time)**
Number of permanent carers approved (households)	2	1	3	**3**
Number of children approved for adoption up to 31stMarch 2017 (including 2 re approvals)	53	52	69	**43**
Number of children approved for permanence up to 31stMarch 2019	14	32	24	**22 (of which 10 change of Care Plan from adoption to perm)**
Number of approved adopters waiting to be matched	22	20	12	**14 (from the 33 approved this year)**
Number of disruptions presented to Panel pre Order:				
Permanence:	0	0	0	**0**
Adoptions:	1	0	1	**1**

Children needing Adoption or Permanence

- In line with the national picture, the number of our LAC with a plan for adoption has decreased from 69 LAC in 2017-2018, to 43 LAC in 2018/2019.
- 39 LAC were matched during 2018/2019 which was a slight increase on the previous year. Whilst the number of LAC approved decreased during this period, the levels of complexity and uncertainty remained high.
- The ethnic profile of LAC approved reflected the local population; 6 of the total number approved were from other ethnic groups including Guyanese, Sri Lankan, White/African Caribbean and Iranian.
- The number of birth parents seeking leave to revoke Placement Orders continued to remain steady. This at times resulted in the a significant delay in the Adoption Orders being granted.
- There were 27 Adoption Orders granted in 2018/2019.
- During 2018/2019 88 households attended information events and 37 households registered their interest to adopt. The conversion rate from information event to registration remained high and 33 adopters were approved by the year end, an increase of 8 compared to 2017/2018.
- The Government's regionalisation agenda gained significant momentum during this period. ESCC has worked for the past 4 years with the Adoption South East partnership to form a regional adoption service and develop common practice in all areas of service delivery. It was recently agreed that ESCC would host the new regional service anticipating implementation and 'go live' in April 2020.
- There were 56 new referrals for post adoption support assessments over the past year, with the majority resulting in the provision of packages of support. The adoption CAMHS service, ADCAMHS, continued to offer a dedicated consultation and therapy service.
- ADCAMHS was commissioned to support 40 families but consistently provided a service to over 60 families. Adoptive families valued ADCAMHS, as the clinical work was proven to strengthen family relationships and increase placement stability. Feedback from adopters indicated that they appreciated the support and a key contact for 'the longer journey'.
- **Please see the relevant link at the end of this report.**

Our children's homes (1)

Brodrick Road in Eastbourne continues to care for a very challenging group of our young people with differing presentations and very complex needs.

Lansdowne Secure Children's Home has had a challenging 12 months. This is partly due to the impact of the building work for the extension to create 5 additional beds, due to finish in the spring of 2020. Because of this the number of rooms available has fallen from 7 to 6. The majority of our young people placed over the last six months have been from ESCC which has impacted on revenue income. In addition one of our most complex East Sussex young people has required 2 rooms in an area away from other young people further decreasing the availability of rooms to 5. There remains considerable challenges in recruiting new staff to the home.

Acorns, in Bexhill, provided regular overnight respite care for some of our severely disabled young people aged 7-19 utilizing 7 beds. There were, however, 2 full-time accommodated young people who remained throughout this period to avoid a change of placement close to their 19th birthdays. There was also a full-time emergency placement made available.

Homefield Cottage in Seaford has now changed its registration to include boys from the ages of 11-18 years. To date only girls have been placed, but the RHM would consider accommodating boys if the match was appropriate when a vacancy occurs.

Hazel Lodge in Hastings continues to practise 'Staying Close'. One of their longer term residents had a successful transition to Supported Lodgings with the help of staff, and they are currently preparing another young woman towards the same outcome.

The Bungalow, in Eastbourne, is registered for 7 children aged 7-19 and has provided full-time accommodation to some of our disabled children who are unable to live in a family setting. They all attended local schools and all maintained contact with their families, facilitated on site. One young person moved onto to a permanent adult placement and another young person was admitted.

Our children's homes (2)

All our homes are externally inspected by Ofsted

- Acorns received an Ofsted judgement of 'Good' in August 2017 but Requiring Improvement in August 2018.
- Brodrick Road continued to maintain its 'Outstanding' rating.
- The Bungalow received a judgement of 'Good' in October 2018 but had declined in Effectiveness in February 2019.
- Hazel Lodge also achieved a well-deserved first 'Outstanding' from its full inspection.
- Lansdowne Secure Children's Home also received 'Improved Effectiveness' for its Ofsted interim inspection in March 2019. Their next full inspection will include Education and for the first time CQC to inspect health services within the home.

Looking after our older children (1)

The Through Care Team (TCT) – What we achieved

- The Local Offer was updated by the Through Care Team (TCT) and published online.
    - Our young people will be designing a ‘young person friendly’ format for the Local Offer through art workshops.
    - The Virtual School worked with the TCT to complete The Coram Voice Bright spots survey with Care Leavers. These findings will inform the development of the offer.
- There was a focus on reducing isolation for our 21 – 25 year olds and support was provided with a range of practical matters such as tenancy Support. There were also a number of additional supports made available by named Personal Advisors (PA) and Placements Support Workers (PSW), access to weekly drop-in sessions and involvement in social activities including Christmas parties, picnics and cinema trips.
- At March 31 2019 the team was working with 351 young people, compared to 277 in 2018/19. A significant proportion of these young people had highly complex behaviours with a range of challenging safeguarding issues.

Age	2018/19	2017/18
Under 16	41	12
Age 16 - 17	102	94
Age 18-24	208	171

- The team worked with some complex young people from the age of 14 to develop a Through Care model. This was embedded and found to work very well. All young people were allocated a PA by the time they reach 17 ½. A number of young people with complex needs were allocated to PAs and received this additional support much earlier on. Joint working has enhanced the offer to these young people through relationship based practice and resulted in improved progress and outcomes for them.

Looking after our older children (2)

- The Virtual School employed a participation worker to work with the TCT to improve the engagement of our young people in their own education and future pathways. There was improved attendance at our drop-in centres enabling our young people to focus on their employability. Transition planning for LAC who are the most complex in terms of disability continued to receive a service from Adult Social Care (ASC) and was managed by a specialist Transitions Team.

- Accommodation - During 2018-19 none of our older looked after LAC or 16 or 17 year olds presenting as homeless were placed in bed and breakfast accommodation. This was possible only because of the additional investment provided by the ESCC transformation fund to improve the accommodation offer for our vulnerable young people.

The Housing Project has focused on:
- Our vulnerable young care leavers and homeless young people.
- Increasing the numbers of Supported Lodging's providers.
- Developing the market and commissioning supported accommodation provision to extend the housing and accommodation pathway, and provide high risk emergency accommodation to mitigate the use of bed and breakfast.

Our Unaccompanied Asylum Seeking Children (UASC)

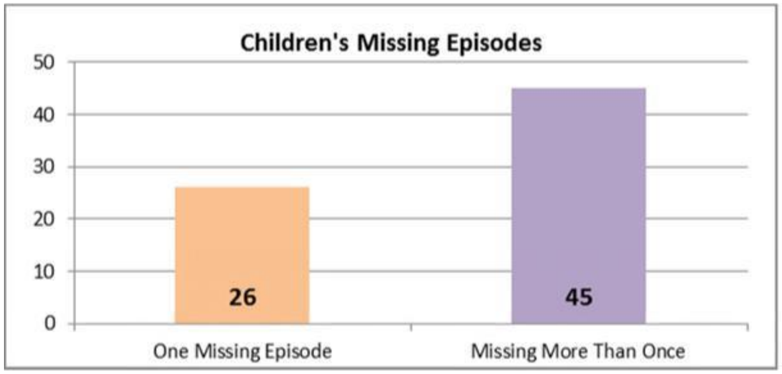
What we have achieved

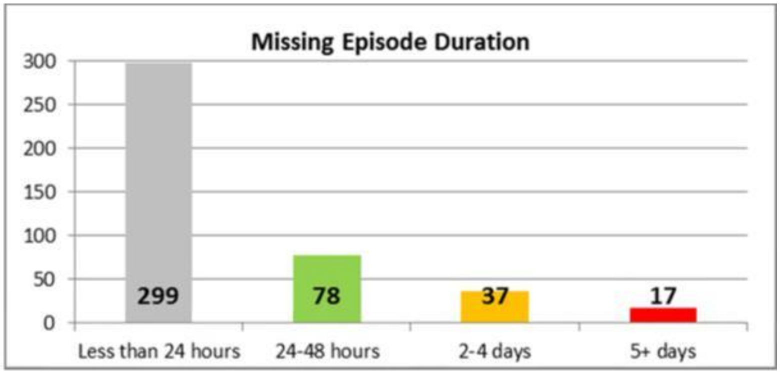
- A full time PA was recruited to develop opportunities and links for our UASC, including access to vocational courses and work experience. As a result 92% of our UASC are now in education.
- The Service recruited an additional social worker.
- Training was provided on Age Assessments, Human Trafficking and Modern Slavery and recognising and working with Trauma.
- The Through Care Team provided specialist UASC training.

Future developments

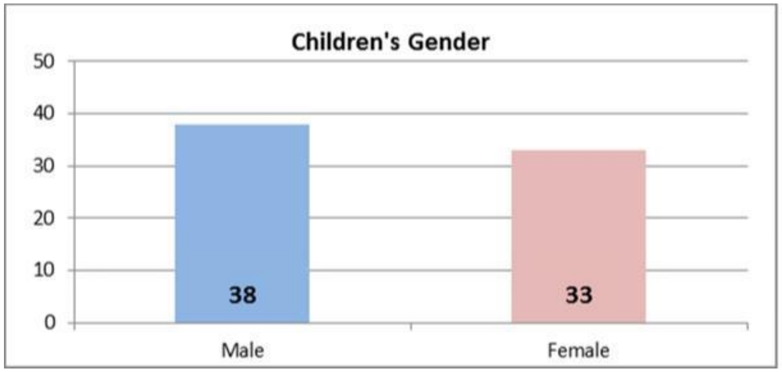
- Improve links with adult services for ongoing support needs.
- Improve links with CAMHS including developing trauma screening tools.
- Develop better 'introduction' tools for our newly arrived young people.
- Develop mentoring for our new UASC by young people who are already looked after.
- Develop a UASC drop-in for our young people to allow them to meet socially, and also with professionals to discuss issues such as sex and relationships, the law in the UK, CSE and recognising and managing mental health.

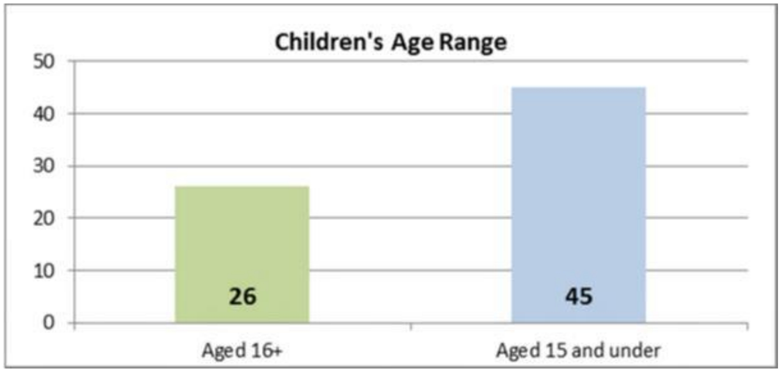
Our children who are Missing and who are at risk of Child Sexual and Criminal Exploitation (CSE/CE) (1)





- In 2018/19 71 LAC went missing, 45 of whom were missing more than once. There were also 18 LAC who were absent (i.e. not where they should be), and 5 of these were absent more than once.
- In 2018/19 there were 431 missing episodes, of these, 299 episodes of children being missing for less than 24 hours, 78 episodes when they were missing between 24¬-48 hours, 37 episodes when they were missing between 2 and 4 days and 17 episodes when they were missing for 5 days or more. All these children were actively tracked by Sussex Police and by Children Services staff. Risk assessments were regularly reviewed on high profile children who went missing and, where necessary, formal multi agency strategy discussions were held in line with Safeguarding Procedures.





Of the 71 LAC that went missing, 38 were male and 33 were female. 26 of this cohort were aged 16 and above, 45 were aged 15 and under.

Our Children who are Missing and who are at risk of Child Sexual and Criminal Exploitation (CSE/CE) (2)

- The MACE structure remained in place and the MACE Bronze Operational Group continued to meet monthly each side of the county to consider the referrals of all exploited children identified in East Sussex who were deemed to be at highest risk. MACE Silver Operational Group met bi-monthly to consider the strategic issues that were raised in relation to trying to safeguard this group of children. The criminal exploitation of children connected to 'County Lines' activity remained a significant issue within East Sussex, both for locally based children and those who were brought to the area from London. An annual audit of MACE Bronze casework was scheduled.

- As of March 2019 there were **27** children subject to East Sussex MACE Bronze panel oversight and therefore categorised as being at high risk of exploitation. **5** of these children were East Sussex LAC (**3** male and **2** female). There was **1** other local authority child in this group.

- The MACE Action Plan was updated for 2019-20 and was presented to the LSCB.

- The main themes identified for this year included improving school based responses to criminal exploitation, a better level of Police intelligence gathering from schools, continuing oversight on ensuring agencies are taking forward, effective disruption activity, for exploitation locally and that the response to our children who are missing remains consistent.

Our Children who are Missing and who are at risk of Child Sexual and Criminal Exploitation (CSE/CE) (3)

- Since 24 July 2018 the provision of Return Home Interviews (RHI) for all East Sussex children who went missing locally was provided by East Sussex Children's Social Care. The provision of this service by 'Missing People' charity ended on 24 July 2018 when the service was not recommissioned by any of the three Sussex Local Authorities.

- All of our East Sussex LAC had their RHI completed by their allocated social worker or trusted professional.

- Notifications of our missing children were received and screened by MASH (Multi Agency Safeguarding Hub) and were then shared with the relevant allocated social workers and Practice Manager if they had an existing allocated social worker.

- There was an established performance dashboard that measured all key data for our children who go missing. This performance dashboard was presented bi-monthly to the MACE Silver Operational Group which in turn was overseen by the LSCB Steering Group.

Independent Reviewing Officer Service (1)

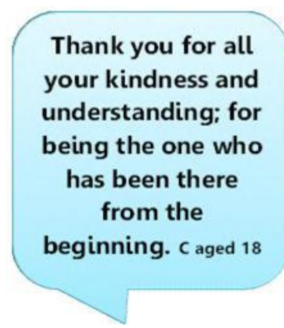
The Independent Reviewing Office Service (IRO) is managed off line and is independent of the operational service for LAC and Care Leavers.

IMPACT

- All children who become looked after by ESCC are allocated an IRO within statutory timescales and the majority of these maintain a stable relationship with that same IRO throughout their time in our care. The Unit has an established staff complement which enhances long-term relationships. IROs demonstrate a strong commitment to LAC, resisting reallocation and working creatively to manage challenges caused by caseloads or location.
- 784 children were accommodated by ESCC throughout or for some part of 2018/19, with 610 LAC at year end. Each of these were required to have a review within the first 28 days of becoming accommodated; a second review within three months and thereafter a review no less than every six months. Supplementary reviews should take place if there were proposed significant changes to either placement, education or legal status.

PARTICIPATION

- 86% of children aged 4+ attended or actively contributed to their LAC review.
- Children are encouraged to Chair their own reviews and there is an enhanced focus on ensuring that they are consulted about who attends their meeting, where it takes place and what is discussed. The revised LAC Review documentation will place the child's participation at the center of the process and ensure that all decisions are recorded in an accessible, child focused manner



Independent Reviewing Officer Service (2)

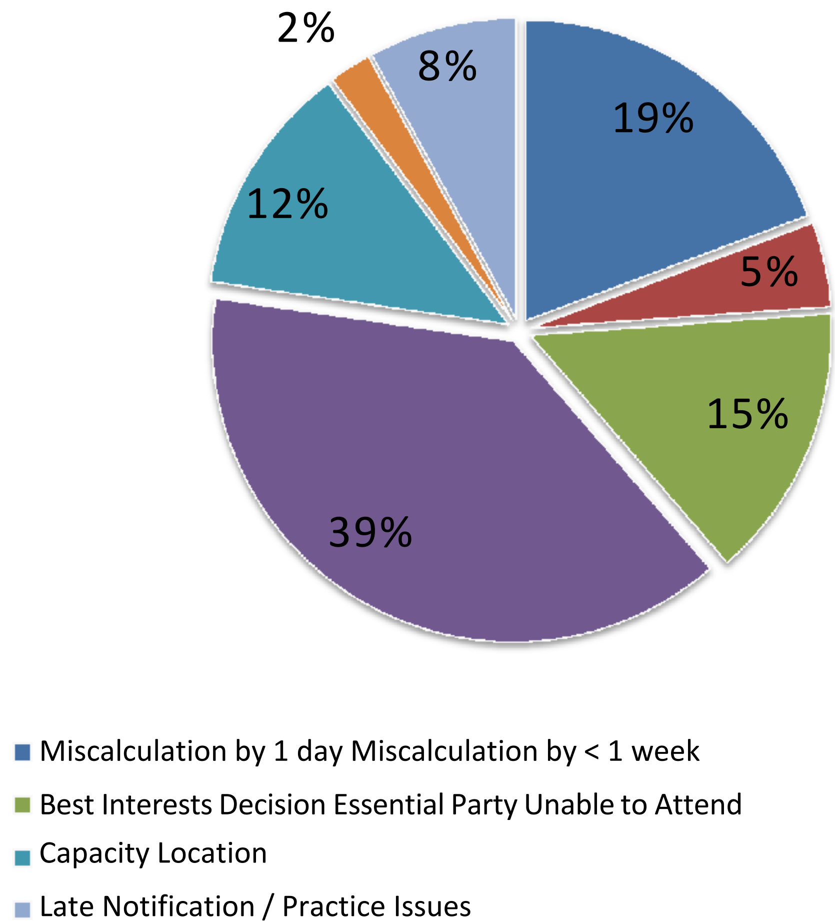
Timeliness Late Reviews

94.6% of all LAC Reviews were held early or on time in 2018/19.

88 reviews (5.4%) were late.

21 cases were a scheduling miscalculation of which 17 were miscalculated by just 1 day; 13 reviews were delayed in the best interests of the child, 34 were delayed due to an essential party being unable to attend and 2 were late due to travel requirements. 11 reviews were delayed due to capacity or reallocation within the Unit with 7 reviews late due to practice issues.

- Please see the relevant link at the end of this report.



The role of our elected members

The Corporate Parenting Panel met quarterly during 2018/19 to scrutinize the performance of all services in relation to LAC and Care Leavers, paying particular attention to outcomes. It also received presentations from the Children in Care Council and from the East Sussex Foster Care Association. The reports set out below were presented and considered:

April 2018

- LAC Statistics
- Interim report on Health of LAC
- Vulnerable Young People's House and Accommodation Project
- Ofsted Inspection reports for the following children's homes: - Homefield Cottage, Lansdowne Secure Unit
- Children's Home Regulations 2015, Regulation 44: Inspection reports for December 2017 to February 2018 for the following children's homes: Acorns at Dorset Road, Brodrick Road , Hazel Lodge, Homefield Cottage, Lansdowne Secure Unit, The Bungalow, Sorrel Drive

July 2018

- ·Independent Reviewing Officer (IRO) Annual Report 2017/18
- ·Annual progress report of the East Sussex Fostering Service
- ·Annual progress report of the East Sussex Adoption and Permanence Service
- ·LAC Statistics
- Children's Home Regulations 2015, Regulation 44: Inspection reports for March 2019 to June 2017 for the following children's homes:- Acorns at Dorset Road, Brodrick Road , Hazel Lodge, Homefield Cottage, Lansdowne Secure Unit, The Bungalow, Sorrel Drive

October 2018

- LAC Annual Report
- LAC Statistics
- KS1, 2 and 4 outcomes for LAC 2017/18
- Unaccompanied Asylum Seeking Children Update
- Ofsted Inspection reports for the following children's' homes: Hazel Lodge, Brodrick House, Homefield Cottage
- Childrens' Home Regulations, Regulation 44: Inspection reports for June 2018 - September 2018 for the following children's homes: Acorns at Dorset Road, Brodrick Road , Hazel Lodge, Homefield Cottage, Lansdowne Secure Unit, The Bungalow, Sorrel Drive

January 2019

- Presentation from the Children In Care Council (CICC)
- East Sussex Foster Care Association (ESFCA)
- LAC Statistics
- ·Ofsted inspection reports for the following children's homes - The Bungalow, Sorrel Drive, Lansdowne Secure Unit
- Children's Home Regulations 2015, Regulation 44: Inspection reports for March 2019 to June 2017 for the following children's homes:- Acorns at Dorset Road, Brodrick Road , Hazel Lodge, Homefield Cottage, Lansdowne Secure Unit, The Bungalow, Sorrel Drive

Priorities for 2019/20

Continue to improve the timeliness of return home interviews for LAC and Care Leavers

Embed the Local Offer to our LAC and Care Leavers and engage our partners with implementation

Improve the mental health pathways for our LAC and Care Leavers

Extend the pool of foster carers and progress the Regional South East Adoption agency

Complete the extension of Lansdowne Secure Children's Home

Embed commissioned housing options for our Care Leavers

Continue to improve performance on health assessments for Looked After Children

Learn from Serious Case Reviews and consider development of our Corporate Grandparenting Role

Links to Fostering and Supported Lodgings, Adoption and Independent Reviewing Officers Annual Reports 2018-19

- **Fostering and Supported Lodgings:**

For the full report, please see Item 9 on the following agenda:
https://democracy.eastsussex.gov.uk/ieListDocuments.aspx?CId=141&MId=4058&Ver=4

- **Adoption and permanence:**

For the full report, please see Item 10 on the following agenda:
https://democracy.eastsussex.gov.uk/ieListDocuments.aspx?CId=141&MId=4058&Ver=4

- **Independent Reviewing Officer (IRO):**

For the full report, please see item 11 on the following agenda:
https://democracy.eastsussex.gov.uk/ieListDocuments.aspx?CId=141&MId=4058&Ver=4

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Report to: **Cabinet**

Date: **10 December 2019**

By: **Chief Operating Officer**

Title of report: **Treasury Management – Stewardship Report 2018/19**

Purpose of report: **To present a review of the Council's performance on treasury management for the year 2018/19 and Mid Year review for 2019/20.**

RECOMMENDATION: The Cabinet is recommended to note the Treasury Management performance in 2018/19 incorporating the Mid Year review for the first half of 2019/20.

1. Background

1.1 The annual stewardship report presents the Council's treasury management performance for 2018/19 and Mid Year performance for 2019/20, as required by the Code of Practice for Treasury Management.

2. Supporting Information

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

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

2.2 This report sets out:

- A summary of the original strategy agreed for 2018/19 and the economic factors affecting this strategy (Appendix A).
- The treasury management activity during the year (Appendix B);
- The treasury management mid year activity for 2019/20 (Appendix C);
- The Prudential Indicators, which relate to the Treasury Management function, Minimum Revenue Policy (MRP) and compliance with limits (Appendix D).

3. The economic conditions compared to our Strategy for 2018/19

3.1 The strategy and the economic conditions prevailing in 2018/19 are set out in Appendix A. 2018/19 remained a challenging environment with concerns over the UK, European and global economies rising.

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

The Treasury Management Strategy

4.1 The strategy for 2018/19, agreed in February 2018, continued the prudent approach and ensured that all investments were only to the highest quality rated institutions with regard to security, liquidity and yield. For banks the maximum investment period was one year and for other local authority lending two years. For the 2018/19 strategy Building Societies, Pooled Property Funds, Corporate Bond Funds and Multi Asset Funds were included to broaden the risk profile by reducing liquidity and to include suitable, alternative investment products.

Short term lending
4.2 At the Monetary Policy Committee (MPC) meeting 2 August 2018, the MPC voted unanimously to increase the Bank of England base rate from 0.50% to 0.75%.

4.3 The total amount received in short term interest for 2018/19 was £2.1m at an average rate of 0.89%. This was above the average base rates in the same period (0.67%) and above the average returns achieved with peer authorities from treasury advisors (Link Asset Services) investment benchmarking. The Return for 2018/19 was against a backdrop of ensuring, so far as possible in the current financial climate, the security of principal and the minimisation of risk with a view to broaden options where appropriate.

Longer term lending

4.4 As part of the revised approach to investments in August 2018, the council invested £5m in the CCLA Property Fund, a pooled property fund. The return to date has been £230k.

Long term borrowing

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

- No new borrowing was undertaken in 2018/19.
- The average interest rate of all debt at 31 March 2019 (£243m) was 4.77%.
- A restructuring opportunity arose in October 2018, with one of the council's market lenders (RBS) offering to allow the council to repay £23m loans on attractive terms. The Council funded the repayment through using cash within the investment portfolio, thereby reducing the overborrowed position of the Council's Capital Financing Requirement (CFR).
- Public Works Loan Board (PWLB) Debt maturing during 2018/19 totalled £4.67m and was at an average rate of 8.13%.

Minimum Revenue Provision (MRP)
4.6 Full details of the 2018/19 MRP policy are set out in appendix D, the policy was reviewed and following consultation with Audit Committee on 20 September 2018, updated and formally approved at Full Council on the 5 February 2019.

5. Treasury Management Mid Year Review 2019/20

5.1 The Treasury Management and Annual Investment Strategy for 2019/20 were approved by Full Council on 5 February 2019 and was prepared within the context of the financial challenge being faced by the County Council.

5.2 The total amount received in short term interest for 6 months to 30 September 2019 was £1.2m at an average rate of 1.06%. This was above the average base rates in the same period (0.75%) and investment benchmarking with peer authorities.

5.3 No further PWLB borrowing was undertaken in the period and no cost effective opportunities to restructure debt have taken place. During 2019/20 PWLB to mature totals £3.9m, this historic debt is at an average rate of 8.17%. Taking total debt down to £239.2m by 31 March 2020.

5.4 On the 9 October the Government announced an unexpected increase to the PWLB interest rate for all new loans. The increase added 1% (100bps) to the cost of borrowing. It also increased the statutory limit on how much the PWLB can have lent out at once, from £85bn to £95bn. The increase to future borrowing cost will have an impact and will be factored into the development of the 2020/21 to 2029/30 Capital Strategy.

6. Prudential Indicators which relate to the Treasury function and compliance with limits
6.1 The Council is required by the CIPFA Prudential Code to report the actual prudential indicators after the end of each year. There are eight indicators which relate to treasury management, set out in Appendix D; the Council is fully compliant with these indicators.

7. Conclusion and reason for recommendation
7.1 This report updates the Cabinet and fulfils the requirement to submit an annual/half yearly report in the form prescribed in the Treasury Management Code of Practice. Short term lending throughout the 18 month period covered achieved returns between 0.65% and 1.08%. The key principles of security, liquidity and yield are still relevant. Officers are currently investigating further

opportunities within the strategy to minimise costs and increase investment income within the key principles.

KEVIN FOSTER
Chief Operating Officer

Contact Officer: Ian Gutsell Tel No. 01273 481399

BACKGROUND DOCUMENTS

Cabinet 23 January 2018 Treasury Management Strategy for 2018/19
22 January 2019 Treasury Management Strategy for 2019/20

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

Appendix A

A summary of the strategy agreed for 2018/19 and the economic factors affecting this strategy

1. Background information

1.1 Full Council approved the annual Treasury Management Strategy report in February 2018, which sets out the proposed strategy for the year ahead. This strategy includes the limits and criteria for organisations to be used for the investment of cash surpluses and has to be approved by the Council.

1.2 This Council has always adopted a prudent approach to its investment strategy and in the last few years, there have been regular changes to the list of the approved organisations used for investment of surpluses. This list is regularly reviewed to ensure that the Council is able to invest in the best available rates consistent with low risk; the organisations are regularly monitored to ensure that their financial strength and low risk has been maintained.

1.3 The original strategy for 2018/19 was drawn up outling various options for increasing investment income. Details of the changes proposed to investment and borrowing investment strategies include:

- Seek to reduce liquidity where possible and extend duration of investments within current limits. A sensible rebalancing of liquidity requirements will improve yield without significant additional risk;
- Wider use of other Local Authorities and Building Societies where rates are favourable;
- Inclusion of Short Dated Bond Funds and Corporate Bonds;
- Inclusion of pooled property funds and pooled mixed asset funds. Given the low returns from short-term bank investments, the Council will diversify with the use of pooled funds. With the assistance of the Council's treasury advisors (Link Asset Services), a selection process will take place in the new year where members and officers can scrutinise a suitable selection of funds;
- No external borrowing was planned for 2018/19; officers will be monitoring the situation in the next 12 months. Officers continue to regularly review opportunities for debt rescheduling, PWLB debt restructuring is now much less attractive as consideration would have to be given to the large premiums (cash payments) which would be incurred by prematurely repaying existing PWLB loans. It is very unlikely that these could be justified on value for money grounds if using replacement PWLB refinancing.

1.4 At the same time, the Treasury Management Policy Statement was agreed as unchanged for 2018/19.

East Sussex County Council defined its treasury management activities as:

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

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

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

2. Investment

2.1 When the strategy was agreed in January 2018, it emphasised the continued importance of credit quality. The Treasury Management advisors Link Asset Services commented on short term interest rates, the UK economy, inflation, the outlook for long term interest rates and these factors were taken into account when setting the strategy. The key principles of security, liquidity and yield are still relevant. Officers are currently investigating further opportunities within the strategy to minimise costs and increase investment income within the key principles.

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

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

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

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

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

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

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

2.8 Investment instruments identified for use in the financial year are listed in section 3.2 and 4.1 under the 'Specified and Non-Specified' Investments categories. Counterparty limits will be as set through the Council's Treasury Management Practices – Schedules.

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

- Yellow 2 years
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year

- Red 6 months
- Green 3 months
- No Colour, not to be used

Y	*P*	*B*	*O*	*R*	*G*	*N/C*
Up to 2yrs	*Up to 2yrs*	*Up to 1yr*	*Up to 1yrs*	*Up to 6 mths*	*Up to 100days*	*No Colour*

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

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

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

- if a downgrade results in the counterparty or investment scheme no longer meeting the Authority's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Authority will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Authority's lending list.

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

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

2.13 All of the investments were classified as Specified (i.e., investment is sterling denominated and has a maximum maturity of 1 year) and non-Specified Investments (i.e., any other type of investment not defined as Specified). These investments were sterling investments for up to two years maturity with institutions deemed to be high credit quality or with the UK Government (Debt Management Account Deposit Facility). These were considered low risk assets where the possibility of loss of principal or investment income was small.

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

3. Specified Investments

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

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

3.2 The use of Specified Investments

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

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

Criteria for specified Investments:

<table>
<tr><th>Counterparty</th><th>Country/ Domicile</th><th>Instrument</th><th>Maximum investments</th><th>Max. maturity period</th></tr>
<tr><td>Debt Management and Depost Facilities (DMADF)</td><td>UK</td><td>Term Deposits (TD)</td><td>unlimited</td><td>1 yr</td></tr>
<tr><td>Government Treasury bills</td><td>UK</td><td>TD</td><td>unlimited</td><td>1 yr</td></tr>
<tr><td>Local Authorities</td><td>UK</td><td>TD</td><td>unlimited</td><td>1 yr</td></tr>
<tr><td>Lloyds Banking Group
• Lloyds Bank
• Bank of Scotland</td><td>UK</td><td rowspan="5">TD (including callable deposits),

Certificate of Deposits (CD's)</td><td>£60m</td><td>1 yr</td></tr>
<tr><td>RBS/NatWest Group
• Royal Bank of Scotland
• NatWest</td><td>UK</td><td>£60m</td><td>1 yr</td></tr>
<tr><td>HSBC</td><td>UK</td><td>£60m</td><td>1 yr</td></tr>
<tr><td>Barclays</td><td>UK</td><td>£60m</td><td>1 yr</td></tr>
<tr><td>Santander</td><td>UK</td><td>£60m</td><td>1 yr</td></tr>
</table>

Counterparty	Country/ Domicile	Instrument	Maximum investments	Max. maturity period
Goldman Sachs Investment Bank	UK		£60m	1 yr
Standard Chartered Bank	UK		£60m	1 yr
Nationwide Building Society	UK		£60m	1 yr
Coventry Building Society	UK		£60m	1yr
Individual Money Market Funds (MMF) CNAV and LVNAV	UK/Ireland/ domiciled	AAA rated Money Market Funds	£60m	Instant access
VNAV MMF's and Ultra Short Dated Bond Funds	UK/Ireland/ domiciled	AAA Bond Fund Rating	£60m	Liquidity up to 1 yr
Counterparties in select countries (non-UK) with a Sovereign Rating of at least AA+				
Australia & New Zealand Banking Group	Australia	TD / CD's	£60m	1 yr
Commonwealth Bank of Australia	Australia	TD / CD's	£60m	1 yr
National Australia Bank	Australia	TD / CD's	£60m	1 yr
Westpac Banking Corporation	Australia	TD / CD's	£60m	1 yr
Royal Bank of Canada	Canada	TD / CD's	£60m	1 yr
Toronto Dominion	Canada	TD / CD's	£60m	1 yr
Development Bank of Singapore	Singapore	TD / CD's	£60m	1 yr
Overseas Chinese Banking Corp	Singapore	TD / CD's	£60m	1 yr
United Overseas Bank	Singapore	TD / CD's	£60m	1 yr
Svenska Handelsbanken	Sweden	TD / CD's	£60m	1 yr
Nordea Bank AB	Sweden	TD / CD's	£60m	1 yr
ABN Amro Bank	Netherlands	TD / CD's	£60m	1 yr
Cooperative Rabobank	Netherlands	TD / CD's	£60m	1 yr
ING Bank NV	Netherlands	TD / CD's	£60m	1 yr
DZ Bank	Germany	TD / CD's	£60m	1 yr
UBS	Switzerland	TD / CD's	£60m	1 yr
Credit Suisse	Switzerland	TD / CD's	£60m	1 yr
Danske Bank	Denmark	TD / CD's	£60m	1 yr

4. Non Specified Investments

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

Non-Specified Investment	Minimum credit criteria	Maximum investments	Max. maturity period
UK Local Authorities	Government Backed	£60m	2 years
Corporate Bond Fund(s)	Investment Grade	£30m	2-5 years
Pooled Property Fund(s)	N/A	£30m	5+ years
Mixed Asset Fund(s)	Appropriate rating	£30m	2-5 years

4.2 The maximum amount that can be invested will be monitored in relation to the Council surplus monies and the level of reserves. The approved counterparty list will be maintained by referring to an up-to-date credit rating agency reports, and the Council will liaise regularly with brokers for updates. Counterparties may be added to or removed from the list only with the approval of the Chief Finance Officer.

4.3 **UK Local Authorities:** Should a suitable opportunity in the market occur to lend to other Local Authorities of more than a 1 year duration, at a reasonable level of return the deal would be classed as a low risk Non-Specified Investment.

4.4 **Corporate Bonds:** The Ministry of Housing, Communities and Local Government recently changed the rules on capital expenditure for English Local Authorities, meaning that investing in corporate bonds was no longer classified as capital spending. In essence, companies issue bonds in order to raise long-term capital or funding, rather than issuing equity. These are non-standardised compared to other investment vehicles, each having an individual legal document known as a 'bond indenture'. The document specifies the rights of the holder and the obligations that must be met by the issuer, as well as the characteristics of that particular bond. Investing in a corporate bond usually offers a fixed stream of income (except floating rate notes), known as a coupon, payable twice a year, for a fixed, pre-determined period of time, in exchange for an initial investment of capital.

4.5 **Investment in Pooled Property Fund(s):** Local authorities have for many years invested in non-liquid assets or property by directly purchasing properties, but a simpler and more efficient route would be to invest in an appropriate property unit trust. This is a more diversified form of investment than an individual purchase of property and would give greater geographic spread and access to assets that the Council could not afford to own through use of its own resources. Property investment should be considered as a long term investment and should only be committed to if the Council is prepared to accept that in some years capital values may decline, but in the longer run capital growth should be possible. If a fund achieves its objectives then the Council will achieve capital growth and reasonable returns. Property Funds offer all the advantages of a professionally managed property portfolio, with broadly diversified exposure to high quality properties in the strongest areas of the market. By investing in the Fund, the Council avoid the potential problems, costs and administrative difficulties of investing in properties directly. Officers in conjunction with the Council's treasury advisors will be reviewing investment options within the area of Property Fund's and make use of them as and when sufficient due diligence has been undertaken.

5. The economy in 2018/19 – Commentary from Link Asset Services in April 2019.

5.1 After weak economic growth of only 0.2% in quarter one of 2018/19, growth picked up to 0.4% in quarter 2 and to a particularly strong 0.7% in quarter 3, before cooling off to 0.2% in the final quarter. Given all the uncertainties over Brexit, this weak growth in the final quarter was as to be expected. However, some recovery in the rate of growth is expected going forward. The annual growth in Q4 came in at 1.4% y/y confirming that the UK was the third fastest growing country in the G7 in quarter 4

5.2 The Monetary Policy Committee raised the Bank Rate from 0.5% to 0.75% in August 2018 and it is little surprise that they have abstained from any further increases since then. We are unlikely to see any further action from the MPC until the uncertainties over Brexit clear. If there were a disorderly exit, it is likely that Bank Rate would be cut to support growth.

5.3 Nevertheless, the MPC has been having increasing concerns over the trend in wage inflation which peaked at a new post financial crisis high of 3.5%, (excluding bonuses), in the three months to December before falling only marginally to 3.4% in the three months to January. British employers ramped up their hiring at the fastest pace in more than three years in the three months to January as the country's labour market defied the broader weakness in the overall economy as Brexit approached.

5.4 CPI inflation has been on a falling trend since peaking at 3.1% in November 2017, reaching a new low of 1.8% in January 2019 before rising marginally to 1.9% in February. However, in the February 2019 Bank of England Inflation Report, the latest forecast for inflation over both the two and three year time horizons remained marginally above the MPC's target of 2%.

5.5 The major UK news event of the year was the ongoing arrangements for Brexit. The Conservative minority government was unable to muster a majority in the Commons over its Brexit deal. The EU deadline of April 12 for the House of Commons to propose what form of Brexit it would support was not met. The now extended deadline of the 31st October is the next key milestone in the Brexit process.

5.6 However the degree of disagreement within each of the two main political parties is probably now even greater than before the initial deadline; this could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

Appendix B

The Treasury Management activity during the year 2018/19

1. Investment activity interest rates

1.1 Following consultation, the strategy for 2018/19 aimed to broaden the risk profile by reducing liquidity and to include some suitable, alternative investment products that are held for the medium (2-5 years) to longer term (5 years+). These products can generate better overall returns but there is a higher risk of volatility of performance so a longer term commitment is required. The inclusion of an investment product category in the strategy does not automatically result in investments being placed. Following due diligence, each investment decision considers the relative risks, returns and cash flow requirements within the context of the full investment portfolio.

1.2 The revised broader group of investment instruments included pooled property funds, short dated bond funds, and pooled mixed asset funds. The inclusion of these instruments provides options for the Council to invest its longer term cash, which assists in both diversifying the investment portfolio whilst providing an improvement to the overall yield. The council's first step in using these wider instruments was with a £5m investment in the CCLA Pooled Property fund in July 2018 following a fund selection process. In its first 12 months, this investment achieved an annualised yield of 3% over and above what the council could achieve for one year deposits with banks at the time.

1.3 Base interest rate was increased in August 2018 to 0.75%. The average rate for the year was 0.67%.

1.4 The total amount received in short term interest for 2018/19 was £2.1m at an average rate of 0.89%. This was above the average of base rates in the same period (0.67%) and against a backdrop of ensuring, so far as possible in the financial climate, the security of principal and the minimisation of risk within a broader boundary.

2. Long term borrowing

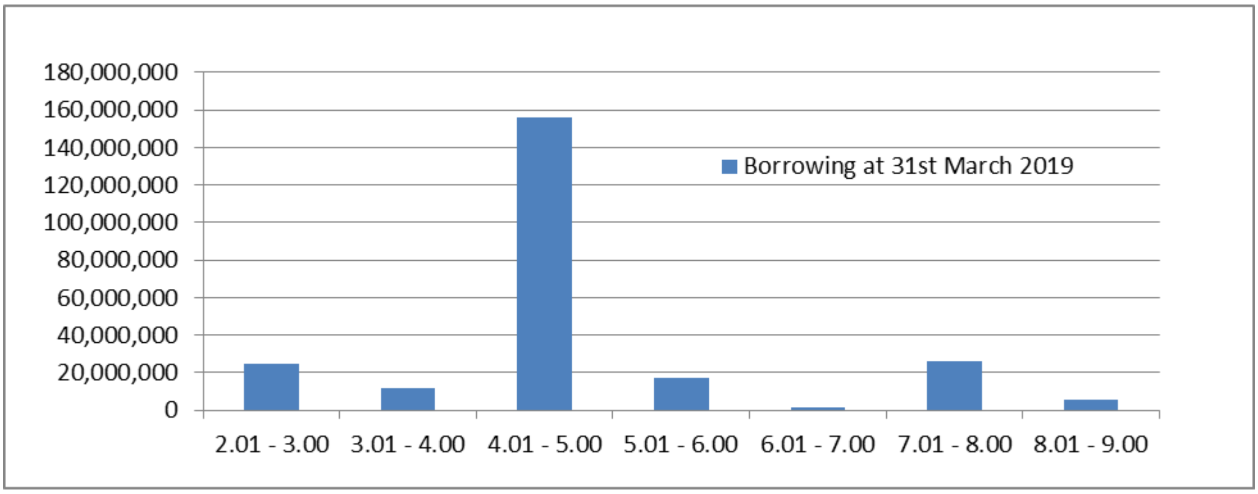
2.1 Officers constantly reviewed the need to borrow taking into consideration the potential movements in borrrowing costs, the need to finance new capital expenditure, refinancing maturing debt, and the cost of carry that might incur a revenue loss between borrowing costs and investment returns.

2.2 During 2018/19 £4.67m of PWLB debt matured at a coupon rate of 8.13%. This historic maturing debt was not replaced with additional in year new borrowing.

2.3 The average interest rate of all debt at 31 March 2019 of £243m was 4.77%. No beneficial rescheduling of debt has been available, due to a considerable widening of the difference between new borrowing and repayment rates, which has made PWLB debt restructuring now much less attractive. Consideration would have to be given to the large premiums (cash payments) which would be incurred by prematurely repaying existing PWLB loans. It is very unlikely that these could be justified on value for money grounds if using replacement PWLB refinancing.

2.4 A restructuring opportunity arose in October 2018, with one of the council's market lenders (RBS) offering to allow the council to repay the £23m loans on attractive terms. The Council funded the repayment through using cash within the investment portfolio, thereby reducing the overborrowed position of the Council's CFR.

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



3. Short term borrowing

3.1 No borrowing was undertaken on a short-term basis during 2018/19 to date to cover temporary overdraft situations.

4. Treasury Management Advisers

4.1 The Strategy for 2018/19 explained that the Council uses Link Asset Services as its treasury management consultant on a range of services which include:

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

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

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

Appendix C

The Treasury Management Activity Mid-Year Report - 2019/20

1. Background

1.1 The Treasury Management and Annual Investment Strategy for 2019/20 were approved by the Cabinet 22 January 2019. The 2019/20 strategy broadened the approved instruments to improve yield and diversify the investment portfolio. Changes to the strategy are summarised below.

Investment option	2018/19	2019/20
Money Market Funds (Including LVNAV)	✓	✓
Bank Notice Accounts	✓	✓
Fixed Term Bank Deposits	✓	✓
UK Local Authorities	✓	✓
Enhanced Money Market Funds (VNAV)	✓	✓
Building Societies	✓	✓
Pooled Property Funds	✓	✓
Corporate Bond Funds	✓	✓
Multi Asset Funds	✓	✓
Equity Funds	✗	✓

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

2. Summary of financial implications

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

2.2 The Bank of England's Monetary Policy Committee have held interest rates at 0.75% over the period.

2.3 The average investment balance to September 2019 was £224m and generated investment income of £1.12m. The forecast for 2019/20 is £2.3m.

2.4 The level of Council debt at 30 September 2019 was £242m with two loans totalling £2.6m maturing with the PWLB in the next 6 months to 31st March 2020. The forecast for interest paid on long-term debt in 2019/20 is approximately £11.45m and is within the budgeted provision.

2.5 Opportunities to reduce the cost of carry (interest paid against interest received) are constanly being explored as and when options arise.

3. Treasury Management Strategy

3.1 The Council approved the 2019/20 treasury management strategy at its meeting on 22 January 2019. The Council's stated investment strategy is to prudently manage an investment policy achieving first of all, security (protecting the Capital sum from loss), liquidity (keeping money readily available for expenditure when needed), and to consider what yield can be obtained consistent with those priorities.

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

3.3 The Council is exploring with its Treasury Adviosrs the use of pooled property, mixed asset funds and equity funds. However in the current climate political and economic climate the timing of investment must be a consideration.

3.4 The Chief Finance Officer is pleased to report that all treasury management activity undertaken from April 2019 to September 2019 period complied with the approved strategy, the CIPFA Code of Practice, and the relevant legislative provisions.

4. Economic Review (provided by Link Asset Services, November 2019)

4.1 2019 has been a year of upheaval on the political front as Theresa May resigned as Prime Minister to be replaced by Boris Johnson on a platform of the UK leaving the EU on 31 October 2019, with or without a deal. However, MPs blocked leaving on that date and the EU has agreed an extension to 31 January 2020.

4.2 In addition, a general election has been called for 12 December 2019. Given the uncertainty about the result of the general election and what MPs could afterwards decide, any interest rate forecasts are subject to material change as this situation evolves.

4.3 The first half of 2019/20 has seen UK economic growth fall as Brexit uncertainty took a toll. In its Inflation Report of 1 August, the Bank of England was notably downbeat about the outlook for both the UK and major world economies. The MPC meeting of 19 September reemphasised their concern about the downturn in world growth and also expressed concern that the prolonged Brexit uncertainty would contribute to a build-up of spare capacity in the UK economy, especially in the context of a downturn in world growth. This mirrored investor concerns around the world which are now expecting a significant downturn or possibly even a recession in some major developed economies.

4.4 The Monetary Policy Committee (MPC) left Bank Rate unchanged at 0.75% throughout 2019, so far, and is expected to hold off on changes until there is some clarity on what is going to happen over Brexit. However, it is also worth noting that the new Prime Minister is making some significant promises on various spending commitments and a relaxation in the austerity programme. This will provide some support to the economy and, conversely, take some pressure off the MPC to cut Bank Rate to support growth.

4.5 Inflation (CPI) has been hovering around the Bank of England's target of 2% during 2019, but fell to 1.7% in August. It is likely to remain close to 2% over the next two years and so it does not pose any immediate concern to the MPC at the current time. However, if there was a no deal Brexit, inflation could rise towards 4%, primarily as a result of imported inflation on the back of a weakening pound.

4.6 The labour market, despite the contraction in quarterly GDP growth of -0.2%q/q, (+1.3% y/y), in quarter 2, employment continued to rise, but at only a muted rate of 31,000 in the three months to July after having risen by no less than 115,000 in quarter 2 itself: the latter figure, in particular, suggests that firms are preparing to expand output and suggests there could be a return to positive growth in quarter 3. Unemployment continued at a 44 year low of 3.8% on the Independent Labour Organisation measure in July and the participation rate of 76.1% achieved a new all-time high. Job vacancies fell for a seventh consecutive month after having previously hit record levels. However, with unemployment continuing to fall, this month by 11,000, employers will still be having difficulty filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to a high point of 3.9% in June before easing back slightly to 3.8% in July, (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 2.1%. As the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months.

4.7 The latest GDP statistics also included a revision of the savings ratio from 4.1% to 6.4% which provides reassurance that consumers' balance sheets are not over stretched and so will be able to support growth going forward. This would then mean that the MPC will need to consider carefully at what point to take action to raise Bank Rate if there is an agreed Brexit deal, as the recent pick-up in wage costs is consistent with a rise in core services inflation to more than 4% in 2020.

5.0 Link Asset Services (LAS) forecasts (November 2019)

5.1 LAS do not currently suggest that the MPC would increase Bank Rate before any clearing of the fog on Brexit and agreement being reached on a UK/EU trade deal. They have moved back their forecast for the first increase from quarter 4 2020 to quarter 1 2021 and the second increase from quarter 1 2021 to quarter 2 2021.

5.2 Forecasts for average investment earnings beyond the three year time horizon will be heavily dependent on economic and political developments.

5.3 LAS, has provided the following forecast:

Link Asset Services Interest Rate View	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25	1.25	1.25	1.25
3 Month LIBID	0.70	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.30	1.30
6 Month LIBID	0.80	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40	1.50	1.50	1.50	1.50
12 Month LIBID	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60	1.70	1.70	1.70	1.70
5yr PWLB Rate	2.30	2.40	2.40	2.50	2.50	2.60	2.70	2.80	2.90	2.90	3.00	3.10	3.20	3.20
10yr PWLB Rate	2.60	2.70	2.70	2.70	2.80	2.90	3.00	3.10	3.20	3.20	3.30	3.30	3.40	3.50
25yr PWLB Rate	3.20	3.30	3.40	3.40	3.50	3.60	3.70	3.70	3.80	3.90	4.00	4.00	4.10	4.10
50yr PWLB Rate	3.10	3.20	3.30	3.30	3.40	3.50	3.60	3.60	3.70	3.80	3.90	3.90	4.00	4.00

6. Borrowing advice:

6.1 PWLB rates have fallen significantly up until 100 bps were added to all PWLB rates in October 2019. As the current long term forecast for Bank Rate is 2.25%, and all PWLB certainty rates are above 2.25%, there is little value in borrowing from the PWLB. Accordingly, the authority will need to reassess its risk appetite in terms of either seeking cheaper alternative sources of borrowing or switching to short term borrowing in the money markets until such time as the Government might possibly reconsider the margins charged over gilt yields.

6.2 Any new borrowing should also take into account the continuing cost of carry, the difference between investment earnings and borrowing rates.

Appendix D

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

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

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

2. Operational and authorised borrowing limits.

2.1 The tables below sets out the estimate and projected Capital financing requirement and long-term borrowing in 2018/19

	Capital Financing Requirement	**2018/19 Estimate**	**2018/19 Actual**
		£m	**£m**
	Capital Financing Requirement at 1 April 2018	**341**	**336**
add	Financing of new assets	18	2
add	Long Term Loans	-	1
less	Provision for repayment of debt	(12)	(10)
	Capital Financing Requirement at 31 March 2019	**347**	**329**
add	Short Term Borrowing Provision	10	
	Operational Boundary	**357**	
add	Short Term Borrowing Provision	20	
	Authorised Limit	**377**	

	Actual Borrowing	**2018/19 Actual**
		£m
	Long Term Borrowing at 1 April 2018	**271**
less	Loan redemptions	(28)
add	New Borrowing	-
	Long Term Borrowing at 31 March 2019	**243**

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

2.2 The Capital Financing Requirement includes PFI Schemes and Finance Leases totalling £89m, excluding these results in an underlying need to borrow of £239m.

2.3 The Operational Boundary was consistent with the Council's current commitments, existing plans and the proposals for Capital expenditure and financing, and with its approved treasury management policy statement and practices. It was based on the estimate of most likely, prudent but not worst case scenario. Risk analysis and risk management strategies were taken into account as were plans for Capital expenditure, estimates of the Capital financing requirement and estimates of cash flow requirements for all purposes. The Operational boundary represents a key management tool for in year monitoring and long term borrowing control.

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

2.5 The Authorised limit is the "Affordable Borrowing Limit" required by S3 of the Local Government Act 2003 and must not be breached. The Long Term borrowing at 31st March 2019 of £243m is under the Operational boundary and Authorised limit set for 2018/19. The Operational boundary and Authorised limit have not been exceeded during the year.

3. Interest rate exposure

3.1 The Council continued the practice of seeking to secure competitive fixed interest rate exposure for 2018/19. There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs or improve performance. The indicators are:

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

	2018/19	**2019/20**	**2020/21**
Interest rate exposure	**Upper**	**Upper**	**Upper**
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	15%	15%	15%
Maturity structure of fixed interest rate borrowing 2018/19			
	Lower	**Upper**	**Actual 2018/19**
Under 12 months	0%	25%	1%
12 months and within 24 months	0%	40%	2%
24 months and within 5 years	0%	60%	6%
5 years and within 10 years	0%	80%	11%
10 years and within 20 years	0%	80%	23%
20 years and within 30 years	0%	80%	22%
30 years and within 40 years	0%	80%	37%
40 years and above	0%	80%	0%

3.2 The Council has not exceeded the limits set in 2018/19. Not more than £20m of debt should mature in any financial year and not more than 15% to mature in any two consecutive financial years. Borrowing has been undertaken giving due consideration to the debt maturity profile, ensuring that an acceptable amount of debt is due to mature in any one financial year. This helps to minimise the authority's exposure to the risk of having to replace a large amount of debt in any one year or period when interest rates may be unfavourable. The bar chart in the attached Annex 1 shows the maturity profile.

4. Interest rate on long term borrowing

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

5. Maturity structure of investments

5.1 The Investment Guidance issued by the government, allowed local authorities the freedom to invest for more than for one year. All investments over one year were to be classified as Non-Specified Investments. The Council had taken advantage of this freedom and non-Specified Investments are allowed to be held within our overall portfolio of investments and in line with our prudent approach in our strategy.

6. Compliance with the Treasury Management Code of Practice

6.1 East Sussex County Council has adopted the Chartered Institute of Public Finance and Accountancy (CIPFA), Code of Practice for Treasury Management in the Public Services. In December 2017, CIPFA, issued a revised Treasury Management Code and Cross Sectoral Guidance Notes, and a revised Prudential Code.
A particular focus of these revised codes was how to deal with local authority investments which are not treasury type investments e.g. by investing in purchasing property in order to generate income for the Authority at a much higher level than can be attained by treasury investments. The outcome is a new Capital Strategy document which was presented to Cabinet as part of the 2019/20 budget papers.

7. Interest on investments

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

Month	Amount £'000	Monthly rate	Margin against Base Rate
April	130	0.65%	0.15%
May	151	0.71%	0.21%
June	138	0.68%	0.18%
July	151	0.69%	0.19%
August	193	0.82%	0.07%
September	206	0.92%	0.17%
October	205	0.97%	0.22%
November	184	1.00%	0.25%
December	192	1.04%	0.29%
January	196	1.06%	0.31%
February	177	1.06%	0.31%
March	192	1.08%	0.33%
Total for 2018/19	**2,116**	**0.89%**	**0.22%**

7.2 The total amount received in short term interest for the year was £2.1m at an average rate of 0.89%. This was above the average of base rates in the same period (0.67%) but ensuring, so far as possible in the financial climate, the security of principal and the minimisation of risk. This Council has continued to follow a prudent approach with security and liquidity as the main criteria before yield.

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

8.1 The Council is required to pay off an element of the accumulated General Fund capital spend each year (the Capital Financing Requirement - CFR) through a revenue charge (the minimum revenue provision - MRP). Ministry of Housing, Communities and Local Government (MHCLG) regulations require the full Council to approve an MRP Statement in advance of each year. A variety of options are available to councils, so long as the principle of any option selected ensures a prudent provision to redeem its debt liability over a period which is commensurate with that over which the capital expenditure is estimated to provide benefits (i.e. estimated useful life of the asset being financed).

8.2 The below 2018/19 MRP Policy Statement reflects a change in policy for borrowing incurred both before and after 2008. The Policy (as required by Ministry of Housing, Communities & Local Government Guidance) was approved as part of the Treasury Management Strategy Report for 2019/20 on 22 January 2019.

8.3 The Council was recommended to approve the following MRP Statement for 2018/19 onwards:

For borrowing incurred before 1 April 2008, the MRP policy will be:

- Annuity basis over a maximum of 40 years.

From borrowing incurred after 1 April 2008, the MRP policy will be:

- Asset Life Method (annuity method) – MRP will be based on the estimated life of the assets, in accordance with the proposed regulations. A maximum useful economic life of 50 years for land and 40 years for other assets. This option will also be applied for any expenditure capitalised under a capitalisation directive.

For PFI schemes, finance leases and closed landfill sites that come onto the Balance Sheet, the MRP policy will be:

- Asset Life Method (annuity method) - The MRP will be calculated according to the flow of benefits from the asset, and where the principal repayments increase over the life of the asset. Any related MRP will be equivalent to the "capital repayment element" of the annual charge payable.

There is the option to charge more than the prudent provision of MRP each year through a Voluntary Revenue Provision (VRP).

8.4 For loans to third parties that are being used to fund expenditure that is classed as capital in nature, the policy will be to set aside the repayments of principal as capital receipts to finance the initial capital advance in lieu of making an MRP.

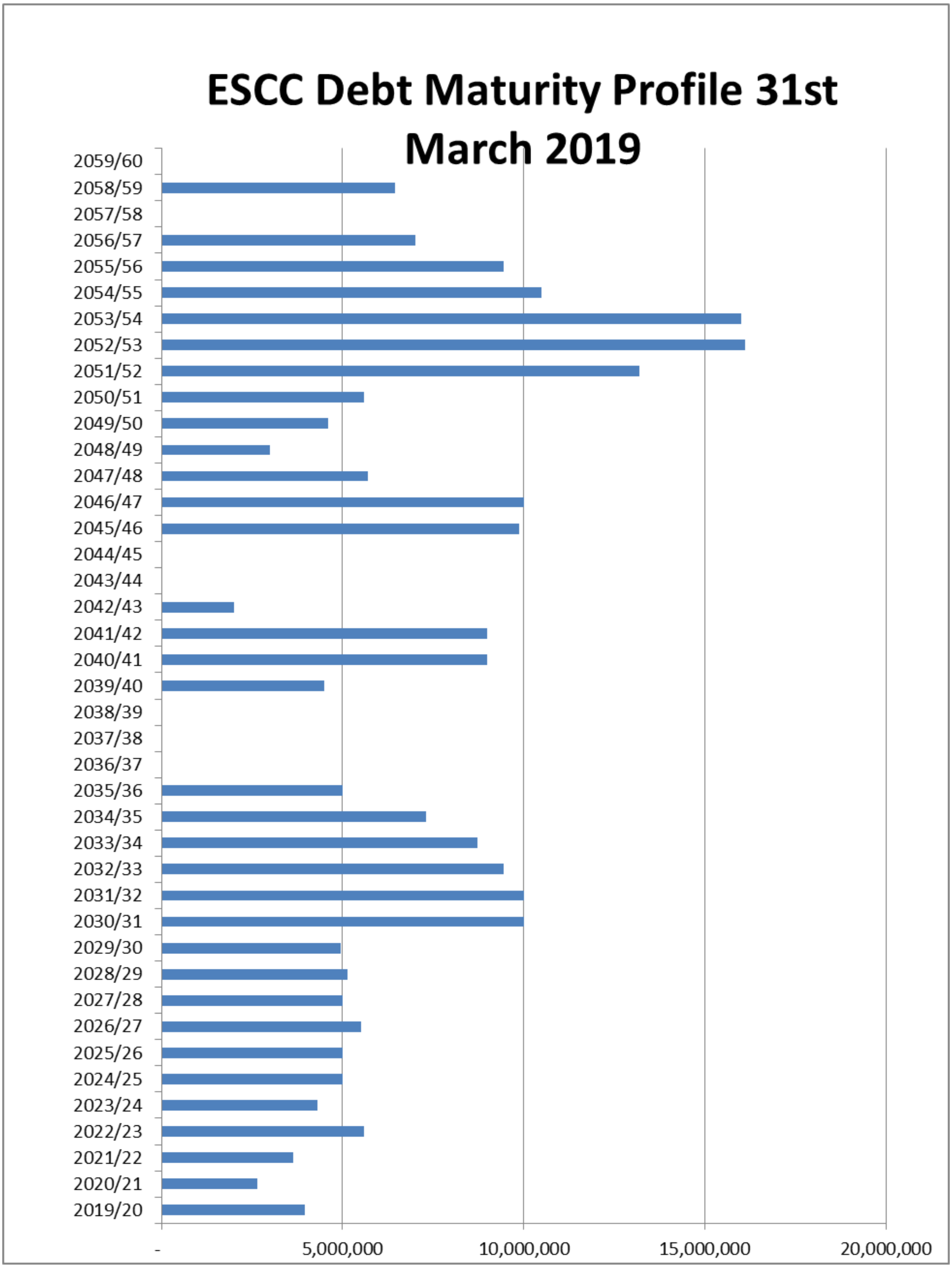
8.5 In view of the variety of different types of capital expenditure incurred by the Council, which is not in all cases capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure. This approach also allows the Council to defer the introduction of an MRP charge for new capital projects/land purchases until the year after the new asset becomes operational rather than in the year borrowing is required to finance the capital spending.

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

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

	2018/19 Actual	**2019/20 Estimate**	**2020/21 Estimate**	**2021/22 Estimate**
	£m	**£m**	**£m**	**£m**
Total CFR	**329**	**343**	**371**	**380**
Movement in CFR	-	14	28	9

Annex 1



ESCC Debt Maturity Profile 31st March 2019
2059/60
2058/59
2057/58
2056/57
2055/56
2054/55
2053/54
2052/53
2051/52
2050/51
2049/50
2048/49
2047/48
2046/47
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2022/23
2021/22
2020/21
2019/20
-
5,000,000
10,000,000
15,000,000
20,000,000

Agenda Item 8

Report to: **Cabinet**

Date of meeting: **10 December 2019**

By: **Chief Operating Officer**

Title: **Annual Audit Letter – 2018/19**

Purpose: **To inform the Committee of the Annual Audit Letter and fee outturn for 2018/19**

RECOMMENDATION: Cabinet is recommended to note the Annual Audit Letter and the fee update for 2018/19

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1. Supporting Information

1.1 The Grant Thornton Annual Audit Letter (AAL), attached at Appendix 1, summaries the work undertaken by Grant Thornton (GT) and the key issues raised as part of the external audit of the 2018/19 Statement of Accounts. The report raises no new issues or findings and reflects the recommendations that were reported to Audit Committee and Governance Committee within the "Independent Auditor's Report to those charged with Governance and Statement of Accounts 2018/19" report.

1.2 GT issued an unqualified opinion on the Council's financial statements on 20 September 2019. This was later than the deadline of 31 July 2019, due to the late requirement to adjust the accounts to reflect a revised assessment of future pension liabilities. GT attended the Audit Committee on 13 September 2019 to report back on the reason for this change.

1.3 The AAL will be circulated to all Councillors and published on the Council's website.

2. External Audit Fees

2.1 The external audit fee for 2018/19, as advised by Public Sector Audit Appointments (PSAA), was £84,837 (County Council of £64,350 and East Sussex Pension Fund of £20,487). The AAL sets out on pages 12-13, proposed additional fees totalling £21,000 (County Council of £16,000 and East Sussex Pension Fund of £5,000), which represents an increase of 24.8% on the original fees.

2.2 There are a number of reasons put forward to support the additional fees, from a national requirement for increased assurance from the Financial Reporting Council, to extra work required as this was the first year for GT auditing the authority. These additional fees are being challenged back to GT, and via the PSAA, and have not been paid.

3. Conclusion and Recommendation

3.1 The report and AAL summarise the key findings from the external audit of the 2018/19 Statement of Accounts for the Council and the East Sussex Pension Fund, together with the 2018/19 Value for Money conclusion and recommendations to management.

3.2 The Cabinet is asked to note the report and the update regarding the 2018/19 audit fees.

KEVIN FOSTER
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Grant Thornton

The Annual Audit Letter for East Sussex County Council

Year ended 31 March 2019

October 2019

Contents

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Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at East Sussex County Council (the Council) for the year ended 31 March 2019.

This Letter is intended to provide a commentary on the results of our work to the Council and external stakeholders, and to highlight issues we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Council's Audit Committee in our Audit Findings Report on 12 July 2019.

Respective responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council's financial statements (section two);
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council's financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

Our work

Materiality	We determined materiality for the audit of the Council's financial statements to be £15m, which is approximately 2% of the Council's gross revenue expenditure.
Financial Statements opinion	We gave an unqualified opinion on the Council's financial statements on 20 September 2019.
Whole of Government Accounts (WGA)	We completed work on the Council’s consolidation return following guidance issued by the NAO.
Use of statutory powers	We did not identify any matters which required us to exercise our additional statutory powers.
Value for Money arrangements	We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit findings report to the Council on 12 July 2019.
Certificate	We certified that we completed the audit of the financial statements of East Sussex County Council in accordance with the requirements of the Code of Audit Practice on 20 September 2019.

Audit of the Financial Statements

Our audit approach

Materiality

In our audit of the Council's financial statements, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for the audit of the Council's financial statements to be £15m, which is approximately 2% of the Council's gross revenue expenditure. We used this benchmark as, in our view, users of the Council's financial statements are most interested in where the Council has spent its revenue in the year.

We set a lower threshold of £750,000, above which we reported errors to the Audit Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the remainder of the financial statements, the narrative report and the annual governance statement to check their consistency with our understanding of the Council and with the financial statements on which we gave our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Council's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the Financial Statements

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
Improper revenue recognition We considered the rebuttable presumed risk under ISA (UK) 240 that revenue may be misstated due to the improper recognition of revenue. Having considered the revenue streams at the Council we rebutted this presumed risk for revenue streams which are derived from Council Tax, Business Rates and Grants on the basis that they are income streams that are hard to manipulate. We did not deem it appropriate to rebut this presumed risk for fees, charges and other service income.	• We reviewed and evaluated the Council's accounting policy for recognition of income for appropriateness and compliance with the Local Government Accounting Code of Practice; • We reviewed and sample tested fees, charges and other service income income to supporting documentation; • We reviewed and challenged significant estimates and judgements made by management.	Our audit work did not identify any issues.
Management override of internal controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entries.	• We evaluated the design effectiveness of management controls over journals; • We obtained a full listing of journal entries which was then analysed to identify high risk unusual journals; • We tested unusual journals recorded during the year and post year end for appropriateness and corroboration; • We considered the reasonableness of significant accounting estimates and critical judgements made by management; • We evaluated the rationale for any changes in accounting policies or significant transactions.	We identified journal entries being prepared and recorded with no descriptions, increasing the potential for erroneous or fraudulent posting to go unnoticed. We raised a recommendation in this regard. Our audit work did not identify any other issues.

Audit of the Financial Statements

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
Valuation of Property, Plant and Equipment The Council revalues land and buildings on an rolling three-year basis. The valuation of property, plant and equipment at the balance sheet date represents a significant estimate by management in the financial statements. We identified the valuation of land and buildings revaluations as a risk requiring special audit consideration.	• We reviewed and evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • We considered the competence, expertise and objectivity of management's expert (valuer); • We discussed with the valuer the basis on which the valuation is carried out and challenged their key assumptions; • We reviewed the information used by the valuer to ensure it is robust and consistent with our understanding; • We tested revaluations made during the year to ensure they had been input correctly into the Council's asset register; • We evaluated the assumptions made by management for those assets that were revalued during the year using management's indexation approach; • We evaluated the assumptions made by management for those assets not revalued during the year and how management had satisfied themselves that these were not materially different to current value.	Our audit work did not identify any issues.

Audit of the Financial Statements

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
Valuation of pension net liability The Local Government Pension Scheme net liability represents a significant estimate in the financial statements We identified valuation of the pension net liability as a risk requiring special audit consideration	• We identified the controls put in place by management to ensure the pension fund liability is not materially misstated. We also assessed whether these controls were implemented as expected; • We evaluated the competence, expertise and objectivity of the actuary who carried out the pension fund valuation. We gained an understanding of the basis on which the valuation is carried out; • We undertook procedures to confirm the reasonableness of the actuarial assumptions by using our own auditor's expert; • We checked the consistency of the pension fund asset and liability disclosures in notes to the financial statements with the actuarial report from the actuary.	We found the pension net liability to be materially misstated due to the Council using an estimated rate of return on assets provided by its actuary. The Council obtained a revised actuarial report and the financial statements were adjusted to show the actual return on assets, which increased the net liability. Our audit work did not identify any other issues.
Private Finance Initiative (PFI) liability The Council has two builds which are financed through PFI schemes: Waste and Peacehaven School. As these PFI transactions are significant, complex and involve a degree of subjectivity in the measurement of financial information we have categorised them as a significant risk.	• We reviewed the Council's PFI models and assumptions contained therein; • We reviewed and tested the output produced by the PFI models to generate the financial balances within the financial statements; • We reviewed the PFI disclosures to ensure they are consistent with the Code of Practice on Local Authority Accounting and the International Accountancy Standard IFRIC12.	Our audit work did not identify any issues.

Audit of the Financial Statements

Pension Fund Significant Audit Risks

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work on the pension fund.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
Valuation of level 3 investments Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end. We therefore identified the valuation of level 3 investments as a significant risk.	• We gained an understanding of management's process for valuing Level 3 investments and evaluating the design of the associated controls; • We reviewed the nature and basis of estimated Level 3 valuations and considered what assurance management has over the year end valuations provided for these investments; • For a sample of investments, we tested the valuation by obtaining and reviewing the audited accounts as at 31 December 2018 for individual investments and agreeing these to fund manager reports at that date and reconciling those values to the valuations reported at 31 March 2019 with reference to known movements in the intervening period.	Our audit work did not identify any issues.

Audit of the Financial Statements

Audit opinion
We gave an unqualified opinion on the Council's financial statements on 20 September 2019.

Preparation of the financial statements
The Council presented us with draft financial statements in accordance with the national deadline. We were provided with a good set of working papers although not all were available at the start of the audit in early June. The finance team responded promptly to our queries during the course of the audit however there were delays in receiving appropriate supporting evidence from the wider organisation.

Issues arising from the audit of the financial statements
We reported the key issues from our audit to the Council's Audit Committee on 12 July 2019 and updated the Audit Committee on 13 September 2019.

Annual Governance Statement and Narrative Report
We are required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website in line with the national deadlines.

Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with the financial statements prepared by the Council and with our knowledge of the Council.

Pension fund accounts
We gave an unqualified opinion on the pension fund accounts on 20 September 2019. We reported the key issues from our audit of the pension fund accounts to the Council's Audit Committee on 12 July 2019.

Whole of Government Accounts (WGA)
We carried out work on the Council's Data Collection Tool in line with instructions provided by the NAO . We issued an assurance statement which did not identify any issues for the group auditor to consider on 20 September 2019.

Other statutory powers
We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Council's accounts and to raise objections received in relation to the accounts.

Certificate of closure of the audit
We certified that we have completed the audit of the financial statements of East Sussex County Council in accordance with the requirements of the Code of Audit Practice on 20 September 2019.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in November 2017 which specified the criterion for auditors to evaluate:
In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the risks where we concentrated our work.

The risks we identified and the work we performed are set out overleaf.

As part of our Audit Findings report agreed with the Council in 12 July 2019, we agreed recommendations to address our findings.

Overall Value for Money conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2019.

Value for Money conclusion

Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
Financial sustainability Rising demand for the Council's services and falling government grants are putting the Council's finances under considerable strain. The Council needs to manage its resources carefully to ensure a sustainable future.	We carried out a detailed review of the Council's Medium Term Financial Plan, including savings plans, financial governance (monitoring of finances) and reserve levels.	No issues noted – we concluded the Council had the processes and procedures in place to secure economy, efficiency and effectiveness in its use of resources.
Working in partnership with the NHS Failure to secure maximum value from partnership working with the NHS could impact negatively on social care and public health services, leading to worse health outcomes for residents and also increased current and future costs.	As part of our work we reviewed documentation and spoke to officers at the Council and NHS partners to understand the Council's significant NHS collaboration initiatives, including East Sussex Better Together and Connecting 4 You, as well as plans for the future.	No issues noted – we concluded the Council had the processes and procedures in place to secure economy, efficiency and effectiveness in its use of resources.
Brexit With the UK due to leave the European Union on 29 March 2019, there will be national and local implications for which you will need to plan.	As part of our work we reviewed the Council's arrangements and plans relating to Brexit. Our review focussed on areas such as workforce planning, supply chain analysis and impact on finances.	No issues noted – we concluded the Council had the processes and procedures in place to secure economy, efficiency and effectiveness in its use of resources.

A. Reports issued and fees

We confirm below our final reports issued and fees charged for the audit and confirm there were no fees for the provision of non audit services.

Reports issued

Report	Month issued
Audit Plan	March 2019
Audit Findings Report	July 2019
Annual Audit Letter	October 2019

Fees – external audit

	Planned £	Actual fees £	2016/17 fees £
Statutory audit of the Council	64,350	80,350	83,572
Audit of Pension Fund	20,487	25,487	26,607
Total fees	**84,837**	**105,837**	**110,179**

Fees – grant certification

	Planned £	Actual fees £	2016/17 fees £
Teachers' Pension grant certification	4,200	TBC	Unknown
Total fees	**4,200**	**TBC**	

Audit fee variation

As outlined in our audit plan, the 2018-19 scale fee published by PSAA of £64,350 for the County and £20,487 for the Pension Fund assumes that the scope of the audit does not significantly change. There are a number of areas where the scope of the audit has changed, which has led to additional work. These are set out in a table on the next page.

Fee variations are subject to PSAA approval.

A. Reports issued and fees

Council area	Reason	Fee proposed
Assessing the impact of the McCloud ruling	The Government's transitional arrangements for pensions were ruled discriminatory by the Court of Appeal last December. The Supreme Court refused the Government's application for permission to appeal this ruling. As part of our audit we reviewed the revised actuarial assessment of the impact on the financial statements along with any audit reporting requirements.	£3,000
Pensions – IAS 19	The Financial Reporting Council has highlighted that the quality of work by audit firms in respect of IAS 19 needs to improve across local government audits. Accordingly, we have increased the level of scope and coverage in respect of IAS 19 this year to reflect this fact. We carried out additional work to address the material error in the draft financial statements in relation to the return on pension assets.	£3,000
PPE Valuation – work of experts	As above, the Financial Reporting Council has highlighted that auditors need to improve the quality of work on PPE valuations across the sector. In addition, the use of a second valuer report, late working papers and lack of clarity about which items had been revalued led to further work being required. We have increased the volume and scope of our audit work to reflect these factors.	£5,000
Audit overruns	We have discussed with officers, a number of areas where we had to apply additional resources to deliver the audit. These include, but are not limited to; transaction listings with multiple 'ins and outs' lengthening the process to select a sample which reflected the year end balance; time consuming reconciliations between transaction listings received at interim and those at year end; and response delays to audit queries arising from sample testing.	£5,000
Total		**£16,000**

Pension Fund area	Reason	Fee proposed
IAS19 letters	We were asked to provide IAS19 letters for a number of local authority auditors which caused us additional work.	£5,000
Total		**£5,000**

Our commitment to our local government clients

- Senior level investment
- Local presence enhancing our responsiveness, agility and flexibility.
- High quality audit delivery
- Collaborative working across the public sector
- Wider connections across the public sector economy, including with health and other local government bodies
- Investment in Health and Wellbeing, Social Value and the Vibrant Economy
- Sharing of best practice and our thought leadership.
- Invitations to training events locally and regionally – bespoke training for emerging issues
- Further investment in data analytics and informatics to keep our knowledge of the areas up to date and to assist in designing a fully tailored audit approach

Our relationship with our clients– why are we best placed?

- We work closely with our clients to ensure that we understand their financial challenges, performance and future strategy.
- We deliver robust, pragmatic and timely financial statements and Value for Money audits
- We have an open, two way dialogue with clients that support improvements in arrangements and the audit process
- Feedback meetings tell us that our clients are pleased with the service we deliver. We are not complacent and will continue to improve further
- Our locally based, experienced teams have a commitment to both our clients and the wider public sector
- We are a Firm that specialises in Local Government, Health and Social Care, and Cross Sector working, with over 25 Key Audit Partners, the most public sector specialist Engagement Leads of any firm
- We have strong relationships with CIPFA, SOLCAE, the Society of Treasurers, the Association of Directors of Adult Social Care and others.

New opportunities and challenges for your community

The Local Government economy

Local authorities face unprecedented challenges including:

- Financial Sustainability – addressing funding gaps and balancing needs against resources
- Service Sustainability – Adult Social Care funding gaps and pressure on Education, Housing, Transport
- Transformation – new models of delivery, greater emphasis on partnerships, more focus on economic development
- Technology – cyber security and risk management

At a wider level, the political environment remains complex:

- The government continues its negotiation with the EU over Brexit, and future arrangements remain uncertain.
- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops.

Delivering real value through:

- Early advice on technical accounting issues, providing certainty of accounting treatments, future financial planning implications and resulting in draft statements that are 'right first time'
- Knowledge and expertise in all matters local government, including local objections and challenge, where we have an unrivalled depth of expertise.
- Early engagement on issues, especially on ADMs, housing delivery changes, Children services and Adult Social Care restructuring, partnership working with the NHS, inter authority agreements, governance and financial reporting
- Implementation of our recommendations have resulted in demonstrable improvements in your underlying arrangements, for example accounting for unique assets, financial management, reporting and governance, and tax implications for the Cornwall Council companies
- Robust but pragmatic challenge – seeking early liaison on issues, and having the difficult conversations early to ensure a 'no surprises' approach – always doing the right thing
- Providing regional training and networking opportunities for your teams on technical accounting issues and developments and changes to Annual Reporting requirements
- An efficient audit approach, providing tangible benefits, such as releasing finance staff earlier and prompt resolution of issues.

Grant Thornton in Local Government

Our client base and delivery

- We are the largest supplier of external audit services to local government
- We audit over 150 local government clients
- We signed 95% of our local government opinions in 2017/18 by 31 July
- In our latest independent client service review, we consistently score 9/10 or above. Clients value our strong interaction, our local knowledge and wealth of expertise.

Our connections

- We are well connected to MHCLG, the NAO and key local government networks
- We work with CIPFA, Think Tanks and legal firms to develop workshops and good practice
- We have a strong presence across all parts of local government including blue light services
- We provide thought leadership, seminars and training to support our clients and to provide solutions

Our people

- We have over 25 engagement leads accredited by ICAEW, and over 250 public sector specialists
- We provide technical and personal development training
- We employ over 80 Public Sector trainee accountants

Our quality

- Our audit approach complies with the NAO's Code of Audit Practice, and International Standards on Auditing
- We are fully compliant with ethical standards
- Your audit team has passed all quality inspections including QAD and AQRT

Our technical support

- We have specialist leads for Public Sector Audit quality and technical
- We provide national technical guidance on emerging auditing, financial reporting and ethical areas
- Specialist audit software is used to deliver maximum efficiencies

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