



CABINET

TUESDAY, 26 JANUARY 2021

9.30 AM - COUNTY HALL, LEWES

++Please note that this meeting is taking place remotely++

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 8 December 2020 *(Pages 3 - 4)*
- 2 Apologies for absence
- 3 Disclosures of interests
Disclosures by all members present of personal interests in matters on the agenda, the nature of any interest and whether the member regards the interest as prejudicial under the terms of the Code of Conduct.
- 4 Urgent items
Notification of items which the Chair considers to be urgent and proposes to take at the appropriate part of the agenda. Any members who wish to raise urgent items are asked, wherever possible, to notify the Chair before the start of the meeting. In so doing, they must state the special circumstances which they consider justify the matter being considered urgent.
- 5 Reconciling Policy, Performance and Resources *(Pages 5 - 156)*
Report by Chief Executive
- 6 Highways Services Re-procurement Project *(Pages 157 - 354)*
Report by Director of Communities, Economy and Transport
- 7a Scrutiny Review of becoming a Carbon Neutral Council - Report of the Place Scrutiny Committee *(Pages 355 - 384)*
Report by Assistant Chief Executive
- 7b Scrutiny Review of becoming a Carbon Neutral Council - Observations on the Scrutiny Committee report *(Pages 385 - 394)*
Report by Director of Communities, Economy and Transport and the Chief Operating Officer
- 8 Treasury Management Strategy 2021/22 *(Pages 395 - 424)*
Report by Chief Operating Officer
- 9 Any other items considered urgent by the Chair
- 10 To agree which items are to be reported to the County Council

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18 January 2021

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CABINET

MINUTES of a meeting of the Cabinet held on 8 December 2020 at County Hall, Lewes

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 Barnes	- item 5 (minute 31)
Councillor Beaver	- item 5 (minute 31)
Councillor Bennett	- item 5 (minute 31)
Councillor Bentley	- item 5 (minute 31)
Councillor Charles Clark	- item 7 (minute 33)
Councillor Godfrey Daniel	- item 5 (minute 31)
Councillor Field	- items 5 and 7 (minutes 31 and 33)
Councillor Galley	- item 7 (minute 33)
Councillor Maynard	- item 5 (minute 31)
Councillor Osborne	- item 5 (minute 31)
Councillor Simmons	- item 6 (minute 32)
Councillor Standley	- item 5 (minute 31)
Councillor Tidy	- item 7 (minute 33)
Councillor Tutt	- items 5 and 6 (minutes 31 and 32)
Councillor Webb	- items 5 and 7 (minutes 31 and 33)

30 MINUTES OF THE MEETING HELD ON 10 NOVEMBER 2020

30.1 The minutes of the Cabinet meeting held on 10 November 2020 were agreed as a correct record.

31 COUNCIL MONITORING: QUARTER 2 2020/21

31.1 The Cabinet considered a report by the Chief Executive.

31.2 It was RESOLVED 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 of the report.

Reason

31.3 The report sets out the Council's position and year end projections for the Council Plan targets, Revenue Budget, Capital Programme, Savings Plan together with Risks for 2020/21 quarter 2.

32 EAST SUSSEX ECONOMY RECOVERY PLAN

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

32.2 It was RESOLVED to:

- (1) note the contents of the East Sussex Economy Recovery Plan – East Sussex Reset, and the detailed action plan produced by Team East Sussex;
- (2) note the funding secured and realigned by partners to support the economic recovery; and
- (3) note that an update report on the progress in delivering East Sussex Reset will be presented to Cabinet in December 2021.

Reason

32.3 The County Council working with Team East Sussex, the county's de-facto growth board, has in response to the CV19 pandemic developed with partners an economy recovery plan termed 'East Sussex Reset'. The plan was launched in September 2020 and looks to identify interventions that will support businesses recover and reset, while supporting those unemployed to gain new skills and employment.

32.4 The Plan is an evolving document with the intention to coordinate activity amongst partners over the next 12-18 months and aid in both securing external funding mainly from Government and SELEP, while unlocking local partners' resources and funding. Already significant initial investment of over £45m has been secured to deliver the plan. An update report on the progress and achievements in delivering East Sussex Reset will be presented to Cabinet in December 2021.

33 ANNUAL PROGRESS REPORT OF THE LOOKED AFTER CHILDREN'S SERVICE 2019-20

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

33.2 It was RESOLVED to note the Annual Progress report of Looked After Children's Services in 2019/20.

Reason

33.3 The report summarises the performance of Looked After Children's Service in 2019/20

34 TREASURY MANAGEMENT STEWARDSHIP REPORT 2019/20 AND MID-YEAR REPORT 2020/21

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

34.2 It was RESOLVED to note the Treasury Management performance in 2019/20 incorporating the Mid Year review for the first half of 2020/21.

Reason

34.3 This report 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 0.75% and 1.12%. The key principles of security, liquidity and yield are still relevant. Officers are currently investigating further opportunities within the strategy to increase investment income whilst minimising costs and maintaining security in a period of uncertainty.

35 ITEMS TO BE REPORTED TO THE COUNTY COUNCIL

35.1 It was agreed that items 5 and 7 should be reported to the County Council.
[Note: The items being reported to the County Council refer to minute numbers 31 and 33]

Committee:	Cabinet
Date:	26 January 2021
Title of Report:	Reconciling Policy, Performance and Resources (RPPR)
By:	Chief Executive
Purpose of Report:	To ask Cabinet to approve the draft Council Plan, Council Tax levels, Revenue Budget and Capital Programme for recommendation to the County Council

RECOMMENDATIONS:

Cabinet is recommended to:

1. recommend the County Council to:

- i) Approve in principle the draft Council Plan 2021/22 at Appendix 1 and authorise the Chief Executive to finalise the Plan in consultation with the relevant Lead Members;
- ii) Increase Council Tax by 1.99%;
- iii) Increase the Adult Social Care precept by 1.5% in 2021/22;
- iv) Issue precepts to be paid by Borough and District Councils in accordance with the agreed schedule of instalments at Appendix 6 (Draft);
- v) Approve the net Revenue Budget estimate of £416.7m for 2021/22 set out in Appendix 3 (Medium Term Financial Plan) and Appendix 4 (Budget Summary) and authorise the Chief Executive, in consultation with the Chief Finance Officer, Leader and Deputy Leader, to make adjustments to the presentation of the Budget Summary to reflect the final settlement and final budget decisions;
- vi) Approve the Capital Strategy and Programme at Appendix 9;
- vii) Note progress with the Council Plan and Budget 2020/21 since quarter 2 at Appendix 2;
- viii) Note the Medium Term Financial Plan forecast for 2021/22 to 2023/24, set out in Appendix 3;
- ix) Note the comments of the Chief Finance Officer on budget risks and robustness, as set out in Appendix 7;
- x) Note the comments from engagement exercises set out in Appendix 8; and
- xi) Note the schedule of fees and charges that have increased above inflation at Appendix 10.

2. agree that Chief Officers consult, where appropriate, on the savings proposals set out in Appendix 5.

1. Introduction

1.1. The services this Council provides are crucial to the residents of our county, particularly those who are most vulnerable. The importance of our services and support has been heightened further by the ongoing and far-reaching effects of COVID-19 across East Sussex. The pandemic continues to have significant consequences for local people, places and the local economy which we must reflect in our planning. Our local plans must also take account of other key national developments, such as the end of the Brexit transition period, and the broader fiscal and policy context, including announcements made in the Spending Review and the continuing delay to planned reforms to Adult Social Care.

1.2. The profound impact of COVID-19 on our communities and services created both a need and opportunity for the Council to review its priority and delivery outcomes and the Core Offer, to ensure they remain relevant in the new context we are working in. In October, Cabinet agreed updated priority and delivery outcomes as the basis for ongoing planning, and agreed the updated core set of services and infrastructure which residents and businesses most require from the Council to ensure their needs are met. This review of our priorities and Core Offer has underpinned our planning for next financial year.

1.3 The Reconciling Policy, Performance and Resources (RPPR) process matches available resources with our delivery plans for our priority outcomes so that we direct and protect our spending where it will deliver our priority objectives most effectively, and ensures we have the demographic trends and performance information to monitor progress. The process of planning, through RPPR, for 2021/22 and beyond has taken into consideration the immediate and future impact of the COVID-19 pandemic, alongside other key trends and pressures, to form an integrated forward view and to translate this into service and financial plans which reflect future recovery alongside ongoing response and service delivery. The RPPR process has been applied across all services in the development of the Council Plan (Appendix 1) supported by the Budget (Appendix 4), Medium Term Financial Plan (MTFP) (Appendix 3) and Capital Programme (Appendix 9) set out in this report.

1.4 Against a background of diminishing resources and increased demand over the last 10 years we have transformed the way the Council works through robust and innovative management and strong partnerships and made savings of £138m between 2010 and 2020. We have taken difficult decisions about reducing or stepping back from providing services to ensure we live within our means and protect the most vulnerable in our county. We have worked as one Council and with partners to make the most of the money available and use resources as effectively as possible for local people. We are developing seamless health and social care services with the local NHS and have formed a partnership with our neighbouring authority in West Sussex which enables both Councils to share learning, develop services and leverage our joint influence. We have worked closely with our local business and education partners through Team East Sussex and the wider South East Local Enterprise Partnership to maximise economic development and growth in our county. Our well developed local and regional partnerships have been invaluable in marshalling a collective response to COVID-19 over the past year.

1.5 Our lobbying of Government, individually and through our networks and partnerships, has had an impact. The Spending Review and Provisional Local Government Finance Settlement saw some acknowledgement of the current issues that local government faces, particularly in relation the costs of responding to COVID-19 and the impact of the pandemic on the income of local authorities, together with ongoing pressures from rising demand for social care. The additional funding announced, together with our prudent planning, has put us in a position of not having to seek further savings in 2021/22 beyond those already planned, providing much needed stability to local communities in uncertain times. As national proposals for providing long-term sustainable funding for Adult Social Care continue to be awaited, Government has again taken the approach of expecting local authorities to apply an Adult Social Care precept on local Council Tax bills to provide essential funding in response to rising demand for care services year on year. Although we do need to apply this precept to protect care services whilst we await proposals for reform, we are able to propose spreading the precept over two years. This balances the need to maintain our essential support to the most vulnerable, whilst also recognising the additional pressures currently faced by our residents as a consequence of COVID-19. However, the longer term position is less clear. The 2020 Spending Review was once again for one year only and there remains considerable uncertainty and a much more challenging financial outlook from 2022/23 onwards.

1.6 The Capital Programme provides only minimum basic need provision, including essential budgets for school places and highways infrastructure.

1.7 This report sets out:

- Key changes to the national and local context since the report to Cabinet on 2 October 2020;
- the draft Council Plan 2021/22 and updated MTFP;
- updated quarter 2 performance;
- proposals for the 2021/22 revenue budget, taking account of changes in the financial picture since October and based on an increase in Council Tax of 1.99% and an Adult Social Care precept of 1.5%;
- the savings planned for the next three years;
- the Capital Programme update and the rationale on which it has been developed; and
- feedback from engagement exercises and equalities impacts.

2. National and Local Context

2.1 Since the last report to Cabinet in October the national policy environment has continued to evolve rapidly, with linked impacts on our local context. Key developments include:

2.2 Spending Review/National Economic Outlook: The Chancellor announced the one-year Spending Review on 25 November, having reduced this from the planned three-year Review in order to prioritise the response to COVID-19 and focus on supporting jobs. The headline presented by the Treasury for local government was an increase in Core Spending Power of 4.5%. However, the majority of this increase comes in the form of powers to raise additional Council Tax from local residents, particularly through a further 3% Adult Social Care precept across all upper-tier local authorities, unrelated to need, rather than additional core funding.

2.3 Outside of Core Spending Power, the Spending Review included over £3billion in additional short-term support for local authorities in relation to COVID-19 pressures through further grant funding and compensation for lost income. The provisional Local Government Finance Settlement received in December provided further detail on the headline announcements for local government in the Spending Review. The implications of the Spending Review and provisional finance settlement announcements for the Council's MTFP are set out in section 5.

2.4 Alongside the Spending Review in November, the Office for Budget Responsibility (OBR) published updated national economic forecasts. The OBR is forecasting unemployment to rise to a peak of 7.5% in the second quarter of 2021/22 (2.6 million people). Unemployment is then forecast to fall in every year, reaching 4.4% by the end of 2024. The economy will contract by 11.3% in 2020/21 and it will be Q4 2022 before returning to pre-COVID levels. Debt will be 91.9% of Gross Domestic Product (GDP) this year and will continue to increase. These forecasts were prepared before the further evolution of the pandemic and associated new national restrictions.

2.5 COVID-19 response: In response to rising rates of COVID-19 infection, the Government introduced more stringent national restrictions in November, followed by an updated system of tiered local restrictions in early December. The emergence of a new, more transmissible, variant of the virus and a resulting increase in cases led to further areas, including East Sussex, entering tier 4 restrictions during December. Steeply rising rates of infection, and consequent pressures on health and social care services, subsequently led to a further national lockdown early in January. As well as restrictions on business and social activity, the lockdown includes the closure of schools to all but the children of critical workers and those considered vulnerable, with an expectation that remote learning provision is offered by schools until at least February half term. Government has confirmed that this summer's GCSE and A Level exams will be cancelled due to the disruption to children's education as a result of the pandemic. An alternative teacher-led assessment process will be put in place with details to be confirmed. Clinically extremely vulnerable people have also been asked to shield once again. The national lockdown is expected to be in place until at least mid-February,

whilst the vaccination programme, which aims to reach everyone in the top four priority groups by that point, is rolled out across the country. Extended national support for businesses affected by restrictions was put in place alongside the new measures. The vaccine roll out is expected to continue throughout 2021 with the aim that restrictions on business and social activity will gradually ease alongside this. Government has committed to re-opening schools as an initial priority.

2.6 Brexit: Ahead of the end of the Brexit transition period on 31 December 2020, the UK agreed a trade deal with the European Union (EU) which forms the basis of the future trading relationship. The economic impact of Brexit and the trade agreement will need to be assessed as the new relationship with the EU takes effect, particularly in light of the wider economic uncertainty as a result of COVID-19. Preparations for the end of the transition period focused around transport, particularly the impact on channel ports and freight traffic. Locally, the effect on Newhaven port continues to be monitored, with no significant issues experienced to date. Separate COVID-related delays were experienced before Christmas as a result of the introduction by France of the requirement for a negative test in order for drivers to enter the country. Delays abated quickly once testing arrangements were put in place; these arrangements continue to support the flow of traffic through Newhaven port.

2.7 Green Industrial Revolution: In November, the Prime Minister announced a ten point plan for a 'Green Industrial Revolution'. The plan sets out key actions the Government intends to take to progress against its commitment to reduce UK carbon emissions to net zero by 2050, ahead of the COP26 climate summit in Glasgow later in 2021 which will focus attention on national and international action in response to climate change. The plan covers clean energy, transport, nature and innovative technologies with key commitments including:

- ending the sale of new petrol and diesel cars and vans by 2030;
- significant expansion of offshore wind power;
- encouraging cycling, walking and use of public transport; and
- making homes and public buildings more energy efficient.

It is linked to £12 billion of Government investment and aims to generate over three times as much private sector investment by 2030. The plan presents the industrial areas of the UK, including in the North, Midlands, Scotland and Wales, as the focus for growth in green jobs and industry.

2.8 Government has also undertaken a review of the Treasury's 'Green Book' guidance that informs public spending and investment decisions. The new guidance increased emphasis on the environmental impacts of decisions in light of the national net zero commitment. The updated Green Book also requires Government project appraisals to analyse how proposals deliver the Government's key priorities, including 'levelling up', and how they will impact different places. This will have an impact on how bids for funding are assessed in future.

2.9 In the Spending Review the Chancellor announced a £4billion Levelling Up Fund designed to support local areas with regeneration and infrastructure projects up to £20m in value. Funding will be allocated via a competitive bidding process, with projects required to have the support of local stakeholders, such as MPs, and to be deliverable by the end of the current parliament in 2024. The Levelling Up Fund will replace the Local Growth Fund and potentially other funding streams that have previously been accessed by East Sussex, including the Towns Fund. The Spending Review also referenced the UK Shared Prosperity Fund which is intended to replace funding that previously came from the EU. Further details of both funds are expected in prospectuses to be launched in early 2021.

2.10 Looking ahead, the Government's main priorities for the next year are likely to be led by the ongoing response and recovery from COVID-19 and addressing the related economic and health challenges and consequences. Following the end of the Brexit transition period there is also likely to be a period of adjustment, renewed focus on pursuing trade deals internationally and further development of the domestic 'levelling up' policy. The Government is expected to publish its anticipated white paper on English Devolution in the second half of

this year, although proposals for widespread reorganisation of local government now appear unlikely.

2.11 There remains a lack of progress nationally on long-awaited reform of Adult Social Care funding and proposals for a sustainable long-term solution. The Spending Review confirmed that the Government remains committed to sustainable improvement of the Adult Social Care system and will bring forward proposals in 2021. Whilst the additional one-off grant funding which has been made available to local authorities is very welcome and will help the Council respond to increased demand in the short term, it is imperative that a long term solution is agreed before this funding runs out. The Council will continue, with its partners, to press the case for urgent action on sustainable funding for local services including social care. This will include emphasising that it is fundamentally unsustainable for Councils to continue funding systemic pressures on social care through local Council Tax increases.

2.12 Locally, since October, the Council has responded to increasing incidence of COVID-19 in line with our Local Outbreak Management Plan developed with partners, with a significant increase in activity in response to the rapidly escalating local case rates in December and January and tightened restrictions nationally. A major incident was declared by the Sussex Resilience Forum on 6 January, putting all agencies in Sussex in the best possible position to come together to tackle the virus at a time of exceptional need. We continue to offer support to the most vulnerable and those shielding where it is needed, in conjunction with Community Hubs and through the COVID-19 Winter Grant Scheme introduced by Government, as well as through our ongoing core services. We are providing significant support to the local care sector and working closely with health partners in relation to the pressures on the health and care system. We are providing ongoing support to schools in relation to remote learning, critical worker provision and supporting vulnerable children, including in relation to free school meals. A full update on the Council's ongoing response to the pandemic was considered by Cabinet in November and Council in early December. Since December, co-ordination has been underway with health partners to support the NHS roll out of the national vaccination programme, particularly in relation to front line care staff.

2.13 We are continuing to flex and adapt our services according to national restrictions and have built on experience from earlier in the pandemic to ensure services continue to operate safely and effectively, including with face to face provision where essential. Digital working has continued to underpin the provision of services with many staff working remotely throughout 2020/21. We are harnessing and developing the learning in areas such as the use of automation technology, which has the potential to provide both greater efficiency and customer empowerment. Our Workstyles programme is preparing for the return of staff to offices when this is feasible, ensuring we maximise potential gains in terms of flexibility and sustainable use of resources, whilst also meeting our core service needs.

2.14 Considerable work has been undertaken by the local health and social care system to maintain access to services as far as possible during the initial impact of COVID and this is ongoing during the current wave of the pandemic. Alongside this, work has been undertaken to reset the health and social care integration programme in East Sussex. The Council's partnership work with the NHS takes place in the wider context of the Sussex Integrated Care System (ICS). East Sussex is one of three place-based partnerships within the Sussex ICS, (alongside Brighton and Hove and West Sussex), with the Council being a lead partner with our local NHS in the East Sussex Integrated Care Partnership. Together we have agreed our East Sussex Health and Social Care Plan which sets out our shared Council priorities and commitments in the NHS Long Term Plan, and our ambitions to deliver greater levels of integrated care, early intervention and prevention to improve health and wellbeing outcomes and reduce health inequalities in our population. The Plan incorporates five areas of work: Planned Care; Integrated A&E Delivery and Urgent Care; Community; Mental Health; and Children and Young People

2.15 In November 2020 NHS England and NHS Improvement (NHSEI) published *'Integrating Care: Next steps to building strong and effective integrated care systems across*

England'. This sets out proposals to support greater collaboration in 2021/22 across health and social care partners, and options for giving ICSs a firmer footing in legislation from April 2022. It describes how providers of primary care, community health and mental health services, social care and support, community diagnostics and urgent and emergency care should work together, with meaningful and delegated budgets, to join up services through partnerships at place level. In 2021/22 we will continue to strengthen our integrated approaches to planning, commissioning, delivering and transforming services across health and social care, and our work with our District and Borough Council and Voluntary and Community Sector (VCS) partners, to further develop all the elements of this offer for our population. As a result of our work in 2021/22, by April 2022 we aim to have in place a way of coordinating our work in communities across East Sussex, driven by the data and insight all of our organisations hold, that enables our Integrated Care Partnership to deliver the shared priorities and outcomes that are important for our population. In 2021/22 we will also jointly explore how we can best organise ourselves with our NHS provider partners to deliver the next phase of health and social care integration for our residents.

2.16 We have continued to develop our Climate Emergency Action Plan which sets out how we will make progress towards the Council's target of achieving carbon neutrality from its activities as soon as possible, and in any event by 2050. We have employed a Climate Emergency Officer, submitted bids for over £500,000 of grant funding from the Government's £1bn public sector decarbonisation fund and supported a scrutiny review of the Council's climate emergency commitment.

3. Council Plan

3.1 The draft Council Plan is attached at Appendix 1. The Council Plan continues to be built on the Council's four overarching priority outcomes: driving sustainable economic growth; keeping vulnerable people safe; helping people help themselves; and making best use of resources in the short and long term. Cabinet has previously supported an expansion of the cross-cutting priority outcome 'making best use of resources' to 'making best use of resources in the short and long term' to reflect the Council's ambitions for carbon neutrality and that decisions should be guided by a test priority that we ensure sustainability of our resources, both in terms of money and environmental assets. Making best use of resources in the short and long term is the priority test through which any activity must pass. The remaining three priority outcomes guide our activities, direct our resources and are reflected in our Council Plan activities and targets.

3.2 The Council Plan contains the targets and milestones used to judge our performance. The Cabinet and County Council actively consider performance during the year and may decide to adjust targets to reflect any changed circumstances. New and continuing measures highlight the Council's work to implement the East Sussex Economy Recovery Plan through our own actions and work with partners. The Council Plan takes account of the resources available, so in some areas this means maintaining performance at current levels rather than seeking improvement. Defining clearly the outcomes we wish to achieve and monitoring our success in delivering these outcomes for the county's residents, communities and businesses is critical. We also keep track of a wide range of key data about East Sussex and related to our priority outcomes. These help us to assess our impact more fully and respond appropriately when we need to do so. Key data will be monitored annually as part of the State of the County report.

3.3 In October Cabinet agreed for planning purposes a number of changes and additions to the delivery outcomes which support the four priorities, reflecting the changed context as a result of the impact of COVID-19. These amendments have been incorporated into the draft Council Plan and further measures and targets are included in the Portfolio Plans highlighting where they help to achieve the revised delivery outcomes.

3.4 Due to the impact of COVID-19 we are unable to set some targets for some measures at this time; targets for these measures will be set early in 2021/22. Monitoring of the

attainment measures in the Council Plan will be suspended for 2021/22 following the cancellation of examinations by the Department for Education. We will look to restore monitoring of these measures for 2022/23. We will continue to work with schools to understand the implications of the loss of education and school closures as a result of the pandemic including:

- Increased support for vulnerable pupils, including safeguarding, addressing learning loss and ensuring attendance;
- Ongoing co-ordination of services for schools including monitoring the progress of vulnerable schools and supporting them to make rapid improvement;
- Managing the impact of COVID-19 on early years providers and ensuring that we maintain sufficient places for the future; and
- Supporting young people into education, employment and training during a period of rising unemployment and economic downturn that will disproportionately impact 18-24 year olds.

3.5 The Council Plan is still a work in progress until final budget allocations are made and firm targets can be set. It will be published in April 2021 and refreshed in July when final performance outturn figures for 2020/21 are available. Authorisation is sought for the Chief Executive to make final changes pre and post publication in consultation with Lead Members, as appropriate.

4. Progress with Council Plan & Budget 2020/21 since Quarter 2

4.1 Appendix 2 provides an update on key areas of performance and developments in the in-year budget position since the quarter 2 report considered by Cabinet in December, providing Members with the most current picture of our position to inform consideration of our future plans.

5. Revenue Budget 2021/22

5.1 The Medium Term Financial Plan (MTFP) reported to Cabinet in October has been updated as set out below and the full updated MTFP is attached at Appendix 3.

Table 1 – MTFP Update

	Ref	Estimate (£m)			
		2021/22	2022/23	2023/24	Total
Cabinet 2 October 2020 DEFICIT/(SURPLUS)		11.548	5.158	7.154	23.860
NORMAL UPDATES					
Business Rates Retention	A	0.543	0.434	0.410	1.387
Business Rates Growth	A	0.705	0.052	0.058	0.815
Business Rates Collection Fund	A	(0.246)	0.236	0.003	(0.007)
Revenue Support Grant	B	(0.598)	(0.410)	(0.454)	(1.462)
Council Tax Base	C	1.721	(0.358)	0.220	1.583
Council Tax Inflation	C		(0.114)	(0.233)	(0.347)
Council Tax Collection Fund	D	(0.908)	2.211	0.033	1.336
Remove transfer of New Homes Bonus to Capital Programme	R	(0.252)	0.138	0.114	0.000
Savings	E	1.647	(1.747)		(0.100)
General Contingency	F	0.150	(0.060)	0.010	0.100
Pensions Final Revaluation	G	(0.257)			(0.257)
Levies Increase	H	0.001			0.001

Pay Award	I	(0.352)	(0.037)	(0.038)	(0.427)
Contractual inflation (contract specific)	J	(0.566)	(0.043)	0.006	(0.603)
Normal inflation for contracts	K	(1.380)	(0.829)	(0.182)	(2.391)
CSD*: Foster Carers	L	0.264	0.197	0.201	0.662
CSD*: Dedicated Schools Grant	M	(0.422)	0.422		0.000
CSD*: Home to School Transport	N	0.523			0.523
GS*: Additional resource to support Equalities and Diversity	O	0.060			0.060
GS*: Additional capacity in Legal Services to support Children's Social Care	P	0.143			0.143
DEFICIT/(SURPLUS) AFTER NORMAL UPDATES		12.324	5.250	7.302	24.876
Spending Review 2020 (SR20)					
Social Care Grant	Q	(2.452)	2.452		0.000
Revenue Support Grant	B	(0.315)		0.075	(0.240)
New Homes Bonus	R	(0.253)	0.253		0.000
Local tax income guarantee 2020/21 split over 3 years	S	(1.047)			(1.047)
Local Council Tax Support Grant 2021/22	T	(2.621)	2.621		0.000
Business Rates Pool	U	(1.150)	1.150		0.000
Adult Social Care Precept	V	(4.486)	(4.655)		(9.141)
Council 9 February 2021 DEFICIT/(SURPLUS)		0.000	7.071	7.377	14.448

*Children's Services Department (CSD); Governance Services (GS)

5.2 The changes to the MTFP shown above are as follows: -

A Business Rates Retention and Growth

The current planning assumptions on business rates have been updated to reflect actual inflation reported at September 2020 and to include 2023/24. Due to the pandemic, growth on base is estimated at a reduction of -5% for 2021/22 and 0% for 2022/23 and 2023/24; this compares to normal growth of +0.7%. It is based on a reduced collection being reported by Districts and Boroughs to Government and the deficit has been split equally over three years. This methodology follows that published by Government on 5 November 2020; final figures relating to the actual impact will be provided when they complete their Business Rate Returns due the 31 January 2021. Any adjustment will be managed through a collection fund adjustment via reserve.

B Revenue Support Grant (RSG)

A normal update to RSG has been made for actual inflation at September 2020 as reported at the end of October 2020. Additionally, an increase in RSG in line with inflation was announced at the Spending Review on 25 November 2020.

C Council Tax Base Growth & Inflation

Growth for baseline purposes is being estimated at -0.32% for 2021/22, 0.54% for 2022/23 and 0.51% for 2023/24. For 2021/22 this is based on figures provided by the Districts and Boroughs in January 2021. For future years, estimates are based on a model provided by LGFutures (slightly adjusted for local considerations e.g. the local impact of the last recession on the Council Tax Reduction Scheme). This compares to 0.9% normal growth.

D Council Tax Collection Fund

Updated estimates on Council Tax for prior year surpluses and collection fund deficits as a result of the pandemic have been taken from District and Borough Councils' data returns to Government. The deficit has been split equally over three years, the detail of which is shown in the table below. This methodology follows that published by Government on 5 November 2020; final figures relating to the actual impact is required by legislation to be provided by the Districts and Boroughs using the latest information available to them by 15 January 2021. Any adjustment will be managed through a collection fund adjustment via reserve.

Table 2 – Collection Fund Assumption Overview

	Estimate (£m)			
	2021/22	2022/23	2023/24	Total
Council Tax Collection Fund at Cabinet 2 October 2020	0.863	(0.566)	(0.566)	(0.269)
Council Tax Collection Fund - 2019/20 collection	(2.178)	2.178		0.000
Council Tax: Collection Fund deficit – 2020/21 collection	2.133	(0.533)	(0.533)	1.067
Council Tax Collection Fund - Current Estimate	(0.045)	1.645	(0.533)	1.067
Update to MTFP	(0.908)	2.211	0.033	1.336

E Savings Profiling

The remaining savings which will take the Council to the Core Offer have been re-profiled as shown in the table below and the savings schedule is attached at Appendix 5.

Table 3 – Savings Re-Profile - Community, Economy and Transport (CET); Children's Services Department (CSD); Adult Social Care (ASC); Business Services Department (BSD)

Dept	Targets £m					Revised Profiles £m				
	2020/21	2021/22	2022/23	2023/24	Total	2020/21	2021/22	2022/23	2023/24	Total
CET	1.362	0.629	0.388	0.100	2.479	0.323	0.594	1.462	0.100	2.479
CSD	0.770	1.835			2.605	0.724	0.134	1.747		2.605
ASC	0.248				0.248	0.248				0.248
BSD	1.161	0.787			1.948	0.570	0.136	0.000	1.242	1.948
Total	3.541	3.251	0.388	0.100	7.280	1.865	0.864	3.209	1.342	7.280

F General Contingency

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

G Pensions Final Revaluation

The triannual pensions revaluation was finalised after the budget for 2020/21 was approved, and this further change has arisen as the pay award for 2020/21 has finally been agreed.

H Levies Increase

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

I Pay Award

This comprises the uplift for final agreed pay award in 2020/21 (from 2.5% which was provided for previously in the MTFP to 2.75%) and a 1.5% potential provision for pay award in 2021/22, reflective of inflation and uncertainty around future Government pay policy. For 2022/23 and 2023/24 a provision of 2% has been made.

J Contractual Inflation (contract specific)

The service inflation model has been updated for the Office for National Statistics (ONS) forecasts as at September 2020. The methodology provides inflation to services for large contracts as per the contract but does not provide for inflation on running costs or small contracts.

K Normal Inflation for Contracts

The service inflation model has been updated using the ONS forecasts as at September 2020. Outside normal inflation provided for in approved models there is additional provision for inflationary pressures in Adult Social Care and Children's Services, agreed under the Pressures Protocol.

L Children's Services Department: Foster Carers

Funding for uplifts to Foster Carer allowances.

M Children's Services Department: Dedicated Schools Grant (DSG)

The figures for DSG have been updated to reflect current risk, slipping the £0.422m pressure for 2021/22 into 2022/23.

N Children's Services Department: Home to School Transport

Funding for increased single occupancy transport costs and for disabled access regulations.

O Governance Services: Additional resource to support Equalities and Diversity

As both a large employer and an organisation providing services to vulnerable communities across East Sussex it is essential that the Council has in place the necessary tools and arrangements to support both its Black, Asian and Minority Ethnic (BAME) workforce and service users/residents. At the same time, it is also important to ensure that our workforce and service strategies respond to the full range of diversity issues including gender, disability, age etc.

P Governance Services: Additional capacity in Legal Services to support Children's Social Care

This will ensure a level of staffing able to meet the challenges of increased caseloads and complexity and which will ensure the provision of high quality and responsive legal advice in order to manage this area of high risk.

Q Social Care Grant

£300m additional grant for adult and children's social care, for 2021/22, was announced at the Spending Review and figures provided at provisional settlement (with confirmation that the £1bn social care grant in 2020/21 will be rolled forward; this is £14.6m included in our base budget for the life of the current parliament).

R New Homes Bonus

The grant for 2021/22 was confirmed at provisional settlement; an increase of £0.253m on previous estimates. The full grant will be retained in revenue rather than being transferred to capital.

S Local Tax Income Guarantee for 2020/21

Additional COVID-19 support of £762m nationally announced at the Spending Review as compensation for 75% irrecoverable loss of Council Tax and business rates revenues. The estimated compensation for our assumed loss in 2020/21 at 75% is shown in the table below:-

Table 4 - Local tax income guarantee 2020/21	2021/22	2022/23	2023/24	Total
	£m	£m	£m	£m
75% refunded loss split over 3 years (the methodology adjusts the outcome for the Council to circa 50% of the overall loss. This will be received in 2021/22 but it will be spread across 3 years in line with loss on collection).	(1.047)			(1.047)

T Local Council Tax Support Grant

The estimated element of the grant as a result of 2020/21 collection and the reduction to the Council Tax base due to increased local Council Tax support caseload.

U Business Rates Pool

The Spending Review announced the continuation of pooling arrangements, allowing local authorities to pool business rates for another year. The local decision to continue the East Sussex business rates pool for 2021/22 was finalised in January.

V Adult Social Care Precept

Further flexibility for Adult Social Care precept of 3% was announced at Spending Review 2020, with the ability to defer some or all of the increase until 2022/23. It is proposed that the precept is applied in both 2021/22 and 2022/23 at 1.5%. This will provide the ability to generate further Council Tax receipts of £9.1m.

5.3 Following the provisional settlement there remain a number of other unresolved elements of the November 2020 Spending Review that could have a further financial impact. The MTFP has been prepared on the basis of business as usual from 2021/22. The Spending Review provided for £3 billion additional COVID-19 support for local authorities nationally. Although the provisional settlement provided some certainty of figures (as noted below), there continues to be significant uncertainty regarding the ongoing financial impact of COVID-19. Elements that relate to 2020/21 that impact on 2021/22 have been included in the MTFP. Ahead of more certainty regarding distribution and methodologies, the remaining one-off funding relating to 2021/22 will be managed centrally through reserves. This is: -

- £1.55bn funding for additional expenditure. The provisional settlement confirmed an amount of £11.1m for the Council.
- COVID-19 loss of sales, fees and charges reimbursement to continue to June 2021.
- £670m Council Tax Support for 2021/22 losses (the element of this relating to 2020/21 losses is included in the MTFP – see note U). An indicative allocation of £4.7m was announced at provisional settlement although the methodology still needs to be consulted on.

5.4 Until the final position on collection funds from Districts and Boroughs is confirmed, together with any other late updates, it is proposed that any financial risks are, as normal, managed through reserves.

6 2022/23 and beyond

6.1 Whilst the Council has received some very welcome additional funding from the Government, it remains difficult to plan for 2022/23 and beyond. The level of Government funding that ESCC will receive between 2022/23 – 2023/24 is not confirmed; Spending Review 2020 was for a single year and therefore funding for this planning period will be announced at Spending Review 2021 which is likely to be next autumn. Additionally, the Fair Funding Review and Business Rate Retention reform have now been confirmed delayed until at least 2022/23.

6.2 This uncertainty in future local government funding beyond next year means that, whilst the budget is balanced in 2021/22, until the Comprehensive Spending Review 2021

provides confirmation of funding, there is the potential requirement for further savings of £14.4m by 2023/24. This would take the authority below its Core Offer.

6.3 The Council has a robust planning process and sufficient reserves, and will continue to work towards a balanced position in 2022/23. The Reserves and Robustness Statement is set out in Appendix 7.

7. Council Tax requirement

7.1 Cabinet agreed in October that budget planning should be on the basis that Council Tax is increased by 1.99%.

7.2 The Spending Review 2020 provided for an additional 3% Adult Social Care precept with the potential to spread it across two years. This 3% will be included in Government spending power calculations and therefore will impact on other funding allocations. Balancing the need to protect social care services whilst we await proposals for reform with recognition of the additional pressures currently faced by residents, it is proposed to spread the precept across two years. It is therefore proposed that the County Council be asked to consider increasing Council Tax in 2021/22 by 3.49% (1.99% Council Tax plus 1.5% Adult Social Care precept). If agreed, the proposed band D charge for 2021/22 would therefore be:

Changes in Council Tax	£ per house at Band D	
	Council Tax Annual	Council Tax Weekly
Band D 2020/21	£1,492.02	£28.69
Council Tax increase*	£29.70	£0.57
Adult Social Care precept*	£22.32	£0.43
Indicative Band D 2021/22*	£1,544.04	£29.69

* Council Tax is rounded to allow all bands to be calculated in whole pounds and pence.

7.3 The formal precept notice for issue to the Borough and District Councils will follow for formal recommendation to County Council. This will be subject to change following the final settlement and final figures on Council Tax base and collection fund from Borough and District Councils at the end of January 2021. The draft precept calculation is set out at Appendix 6.

8. Capital Programme

8.1 The current approved programme has now been updated to include the quarter 2 position and other approved variations and updates. Service Finance and Departmental Capital Teams have also completed a capital programme refresh, re-profiling their programmes and schemes as accurately as possible based on current knowledge over the planned programme to 2029/30.

8.2 The approved 10 year programme has not been extended for an additional year as it would be not be considered meaningful to add an additional year at present due to the current uncertainty around future Government funding. Work will be progressed next financial year to push the programme out a further two years to maintain the 10 year planning horizon and link into, and support, the organisation's other strategies.

8.3 The capital programme focuses on the delivery of basic need for the Council to continue to deliver our services as efficiency as possible. The areas of targeted core need include:

- Schools Places (early years, primary, secondary and special);
- Highways Structural Maintenance, Bridge Strengthening, Street Lighting, Rights of Way and Bridge Replacement Programme;
- Property Building Maintenance (schools and corporate);
- Information Technology & Digital (IT&D);
- Economic Intervention;

- Adults' and Children's House Adaptations Programme; and
- Libraries.

8.4 It is proposed that a capital programme of £289.2m be set over the MTFP period from 2020/21 to 2023/24 (current year plus three) and requiring £91.6m of borrowing, with the remaining years to 2029/30 being indicative to represent longer term planning. The update to the capital programme can be found at Appendix 9a.

8.5 The Council's current Capital Strategy covers the period 2020/21 to 2040/41 and was approved as part of RPPR 2020/21. The Capital Strategy has been updated to reflect emerging risks, principles and corporate priorities. The updated Capital Strategy can be found at Appendix 9c.

9. Robustness and Reserves

9.1 At Full Council in February 2020 there was estimated a total reserves balance of £77.8m by March 2024. Since then there have been some updates and, moving the estimates on a year, the balance at 31 March 2025 is estimated at £70.5m of which £20.6m relates to strategic reserves. The current reserves position is shown below.

Table 8 – Reserves Analysis

		Statement of Accounts 2019/20	Full Council February 2020 (£m)	Full Council February 2021 (£m)	
		01.04.20 Actual	Estimated Balance at 31.03.24	01.04.21 Estimate	Estimated Balance at 31.03.25
Earmarked Reserves:					
Held on behalf of others or statutorily ringfenced		25.0	20.3	24.1	23.0
Named Service Reserves					
Waste Reserve		14.6	9.7	16.1	5.0
Capital Programme Reserve		9.3	5.8	8.9	6.0
Insurance Reserve		6.5	5.4	5.9	5.9
Subtotal named service reserves		30.4	20.9	30.9	16.9
Strategic Reserves					
Financial Management		35.0	22.5	37.0	17.3
Priority Outcomes and Transformation		7.2	4.1	6.9	3.3
Subtotal strategic reserves		42.2	26.6	43.9	20.6
Total Earmarked Reserves		97.6	67.8	98.9	60.5
General Fund Balance		10.0	10.0	10.0	10.0
TOTAL RESERVES		107.6	77.8	108.9	70.5

9.2 The level of reserves held by the Council is considered appropriate. It is now considered essential to ensure that the Council holds sufficient reserves for the future given the continued financial uncertainty, the ongoing impact of the pandemic and EU Exit. Therefore, wherever possible, transfers of resources to the Financial Management Reserve will be made. Details of the reserves held and the Chief Finance Officer Statement on Reserves and Budget Robustness is set out in Appendix 7.

10. Engagement Feedback and Future Consultation

10.1 The views of the Scrutiny Committees are set out in Appendix 8. The views of partners and young people are also included in the appendix.

10.2 The outcomes of engagement events with Trades Unions and business ratepayers will be made available to Members once the meetings have been held.

11. Equalities

11.1 A high level Equalities Impact Assessment (EqIA) of the revenue savings proposals has been undertaken and is set out in Appendix 5. Further EqIAs will be undertaken where appropriate when individual proposals are being considered. A high level EqIA of the proposed capital spending is set out in Appendix 9b. In considering the proposals in this report, Cabinet Members are required to have 'due regard' to the objectives set out in Section 149 of the Equality Act 2010 (the Public Sector Equality Duty). EqIAs are carried out to identify any adverse impacts that may arise as a result of proposals for those with protected characteristics and to identify appropriate mitigations. The full version of relevant completed EqIAs for revenue savings and capital projects are available on the Cabinet pages of the County Council's website. They can be inspected upon request at County Hall. Members must read the full version of the EqIAs and take their findings into consideration when determining these proposals.

11.2 Whilst the Cabinet is being asked to recommend, and subsequently the County Council asked to agree, the revenue budget and capital programme, the budget decision does not constitute final approval of what policies would be or what sums of money will be saved or spent under the service proposals. The recommendations in the report do not commit the Council to implement any specific saving or spending proposal. When the Executive come to make specific decisions on budget reductions or expenditure, where necessary, focussed consultations and the full equalities implications of doing one thing rather than another will be considered in appropriate detail. If it is considered necessary, in light of equalities or other considerations, it will be open to those taking the decisions to spend more on one activity and less on another within the overall resources available to the Council.

12. Fees & Charges

12.1 The Chief Finance Officer is delegated to approve all fees and charges and to report to Cabinet and County Council those set at a level above inflation; a reasonable inflation level with regard to the Consumer Price Index (CPI), Retail Price Index (RPI) and pay inflation being 2.0%. Appendix 10 shows a schedule of the fees and charges approved at quarter 3 that have increased by more than 2.0%.

13. Conclusion

13.1 Prudent planning by the Council, and short-term Government support for the COVID-19 response and social care, means the Council can offer some stability for our residents for the coming year. Whilst the additional funding from Government for social care is welcome, there is continued reliance on raising funding for Adult Social Care through local Council Tax which is unrelated to social care need and unsustainable, particularly given the significant ongoing pressures experienced by our residents as a result of the pandemic. It is essential that proposals for longer term reform of social care funding are brought forward as soon as possible. In the meantime, the proposals in this report will ensure the Council is able to protect services for the most vulnerable for the coming year and spread the contribution to this from Council Tax paid by our residents over two years. Support will continue to be available through local Council Tax Support Schemes for those residents eligible. The budget presented is for one year, with considerable unpredictability about what that year will hold.

13.2 The situation beyond 2021/22 remains highly uncertain and we face a significant gap between the funding we currently expect to have and the cost of providing our services. The short term support provided by Government does not make up for the amount of funding lost over the last 10 years and neither will it be sufficient to prevent the need to consider further savings in future to fund pressures from the rising demand for and cost of social care. Any further savings, beyond those already factored into our planning, would take the Council below its Core Offer.

13.3 Our lobbying endeavours therefore remain as important as ever and we will need to continue to work with our local, regional and national partners to press for fair and sustainable funding that enables us to continue to meet the needs of our residents. Core to this is a need for Government to bring forward reforms for sustainable funding and provision of social care at the earliest possible opportunity, as until this is delivered our medium term financial position will remain very challenging. We will also continue to press for a real terms increase in grant funding for the sector and for delivery of the Fair Funding Review to allocate funding in line with evidenced need.

13.4 Given the scale of the current recession and future economic uncertainty, we will also prioritise work with our partners, including in the South East 7 and County Councils Network, and local Borough and District Councils to ensure that plans for economic recovery factor in the specific skills, employment and infrastructure needs of East Sussex. Lobbying to ensure that our residents and businesses have what they need to be successful in the future will be fundamental to achieving a strong recovery from the economic disruption brought by the pandemic and reducing the need for county council support and services in future.

BECKY SHAW
Chief Executive

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Council Plan 2021/22

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Introduction

This Council Plan sets out our ambitions and what we plan to achieve by 2024 for our four overarching priority outcomes: driving sustainable economic growth; keeping vulnerable people safe; helping people help themselves; and making best use of resources in the short and long term.

The Council provides services used by all residents in East Sussex, including providing care and support to children, families and the elderly; maintaining the roads and providing library services; and working to boost the local economy. We have a long term track record for delivery, producing excellent results for the public.

2020/21 posed a number of unprecedented challenges for the Council, with COVID-19 having a tragic effect on many people in East Sussex, while also seeing a significant increase in the demand for, and cost of, social care and health services. The Council's resources have been reducing in real terms since 2010, and this financial challenge has only been exacerbated by the increased costs associated with responding to the pandemic. The Government has made additional funding available, which has been very welcome, however a long term funding solution has not been agreed presenting an ongoing challenge. As grants from Government have reduced, we have become more dependent on local council tax and business rates; however these bear little relationship to the need for services on the ground, and the level of business rates received may be affected by the economic challenges facing the county as we recover from the pandemic. As our resources do not reflect the demand for services we will continue to adjust our services to match the funds we have. We have been democratic, open and honest in determining the best level and quality of services we can provide, within available resources, and reviewed our Core Offer in 2020/21 to take account of the impact of the pandemic and the new operating context. We consider the Core Offer to be the realistic level of service we must provide, to both fulfil our statutory duties, and meet local need. In doing this we have based our decisions on local evidence of need and what works and makes a difference locally.

We do not work in isolation, so we will work with all our partners to make sure there is a shared view of priorities and that we make the most of opportunities and resources available locally. We lobby hard to protect and promote the interests of East Sussex.

We have set a number of delivery outcomes under each overarching priority outcome. These shape the Council Plan performance measures and targets that are the main tool we use to assess our progress. We also keep track of a wide range of related key data evidencing local need in East Sussex. These help us assess our impact more fully and respond appropriately when we need to do so. We review this data when making our plans and publish them with our State of the County report each year. A selection of this information is provided throughout the plan and listed in more detail at the end.

The Council has played a key role, through Team East Sussex in the publication of the East Sussex Economy Recovery Plan, which sets out six missions through which the economy in the county can go beyond recovery from the COVID-19 pandemic and can grow and thrive while also becoming cleaner and greener. As a member of the Environment Board for East Sussex, the Council also played a key role in the development of the East Sussex Environment Strategy 2020. The Council declared a climate emergency in October 2019, and is now working on plans to move towards carbon neutrality in all its operations as soon as possible, and in any event by 2050.



Keith Glazier
Leader



Becky Shaw
Chief Executive

The Priority Outcomes

The Council has four overarching priority outcomes: driving sustainable economic growth; keeping vulnerable people safe; helping people help themselves; and making best use of resources in the short and long term. Making best use of resources in the short and long term is the gateway priority through which any activity and accompanying resources must pass. For each priority outcome there are specific delivery outcomes. These are referenced to performance measures in this Portfolio Plan.



Driving sustainable economic growth - delivery outcomes

- East Sussex businesses are supported to recover and grow through the delivery of the Economy Recovery Plan
- The county's employment and productivity rates are maximised
- Individuals, communities and businesses thrive in East Sussex with the environmental and social infrastructure to meet their needs
- The workforce has and maintains the skills needed for good quality employment to meet the needs of the future East Sussex economy
- The value of our role as both a significant employer and a buyer of local goods and services is maximised
- All children progress well from early years to school leaver and into education, training and employment

Keeping vulnerable people safe - delivery outcomes

- All vulnerable people in East Sussex are known to relevant local agencies and services are delivered together to meet their needs
- People feel safe at home
- People feel safe with services
- We work with the wider health and care system to support people affected by Covid-19 to achieve the best health outcomes possible

Helping people help themselves - delivery outcomes

- Commissioners and providers from all sectors put people first when providing services and information to help them meet their needs
- The most vulnerable get the support they need to maintain their independence and this is provided at or as close to home as possible
- Through our work with others, individuals and communities are encouraged to maintain and develop local mutual support systems

Making best use of resources in the short and long term - delivery outcomes

- Working as One Council, both through the processes we use and how we work across services
- Delivery through strong and sustained partnership working across the public, voluntary community, and private sectors to ensure that all available resources are used to deliver maximum benefits to local people
- Ensuring we achieve value for money in the services we commission and provide
- Maximising the funding available through bidding for funding and lobbying for the best deal for East Sussex
- To help tackle Climate Change East Sussex County Council activities are carbon neutral as soon as possible and in any event by 2050

Priority overview

A thriving economy in East Sussex is key to the wellbeing of the county. Ensuring that local people have access to relevant training and employment, well designed local infrastructure and services, a positively managed environment and accessible cultural activities, will have a positive impact on their wellbeing, enabling them to live independently of public sector support or benefits. Supporting our economy to recover and grow sustainably will help our communities to be more resilient and our businesses to be more competitive.

East Sussex businesses are supported to recover and grow through the delivery of the Economy Recovery Plan

East Sussex Reset: The Economy Recovery Plan for East Sussex, aims to build sustainable prosperity for our businesses, voluntary, community and social enterprise sectors, and support residents to access new opportunities that drive economic recovery and resilience. Developed by Team East Sussex (TES), the local economic growth board, in direct response to COVID-19, the Recovery Plan focuses on businesses, skills and employment in a post COVID-19 landscape. The plan also supports other activities being progressed at a local level, including climate change and health and wellbeing initiatives. The Plan consists of six missions: Thinking Local, Acting Local; Building Skills, Creating Jobs; Fast Forwarding Business; Better Places, Fuller Lives; Cleaner Energy, Greener Transport; and The Future is Digital. The plan seeks to deliver the change that is required to both respond to the pandemic but also capitalise on the opportunities it presents.

Trading Standards will offer assistance to businesses in East Sussex to ensure they adapt and thrive in the changing regulatory regimes brought about by the UK's departure from the EU in December 2020.

The county's employment and productivity rates are maximised

The county is an economy of small businesses with

Examples of planned work 2021/22

- Alongside partners we will begin to implement the East Sussex Economic Recovery Plan to help businesses and communities recover from the impact of COVID-19 on the economy
- The Business East Sussex (BES) Growth Hub is helping East Sussex businesses with advice following the end of the EU transition period, with Business Navigators on hand to offer the latest information on what businesses need to do
- We will continue to work with partners, including the Sussex Chamber of Commerce, to help businesses adapt to the new arrangements

great potential for growth. We deliver the Business East Sussex Growth Hub and a range of bespoke business support programmes to help businesses thrive and diversify, as well as grants and loans programmes to support sustainable growth. We have increased capacity to support business through the UK's transition from the EU and work closely with our partners to provide specialist advice, particularly in relation to exporting. Our commissioned Inward Investment service, Locate East Sussex, will continue to attract businesses to move into East Sussex, offering increased employment opportunities for the local workforce.

Individuals, communities and businesses thrive in East Sussex with the environmental and social infrastructure to meet their needs

Businesses can only thrive if they have the local infrastructure they need and access to the right skills in the local workforce. Our Highways contract with Costain and Jacobs is helping to maintain and improve our roads, while ensuring value for money for the Council. We also coordinate street works and manage parking controls, to help the local transport infrastructure cope with increasing demand. A number

of infrastructure projects will continue or be delivered in 2021/22, including the Queensway Gateway Road and new improvements to Terminus Road in Eastbourne as well as walking and cycling improvements in Eastbourne, Bexhill and Hastings.

Business in the 21st century also need modern digital infrastructure. Our e-Sussex project to rollout super and ultra-fast broadband across the county has improved access to services, jobs and education, and has played a key role in enabling people to work from home during the pandemic. Over 75,000 premises have been connected to improved broadband speeds during our first and second contracts of work with BT. We will continue to deliver a third phase of works in 2021/22, with the aim of connecting as close to 100% of premises in the county as possible. We will work with Government to support its plans to deliver even better digital and mobile infrastructure.

Together with a number of partner organisations we have established a shadow Sub-National Transport Body (STB) called Transport for the South East (TfSE), and have published a Transport Strategy for the South East, which sets out a plan through which the South East's economy could double over the next 30 years. The Strategy will be enhanced by a number of studies, which will inform a Strategic Investment Plan, which will set out a programme for investment over the next three decades.

We will build on the county's economic strengths and unique characteristics to drive economic growth in sectors with the most potential to grow and provide employment. We will build on the areas where the county performs strongly, such as creative industries and visitor economy, construction, engineering, health and social care, and food and drink production; and look to the future to attract and retain new businesses that will provide the jobs of tomorrow.



Examples of planned work 2021/22

- Construction of the Queensway Gateway Road will be completed
- We will continue our third phase of works with BT to ensure as close to 100% of premises in the county as possible have access to superfast broadband
- We will continue to ensure at least 56% of the Council's procurement spend is with local companies
- Our Social Value Measurement Charter (SVMC) will continue to boost the level of social value secured from Council procured contracts

The workforce has and maintains the skills needed for good quality employment to meet the needs of the future East Sussex economy

We want all local people to have the skills they need to succeed and for businesses to have access to a skilled workforce. Skills East Sussex (SES), the county's employment and skills board will continue to bring education providers together with business, to make sure that local training offers are relevant to the local economy. SES provider-employer partnerships deliver a range of programmes to improve careers advice for young people to: deliver retraining programmes for adults and young people via the Government's Plan for Jobs; promote and deliver work-based training via schemes such as Apprenticeships and T-Levels; and to support those adults and young people who are furthest from the work place through careers, pre-employment and digital inclusion initiatives.

The value of our role as both a significant employer and a buyer of local goods and services is maximised

As a body with significant spending power in the county we constantly review our procurement processes to ensure they are accessible to local suppliers, maximise the use of local providers in the supply chains, and secure added economic, social and environmental benefits. We have also updated our Social Value Measurement Charter to incorporate new measures that directly address the recovery of

the local economy.

The Council has been paying the Apprenticeship Levy of approximately £1m per year since 2017. We have successfully implemented a workforce-based approach and have developed a strategy and action plan to maximise our draw down of the Levy to support employing new apprentices and current staff receiving qualifying apprenticeship training. The Local Government Association (LGA) has recognised the work the Council's Apprenticeship team have done within our maintained schools and have used the Council as a case study to promote good practice for other authorities. Additionally, we are seeking to leverage the new Apprentice Incentive Scheme and Kickstart Programme that has been announced by central government to address sharp rises in unemployment, particularly for those aged 18-24, following the COVID-19 pandemic.

South East Business Boost 2020 is a business support programme, grant funded by the European Regional Development Fund with a combined value of £805,000. Four contracts were awarded in 2020/21 to local suppliers to deliver high quality support and advice (including how to apply for grant funding or further grow their business) to new East Sussex businesses, including those run by women and/or people from Black, Asian and Minority Ethnic (BAME) backgrounds. The procurement team helped to secure Social Value commitments through the contracts totalling £27,440.

State of the County 2019/20

- Working age residents with a level 4 qualification or above (degrees, HNC, HND etc.), 35.6% (England 40.0%) Calendar Year 2019
- Working age residents with no qualifications or qualified only to NVQ1, 19.2% (England 17.6%) Calendar Year 2019
- Annual gross full time earnings, median average (residence based), £30,116 (England £31,766)
- Working age population in employment, 80.1% (England 76.2%)
- Working age residents claiming unemployment related benefits (alternative claimant count), 3.0% (England 3.2%)
- New business registrations per 10,000 people over 16, 55.0 (England 76.9)
- New houses built, 1,852, including 468 affordable houses

Examples of planned work 2021/22

- Three Mental Health Support Teams in East Sussex will go live in 2021, providing a year-round service, with interventions for children in school and also available in the school holidays, delivering low intensity support and developing whole school approaches
- A new East Sussex Teaching Schools Network website will be launched which will enable users to access school to school support, and will provide a directory of courses and training opportunities offered locally and through partners across and beyond East Sussex

All children progress well from early years to school leaver and into education, training and employment

We want local people to have the skills they need to succeed and all children to progress well from early years through school and into education, training and employment. We will work in partnership with schools and settings, within available resources, to meet the needs of all pupils and deliver excellent educational outcomes. We will continue to place a strong focus on our most disadvantaged pupils to ensure that they achieve consistently high outcomes. We will also work closely with every school, setting and college to secure a strong Special Educational Needs and Disability (SEND) offer which makes education accessible to all children in their local community school.

The Hastings Opportunity Area is now in its fourth year and continues to work with local businesses, schools, colleges and nurseries to improve the education, emotional and mental wellbeing and employment prospects of young people in the town. Examples of best practice from this programme have been embedded across all areas of our work.

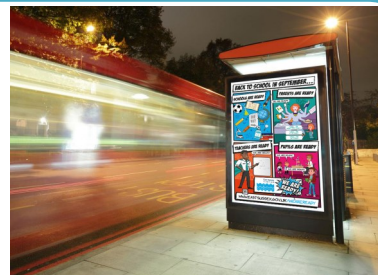
Educational attainment is negatively affected by poor rates of attendance. We will work closely with partners to secure a shared commitment across all providers to address pockets of poor attendance and reduce exclusions for all groups of children and young people. We will also develop and share best practice for encouraging attendance in the post 16 phase.

We will work with our partners, to promote post 16 participation in education and training, including provision and support for vulnerable groups and young people with learning difficulties/disabilities. Together, we will ensure that we prepare young people for work and improve their employability skills, including developing and utilising new online resources and virtual engagement activities and events, in response to restrictions imposed due to the pandemic.

The Excellence for All strategy 2019 - 2021, published in September 2019, outlines the shared vision, values and ambitions the Council and our partners have for creating an excellent education system in East Sussex where no pupil or educational establishment is left behind. Excellence for All will be updated again in 2021. It will address our learning from COVID-19 and the ways in which we can harness the creative solutions we developed to tackle the challenges of lockdown, to long-term, positive effect.

A bus stop advertisement promoting the 'We Are Ready' campaign, which encouraged pupils to return to school in September 2020.

Credit: Tom & Friends www.tomandfriends.co.uk



State of the County 2019/20*

- Children achieving a good level of development in the Early Years Foundation Stage, 76.0% (England 71.8%)
- Percentage of pupils reaching the expected standard at key stage 2 in reading, writing and mathematics 62% (England 65%)
- Average Attainment 8 score per pupil state funded secondary schools 45.3 (England 46.7)
- Average Progress 8 score for state funded secondary schools -0.06 (England -0.03)
- Percentage of pupils who achieved a 9-5 pass in English and maths GCSEs 41.7% (England 43.4%)
- Average Attainment 8 score for Looked After Children, 14.9 (England 19.1)
- Average point score (APS) per entry for level 3 exams including A levels, 30.98 (England 32.23)
- Attainment of A level students average point score (APS) per entry, best 3, 30.00 (England 32.89)
- Attainment of A level students achieving grades AAB or better at A level, of which at least two are in facilitating subjects, 9.6% (England 14.1%)

*This data is for the academic year 2018/19 and has not been updated as exams were suspended in 2020

Take a look at the targets we have set to measure our progress against delivering the aims under this priority on page 16

Priority overview

Ensuring vulnerable children and adults are safe is one of our key priorities and responsibilities to the community.

There will always be children and adults who cannot be looked after at home by their families. Where it is clear this is the case for children, we will intervene early and find permanent or long-term placements for them through fostering or adoption where appropriate. We will be ambitious so that they can achieve their best and we will continue with effective placement planning to ensure that the right child is cared for, in the right place, for the right amount of time and at the most appropriate cost. We will also ensure that vulnerable adults are safeguarded whether they are looked after at home or somewhere else.

The pandemic has resulted in some very specific new tasks and functions for Public Health and the challenges of adapting services and responding to new and emerging needs will continue to shape much of our work; whilst also changing the role of Public Health or the challenges already identified pre COVID-19. As demand for both health and social care services continues to increase and the financial challenges facing the Council remain, we will continue to ensure a focus on prevention and early intervention.

The East Sussex Youth Cabinet launched a 'Stay' campaign during COVID-19 to support young people



All vulnerable people in East Sussex are known to relevant local agencies and services are delivered together to meet their needs

One of our key objectives is that there is an effective multi-agency early help and child protection system, which ensures that children and young people who are, or are likely to be, at risk of harm are identified, supported and protected. This is part of a wider multi-agency safeguarding system, underpinned by strong statutory multi-agency governance and scrutiny by the East Sussex Safeguarding Children Partnership.

Through the partnership network of organisations which constitute the Children and Young People's Trust, we aim to work across health, social care, education, and criminal justice. We will work with partners in the statutory and voluntary sector to progress our priorities.

Ongoing government funding has now been confirmed for the Troubled Families programme in 2021/22. We will use this to support keywork and we will also work with partners to promote a whole system, whole family approach and identify as many external funding streams as possible to sustain family support programmes and youth work.

The East Sussex Safeguarding Adults Board (SAB) oversees the work undertaken towards the prevention of abuse, the SAB's areas of focus include:

- Ensuring the SAB provides strategic leadership to embed the principles of safeguarding across agencies and contributes to the prevention of abuse and neglect.
- Establishing robust feedback mechanisms on safeguarding policies and procedures.
- Making safeguarding personal, making sure adults are involved and consulted in the process of helping them to stay safe and agreeing goals to achieve.
- Ensuring learning from reviews is effectively

embedded into practice to facilitate organisational change across agencies.

- Ensuring the workforce is equipped to support adults appropriately where abuse and neglect are suspected.



The Council's partnership work with the NHS takes place in the wider context of the Sussex Health and Care Partnership (SHCP), which formally became the Sussex Integrated Care System (ICS) in April 2020. East Sussex is one of three place-based partnerships within the Sussex ICS, (alongside Brighton and Hove and West Sussex), with the Council being a lead partner with our local NHS in the East Sussex Integrated Care Partnership. Together we have agreed our East Sussex Health and Social Care Plan which sets out our shared Council priorities and commitments in the NHS Long Term Plan, and our ambitions to deliver greater levels of integrated care, early intervention and prevention to improve health and wellbeing outcomes and reduce health inequalities in our population.

Health and Social Care Connect, the Adult Social Care and Health (ASCH) contact centre, has continued to operate throughout the pandemic and will continue to provide a single point for information, advice and access to community health and social care services seven days a week, from 8am to 8pm, with the addition of the Shielded Line support for periods of national or local lockdowns. The ASCH Programme will develop the systems already in use to enable these to be used as effectively from a home base as from the office, for those staff who are self-isolating or for periods when it is not possible to physically accommodate the full team in the office, to ensure there is no impact on the service provided.



Examples of planned work 2021/22

- We will continue to help victims of mass marketing fraud
- We will support people who have been a victim of sexual violence and domestic abuse through the specialist domestic abuse and sexual violence service

People feel safe at home

We work with partners, including health services, police, ambulance, and fire and rescue services, to ensure people are safeguarded and able to live independently and free from abuse. We will raise awareness of safeguarding issues and enquire into concerns of abuse.

We support the most vulnerable families, helping them to find ways to manage independently and cope with problems so that they can stay together where possible and achieve better outcomes for children and parents.

Early Help services support families to tackle their problems before they become more difficult to reverse. Following a review of services, we have implemented a strategy to support vulnerable families in East Sussex and help manage the demand for statutory social care. The strategy includes keywork with vulnerable families, early years family support services integrated with delivery of the Healthy Child Programme by our health visitors, and evidence-based youth work with vulnerable young people. We also offer universal, open-access and drop-in early help services for children, families and young people where these are fully externally funded. We have a network of 16 children's and youth centres.

We work in partnership to reduce crime, anti-social behaviour and domestic abuse and help victims to stay safe from harm. We work with a number of partners to provide support services and raise awareness of domestic abuse across the county.

Our Trading Standards service helps to protect vulnerable people from exploitation such as rogue traders and cold callers. We also investigate food fraud, illicit tobacco and counterfeit alcohol to protect people from the increased risks associated with these. These services are provided in partnership with the police to ensure an effective level of prevention and support work is offered to the residents and businesses of East Sussex.



The Community Hub distributed thousands of items of PPE to help keep people safe during lockdown

People feel safe with support services

While we aim to help people stay safe and independent, this is not always possible. There will always be children and young people who cannot be cared for at home and with their families. Where it is clear this is the case for children, we will intervene early and find permanent or long-term, cost effective, placements for them through fostering or adoption where appropriate. Vulnerable adults that cannot cope by themselves need to have support services that are safe and of good quality; we will continue to monitor satisfaction with our commissioned services including through service user evaluations.

We work with the wider health and care system to support people affected by Covid-19 to achieve the best health outcomes possible

ASCH have responded to the pandemic by adapting the way we provide support to vulnerable adults. It

has been recognised that a longer term review of the ASCH model is needed to ensure that support continues to be provided while the pandemic is ongoing. The ASCH Programme has therefore been initiated to recommend new ways of working that ensure we continue to meet our statutory responsibilities under the Care Act and any new responsibilities specific to the pandemic. The Programme has a number of workstreams which cover the contact and assessment pathway and associated support functions. The Programme will need to take into account the potential long term impacts of COVID-19 on our population as we are already seeing people with an increasing level of need due to interruptions in their care and support. There are also the impacts of "long Covid" to consider, which seems to be affecting a proportion of those who have suffered with the virus for a number of months afterwards.

State of the County 2019/20

- Looked after children per 10,000 0-17 population, 56 (England 67)
- Children with a Child Protection Plan per 10,000 0-17 population, 50.4 (England 42.8)
- Percentage of children who ceased to be looked after adopted during the year ending 31 March, 16% (England 12%)
- Adult Social Care service users who feel safe, 70.9% (England 70.2%)
- People aged 65+ still at home 91 days after discharge from hospital, 92.8% (England 82.4%)
- Suicide rate per 100,000 2017 - 2019, 13.5 (England 10.1%)

Take a look at the targets we have set to measure our progress against delivering the aims under this priority on page 21

Priority overview

Whilst we must keep vulnerable people safe, people prefer and need to be independent. If we can encourage families and communities to work together to build better local communities, meet local need, and support individuals to stay independent, we can meet our objectives of breaking dependency, while reducing demand for services and therefore costs. Helping people to be self-supporting will become increasingly important as the resources available to public services decline.

Commissioners and providers from all sectors put people first when providing services and information to help them meet their needs

One of the best things we can do to support people is to focus very clearly on their needs when designing and providing services and when we make information available so people can help themselves.

Our focus is to provide people with the support they need as early as possible to help them remain healthy and independent. When they need them, our services will be provided by integrated health and care teams, meaning their care will be more efficient and personal, delivered by one system.

Our focus on providing support as early as possible should mean that people don't need health and care services as much. But when they do, we will make sure they can get services quickly, easily and, before they reach crisis point.

We want to ensure that local people receive the right services, in the right place, at the right time. This may mean they access and use services differently. We aim to empower them with the knowledge of how to best use available health and social care services, and how to best get the support they need.

The integrated community health and social care services have implemented Discharge To Assess (D2A)/Home First pathways. The pathways are designed to avoid prolonged stays in hospital for people awaiting assessment or commissioned

services to enable their discharge. Where possible D2A will aim to avoid unnecessary admissions to hospital, and where an admission is necessary, it will ensure that people are discharged as soon as is safe and practical, back to their own homes or to a D2A bed to have their assessments and services arranged outside of an acute hospital.

As part of the Core Offer for Adult Social Care we will provide information and advice for all those seeking care and support; and provide support that reduces the need for social care in the longer term and/or prevents the need for a more expensive service.

Public Health will continue to promote, protect and improve health and wellbeing, and reduce health inequalities. The needs and demands identified before COVID-19 will be married up with the needs and demands brought about by COVID-19 to ensure a coherent and effective future work plan.

We provide online access to information, for children and young people with Special Educational Needs and Disabilities (SEND) and their families, about services and expertise available in the area from a range of local organisations, including providers of education, health and social care. It also gives families the opportunity to feed back about services that are available.

We will continue to promote these schemes to ensure that people are able to quickly find information about a range of support options available in their local area.

People generally prefer to have as much control and choice as possible over the services they receive. Self-directed support offers control to clients and carers over how their care and support is provided. Inclusion, Special Educational Needs and Disability

(ISEND) has an important role to play in supporting pupils who are vulnerable to underachievement to do their very best. The service helps improve the lives and outcomes of pupils with SEND, helping them to achieve their ambitions and become successful adults. We will carry out statutory assessments of children with SEN where there are significant barriers to learning and we will aim to secure the right education provision for those with the greatest need.



Joint Community Rehabilitation staff ensure they wear masks and PPE where necessary to protect themselves and their clients

State of the County 2019/20

- 4-5 year olds with excess weight, 23.0% (England 23.0%)
- 10-11 year olds with excess weight, 32.0% (England 35.2%)
- Younger adults admitted to residential and nursing care homes per 100,000, 12.4 (England 14.6)
- Older people (65+) admitted to residential and nursing care homes per 100,000, 485.5 (England 584.0)
- Older people (65+) offered reablement services following discharge from hospital, 2.9% (England 2.8%)
- People who received short term services where no further request was made for ongoing support, 93.3% (England 79.5%)



The Youth Cabinet supported the clap for carers campaign

The most vulnerable get the support they need to maintain their independence and this is provided at or as close to home as possible

It is often best if people in need of care and support receive this at home, if possible, with the help of friends and family. We work to ensure that people's homes are safe, providing access to care services, and personal budgets so that people can choose the care and support they need.

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 and medication dispensers. The sensors can be monitored 24/7 by a local contact centre.

Environmental sensors, such as smoke alarms or flood detectors are also linked to the centre for automatic alerts. Individuals can also benefit from scheduled live or recorded telephone calls to provide welfare checks or reminders during periods of reablement.

The Joint Targeted Area Inspection in February 2020 had a focus on the emotional wellbeing/mental health of children and young people and the inspection team commended many of the initiatives and services that are in place in the county. A multi-agency action plan has been developed to further improve services and that planning will also be linked to the findings of a Sussex wide review of Children & Young Person's Emotional Health and Wellbeing Service Review which was published May 2020.

We are developing a coordinated strategy of support for schools and colleges to meet the mental health and emotional well-being needs of pupils, ensuring that advice is consistent and evidence-based. During the pandemic, we developed new offers to children, families and schools to support emotional wellbeing and we will use the understanding from these to inform future developments. The county was also successful in its bid for three Mental Health Support Teams (MHSTs) as part of the Government's trailblazer scheme, which will become fully operational in spring 2021 working across 60 schools and providing mental health support for 24,000 pupils.

Through our work with others, individuals and communities are encouraged to maintain and develop local mutual support systems

People, families and communities across East Sussex have huge potential to thrive and to support each other. There is a substantial infrastructure of public, voluntary and community sector work across the county that can seek to help local people achieve their ambitions. We work with partners and communities across the county to help local communities thrive and tackle some of the most difficult issues that impact on people's happiness and wellbeing, such as loneliness.

We are working with partners across health, social care, the voluntary and community sector, and others to increase community and personal resilience in East Sussex. We aim to increase volunteering; improve and coordinate support to strengthen communities; and help individuals to improve their own health and well-being and take action to prevent disease and ill health.

As driver error contributes to over 90% of road collisions where people are killed or seriously injured (KSI), we continue to implement our £1m project to deliver behaviour change initiatives, alongside our ongoing programme of work to improve the road infrastructure. The programme has identified a number of target groups who are at the greatest risk of having a road traffic collision resulting in a KSI casualty and trials of behaviour change initiatives focusing on these groups are underway.

Examples of planned work 2021/22

- We will increase the number of members of the Support with Confidence scheme, which provides a register of people and organisations that have been vetted and approved by us, so users can be confident in their safety, training and quality
- We will support households as part of the government's Troubled Families programme



- The Flagship School, a special school for children with for children with autism and social, emotional and mental health difficulties is due to open in September 2021
- We will Continue to develop the specialist facilities programme to offer additional provision for pupils with autism and bring more capacity to local schools

State of the County 2019/20

- Adult Social Care service users who find it easy to find information about services, 75.7% (England 68.4%)
- Adult Social Care service users who have as much social contact as they would like, 52.4% (England 45.9%)
- Number of people killed or seriously injured on the roads, 410 (Calendar Year 2020)

Take a look at the targets we have set to measure our progress against delivering the aims under this priority on page 23

Priority overview

This priority underpins all our activities and is a key measure of success for all our priority outcomes. It applies to all the resources available for East Sussex, not only within the Council, but across the public sector, voluntary and community sector and private partners, and within local communities. We will work as a single unified organisation to deliver our priorities; ensuring high quality, streamlined services are commissioned and developed in partnership; working to reduce demand for services and focusing on our residents and communities.

Working as One Council, both through the processes we use and how we work across services

We will ensure that we work in a unified way so that resources are focused on delivering our priority outcomes. This means minimising the cost of back office services and directing resources to frontline services. We will focus on delivering services close to local people in the most cost effective way possible.

Our People Strategy recognises that the Council workforce is the key to our success. The strategy is based on the four themes of Leadership and Management; Performance Development and Reward; Employee Engagement and Inclusion; and Employee Health and Wellbeing. In conjunction with this, a 'Leadership and Management Capability Framework' has been developed which sets out the management and leadership expectations in support of the Council's priority outcomes and operating principles. We are committed to the development of our workforce and embedding our People Strategy into our culture.

Delivery through strong and sustained partnership working across the public, voluntary community, and private sectors to ensure that all available resources are used to deliver maximum benefits to local people

We will work in partnership across the public, voluntary and community, and private sectors to ensure that all appropriate available resources are used to deliver maximum benefits to local people. We will be proactive in making the best use of our assets, sharing property, ICT and staff with partners so we work as efficiently as possible, removing duplication and increasing flexibility. We will join with partners to seek opportunities to achieve better value through our procurement.

Orbis, our partnership with Surrey County Council (SCC) and Brighton & Hove City Council (BHCC) for some of our back office services, has allowed us to provide resilient services while achieving savings which are being used to sustain services for residents of all the counties.



The Strategic Property Asset Collaboration in East Sussex (SPACES) was formed by a number of public and third sector organisations coming together in partnership, to look for opportunities to co-locate and collaborate around property, to ensure cost effectiveness and to improve the customer journey by creating more effective environments to deliver services from.

The Council has agreed to enter into an improvement partnership with West Sussex County Council (WSCC), to address the significant challenges that WSCC are facing but also offer opportunities for both authorities to work together on shared priorities, such

as infrastructure, social care and climate change. A detailed action plan will be produced in 2020, setting out the challenges and actions that will be taken as part of the improvement partnership.

Examples of planned work 2021/22

- We will continue to embed the Orbis partnership; making cost savings while providing more effective and efficient services
- We will reduce the cost of the buildings we occupy and the amount of CO2 produced from Council operations
- We will maintain or reduce the number of working days lost to sickness absence

Ensuring we achieve value for money in the services we commission and provide

Across all our resources, services and partnerships we will seek to achieve the maximum positive impact to deliver our priority outcomes for people in East Sussex.

We may need to consider further changes to our Waste and Library services to ensure we are providing the best service possible within the resources available.

We have been working to reduce the cost of occupancy of corporate buildings, by consolidating our buildings and reducing our spend on energy, by 2% each year since 2016/17. We are aiming to continue to deliver savings by utilising our space in a more efficient manner and driving income from surplus spaces with a reduction in costs of 2% into 2021/22. This is dependent on the course of the pandemic and future ways of working.

Maximising the funding available through bidding for funding and lobbying for the best deal for East Sussex

We will continue to take all available opportunities to raise the distinct funding needs of the Council with Government until we have commitment of funding to cover all of the additional costs of COVID-19, as well as long term fair funding for our services; and we will work with partners to press for the best outcomes for the county. In view of the ongoing financial challenge we face, the Council has reviewed its Core Offer in 2020/21, to ensure it continues to set out the ambitious but realistic level of service we think we must provide to both fulfil our statutory duties and meet local need in the current financial climate. Feedback from our residents, partners and businesses helped develop the Core Offer and we are working with communities to build resilience where the Council can no longer provide services. Due to our funding position, even this Core Offer is unaffordable in the near future so we will use this model to work

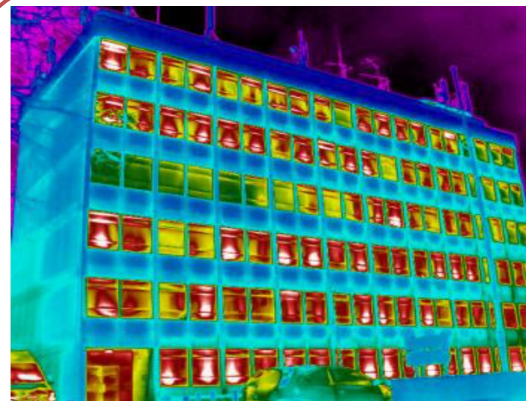
with our local MPs to press for the Government funding we need to provide the decent services we know are needed by this county.

To help tackle Climate Change East Sussex County Council activities are carbon neutral as soon as possible and in any event by 2050

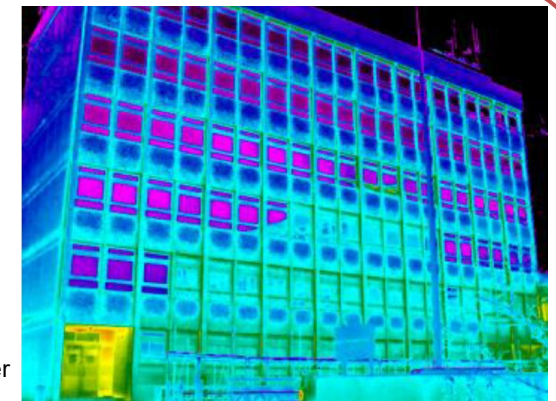
We will build on our earlier work to ensure all Council activities are carbon neutral as soon as possible and in any event by 2050. A Climate Emergency Plan has been developed and we will be working within the plan to focus on reducing the carbon footprint of the Council's operations. The target for 2021/22 is to have a further reduction of carbon emissions by 13% against the previous year.

Examples of planned work 2021/22

- We will begin to deliver, alongside partners, the Climate Action Change Plan that will help facilitate the take-up of electric vehicles; improve the energy efficiency of street lighting; and implement further energy efficiency measures for the Council's buildings
- We will refresh the Staff Travel Plan, particularly in light of COVID-19, to incorporate the commitments to the Climate Action Plan and reflect the evolving ways of working



Before



After

Energy efficiency measures at County Hall included replacing the old windows draughty windows which let a large amount of heat escape, in the right hand image, with newer more efficient versions which help to reduce heating costs and energy use, in the left hand image.

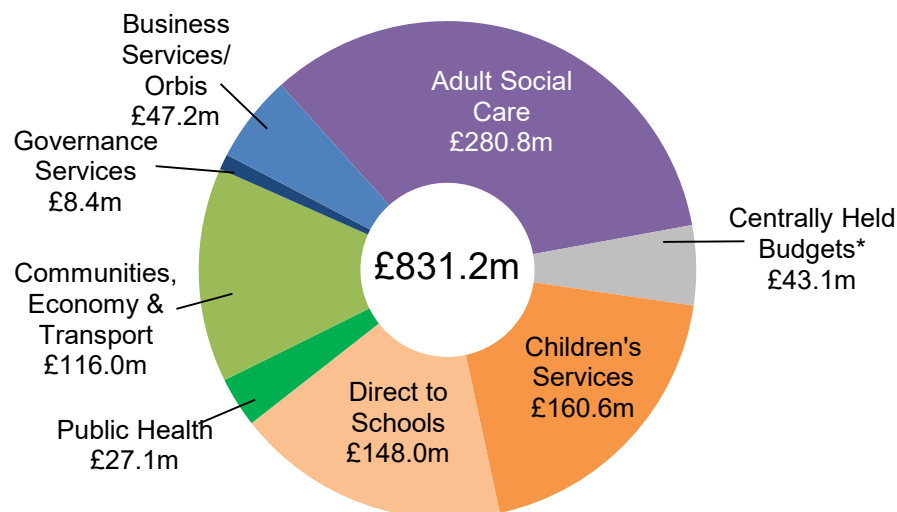
Take a look at the targets we have set to measure our progress against delivering the aims under this priority on page 26

Revenue budget: gross and net

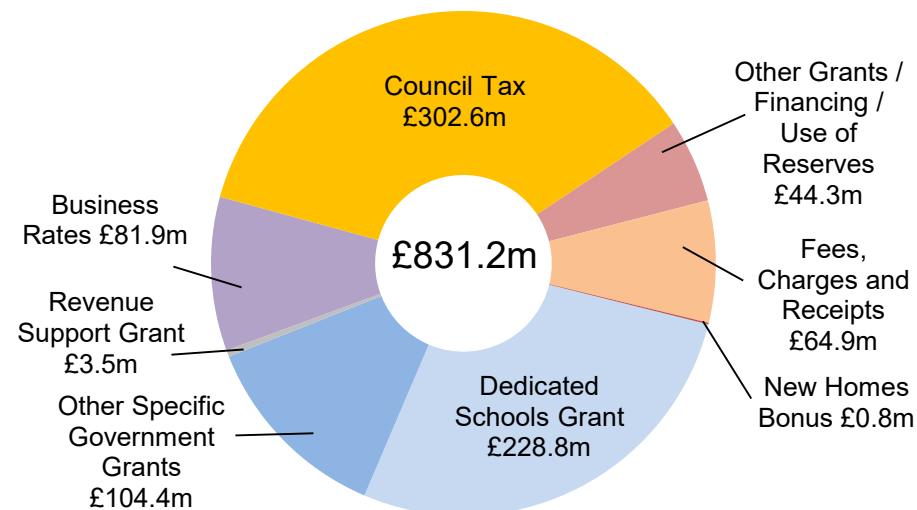
12

The charts below show how we will spend your revenue budget money in 2021/22, and where the money will come from (gross and net). More information on our revenue budget can be found in our [financial budget summary](#) which explains the difference between the gross and net budgets.

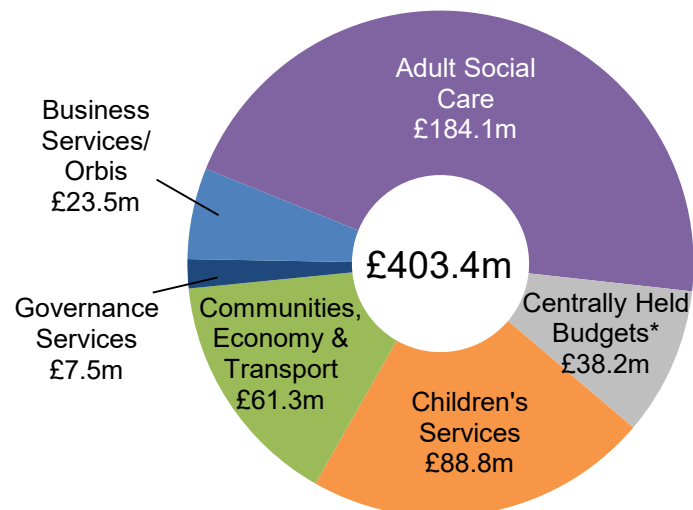
How we will spend your money (gross)



Where the money comes from (gross)



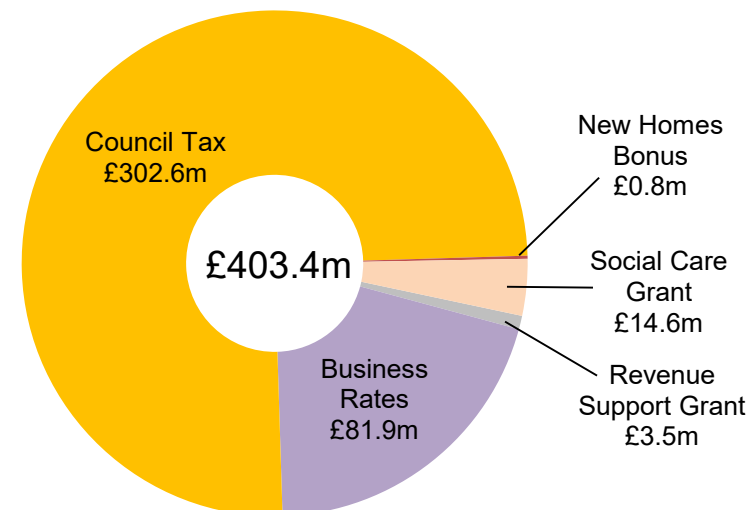
How we will spend your money (net)



*Centrally Held Budgets include Treasury Management and contributions to the Capital Programme

Pending new charts 2021/22

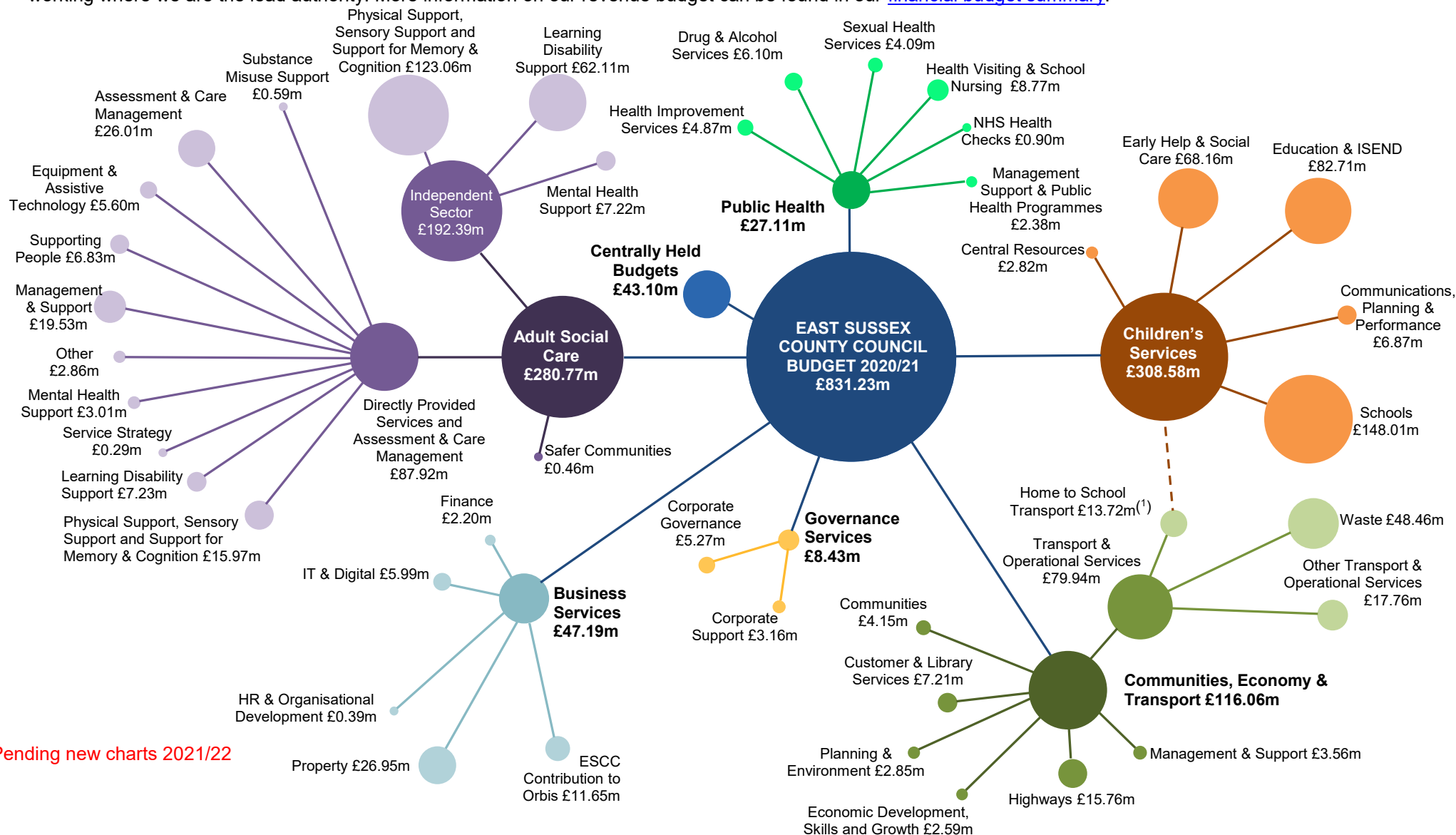
Where the money comes from (net)



Revenue budget

13

The diagram below is a visual representation of our gross revenue budget for 2021/22. It also shows East Sussex County Council spend inclusive of partnership working where we are the lead authority. More information on our revenue budget can be found in our [financial budget summary](#).



Pending new charts 2021/22

(1) Home to School Transport is administered by Communities, Economy and Transport on behalf of Children's Services.

Totals may differ from sum of components due to rounding

Capital Programme: projects in the year ahead 2021/22

As well as providing services, the Council invests in, and maintains, assets such as roads and buildings. The capital programme supports delivery of the Council's priority outcomes, particularly driving sustainable economic growth and keeping vulnerable people safe. Details of the full current capital programme to 2023/24 are in our [financial budget summary](#). Below are examples of key projects that will be underway in 2021/22 at a cost of £92.1m.

Economic Growth & Strategic Infrastructure £15.8m

- £5.1m to drive economic growth and create new jobs as part of the SELEP's Getting Building Fund
- £3.3m to increase the number of premises in the county that can access superfast broadband
- £0.7m to build the Newhaven Port Access Road

Community & Social Care Facilities £2.0m

- £0.9m for the development of Westfield Lane to provide additional accommodation for children within the county

Highways & Structural Maintenance £23.2m

- Structural maintenance of highways to maintain and improve the road surface

Integrated Transport Services £11.9m

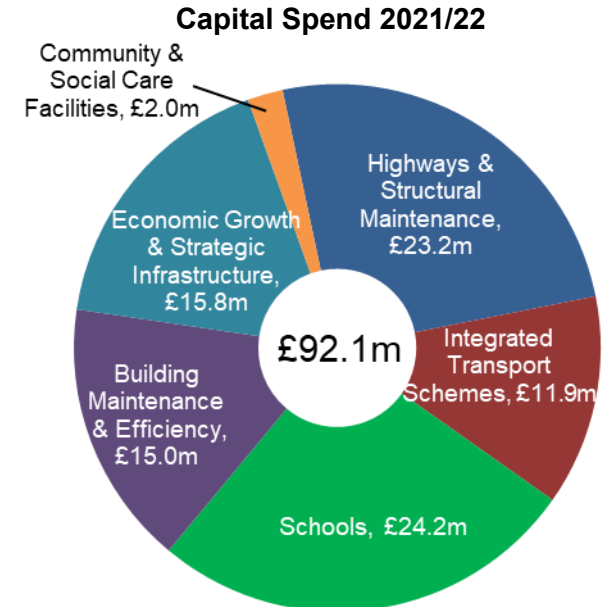
- £2.7m of junction improvements in Hastings, Bexhill, Eastbourne, Hailsham and Polegate
- £1.0m of walking and cycling movements in Eastbourne and South Wealden
- £2.6m for the next phase of the Eastbourne Town Centre Improvements

Schools £24.2m

- Primary school numbers in East Sussex peaked in 2018/19 and are starting to decline
- The previous high numbers in primary schools are now being reflected in rising Year 7 secondary school intakes. Secondary school numbers are likely to peak around 2024/25 or 2025/26
- We are planning, or in the process of creating, new school places in Eastbourne, Hailsham, Polegate, Robertsbridge and Newhaven/Peacehaven

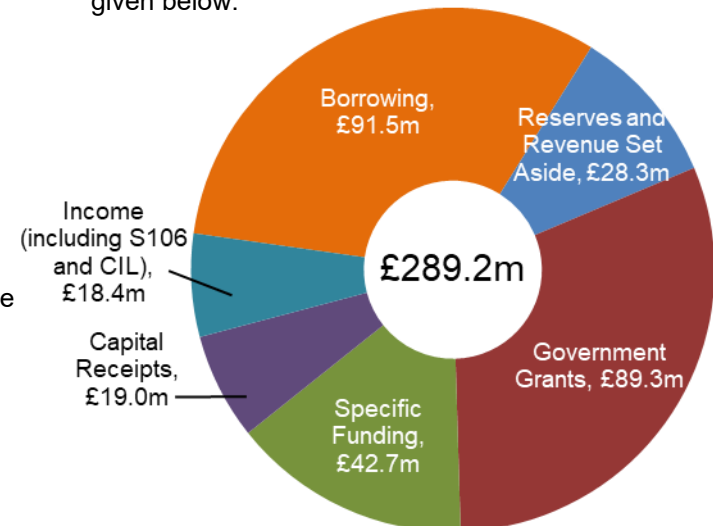
Building Maintenance & Efficiency £15.0m

- The Council will invest in improvements to buildings and technology to improve efficiency and reduce CO2 emissions



Capital Resourcing 2020/21 to 2023/24

Because capital projects may take several years to deliver we need to know how we will fund the full £289.2 million programme. Details of where this money will come from are given below.



All Council Plan targets aim to deliver positive outcomes for the people of East Sussex. We challenge discrimination and encourage respect, understanding and dignity for everyone living, working in or visiting East Sussex. We do this through our influence in the community, strategic planning, employment policies, and service delivery.

Equality impact assessment summary report for Council Plan 2021/22

Date of assessment: xx/03/2021

Summary of findings: All Council Plan targets aim to deliver positive outcomes for the people of East Sussex. This equality impact assessment has found that a number of the measures in the Council Plan will have a positive impact upon the lives of groups of people with protected characteristics. There should not be any negative impacts on any equality target groups.

Summary of recommendations and key points of action plan: None.

Groups that this project or service will impact upon:

	Positive	Negative	Neutral
Age	x	-	-
Disability	x	-	-
Ethnicity	x	-	-
Gender/Transgender	x	-	-
Marital Status/Civil Partnership	-	-	x
Pregnancy and Maternity	x	-	-
Religion/Belief	-	-	x
Sexual Orientation	-	-	x
Other (carers, literacy, health, rurality, poverty)	x	-	-

In line with the Equality Act 2010 we no longer publish equality objectives in a separate equality scheme. Instead, equalities data has been taken into consideration when developing performance targets for our Portfolio Plans and this Council Plan.

We will continue to report on our progress in ensuring equality is embedded throughout our work while delivering our priorities. This will form part of our annual report, which will be published in Autumn 2021.

New EqIA to be drafted in February 2021 once performance measures are finalised



More information on equality and diversity can be found on our [equality and diversity web page](#).

Driving sustainable economic growth – performance measures and targets

16

Performance measure	2020/21 Outturn (Target)	2021/22 Target	2022/23 Target	2023/24 Target	2020 - 2024 Outcome Summary
Work with Seachange Sussex to deliver major transport infrastructure – Queensway Gateway Road	(Commence construction of the final phase of the road)	Complete final phase of the road, road fully open to traffic and monitor impact	Monitor impact	No target set project completed	Improved connectivity between Queensway and the A21, improving journey times and reducing congestion on the local network. Enable the development of land for commercial and residential use in North Hastings, supporting economic growth, job creation and the delivery of new homes in the area
Deliver major transport infrastructure – Newhaven Port Access Road	(Complete construction and monitor impact)	Monitor impact	Monitor impact	Monitor impact	Improved connectivity into Newhaven Port from the strategic road network, supporting the delivery of the Enterprise Zone and unlocking employment land within the Port
Implement the East Sussex Economic Recovery Plan	New measure 2021/22	Report on the progress and delivery of the East Sussex Economic Recovery Plan	Report on the progress and delivery of the East Sussex Economic Recovery Plan	No target set as completed	Level of investment, projects delivered, and key outcomes stated across the six missions of the East Sussex reset plan
Number of additional premises with improved broadband speeds	(2,980 premises)	1,334 premises	No target set project completed	No target set project completed	As close to 100% of premises as possible have access to high speed broadband. Supporting employment, productivity, individuals and communities

Driving sustainable economic growth – performance measures and targets

17

Performance measure	2020/21 Outturn (Target)	2021/22 Target	2022/23 Target	2023/24 Target	2020 - 2024 Outcome Summary
Deliver the new Employability and Skills Strategy: East Sussex business sector skills evidence base developed	(Seven sector task groups maintained, with each working to establish a new annual action plan and reporting to Skills East Sussex on actions and achievements. Establish Careers East Sussex task group and develop All Age Careers Campaign to promote key careers in Priority sectors)	Establish a new 'carbon zero' task group to explore current and future employment opportunities and skills needs, to report to SES on actions and achievements alongside the existing seven task groups. In partnership with the Careers East Sussex task group, develop the Careers East Sussex website with resources to support adults looking for new careers	To be set 2021/22	To be set 2022/23	Training providers are developing a curriculum which is informed by sector skills evidence and our local businesses are actively engaged in supporting training provision in the county, supporting sustainable economic development
Deliver the new Employability and Skills Strategy: East Sussex Careers Hub	(East Sussex Careers Hub to support schools to achieve an average of 4 national benchmarks Develop a package of online resources to support youth employability on the Careers East Sussex portal)	To be set 2020/21 (subject to funding)	To be set 2021/22 (subject to funding)	To be set 2022/23 (subject to funding)	Helping our young people and adults become aware of careers opportunities available to them, supporting sustainable economic development
Create a pan-Sussex visitor economy group to re-start the leisure, hospitality, culture, retail and tourism economy and enhance existing marketing vehicles	New measure 2021/22	To be set 2020/21 based on the outcomes of a data and evidence gathering exercise and the consequent recommendations	To be set 2021/22	To be set 2022/23	Grow the visitor economy by raising the visibility of East Sussex, enhancing perceptions, increasing the number of visitors to the coast, increasing length of stay and spend

Driving sustainable economic growth – performance measures and targets

18

Performance measure	2020/21 Outturn (Target)	2021/22 Target	2022/23 Target	2023/24 Target	2020 - 2024 Outcome Summary
Create a cultural investment framework for mid to long term recovery planning	New measure 2021/22	Support at least three projects to repurpose redundant shops, offices and industrial units to shared creative workspaces	To be set 2021/22	To be set 2022/23	Create the conditions to ensure that East Sussex benefits from one of the fastest growing sectors of the economy, growing the creative economy by fostering creative start ups, upscaling creative businesses and attracting businesses into East Sussex
Job creation from East Sussex Programmes	135 jobs safeguarded or created)	140 jobs created or safeguarded	To be set 2021/22	To be set 2022/23	Grow the East Sussex economy and create more jobs by supporting the growth of businesses through capital investment
Percentage of Principal roads requiring maintenance	(8%)	8%	8%	8%	Achieve and maintain a good standard of road condition across all road types
Percentage of Non Principal roads requiring maintenance	(9%)	9%	9%	9%	
Percentage of Unclassified roads requiring maintenance	(15%)	15%	15%	15%	
Deliver a range of Family Learning programmes across East Sussex to provide high quality learning opportunities for parents/carers and their children to develop English, maths and language skills and to support a culture of learning in the family (subject to external funding)	(300 enrolments across Family English, maths and Language (FEML) and Wider Family Learning (WFL) programmes)	To be set March 2020/21 following review of COVID-19 measures	To be set 2021/22	To be set 2022/23	Families, from all backgrounds, have intergenerational learning opportunities and develop positive attitudes to learning. Learners develop skills which support them in taking steps back into education and employment
In partnership with funding organisations provide online learning (including skills for life and ICT courses) in libraries (subject to contract)	(50 courses)	To be set March 2020/21 following review of funding	To be set 2021/22	To be set 2022/23	People have access to free qualifications that support them into, or back into, work and education
The number of businesses and professionals receiving advice and support through training workshops and bespoke advice provided by Trading Standards	(200)	300	To be set 2021/22	To be set 2022/23	Businesses in East Sussex are equipped to thrive, comply with the law, and are supported to “get it right first time”

Driving sustainable economic growth – performance measures and targets

19

Performance measure	2020/21 Outturn (Target)	2021/22 Target	2022/23 Target	2023/24 Target	2020 - 2024 Outcome Summary
The Council's Apprenticeship Levy strategy supports the Council's workforce development and training plans	(Where appropriate Standards exist, ensure apprenticeship training is available and taken up (subject to the needs of the business), which addressing skills shortages in the Council)	Where appropriate Standards exist, to ensure apprenticeship training is available and taken up (subject to the needs of the business), which addresses skills shortages in the Council	Where appropriate Standards exist, to ensure apprenticeship training is available and taken up (subject to the needs of the business), which addresses skills shortages in the Council	Where appropriate Standards exist, to ensure apprenticeship training is available and taken up (subject to the needs of the business), which addresses skills shortages in the Council	Apprenticeships in the Council provide a positive opportunity for staff to develop and grow, enhancing the Council's workforce and career opportunities
The percentage of Council procurement spend with local suppliers	(54%)	56%	57%	57%	Support local businesses and help drive economic growth and employment in the county through our purchasing power
Economic, social and environmental value committed through contracts, as a percentage of our spend with suppliers	(>10.0%)	>10.0%	To be set 2021/22	To be set 2022/23	The Social Value Measurement Charter is used to provide robust measures in eligible contracts that commit suppliers to deliver the Council's social value objectives
The percentage of eligible 2 year olds who take up a place with an eligible early years provider	(Equal to or above the national average)	Equal to or above the national average	Equal to or above the national average	Equal to or above the national average	All children engage, attain and progress well from early years into education, training and employment
The percentage of pupils achieving a "good level of development" at the Early Years Foundation Stage	(Ac Year 2019/20 Measure not being monitored as assessments cancelled due to Covid-19)	Ac year 20/21 Measure will not be monitored as assessment results will not be published	Ac Year 2021/22 To be set	Ac Year 2022/23 To be set	
Average Progress 8 score for state funded schools	(Ac year 2019/20 Measure not being monitored as exams cancelled due to Covid-19)	Ac year 20/21 Measure will not be monitored as exam results will not be published	Ac year 2021/22 To be set	Ac year 2022/23 To be set	

Driving sustainable economic growth – performance measures and targets

20

Performance measure	2020/21 Outturn (Target)	2021/22 Target	2022/23 Target	2023/24 Target	2020 - 2024 Outcome Summary
The percentage of disadvantaged pupils achieving at least the expected standard in each of reading, writing and maths at Key Stage 2	(Ac year 2019/20 Measure not being monitored as exams cancelled due to Covid-19)	Ac year 20/21 Measure will not be monitored as exam results will not be published	Ac year 2021/22 To be set	Ac year 2022/23 To be set	The gap for disadvantaged pupils at all Key Stages is kept as small as possible so that all children attain and progress well from early years into education, training and employment
The average Attainment 8 score for disadvantaged pupils	(Ac year 2019/20 Measure not being monitored as exams cancelled due to Covid-19)	Ac year 20/21 Measure will not be monitored as exam results will not be published	Ac year 2021/22 To be set	Ac year 2022/23 To be set	
The percentage of young people meeting the duty of RPA (Raising the Participation Age) by either participating in education, training or employment with training or undertaking re-engagement provision at academic age 16 (Year 12)	(Monitoring will continue, but no target set due to COVID-19)	To be set June 2021 once an assessment of the impact of COVID-19 on opportunities is completed	To be set 2021/22	To be set 2022/23	Young people participate in education, training or employment with training until they are at least 18 improving their long term employment and health prospects
The percentage of young people meeting the duty of RPA by either participating in education, training or employment with training or undertaking re-engagement provision at academic age 17 (Year 13)	(Monitoring will continue, but no target set due to COVID-19)	To be set June 2021 once an assessment of the impact of COVID-19 on opportunities is completed	To be set 2021/22	To be set 2022/23	
Average Progress 8 score for Looked After Children (LAC)	(Ac Year 2019/20 Measure not being monitored as exams cancelled due to COVID-19)	Ac year 20/21 Measure will not be monitored as exam results will not be published	Ac Year 2021/22 To be set	Ac year 2022/23 To be set	All children progress well from early years, through compulsory education, into education, training and employment
The percentage of LAC participating in education, training or employment with training at academic age 16 (Year 12)	(Monitoring will continue, but no target set due to COVID-19)	To be set June 2021 once an assessment of the impact of COVID-19 on opportunities is completed	To be set 2021/22	To be set 2022/23	Looked after Children participate in education, training and employment with training until they are at least 18 improving their long term employment and health prospects
The percentage of LAC participating in education, training or employment with training at academic age 17 (Year 13)	(Monitoring will continue, but no target set due to COVID-19)	To be set June 2021 once an assessment of the impact of COVID-19 on opportunities is completed	To be set 2021/22	To be set 2022/23	

Keeping vulnerable people safe – performance measures and targets

21

Performance measure	2020/21 Outturn (Target)	2021/22 Target	2022/23 Target	2023/24 Target	2020 - 2024 Outcome Summary
National outcome measure: The proportion of people who use services who say that those services have made them feel safe and secure	(≥83.8%)	≥83.8%	≥83.8%	≥83.8%	Services received by adults with long term support also have a positive impact on their safety
Health and Social Care Connect – percentage of referrals triaged and progressed to required services within required timescales	(90%)	90%	90%	90%	Services are provided in a timely manner
Health and Social Care Connect – % of contacts that are appropriate and effective (i.e. lead to the provision of necessary additional services)	(95%)	95%	95%	95%	Monitor the number of contacts from health professionals that aren't taken any further
The % of people affected by domestic violence and abuse who have improved safety/support measures in place upon leaving the service	New measure 2021/22	88%	88%	88%	To enable vulnerable people who have been affected by domestic violence to feel more in control of their life, and better able to make decisions to increase their safety
When they leave the service the % of those affected by rape, sexual violence and abuse who have improved coping strategies	(88%)	88%	88%	88%	Protect vulnerable people who have been affected by rape, sexual violence and abuse, and provide them with skills which enable them to be more in control of their lives and more optimistic about the future

Keeping vulnerable people safe – performance measures and targets

22

Performance measure	2020/21 Outturn (Target)	2021/22 Target	2022/23 Target	2023/24 Target	2020 - 2024 Outcome Summary
Rate of children with a Child Protection Plan (per 10,000 children)	(To be reviewed at Q2 2020/21 due to impact of Covid-19)	To be set April 2021	To be set April 2021	To be set April 2021	Children at risk from significant harm are kept safe
Rate (of 0-17 population) of referrals to children's social care services (per 10,000 children)	(535)	535	535	535	
Rate (of 0-17 population) of assessments completed by children's social care services (per 10,000 children)	(526)	526	526	526	
Rate of Looked After Children (per 10,000 children)	(Maintain 2019/20 outturn of 56.5 601 children)	To be set April 2021	To be set April 2021	To be set April 2021	
Average time between a child entering care and moving in with its adoptive family, for children who have been adopted (days) (Adoption Scorecard)	(Less than or equal to national average)	Less than or equal to national average	Less than or equal to national average	Less than or equal to national average	Children are placed for adoption as quickly as possible in order to achieve permanency
The number of positive interventions for vulnerable people who have been the target of rogue trading or financial abuse	(300)	200	To be set 2021/22	To be set 2022/23	Residents of East Sussex are safe in their own home and protected from criminals. Residents are empowered to feel safe and supported to say "no" to criminals and deter and disrupt criminal activity

Helping people help themselves – performance measures and targets

23

Performance measure	2020/21 Outturn (Target)	2021/22 Target	2022/23 Target	2023/24 Target	2020 - 2024 Outcome Summary
Road Safety: Implement behaviour change project	New measure 2021/22	To be set 2020/21 when funding confirmed	To be set 2021/22	To be set 2022/23	Reduce the number of KSI on East Sussex roads using behavioural change methods and the implementation of infrastructure schemes to improve outcomes for residents, businesses and visitors to East Sussex
Road Safety: Deliver targeted cycle training activities to vulnerable road users	New measure 2021/22	To be set 2020/21 when funding confirmed	To be set 2021/22	To be set 2022/23	
Road Safety: Implement infrastructure schemes on identified high risk routes to improve road safety	(6 schemes (subject to funding))	To be set 2020/21 when funding confirmed	To be set 2021/22	To be set 2022/23	
Percentage of older people who are delayed from discharge when they are medically fit	New measure 2021/22	Establish baseline	To be set 2021/22	To be set 2022/23	There are no unnecessary delayed discharges from hospital
National outcome measure: Proportion of working age adults and older people receiving self-directed support	(100%)	100%	100%	100%	Adults are able to take control of the support they receive
National outcome measure: Proportion of working age adults and older people receiving direct payments	(≥34.3%)	≥34.3%	≥34.3%	≥34.3%	Adults who require support are able to live as independently as possible
Number of carers supported through short-term crisis intervention	(390)	390	390	390	Carers are supported when they most need it enabling them to carry on in their caring role
Number of people receiving support through 'STEPS to stay independent' and Homeworks	(3,300)	3,300	3,300	3,300	Adults can maintain their independence
Enhance the delivery of Technology Enabled Care Services (TECS) more rapidly and more widely across areas including falls; frailty; crisis response; medication management, to avoid hospital admissions or re-admissions	(8,500 people receiving TECS)	8,500 people receiving TECS	8,500 people receiving TECS	8,500 people receiving TECS	

Helping people help themselves – performance measures and targets

24

Performance measure	2020/21 Outturn (Target)	2021/22 Target	2022/23 Target	2023/24 Target	2020 - 2024 Outcome Summary
Building upon existing joint and partnership working and in the context of the development of Integrated Care Systems (ICS) design, agree and implement: i - An integrated commissioning model. ii - An integrated provider model for Health and Social Care in East Sussex	New measure 2021/22	Service models developed and approved by the East Sussex Health and Social Care system and an implementation timetable with key milestones agreed	Service models implemented	No targets after 2022/23	Through joint and partnership working ensure all available resources are used to deliver maximum benefits to local people and achieve value for money
Number of providers registered with Support With Confidence	(10% increase on 2019/20 outturn)	10% increase on 2020/21 outturn	10% increase on 2021/22 outturn	10% increase on 2022/23 outturn	Increase the options for people who need support ensuring vulnerable people are given effective reliable support to help maintain their independence
The proportion of people who received short-term services during the year, where no further request was made for ongoing support	(>90.5%)	>90.5%	>90.5%	>90.5%	Provide effective early intervention to ensure people are given the support they need as quickly as possible, this will also reduce the need for more expensive intensive interventions at a later date ensuring the most effective use of resources
Through the Drug and Alcohol Funding streams, commission services that sustain the development of the recovery community in East Sussex	(Commission services)	To be set 2020/21	To be set 2021/22	To be set 2022/23	The rates of people entering recovery from drug and alcohol misuse are maximised and the stigma associated with misuse is reduced
Percentage of EHCP (Education, Health and Care Plans) annual review meetings where the child gave their view and/or participated	(85%)	85%	85%	85%	Children and young people with SEND participate in decisions to ensure that their needs are understood, and they are supported to achieve their potential

Helping people help themselves – performance measures and targets

25

Performance measure	2020/21 Outturn (Target)	2021/22 Target	2022/23 Target	2023/24 Target	2020 - 2024 Outcome Summary
The proportion of respondents to the feedback surveys who agree that things have changed for the better as a result of getting targeted support from the 0 – 19 Early Help Service	(80%)	85%	85%	85%	The services provided are making a difference to the lives of service users
Number of households eligible under the government's Troubled Families programme receiving a family support intervention	(345)	To be set June 2021 pending information from Government	To be set June 2021 pending information from Government	To be set June 2021 pending information from Government	Families supported by family keywork achieve their goals and the Council is able to maximise payment by results claims
Number of new service user interventions started through One You East Sussex as part of the Integrated Lifestyle Service	7,000	7,000	To be confirmed following PH Review consultation	To be confirmed following PH Review consultation	Support people (particularly those with multiple lifestyle risk factors such as smoking, excessive alcohol consumption, poor diet and low physical activity) to make changes to improve health outcomes and reduce their risk of developing conditions such as diabetes, cancer and heart disease
Improved targeting of NHS Health Checks	New measure 2021/22	100% of GP practices recommence delivery of NHS Health Check service including targeted service	45% uptake rate by eligible patients (baseline 38.4%)	50% uptake rate by eligible patients	People understand their future risk of developing vascular disease and make changes to their lifestyle, or receive additional clinical advice and support to reduce their risk

Making best use of resources in the short and long term – performance measures and targets²⁶

Performance measure	2020/21 Outturn (Target)	2021/22 Target	2022/23 Target	2023/24 Target	2020 - 2024 Outcome Summary
Number of working days lost per FTE (Full Time Equivalent) employee due to sickness absence in non-school services	(9.24)	9.24	9.10	9.10	To maximise the use of resources and improve staff and customer wellbeing
Deliver the Property Asset Investment Strategy	(Outline business cases brought forward against at least 2 priority projects)	Outline Business cases brought forward against at least 2 priority projects	Delivery of one strategic disposal/development	To be set 2022/23	Our Property Asset Investment Strategy will explore income generation from property, optimise capital receipts and promote economic growth across the county
Cost of occupancy of corporate buildings per sq. metre	(2% reduction on 2019/20 revised cost base)	2% reduction on 2020/21	1% reduction on 2021/22	5% reduction on 2022/23	The net occupancy cost per square metre of corporate buildings is reduced per annum. Thus reducing operating costs to the Council.-This will be done through work to update the corporate approach to new ways of working and utilising space in a more efficient manner.
Reduce the amount of CO2 arising from County Council operations	(13% reduction on 2019/20)	13% reduction on 2020/21	13% reduction on 2021/22	13% reduction on 2022/23	A reduction in the amount of CO2 arising from Council operations is recorded on an annual basis, thus reducing the cost of energy to the Council and shrinking the carbon footprint

State of the County data

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We review a wide range of data to help us understand the context for our plans and the impact we are having through our work and in partnership. We publish this data each year in State of the County - Focus on East Sussex, when we start the planning process that leads to this Council Plan. A selection of this data is listed below. Unless otherwise stated the data refers to 2019/20. Where possible official national statistics are used for comparison with the England average (figures in brackets).

DSEG	Percentage of working age residents (16-64 year olds) with a level 4 qualification or above (includes degrees, HNC, HND and others)	35.6% (40.0%) Calendar Year 2019	KVPS	Rate per 10,000 (aged 0 –17 population) of Looked After Children	56 (67)
DSEG	Percentage of working age residents (16-64 year olds) with no qualifications or qualified only to NVQ1	19.2% (17.6%) Calendar Year 2019	KVPS	Rate per 10,000 (aged 0-17 population) of children with a Child Protection Plan	50.4 (42.8)
DSEG	Annual gross full time earnings, median average (residence based)	£30,116 (£31,766)	KVPS	Percentage of children who ceased to be looked after adopted during the year ending 31 March	16% (12%)
DSEG	Percentage of working age population (16-64 year olds) in employment	80.1% (76.2%)	KVPS	Proportion of people who use Adult Social Care services who feel safe	70.9% (70.2%)
DSEG	People claiming unemployment related benefits (alternative claimant count), percentage of population 16-64 years old	3.0% (3.2%)	KVPS	Percentage of people (65 and over) who were still at home 91 days after discharge from hospital	92.8% (82.4%)
DSEG	New business registration rate per 10,000 people over 16	55.0 (76.9)	KVPS	Suicide rate per 100,000 of population three year average	13.5 (10.1) 2017-19
DSEG	New houses built, total completed / total affordable	1,852 / 468	HPHT	Percentage of children aged 4-5 years with excess weight (overweight or obese), by postcode of child	23.0% (23.0%)
DSEG	Percentage of children achieving a good level of development in all areas of learning ('expected' or 'exceeded' in the three prime areas of learning and within literacy and numeracy) in the Early Years Foundation Stage (EYFSP)	76.0% (71.8%)*	HPHT	Percentage of children aged 10-11 years with excess weight (overweight or obese) by postcode of child	32.0% (35.2%)
DSEG	Percentage of pupils reaching the expected standard at key stage 2 in reading, writing and mathematics	62% (65%)*	HPHT	Long-term support needs of younger adults (aged 18-64) met by admission to residential and nursing care homes, per 100,000 population per year	12.4 (14.6)
DSEG	Average Attainment 8 score per pupil state funded secondary schools	45.3 (46.8)*	HPHT	Long-term support needs of older adults (aged 65 and over) met by admission to residential and nursing care homes, per 100,000 population per year	485.5 (584.0)
DSEG	Average Progress 8 score for state funded secondary schools	-0.06 (-0.03)*	HPHT	Proportion of older people aged 65 and over who received reablement services following discharge from hospital	2.9% (2.8%)
DSEG	Percentage of pupils who achieved a 9-5 pass in English and maths GCSEs	41.7% (43.4%)*	HPHT	The outcome of short-term services: sequel to service: proportion of people who received short-term services during the year, where no further request was made for ongoing support or support of a lower level	93.3% (79.5%)
DSEG	Average Attainment 8 score per pupil for Looked After Children	14.9 (19.1)*	HPHT	Proportion of people who use Adult Social Care services who find it easy to find information about services	75.7% (68.4%)
DSEG	Average point score (APS) per entry for level 3 exams including A levels (16-18 year olds)	30.98 (32.23)*	HPHT	Social Isolation: percentage of Adult Social Care users who have as much social contact as they would like	52.4% (45.9%)
DSEG	Attainment of A level students (age 16-18) average point score (APS) per entry, best 3	30.00 (32.89)*	HPHT	Number of people killed or seriously injured on the roads	410 Calendar Year 2020
DSEG	Attainment of A level students (age 16-18) % achieving grades AAB or better at A level, of which at least two are in facilitating subjects	9.6% (14.1%)*			

*This data is for the academic year 2018/19 and has not been updated as exams were suspended in 2020

Figures in red to be updated when data available

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Progress with Council Plan & Budget 2020/21 since Quarter 2 (Q2)**1. Adult Social Care and Health**

1.1 Public Health COVID response: Significant pressures have arisen from new areas of work, including production and use of data, liaison with partners and public to minimise potential for transmission, advice and guidance provided by the clinical cell, testing facilities and the new test and trace service. The pressure of this new work continues to pose significant capacity issues in continuing with existing workloads.

1.2 Public Health Sexual Health services: Access has been greatly reduced across all Council and Clinical Commissioning Group (CCG) commissioned contraception and sexually transmitted infection (STI) services. This significant decrease in face to face access and activity has resulted in, and could continue to result in, a significant number of undiagnosed STIs and possibly HIV, and rising unintended pregnancy. We have procured, expanded and marketed online provision of STI testing, emergency hormonal contraception and bridging supplies of contraception to free up limited clinic space for those who need face to face services. A whole sexual health system activity dashboard has been developed to monitor the restrictions and recovery and enable reactive adaptation of services as required.

1.3 Public Health NHS Health Checks and Lifestyle services: Access to health services has been interrupted to varying degrees throughout the pandemic. Specialist providers have adapted service delivery, however, online service provision is not always possible and when it is possible it is not always welcomed by the public as an alternative.

1.4 Delayed Transfers of Care: Due to COVID-19 NHS England have paused the collection and publication of some official statistics, including Delayed Transfers of Care (DToC). Therefore, we will be unable to report on these measures for 2020/21. As a result, these measures have been deleted from the Portfolio Plan for 2021/22 and replaced with a new measure - Percentage of older people who are delayed from discharge when they are medically fit.

1.5 Percentage of Health and Social Care Connect (HSCC) referrals triaged and progressed to required services within required timescales: Activity is only available for April to August at this stage, during which time 86% of Health Hub Referrals were handled within the correct time scales across all priorities. This shortfall in performance is due to a staffing deficit of nurses within the Health Hub relating in part to the prioritisation of front line nursing provision across the system.

1.6 National outcome measure: Achieve independence for older people through rehabilitation/intermediate care. Target 90% or greater: Performance for April to August is 88.4%, it should also be noted that activity is showing a decrease, this is due to changes in activity and restrictions during lockdown and the ongoing context of COVID-19, as this measure relates to reablement both carried out in the person's own home and in community based reablement beds.

1.7 The proportion of people who received short-term services during the year, where no further request was made for ongoing support. Target: 90.5%: Performance for April to November is 87.7%, it should also be noted that activity is showing a decrease, this is due to changes in activity and restrictions during lockdown and ongoing context of COVID-19, as this measure relates to reablement both carried out in the person's own home and in community based reablement beds for existing clients. Performance against both this measure and the rehabilitation/intermediate care measure above is unlikely to improve as the scope for rehab has reduced as a result of COVID-19 due to redeploying rehab services to other areas and to support COVID-19 positive patients in the community.

1.8 Outcomes for people with mental health conditions arising from NHS mental healthcare: 50% of people completing treatment: Latest available performance against this measure of recovery following completed treatment fell short of its target rate in quarter 2 at 30.5.% due to the impact of COVID-19 on intensity of treatment interventions.

1.9 Number of carers supported through short-term crisis intervention. Target: 390: This target is related to the British Red Cross service, and is a volunteer delivered service one to one in people's homes. Many volunteers are aged over 70 or had to shield as well as carers of Clinically Extremely Vulnerable (CEV) people, therefore due to COVID-19 they have been unable to deliver business as usual. Between 1 April and 30 September, 55 carers were supported through short-term crisis intervention.

1.10 National outcome measures drawn from the Adult Social Care Survey: As a result of concerns raised by local authorities in relation to the practicalities of undertaking the Adult Social Care Survey (ASCS) during the pandemic, NHS Digital sent a letter to local authorities to announce that the ASCS for 2020-21 would now be voluntary, not mandatory as originally stated in September. There are a significant number of practical considerations in relation to the feasibility of undertaking the large-scale work required to carry out the ASCS. There are also specific concerns about the response rate we may receive, particularly from care home residents. Due to these issues, and the fact that we will have feedback through some other local mechanisms we, alongside the majority of other Local Authorities, will not be undertaking the voluntary ASCS for 2020-21.

As we will not be undertaking the voluntary ASCS for 2020/21, we will be unable to report on the following measures in the Portfolio Plan:

- Overall satisfaction of people who use services with their care and support
- The proportion of people who use services who have control over their daily life
- Self-reported experience of social care users quality of life
- Proportion of people who use services, who reported that they had as much social contact as they would like
- The proportion of clients who find it easy to find information about services
- The proportion of people who use services who say that those services have made them feel safe and secure (**Council Plan measure**)

2. Children's Services

2.1 Children subject to Child Protection (CP) plans: The numbers of children subject to a CP plan continued to rise from a rate of 55.3 per 10,000 (588 children) at the end of quarter 1, to a rate of 59.9 (637 children) at the end of quarter 2. This was above our target of 55.9 (596 children). This is in part due to CP plans not ceasing as it was difficult to end plans safely if children were not being seen regularly at school and some contact by social work staff was happening virtually. Targeted work, since schools returned in September has focused on a safe reduction in the number of plans now that more face to face visiting is taking place and more children are in school. As a result of this work the number of CP plans as at 14 December had reduced to a rate of 51.3 (545 children).

2.2 Looked after Children (LAC): There has been a small increase in the number of LAC from a rate of 56.4 per 10,000 (599 children) at the end of quarter 1 to a rate of 57.0 (606 children) at the end of quarter 2. This rate has continued to rise and is currently 57.7 (614 children), this is above our target rate of 56.5 per 10,000 (601 children). As reported at quarter 1, some families have felt unable to retain care of their challenging teenagers and we have seen higher numbers of children involved in criminal exploitation. Placements for challenging teenagers are usually within residential accommodation which is the most expensive option.

3. Communities, Economy and Transport

3.1 The East Sussex Economic Recovery Plan has been agreed and published; the dynamic plan is a collaboration of public and private partners through Team East Sussex.

3.2 £1.8m of funding for East Sussex has been secured through tranche 2 of the Emergency Active Travel fund. The money will be used to upgrade a series of footways/cycleways in the county, and introduce temporary measures at 10 schools to ensure the streets around the schools are safer, and encourage sustainable travel. Pilot schemes at the schools are scheduled to commence in January 2021.

3.3 The Council, working with Team East Sussex partners, has secured £11.2m in grant funding through the South East Local Enterprise Partnership's bid to the Government's new Getting Building Fund. East Sussex secured funding for eight projects that will create over 400 jobs, safeguard 183 jobs, provide 8,700sqm of new commercial and educational space, assist 345 learners, avoid 3.3m kg of CO2 emissions and unlock match funding of £8.4m. This will see investments in UTC Maritime & Sustainable Technology Hub (in Newhaven), Sussex Innovation Charleston Access Road (Lewes), Creative Hub Fisher street (Lewes), Restoring the Glory of the Winter Gardens (Eastbourne), Riding Sunbeams Solar Railways (Wealden), Fast Track Business Solutions for the Hastings Manufacturing Sector (Hastings) and the Observer Building (Hastings).

3.4 Road Safety: We have received positive results from a number of the behaviour change trials and also the speed management programme. These include the final results from the Notice of Intended Prosecution (NiP) Trial, which have shown that receiving the redesigned NiP and leaflet significantly reduced speeding reoffending by 23% within six months. This would translate to 560 fewer reoffences over the six months if everyone in the trial had received the new leaflet and NIP. The results of the Anniversary Trial have been analysed and showed that 8% of the participants were less likely to reoffend after engagement with the trial, which meant 80 fewer reoffences than business-as-usual. The results of one further trial is currently being analysed. Preliminary results from eight schemes that were part of the Speed Management Programme have indicated over a 50% reduction in the average number of crashes and over a 60% reduction in the average number of casualties per annum.

3.5 Trading Standards: A recently released national report by the Association of Chief Trading Standards Officers has shown that during 2019/20 the East Sussex Trading Standards team helped to prevent residents of East Sussex from losing an estimated quarter of a million pounds in a single year. It also highlighted that nearly 300 scams victims were helped, around 10,000 counterfeit products with a street value of £100,000 were removed from the market, £20,000 worth of tobacco was seized, and fraudulent traders were ordered to pay back £114,000 through the Proceeds of Crime Act.

4. Budget 2020/21

4.1 There is currently minimal expected change to the projected Q2 revenue budget forecast non-COVID service overspend of £2.2m and residual COVID-related pressure (after Government grants) of £3.3m. The general contingency of £3.9m will offset the deficit after applying underspends from Treasury Management, other centrally held budgets and Business Rates. Therefore there is currently an estimated break even position, subject to further Government announcements and final service review; any surplus or deficit will be managed through reserves.

5. Previously agreed investments

5.1 During the 2020/21 RPPR process, Cabinet and Scrutiny Committees considered potential areas for investment in November and December, based on projected funding announced in the Government's September 2019 Spending Round.

5.2 This included re-profiling of savings, a revenue contribution to capital and investment in revenue schemes; these schemes are intended to produce savings in the longer term for the Council, with the expectation that they are self-funding thereafter. A summary of the agreed revenue investment is shown below.

Table 1 – 2020/21 Allocations

	£m			
	2020/21	2021/22	2022/23	Total
Revenue schemes:				
ASC/CS - Accommodation and Floating Support	0.978	0.582	0.160	1.720
<i>Year 3 funded from savings</i>			(0.160)	(0.160)
CS - No Wrong Door	1.125	1.125	1.125	3.375
<i>Year 3 funded from savings</i>			(1.125)	(1.125)
CS - Family Group Conferencing expansion	0.350			0.350
Total revenue schemes	2.453	1.707	0.000	4.160

5.3 Progression of these schemes has been significantly delayed due to Covid and the proposed re-profiled spend is shown below. It is proposed that this is managed via reserves.

Table 2 – 2020/21 Allocations Re-Profiled

Description	Revised Profile £m				
	2020/21	2021/22	2022/23	2023/24	Total
Revenue schemes:					
ASC/CS - Accommodation and Floating Support	0.298	0.680	0.582	0.160	1.720
<i>Year 4 funded from savings</i>				(0.160)	(0.160)
CS - No Wrong Door	0.005	1.120	1.125	1.125	3.375
<i>Year 4 funded from savings</i>				(1.125)	(1.125)
CS - Family Group Conferencing expansion	0.030	0.320			0.350
Total revenue schemes	0.333	2.120	1.707	0.000	4.160

Appendix 3 – Medium Term Financial Plan

Medium Term Financial Plan	2020/21	2021/22	2022/23	2023/24
	Approved Budget	Estimate	Estimate	Estimate
	£million	£million	£million	£million
TAXATION & GOVERNMENT FUNDING		(403.437)	(416.745)	(420.930)
Business Rates (Inclusive of BR Pooling in 2020/21 & 2021/22)	(82.023)	0.501	0.227	(1.342)
Revenue Support Grant	(3.548)	(0.020)	1.027	1.202
Council Tax	(296.698)	(3.445)	(6.248)	(8.633)
Local Tax Income Guarantee for 2020/21, split over 3 years		(1.047)		
Local Council Tax Support Grant 2021/22		(2.621)	2.621	
Adult Social Care Precept	(5.771)	(4.486)	(4.655)	
New Homes Bonus	(0.767)	0.262	0.391	0.114
Social Care Grant	(14.630)	(2.452)	2.452	
TOTAL TAXATION & GOVERNMENT FUNDING	(403.437)	(416.745)	(420.930)	(429.589)
SERVICE PLAN				
Service Expenditure	359.787	365.210	381.374	389.256
Investment of unallocated funding – Revenue	2.453	(0.746)	(1.707)	
Inflation				
Pay Award 2020/21	3.415	0.074		
Contractual inflation (contract specific)	0.658	0.539	0.993	2.459
Normal inflation for contracts	9.182	6.763	7.874	7.253
Adult Social Care				
Growth & Demography	3.840	3.413	3.917	4.063
Future demand modelling net of attrition (Covid-related)		1.133	(0.365)	(0.132)
Pressures approved via protocol		(0.743)		
Winter Pressures	2.586	(2.586)		
Improved Better Care Fund	(21.137)			
Children's Services				
Dedicated Schools Grant	1.778		0.422	
Growth & Demography	1.555	1.070	2.635	0.993
Looked After Children	5.015	1.909		
Disabled Access Regulations for Buses/Coaches	0.012	0.043	0.098	
Home to School Transport		0.523		
Residential Homes - staffing	0.549			
Looked After Children Placements (Covid-related)		3.429	(0.795)	(0.789)
Pressures approved via protocol		0.184	(0.124)	(0.124)
Special Educational Needs and Disability (SEND) High Needs Block Additional funding	(1.276)	(0.814)	(2.138)	
Communities, Environment & Transport				
Waste Housing Growth	0.108	0.236	0.238	0.198
Street lighting Electricity/Re-payment of Investment	(0.195)	(0.655)		
Climate Change Officer	0.055			
Pressures approved via protocol		0.262	0.014	0.015

Medium Term Financial Plan	2020/21 Approved Budget £million	2021/22 Estimate £million	2022/23 Estimate £million	2023/24 Estimate £million
Business Services				
IT & Digital Licences	0.123	0.025		
IT & Digital Data Centre	0.093			
Apprenticeship Team	0.117			
Pressures approved via protocol		0.110	0.004	0.005
Governance Services				
Coroners - post mortems / pathology	0.033			
Additional resource to support Equalities and Diversity		0.060		
Additional capacity in Legal Services to support Children's Social Care		0.143		
Potential Investment Areas				
Voluntary Sector, Community Hubs, Shielded Group		0.880		
Support to economic development		0.100	0.025	(0.055)
Savings				
Savings 2020/21 - 2021/22	(4.227)	(2.953)		
Temporary mitigations to savings	0.686	(0.298)	(0.388)	(0.100)
Savings Slippage		4.063	(2.821)	(1.242)
NET SERVICE EXPENDITURE	365.210	381.374	389.256	401.800
Corporate Expenditure		38.227	35.371	38.745
Treasury Management	18.238	0.471	1.221	1.000
Funding Capital Programme - New Homes Bonus	0.767	(0.767)		
Investment of unallocated funding – Capital	1.242	(1.242)		
General Contingency	3.850	0.130	0.030	0.080
Contingency for Potential Pay Award		2.071	2.511	2.400
Contribution to balances and reserves	2.786	(2.138)		
Pensions	9.823	(1.400)	(0.400)	
Apprenticeship Levy	0.600			
Levies & Grants	0.921	0.019	0.012	0.012
TOTAL CORPORATE EXPENDITURE	38.227	35.371	38.745	42.237
TOTAL PLANNED EXPENDITURE	403.437	416.745	428.001	444.037
CUMULATIVE DEFICIT/(SURPLUS)	0.000	0.000	7.071	14.448
ANNUAL DEFICIT/(SURPLUS)	0.000	0.000	7.071	7.377

Budget Summary 2021/22

Revenue Budget 2021/22

Medium Term Financial Plan 2021/22 to 2023/24

Capital Programme to 2029/30

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Further information can also be obtained from our website:
eastsussex.gov.uk

or by writing to:
 Ian Gutsell
 Chief Finance Officer
 East Sussex County Council
 County Hall, St Anne's Crescent
 Lewes
 East Sussex BN7 1UE
 or by email to:
finance@eastsussex.gov.uk

Chief Finance Officer's Foreword

Introduction

This budget summary provides detail on the 2021/22 revenue budget and the Capital Programme to 2029/30. It gives analysis of expenditure by type and also by accountability, along with detail of our resources to finance that expenditure. The summary provides a useful source of information for Council officers, elected members and the public alike.

The 2021/22 Approved Budget

In 2021/22 the Council (including schools) will spend £868.4m to deliver services to the people of East Sussex, with a further £97.9m of investment in infrastructure and assets through its capital programme. The Council's stated priorities outcomes are:-

- Economic Growth;
- Helping people to help themselves;
- Keeping vulnerable people safe; and
- Making the best use of resources.

Revenue Budget

Making best use of our resources means achieving all stated outcomes within the context of increasing demand and diminishing resources available to the Council. In setting the revenue budget, new savings are not being sought; the previously agreed £3.5m will be delivered over the MTFP period with £0.9m being delivered in 2021/22. However the council still faces the ongoing challenges presented by Covid-19 and local government funding reviews and reform. Therefore, while for 2021/22 the budget is balanced, there remain significant uncertainties for future years; not least due to delays in the Comprehensive Spending Review, the Fair Funding Review and Business Rates Retention. At the same time, key services have been protected as far as possible from the effects of increased prices and demand through the Council's core offer.

With the exception of one off grants in support of Covid-19 pressures, Government grants amount to £327.3m; 38% of the total expenditure of the Council.

Council Tax finances 36% of the total expenditure of the Council. For 2021/22 the Council Tax will be increased by 3.49%. Band D Council Tax will therefore be £1,544.04 per annum; an increase of £52.02 on current year.

Capital Programme

The Capital Strategy to 2040/41 has provided the opportunity to review the programme, reset priorities and present a ten-year programme that commits to funding core basic need capital investment to maintain capital assets delivering core services to the residents of East Sussex.

The programme to 2029/30 is £586.0m gross, £527.2m net. The programme focusses on a strategy to deliver core need, in support of the delivery of priority outcomes, as efficiently as possible. Of this, an estimated 36% will be funded by Central Government grants.

Climate Change

An evidence-based climate emergency plan is being developed to identify the measures required for the County Council to get to net zero emissions by 2050 or earlier. This will build on the measures taken to date, which have already reduced the corporate carbon footprint by 46% over the last ten years.

Performance measures and actions will be built into the Council Plan and agreed through the RPPR process in future years; updating our corporate priorities to reflect the priority to reduce emissions to net-zero.

Ian Gutsell
Chief Finance Officer
February 2021

Medium Term Financial Planning

£'m	2020/21 Budget	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
TAXATION & GOVERNMENT FUNDING		(403.437)	(416.745)	(420.930)
2021/22)	(82.023)	0.501	0.227	(1.342)
Revenue Support Grant	(3.548)	(0.020)	1.027	1.202
Council Tax	(296.698)	(3.445)	(6.248)	(8.633)
Local Tax Income Guarantee for 2020/21 - split over 3 years		(1.047)		
Local Council Tax Support Grant 2021/22		(2.621)	2.621	
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TOTAL TAXATION & GOVERNMENT FUNDING	(403.437)	(416.745)	(420.930)	(429.589)
SERVICE PLAN				
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Investment of unallocated funding – Revenue	2.453	(0.746)	(1.707)	
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Pay Award 2020/21	3.415	0.074		
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Normal inflation for contracts	9.182	6.763	7.874	7.253
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Growth & Demography	3.840	3.413	3.917	4.063
Future demand modelling net of attrition (Covid-related)		1.133	(0.365)	(0.132)
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Winter Pressures	2.586	(2.586)		
Improved Better Care Fund	(21.137)			
Children's Services				
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Residential Homes - staffing	0.549			
Looked After Children Placements (Covid-related)		3.429	(0.795)	(0.789)
Pressures approved via protocol		0.184	(0.124)	(0.124)
SEND High Needs Block Additional funding	(1.276)	(0.814)	(2.138)	

Medium Term Financial Planning

£'m	2020/21 Budget	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Communities, Environment & Transport				
Waste Housing Growth	0.108	0.236	0.238	0.198
Street lighting Electricity/Re-payment of Investment	(0.195)	(0.655)		
Climate Change Officer	0.055			
Pressures approved via protocol		0.262	0.014	0.015
Business Services				
IT & Digital	0.216	0.025		
Apprenticeship Team	0.117			
Pressures approved via protocol		0.110	0.004	0.005
Governance Services				
Coroners - post mortems / pathology	0.033			
Additional resource to support Equalities and Diversity		0.060		
Additional capacity in Legal Services to support Children's Social Care		0.143		
Potential Investment Areas				
Voluntary Sector, Community Hubs, Shielded Group		0.880		
Support to economic development		0.100	0.025	(0.055)
Savings				
Savings 2020/21-2021/22	(4.227)	(2.953)		
Temporary mitigations to savings	0.686	(0.298)	(0.388)	(0.100)
Savings Slippage		4.063	(2.821)	(1.242)
Net Service Expenditure	365.210	381.374	389.256	401.800
Corporate Expenditure		38.227	35.371	38.745
Treasury Management	18.238	0.471	1.221	1.000
Funding Capital Programme - New Homes Bonus	0.767	(0.767)		
Investment of unallocated funding – Capital	1.242	(1.242)		
General Contingency	3.850	0.130	0.030	0.080
Contingency for Potential Pay Award		2.071	2.511	2.400
Contribution to balances and reserves	2.786	(2.138)		
Pensions	9.823	(1.400)	(0.400)	
Apprenticeship Levy	0.600			
Levies & Grants	0.921	0.019	0.012	0.012
TOTAL CORPORATE EXPENDITURE	38.227	35.371	38.745	42.237
TOTAL PLANNED EXPENDITURE	403.437	416.745	428.001	444.037
CUMULATIVE DEFICIT/(SURPLUS)	0.000	0.000	7.071	14.448
ANNUAL DEFICIT/(SURPLUS)	0.000	0.000	7.071	7.377

Resources - funding / core spending power

Settlement Funding Assessment 2021/22

For only the second time since the introduction of current formula, Government funding to local authority services has increased. However 2021/22 sees a very limited increase being provided only on the Revenue Support Grant.

Settlement Funding Assessment (SFA):

Funding	2020/21	2021/22	1 year change	1 year change
	£'000	£'000	£'000	%
Business Rates Retention	12,291	12,291	0	0.00%
Business Rates Top-up	62,773	62,773	0	0.00%
Total Business Rates	75,064	75,064	0	0.00%
Revenue Support Grant (RSG)	3,548	3,568	20	0.56%
Total - ESCC	78,612	78,632	20	0.03%

The SFA represents the general funding level provided by Government to local authorities. For 2021/22, the increase in SFA is £0.020m or 0.03%. This represents a Consumer Price Index (CPI) increase to the Revenue Support Grant. The increase is small in comparison to the decreases the Council has experienced in SFA, 2019/20 was the final year of the four year offer, in those four years the SFA decreased £59.653m or (43.5)%

Business rates retention is based on the Government's national assessment of business rate yield. The Council's budget for business rates retention reflects its 9% share of locally collected business rates from information provided by the District and Borough Councils.

Resources - funding / core spending power

Core Spending Power

Core Spending Power represents the Government's assessment of the funding they provide to us. It includes their assumptions on growth and inflation. The calculation is designed to give their view as to how local authority spending is changing overall.

The table below details changes to the County Council's Spending Power for 2015/16 to 2021/22; 2021/22 reflecting a one-year settlement only.

Core Spending Power	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	6 Year Change £'000	%
Business Rates retention	11,302	11,396	11,462	11,855	34,939	12,291	12,291	989	8.8%
Business Rates Top-Up	56,828	57,302	58,638	60,351	42,413	62,773	62,773	5,945	10.5%
Revenue Support Grant	68,875	45,107	26,727	14,966		3,548	3,568	-65,307	-94.8%
Settlement Funding Assessment	137,005	113,805	96,827	87,172	77,352	78,612	78,632	-58,373	-42.6%
Compensation for business rates capping	994	994	1,053	1,655	2,407	3,009	3,911	2,917	293.6%
Council Tax	227,221	242,632	257,380	276,720	289,773	300,874	319,071	91,851	40.4%
Improved Better Care Fund			11,313	15,157	18,551	21,136	21,136	21,136	
New Homes Bonus	2,275	2,720	2,078	1,231	886	761	505	-1,770	-77.8%
New Homes Bonus returned funding	222	159	168				0	-222	-100.0%
Transition Grant		2,704	2,696					0	
Adult Social Care Support Grant			2,597	1,616				0	
Winter pressures Grant ¹				2,586	2,586			0	
Social Care Support Grant ²					4,417			0	
Social Care Grant						14,631	17,083	17,083	
ESCC Core Spending Power	367,716	363,012	374,113	386,136	395,972	419,023	440,338	72,622	19.7%

¹ For 2020-21, Winter Pressures Grant allocations were rolled into the Improved Better Care Fund, and no longer ringfenced for alleviating winter

² For 2020-21, Social Care Support Grant allocations were rolled into the Social Care Grant.

For the Council, last years Spending Power calculation showed that spending would increase by £54.2m or 14.7% in the 5 years since 2015/16. This year's calculation suggests a 6 year increase in Spending Power of £72.6m or 19.7%. The increase is due to the Government's assumption that councils will take up the allowance to increase Council Tax by 5.99% in 2021/22, which includes an adult social care precept at 3%, there is also additional social care funding of £2.5m.

The Government revises this measure each year, the combination of additional inclusions and changes to Core Spending Power mean the Government's presentation of Core Spending Power may lead to public confusion with regards to the County Council's financial position.

Resources - specific and special grant funding

Direct impact on County Council Services

	Rebased Budget 2020/21 £'000	Estimate 2021/22 £'000	Change £'000
Adult Social Care/Public Health			
Public Health Grant	27,702	26,971	(731)
Improved Better Care Fund incl. Winter Pressures	21,137	21,137	0
Local Reform and Community Voices Grant - War Pensions scheme disregard	248	218	(30)
Local Reform and Community Voices Grant	54	54	0
Former Independent Living Fund (ILF) Recipient Grant	956	956	0
	50,097	49,336	(761)
Children's Services			
Troubled Families Grant	2,348	1,746	(602)
Unaccompanied Asylum Seeking Children (UASC)	1,580	2,254	674
Extended Rights to Free Transportation	701	701	0
Staying Put	292	297	5
Youth Offending Team Grant - Core	420	420	0
Youth Offending Team Grant - Secure Remand	197	197	0
School Improvement grant	190	145	(45)
Hastings Opportunity Area Fund	176	577	401
Early Years Professional Development grant	111	111	0
DfE 18+ Care Leavers Service	81	81	0
KS2 moderation and phonics	25	25	0
	6,121	6,554	433
Communities Economy and Transport			
PFI Grant - Waste	2,996	2,996	0
Transport of the South East	1,225	1,000	(225)
Bus Service Operators Grant	426	426	0
DEFRA - Area of Outstanding Natural Beauty High Weald	294	281	(13)
Bikeability Grant for Local Highway Authorities	118	118	0
Lead Local Flood Authority Grant	48	48	0
Arts Council	2	2	0
DEFRA - Countryside Stewardship	0	24	24
DfT Transport Services	17	17	0
	5,126	4,912	(214)
Business Services			
PFI Grant - Peacehaven Schools	1,759	1,759	0
Local Reform and Community Voices Grant (moved from Governance)	307	307	0
	2,066	2,066	0
Centrally Held items			
Inshore Fisheries Conservation Authorities Grant	58	58	0
MHCLG New Burdens grant	12	12	0
	70	70	0
Total Direct Impact	63,480	62,938	(542)

Indirect impact - where the Council acts as "agent" to transfer funds

	Rebased Budget 2020/21 £'000	Estimate 2021/22 £'000
Children's Services		
Dedicated Schools Grant	228,797	235,901
Pupil Premium Grant	8,847	8,931
Teachers Pension Grant	3,611	3,611
Universal Infant Free School Meals	3,362	3,362
PE and Sport Grant	2,073	2,073
Teachers Pay Grant	1,861	1,861
Higher Education Funding Council grant	755	715
	249,306	256,454

Communities Economy and Transport

Skills Funding Agency	564	564
Community Learning	202	202
Adult Social Care/Public Health		
Disabled Facilities Grant (passported to Districts & Boroughs)	7,160	7,160

Total Indirect Impact	257,232	264,380

Grant Funding Summary

Government Specific and Special Grants		
Total Direct Impact	63,480	62,938
Total Indirect Impact	257,232	264,380
	320,712	327,318
Grants from other agencies		
-	0	0
	0	0
Total	320,712	327,318

Summary by department

Adult Social Care/Public Health	57,257	56,496
Children's Services	255,427	263,008
Communities Economy and Transport	5,892	5,678
Governance Services	0	0
Business Services	2,066	2,066
	320,642	327,248
Corporate items	70	70
	320,712	327,318
Grants from other agencies	0	0
Total	320,712	327,318

(please note, at this stage not all grants are confirmed)

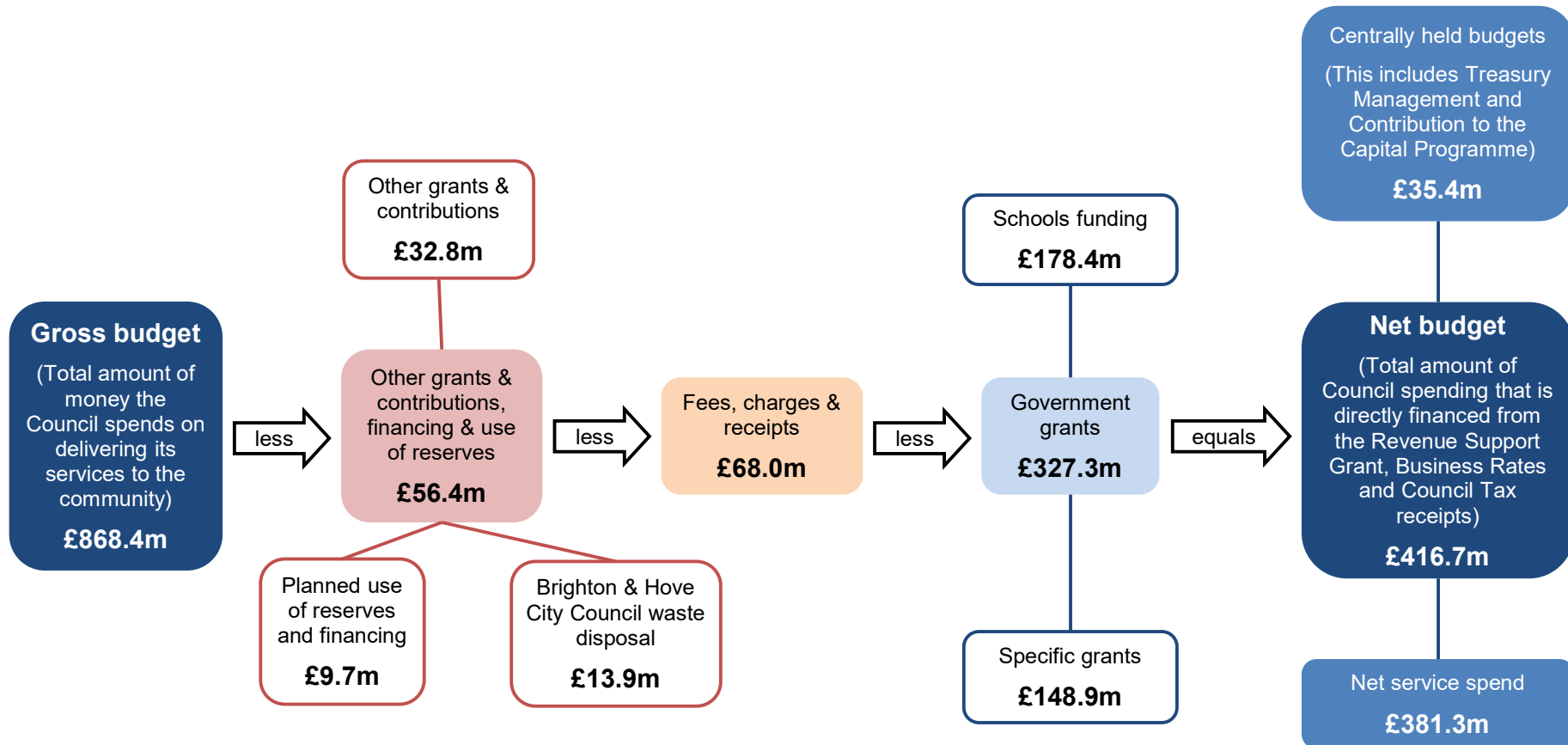
Covid-19 Grants

Information to follow

Revenue Budget Summary 2021/22

ESCC Budget	2020/21 Budget £000	2021/22 Budget £000	Change £000	%
Gross Expenditure	831,228	868,433	37,205	4.48%
Less:				
Fees, Charges & Receipts	(64,917)	(68,013)	(3,096)	
Specific Government Grants	(318,629)	(327,318)	(8,689)	
Financing and Planned use of reserves	(7,264)	(9,682)	(2,418)	
Other grants and contributions	(36,981)	(46,675)	(9,694)	
Net Expenditure	403,437	416,745	13,308	3.30%
Made up of:-				
Net Service Expenditure	365,210	381,374	16,164	
Treasury Management	18,238	18,709		
Funding Capital Programme - New Homes Bonus	767			
Investment of unallocated funding – Capital	1,242			
General Contingency	3,850	3,980		
Contingency for Potential Pay Award		2,071		
Contribution to balances and reserves	2,786	648		
Pensions	9,823	8,423		
Apprenticeship Levy	600	600		
Levies and Grants	921	940		
Net corporate expenditure	38,227	35,371	(2,856)	-7.47%
Net Budget	403,437	416,745	13,308	3.30%
Funded by:-				
Business Rates & S31 Grants	(81,909)	(81,522)		
Revenue Support Grant	(3,548)	(3,568)		
Local Tax Income Guarantee for 2020/21 - split over 3 years		(1,047)		
Local Council Tax Support Grant 2021/22		(2,621)		
New Homes Bonus	(767)	(505)		
Social Care Grant	(14,630)	(17,082)		
Collection Fund adjustment	(830)	(45)		
Collection Fund Council Tax (Surplus)/ Deficit	(879)			
Funding Other Than Council Tax	(102,563)	(106,390)	(3,827)	3.73%
Council Tax Requirement	300,874	310,355		
Taxbase: Number of "Band D" equivalent dwellings	201,656	201,002		
Band D Council Tax	£1,492.02	£1,544.04		3.49%

Revenue Budget Summary 2021/22 - gross budget to net budget



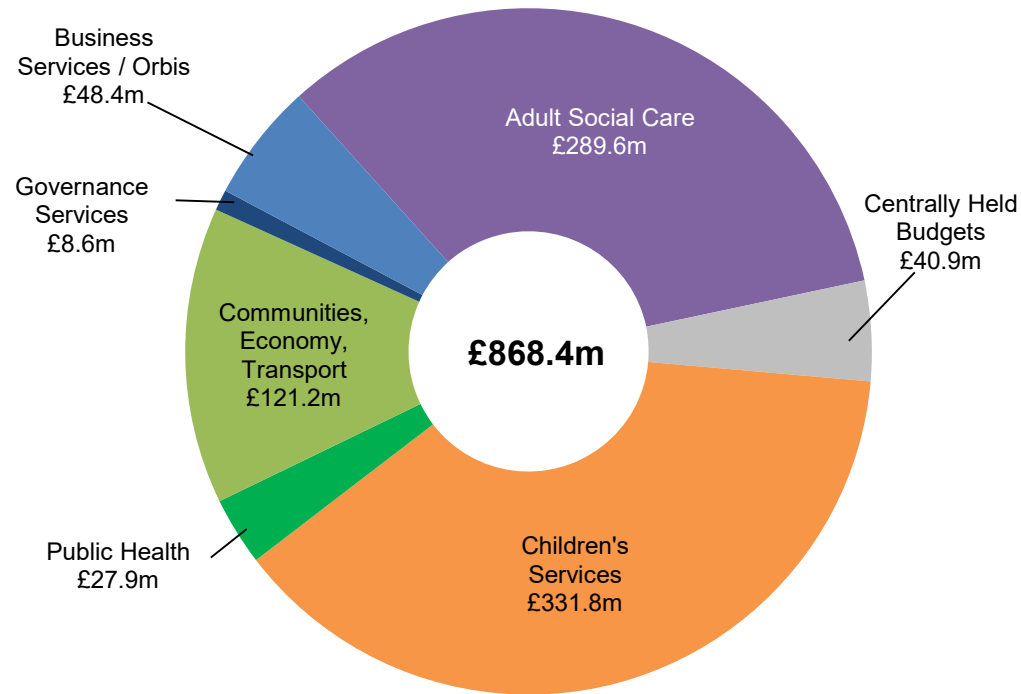
Revenue Budget Summary - departmental budget movements 2017/18 to 2020/21

	2017/18 Rebased Budget £'000	Net Movt %	2018/19 Rebased Budget £'000	Net Movt %	2019/20 Rebased Budget £'000	Net Movt %	2020/21 Rebased Budget £'000	Net Movt 17/18 to 20/21 %
Adult Social Care	168,608	-1.90%	165,407	3.66%	171,456	7.37%	184,093	9.18%
Public Health	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Business Services / Orbis	21,282	4.64% ¹	22,270	4.30%	23,227	3.48%	24,036	12.94%
Children's Services (excl. schools)	68,562	0.14%	68,655	12.61%	77,314	14.90%	88,838	29.57%
Communities, Economy & Transport	63,384	-1.86%	62,206	-0.93%	61,626	-0.48%	61,330	-3.24%
Governance Services	7,280	-1.21%	7,192	2.42%	7,366	-5.15%	6,987	-4.02%
Total Departments	329,116	-1.03%	325,730	4.68%	340,989	7.12%	365,284	10.99%

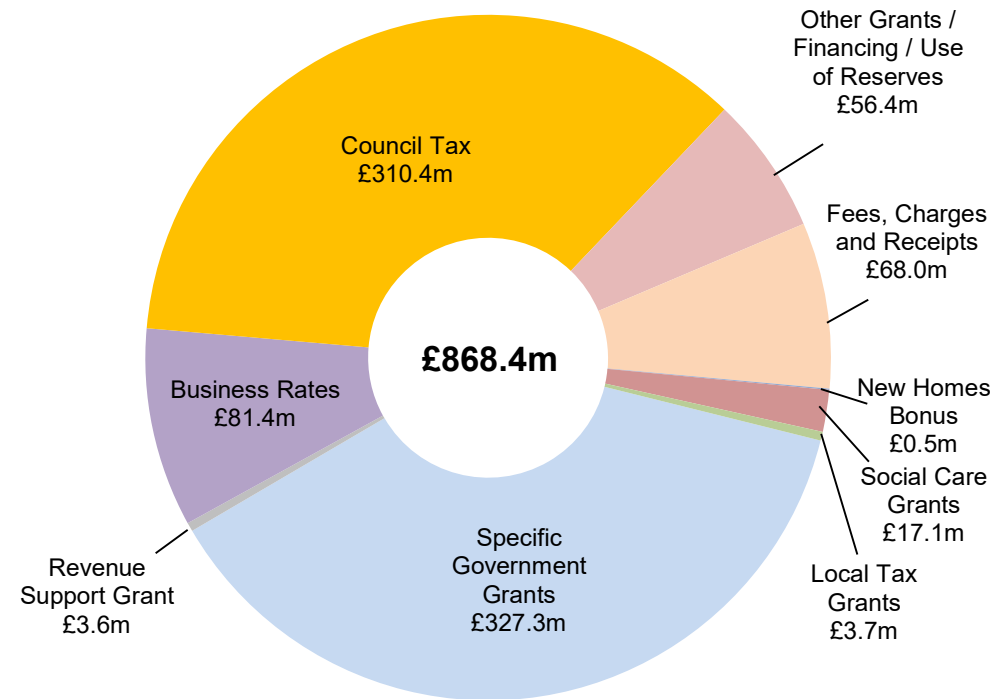
¹ Net increase includes centralisation of printing and franking budgets totalling £1.2m

Revenue Budget Summary 2021/22 - gross revenue budget

How we will spend your money (gross)

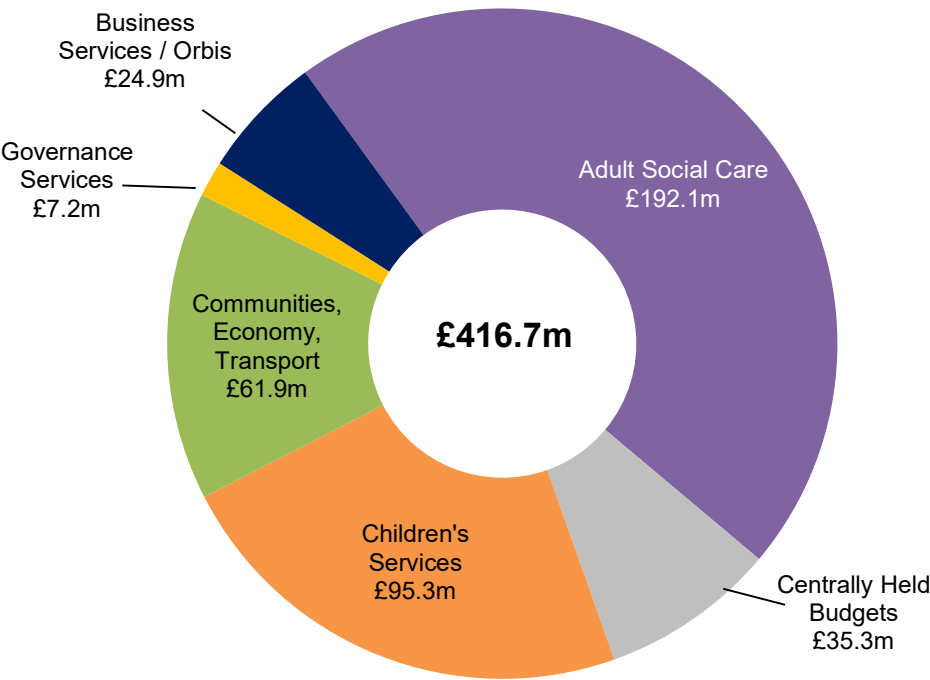


Where the money comes from (gross)

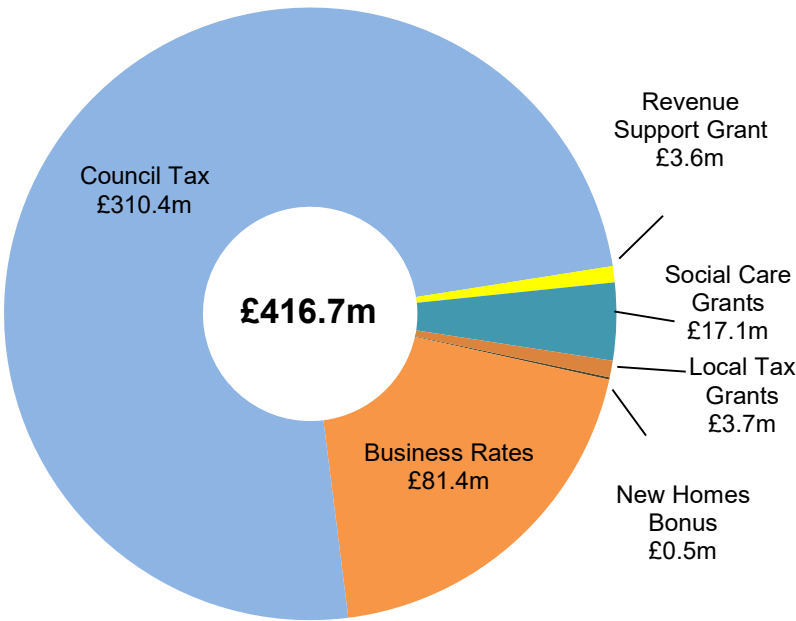


Revenue Budget Summary 2021/22 - net revenue budget

How we will spend your money (net)



Where the money comes from (net)



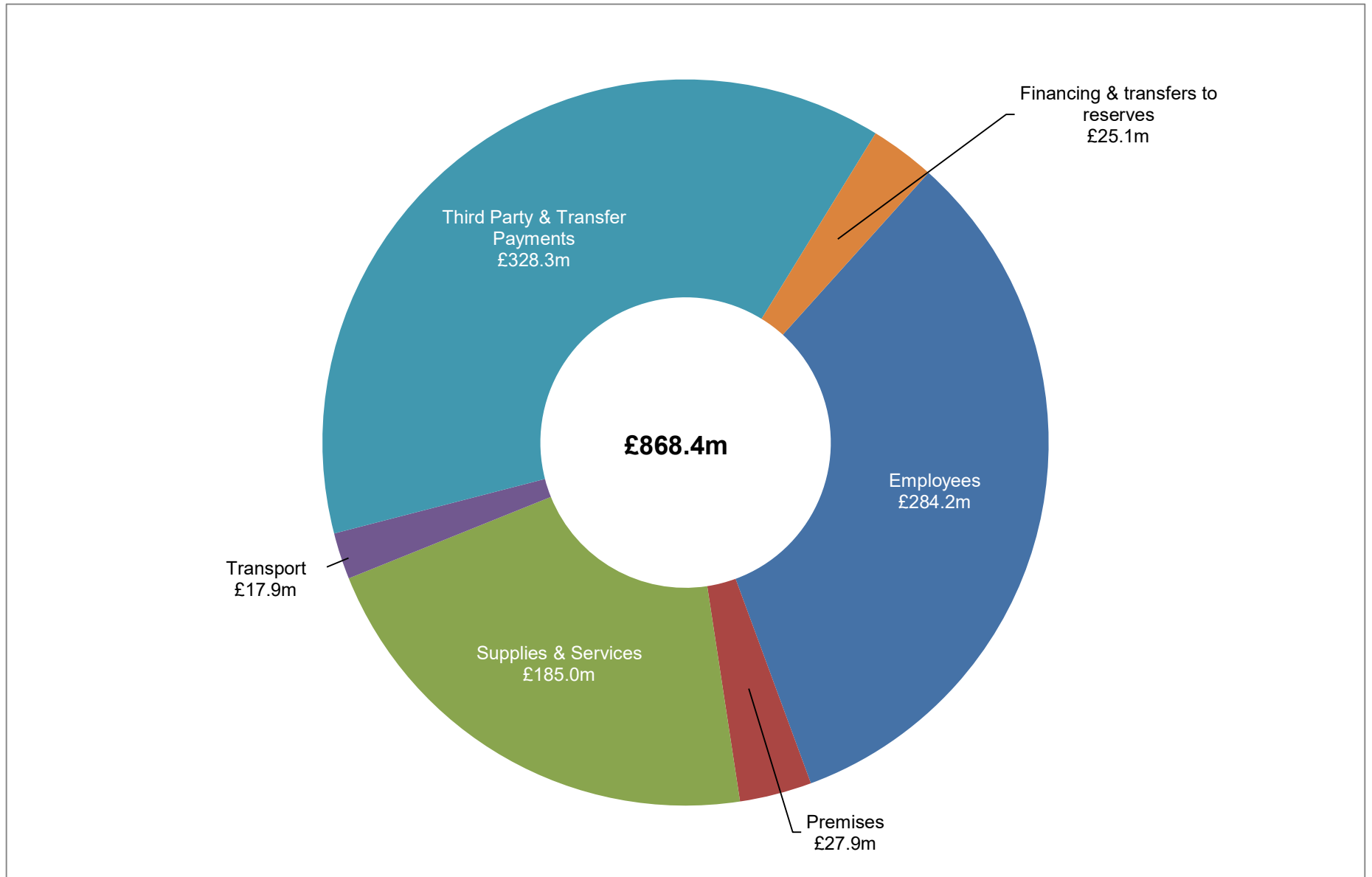
Revenue Budget Summary 2021/22 - budget changes 2020/21 to 2021/22

	2020/21 Rebased Net Budget	Additions	Reductions	2021/22 Net Budget	Change	
	£'000	£'000	£'000	£'000	£'000	%
Adult Social Care	184,093	8,006	(18)	192,081	7,988	4.34%
Public Health	-	-	-	-	-	0.00%
Business Services / Orbis	24,036	966	(136)	24,866	830	3.45%
Children's Services (inc. schools)	88,838	6,595	(157)	95,276	6,438	7.25%
Communities, Economy & Transport	61,330	1,206	(594)	61,942	612	1.00%
Governance Services	6,987	222	-	7,209	222	3.18%
Total Departments	365,284	16,996	(905)	381,374	16,091	4.40%
Centrally held budgets	38,227	3,191	(6,047)	35,371	(2,856)	-7.47%
Total	403,511	20,187	(6,952)	416,745	13,235	3.28%

Revenue Budget Summary 2021/22 - subjective analysis

Department	Employees	Premises	Transport	Supplies & Services	Transfers & Third Party Payments	Financing & Transfers to Reserves	Total Expenditure	Government Grants	Other Grants & Contributions	Fees, Charges & Receipts	Financing & Planned Use of Reserves	Total Income	Internal Recharges (exp & inc)	Net Service Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adult Social Care	53,145	899	1,129	13,551	220,895	4	289,623	(29,525)	(31,979)	(36,382)	(400)	(98,286)	744	192,081
Public Health	2,047	-	16	112	25,727	-	27,902	(26,971)	-	-	(1,248)	(28,219)	317	-
Business Services / Orbis	2,813	11,193	115	31,803	2,474	11	48,409	(2,501)	(3,062)	(9,042)	(359)	(14,964)	(8,579)	24,866
Children's Services	193,512	11,306	1,623	48,218	76,972	203	331,834	(262,521)	8,498	(5,465)	(370)	(259,858)	23,300	95,276
Communities Economy & Transport	16,637	4,146	14,991	82,463	543	2,420	121,200	(5,677)	(19,925)	(16,868)	(1,040)	(43,510)	(15,748)	61,942
Governance Services	5,378	317	58	1,998	808	-	8,559	(53)	(207)	(256)	(800)	(1,316)	(34)	7,209
Services	273,532	27,861	17,932	178,145	327,419	2,638	827,527	(327,248)	(46,675)	(68,013)	(4,217)	(446,153)	-	381,374
Centrally held budgets	10,693	-	-	6,809	900	22,504	40,906	(70)	-	-	(5,465)	(5,535)	-	35,371
Total	284,225	27,861	17,932	184,954	328,319	25,142	868,433	(327,318)	(46,675)	(68,013)	(9,682)	(451,688)	-	416,745

Revenue Budget Summary 2021/22 - subjective analysis



Revenue Budgets - Adult Social Care

2020/21		2021/22													
Rebased Net Budget		Employees	Premises	Transport	Supplies and Services	Third Party & Transfer Payments	Financing and Transfer to Reserves	Total Expenditure	Government Grants	Other Grants and Contributions	Fees, Charges & Receipts	Financing and Planned Use of Reserves	Total Income	Internal Recharges (exp & inc)	Net Service Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Physical Support, Sensory Support and Support for Memory & Cognition															
50,864	Residential & Nursing	3,910	209	86	373.00	74,464	-	79,042	-	(3,140)	(18,479)	-	(21,619)	126	57,549
6,334	Supported & Other Accommodation	-	-	-	-	6,537	-	6,537	-	-	-	-	-	-	6,537
27,306	Home Care	6,017	-	344	93.00	22,462	-	28,916	-	(810)	-	-	(810)	3	28,109
1,550	Day Care	208	97	-	29.00	1,485	-	1,819	-	-	(429)	-	(429)	149	1,539
17,716	Direct Payments	-	-	-	-	18,386	-	18,386	-	-	-	-	-	-	18,386
(6,624)	Other Services	695	17	14	6,108.00	2,080	-	8,914	(2,018)	(13,534)	-	-	(15,552)	-	(6,638)
(9,824)	Fairer Charging *	-	-	-	-	-	-	-	-	-	(10,347)	-	(10,347)	-	(10,347)
-	Meals in the Community	-	-	-	-	-	-	-	-	-	-	-	-	-	-
87,322	Subtotal	10,830	323	444	6,603.00	125,414	-	143,614	(2,018)	(17,484)	(29,255)	-	(48,757)	278	95,135
Learning Disability Support															
38,785	Residential & Nursing	1,615	104	8	92.00	40,932	-	42,751	-	-	(3,318)	-	(3,318)	25	39,458
13,726	Supported & Other Accommodation	1,691	22	32	23.00	12,619	-	14,387	-	(21)	(137)	-	(158)	16	14,245
1,287	Home Care	-	-	-	-	1,367	-	1,367	-	-	-	-	-	-	1,367
3,761	Day Care	1,904	136	32	63.00	1,765	4	3,904	-	-	(389)	-	(389)	312	3,827
7,369	Direct Payments	-	-	-	-	7,641	-	7,641	-	-	-	-	-	-	7,641
2,211	Other Services	1,296	10	68	82.00	982	-	2,438	(153)	(5)	(98)	-	(256)	5	2,187
(1,352)	Fairer Charging *	-	-	-	-	-	-	-	-	-	(1,352)	-	(1,352)	-	(1,352)
65,787	Subtotal	6,506	272	140	260.00	65,306	4	72,488	(153)	(26)	(5,294)	-	(5,473)	358	67,373
Mental Health Support															
3,191	Residential & Nursing	-	-	-	-	3,902	-	3,902	-	-	(538)	-	(538)	-	3,364
2,596	Supported & Other Accommodation	-	-	-	-	2,702	-	2,702	-	-	-	-	-	-	2,702
395	Home Care	-	-	-	-	431	-	431	-	-	-	-	-	-	431
33	Day Care	36	3	1	15.00	35	-	90	-	(52)	(2)	-	(54)	-	36
1,018	Direct Payments	-	-	-	-	1,055	-	1,055	-	-	-	-	-	-	1,055
(695)	Other Services	-	-	-	-	3,005	-	3,005	(34)	(4,166)	-	-	(4,200)	-	(1,195)
(497)	Fairer Charging *	-	-	-	-	-	-	-	-	-	(497)	-	(497)	-	(497)

Revenue Budgets - Adult Social Care

2020/21	Rebased Net Budget	2021/22													
		Employees	Premises	Transport	Supplies and Services	Third Party & Transfer Payments	Financing and Transfer to Reserves	Total Expenditure	Government Grants	Other Grants and Contributions	Fees, Charges & Receipts	Financing and Planned Use of Reserves	Total Income	Internal Recharges (exp & inc)	Net Service Expenditure
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
6,041	Subtotal	36	3	1	15.00	11,130	-	11,185	(34)	(4,218)	(1,037)	-	(5,289)	-	5,896
	Substance Misuse Support														
476	Other Services (including residential)	-	-	-	-	476	-	476	-	-	-	-	-	-	476
476	Subtotal	-	-	-	-	476	-	476	-	-	-	-	-	-	476
	Other Adult Services														
434	Other Services	568	-	4	36.00	137	-	745	-	-	-	-	-	-	745
434	Subtotal	568	-	4	36.00	137	-	745	-	-	-	-	-	-	745
2,498	Equipment & Assistive Technology	-	-	-	3,316.00	2,283	-	5,599	-	(2,557)	(544)	-	(3,101)	-	2,498
6,520	Supporting People	560	13	-	4.00	5,857	-	6,434	-	(310)	-	-	(310)	-	6,124
459	Safer Communities	457	-	3	-	425	-	885	-	(25)	-	(400)	(425)	-	460
22,969	Assessment & Care Management	25,522	79	391	1,115.00	877	-	27,984	(54)	(3,191)	(132)	-	(3,377)	15	24,622
694	Carers	1,271	-	88	390.00	1,490	-	3,239	-	(2,545)	-	-	(2,545)	-	694
(9,107)	Management & Support	7,395	209	58	1,812.00	7,500	-	16,974	-	(1,623)	(120)	-	(1,743)	93	15,324
-	Improved Better Care Fund and Disabled Facilities Grant	-	-	-	-	-	-	-	(27,266)	-	-	-	(27,266)	-	(27,266)
184,093	Total	53,145	899	1,129	13,551	220,895	4	289,623	(29,525)	(31,979)	(36,382)	(400)	(98,286)	744	192,081

* Fairer Charging is income from clients for non residential/nursing services. This represents contributions towards packages of care that may include a combination of Supported Accommodation, Home Care, Day Care, Direct Payments or Other Services.

Main changes between years	£'000
Rebased Net Budget 2020/21	184,093
Growth / Pressures	1,702
Inflation	6,304
Savings	-
Pay award	-
Tfrs between depts	(18)
Departmental Estimate 2021/22	192,081

Revenue Budgets - Public Health

2020/21 Rebased Net Budget	2021/22													
	Employees	Premises	Transport	Supplies & Services	Transfers & Third Party Payments	Financing & Transfers to Reserves	Total Expenditure	Government Grants	Other Grants & Contributions	Fees, Charges & Receipts	Financing & Planned Use of Reserves	Total Income	Internal Recharges (exp & inc)	Net Service Expenditure
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
10,429 Mental Health and Best Start	-	-	-	-	10,704	-	10,704	-	-	-	-	-	-	10,704
11,368 Risky Behaviours and Threats to Health	13	-	-	60	10,427	-	10,500	-	-	-	-	-	50	10,550
3,066 Health Systems	-	-	-	9	2,857	-	2,866	-	-	-	-	-	-	2,866
643 Communities	-	-	-	-	1,278	-	1,278	-	-	-	-	-	-	1,278
(25,506) Central Support	2,034	-	16	43	461	-	2,554	(26,971)	-	-	(1,248)	(28,219)	267	(25,398)
- Total	2,047	-	16	112	25,727	-	27,902	(26,971)	-	-	(1,248)	(28,219)	317	-

Main changes between years		£'000
Rebased Net Budget 2020/21		-
Growth / Pressures		-
Inflation		-
Savings		-
Pay Award		-
Tfrs between depts		-
Departmental Estimate 2021/22		-

Revenue Budgets - Business Services / Orbis

2020/21 Rebased Net Budget	2021/22													
	Employees	Premises	Transport	Supplies & Services	Transfers & Third Party Payments	Financing & Transfers to Reserves	Total Expenditure	Government Grants	Other Grants & Contributions	Fees, Charges & Receipts	Financing & Planned Use of Reserves	Total Income	Internal Recharges (exp & inc)	Net Service Expenditure
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
495 Finance	344	485	56	1,318	7	-	2,210	(230)	-	(5)	-	(235)	(1,007)	968
3,576 IT & Digital	(267)	39	1	6,513	-	-	6,286	(121)	(1,480)	(51)	(195)	(1,847)	(782)	3,657
- HR & Organisational Development	107	-	2	254	-	6	369	(61)	-	(302)	(6)	(369)	-	-
467 Procurement	72	-	1	39	904	-	1,016	(307)	(123)	-	(39)	(469)	(80)	467
7,841 Property	2,557	10,669	55	11,873	1,563	5	26,722	(1,782)	(1,459)	(8,684)	(119)	(12,044)	(6,710)	7,968
11,657 Contribution to Orbis Partnership	-	-	-	11,806	-	-	11,806	-	-	-	-	-	-	11,806
24,036 Total	2,813	11,193	115	31,803	2,474	11	48,409	(2,501)	(3,062)	(9,042)	(359)	(14,964)	(8,579)	24,866

Main changes between years		£000
Rebased Net Budget 2020/21		24,036
Growth / Pressures		726
Inflation		199
Savings		(136)
Pay Award		-
Tfrs between depts		41
Departmental Estimate 2021/22		24,866

Revenue Budgets - Children's Services

2020/21		2021/22													
Rebased Net Budget		Employees	Premises	Transport	Supplies & Services	Transfers & Third Party Payments	Financing & Transfers to Reserves	Total Expenditure	Government Grants	Other Grants & Contributions	Fees, Charges & Receipts	Financing & Planned Use of Reserves	Total Income	Internal Recharges (exp & inc)	Net Service Expenditure
£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Early Help & Social Care															
1,141	Policy Support & Commissioned Services	1,959	-	10	129	660	-	2,758	(1,746)	(77)	-	-	(1,823)	206	1,141
5,747	Early Help Keywork and Children's Centres	6,689	407	181	507	100	-	7,884	-	(2,072)	(55)	-	(2,127)	(96)	5,661
13,060	Locality Social Work & Family Assessment	8,663	-	221	386	3,764	-	13,034	-	(262)	-	-	(262)	25	12,797
31,745	Looked After Children	11,740	210	554	2,280	27,923	203	42,910	(1,961)	(246)	(3,785)	-	(5,992)	195	37,113
3,079	Other Children & Families	1,931	32	86	49	4,038	-	6,136	(2,254)	(398)	-	-	(2,652)	(195)	3,289
695	Youth Justice	1,179	28	31	29	326	-	1,593	(617)	(281)	-	-	(898)	-	695
55,467	Subtotal	32,161	677	1,083	3,380	36,811	203	74,315	(6,578)	(3,336)	(3,840)	-	(13,754)	135	60,696
Education & ISEND															
11,651	ISEND	17,593	95	275	5,460	38,220	-	61,643	(48,278)	(112)	(652)	-	(49,042)	(781)	11,820
2,775	Standards & Learning Effectiveness	3,780	-	105	24,859	529	-	29,273	(26,730)	(1,259)	(227)	(99)	(28,315)	1,816	2,774
281	Other Education	214	-	-	73	187	-	474	(192)	-	-	0	(192)	-	282
14,707	Subtotal	21,587	95	380	30,392	38,936	-	91,390	(75,200)	(1,371)	(879)	(99)	(77,549)	1,035	14,876
887	Adoption South East	1,257	-	36	243	-	-	1,536	-	(563)	-	-	(563)	2	975
-	Schools	132,018	10,508	59	12,605	1,110	-	156,300	(178,372)	14,023	-	(100)	(164,449)	8,149	-
Management & Support															
13,335	Admissions & Transport	436	-	7	263	1	-	707	(1,089)	-	(20)	(171)	(1,280)	14,886	14,313
3,094	Management & Support	4,508	26	25	1,223	114	-	5,896	(1,282)	(149)	(718)	-	(2,149)	(922)	2,825
1,348	Safeguarding	1,545	-	33	112	-	-	1,690	-	(106)	(8)	-	(114)	15	1,591
17,777	Subtotal	6,489	26	65	1,598	115	-	8,293	(2,371)	(255)	(746)	(171)	(3,543)	13,979	18,729
88,838	Total	193,512	11,306	1,623	48,218	76,972	203	331,834	(262,521)	8,498	(5,465)	(370)	(259,858)	23,300	95,276

Main changes between years		£'000
Rebased Net Budget 2020/21		88,838
Growth / Pressures		6,040
Inflation		555
Savings		(134)
Pay Award		-
Tfrs between depts		(23)
Departmental Estimate 2021/22		95,276

Revenue Budgets - Communities, Economy & Transport

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2020/21	2021/22														
Rebased Net Budget		Employees	Premises	Transport	Supplies and Services	Third Party & Transfer Payments	Financing and Transfer to Reserves	Total Expenditure	Government Grants	Other Grants and Contributions	Fees, Charges & Receipts	Financing and Planned Use of Reserves	Total Income	Internal Recharges (exp & inc)	Net Service Expenditure
£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Community Services															
(176) Registration		1,350	146	37	83	-	-	1,616	-	(4)	(1,966)	-	(1,970)	-	(354)
711 Road Safety		845	8	35	121	-	-	1,009	(118)	(95)	(72)	-	(285)	(14)	710
697 Trading Standards		1,151	-	3	114	-	-	1,268	-	(442)	(32)	(44)	(518)	4	754
77 Travellers Sites		208	72	5	15	-	-	300	-	(102)	(120)	-	(222)	-	78
228 Emergency Planning		362	-	3	11	-	-	376	-	(147)	(1)	-	(148)	-	228
1,537 Subtotal		3,916	226	83	344	-	-	4,569	(118)	(790)	(2,191)	(44)	(3,143)	(10)	1,416
Customer & Library Services															
4,083 Libraries		2,677	1,213	44	1,001	-	3	4,938	(202)	(107)	(264)	(99)	(672)	(423)	3,843
731 Archives & Record		571	605	4	736	-	-	1,916	-	(1,014)	(83)	(114)	(1,211)	185	890
226 Customer Care		218	-	1	15	-	-	234	-	-	-	(8)	(8)	-	226
5,040 Subtotal		3,466	1,818	49	1,752	-	3	7,088	(202)	(1,121)	(347)	(221)	(1,891)	(238)	4,959
Transport & Operational Services															
6,885 Passenger Services		-	-	-	10,260	-	-	10,260	(426)	(219)	(34)	(26)	(705)	(1,597)	7,958
- Home to School and ASC Transport		109	-	14,132	851	-	-	15,092	(17)	(10)	(62)	-	(89)	(15,003)	-
(265) Parking		754	-	3	3,234	143	920	5,054	-	(291)	(6,629)	(259)	(7,179)	1,862	(263)
28,785 Waste Disposal		369	394	13	48,057	181	-	49,014	(2,996)	(13,943)	(3,138)	-	(20,077)	2	28,939
680 Rights of Way/Countryside Management		672	125	34	364	3	-	1,198	-	(95)	(434)	-	(529)	12	681
386 Other Transport & Operational Services		805	6	592	180	-	47	1,630	-	-	(263)	(155)	(418)	(843)	369
36,471 Subtotal		2,709	525	14,774	62,946	327	967	82,248	(3,439)	(14,558)	(10,560)	(440)	(28,997)	(15,567)	37,684

Revenue Budgets - Communities, Economy & Transport

2020/21 Rebased Net Budget	2021/22														
	Employees	Premises	Transport	Supplies and Services	Third Party & Transfer Payments	Financin g and Transfer to Reserves	Total Expenditure	Government Grants	Other Grants and Contributio ns	Fees, Charges & Receipts	Financing and Planned Use of Reserves	Total Income	Internal Recharges (exp & inc)	Net Service Expenditure	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
	Highways														
1,938	Contract Management	887	-	9	506	-	-	1,402	-	-	-	(129)	(129)	10	1,283
10,967	Contract Costs (fixed and reactive)	-	1,369	-	12,061	-	-	13,430	-	(147)	(2,317)	-	(2,464)	-	10,966
402	Non Contract Works	-	58	-	383	168	-	609	-	(70)	-	-	(70)	-	539
13,307	Subtotal	887	1,427	9	12,950	168	-	15,441	-	(217)	(2,317)	(129)	(2,663)	10	12,788
	Planning & Environment														
266	Environment	357	70	4	73	-	-	504	-	-	(222)	(18)	(240)	-	264
625	Planning	1,307	-	26	285	-	-	1,618	(48)	(31)	(871)	(30)	(980)	12	650
-	- High Weald	377	23	7	357	-	-	764	(304)	(489)	-	(6)	(799)	35	-
891	Subtotal	2,041	93	37	715	-	-	2,886	(352)	(520)	(1,093)	(54)	(2,019)	47	914
1,181	Economic Development Skills and Growth	1,534	57	18	1,568	26	-	3,203	(566)	(888)	(360)	(152)	(1,966)	42	1,279
2,903	Management & Support	2,084	-	21	2,188	22	1,450	5,765	(1,000)	(1,831)	-	-	(2,831)	(32)	2,902
61,330	Total	16,637	4,146	14,991	82,463	543	2,420	121,200	(5,677)	(19,925)	(16,868)	(1,040)	(43,510)	(15,748)	61,942

Main changes between years		£'000
Rebased Net Budget 2020/21		61,330
Growth / Pressures		982
Inflation		224
Savings		(594)
Pay Award		-
Tfrs between depts		-
Departmental Estimate 2021/22		61,942

Revenue Budgets - Governance Services

2020/21		2021/22													
Rebased Net Budget		Employees	Premises	Transport	Supplies & Services	Transfers & Third Party Payments	Financing & Transfers to Reserves	Total Expenditure	Government Grants	Other Grants & Contributions	Fees, Charges & Receipts	Financing & Planned Use of Reserves	Total Income	Internal Recharges (exp & inc)	Net Service Expenditure
£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2,693	Corporate Governance	1,806	2	39	1,073	808	-	3,728	-	(120)	(3)	(800)	(923)	(32)	2,773
Corporate Support															
1,000	Communications	1,054	-	3	45	-	-	1,102	(53)	(47)	(1)	-	(101)	(2)	999
1,771	Legal	2,050	-	10	134	-	-	2,194	-	(29)	(252)	-	(281)	-	1,913
2,771	Subtotal	3,104	-	13	179	-	-	3,296	(53)	(76)	(253)	-	(382)	(2)	2,912
Community Services															
995	Coroners	275	315	4	412	-	-	1,006	-	(11)	-	-	(11)	-	995
-	- Third Sector	-	-	-	-	-	-	-	-	-	-	-	-	-	-
995	Subtotal	275	315	4	412	-	-	1,006	-	(11)	-	-	(11)	-	995
528	Senior Management & Organisational Development	193	-	2	334	-	-	529	-	-	-	-	-	-	529
6,987	Total	5,378	317	58	1,998	808	-	8,559	(53)	(207)	(256)	(800)	(1,316)	(34)	7,209

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Main changes between years	
	£'000
Rebased Net Budget 2020/21	6,987
Growth / Pressures	203
Inflation	19
Savings	-
Pay Award	-
Tfrs between depts	-
Departmental Estimate 2021/22	7,209

Capital programme to 2029/30

Introduction

The planned capital programme supports the Council's Capital Strategy to 2040/41. It comprises target led basic need investment that supports services in the delivery of priority outcomes to 2029/30. It includes providing for essential school places, investments in roads and transport infrastructure, enhancing the life of existing assets and ensuring they are fit for purpose, as well as support for strategic investment.

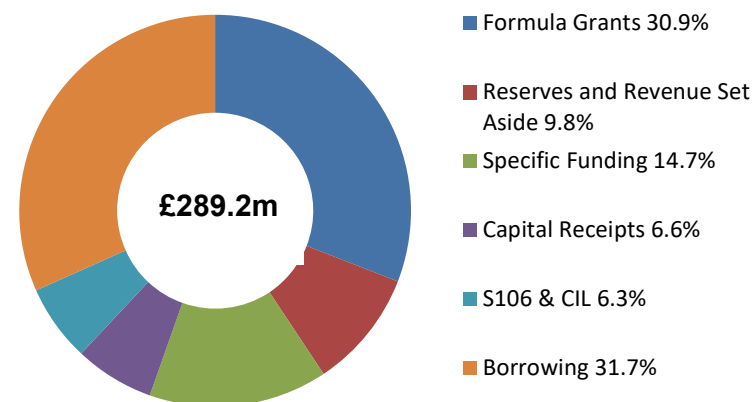
The proposed programme includes:

- Improvement to roads and transport infrastructure;
- Integrated transport schemes;
- Providing necessary school places and school access initiatives, safeguarding and temporary accommodation;
- Capital Building Improvements and energy saving measures;
- Supported accommodation and improvements;
- Essential Libraries work to keep libraries in their current condition and stop them from deteriorating;
- Support of Economic Growth and Strategic Infrastructure investment; and
- Investment in energy efficiency technologies.

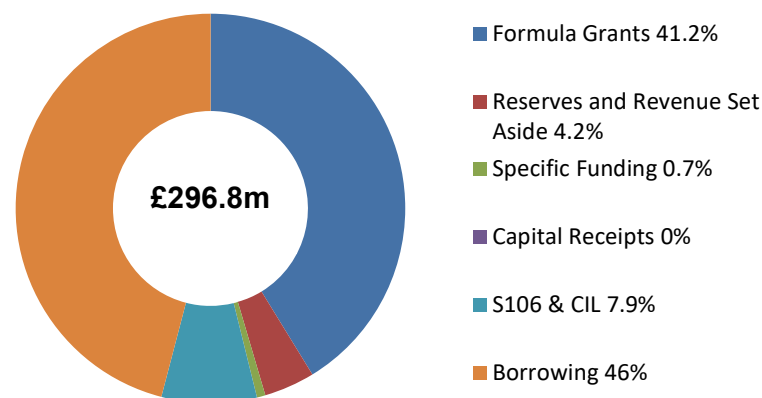
An estimated 36% (£211.7m) will be funded from Government grants, with 10% (£58.8m) funded from scheme-specific income, requiring the remainder (£315.5m) funded locally through borrowing, capital receipts and use of reserves set aside for a specific purpose.

Total Programme of £586.0m comprising:

MTFP Programme to 2023/24



Programme 2024/25 to 2029/30



Capital programme - current programme and resources

Capital Programme	2020/21	2021/22	2022/23	2023/24	2020-24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	Remaining
	MTFP Period				Programme Total							Budget Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adult Social Care	170	194	50	50	464							464
Business Services	30,508	39,215	29,606	26,413	125,742	23,287	24,269	18,199	23,299	16,262	23,525	254,583
Children's Services	924	810	779	50	2,563							2,563
Communities, Economy & Transport	47,133	51,866	35,146	26,309	160,454	26,841	27,146	27,283	28,015	29,262	29,367	328,368
Gross Expenditure by Department	78,735	92,085	65,581	52,822	289,223	50,128	51,415	45,482	51,314	45,524	52,892	585,978
Section 106 and CIL	(6,528)	(5,161)	(234)	(1,929)	(13,852)	(111)	(50)	(50)				(14,063)
Other Specific Funding	(16,203)	(19,272)	(6,825)	(350)	(42,650)	(350)	(350)	(350)	(350)	(350)	(350)	(44,750)
Net Expenditure	56,004	67,652	58,522	50,543	232,721	49,667	51,015	45,082	50,964	45,174	52,542	527,165
Current Funding Assumptions	2020/21	2021/22	2022/23	2023/24	2020-24	2024-30	Total					
	MTFP Period				Programme Total	Programme Total	Resource					
	£'000	£'000	£'000	£'000	£'000	£'000	£'000					
Capital Receipts	1,809	6,866	4,658	5,695	19,028		19,028					
Formula Grants	27,007	20,869	19,737	20,895	88,508	122,411	210,919					
New Homes Bonus	767	-	-	-	767		767					
Section 106 and CIL Target	-	1,551	1,368	1,587	4,506	23,236	27,742					
Recycled Loans	650	500	500	500	2,150	850	3,000					
Reserves and revenue set aside	5,269	5,346	7,726	7,844	26,185	11,661	37,846					
Borrowing	20,502	32,520	24,533	14,022	91,577	136,286	227,863					
	56,004	67,652	58,522	50,543	232,721	294,444	527,165					

Capital programme - Adult Social Care

Adult Social Care	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	Remaining Budget Total
	MTFP Period										
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Specific Projects:											
Greenacres	120	144									264
House Adaptations	50	50	50	50							200
Gross Expenditure	170	194	50	50	0	0	0	0	0	0	464
S106 & CIL											
Other Specific Funding	(120)	(144)									(264)
Net Expenditure	50	50	50	50	0	0	0	0	0	0	200

Capital programme - Business Services

Business Services	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	Remaining Budget Total
	MTFP Period										
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Target led basic need:											
Schools Basic Need (delivered on behalf of CSD)	14,082	15,905	7,386	6,275	12,025	12,025	6,275	3,400	1,900	9,600	88,873
Capital Building Improvements	7,340	9,624	10,064	7,982	7,982	7,982	7,982	7,982	7,982	7,982	82,902
IT & Digital Strategy Implementation	3,908	10,080	10,056	11,006	2,930	3,912	3,592	11,567	6,030	5,593	68,674
Specific Projects:											
Lansdowne Secure Unit Phase 2	2,278	124									2,402
Energy Efficiency - SALIX scheme	440	350	350	350	350	350	350	350	350	350	3,590
Special Educational Needs		800	1,600	800							3,200
Specialist Provision in Secondary Schools	1,666	1,178	150								2,994
Disability Children's Homes		242									242
Westfield Lane (delivered on behalf of CSD)	350	850									1,200
Property Agile Works	374										374
IT & Digital - Utilising Automation	70	62									132
Gross Expenditure	30,508	39,215	29,606	26,413	23,287	24,269	18,199	23,299	16,262	23,525	254,583
S106 & CIL	(5,738)	(4,522)	(185)	(1,819)							(12,264)
Other Specific Funding	(2,718)	(474)	(350)	(350)	(350)	(350)	(350)	(350)	(350)	(350)	(5,992)
Net Expenditure	22,052	34,219	29,071	24,244	22,937	23,919	17,849	22,949	15,912	23,175	236,327

Capital programme - Children's Services

Children's Services	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	Remaining Budget Total
	MTFP Period										
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Target led basic need:											
Schools Delegated Capital	791	760	729	0							2,280
Specific Projects:											
House Adaptations	50	50	50	50							200
Conquest Centre redevelopment	83										83
Gross Expenditure	924	810	779	50	0	0	0	0	0	0	2,563
S106 & CIL											
Other Specific Funding	(791)	(760)	(729)								(2,280)
Net Expenditure	133	50	50	50	0	0	0	0	0	0	283

Capital programme - Communities, Economy & Transport

Communities, Economy & Transport	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	Remaining Budget Total
	MTFP Period										
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Target led basic need:											
Bridge Assessment Strengthening	1,340	1,212	1,260	1,626	1,675	1,725	1,777	1,830	1,885	1,942	16,272
Highways Structural Maintenance	19,430	16,824	17,521	18,047	18,588	19,146	19,720	20,312	20,922	21,548	192,058
Highways Maintenance (eg Drop Kerbs and Patching)	1,000										1,000
Rights of Way Surface Repairs and Bridge Replacement Programme	496	615	615	465	475	484	494	504	514	524	5,186
Street Lighting and Traffic Signals (life expired)	2,653	3,351	1,545	1,592	1,639	1,688	1,739	1,791	1,845	1,885	19,728
Specific Projects:											
Broadband	4,279	3,276	3,277								10,832
Bexhill & Hastings Link Road (BHLR)	1,652	643	252								2,547
BHLR Complementary Measures	219										219
Community Match Fund	55	1,021	250								1,326
Economic Growth & Strategic Infrastructure Programme											
Economic Intervention Fund - Grants	392	518	382	385	388	435					2,500
Economic Intervention Fund - Loans	800	500	500	500	500	200					3,000
Stalled Sites	102	150	97	0							349
EDS Upgrading Empty Commercial Property		7									7
East Sussex Strategic Growth Package Enabling Fund											
Hailsham HWRS	97	53									150
Other Integrated Transport Schemes	1,381	4,542	2,969	3,069	3,019	3,019	3,019	3,019	3,019	3,019	30,075
The Keep	24	73	49	96	26	0	85	110	628		1,091
Library Refurbishment	670	262	619	449	449	449	449	449	449	449	4,694
Newhaven Port Access Road	3,486	738	20	20	21						4,285
Real Time Passenger Information	184	100	44	60	61						449

Capital programme - Communities, Economy & Transport

Communities, Economy & Transport	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	Remaining Budget Total
	MTFP Period										
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Parking Ticket Machine Renewal	138										138
Queensway Depot Development (Formerly Eastern)	300	853									1,153
Registration Ceremonies Website											
Terminus Road Improvements	200										200
Emergency Active Travel Fund - Tranche 1	535										535
Local Enterprise Funded Schemes											
Eastbourne Town Centre Phase 2	467	2,547									3,014
Bexhill Enterprise Park North	440	1,500									1,940
Exceat Bridge	734	917									1,651
Eastbourne/South Wealden Walking & Cycling Packag	531	1,000	1,953								3,484
Hailsham/Polegate/Eastbourne Movement & Access Corridor	335	1,074									1,409
Hastings & Bexhill Movement & Access Package	1,237	1,579	3,793								6,609
Queensway Gateway Road	504										504
Sidney Little Road Business Incubator Hub	73	362									435
Skills for Rural Businesses Post Brexit	1,062	1,627									2,689
Bexhill Creative Workspace	554	392									946
Eastbourne Fisherman's Quayside & Infrastructure Development Project	0	1,080									1,080
Getting Building Fund - Fast Track Business Solutions	250	3,250									3,500
Getting Building Fund - Observer Building	913	800									1,713
Getting Building Fund - Restoring Winter Gardens	600	1,000									1,600
Gross Expenditure	47,133	51,866	35,146	26,309	26,841	27,146	27,283	28,015	29,262	29,367	328,368
S106 & CIL	(790)	(639)	(49)	(110)	(111)	(50)	(50)				(1,799)
Other Specific Funding	(12,574)	(17,894)	(5,746)								(36,214)
Net Expenditure	33,769	33,333	29,351	26,199	26,730	27,096	27,233	28,015	29,262	29,367	290,355

Reserve Balances

	Anticipated Balance 1st Apr 2021 £'000	Net planned Movements 2021/22 £'000	Anticipated Balance 31st Mar 2022 £'000	Estimated Balance 31st Mar 2025 £'000
Held on behalf of others or statutorily ringfenced				
Balances held by Schools	15,041	0	15,041	15,041
Extended Schools	1,764	0	1,764	1,764
Schools Supply Teacher Insurance	475	0	475	0
Schools	17,280	0	17,280	16,805
Public Health	3,267	(1,248)	2,019	1,227
On Street Car Parking	2,082	452	2,534	3,755
EU Exit Funding	255	0	255	255
ACRES (Adult College of Rural East Sussex)	422	0	422	422
The Keep - Archive Service	517	(73)	444	299
High Weald	189	0	189	189
Sussex Air Quality Partnership	47	(8)	40	0
Lewes Athletics Track	4	0	4	4
Subtotal held on behalf of others or statutorily ringfenced	24,063	(876)	23,187	22,957
Service-Specific Reserves:				
Corporate Waste	16,113	0	15,613	4,985
Capital Programme	8,854	(1,670)	7,184	6,020
Insurance Risk	5,945	0	5,945	5,945
Total Named Service Reserves	30,912	(1,670)	28,742	16,950
Strategic Reserves:				
Priority Outcomes and Transformation reserve: to fund the transformation programme to change, protect and improve Council services	6,914	(845)	6,069	3,283
Financial Management reserve: to manage the potential financial consequences of risks recognised in the Council's risk management arrangements and the CFO's robustness statement, and to enable the effective management of the medium-term financial strategy and investment strategy	36,974	(5,097)	31,878	17,339
Total Strategic Reserves	43,888	(5,941)	37,947	20,622
General Fund	10,000	0	10,000	10,000
Total Reserves	108,863	(8,487)	99,876	70,529

This table provides a summary of planned movements in and out of the individual reserves over the financial year 2021/22.

Explanation of key terms

Balances

A working balance is needed so that payments can be made before income is received, and as a cushion against unexpected expenditure during the year.

Band D Property

Property band commonly used to specify the average council tax. The band includes property values between £68,001 and £88,000 (as at 1st April 1991).

Budget

An expression mainly in financial terms of the Council's policy for a specified period.

Business Rates

A charge on commercial and industrial buildings fixed by the Government and collected by District and Borough Councils. As of 2013/14 a proportion is retained and shared locally amongst authorities (including Fire & Rescue), rather than going to the Government for redistribution on a national basis. That part of business rates going to Government is redistributed as "Top-Up" grant, where local need is assessed as greater than the share of business rates retained locally. All County Councils are "Top-Up" authorities, receiving only a small share of business rates.

Depreciation

Amounts charged to services revenue for the use of assets/ infrastructure.

Capital Expenditure / Capital Programme

Expenditure on the acquisition of assets, or which adds to rather than maintains the value of existing assets. It is financed mainly from borrowing and charged to the revenue account over a number of years.

Capital Financing

Capital expenditure is financed by loans, Government grants, external contributions (e.g. developers' contributions to specific schemes) contribution from the revenue account, and proceeds from the sale of assets. The revenue budget bears the cost of direct revenue contributions, together with interest and the provision for repayments of these loans.

Capital Receipts

Income received from the sale of capital assets, together with specific contributions, including Government grants, towards capital expenditure.

Contingency

A sum set aside to meet future pay and price rises over and above provision made in departmental budgets.

Council Tax Requirement

This is an amount calculated, in advance of each year, by each billing authority (e.g. Lewes District Council) and by each major precepting authority, (e.g. East Sussex County Council). It is the amount of revenue to be met from Council Tax, and is equivalent to an authority's Band D Council Tax multiplied by its council tax base.

Dedicated Schools Grant (DSG)

A major ring-fenced government specific grant, introduced in 2006/07, which provides funding for schools and schools-related expenditure.

Earmarked Reserves

Reserves which are set aside for specific purposes.

Government Grants

Contributions by central Government towards either the revenue or capital cost of local authority services.

Levies

A contribution which the County Council is required to make towards the costs of Ashdown Forest Conservators, Environment Agency (for flood defence) and Sussex Inshore Fisheries and Conservation Authority.

Net Budget Requirement

The total expenditure (after deduction of income) that the Council can finance from the aggregation of Revenue Support Grant, Business Rates and Council Tax.

New Homes Bonus

A government grant which is aimed at encouraging local authorities to increase the number of homes in their area.

Precept

The income which the Council requires a District or Borough Council to raise on its behalf from Council Tax.

Provisions and Reserves

Provisions are made for liabilities and losses which are likely or certain to be incurred but the amount or dates on which they will arise cannot be determined accurately. Internal reserves are set aside to finance future expenditure for purposes falling outside the definition of provisions.

Revenue Expenditure

Expenditure that the Council incurs on the day-to-day costs of providing services including principally on pay, running costs of buildings, equipment, third party payments and capital financing costs.

Revenue Support Grant (RSG)

Additional funding received from central government, outside that received through the business rates retention scheme.

Slippage

Actual capital payments or income, spent or received in a year different to that planned in the capital programme.

Specific and Special Grants

Grants paid by central Government for specific services and allocated to local authorities according to specific policies criteria.

Supported Borrowing

The level of borrowing that the Government will support via grant towards interest and principal repayments.

Tax Base

All domestic properties are placed in one of eight valuation bands. The council tax base is calculated according to Government regulations to assess, by proportion, the equivalent number of Band D properties. The County's net expenditure is divided by this number to give the council tax levy.

Third Party Payments

Payments made to agencies and contracted service providers, e.g. payments to private sector nursing homes.

Transfer Payments

Money paid by a local authority to an individual specifically to enable them to pay someone else e.g. awards paid to students to enable them to pay fees.

East Sussex County Council - Savings 2021/22 to 2023/24

	2021/22 £'000	2022/23 £'000	2023/24 £'000	Total £'000
Communities, Economy & Transport	594	1,462	100	2,156
Children's Services	134	1,747	0	1,881
Business Services / Orbis	136	0	1,242	1,378
Total Departments	864	3,209	1,342	5,415

Children's Services

East Sussex County Council - Savings 2021/22 to 2023/24		Gross budget	Net budget	Savings				Protected characteristics								
		2018/19	2018/19	2021/22	2022/23	2023/24	Total	Age	Disability	Gender / Transgender	Ethnicity	Marriage / Civil Partnership	Pregnancy /Maternity	Religion / Belief	Sexual Orientation	No significant relevance
Activity	Savings Proposal and impact Assessment	£'000	£'000	£'000	£'000	£'000	£'000									
Children's Social Care																
Safeguarding Services	The ACT service, an assertive outreach service for young people aged 16-24 who are at risk of or being exploited criminally; the problem solving team which supports the Family Drug and Alcohol Court; and Video Interactive Guidance which helps parents who are already in difficulty learn how to respond better to their children will continue alongside existing activity levels for families who are going through court proceedings and the Foundations Project which works with families who have already had children removed from their care. The deferment of savings in 2020/21 and 2021/22 means the Family Group Conferences/family meetings, when children are subject to child protection plans, will continue and be expanded, subject to the budget being agreed. These services will be reduced if savings are made in later years.	44,026	38,105		854		854	-								
Early Help	Following Lead Member decisions and remodelling the Early Help Service, there will be a reduction in the family key work service, which has been deferred until 2021/22 and 2022/23. Savings will be generated in 2021/22 as a result of ceasing to run services from 10 children's centres and 2 nurseries.	9,592	5,652	134	893		1,027	-		-	-		-			
TOTAL Children's Services				134	1,747	0	1,881									

Business Services / Orbis

East Sussex County Council - Savings 2021/22 to 2023/24		Gross budget	Net budget	Savings				Protected characteristics									
		2018/19	2018/19	2021/22	2022/23	2023/24	Total	Age	Disability	Gender / Transgender	Ethnicity	Marriage / Civil Partnership	Pregnancy /Maternity	Religion / Belief	Sexual Orientation	No significant relevance	
Activity	Savings Proposal and impact Assessment	£'000	£'000	£'000	£'000	£'000	£'000										
Business Services: Orbis and Managed on Behalf of (MOBO) services: Finance, IT&D, Procurement, Property Services, HR and OD and Business Operations	The Advisory and Change areas of support are being analysed and presented to the 3 partner Councils to determine which elements need to form part of the Core Offer as they are essential in supporting the partners deliver their priorities, and which elements will no longer be provided. The aim would be to reduce spending as set out in this table although the details of how this might be achieved is still being developed.	47,534	22,270	136		1,242	1,378									y	
TOTAL Business Services / Orbis				136	0	1,242	1,378										

East Sussex County Council Council Tax Precepts for 2021/22 (Draft)

	£	£	£
Gross Expenditure		868,433,000	
Income		451,688,000	
Net Budget			416,745,000
Business Rates & S31 Grants	18,749,000		
Business Rates Top Up	62,773,000		
Revenue Support Grant	3,568,000		
Local Tax Income Guarantee for 2020/21	1,047,000		
Local Council Tax Support Grant	2,621,000		
New Homes Bonus	505,000		
Social Care Grant	17,082,000		
<i>Previous year's surpluses/(deficits)</i>			
Collection Fund Adjustment	-		
Council Tax Collection Fund	45,026		
		106,390,026	106,390,026
Council Tax Requirement			310,354,974
<i>Tax base (total equivalent Band D properties)</i>			201,001.9
Basic council tax			1,544.04
Therefore Council Tax per Category of Dwelling:-			
	<i>Proportion of Basic Council Tax</i>	<i>£</i>	
Band A	6/9	1,029.36	
Band B	7/9	1,200.92	
Band C	8/9	1,372.48	
Band D	9/9	1,544.04	
Band E	11/9	1,887.16	
Band F	13/9	2,230.28	
Band G	15/9	2,573.40	
Band H	18/9	3,088.08	
Precept to Each Billing Authority			
	<i>No of band D equivalent dwellings</i>	<i>£</i>	
Eastbourne	34,532.2	53,319,098	
Hastings	25,722.0	39,715,797	
Lewes	36,711.4	56,683,870	
Rother	37,606.7	58,066,249	
Wealden	66,429.6	102,569,960	
Total	201,001.9	310,354,974	

Schedule of Instalments for payment from Districts & Boroughs

14 April 2021
 21 May 2021
 29 June 2021
 04 August 2021
 10 September 2021
 15 October 2021
 23 November 2021
 04 January 2022
 08 February 2022
 16 March 2022

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Reserves and Budget Robustness Statement

1.0 Reserves

- 1.1 The Council's (ESCC) approach to the management and accounting for earmarked reserves is set out in the Reserve Strategy adopted by the Cabinet in June 2017. The Reserves have been reviewed using the principles set out in the Policy ensuring that they are reflective of the Council's strategic agenda and the current financial risks and issues the Council faces through the medium term.
- 1.2 It is crucial to bear in mind that the reserves are the only source of financing to which the Council has access to fund risks and one-off pressures over a number of years. If the Council minimises the level of reserves too significantly there is a risk that in future, the ability to properly manage unforeseen or one off costs will be significantly hampered. Reserves can only be spent once and the possibility of creating new reserves in an era where budgets are tight and can become overspent, not just individually but corporately, is limited.
- 1.3 Reserves are a key element of the Council's financial management arrangements. Reserves can be broadly categorised as follows:
- **General Fund Balance** - a working balance to manage in-year risks if they cannot be managed via other mitigations. It is best practice for a well-run authority to hold such a balance to assist in delivering services over a period longer than one financial year.
 - **Earmarked Reserves** - funds that are held to meet known or anticipated future one-off requirements, facilitating transformation and the management and mitigation of future financial risk and uncertainty.
- 1.4 ESCC General Fund Balance and Earmarked Reserves are estimated to total £108.9m as at 1 April 2021: an increase of £1.3m against the actual reserves at 1 April 2020 totalling £107.6m. Given the financial uncertainties as a result of Covid-19 and the longer term of the impending Spending Review 2021, efforts have been in year to increase reserve levels: Movements in year are:
- A net decrease of £0.9m in reserves held on behalf of others or statutorily ringfenced;
 - Waste reserve – an increase of £1.5m to meet future risk arising from legislative change resulting from the Environment Bill 2019-21. For which the report on the latest consultation is expected spring 2021.
 - Capital reserve – a £0.4m reduction is reflective of the use of reserve to fund items of investment for which the Council would not want to borrow and consistent with the new capital strategy;
 - Insurance reserve – a decrease in the balance of £0.6m, this is due to anticipated settled insurance claims in 2020/21.
 - Financial Management – a net increase of £2.0m, movements shown in Table 1 below.

Table 1: Movements in Financial Management Reserve 1 April 2020 to 1 April 2021

Description	Movement
Investment of Unallocated Funding, approved at County Council February 2020	£2.1m
Term Time Only Compensation Payments	£1.2m
Planned draw for Council Tax Collection Fund Adjustment	£(0.7)m
Pay Award 2020/21 extra 0.25% increase (as only budgeted 2.5% and the award was 2.75%)	£(0.3)m
Back Pay Claims: Regular enhancements & allowances during A/L and sickness	£(0.2)m

Use of reserves to cover remaining deficit - quarterly council monitoring - Qtr2	£(0.1)m
Total Movement	£2.0m

- Priority Outcomes and Transformation – a net decrease of £0.3m, movements shown in Table 2 below.

Table 2: Movements in Priority Outcomes and Transformation Reserve 1 April 2020 to 1 April 2021

Description	Movement
One off travel underspend due to Covid 19	£0.9m
Planned draw for Modernising Back Office Systems (MBOS) - Discovery phase	£(0.6)m
Planned draw for Modernising Back Office Systems (MBOS) - PAMS	£(0.4)m
Planned draw Accessible websites and web applications	£(0.1)m
Reductions of less than £0.1m in a number of other projects/schemes	£(0.1)m
Total Movement	£(0.3)m

- 1.5 The estimated balance at 31 March 2025 is now £70.5m. Of this £20.6m relates to available strategic reserves: this position represents the known planned use for these reserves. The current reserves position is summarised in the table below.

Table 3: Summary of Reserves

	Statement of Accounts 2019/20	Full Council February 2020 (£m)	Full Council February 2021 (£m)	
			01.04.21 Estimate	Estimated Balance at 31.03.25
Earmarked Reserves:				
Held on behalf of others or statutorily ringfenced	25.0	20.3	24.1	23.0
Named Service Reserves				
Waste Reserve	14.6	9.7	16.1	5.0
Capital Programme Reserve	9.3	5.8	8.9	6.0
Insurance Reserve	6.5	5.4	5.9	5.9
Subtotal named service reserves	30.4	20.9	30.9	16.9
Strategic Reserves				
Financial Management	35.0	22.5	37.0	17.3
Priority Outcomes and Transformation	7.2	4.1	6.9	3.3
Subtotal strategic reserves	42.2	26.6	43.9	20.6
Total Earmarked Reserves	97.6	67.8	98.9	60.5
General Fund Balance	10.0	10.0	10.0	10.0
TOTAL RESERVES	107.6	77.8	108.9	70.5

- 1.6 At 1 April 2021 the estimated Earmarked Reserves are as follows:-

- 1.7 **Held on behalf of others or statutorily ringfenced** amount to £24.1m – most significantly this comprises £15.0m schools’ balances which cannot legally be spent on ESCC activities, and ringfenced Public Health Reserve of £3.3m.
- 1.8 **Named Service Reserves** that are set aside to manage a specific financial risk, amount to £30.9m and comprise of a:-
- Waste Reserve – to manage financial risks relating to the waste contract and legislative change. These risks are reviewed and managed through this reserve on a 4 year rolling programme; the reserve is shown as reducing to reflect emerging risks, which include but are not limited to reduced recycle prices increasing disposal costs, reduced recycling during collection contractor transition in the next two years, and changes in law/compliance with waste regulations/contractor policy change.
 - Capital Programme Reserve – to support the Council’s Capital Programme and to reduce the need to borrow, that has a consequential increase in pressure on revenue budgets. The estimated balance at 31 March 2025 is now £6.0m; this now reflects a plan to draw on the reserve over the life of the capital programme in support of expenditure on the Economic Intervention Fund and House Adaptations.
 - Insurance Reserve – this is to fund insurance liabilities that have arisen over previous years, this is based on the liability estimated by the Actuary in 2020 and other local knowledge and represents estimates that may become payable in 2020/21 and beyond.
- 1.9 **Strategic reserves** are as follows:-
- A Financial Management reserve – to manage the potential financial consequences of risks recognised in the Council’s risk management arrangements and the Chief Finance Officer’s (CFO) robustness statement, including the risk of the pay award being over that planned within the Medium Term Financial Plan (MTFP). It also enables wider management of the medium-term financial strategy and the investment strategy. In 2021/22 this will also include additional investment in the authorities core financial systems for the outcome of the tender exercise.
 - The Priority Outcomes and Transformation reserve – to fund the transformation programme to change, protect and improve Council services.
- 1.10 There has been a movement overall on the strategic reserves since they were last reported; The balance at 31st March 2024 of the strategic reserves was estimated to be £26.6m and is now estimated at £20.6m at 31st March 2025. The key movements in these balances are as follows:
- Financial Management reserve — a net reduction of £5.2m, movements shown in Table 4 below.

Table 4: Movements in Financial Management Reserve

Description	Movement
Draw for Pay Award 2020/21 extra 0.25%	£(0.3)m
Potential draw on reserve for deficit - per Q2 position	£(0.1)m
Revised Bid: Elections 2021/22	£0.1m
Modernising Back Office Systems (MBOS) Internal Implementation costs	£(4.9)m
Total Movement	£(5.2)m

- Priority Outcomes and Transformation reserve – a net reduction of £0.8m, movements shown in Table 5 below.

Table 5: Movements in Priority Outcomes and Transformation

Description	Movement
New Allocation: Home to Schools Transport Review - Adams Consultancy	£(0.3)m
New Allocation: Highways repocurement project costs	£(0.3)m
New Allocation: Robotics and Virtual Assistants	£(0.2)m
New Allocation: Data Visualisation Catalyst	£(0.1)m
New Contribution: Additional Voluntary Contributions Scheme	£0.1m
Total Movement	£(0.8)m

- 1.11 In the recent uncertain financial, economic and political times some councils have been close to collapse as they have grappled with the challenge of delivering services within a difficult financial landscape, the considerable costs and pressures presented by COVID-19 and the unknown impact of EU Exit. That uncertainty is brought into sharp focus given the lack of clarity about what funding will be provided for councils beyond next year. It is essential that we maintain sufficient reserves to weather this period of uncertainty. It therefore continues to be a priority to, where possible, bolster the Financial Management reserve with any unused contingency once the final outturn position is known and other one-off funding.
- 1.12 Additionally it is proposed that, as in previous years, any changes to Business Rates and Collection Fund be managed through reserves. Details of the reserves summarised above can be found in the Budget Summary at Appendix 4. The Chief Finance Officer Statement on Budget Robustness follows.

2.0 Chief Finance Officer Statement on the Budget Robustness

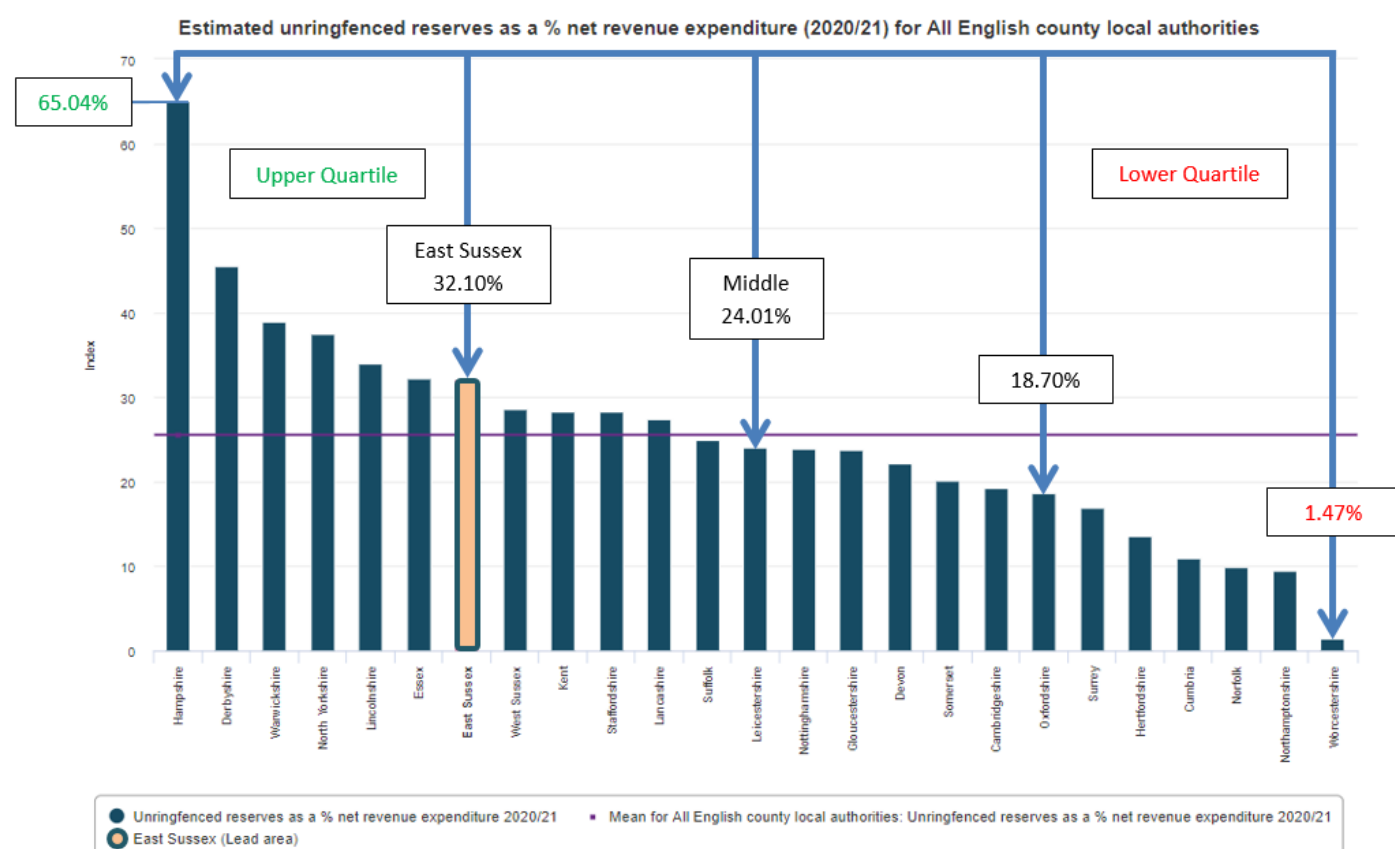
- 2.1 Section 25 of the Local Government Act 2003 places a statutory duty on the Chief Financial Officer (CFO) to review the Medium Term Financial Plan and comment upon the robustness of the budget and the adequacy of the reserves to be held by the authority when it is making the statutory calculations required to determine its Council Tax or precept. The authority is required to take this report into account when making that decision.
- 2.2 Section 26 of the Local Government Act 2003, places an onus on the CFO to ensure the authority has established a minimum level of reserves to be retained to cover any unforeseen demands that could not be reasonably defined within finalising the proposed budget.

3.0 Report of the Chief Financial Officer on the robustness of the 2021/22 budget proposal.

- 3.1 It is the opinion of the CFO that the draft budget for 2021/22 is based upon a sound financial strategy that will enable the Council to deliver its proposed Council Plan successfully.
- 3.2 Both the Revenue Budget and Capital Programme have been formulated having regard to a number of factors including funding availability; risks and uncertainties; inflation; priorities; demography and service pressures. The development of the Core Offer, although not specifically about setting a balanced budget, has enabled the Council to engage nationally and locally with Government Ministers, MPs and local partners and stakeholders to set out what level of services the residents of East Sussex should expect from a well-run, financially sound authority.
- 3.3 As the development of the Council Plan and budget for 2021/22 has progressed, the position has been subject to reviews with Chief Officers, other officers and Members, including Cabinet and Scrutiny Committees. Due consideration has also been given to reconciling the over-arching financial strategy with corporate priorities and hence all the proposals have been developed as an integral part of service planning (the process known as Reconciling Policy, Performance and Resources (RPPR)).
- 3.4 **The 2021/22 draft budget is balanced** and, in finalising the draft budget, consideration has been given to unforeseen issues that could arise during the year and ensuring that those risks can be managed. The strategic risk register has been reviewed and an analysis of ESCC's financial position in the current year has been carried out, to identify direct impacts and risks that are inherent within the 2020/21 budget. Notwithstanding that the draft budget for 2021/22 is balanced, there are significant risks to the budget as the impact on residents, services and the economy of East Sussex of COVID-19 and lockdown 3 continues into 2021/22 together with the underlying pressures faced by the County Council as it strives to maintain services within its Core Offer. The County Council holds a general contingency of £4.0m within the base revenue budget to cushion the impact of unexpected events and emergencies in year. Additionally there is a sum (agreed at Full Council in February 2020) for potential additional borrowing for the capital programme of £7.5m.
- 3.5 Increasing the Council Tax will provide a more sustainable income to the Council which will help to protect services. Implementing the 1.5% Adult Social Care precept and the allowed 1.99% precept (before triggering referendum) will support and help protect services that are already under significant pressure.
- 3.6 The **Adequacy of Earmarked Reserves** has been reviewed and is considered reasonable. The approach remains to take every opportunity to increase reserves to help future proof

Council services. The strategic reserves of £20.6m remain available for smoothing the MTFP and mitigating any delayed achievement of savings, the core offer and any unforeseen events arising. In particular any financial pressures arising as a result of the ongoing pandemic that are not covered by the grant made available by the Government in 2021/22. In support of this consideration, graph 1 below shows the LGA's analysis of unringfenced reserves as a % of net revenue expenditure in 2020/21. The Council is placed at 7th out of the 25 shire counties, with reserves slightly increased to 32.1%, from 26.5% last year, of net revenue expenditure. Even after applying estimated use in 2020/21 this would still see the county at 28.9% of net revenue expenditure.

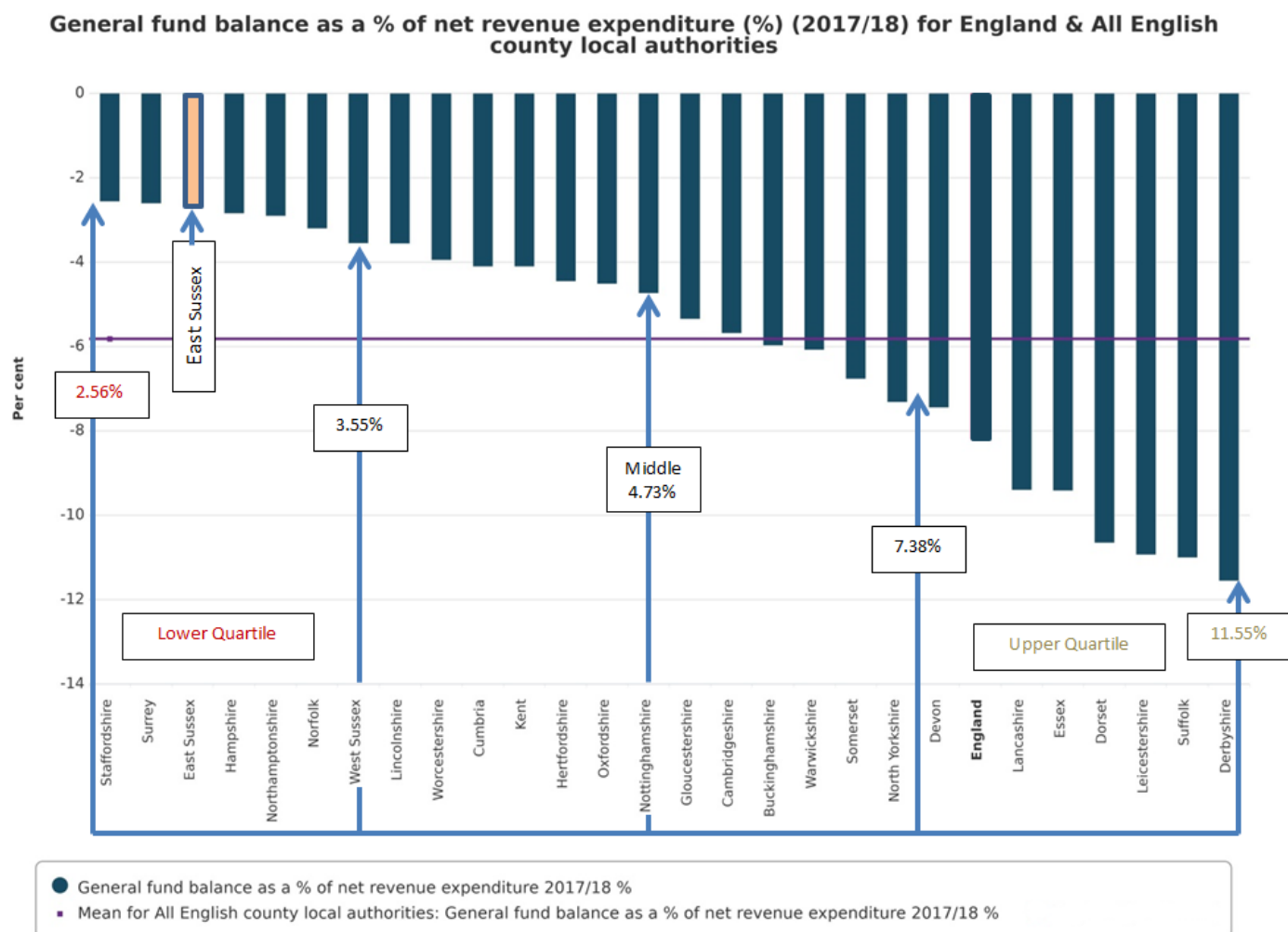
Graph 1: Unringfenced Reserves as a % of Net Revenue Expenditure 2020/21



Source:
Local Government Association

- 3.7 For the **General Fund Balance** there are two main approaches taken by Councils to determine their required minimum level: either by a straight percentage of the Council's current spending: or an assessment of risks and the impact identified risks will have on the Council's overall financial position. The Local Government Association provided benchmarking data which shows that in 2017/18, the Council was ranked 25th out of the 27 shire counties in terms of general fund balance as a % of net revenue expenditure, see Graph 2 below.

Graph 2: General Fund Balance as a % of Net Revenue Expenditure 2017/18 (latest available)



Source:
Local Government Association

Powered by LG Inform

- 3.8 The challenge is to maintain an appropriate level of reserves, whilst also mitigating the pressures faced within the MTFP.
- 3.9 To ensure the ongoing approach of maximising fees and charges they continue to be classified into three categories:
1. No scope or discretion to set fees to fully recover costs (for example, if the fees & charges are statutory, pre-set or set within a framework, there is little opportunity to change the methodology for these in order to recover more costs).
 2. May be scope to recover costs, but could be a good reason why not - for example, accepted element of subsidy, or the fee is to manage demand or shape behaviour.
 3. Opportunity to change methodologies and to recover more costs, within the constraints of what the market will allow (i.e. likely impact on demand) (could be a phased move towards this).
- Approximately 12% of the Council's fees & charges fall into category three (market led) and therefore this is a low risk area. Work however continues to ensure full recovery is targeted in this area.
- 3.10 A risk-based assessment of issues, which could have a major impact on the Council's finances, provides a flexible and responsive approach that better reflects the continuously changing environment within which Local Government has to work. This approach will take into account the type of risk, the potential magnitude of the financial risk and a judgement as to how likely the issue is to arise. Table 6 below identifies a number of the high level

risks that may have financial implications, which assist in determining the required minimum level of General Fund Balance to be retained.

Table 6: Financial Assessment of 2021/22 Risks

Risk	Potential magnitude	Estimate of potential impact	Magnitude
			£m
Growing demand for services is already impacting on service budgets particularly in Children's Services (CSD) and Adult Social Care (ASC). Service departments are forecasting a £2.2m BAU overspend in 2020/21 [Q2 position].	ASC 2021/22 budget £192.1m. CSD SEND budget for 2021/22 £11.8m.	2% increased unfunded demand	4.1
Risk that inflation on utilities and other areas where budgets were not uplifted for inflation become unmanageable within budget allocations.	Total utilities and other budget 2021/22 circa £87.2m.	3% increase in current provision.	2.6
Risk that inflation on pay is more than the contingency of 1.5% due to pressure from unions and political commitment.	Each 0.5% increase is approx. £0.7m	Between 0.5% and 2.5% additional increase	0.7 to 3.5
Delivery of the core offer is complex and plans still to be finalised. Therefore a risk exists that it will not be possible to make the planned service changes within the timeframe required.	Impact of moving to core offer is £0.9m of savings in 2021/22	20% non-achievement	0.2
Non achievement of Fees & Charges targets built into the revenue budget, due to the continuing pandemic and economic climate.	Planned Fees & Charges for 2021/22 is £68.0m.	Underachievement provision of 5%	3.4
Business Rate Revaluation and forecasting risk significantly increases risk of inaccurate forecasts.	Reduction in anticipated revenue from Business rates local share of £11.5m.	Rates collected reduces by 5%	0.6
Changes in historic weather patterns may be being the potential for adverse weather conditions which may present the Council with additional unfunded costs. The impact of weather as opposed to additional prevention cannot be quantified.	Historic winter maintenance spend is circa £1.1m.	10% increase in costs due to adverse weather	0.1
	Pressures due to unknown event impacts i.e. floods	0.5% of insurance reserve & provision	0.04
COVID-19 Ongoing impacts and implications beyond April 2021 As noted at 3.6 the strategy is to hold as much in reserve as possible to manage the risk that grants provided do not cover the ongoing costs of the pandemic.			
Impact of No Deal Brexit:			
Inflation (excl. pay award)	Inflation provided in MTFP £7.3m.	5% increase in current provision	0.4
Infrastructure (e.g. transportation links; emergency planning)	£52.4m estimated highways infrastructure expenditure	2% additional cost	1.0

	2021/22 to 2023/24		
Unexpected Costs (e.g. additional trading standards officers; waste collection; service delivery etc.)	Estimated net budget for ESCC in 2021/22 is £416.7m.	1% increase in costs	4.2

- 3.11 Taking everything into account, the General Fund Balance of £10.0m, is sufficient based on professional judgement which, given the level of risks, is a minimum general balance and remains lower proportionately than other shire counties. This is, however, considered adequate on the basis that the budget balances for 2021/22 and that, in addition, as noted at 3.4, an in-year contingency is held.
- 3.12 The MTFP provides an estimated position for the next three years, shown at Table 7.

Table 7: Medium Term Financial Plan Position

	2021/22	2022/23	2023/24
Estimated Annual Deficit / (Surplus) - non cumulative	£0.000m	£7.071m	£7.377m
Estimated Annual Deficit / (Surplus) - cumulative	£0.000m	£7.071m	£14.448m

- 3.13 We are balancing the budget for 2021/22, and although there are challenges and significant levels of uncertainty, the Council has a robust planning process and sufficient reserves, and will continue to strive towards a balanced position in 2022/23.
- 3.14 For future years work will continue to identify. In addition the effects of a number of national funding decisions will impact on the financial position, the timing of which is yet to be determined. These are significant areas of change that currently are not fully understood and cannot be fully quantified but will have potential significant financial impact, and include:-
- Changes to the Local Government finance system to pave the way for the implementation of Business Rate Retention. As part of these reforms, the main Local Government grant will be phased out and additional responsibilities devolved to Local Authorities. This will be through incorporating existing grants including Public Health (effectively ending the ring fence) and Revenue Support Grant. The new responsibilities are as yet unknown and could bring significant risks to funding, particularly if they are demand led. Business Rate Retention will sit alongside the implementation of the outcome from the fair funding review, and the Government have announced they will aim for local authorities to retain 75% of business rates. Business rates will then be redistributed according to the outcome of this new needs assessment. It is not currently possible to estimate the impact of this on the Council until further detail is provided;
 - The Comprehensive Spending Review will change the total quantum of funding to Local Government;
 - The Fair Funding Review consultation and outcome; this will be the basis of the new needs assessment upon which business rates will be redistributed;
 - The future funding of social care;
 - Impact of new Government policies;
 - Potential taxation reform; and
 - Environmental targets, including the impact of Climate Emergency.
- 3.15 The uncertainty regarding the future finance system means it is increasingly important to hold sufficient reserves to manage this unquantifiable financial risk. Therefore it continues

to be proposed that every opportunity should be taken to top up the Council's strategic reserves.

- 3.16 In addition to all these areas of uncertainty, the effects of Brexit and Covid 19 on the economy of the country, the duties the Government expects us to carry out and the workforce available to both the Council and the service providers on whom we rely, particularly in the Care Sector, remain unclear. It will be an additional factor that we need to take into account as the details of any deal and the practical realities begin to emerge.

Reserves and Balances Policy

1.0 Background

This policy sets out the Council's approach to reserves and balances. The policy has regard to Local Authority Accounting Panel (LAAP) Bulletin 77 "Local Authority Reserves and Balances", issued in November 2008.

- 1.1 In reviewing medium-term financial plans and preparing annual budgets, the Council will consider the establishment and maintenance of reserves for the general fund. The nature and level of reserves will be determined formally by the Council, informed by the judgement and advice of the Chief Finance Officer (CFO).

2.0 Types of Reserve

The Council will maintain the following reserves:

- A working balance to manage in-year risks, called the General Fund Balance;
- A means of building up funds to meet known or predicted requirements, called Earmarked Reserves.

- 2.1 Earmarked reserves will be maintained as follows:

- priority outcomes and transformation reserve: to fund the transformation programme to change, protect and improve Council services;
- financial management reserve: to manage the potential financial consequences of risks recognised in the Council's risk management arrangements and the CFO's robustness statement, and to enable the effective management of the medium-term financial strategy and investment strategy.
- named service reserves will be held specifically for the capital programme, waste contract risk and insurance risk.
- other reserves will be held on behalf of others (e.g. Schools) and/or statutorily ring-fenced (e.g. Public Health).

- 2.2 The Council will also maintain a number of other reserves that arise out of the interaction between legislation and proper accounting practices. These reserves, which are not resource-backed, are for accounting purposes and will be specified in the annual Statement of Accounts.

3.0 Principles to assess the adequacy of reserves

The CFO will advise the Council on the adequacy of reserves. In considering the general reserve, the CFO will have regard to:

- the strategic financial context within which the Council will be operating through the medium-term;
- the overall effectiveness of governance arrangements and the system of internal control;
- the robustness of the financial planning and budget-setting process;
- the effectiveness of the budget monitoring and management process

- 3.1 Having had regard to these matters, the CFO will advise the Council on the monetary value of the required general reserve.

- 3.2 In considering specific reserves, the CFO will have regard to matter relevant in respect of each reserve and will advise the Council accordingly.

4.0 Underspends

The process for determining the specific use of any underspend will be based upon the principles of effective financial management. Therefore underspends will not automatically

be carried forward via reserves, nor will they only be available to the service that has identified the underspend.

- 4.1 Periodically during the year, Services will be asked to submit business cases for the use of underspend. Business cases will be determined by the CFO in conjunction with the Corporate Management Team. These will then be held in a Strategic Reserve.
- 5.0 Use of reserves
Members, as part of agreeing the budget, will agree the policy for drawdown of reserves on the advice of the CFO. Use of reserves will be approved by CMT and reported to Cabinet as part of the RPPR monitoring process.
- 5.1 The CFO will monitor the drawdown of specific reserves in accordance with the agreed policy, and keep Members advised.

Feedback from Engagement Exercises

1. Young people

1.1. The Chief Executive joined a meeting of the East Sussex Youth Cabinet on 8 December 2020 to discuss the County Council's budget setting process and young people's priorities for the year ahead. A presentation was delivered on the priority outcomes and factors the County Council considers in setting its budget each year, and the particular issues and trends to be considered this year as a result of the coronavirus pandemic.

1.2. A discussion followed the presentation, in which the following areas were covered:

Youth Opportunities

1.3. Youth Cabinet asked how the County Council was supporting young people impacted by the coronavirus pandemic.

1.4. ESCC was undertaking a range of work to address the impact of the pandemic on young people, including: supporting schools to ensure vulnerable young people that had missed learning in the first lockdown had the support they needed to catch up; working with Team East Sussex to deliver the East Sussex Economy Recovery Plan, which included actions to develop young people's skills and support them into employment; introducing the Kickstart Scheme to provide six month work placements for young people at risk of long-term unemployment; and taking forward the recommendations of the Sussex-wide review of emotional health and wellbeing support for children and young people.

COVID-19 Vaccine

1.5. Youth Cabinet shared their views on the vaccine, which included feeling hopeful it would bring positive change and help the most vulnerable, wanting more detailed information about its safety given the quick development and concerns that lack of trust may impact take-up.

Spending and savings decisions

1.6. Youth Cabinet asked if the Council had to make more savings in future, what areas it would consider; and if the Council had more money to spend in future, where it would prioritise?

1.7. Some savings had been planned in the Medium Term Financial Plan that may have to be taken in future to deliver a balanced budget. These were identified when we planned our Core Offer and were areas of activity beyond those that we had identified as the Council's core service offer in times of limited resources. Beyond that, the increased remote working adopted during the pandemic may translate into some ongoing savings (i.e. savings from meeting travel costs) if services could be delivered as effectively remotely in the long-term; but being so close to our Core Offer left limited other opportunities.

1.8. For any additional spending, officers would make recommendations to Members that delivered our priority outcomes and invested in prevention wherever possible, to reduce the need for services in future. Any future spending and savings decisions would be taken following engagement with stakeholders, including the Youth Cabinet.

Lobbying

1.9. Youth Cabinet had concerns that the reduction in grant funding, alongside increase in demand and new pressures arising from the pandemic would result in further pressure on restricted resources and impact services for the most vulnerable. Youth Cabinet wanted to support lobbying efforts for more sustainable funding.

1.10. Youth Cabinet were encouraged not to underestimate the power of their voice and to reach out to MPs to share any concerns that they had. Youth Cabinet would meet with West Sussex County Council Youth Cabinet to consider opportunities to jointly raise their concerns and would also meet with Baroness Deborah Steadman-Scott OBE DL (Minister of State for Department of Work and Pensions) to discuss influencing policy making and priorities of the Government.

Domestic Violence

1.11. Youth Cabinet shared that domestic violence had been identified as a top issue in the local UK Youth Parliament Ballot and wanted to understand what was being done to address the increase in domestic violence seen nationally during the coronavirus pandemic.

1.12. Responding to domestic violence was a key priority for ESCC, in line with our priority to keep vulnerable children and adults safe, and for the Safeguarding Adults Board and East Sussex Safeguarding Children's Partnership. Unfortunately, given the increase locally and nationally in reports of domestic violence in the last year, it would need to continue to be a key priority.

1.13. ESCC commissioned specialist domestic abuse services in East Sussex to deliver a pan-Sussex five year Domestic Abuse Strategy. This strategy focussed on taking a multi-agency, partnership, trauma-informed and holistic approach; and supporting children affected by domestic abuse was one of the priority areas of the strategy. The current recommissioning of the service would include a requirement to support children experiencing domestic abuse, as victims in their own right, in line with the new requirements of the Domestic Abuse Bill. Sussex Police worked closely with schools and ESCC to ensure that children and young people who experienced domestic abuse at home were supported; and sessions teaching about healthy relationships were also delivered to children in schools by the Safer East Sussex Team.

Race Equality

1.14. The Youth Cabinet asked what the Council was doing to progress towards race equality.

1.15. ESCC had taken a range of actions but also recognised the approach to progressing race equality was as important as the actions themselves. ESCC had prioritised listening to concerns and experiences of Black, Asian and Minority Ethnic (BAME) staff and residents to inform the approach.

1.16. In terms of actions taken this year, ESCC had delivered a series of staff webinars to highlight the importance of race equality and the need to ensure that our services were inclusive and addressed racism wherever we had the power to do so. For example, Children's Services had revised its guidance for schools on race equality, which the Youth Cabinet were thanked for their role in. The Council had a Corporate Equality Group, which worked closely with our BAME Staff Forum to hear their views about how we could keep working together to progress race equality. ESCC was also working with the NHS to respond to the disparities in the impact of COVID-19 on the BAME community. ESCC would continue to listen and learn before it acted to ensure that equality was at the forefront.

Environment

1.17. The Youth Cabinet asked how the Council could guarantee environmental targets were being met across the County, including by businesses.

1.18. As one of the biggest employers in East Sussex, the Council had set a five-year plan to reduce carbon emissions from its own activities. We would lead by example and support businesses to progress towards a more green and sustainable future.

Future priorities

1.19. Following the meeting, the Youth Cabinet shared that the annual 'Make Your Mark' survey had identified in East Sussex that young people's priorities were:

National issues

- Free University/ No Tuition Fees
- Support our Mental Health
- Take Action on Climate Change and End Plastic Pollution

Local issues

- Tackle Domestic Violence
- Homelessness
- Training and Jobs for Young People

1.20. The Youth Cabinet anticipated choosing one national and one local issue as its campaign priorities in January 2021.

2. Place Scrutiny Committee

2.1. The Place Scrutiny Committee RPPR Board met on 22 December 2020 to discuss the comments it wished to make to Cabinet on the draft Portfolio Plans, Medium Term Financial Plan (MTFP), Savings Plan and the announcements regarding the provisional Local Government Financial Settlement for 2021/22.

2.2. The RPPR Board made the following observations and comments:

2.3. Pothole repairs and road maintenance:

- The Government has announced a £1.7 billion fund for pothole repairs and road maintenance. The Board acknowledges that the spending of any additional funding will be prioritised in accordance with the existing asset management plans. It requests consideration is given to allocating some of the additional funding to renewing road markings in line with the recommendations of the recent scrutiny review, in order to improve road safety and traffic flows around the County.

2.4. Access to the internet:

- Access to the internet via the Library Service for those who cannot afford a connection and for rural communities through the Superfast Broadband Project has become increasingly important under the Covid-19 restrictions as people work from home more or have to apply for benefits such as Universal Credit or make online job applications. In rural areas decent broadband is also important for home education and those who have home based businesses.
- The Board considers that more emphasis should be given to the services that provide internet access to address digital exclusion (e.g. through the Library Service) and enable access to decent broadband in rural areas which supports residents and the local economy. The Broadband Project has achieved over 97% coverage for superfast broadband compared with a national average of 85%. However, reaching a target of 100% superfast broadband coverage is now more important and greater

emphasis should be given to the Broadband Project's future plans and ambition to enable all residents to get connected to faster broadband services.

2.5 Support for local businesses:

- The Board discussed the range of services and measures contained in the Portfolio Plan to support local businesses and the local economy. The Board observed that support for local businesses and the local economy is very important in the current circumstances created by the Covid-19 pandemic. The Board notes the very good work in this area and suggests that it would be beneficial to provide some additional resources to undertake more marketing of the support available for businesses.

2.6 Trading Standards:

- The Board notes the important work that the Trading Standards Team carry out to protect vulnerable people and particularly the elderly from scams. It commented that it is important that the Trading Standards Team has adequate resources to continue with existing work and meet future requirements, such as the additional demands on the service created by leaving the European Union and supporting local businesses.

2.7 Household waste disposal:

- The Board heard the savings proposed for this service in 2021/22 will largely be achieved through operational efficiency savings. The Board suggests Cabinet considers amending the description of the savings proposal and its impact in the Savings Plan to reflect this.

2.8 Future years performance targets:

- The Board observed that for a number of the performance targets in the Business Services draft Portfolio Plan, the future years targets were set below the level achieved at outturn. The Board commented that the department could consider setting more ambitious targets where appropriate.

Summary Comments to Cabinet

2.9 The Place Scrutiny Committee RPPR Board congratulates officers in putting together a budget for 2021/22 in difficult circumstances and acknowledges the uncertainty that is present in the budget setting process. The Board looks forward to receiving an updated MTFP at Cabinet in January 2021 and considers that it is important to also look at the potential impacts of Covid-19 on future budgets.

2.10 Covid-19 has accelerated a number of changes in the economy such as more home working and locally based businesses. The whole economy has shifted, and the Council will need to review the services it provides in that context. The Council needs to be sure footed and flexible to react to changes in the economy and Council Tax and Business Rate bases which will affect the Council's income.

2.11 If longer term funding arrangements ease or improve (e.g. a long term solution for Adult Social Care funding is found) the Council should be ready with the priorities for where it would like to invest in services as we recover from the impacts of Covid-19.

2.12 The Place Scrutiny Committee RPPR Board believes that the focus should be on help and support for residents and the local economy. At the heart of this will be investing in highways and support for local businesses, as well as the increasing importance of broadband and access to the internet for everyone in the community. The existing work in Economic Development, Skills and Growth; Superfast Broadband; Highways Maintenance and; Library Services all support these key service areas and should be considered for further investment should the opportunity arise.

3. People Scrutiny Committee

3.1. The People Scrutiny Committee RPPR Board met on the 17 December 2020 and agreed a number of comments and recommendations to be put on behalf of the parent committee to Cabinet for its consideration in January 2021. The information supplied to the Board to support its discussions comprised of a 2020 Spending Round briefing, the latest information regarding budget proposals and the draft portfolio plans for the Adult Social Care and Health Department and the Children's Services Department.

3.2. The comments of the People Scrutiny Committee RPPR Board are set out below:

Adult Social Care and Health

3.3. The Board welcome that no new savings are proposed for the coming year financial year but remain concerned that any further savings could lead to significant reductions in the services provided by the Adult Social Care and Health (ASCH) Department. The Board are also supportive of using the Adult Social Care 3% precept and recommend it is used over a two-year period and that the impact of the additional funding is closely monitored.

3.4. The Board also reviewed the contents of the draft Adult Social Care and Health Portfolio Plan. Key discussion points included:

- the long-term impact of reduced access to face-to-face sexual health services (caused by the need to have in place Covid-19 service model restrictions). Given its concern, the Board requested further information about the support being provided.
- with regard to the Performance Measures and Targets section of the draft portfolio plan, and in response to a query about how targets are set, the Board were provided with clarification about the Department's approach to developing targets which are challenging and realistic in the context of the pandemic.
- the scale of food poverty in the county and how the Department gathers data which enables it to understand the level of need. Given its concern about the long-term impact of food poverty, the Board requested further information about the support being provided.
- the Board are keen that new ways of working are developed in response to the challenges caused by the Covid-19 pandemic. Members therefore welcomed the department's ASCH Programme, an initiative that aims to build on the lessons learnt from responding to the pandemic and ensure new working practices which deliver improved customer service and efficiencies are embedded.

Children's Services

3.5. The Board are particularly concerned about the potential impact of planned savings and the pandemic on services provided by the Children's Services Department. This includes a concern that there may be 'hidden impacts' which may only become apparent in the medium to long term. In particular, the Board are concerned about savings relating to elements of Early Help and Safeguarding services. The Board therefore welcomed the proposal to defer for a further year savings relating to these areas of activity. However, Councillors Ungar and Webb requested that their opposition to any planned or other savings are noted in the comments to Cabinet.

3.6. The Board also reviewed the content of the draft Portfolio Plan for Children's Services and sought clarification regarding a number of issues. This included clarification

about the department's approach to helping families with the most complex needs and the reasons for considering whether to develop increased capacity at children's homes.

General comments to Cabinet

3.7. The Board expressed regret that it again had not been possible for the Council to develop budget proposals within the context of a three-year financial planning process. The Board also agreed to emphasise the importance of achieving a balanced budget which recognises the pressures on both the Adult Social Care and Health and Children's Services Departments.

3.8. In the context of the unprecedented challenges the pandemic has presented, the Board also agreed to report to Cabinet its acknowledgement of the high-quality nature and range of services provided by staff in both the Adult Social Care and Health and Children's Services Departments. The Board also commended the work of other partner organisations such as borough and district councils and the voluntary sector.

4. East Sussex Wider Strategic Partners

4.1. The Leader, Deputy Leader and Chief Officers held a virtual meeting with representatives of the Council's wider strategic partners on 8 January 2021. Participants in the meeting were from public, voluntary and private sector organisations and service user groups. 28 partner organisations were represented in the meeting and ESCC is grateful to all partners for the comments and feedback provided.

4.2. The Leader took the opportunity at the start of the session to reflect on how tremendously challenging the last year had been for all people, organisations and businesses in East Sussex. Flexible, innovative and committed partnership working had been fundamental to the success of the pandemic response so far and it would continue to be key to supporting residents, particularly the most vulnerable, through the coming challenging months.

4.3. A presentation was then given, which covered the context to this year's budget setting and the latest financial position for 2021/22. Partners were updated on how the coronavirus pandemic had changed the way the Council worked and the impact the pandemic, and accompanying economic uncertainty, was expected to have on future need for Council services. Partners were also reminded of the ongoing financial challenge generated by the need to meet demographic pressures with stretched resources. Partners were updated on how the announcements made in the Spending Review had impacted the Council's Medium Term Financial Plan (MTFP); how previously proposed savings had been reprofiled; and the Capital Programme. Partners were asked for views and feedback on what the Council should take into account in applying the ASC Levy in 2021/22 and 2022/23. The ongoing importance of joint lobbying was emphasised, to press for appropriate and sustainable resources to meet the needs of East Sussex residents. Lobbying undertaken with partners to date had helped secure additional resources and meant the Council had not needed to find additional savings for 2021/22.

4.4. After the presentation, the following questions, comments and feedback were provided by partners:

- The County Council's commitment and approach to honest and transparent partnership working was welcomed by partners, as it enabled challenging conversations to take place in a constructive way and ensured that the best possible use was made of collective resources to meet the needs of East Sussex residents.

- Partners asked whether the change to increased remote working had created opportunities for the County Council to consider sale or lease of some of its properties. ESCC was reviewing its office portfolio to consider what buildings the Council needed now, and would require in the future, to deliver services effectively and efficiently. This review would consider how the Council could embed the benefits of increased remote and digital working, while recognising that an entirely remote-working model was not possible for many services or optimal for team working and staff wellbeing. Parts of County Hall had been shut to ensure financial and emissions savings were made from reduced cleaning and heating while national COVID guidance required many staff to work from home. The Council also had a Property Asset Disposal and Investment Strategy which ensured any buildings were disposed of as soon as they were surplus, which often involved sale or lease to partners at a peppercorn rate. Council buildings that were potentially available for lease or sale were shared through the Strategic Property Asset Collaboration in East Sussex (SPACES) programme, which public and voluntary sector partners were represented on. Partners were also encouraged to contact Chief Officers directly if there were specific ESCC buildings they were interested in leasing, buying or sharing.
- It was recognised that voluntary sector partners had been highly successful in leveraging additional funding into the county to support the COVID response, but that this left those organisations in a vulnerable financial position if and when those funding streams ended.
- Clarity on savings planned for 2021/22 was sought and it was confirmed that savings attributed to the Early Help Service in 2021/22 reflected the full savings generated from the closure of children's centres and end to provision of nurseries in Bexhill in 2020, following the review of the Early Help Service. All other planned savings in the Safeguarding and Early Help services had been deferred to 2022/23 in recognition of the pressure families and communities were under. This was welcomed by partners and groups that represented parents and carers.
- Partners asked how the coronavirus pandemic had impacted demand on Children's Services and it was confirmed that the number of Looked After Children had remained relatively stable, although there had been movement in children moving in and out of the service. The Council recognised that those working with children and young people in the county had gone above and beyond to ensure their safety was maintained in the pandemic and partners were asked to convey the Council's huge gratitude to all, including parent and foster carers.
- The particular impact of the pandemic on young people and their future opportunities was noted and it was confirmed that Children's Services would continue to target its support to the most vulnerable.
- Partners asked if the Council could afford not to take any ASC Levy, or to not take the full levy in 2021/22. The decision on how to apply the ASC Levy would take a range of factors into account, including the financial pressures facing residents this year; that prudent planning and decisions taken to date meant we did not necessarily need to take the full levy in 2021/22; but that there was a need to safeguard social care services given future funding uncertainty, anticipated additional pressures arising from the pandemic and large gaps projected in future years of the MTFP.
- The very significant pressures the whole health and social care system was currently under in responding to the second wave of coronavirus cases was noted and would need to be factored into planning alongside longer term demographic pressures.

4.5. Partners were encouraged to contact the Leader, Deputy Leader or Chief Officers if they wished to any make further comments on the budget following the meeting.

Appendix 9(a): Capital Programme 2020-21 to 2029-30 and Capital Strategy

1. Background

- 1.1 Through the Reconciling Policy Performance and Resources (RPPR) process the capital programme is reviewed and monitored annually to ensure that it supports the Council's Core Offer and departmental service strategies; either providing for basic need or via strategic investments demonstrating benefit to the Council.
- 1.2 At full council in February 2020 the target led basic need capital strategy of 20 years, supported by a 10 year planned capital programme, was approved. The planned capital programme 2020/21 to 2029/30 reported as part of the State of the County Report in July 2020, had a total programme expenditure of £570.3m.
- 1.3 The capital programme focusses on the delivery of targeted basic need to enable the Council to continue to deliver services as efficiently as possible. Basic need for the purposes of the capital programme is:
- Place: ensuring we meet future need;
 - Asset Condition: maintaining our assets to an agreed level;
 - ICT Strategy: ensure that our ICT is fit for purpose for delivering modern council services in a digital era and protecting data.
- 1.4 Investment beyond basic need, including asset enhancements and strategic investments will be considered separately via business cases. Business cases should support organisational strategic direction. Payback will be expected as agreed in the Business Case and will annually be used to reduce the borrowing requirement as part of affordability management. As such these will not be included in the capital programme until their overall impact, including funding implications, have been assessed and approved.

2. Capital Programme Update

- 2.1 Table 1 below summarises the movements to the approved capital programme since State of the County in July 2020. Noting that the first 3 years of the programme over the MTFP (Medium Term Financial Plan) period, to 2022/23, are approved, and this years' RPPR process will add 2023/24. Whilst the remaining years to 2029/30 are indicative to represent the longer-term planning for capital investment. The capital programme has not been extended by a further year due to the current uncertainty around future government funding.

Table 1 - Capital Programme (gross) movements (£m)	2020/21	MTFP Programme			2024/25 to 2029/30	Total
		2021/22	2022/23	2023/24		
Approved programme at July 2020	96.889	69.391	59.285	51.688	293.076	570.329
Programme Refresh (see 2.3)	(23.571)	17.105	1.753	1.034	3.679	0.000
Projected over / (under) spend (see 2.4)	(0.207)	-	-	-	-	(0.207)
House Adaptations added year (see 2.4)	-	-	-	0.100	-	0.100
Approved Variations (net nil) (see 2.6)	5.624	5.589	4.543	-	-	15.756
Total Programme	78.735	92.085	65.581	52.822	296.755	585.978

- 2.2 As part of the RPPR process, Service Finance and Departmental Capital Teams have completed a capital programme refresh, re-profiling their programmes and schemes as accurately as possible based on current knowledge held. The impact of Covid-19 on the programme is being reported as part of the capital monitoring process, with any slippage and/or spend in advance included as part of the Q2 refresh process (plus any subsequent updates from services for quarter 2.5), and are reflected in the table below. The detailed proposed programme is provided at Appendix 4.
- 2.3 The re-profiling of programmes and schemes includes £23.6m net slippage in 2020/21. This comprises of £15.7m net slippage (of which £13.9m is COVID-19 related) that relates to the South East Local Enterprise Partnership (LEP) schemes being delivered by, or in partnership with others, where those organisations control the timetable; and £7.9m net slippage (of which £5.6m is COVID-19 related) relating to schemes within the Council's control.
- 2.4 The £0.2m underspend relates to Parking Ticket Machine Renewals and House Adaptations for Disabled Children's Carers Homes, both are funded from reserves and therefore have a net nil impact on the overall programme. When the 10 year capital programme was set, Council approved that House Adaptation budgets would be set to be reflective of demand rather than representing a budget allocation that continuously slips, and be funded by contributions from reserve having net nil impact on the programme.
- 2.5 Within the programme there are a number of overspends relating to the Covid-19 pandemic. Should mitigations within programmes not be forthcoming it is proposed that in order to maintain the integrity of the basic need targets set, any overspend be funded by, in the first instance any of the remaining COVID-19 tranche 1-4 funding from Government. Or, as reported at February 2020, a capital risk provision of £7.5m is held. This risk provision is a permission to borrow for emerging risks and is managed through ensuring Treasury Management capacity rather than representing funds that are within the Council's accounts. If utilised to fund COVID-19 overspend it would, therefore, require additional borrowing.
- 2.6 The approved variations to the programme relate to fully funded schemes having net nil impact on the capital programme, totalling net £15.8m as follows:

Table 2: Approved Variations	Value (£'m)
Emergency Active Travel Fund Tranche 1	0.535
Schools Condition Allocation additional grant	1.850
Strategic Investment for Utilising Automation to Support Core Officer	0.132
Robertsbridge - Revised Business Case	0.855
Robertsbridge – Building Maintenance transfer	(0.300)
Lansdowne Secure Unit – cost increase (Specific funding to be confirmed)	0.849
SALIX Scheme – increased loan offer	0.157
Net LEP Schemes increase	6.393
Hailsham HWRS – increased S106	0.053
Modernising Back Office Systems (MBOS) – Internal Implementation Costs	5.232
Total gross increase	15.756

- 2.7 The capital budget allocation for Special Education Need provision is £3.2m over the MTFP period. Work is ongoing to identify priority provision in accordance with Basic Need and Core Offer requirements and taking into account place planning estimates. It is anticipated that the current funding allocation will not be sufficient to deliver all the priorities currently identified. The DfE (Department for Education) have provided local authorities with Special Provision funding between 2018/19 and 2020/21 to make capital investment in the provision for pupils with special educational needs. There have been no announcements made on future capital funding, however, future funding may be made available from the DfE in recognition that this continues to be an area of pressure for local authorities.

- 2.8 The capital programme provides for the need for additional school places in areas driven by demand as a result of developments, migration and birth rates as a basic need requirement. The level of investment in the programme provides for current estimated places, including the provision of temporary accommodation where required, supported by an estimated level of government grant. There is therefore a risk that grant reduces and place requirements increase. Due to the potential significance of these risks a risk factor was applied to the programme from 2020/21 onwards to manage these risks.
- 2.9 Cabinet on 23 June 2020 considered a report on Modernising Back Office Systems (MBOS) and approved the procurement for a Software-as-a-Service (SaaS) solution to replace the current system for Finance, HR and Procurement. The approved variation of £5.2m detailed at paragraph 2.6 relates to the forecasted internal implementation costs of the project, to be funded from use of reserves and therefore having a net nil impact on the overall programme. The external implementation contract cost of the new system will be determined as part of the procurement process and the budget requirement will be reflected in the capital programme in accordance with the capital variation process. The Financial Management reserve includes provision for additional investment required in the authorities core financial systems as detailed in the Reserves and Robustness Statement at Appendix 7.

3. Funding Updates

- 3.1 Table 3 provides an updated funding position. Updates reflect approved variations, the programme refresh and other funding updates detailed below.

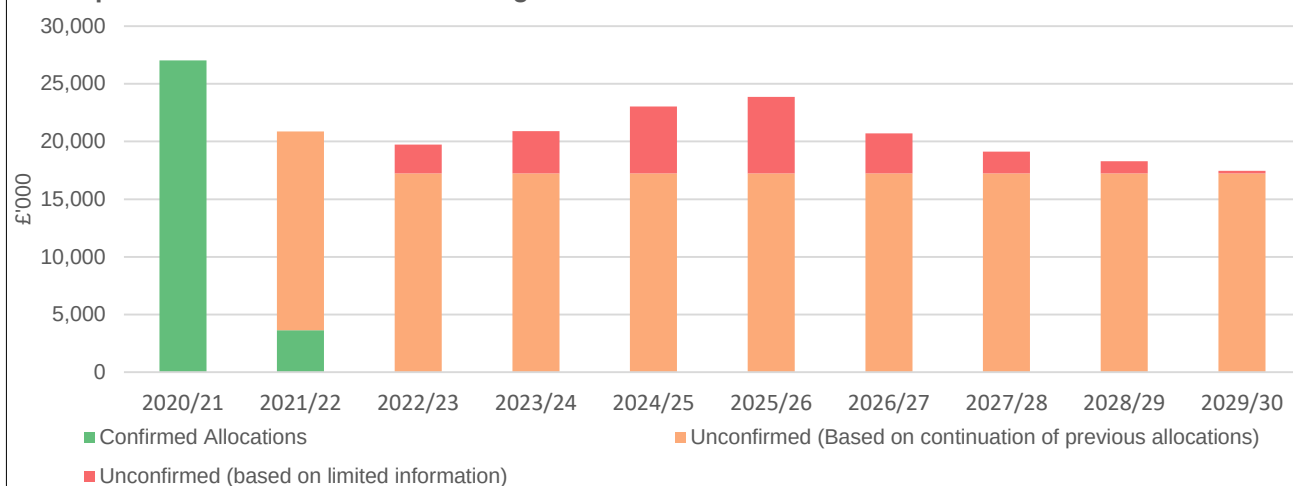
Table 3 - Capital Programme Funding Update (£m)	2020/21	MTFP Programme			2024/25 to 2029/30	Total
		2021/22	2022/23	2023/24		
Gross Expenditure	78.735	92.085	65.581	52.822	296.755	585.978
Specific Funding	(16.203)	(19.272)	(6.825)	(0.350)	(2.100)	(44.750)
Section 106 & CIL (identified and target)	(6.528)	(6.712)	(1.602)	(3.516)	(23.447)	(41.805)
Capital Receipts	(1.809)	(6.866)	(4.658)	(5.695)	-	(19.028)
Formula Grants	(27.007)	(20.869)	(19.737)	(20.895)	(122.411)	(210.919)
New Homes Bonus	(0.767)	-	-	-	-	(0.767)
Reserves and Revenue set aside	(5.919)	(5.846)	(8.226)	(8.344)	(12.511)	(40.846)
Borrowing	(20.502)	(32.520)	(24.533)	(14.022)	(136.286)	(227.863)
Total Funding	(78.735)	(92.085)	(65.581)	(52.822)	(296.755)	(585.978)

- 3.2 **Specific Funding:** The approved programme is supported by £44.8m of scheme specific grants and external funding which is sourced and managed by services at a project level, in the main comprising of LEP funding; grants for Broadband project, Salix contributions to support energy efficiency measures and Devolved Formula Capital grant toward schools delegated capital works. The level of this specific funding is shown at a departmental level at Appendix 4. Specific funding from the DfE to fund increased costs at Lansdowne secure unit to the value of £0.8m is currently subject to confirmation and therefore at risk of requiring additional borrowing.
- 3.3 **Section 106 (S106) & Community Infrastructure Levy (CIL):** The capital programme reported as part of the State of the County 2020 included a total of £41.8m of S106 and CIL funding, of which £13.4m was identified as applied to specific schemes, and an additional £28.4m targeted over the ten year programme. Work is ongoing through the S106 and CIL Working Group to

maximise specific sums that can be allocated to projects / programmes. This has resulted in an approximately £4.7m of additional specific S106 being identified towards the targets that can be applied to the capital programme and reduce the targeted amount. In addition, a bid for additional CIL funding of £0.7m has been approved by Lewes District Council towards Seahaven Academy.

- 3.4 The government published the Planning for the Future White Paper in August 2020, proposing reform of the planning system in England. One of the proposals is to replace S106 and CIL with a national Infrastructure Levy. The Government acknowledge that this may impact on the ability to get new and improved infrastructure in place before developments are occupied and therefore suggest that councils consider forward funding the necessary infrastructure improvements. Should this happen, it would pose uncertainty and risk to funding assumptions and potentially an increased burden for the Council in providing crucial infrastructure investment. This will continue to be reviewed as part of the CIL and S106 Working Group and any necessary updates reported through the RPPR process.
- 3.5 **Capital Receipts:** Property Services hold a schedule of capital receipts available to support the capital programme, which is reviewed regularly and estimates are based on Property Officers' professional judgement on a site by site basis. There have been minor changes to the anticipated value of receipts since previously reported and the profile has been updated to reflect some delays in light of market conditions as a result of the Covid-19 pandemic.
- 3.6 The Council also holds a number of assets that would generate Valuing People's Needs (VPN) receipts from disposal. These relate to properties granted to the Council by the NHS for the provision of accommodation for clients with a learning disability. A condition of the property grant is that capital receipts are ring-fenced to future Learning Disability developments. Such developments are beyond basic need and therefore require a business case to be approved for inclusion in the capital programme; as such, future VPN capital receipts are not included in the estimated capital receipt figure. They will be brought into the capital programme to support business cases that are in line with NHS outcomes.
- 3.7 **Formula Grants:** The capital programme is supported by £210.9m of non-specific formula grants, which represents 36% of the total programme funding. Ahead of further government announcements and decisions there are no further material updates to the overall funding position with regards to Formula Grants. There continues to be considerable risk in relation to these grants with 85% of the value assumed remaining unconfirmed and being based on current levels and formula projections. The one-year Spending Review (SR) on 25 November set government department's revenue and capital budgets for 2021/22 only. Details of the 2021/22 formula grant allocations to local authorities are still to be announced and therefore we continue to have no certainty over future years capital grants.
- 3.8 The graph below provides a risk rating of formula grants assumed within the capital programme financing. This shows the increasing uncertainty and risks over the medium and long term. If actual grant settlements are lower than assumed, then the core programme basic need targets will be reviewed before consideration of additional borrowing as part of the capital risk provision (see 3.14).

Graph 1 - Formula Grants RAG Rating



- 3.9 **New Homes Bonus:** New Homes Bonus is a (non-specific) grant given by Central Government to Councils based on the number of homes build or brought back into habitation in the previous year. From 2021/22 onwards the New Homes Bonus grant will be retained in revenue rather than transferred to fund the capital programme.
- 3.10 **Reserves and Revenue Set Aside:** The Council can use revenue resources to fund capital projects, where these have been approved as part of the budget setting process or an approved business case. This includes specific reserves, payback from invest to save schemes and revenue contributions (CERA).
- 3.11 **Borrowing:** The updated capital programme has a borrowing requirement for the period 2020/21 to 2029/30 of £227.9m, which represents 39% of the total programme funding. This is a reduction of £0.9m compared to that reported in the State of the County report of £228.8m. The Capital Strategy seeks to maximise the application of other funding sources in order to reduce the council's borrowing requirement which has a long term revenue implication.
- 3.12 Borrowing can be applied to basic need expectations where government grants and other external funding is not sufficient to meet approved targets. For example, of the £227.9m overall programme borrowing, £67.3m (11% of total programme funding) is required to fund Highways Structural Maintenance basic need targets above government grant funding.
- 3.13 Current Treasury Management modelling has estimated, that for every £10m borrowed, there would be an associated revenue cost of £0.385m per annum over the current MTFP period (assuming a 30 year asset life). Following the Spending Review announcement on 25 November, the Public Works Loan Board (PWLb) have lowered borrowing rates by 100bps for all new Standard Rate and Certainty Rate Loans, bring rates back down to levels before an increase in October 2019.
- 3.14 **Capital Risk Provision:** The capital programme has been set with a Capital Risk Provision of £7.5m, which represents approximately 2.6% of the programme up to 2023/24. While capacity within borrowing arrangements is ensured through Treasury Management for this provision, no borrowing for this is planned to be undertaken currently. These are not funds that are in the Council's accounts, but a permission to borrow to meet unfunded pressures that may arise.
- 3.15 There are a number of risks and uncertainties regarding the programme to 2023/24 and beyond which have necessitated holding a risk provision, these risks include:
- Inflationary pressures on construction costs;
 - Uncertainty about delivery of projects in the programme, e.g. highways and infrastructure requirements;

- Any as yet unquantifiable impact of supply issues and cost increases associated to Brexit and Covid-19;
- Any as yet unknown requirements;
- Residual project provision (previously removed) if required; and
- Uncertainty regarding the level of government grants and the ability to meet CIL and S106 targets.

Capital Strategic Asset Board (CSAB) have reviewed the need for an additional provision for inflation risks in the current programme and it is considered that the level of risk provision remains reasonable given inflation levels already built into the planned programme.

4. Capital Strategy Update

- 4.1 In 2017, the CIPFA (Chartered Institute of Public Finance and Accountancy) Prudential Code was revised and included the requirement for Local Authorities to produce a Capital Strategy. The Council's current Capital Strategy covers the period 2020/21 to 2040/41 and was approved as part of RPPR 2020/21. The Capital Strategy has been updated as part of the 2021/22 RPPR process to reflect emerging risks, principles and corporate priorities, following a review of the requirements of the CIPFA Prudential Code, and informed by discussions at CSAB. The updated Capital Strategy can be found at **Appendix 9(c)**.
- 4.2 Updates to the Capital Strategy include the emerging relevance of Environmental, Social and Governance (ESG) considerations, particularly in relation to climate change, and how the capital programme can support the council's aims through the RPPR process. This has been informed by the council's Climate Emergency Action Plan in June 2020 and subsequent Place Scrutiny Committee scrutiny review of Becoming a Carbon Neutral Council (due to be reported to Full Council in February 2021), which sets a direction of travel for the Council in its ambition to become carbon neutral.

5. Other Corporate Strategies for Consideration

- 5.1 **Treasury Management Strategy:** The proposed capital programme investment has consideration directly to the Treasury Management Strategy. A specific model developed for this purpose continues to be used and updated to remain current. Any borrowing required is within the limits set by the Treasury Management Strategy, which sets out the acceptable limits on ratings, investment periods, amounts to be invested and the borrowing strategy.
- 5.2 Should there be any unused underspend on Treasury Management in 2020/21, after the impact of Covid-19 and outturn on service budgets is managed, it is proposed, as is normal policy and practice, that this would be used to reduce borrowing for basic need. This will help provide for a sustainable programme and provide for future years investment need.
- 5.2 **Property Asset Disposal and Investment Strategy:** At State of the County 2017 it was agreed to set some money aside in the Financing Reserve to help realise returns in future years through support for investment and/or for reduced borrowing in the capital programme. The Property Asset Disposal and Investment Strategy was approved at Cabinet on 24 April 2018. Opportunities will continue to be considered that align with the priorities within the strategy which can now be facilitated by the use of some of these funds to bring forward the development of potential investment sites. Updates will be provided to this through the RPPR process as necessary.

6. Conclusion

- 6.1 It is recommended that updates to the Capital Strategy to 2040/41 are approved, based on target driven basic need, which supports the Council's Core Offer and wider service strategies adopted. In support of the Capital Strategy, it is also recommended that the capital programme to 2029/30 as presented is adopted, with the first 3 years of the programme to 2023/24 over the MTFP period being approved whilst the remaining years to 2029/30 are indicative to represent the longer term planning for capital investment. The programme will continue to be

reviewed through the RPPR, CSAB, Sub Boards and variation process to ensure it remains aligned to the MTFP, Treasury Management Strategy and other council strategies.

- 6.2 The one-year Spending Review (SR) on 25 November set government department's revenue and capital budgets for 2021/22 only, providing no certainty over future years capital grants. Capital investment should also be considered alongside revenue, which adds further uncertainty. Therefore the 10 year programme has not been extended for an additional year, as it would be not be considered meaningful to add an additional year at present. Work will be progressed next financial year to push the programme out a further 2 years to maintain the 10 year planning horizon and link into, and support the Council's other strategies. The Capital Strategy and programme will be reviewed, giving consideration to longer term council strategies and revised targeted basic need expectations, once a longer term funding settlement is announcement. In the meantime, requirements outside basic need will need to be supported by a business case and funding identified.

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Equality Impact Assessment for CAPITAL PROGRAMME 2021-22 to 2029-30

Following the introduction of the Equality Act 2010 ('the EA') a public authority must, in the exercise of its functions, have due regard to the need to –

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the EA;
- (b) advance equality of opportunity between persons who share a relevant protected characteristic (as defined by the EA) and persons who do not share it;
- (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The protected characteristics set out in the EA are age, disability, race, pregnancy/ maternity, religion or belief, gender (including gender reassignment) and sexual orientation. Marriage and civil partnership are also protected characteristics for the purposes of the duty to eliminate discrimination. When making decisions the County Council also considers other matters such as the impact of rurality, deprivation and being a carer.

The Capital Programme requires Members to have due regard to the Equality Duty contained in Section 149 of the EA as set out above.

Having “due regard” does not necessarily require the achievement of all the aims set out in section 149 of the EA. Instead it requires that Members understand the consequences of the decision for those with the relevant protected characteristics and consider these alongside other relevant factors when making the decision to pursue one course of action rather than another, alternative course of action that may have different consequences. The regard which is necessary will depend upon the circumstances of the decision in question, and should be proportionate. Where a decision is likely to have an impact on a significant number of people, or where it is likely to have a significant impact on even a small number of people, the regard required will be high.

This means that in setting the Capital Programme, the three equality aims set out above had to be considered as a relevant factor alongside financial constraints and all other relevant considerations. Due to the ongoing financial pressures the Council is facing, the current capital programme focusses on a strategy to deliver core need as efficiently as possible. As agreed, service developments and investment opportunities that are outside core need are required either to be match funded or produce a business case that demonstrates benefits. Approved bids are added to the programme in line with current variation policy and financial regulations. Members must consider the equalities impacts of agreeing this capital programme. Specifically, Members need to take account of what the potential impacts of spending on this programme rather than other areas will be for the communities in East Sussex. It will be open to Directors and Lead Members at the time of taking those decisions to spend more on one activity and less or none on another.

The EA does not require an equality impact assessment (EIA) to be carried out; however the cases considering the public sector equality duty have held that an EIA is the best way to demonstrate that the equalities impacts have been identified and considered. Where a project which was included in the Capital Programme is likely to have impacts upon equalities, officers have considered the consequences for those with protected characteristics of that particular project or bid not being included in the Programme up to 2029/30, and have summarised these impacts for Members to consider. Where EIAs have been conducted these will be available as background documents.

	Impact on Protected Characteristics									Comments
	Age	Disability	Ethnicity	Gender & Transgender	Marriage and Civil Partnership	Pregnancy and Maternity	Religion & Belief	Sexual Orientation	No significant relevance to equality	
Adult Social Care										
Greenacres										Funded by NHSE Capital and ESCC will only contribute if there is shortfall.
CORE House Adaptations for Disabled People										

[illegible]

[illegible]

[illegible]

	Impact on Protected Characteristics									Comments
	Age	Disability	Ethnicity	Gender & Transgender	Marriage and Civil Partnership	Pregnancy and Maternity	Religion & Belief	Sexual Orientation	No significant relevance to equality	
Queensway Gateway										Funded by the South East Local Enterprise Partnership
Hastings and Bexhill Movement & Access Package										
Eastbourne Town Centre Phase 2										Consideration of access issues have been included in design
Eastbourne/South Wealden Walking & Cycling Package										
Hailsham/Polegate/Eastbourne Movement & Access Package										
Terminus Road										Consideration of access issues have been included in design
Bexhill Enterprise Park North										Funded by the South East Local Enterprise Partnership
Skills for Rural Businesses Post Brexit										Funded by the South East Local Enterprise Partnership
Sidney Little Road Business Incubator Hub										Funded by the South East Local Enterprise Partnership
Bexhill Creative Workspace										Funded by the South East Local Enterprise Partnership
Eastbourne Fisherman's Quayside & Infrastructure Development Project										Funded by the South East Local Enterprise Partnership

	Impact on Protected Characteristics									Comments
	Age	Disability	Ethnicity	Gender & Transgender	Marriage and Civil Partnership	Pregnancy and Maternity	Religion & Belief	Sexual Orientation	No significant relevance to equality	
SE LEP Getting Building Fund – Fast Track Business Solutions										Funded by the South East Local Enterprise Partnership
SE LEP Getting Building Fund – Observer Building										Funded by the South East Local Enterprise Partnership
SE LEP Getting Building Fund – Restoring Winter Gardens										Funded by the South East Local Enterprise Partnership

Capital Strategy

2021/22 to 2040/41

CAPITAL STRATEGY 2021/22 – 2040/41



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Annex A - Basic need service definitions

Annex B – Business case guidance

1. Purpose of the Strategy

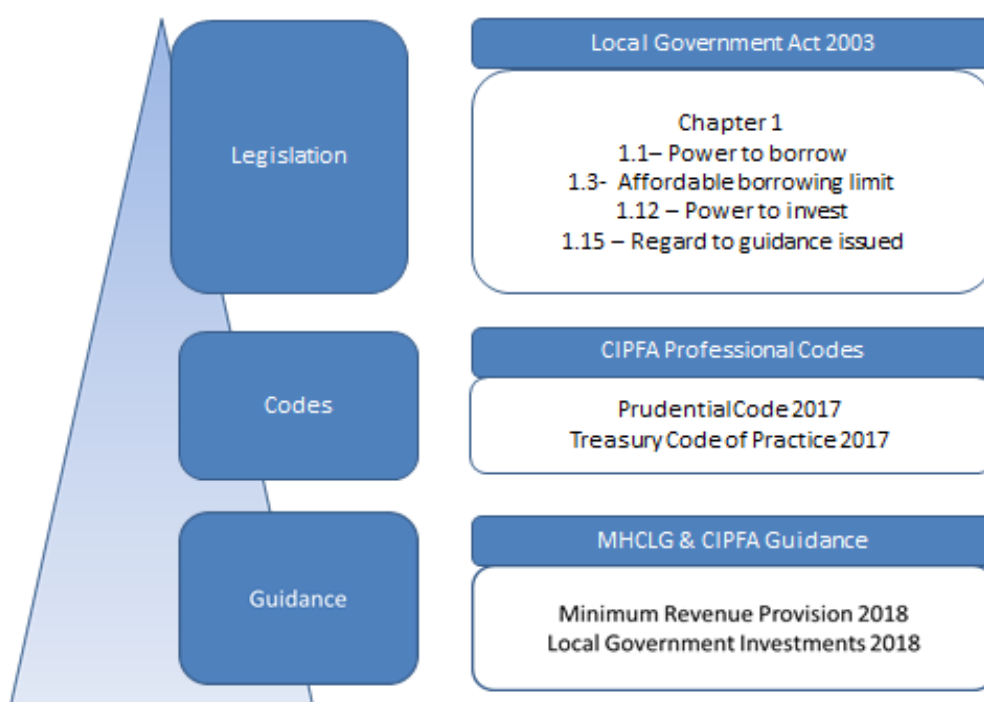
- 1.1 The purpose of the Capital Strategy is to drive the authority's capital investment ambition whilst also ensuring appropriate capital expenditure, capital financing and treasury management within the context of the sustainable, long-term delivery of services.
- 1.2 The Capital Strategy supports the Council Plan, which is our vision for a basic but decent level of service for East Sussex, in a difficult financial climate, the core offer is set out under the following priority outcomes, further information is available at:

<https://www.eastsussex.gov.uk/yourcouncil/about/keydocuments/coreoffer/coreofferindex/>

- Driving sustainable economic growth
 - Keeping vulnerable people safe
 - Helping people help themselves
 - Making best use of resources in the short and long term
- 1.3 The Strategy prioritises investment in assets that support the objectives of the Council Plan.
- 1.4 The aim of this Capital Strategy is also to ensure that all elected members fully understand the overall long-term policy objectives and resulting Capital Strategy requirements, governance procedures and risk appetite.

2. Technical Background

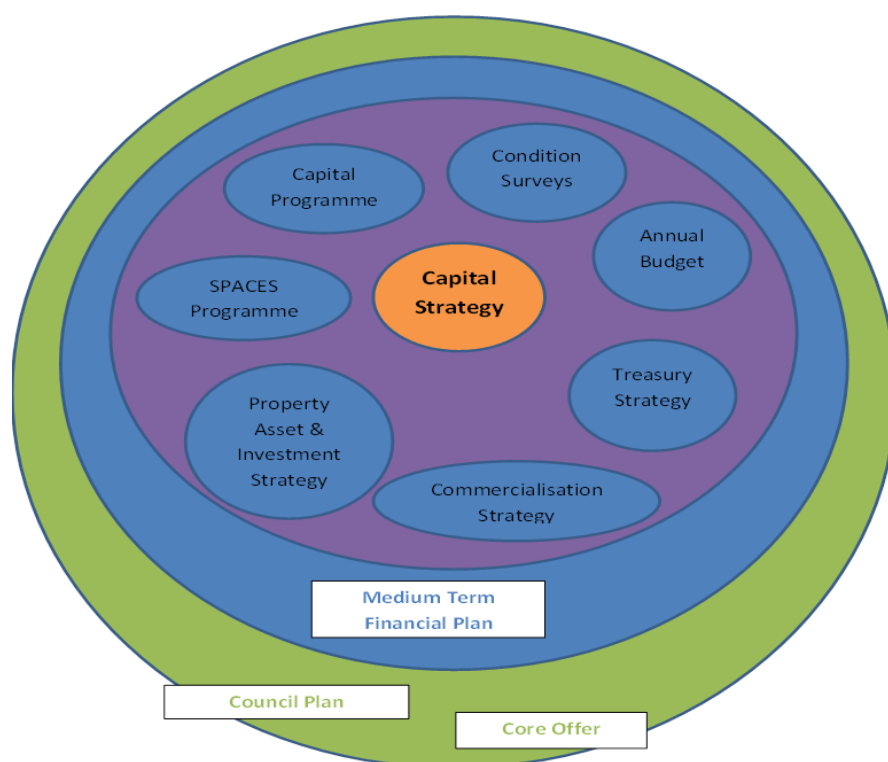
- 2.1 The Capital Strategy is framed within the following statute and guidance:



- 2.2 In response to a growing number of authorities increasing their use of non-financial investments (such as commercial property portfolios) to generate income in response to reducing resources to deliver their core services the Prudential Code was updated in 2017. The revised code and guidance sought to increase transparency and to provide a single place to assess the proportionality of this activity in comparison to an authority's core services.
- 2.3 The Strategy is completed in line with best practice as outlined within the Chartered Institute of Public Finance and Accountancy (CIPFA) revised 2017 Prudential and Treasury Management Codes, it:
- Applies a long-term approach;
 - Explores external influence on Capital Strategy e.g. Local Enterprise Partnership (LEP);
 - Examines Commercial activity/ambition;
 - Determines implications of Treasury Management Strategy;
 - Ensures Council Plan priorities drive capital investment;
 - Examines available resources and capacity to deliver;
 - Assesses affordability against ambition and address any gap;
 - Identify capital financing principles;
 - Demonstrate integration with other strategies and plans;
 - Produce a 10-year capital investment plan, with actions, timescale, outputs and outcomes; plus a 3-year funded programme in line with the Medium Term Financial Plan (MTFP).
 - Identify risks and mitigation;
 - Outline Governance, monitoring processes and procedures.

3. Reconciling Policy, Performance and Resources Framework

- 3.1 The Capital Strategy is an integrated part of the Councils planning framework, Reconciling Policy, performance and Resources (RPPR). It will have an impact on and will be impacted by the other strategies and documents both internally and externally: Internally this includes:-



Name	
Council Plan	Sets ambitions and plans for each of the four overarching priority outcomes: driving sustainable economic growth; keeping vulnerable people safe; helping people help themselves; and making best use of resources.
Capital Planned Programme	The programme sets out for the coming 10 years the programme of capital investment that supports delivery of the Council's priority outcomes updated each year to maintain the 10 year horizon.
Medium Term Financial Plan	The Medium Term Financial Plan covers up to the next five years, it is updated each year to encompass any economic or political impacts.
Annual Budget	The annual budget details the intended revenue (current) expenditure for the next financial year, it allows the Council to set its Council Tax rate for that year. Including any impact from planned investment.
Capital Strategy	With a scope of 20 years, the strategy sets the framework in which the capital programme is planned and allows the Council to prioritise the use of its resources to support the long term priorities.
Treasury Strategy	Setting out the acceptable limits on ratings, investment periods, amounts to be invested and the borrowing strategy.
Property Asset & Investment Strategy	The key purpose of the Strategy is to deliver an ongoing net income stream to the Council with investment defined as allocating money in the expectation of some benefit in the future.
SPACES Programme (Strategic Property Asset Collaboration in East Sussex)	A well-established multi organisation partnership that has been delivering property and land co-location and collaboration projects across East Sussex and Brighton & Hove since 2011.
Environmental policies, plans and Strategies	The County Council agreed a Climate Emergency Action Plan in June 2020 and is also a partner in the Environment East Sussex Board, which has developed an Environment Strategy for East Sussex.

3.2 In addition to the internal framework there are a number of external organisations and partners who inform our capital strategies, these include, but are not limited to:

- South East Local Enterprise Partnership (*SELEP*);
- Coast to Capital Local Enterprise Partnership;
- District and Borough Councils via their Local Plans: There is a new requirement for contribution receiving authorities to publish an annual 'Infrastructure Funding Statement' (IFS). Each authority IFS will improve provides transparency, increased accountability and promoted infrastructure delivery through publication of Section 106 (S106) and Community Infrastructure Levy (CIL) monies held, including details on allocations and spending. Districts and boroughs will also provide future spending priorities on infrastructure linked to their Local Plans with a statement on projects or types of infrastructure they intend will be funded by CIL. Providing the opportunity to actively bring processes together on monitoring, spending and promote delivery. The Council will continue to work in partnership with its districts and boroughs on infrastructure planning and delivery though the IFS and Local Plan reviews;
- Local Planning Authorities, such as District and Bourgh councils and the South Downs National Park Authority may impose planning conditions to specific schemes.
- East Sussex Clinical Commissioning Group;
- Brighton University;
- SPACES (*Strategic Property Asset Collaboration in East Sussex Programme*) is a partnership that includes East Sussex County Council (ESCC), all district and borough councils, Brighton & Hove City Council, three emergency services, representatives from the voluntary and community sector, NHS including Clinical Commissioning Groups (CCGs), Trusts and NHS Property Services and some central government departments such as Probation Services, Job Centre Plus (Department for Work and Pensions - DWP) and Department for Transport (DfT).

3.3 The Council will actively seek opportunities to engage with other partner organisations to achieve positive outcomes for our residents, using all available forums to develop connections that can be utilised to achieve mutually beneficial approaches to deliver capital projects.

4. Principles

4.1 Capital expenditure can be defined as expenditure that results in the acquisition, construction or enhancement of an asset (e.g. land, buildings, roads, plant and equipment), that continues to benefit the Council for a period of more than one financial year. At East Sussex County Council (ESCC), projects can be capitalised if they meet the definition of capital expenditure and are over the current approved de minimus of £20,000. Any item below this limit is charged to revenue.

4.2 The strategy sets the strategic direction for next 20 years and is supported by a 10 year planned programme. Published as a separate document, the Capital Programme will be updated annually through the RPPR process, to ensure that the Council continues to focus on the right priorities and is able to react to changes in circumstances.

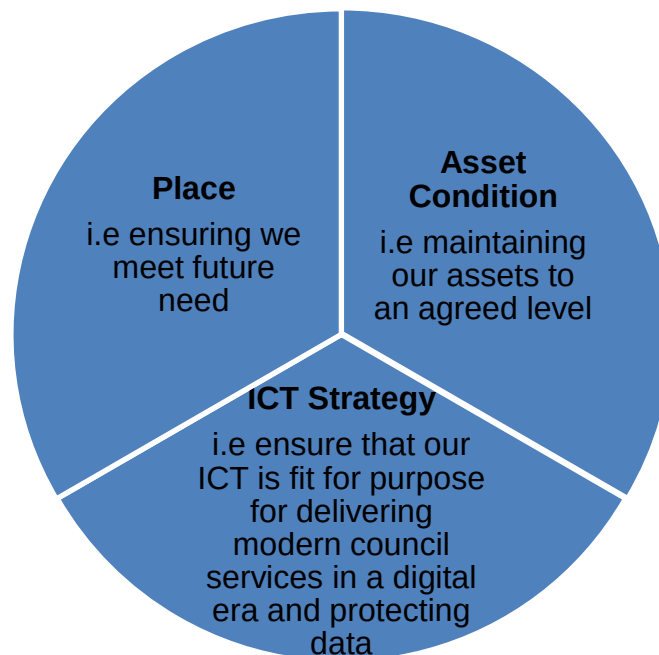
TO NOTE FOR 2021/22 ONLY: The programme has not been updated for an additional year to maintain the 10 year horizon due to the increased uncertainty and risks to long term local government financing as a result of the Covid-19 pandemic. The government has provided a one year funding settlement only, including capital grants, so there continues to be considerable risk in relation to this source of funding which supports a large proportion of the capital programme.

4.3 The Prudential Code requires that authorities demonstrate that they make capital expenditure and investment decisions in line with services objectives and have proper stewardship arrangements, provide value for money, are prudent, sustainable and affordable.

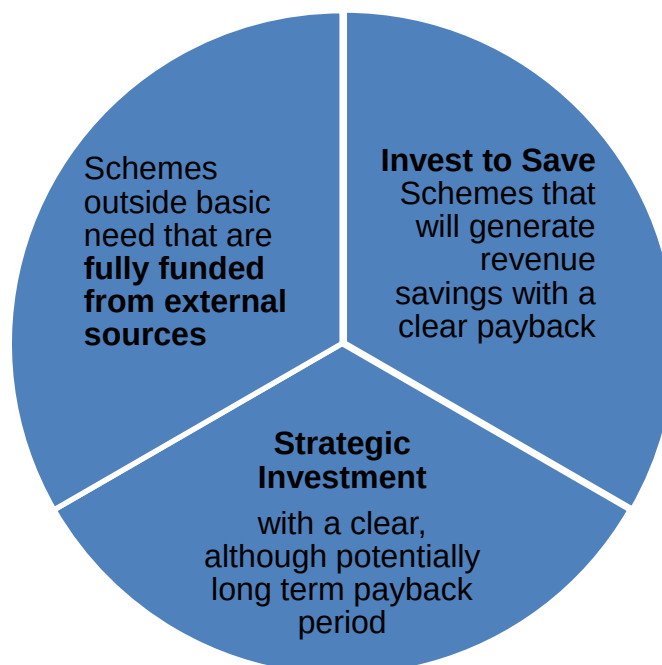
4.4 To ensure that the Council meets the requirements, it will:

- **Ensure capital expenditure contributes to the achievement of the Council's Priority Outcomes.** Capital is considered annually as part of the RPPR process, which underpins the financial planning process;
- **Ensure investment decisions make best use of resources.** A capital and treasury model is in place to ensure that the impact of capital expenditure and use of resources is understood and a holistic view taken;
- **Have a clear framework for making capital expenditure decisions.** Basic need provides a platform that **must** be funded. Other decisions require a business case that meet certain criteria to be approved (see Appendix B);
- **Ensure a corporate approach to generating capital resources is established.** The approach to providing funding for capital is set out in section 5 of this strategy;
- **Have access to sufficient long-term assets to provide services.** The Council use statistical information, including population trends and housing development plans along with asset condition surveys and regular valuations of our assets to help plan long-term need.

- 4.5 **Basic Need** - The strategy focusses on the delivery of basic need for the Council to continue to deliver our services as efficiently as possible. Basic need for the purposes of the capital strategy is further detail is provided in in *Appendix A*:



- 4.6 **Investment Projects** - In addition to the basic need programme the Council will consider business cases for:



- 4.7 In all cases, a clear payback to the Council should be demonstrated. This payback will reduce borrowing in the year it is received and contribute to the sustainability of the programme.
- 4.8 Where a physical asset is being bought, details of market research, advisers used, (and their monitoring), ongoing costs, investment requirements and any credit information must be disclosed, including the ability to sell the asset and realise the investment cash (in line with good practice this will not be ring-fenced but treated as a general capital receipt).
- 4.9 If the Council borrows to fund any non-treasury (strategic) investment, there should also be an explanation of why borrowing was required and why the Ministry of Housing, Communities & Local Government (MHCLG) Investment Guidance and CIPFA Prudential Code have not been adhered to. If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the Capital Strategy.

5. Funding

5.1 The Councils Capital Programme is funded from a range of sources including:

- **Prudential Borrowing** – The introduction of the Prudential Code in 2004 allows the Council to undertake unsupported borrowing itself. This borrowing is subject to the requirements of the Prudential Code for Capital Expenditure for Local Authorities. This has revenue implications for the Council in the form of financing costs, including Minimum Revenue Provision, which will be considered via the RPPR process.
- **External Grants for Specific Purposes** – these include grant allocations categorised for specific purposes to deliver specific schemes or outcomes. Where the council is already funding a scheme or targeted outcome from council funding streams such as borrowing or capital receipts, then such grants will be used to offset these forms of council funding in the defined order outlined at 5.2.
- **External Grants for Non-Specific Purposes** – grant allocations for the delivery of the Council's capital plans (most often from government departments), that are categorised as non-specific. Any grants attracted are used to fund the approved Basic Need capital programme and reduce the Councils need to borrow.
- **Infrastructure Contributions (Section 106 and Community Infrastructure Levy) -**
S106 Contributions – some projects within the Capital Programme are funded by contributions from private sector developers. Where applicable we request contributions for infrastructure such as roads and transport, schools, libraries, household waste recycling centres and rights of way relating to development that has an impact in East Sussex.

Community Infrastructure Levy (CIL) - CIL is a standard charge on developments used to fund a wide range of infrastructure that is needed because of the development. The Charging Authorities (District & Borough Councils) are required to produce a CIL Charging Schedule, which sets out the rates of CIL to be charged on development, East Sussex County Council can then approach the Charging Authority to drawdown some or all of the CIL to fund infrastructure projects.

Infrastructure Contributions represents an important source of funding as it can act to facilitate leverage of additional external funding crucial to meet the County's infrastructure requirements.

- **Other External Contributions** - Other organisations and partners such as may from time to time make a contribution towards the delivery of a specific capital project. The same principles will apply as to External Grants for Specific Purposes (see above).
- **Reserves and Revenue Set Aside** – The Council can use revenue resources to fund capital projects, where these have been approved as part of the budget setting process or an approved business case. This includes specific reserves, payback from invest to save schemes and revenue contributions (CERA).
- **Capital Receipts** – The Council can generate capital receipts through the sale of surplus assets such as land and buildings. The Council seeks to maximise the level of these resources, which will be available to support the Council's plans. This funding source will be prioritised to fund assets with the shortest useful life, such as IT equipment, to reduce the requirement to borrow for assets that attract a greater annual Minimum Revenue Provision cost.
- **Capital Reserve** – The Council has set aside funds in a reserve that can be drawn upon to fund capital schemes, however reserves can only be used once and therefore are a finite resource.
- **New Homes Bonus** – New Homes Bonus is a (non-specific) revenue grant given by Central Government to Councils which is based on the number of homes build or brought back into habitation in the previous year and is payable for four years. New Homes Bonus can be used to fund revenue or capital expenditure. This will be decided annually through the RPPR process.

5.2 The application of these funding sources to capital expenditure incurred during the year will be applied in the following order where possible to minimise revenue implications:

- a. Scheme specific income e.g. specific grants, S106 contributions, Community Infrastructure Levy and Other External Contributions
- b. Reserves and Revenue set aside funding where agreed;
- c. Non-Specific grants
- d. New Homes Bonus
- e. Capital Receipts
- f. Capital reserve (dependant on allocations for any specific items of investment set aside for future years)
- g. Borrowing

5.3 **Leasing** - Lease obligations are similar to borrowing as they have an ongoing revenue budget commitment. Leasing will be considered following due diligence over the life of the asset, comparing the financial and non-financial benefits and risks to the Council owning and delivering such assets itself.

6. Environmental, Social and Governance (ESG) Considerations

6.1 Environmental, Social and Governance (ESG) considerations will become more relevant in capital decision making in order to support the council's strategies. ESG requirements will need to be supported within the business case (see Section 4), and once approved, any capital items will enter the programme via the variation process.

6.2 In October 2019 the County Council declared a Climate Emergency and set a target of achieving carbon neutrality from its activities as soon as possible and in any event by 2050, in line with the new target for the UK agreed by Parliament in 2019. The County Council agreed a Climate Emergency Action Plan in June 2020. In

accordance with the Climate Emergency Action Plan, where possible, officers will support these strategies through identifying a programme of energy efficient projects linked to capital programmes and embed low carbon outcomes in where appropriate in capital contracts.

- 6.3 To ensure that the costs and benefits of any potential projects is balanced with the social, economic and environmental implications of carbon reduction initiatives, the following should be considered.
- Energy efficiency measures should be considered at the start of any capital project and included in the whole project costs when establishing a business case;
 - Where possible, ESG schemes should be integrated within existing funded programmes, e.g. boiler replacement programme with carbon low carbon replacements as part of the capital building maintenance programme;
 - A whole building approach should include whole life costings which will range from shorter to longer term pay back periods, and it may be possible to use short term savings to subsidise longer term improvements.
 - Scheme Specific Funding, such as external grants and Section 106/CIL contributions should be considered and actively sought to fund projects. This should include lobbying of government departments to provide funding for low carbon measures, such as the Department of Education when funding new schools and major improvements.

7. Debt, Borrowing and Treasury Management

- 7.1 A requirement under the Chartered Institute for Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in the Public Services is to prepare a Treasury Management Policy and Strategy setting out the Council's policies for managing investments and borrowing. The Local Government Act 2003 and supporting regulations requires the Council to 'have regard to' the Prudential Code and to set Prudential Indicators to ensure that the Council's capital investment plans are affordable, prudent and sustainable.
- 7.2 The Local Government Act 2003 permits local authorities to borrow to finance capital expenditure provided that the plans are affordable, prudent and sustainable in the long term. The Treasury Management Policy and Strategy and the Capital Programme identifies a borrowing need. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes so that sufficient cash is available to meet the capital expenditure plans.
- 7.3 Under the Prudential Code and Treasury Management Code, the Council is required to set parameters around its borrowing and treasury activity, including an authorised borrowing limit for each year which cannot be breached. Additionally, when funding capital expenditure through borrowing, the Council is required to set aside a sum from revenue each year to repay the debt, known as the Minimum Revenue Provision (MRP).
- 7.4 To ensure the separation of the core treasury function under security, liquidity and yield principles (SLY), and the policy and commercialism investments usually driven by expenditure on an asset, the Capital Strategy is reported separately from the Treasury Management (TM) Strategy. Therefore, the debt related to the activity and the associated interest costs, payback period, Minimum Revenue Provision policy or

for non-loan type investments, the cost against the current market value and the financial risks are part of the Treasury Management Policy and Strategy.

- 7.5 The proposed capital programme investment has consideration directly to the Treasury Management Strategy. A specific model developed for this purpose continues to be used and updated to remain current so that it remains responsive to any treasury management risks, such as interest rate volatility. Any borrowing required is within the limits set by the Treasury Management Strategy, which sets out the acceptable limits on ratings, investment periods, amounts to be invested and the borrowing strategy.

8. Commercial Activity

- 8.1 The council's Property Asset Disposal and Investment Strategy was approved at Cabinet on 24 April 2018. The key purpose of the Strategy is to deliver an ongoing net income stream to the Council with investment defined as allocating money in the expectation of some benefit in the future, providing the framework and template for the Council's approach to considering the commercial opportunities that exist, or can be created, in order to drive value for residents and businesses.

9. Governance

- 9.1 The Council's constitution and financial regulations govern the capital programme as set out below:
- All capital expenditure must be carried out in accordance with the financial regulations and the Council's constitution;
 - Capital expenditure must comply with the statutory definition of capital purposes as defined within this document and wider financial standards;
 - The Capital Programme approved by Full Council as part of the Council's annual RPPR budget report sets the capital funding availability for the Council. This is updated and approved by Full Council as part of the Council's RPPR State of the County report;
 - All schemes are formally approved into the capital programme by following the process set out in the financial regulations;
 - With the exception of strategic projects supported by a business case, Basic Need will only be added to, or removed from, the Capital programme as part of the annual budget setting process or as part of State of the County. Any request outside of this process would have to be approved by Cabinet;
 - Officers are not authorised to commit expenditure without prior formal approval as set out in the financial regulations;
 - Each scheme must be under the control of a responsible person/project manager.
- 9.2 The Council has a Capital Strategic Asset Board (CSAB), a cross-departmental group consisting of officers from each service department, finance, property and procurement. CSAB oversees the development and delivery of the Council's capital programme.
- 9.3 Departmental Capital Boards/sub boards exist for the school basic need programme, Property Maintenance and related projects; Communities, Economy and Transport; and Information, Technology and Digital. There is also a CIL & Section 106 Working Group that reports to the CSAB.

- 9.4 In year, the Capital Programme is monitored and reported to the Corporate Management Team and then to Cabinet and Full Council, on a quarterly basis, as part of the Council's RPPR monitoring.
- 9.5 Governance arrangements, including risk management (see section 10), will be reviewed to ensure that it remains fit for purpose and is in line with best practice.

10. Risk

- 10.1 The Council seeks to minimise its exposure to risks that are unwanted and unrewarded. Capital is managed centrally on an ongoing basis to ensure that there is sufficient liquidity in the short and medium term to meet costs and support front line services, as well as meeting long-term solvency and funding requirements.
- 10.2 The Council is exposed to a range of risks that could be triggered by local, national or global events resulting in, for example:
- Financial risks related to the investment of the Council's assets and cash flow, market volatility, currency etc.
 - Macroeconomic risks related to the growth or decline of the local economy, interest rates, inflation and, to a lesser degree, wider national and global economics.
 - A credit and counterparty risk related to investments, loans to institutions and individuals and counterparties in business transactions.
 - Operational risks related to operational exposures within its organisation, its counterparties, partners and commercial interests.
 - Strategic risks related to key initiatives undertaken by the Council such as significant purchases, new ventures, commercial interests and other areas of organisational change deemed necessary to help the Council meet its Priority Outcomes.
 - Reputational risks related to the Council's dealings and interests, and the impact of adverse outcomes on the Council's reputation and public perception.
 - Environmental and social risks.
 - Governance risks related to ensuring that prudence and careful consideration sit at the heart of the Council's decision-making, augmented by quality independent advice and appropriate checks that balance oversight and efficiency.
- 10.3 Managing the Council's risks is an area of significant focus for senior management and members, and the Council adopts an integrated view to the management and qualitative assessment of risk.
- 10.4 The Council aims to minimise its exposure to unwanted risks – risks that are avoidable and which carry no commensurate reward for the Council – through a range of cost effective mitigation strategies.
- 10.5 To ensure that risks to the delivery of the capital programme, a structured framework of planning and monitoring is maintained as detailed in section 9, which is intended to identify those schemes at risk of non or late delivery.
- 10.6 The Council maintains a contingency at a corporate level, to mitigate possible risks arising from the capital programme. Control of this contingency is maintained by the CSAB, which operates within the normal governance arrangements (see section 9).
- 10.7 As part of capital planning, a number of potential projects or needs for additional funding maybe identified, these are added to a register of such schemes, with the risks and impacts analysed. The CASB will review these on a regular basis and

commission further work as necessary to bring the business cases forward if risk is deemed to have developed to a point where further action is required.

11. Skills and Knowledge

- 11.1 The Capital Programme and Treasury Management Strategy are managed by a team of professionally qualified accountants with extensive Local Government Finance experience, who attend courses on a regular basis to keep abreast of new developments. The Council's Section 151 Officer is the officer with overall responsibility for Capital and Treasury activities and is a qualified accountant.

BASIC NEED SERVICE DEFINITIONS

1. Place

- 1.1 The overarching principle of “Place” is that the Council ensures that it is investing in its assets to meet future need. The areas of agreed investment are:

1.2 Schools Basic Need Programme

- 1.2.1 Ensuring the provision of sufficient school places is a statutory duty of the Council and needs to be funded. The requirement for school places in East Sussex is driven by housing growth, inward migration and changes in birth rates.
- 1.2.2 The programme will recognise the potential need for additional primary school places in areas of new housing development together with the increase in secondary school places required for those children already at primary school, which reflects an historic increase in births.

1.3 Economic Development including Place Shaping

- 1.3.1 A Council’s priority outcome is to drive sustainable growth. Working with our partners, the Council will include in its capital programme schemes that support this outcome.
- 1.3.2 The Council will consider, as part of the “Other Investments” outside of basic need, schemes that will provide long-term benefits and demonstrate payback of the initial investment.

1.4 House Adaptations

- 1.4.1 House adaptations for both adults and children are an important element of allowing people to remain in their homes (District & Boroughs) or in accommodation, which meets their needs (County).
- 1.4.2 Working alongside our partners in Districts and Boroughs to ensure Disabled Funding Grant is utilised, along with our own resources, to provide the best outcomes for our residents.

1.5 Integrated Transport

- 1.5.1 The integrated transport delivers the objectives of the County’s Local Transport Plan, which is complemented five-year implementation plans, delivering priority schemes. The schemes to be delivered are only added to the capital programme when external grant or contributions have been secured.

2. Asset Condition

- 2.1 The overarching principle of “Asset Condition” is that the Council ensures that it is investing in its assets to maintain a basic level of condition, which allows the Council to deliver its Priority Outcomes, meeting any security and health and safety requirements. The areas include:

BASIC NEED SERVICE DEFINITIONS

2.2 Highways Structural Maintenance

- 2.2.1 Maintenance of public highways and public rights of way across the county is a statutory requirement of the County Council under the Highways Act. ESCC has very clear obligations to maintain the public highway, and, therefore, without adequate supporting capital maintenance budget the pressure on revenue budgets will undoubtedly increase and the Council will be at greater risk of third party claims for damages.
- 2.2.2 Road condition, and the ability to prevent the formation of potholes, has long been a priority for Members, and, in recent years, the focus of the Capital Maintenance Programme has been to improve the overall condition of the carriageway through programmes of preventative patching and carriageway resurfacing.
- 2.2.3 We receive many requests to install physical features to prevent driving or parking in unsuitable places. All requests are assessed by the Road Safety team and will not be taken forward unless the location meets the criteria used by our scoring system.
- 2.2.4 If we can improve safety by making minor changes, this will be carried out as part of the highway's maintenance programme. However, more complex improvements, such as traffic calming schemes, pedestrian crossings or cycle lanes are funded from our budget for transport improvements and undergo a strict scoring process.
- 2.2.5 To ensure that highways drainage is adequate to meet the needs of maintaining safe roads and, as the occurrence of extreme weather events increases, is able to cope with those events

2.3 Bridge Strengthening/Street Lighting/Traffic Signals

- 2.3.1 As traffic continues to increase on our roads there is requirement for a programme of bridge strengthening and replacement to ensure they remain safe.
- 2.3.2 To ensure that street lighting is adequate and, as the existing stock comes to the end of its life, it is replaced with modern, energy efficient, technology that also addresses the issue of light pollution.
- 2.3.3 To ensure that the maintenance of traffic signals is adequate to meet the needs of maintaining safe roads and that meet the needs of all users.

2.4 Rights of Way

- 2.4.1 Maintaining and protecting the public's right to use the 2000 miles (3,500km) of footpaths, bridleways and byways in East Sussex.

BASIC NEED SERVICE DEFINITIONS

2.5 Real Bus Information

- 2.5.1 Real Time Passenger Information (RTPI) has been introduced in East Sussex to help provide better, more reliable information about bus services. The County Council continues to work with neighbouring local authorities and bus operators to roll out the system, which enables live bus times (real time information) to be displayed on electronic RTPI signs installed at a number of major bus stops and also on the Traveline website, text messages and smartphone apps..

2.6 Building Maintenance - schools

- 2.6.1 Work related to legislation, statutory requirement, health and safety and urgent repair work, as identified via the condition surveys and plans that ensure that schools are maintained at a minimum requirement, including the provision of temporary classrooms, plans based on birth rates and population projections are included in the Place (see section 1.2 above).

2.7 Building Maintenance – non schools

- 2.7.1 Work related to legislation, statutory requirement, health and safety and urgent repair works. The money spent on capital will avoid higher running costs helping to reduce the cost of occupancy of corporate buildings.

2.8 Libraries

- 2.8.1 To maintain libraries in a safe and suitable condition from which to deliver the outcomes of the Libraries Strategic Commissioning Strategy.

2.9 Energy Efficient Projects

- 2.9.1 Where funding from Salix can be attracted that pays back the investment, these will be added to the capital programme.

3. IT&D Strategy Programme

- 3.1 The overarching principle of the IT&D strategy is to ensure that our Information and Communications Technology (ICT) is fit for purpose for delivering modern council services in a digital era and protecting any data held.
- 3.2 The business has a dependent on a basic level of infrastructure in order to be able to function. A substantive proportion of the ICT Strategic Investment bid is for operational activity, essential to keep working, services that support the rest of the organisation.
- 3.3 Continued investment in provisioning operational services keeps the Council's technology tools up to date and working, to ensure that as an organisation, contractual support obligations are maintained and ESCC remains secure, resilient and compliant.

BASIC NEED SERVICE DEFINITIONS

- 3.4 In order to stay ahead of business user expectation, investment in developing current systems is fundamental. Failure to keep pace with technological development will, in the short-term, paralyse Council infrastructure. The current development activity will become the future operational activity. Failure to build upon the technology investments already made will leave the Council ill prepared for the future, compromising the ability of the infrastructure to support the business in achieving its goals, making it difficult to share business information securely with partners and access it more flexibly across traditional boundaries.

BUSINESS CASE GUIDANCE

- B1. The Council does not prescribe how a business case should be made but a template is available for services to use as necessary. There are also some basic principles.
- B2. The 5-Case Business Case model, as recommended by HM Treasury, sets out some basic questions that all business cases should answer.

The Strategic Case

- **Is the proposal needed?**
 - Will it further the Council's objectives?
 - Is there a clear case for change?

The Economic Case

- **Is it value for money?**
 - Have a range of options been considered?
 - Is it the best balance of cost, benefits and risk?

The Commercial Case

- **Is it viable?**
 - Is there a supplier who can meet our need?
 - Can we secure a value for money deal?

The Financial Case

- **Is it affordable?**
 - Are the costs affordable and realistic?
 - Is there funding available and is it supported?
 - Is there a clear payback?

The Management Case

- **Is it achievable?**
 - Are we capable of delivering the project?
 - Do we have robust systems and processes in place?

Appendix 10 - Fees and Charges approved at Q3 2020/21 over 2%, to be applied in the financial year 2021/22

Department	Service	Description	Current (£)	Proposed (£)	Movt (£)	Movt (%)
Business Services	Deferred Payment Agreements (DPAs). Based on uplifted resource time.	Start up (Business Operations)	69.00	71.00	2.00	2.9%
Business Services		Annual Fee (Business Operations)	150.00	154.00	4.00	2.7%
Business Services		Redemption (Business Operations)	62.00	64.00	2.00	3.2%
Children's Services	Accommodation Projects Uplift based on Retail Price Index (RPI) rent increase since February 2015. New Lease commenced 2020.	Rent for former Rye Scout Hut	1,200.00	1,400.00	200.00	16.7%
Children's Services	Lansdowne is one of 15 Secure Children's Homes in England and Wales. There are two purposes for secure children's homes; the first is to provide care for vulnerable children who are remanded or sentenced by a criminal court and, the second is to care for children who need to be placed for their own safety, or the safety of others. Young people placed in secure establishments under the latter circumstances are usually placed for welfare reasons under Section 25 of the Children Act (1989). The uplift is based on benchmarking with Swanick and Atkinson secure unit.	Secure Accommodation Charges (7 beds per night charge)	985.00	1,080.00	95.00	9.6%
Children's Services	Buzz Active provides outdoor activities out of three locations in East Sussex, Bushey Wood, Eastbourne and Cuckmere. We run nationally accredited courses, taught by qualified instructors, for individuals, groups and families, for children from 6 onwards, for schools, and groups with special needs. Buzz also provides schools and educational establishments with advice and support, resources, training and planning for leading offsite activities. Uplift being based on benchmarking.	All course fees and membership fees have increased by 2.75%	various	various	-	2.75%

Department	Service	Description	Current (£)	Proposed (£)	Movt (£)	Movt (%)
Children's Services	Standards and Learning Effectiveness Service (SLES) Work Experience - Providing a work experience service to maintained and academy secondary schools with East Sussex to enable them to manage the process of arranging their work experience placements including undertaking pre-placement Health and Safety (HS) checks on businesses hosting a student. The uplift is based on benchmarking against Brighton and Hove City Council and Kent County Council.	Work Experience Service - Academic Year Subscription	300.00	310.00	10.00	3.3%
		Health and Safety Assessment and Support (subscriber rate)	15.00	15.50	0.50	3.3%
		Matched Placement Service (subscriber rate)	48.00	49.50	1.50	3.1%
		Bespoke matched placements (subscriber rate)	66.00	68.00	2.00	3.0%
		Health and Safety Assessment and Support (non-subscriber rate)	24.00	25.00	1.00	4.2%
		Bespoke matched placements (non-subscriber rate)	89.00	92.00	3.00	3.4%
		Out of Area Health and Safety check (student coming into East Sussex)	60.00	62.00	2.00	3.3%
		Out of Area Health and Database check (student coming into East Sussex)	30.00	32.00	2.00	6.7%
		Brighton and Hove High School - Health & Safety check	45.00	47.00	2.00	4.4%
		Brighton and Hove High School - Out of area Health & Safety check	65.00	67.00	2.00	3.1%
Communities, Economy and Transport	Registration - The Service is responsible for registering all births, deaths and still-births, and for registering and conducting all civil marriages and civil partnerships that occur within East Sussex, in addition to providing citizenship ceremonies for all of the county's new British citizens. The team also retains responsibility for the custody of all registers dating back to 1837, and licences over 100 Approved Marriage Premises (AMP) located across the county. Benchmarking against Brighton and Hove City Council, West Sussex, Surrey and Kent County Council. [NB: * includes vat]	Registrars Pen*	10.00	12.00	2.00	20.0%
		Certificate Case*	20.00	25.00	5.00	25.0%
		Standard Private Citizenship Ceremony	100.00	120.00	20.00	20.0%
		Peak Demand Day Surcharge	100.00	150.00	50.00	50.0%
		Surcharge for Approved Marriage Premises (AMP)/Registrar's Office (RO) ceremony 5.01pm-9.59pm	150.00	175.00	25.00	16.7%
		Surcharge for AMP/RO ceremony 10pm-8.59am	250.00	275.00	25.00	10.0%
		Ceremony Preparation Meeting (weekdays / Saturday)	60.00	65.00	5.00	8.3%
		AMP Licencing (3 years)	1,995.00	2,095.00	100.00	5.0%

Department	Service	Description	Current (£)	Proposed (£)	Movt (£)	Movt (%)
Communities, Economy and Transport	Transport Development Control. The team is responsible for: Providing highway authority advice in the preparation of Local Plans by Borough and District Councils; Site supervision and management of developer led improvement schemes and development; Providing the statutory highway comments on planning applications and pre-application enquiries; Presenting evidence at appeals; Securing development transport contributions and highway improvements; Travel Plans, negotiating Section 38/278 agreements; Responding to Local Land Charge Searches; Maintaining the Highway Terrier, and producing highway land information; The team also provides Section 184 licences for dropped kerbs and new accesses. Benchmarking against other authorities in the South East.	Pre-application service for planning applications:				
		Up to 10 Dwellings	210.00	215.00	5.00	2.4%
		11-30 Dwellings	440.00	450.00	10.00	2.3%
		31-50 Dwellings	880.00	900.00	20.00	2.3%
		81-199 Dwellings	2,195.00	2,240.00	45.00	2.1%
		Highway Extent and related queries:				
		Traffic schemes questions is for details of a specific planned scheme	22.00	22.50	0.50	2.3%
Communities, Economy and Transport	Trading Standards protects consumers and traders in East Sussex. The service enforces government legislation, offers advice to businesses and consumers, provides licences and inspections for businesses and investigates offences and prosecutes offenders. Uplift is based on benchmarking against other authorities in the South East.	Business Advice	78.00	81.00	3.00	3.8%
		Accredited Financial Advisor Advice	45.00	50.00	5.00	11.1%
		Primary Authority (External Consultancy)	1,500.00	1,620.00	120.00	8.0%
Communities, Economy and Transport	Traveller Sites in Hailsham, Maresfield, Polegate, Robertsbridge and Bridies Tan. Benchmarking against Brighton and Hove City Council and West Sussex County Council.	Rental - Bridies Tan	54.00	64.00	10.00	18.5%
Communities, Economy and Transport	Transport Monitoring - speed surveys and traffic counts. Currently there is no reliable source for benchmarking but it is hoped that in the future this will be benchmarked against a reliable source in the Midlands.	12 hr one camera classified turning count - Cyclist Touring Club (CTC)	510.00	535.00	25.00	4.9%
		12 hr multiple camera CTC	920.00	945.00	25.00	2.7%
		12 hr CTC with pedestrians	580.00	630.00	50.00	8.6%
		12 hr single pathway pedestrian & cyclist count	285.00	299.00	14.00	4.9%
		12 hr two pathway pedestrian and cyclist count	445.00	475.00	30.00	6.7%
		Sale of pre-existing dataset	85.00	95.00	10.00	11.8%

Department	Service	Description	Current (£)	Proposed (£)	Movt (£)	Movt (%)
Communities, Economy and Transport	Flood Management: The focus of the Flood Risk Management service is on surface water, minor watercourse and groundwater flooding. The team is responsible for Ordinary Watercourse consenting, responding to general land drainage enquiries, and is involved in identifying funding streams to deliver flood alleviation/management schemes in the county. Benchmarking based on: Watercourse consenting set by legislation so no scope for change Rates for data provision and pre-application meetings have been informed by rates used by the Environment Agency which provides a comparable service.	Data provision	107.00	113.42	6.42	6.0%
		Pre application hourly review	92.00	97.52	5.52	6.0%
Communities, Economy and Transport	Highways Network Assurance - The Highways Act 1980 permits ESCC, as a highway authority, to grant licences and take enforcement action with respect to items on or affecting the highway. Uplift is required in order to take into account the rise in inflation as indicated by the Royal Institute of Chartered Surveyors Professional Services Indices.	S184 Dropped Kerb/Vehicle Crossover licence	356.65	368.06	11.41	3.2%
		S184 Dropped Kerb/Vehicle Crossover licence renewal	127.37	131.45	4.08	3.2%
		Licence to plant and maintain vegetation in Highway	58.28	60.14	1.86	3.2%
		Highway information - copy of agreement	58.28	60.14	1.86	3.2%
		Licence to place building materials on Highway	89.01	91.86	2.85	3.2%
		Licence to place crane, cherry picker etc on Highway	112.33	115.92	3.59	3.2%
		Licence to place crane, cherry picker etc on Highway - change of day	35.66	36.80	1.14	3.2%
		Licence to place hoarding on the Highway	110.21	113.74	3.53	3.2%
		Licence to place scaffolding on the Highway	110.21	113.74	3.53	3.2%
		Licence to place skip on the Highway	58.28	60.14	1.86	3.2%
		Licence to place a bench, notice board, planter, waste bin on Highway	58.28	60.14	1.86	3.2%
		Licence to place a grit bin on Highway	58.28	60.14	1.86	3.2%
		Licence to place wheelie bin on Highway	58.28	60.14	1.86	3.2%
		Licence to erect a sign in the Highway	58.28	60.14	1.86	3.2%
		Licence to plant posts, bollards in the Highway	58.28	60.14	1.86	3.2%
		Reclaiming illegally placed banners	58.28	60.14	1.86	3.2%
		Section 50 licence	550.00	567.60	17.60	3.2%
		Site inspection to assess safety and condition	54.00	55.73	1.73	3.2%

Department	Service	Description	Current (£)	Proposed (£)	Movt (£)	Movt (%)
		Licence to place tables and chairs (traders) on Highway:				
		- Tables and Chairs	264.94	273.42	8.48	3.2%
		- Objects (traders)	132.47	136.71	4.24	3.2%
		Licence to affix apparatus to street furniture	58.28	60.14	1.86	3.2%
		Temporary attachment of apparatus to streetlight	58.28	60.14	1.86	3.2%
		Licence to make an excavation in Highway	387.22	399.61	12.39	3.2%
		Traffic survey	58.28	60.14	1.86	3.2%
		Licence to discharge treated effluent from private drainage system into Highway	376.21	388.25	12.04	3.2%
Communities, Economy and Transport	The Keep provides an Archive Service that is utilised by many organisations along the South Coast. It is a partnership between East Sussex County Council, Brighton and Hove City Council and the University of Sussex. Public access to the Archives is facilitated and a wide program of educational talks and events is provided. It is also the base for the Sussex Family History Group who pay a notional rent and their activities support the maintenance and indexing of Family Records. Other material requiring specialist storage is archived here by other entities such as The National Archives and University of Brighton. The uplift is based on benchmarking against West Sussex County Council.	Digital image A4				
		pre-existing image	3.00	8.00	5.00	166.7%
		Printed image A4				
		pre-existing image	5.50	11.00	5.50	100.0%
		new	10.50	11.00	0.50	4.8%
		Digital image A3				
		pre-existing	3.00	8.00	5.00	166.7%
		Printed image A3				
		pre-existing	6.00	12.00	6.00	100.0%
		new	11.00	12.00	1.00	9.1%
		Printed certificates				
		Wedding	10.00	14.00	4.00	40.0%
		Certified copies				
		Typed extract and copy of original	20.00	25.00	5.00	25.0%
		Certified copy of original	17.00	20.00	3.00	17.6%
		House plans				
		digital	13.00	20.00	7.00	53.8%
		printed	25.00	35.00	10.00	40.0%
		Tithe maps				
		Map -digital	10.00	20.00	10.00	100.0%
		Apportionment	3.00	5.00	2.00	66.7%
		Wills				
		digital	10.00	15.00	5.00	50.0%
		printed	10.00	20.00	10.00	100.0%
		Detailed quote for larger reprographic projects	15.00	30.00	15.00	100.0%

Department	Service	Description	Current (£)	Proposed (£)	Movt (£)	Movt (%)
		Research Services				
		Building look up service - private	25.00	35.00	10.00	40.0%
		Conservator Services				
		On site per hour	60.00	65.00	5.00	8.3%
		Off site per hour	30.00	35.00	5.00	16.7%
		Camera passes				
		Per day	12.00	15.00	3.00	25.0%
		Parking				
		Car Parking full day	2.50	4.00	1.50	60.0%
		Car Parking staff	1.00	1.50	0.50	50.0%

Report to:	Cabinet
Date of meeting:	26 January 2021
By:	Director of Communities, Economy and Transport
Title:	Highway Services Re-procurement Project (HSRP)
Purpose:	To present the outcomes and recommendations from the Outline Business Case for the Highway Services Re-procurement Project for approval by Cabinet

RECOMMENDATIONS: Cabinet is recommended to:

- (1) Approve the Outline Business Case contained in appendix 1 of the report; and**
 - (2) Approve the development two options (Option 1, Separate Contractor Contract & Separate Designer Contract and Option 2, Integrated Contractor & Designer Contract) to determine the new service delivery model for future highway services in the Detailed Business Case, which will be reported to Cabinet for approval later in the year.**
-

1. Financial Appraisal

1.1 The project costs were estimated to be £533,000 profiled over the three years 2020/21 to 2023/24. These costs are in addition to ESCC staff costs which already form part of existing highways budgets.

1.2 As the first stage of the project has evolved, opportunities to work as part of an academic study delivered by an independent consultant Proving Services Ltd based at Cranfield University have reduced the need for traditional external consultancy support. In addition, greater use of analysis of the service from the previous highways re-procurement project has also reduced the need for traditional consultancy support. The estimated project costs have subsequently reduced to £328,000 profiled over the years 2020/21 to 2023/24 as follows:

Financial Year	2020/21	2021/22	2022/23	2023/24
Budget Estimate	£57,000.00	£129,000.00	£104,000	£36,000

1.3 Whilst the majority of the identifiable savings from the Highways Service were achieved from the last tender exercise in 2016, the opportunity for further savings will be examined in detail in the Detailed Business Case (DBC) phase.

2. Background

2.1 This report presents an overview of the main work and outcomes from the Outline Business Case (OBC) for the re-procurement of the new Highway Infrastructure Services (HIS) contract. The OBC has been developed using the Council's Strategic Commissioning approach and the HM Treasury Five Case Model.

3. Highways Services Re-procurement Project (HSRP)

3.1 The Process – Strategic Commissioning Approach

3.1.1 The OBC sets out the methodology, findings, conclusions and recommendations from Stage 1, Development of an Outline Business Case, of the re-procurement project. The OBC comprises two documents, Appendix 1, the OBC including an Executive Summary and Appendix 2 containing the technical appendices (6 in total) referred to in the OBC. The OBC has been prepared using the County Council's Strategic Commissioning approach as illustrated on pages 13 and 14 of Appendix 1 and summarises work from the analysis phase of the strategic commissioning model. A summary of the key findings from this work is included on page 30 of Appendix 1.

3.2 The Process - HM Treasury Five Case Model Methodology

3.2.1 The Five Case model is a HM Treasury recommended methodology for writing robust business cases, it is recognised as a best practice approach. The approach also provides a clear audit trail for the purposes

of public accountability and was used in the Council's previous re-procurement project which led to the successful appointment of the current Service Provider.

3.2.2 In applying the Five Case model through the project stages (Figure 002, page 15 Appendix 1), each of the five 'cases' will be developed as the project progresses. In preparing this OBC, much of the information in it provides a foundation for stage two when the DBC is developed.

3.3 Drivers for Change

3.3.1 The OBC also considers the key drivers for making changes (pages 25 & 30 of Appendix 1) including; the need to replace existing arrangements; continue to deliver our statutory obligations as the Highway Authority and; the need to continue to make the best use of our limited resources.

3.4 Outcomes

3.4.1 Linking the information gathered from the analysis work in the OBC to the Council's key priorities a number of service outcomes have been developed and approved by the Scrutiny Member Reference Group (SMRG) which is part of the Place Scrutiny Committee. These are listed on page 22 of Appendix 1. These will be further developed, and a final set of proposed service outcomes and specific operational and contractual key performance indicators will be produced during the DBC stage.

3.4.2 An interim report by the SMRG summarising their involvement to date and highlighted service issues for further analysis at the DBC stage is included within Appendix 2.

3.4 Scope of Services

3.4.1 In the last re-procurement exercise in 2015 extensive analysis was completed to determine the project scope, and much of this analysis and therefore scope of service is still valid.

3.4.2 In compiling the OBC engagement sessions were held with the Council's other council teams that interface with the highways service in order to validate the previous work completed in 2015. The findings of these sessions are included on pages 25 and 26 of Appendix 1. A number of areas for improvement were identified and will be explored in further detail within the DBC. None of the identified issues at this time suggest that provision of any wider services should be included within scope of this HSRP. However further consideration as to whether any aspects of these teams' services should be included within the future Service Delivery Model (SDM) will be reviewed within the DBC.

3.5 Service Delivery Model Options Appraisal

3.5.1 In considering the required outcomes for the future Service Delivery Model (SDM) and other factors in the OBC, pages 31 to 38 of Appendix 1 set out the options considered and provides a summary of the options appraisal process. A full report of the completed options appraisal including methodology, assessment criteria and evaluation criteria is included in Appendix 2.

3.5.2 The two shortlisted options are further endorsed through the Options Study activity led by Proving Services Ltd, which comprises of eight local authorities all completing individual options appraisals for their respective future highways SDMs. Of all the scored options across the eight authorities, on average, Options 1 and 2 were ranked the highest overall (table 012 on page 38 of Appendix 1 gives a summary of the average ranking, with a detailed report provided by Proving Services Ltd included in Appendix 2).

3.7 Outline Business Case Conclusions and Shortlisted Service Delivery Models

3.7.1 Page 50 of Appendix 1 sets out the detailed conclusions and recommendations of the OBC. In summary, from the analysis undertaken to complete the OBC and the requirements identified in order to continue to meet the Council's legal responsibilities as the Local Highway Authority a range of different types of SDM have been considered.

3.7.2 Through the analysis carried out it is clear that there are limited SDMs that meet all of the Council's strategic requirements. It suggests that Option 1, Separate Contractor Contract & Separate Designer Contract and Option 2, Integrated Contractor & Designer Contract (which is the current SDM) present the best opportunity for the Council to successfully deliver its statutory responsibilities for highways maintenance in the most efficient, effective and economic manner and it is recommended that these are taken forward for further assessment in the Detailed Business Case.

4. Conclusion and Reason for Recommendation

4.1 Cabinet are asked to welcome and approve the OBC and approve the recommendation to develop two options in the Detailed Business Case to determine the new highways service delivery model. The DBC will be presented to Cabinet for approval later in the year prior to procurement of the new contract.

RUPERT CLUBB

Director of Economy, Transport & Environment

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LOCAL MEMBERS

All

BACKGROUND DOCUMENTS

None

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OUTLINE BUSINESS CASE
HIGHWAYS SERVICE RE-PROCUREMENT PROJECT
(HSRP)

26 January 2021

Document Control

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Document Summary

This document is the Outline Business Case for Project: East Sussex Highways Procurement 2021

Document Quality Assurance

Step	Step Description	Undertaken by	Date	Remarks
01	Quality Review	Ed Rumsey	16 Nov 2020	
02	Contracts Manager Review	Dale Poore	16 Nov 2020	
03	Executive Review	Karl Taylor	18 Nov 2020	

Distribution

Issue No.	Issued to	Date of issue
1	Rupert Clubb	23 Nov 2020
2	Karl Taylor	23 Nov 2020
3	James Harris	23 Nov 2020
4	Darron Cox	23 Nov 2020
5	Dale Poore	23 Nov 2020
6	Robin Hayler	23 Nov 2020
7	Jill Fisher	23 Nov 2020
8	Mat Davey	23 Nov 2020
9	Danny Simpson	23 Nov 2020
10	Stephen Byrom	23 Nov 2020

Appendix Listing

Appendix No.	Description	Note
001	Project Initiation Document (PID)	
002	Legal Framework and Policy Review	
003	Service Delivery Model Options Appraisal	
004	Highway Asset Management Strategy	
005	Scrutiny Member Reference Group – interim report	
006	Future Options Study Summary of Findings	

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1 EXECUTIVE SUMMARY

1.1 Introduction

- 1.2.1 The current Highways and Infrastructure Services (HIS) Contract is delivered through an Integrated Single Provider Service Delivery Model (SDM), comprising all highways works and design services which, commenced on the 1 of May 2016. The contract was awarded for a fixed seven-year term with no extensions. The Contract incorporates a performance management framework linked to the Council's priority outcomes, and which rewards or penalises the Service Provider financially subject to their annual performance. The Service Provider's performance is measured against 24 linked Service Performance Indicators (SPIs) covering the key areas of Operational Delivery, Sustainability, Safety, Asset and Stakeholder.

1.2 Key Drivers for the project

- 1.2.1 The current HIS Contract is due to reach full term on the 30th April 2023 and therefore a new contract is required to be in place from 1 May 2023.
- 1.2.2 A project team has been established to review and select the most efficient, effective and economically viable option to maintain the highway network and associated infrastructure and ensure the Council continues to meet its statutory responsibilities from May 2023 onwards.
- 1.2.3 This Outline Business Case (OBC) sets out the replacement options available to the Council and recommends a shortlist of two SDMs to be developed and appraised within the Detailed Business Case (DBC) stage.

1.3 The Process

- 1.3.1 The project follows the principles of the Council's Strategic Commissioning Framework of analyse, plan, do, and review. The initial phase provides an OBC setting out a number of options for further detailed development in a DBC.
- 1.3.2 In undertaking this initial stage, the team have carried out an analysis of current service data, engaged with the current Service Provider, the highways sector market, key stakeholders (including Members), other Council teams that interact with the service and academic researchers working on behalf of the Council and other highway authorities. This has resulted in this OBC and its recommendations for future service delivery model options.

1.4 Scope of Service

- 1.4.1 In the last re-procurement in 2015 extensive analysis was completed to determine the project scope, and much of this analysis and therefore scope of service is still valid.
- 1.4.2 In compiling this OBC engagement sessions were held with the Council's other Communities, Economy and Transport (CET) teams that interface with the highways service in order to validate the previous work completed in 2015. The findings of these sessions are included in section 2.19. A number of areas for improvement were identified and will be explored in further detail within the DBC. None of the identified issues at this time suggest that provision of any wider departmental services should be included within scope of this HSRP. However further consideration as to whether any aspects of these teams services should be included within the future SDM will be reviewed within the DBC.

1.5 Options Appraisal

- 1.5.1 An options appraisal was undertaken in two stages that broadly followed the well-established HM Treasury Five Case model (Appendix 003). Fifteen options were appraised and reduced to five which were potentially best aligned to meet the Council's needs.
- 1.5.2 The Council has also worked with an independent academic consultant, Proving Services Ltd based at Cranfield University. Proving has worked extensively to develop sector-leading, research-based tools and processes which are used extensively across the private and public sector. In partnership with the Association of Directors of Environment, Economy, Transport & Planning (ADEPT), Proving host the Future Highways Research Group (FHRG), which a bench marking club of local Highway Authorities.
- 1.5.3 Soft Market Testing, engagement with other local authorities and moderation of the scores was carried out to further reduce the SDMs best suited to the Council's service aims and ambitions. The Project Team presented the findings to the Scrutiny Member Reference Group (SMRG) with support from an independent consultant. The SMRG endorsed the process that had been undertaken and supported the development of a shortlist of two SDMs to be taken through to the DBC stage for further detailed development. The SMRG interim report on their involvement so far is included in Appendix 005.

1.6 Recommended Options

- 1.6.1 Following the completion of the Options Appraisal the two recommended options to be developed in the DBC are;
- Option 1: Separate Contractor Contract & Separate Designer Contract
 - Option 2: Integrated Contractor & Designer Contract (current SDM)
- 1.6.2 These two options are further endorsed through the Options Study activity led by Proving Services Ltd. This involved eight local authorities all completing individual options appraisals for their respective future highways SDMs. Of all the scored options across the eight authorities, on average, Options 1 and 2 were ranked the highest overall.
- 1.6.3 When developing these options, it was evident from the analysis and stakeholder engagement undertaken that there is both a desire and opportunities to enhance the current SDM. There is clearly an increasing demand and expectation on our network and this, combined with likely future funding challenges, presents a significant challenge to not just maintain our highway asset but also improve it to support the economic growth of the County. Therefore, key focus areas for the DBC will include, innovation, service quality, communications and contract efficiencies, while maintaining our embedded asset management approach to highway maintenance.

1.7 Financial

- 1.7.1 The total one-off costs, to deliver the HSRP for the period 2019/20 through to 2022/23 are forecasted to be in the region of £329,000. This budget allocation is being funded through the Council's corporate reserves.
- 1.7.2 In addition to the project costs, a detailed financial appraisal of the two shortlisted options will be undertaken in the DBC, to establish any one-off set up costs, potential future service cost increases and possible savings opportunities.

1.8 Conclusions and Recommendations

- 1.8.1 In order to continue to meet our legal responsibilities as the local Highway Authority a range of different SDMs has been considered. Through the analysis carried out it is clear that there are limited SDMs that meet all of the Council's strategic requirements.
- 1.8.2 The initial evidence gathered shows that funding continues to be a challenge in improving the condition of the highways asset, against a backdrop of increasing network usage and high stakeholder expectations of the service.
- 1.8.3 Quality control, effectiveness of communications and overall service efficiencies were three of the main areas for improvement identified by Members which will be further investigated for potential solutions and improvement within the DBC stage.
- 1.8.4 The two shortlisted options present the best opportunity for the Council to successfully deliver its statutory responsibilities for highways maintenance as well as the delivery of improvements to the County's transport networks in the most efficient, effective and economic manner. It is recommended that these two options are taken forward for further assessment in the DBC to determine the best model to deliver future highway services in East Sussex.

1.9 Timescales

- 1.9.1 The key stages of the project and critical dates are:

Stage	Stage Name	Main Activities	Critical Dates
Stage 1	Outline Business Case (OBC)	The analysis & planning stage (small options appraisal - long list to shortlist)	Cabinet Approval Jan 2021
Stage 2	Detailed Business Case (DBC)	Detailed options appraisal of shortlist	Cabinet Approval June/July 2021
Stage 3	Delivery of Procurement Strategy	Issue FTS Notice	November 2021
		Tendering Period	Nov 2021 – March 2022
		Evaluation Period	June 2022 – Sept 2022
		Contract Award	Cabinet Approval October 2022
Stage 4	Prepare and engage	Mobilisation and Training	Nov 2022 – April 2023
		Contract Start	1 st May 2023

2 STRATEGIC CASE

2.1 Introduction

- 2.1.1 East Sussex County Council (the "**Council**") is undertaking a commissioning exercise to determine how the Council's highways service should be delivered when the current contract with Costain ends in 2023.
- 2.1.2 A Project Team has been established to ensure the new service arrangements are designed and approved to ensure continuity of highway's maintenance services from 1 May 2023.
- 2.1.3 This OBC is the strategic document that sets out the approach for the commissioning and procurement of the next Highways SDM.
- 2.1.4 The OBC sets out where the service is now, what different SDMs are available and what is needed to enable a new model to be implemented successfully. The options identified are evaluated against a broad assessment criterion (Table 011) which includes a range of critical success factors and the draft Service Outcomes agreed by Members.
- 2.1.5 This project provides an opportunity to build on the current service achievements, and to further develop the highways maintenance and infrastructure improvement service so that it reflects the future needs and outcomes of the Council and continues to draw from industry best practice.
- 2.1.6 The Council's commissioning framework approach is being used to clearly identify how to best meet statutory responsibilities and wider customer needs in the future. The OBC represents the analysis and initial planning stage of the framework.

2.2 Existing Arrangements

- 2.2.1 In December 2015 Cabinet awarded a third-generation outsourced contract (HIS Contract) for delivery of highway maintenance and infrastructure services to Costain Ltd. Costain Ltd established an unincorporated Joint Venture (JV) with Jacobs (formerly CH2M) to deliver the services. The HIS Contract commenced on the 1st May 2016 and is due to end on 30 April 2023. The contract is for a fixed seven-year term with no extensions included by design.
- 2.2.2 The previous commissioning project and subsequent award of the HIS Contract shifted the SDM from a multiple provider model to an integrated single provider model. Previous separate contract arrangements for Highway Works, Street Lighting, Traffic Signals, Special Structures Maintenance, as well as external design top-up services were consolidated into a single contract. In addition, a number of internal Council functions such as safety inspections, network management, design services, highway claims management and the contact centre were also outsourced to be included in the model. In total approximately 130 staff from the Council and incumbent Service Providers transferred under the Transfer of Undertakings (Protection of Employment Regulations 2006), referred to as TUPE, to the new Service Provider.

2.2.3 The current HIS contract with Costain is an end-to-end service for highway maintenance and includes the management of the following services;

Core Activities (lump sums/fixed prices)	• Control of vegetation
• Stakeholder Management	• Street Lighting & Traffic Signals
• Network Management	• Winter Service
• Third Party Claims	• Road Markings
• Drainage Maintenance	• Reactive & Emergency Response
• Service Management • Highway Asset Inspections	• Structures Routine & General Maintenance
Work Activities (a range of payment options, lump sum, target cost, cost reimbursable) • Delivery of Capital Structural maintenance and improvement Programmes, including local transport improvement schemes • Professional Services (Design)	

2.2.4 The annual value of the current HIS Contract is circa £35 million (dependent on the extent of the capital works programme), with core services being a fixed price of £7.7million per annum. Costain employs a direct workforce of 104 (8 of which are currently agency) staff and Jacobs employ a direct workforce of 84. These figures exclude sub-contractor resources and reach-back resources that are utilised by each organisation. The contract is managed by an Executive Client group of 35 staff (29xFTE, 5xP/T, 1xAgency) employed by the Council at a cost of £1,572,000 per annum.

2.2.5 It is anticipated that around £250million will have been spent through the HIS Contract by May 2023. Costain subcontract approximately 25-30% of this to the local supply chain and Small Medium Enterprises (SMEs). The HIS Contract SDM is referred to as an "Integrated Single Provider". Through the outsourcing of the customer contact centre, highway stewards, claims management and network management Costain are empowered to provide an integrated end-to-end service.

2.2.6 Since the start of the HIS Contract there have been no significant concerns identified with the delivery and management of the contract and overall, the SDM is working well. However, a formal service Defect Notice was issued in September 2019 in relation to a lack of resilience within the Service Provider's organisation and their ability to resource and deliver the service effectively particularly around management of customer queries and quality of workmanship. These concerns have now been effectively addressed through the provision and implementation of an improvement plan. The Service Provider was able to implement the improvement plan effectively due to the current SDM that is in place between the Council and a Single Provider.

2.2.7 Whilst it is acknowledged that there have been some lapses in performance and quality control under the current SDM, on the whole the Service has been successful and has performed well in delivering the Council's outcomes and objectives. Occasional lapses in performance by the Service Provider, relating to timeliness or quality of delivery, have occurred and can generally be attributed to a slow or inadequate response to an increased demand such as a weather event or resource problems causing poor performance through lack of proper supervision, management of the supply chain or customer service staff.

2.2.8 There is an incentivisation model within the contract, which rewards or penalises the Service Provider financially subject to their annual performance achievement. This is measured across 24 linked SPIs covering the key performance areas of Operational

Delivery, Sustainability, Safety, Asset and Stakeholder. As part of the annual service planning process the targets for each of the SPIs are reviewed and amended as required to ensure the Service Provider is incentivised to deliver the service to meet the contract outcomes and deliver continuous improvement.

2.2.9 The Executive Client group was established by the Council at the time of the last contract award in 2016 to act as an intelligent client, focussed on the commercial management of the contract, the Service Provider's performance, and the management of the Council's asset. This has been successful in ensuring the Service Provider is delivering its contractual requirements and that the Council receives value for money from the service year-on-year.

2.2.10 One of the Council's key priorities is to make the best use of resources, and this re-procurement project provides an opportunity to review the current structure of the Council's Client structure to ensure it is appropriately staffed and resourced with the right skillsets and disciplines before the start of the next contract. Further detail regarding this is set out in the Management Case in section 6.4 and will be examined in detail as part of the DBC.

2.3 Scope

2.3.1 A Project Initiation Document (PID) (Appendix 001) for the HSRP was approved in January 2020 setting out the objectives, scope, timeframe and governance for the project.

2.3.2 A Project Board, Sponsor and Team have been established to develop and deliver the re-procurement strategy and new contractual arrangements. The project requires support from other service areas to ensure its successful delivery; these include but are not limited to: Human Resources, Finance, Legal, Communications, Procurement and Audit.

2.3.3 A Scrutiny Member Reference Group (SMRG) has also been established to ensure effective member engagement with the project. The role of the group is to help inform the identification of the most appropriate service delivery model and the development of future contract outcomes.

2.3.4 The project is structured in four stages:

Stage	Stage Name	Main Activities
Stage 1	Outline Business Case (OBC)	the analysis & planning stage (small options appraisal - long list to shortlist)
Stage 2	Detailed Business Case (DBC)	detailed appraisal of shortlisted options
Stage 3	Delivery of Procurement Strategy	tendering & evaluation
Stage 4	Prepare and engage	mobilisation and Training Contract Start

2.3.5 Project Deliverables

The two key deliverables of this project are:

- An SDM and arrangements in place for the 1 May 2023
- An appropriate Council Client team is established by November/December 2022 (for the start of mobilisation) to ensure an effective transition to the commencement of the SDM in May 2023.

The type of SDM and future Council client structure arrangements will be submitted to

the Project Board for acceptance and subsequently to Cabinet for approval.

2.3.6 All the services set out in the current SDM, are included within the scope of this project, namely:

Core Activities (majority of revenue spend):

- COR-001 Service Management – (including Controller of Premises duties)
- COR-002 Stakeholder Management – (including customer contact centre)
- COR-003 Network Management
- COR-004 Third Party Claims
- COR-005 Highway Asset Inspections - (including Highway Stewards)
- COR-006 Drainage Maintenance - (gully emptying and jetting, ditch and grip maintenance)
- COR-007 Control of Vegetation - (grass cutting, weed control, hedge cutting, special verges)
- COR-008 Road markings
- COR-009 Winter Service
- COR-010 Structures Routine & General Maintenance (bridges, tunnels, culverts, retaining walls etc.)
- COR-011 Street Lighting & Traffic Signals (Inspection and routine maintenance)
- COR-012 Reactive and Emergency Response - (Safety Defect and emergency response)

Work Activities (majority of capital spend)

In addition to the Core Activities the following Highway Structural Maintenance and Improvement Schemes are also within scope:

- Carriageway and footway surfacing
- Patch and repair of carriageway surfacing
- Highway and junction improvements
- Highway structures
- Safety fencing
- Traffic management and calming schemes
- Pedestrian and cycle infrastructure improvements
- Public transport infrastructure including bus stops and bus priority measures
- Accessibility and mobility improvements
- Carriageway reconstruction
- Street lighting
- Traffic signals
- Drainage Schemes
- Provision, maintenance and cleaning of road signs.
- Provision and maintenance of road markings and studs.

2.3.9 **Other Services for Consideration**

In compiling the OBC engagement sessions were held with the Council's other CET teams that interface with the highways service. The findings of these sessions are included in section 2.19. A number of areas for improvement were identified and will be explored in further detail within the DBC. None of the identified issues at this time suggest that provision of any wider departmental services should be included within scope of this HSRP. However further consideration as to whether any aspects of these teams services should be included within the future SDM will be reviewed within the DBC. These included:

- Rights of Way & Countryside Maintenance
- Transport Development Control
- Parking (On street Parking Management)
- Transport Hub Services
- Road Safety

2.3.10 Extensive analysis was completed during the last re-procurement project in 2015 to determine the project scope, and some of this analysis is still valid. There is evidence that some or parts of these services are provided through term service or professional service contracts by external providers in a number of authorities however this is not a common approach.

2.3.11 The initial assessment undertaken did not suggest any compelling case for their inclusion or not. However, further assessment and market research will be carried out during the DBC stage to determine the benefits and dis-benefits and the most appropriate method of providing these and other transport and network related services in the future.

2.4 Project Approach

2.4.1 In preparing the OBC an evidence-based approach has been used to review existing arrangements and consider options for future operating models. The best practice approach adopted is the HM Treasury's Five Case Model, which is widely used by the Public Sector as a framework for writing robust business cases. In addition to applying the principles of the Five Case Model, The Council has an internal business planning tool known as the Strategic Commissioning Framework.

2.4.2 This OBC sets out the principles and options for future services and, from the evidence and work done so far, it recommends a "shortlist" of options that should provide the best outcomes for the Council.

2.4.3 Further work will be required to explore these options in detail and ultimately determine the best outcome for our residents and network users and this will be set out the DBC.

2.4.4 An overview of both the Strategic Commissioning Approach and the Five Case Model is set out below.

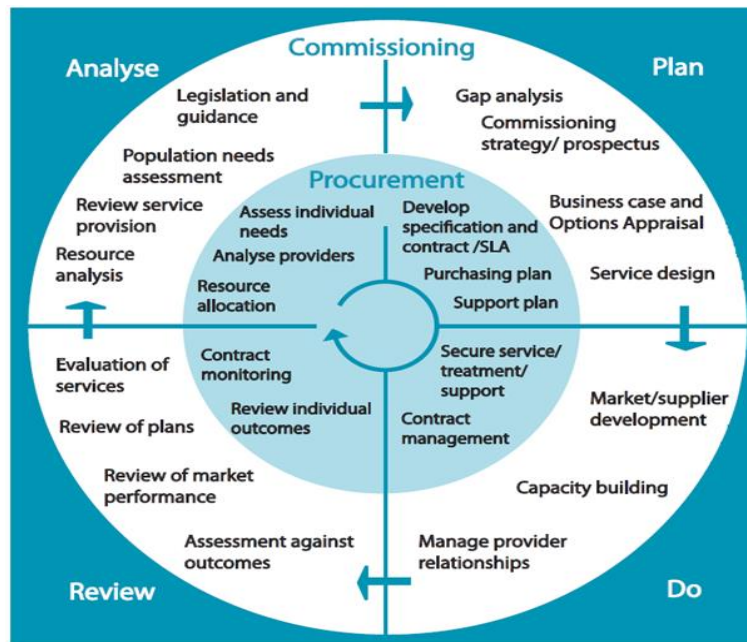
2.5 Strategic Commissioning Approach

2.5.1 Strategic Commissioning is the approach that underpins the Council's business planning. It is embedded into East Sussex Highways culture through our Asset Management Strategy 2018 – 2024 and the Annual Service Planning process of the HIS Contract as set out in section 2.5.3

2.5.2 The Strategic Commissioning approach looks to secure the best outcomes for East Sussex residents by:

- Understanding need
- Matching supply with need
- Making the most effective use of all available resources, irrespective of whether services are provided in-house, or externally.

Figure 001 – Strategic Commissioning Cycle



2.5.3 The commissioning approach is a cyclical process (Figure 001) and not a one-off event, it is embedded in the HIS Contract through its Annual Service Planning process, which sets out the Council's requirements of the Service Provider for delivery in the following Service Year, and includes for the Service Provider's prices and programme to meet the required service levels.

The plan contains and is based on meeting:

- Confirmation of each Core Activity, or identified potential changes
- The Council's priority-based highway maintenance sites
- The Council's priority areas for highway asset improvement and replacement
- the Council's objectives including required service levels,
- the Asset Management Plan, the East Sussex Local Transport Plan 2011 – 2026 and its supporting Implementation Plans, and available funding

2.5.4 In applying the Strategic Commissioning approach to the HSRP we have set out to understand the long-term need and the best approach for achieving it. The OBC focuses on the 'analyse' and 'plan' segments of the cycle. Evidence has been gathered and analysed to understand the evolving needs of all stakeholders including residents, commuters and internal customers. Future priorities and desired outcomes have been identified by the following activities:

- Obligations Review (Statutory duties, standards, guidance and local priorities)
- Review of existing service costs and risks
- Customer Engagement & Satisfaction
- Staff Consultation
- Scrutiny Member Reference Group input
- Soft Market Testing (SMT) and Market Intelligence
- Asset Management Strategy Review
- Opportunities & Collaboration
- Client Organisational Review

2.6 Five Case Model Methodology

- 2.6.1 The Five Case model is a HM Treasury recommended methodology for writing robust business cases for capital expenditure. It is recognised as a best practice approach. It has been developed over many years since 2008 to ensure capital spending decisions are taken on the basis of highly competent, professionally developed, spending proposals.
- 2.6.2 It provides a framework for thinking and a process for approval which is flexible and capable, with a range of tools that can be applied proportionally by the procuring organisation. The approach also provides a clear audit trail for purposes of public accountability and was used in the Council's previous re-procurement project which led to the successful appointment of the current Service Provider.
- 2.6.3 In applying the Five Case model through the project stages (Figure 002), each of the five 'cases' will be developed as the project progresses. In preparing this OBC, much of the information in it provides a foundation for stage two when the DBC is developed. Through the application of project governance, each of the business cases will be reviewed and approved by the Project Sponsor and Project Board prior to submission to the Council's Cabinet.

Figure 002: Overview of Project Stages and Five Case Business Case Structure.

		Key Activities of the Project				
Stages - Project Structure	Stage 3 &4 Delivery of Procurement Strategy & Prepare and Engage	Review and minor changes & implications	Confirm Value for Money	Procuring the service delivery model Contracting for the deal	Confirm financial implications and financing	Ensuring successful delivery (i.e comprehensive mobilisation plan)
	Stage 2 Detailed Business Case	Review any significant changes and implications	Determine Value for Money	Confirm Procurement Strategy	Confirm Funding & affordability	Plan for successful delivery
	Stage 1 Outline Business Case	Ascertain the strategic fit Make the case for change	Develop a long list of options and agree a short list	Outline Procurement Strategy	Estimate Costs (revenue & Capital for shortlisted options)	Project Management Approach Proposed Management Arrangements of Contract
		Strategic Case	Economic Case	Commercial Case	Financial Case	Management Case
The Five Cases - Business Case Structure						

2.7 Organisational Overview

2.7.1 Core Offer

- 2.7.2 As a consequence of austerity and the requirement to make £138m of savings since 2010, a Core Offer was developed in 2019 by the Council to outline its minimum reasonable service offer to residents, and to ensure resources were directed to areas of highest need. As a result, identified savings will ensure the Council is providing its minimum core service offer by 2022/23. Alongside this, the current COVID-19 pandemic has resulted in additional roles, duties and expectations for the Council and changes in demand for some existing services.
- 2.7.3 The Core Offer was subsequently reviewed and reapproved by Cabinet in October 2020. The review included whether the activities within the current Core Offer, and the volumes of those activities, were regarded as core to meeting residents' needs. The review considered where local need for services and prioritisation of services have diverted from

our current Core Offer as a result of the pandemic and whether the offer should be amended to include these in the longer term.

2.7.4 The review has shown that the Core Offer remains largely appropriate. It continues to reflect our statutory responsibilities, core functions and the range of services required to meet local needs. It includes a commitment to delivering good value for money in all we do. However, in many areas the way in which services are provided has changed and may continue to change, and demand has already increased in some areas, affecting the volume of activity needed to deliver the Core Offer. The anticipated increase in demand for some services in light of the pandemic and the associated pressures on resources are reflected in updated financial planning.

2.7.5 The revised Core Offer will be published here in due course:

<https://www.eastsussex.gov.uk/yourcouncil/about/keydocuments/coreoffer/>

2.8 The Council Priorities Outcomes

2.8.1 The Council has four overarching priority outcomes that were reviewed by Cabinet in October 2020 at the same time as the Core Offer review;

These are:

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

2.8.2 Full proposed changes to the Council Priority Outcomes can be viewed here:

<https://democracy.eastsussex.gov.uk/documents/s32751/Appendix%20%20-%20Current%20Outcomes%20with%20proposed%20changes%20Cabinet.pdf>

These are due to be submitted to Full Council in February 2021 for approval.

2.8.3 For each priority outcome there are specific delivery outcomes, as set out in the Council Plan 2020/21 can be viewed here:

<https://www.eastsussex.gov.uk/yourcouncil/about/keydocuments/councilplan/>

2.9 Climate Change Emergency

2.9.1 In October 2019 the County Council declared a Climate Emergency and set a target of achieving carbon neutrality from its activities as soon as possible and in any event by 2050, in line with the new target for the UK agreed by Parliament in 2019. The Council then agreed a Climate Emergency Action Plan in June 2020, which can be viewed here:

<https://www.eastsussex.gov.uk/media/15770/escc-climate-emergency-plan-june-2020.pdf>

2.10 Social Value Act 2012

2.10.1 Social value became a legal requirement through the Public Services Act in 2012 requiring suppliers to local authorities to devote a certain percentage of their resources from a gained contract to improving the social value of that local authority area. Such social value could be in improving the environment, supporting local community groups, or helping to develop the local economy by supporting employment and skills initiatives. Such commitments for employment and skills include the employment and training of local people, careers-related activities in schools and colleges, and the offer of work experience placements.

2.10.2 The current HIS Contract has Social Value requirements embedded in it through the Performance Framework and Employer's Incentivisation Scheme, where subject to performance levels being achieved, the Service Provider is required to make a Social Value financial contribution.

- 2.10.3 It is intended that the new SDM will deliver measurable social value benefits, including the delivery of employment and training opportunities and local spend and recruitment targets. The Project Team will work with the Council's Social Value lead during the development of the DBC to ensure the obligations of the Council are included.
- 2.10.4 The future SDM will need to contribute to the delivery of the Council's Priority Outcomes, the Core Offer and the Climate Emergency Action Plan. The future strategies for this will be developed as part of the DBC.

2.11 Local Transport Plan 2011 – 2026

- 2.11.1 As the local transport authority, East Sussex County Council has a statutory duty to produce a Local Transport Plan (LTP). The County's third LTP sets out our vision and objectives, and the strategy for the 15-year period from 2011 to 2026.
- 2.11.2 The LTP is supported by a series of five-year Implementation Plans showing how the strategy will be delivered in particular through our ongoing programmes for maintaining our highways and bridges/ structures, integrated transport and road safety schemes and improving the rights of way network.
- 2.11.3 The review and update of the County's LTP is planned to start next year to reflect the changes in policies and strategies at a local, sub national and national level over the last 10 years. The maintenance and improvement of the highway network in the County that will be delivered through the new highways contract will be an integral part of the updated LTP strategy particularly in terms of supporting sustainable economic growth but also needing to meet the climate change agenda and the Council's commitment to net zero carbon emissions by 2050.

2.12 Service Analysis Activities

As part of the development of the OBC a number of service reviews have been undertaken to help identify areas for improvement and change. These are summarised and expanded in more detail below:

- Review of Asset Management
- Review of Current Performance Framework & Employer's Incentive Scheme
- Review of Future Service Outcomes
- Review of Compliance Audits
- Review of Customer Satisfaction Data
- Review of Business Needs
- Review of Business Needs – Areas of Enhancement
- Review of Soft Market Testing (SMT) activities

2.13 Review of Asset Management

- 2.13.1 The Council has an established Highway Asset Management Strategy (Appendix 004). This Strategy sets out how the highways service will deliver against the Council's key priorities, taking into consideration customer needs, asset condition and best use of available resources.
- 2.13.2 The Council is committed to the development of good practice and continuous improvement. The current Highway Asset Management Strategy is for the period 2018 - 2024 and will be reviewed as part of the DBC stage.
- 2.13.3 By taking an asset management approach to works, the Council continues to increase the value achieved in road maintenance, improving network resilience and reducing the burden on revenue budgets through the delivery of effective programmes of planned preventative maintenance.

2.13.4 Corporate Council Road Condition Targets

2.13.5 As part of the Council's corporate performance monitoring of its services, road condition targets are agreed annually in relation to the highways service. A summary of the results and targets are included in Table 001. Since the start of the current HIS Contract in May 2016, road condition results have achieved all the annual set targets for all three classifications of road. The biggest improvement against the set targets has been in the condition of unclassified roads reducing from 25% requiring maintenance in 2013/14 to 14% requiring maintenance in 2019/20, following a period of targeted investment.

Table 001: Council Road Condition Targets and Results

Internal ESCC Corporate Targets and Actual Results						
Year	Road Condition Target for Principal Roads (%)	Road Condition Results for Principal Roads (%)	Road Condition Target for Non-Principal Roads (%)	Road Condition Results for Non-Principal Roads (%)	Road Condition Target for Unclassified Roads (%)	Road Condition Results for Unclassified Roads (%)
2013/14	8	7	9	9	18	25
2014/15	8	5	9	9	24	22
2015/16	8	5	9	6	22	22
2016/17	8	5	9	6	21	19
2017/18	8	4	9	7	20	14
2018/19	8	5	9	7	20	9
2019/20	8	5	9	5	15	14
2020/21	8	TBC	9	TBC	15	TBC

2.13.6 Asset condition of principal roads

Asset condition has improved since the baseline of 2013/14, as shown in Table 001. It has met the Council's targets in each year of the HIS Contract. For Principal Roads the percentage requiring maintenance fell from 7% in 2013/14 to 5% in 2018/19. As shown in Table 002 the national average was 3% in 2018/19. The Council's national ranking in that year was 116 out of 147. This has been fairly stable over the past seven years. The national ranking in 2019/20 (table 002) is yet to be published.

Table 002: Percentage of 'A' roads where maintenance should be considered.

Year	East Sussex Percentage	National Average Percentage	East Sussex Ranking nationally out of 148 highway authorities (note not all authorities participated)
	(%)	(%)	
2013/14 (%)	7	4	105 out of 150
2014/15 (%)	5	4	100 out of 151
2015/16 (%)	5	3	106 out of 149
2016/17 (%)	5	3	103 out of 149
2017/18 (%)	4	3	90 out of 148
2018/19 (%)	5	3	116 out of 147
2019/20 (%)	5	TBC	TBC

2.13.7 Asset condition of non-principal roads

Table 003 shows the results for non-principal roads where the percentage requiring maintenance fell from 9% in 2013/14 to 7% in 2018/19. In 2018/19 it was very close to the national average of 6%. The Council's national ranking in that year was 119 out of 147. This has slightly worsened over the past seven years. The national ranking in 2019/20 (table 003) is yet to be published.

Table 003: Percentage of 'B' and 'C' roads where maintenance should be considered

Year	East Sussex Percentage	National Average Percentage (%)	East Sussex Ranking nationally out of 148 highway authorities (note not all authorities participated)
	(%)		
2013/14 (%)	9	8	99 out of 150
2014/15 (%)	9	7	114 out of 150
2015/16 (%)	6	6	107 out of 150
2016/17 (%)	6	6	107 out of 147
2017/18 (%)	7	6	122 out of 147
2018/19 (%)	7	6	119 out of 147
2019/20 (%)	5	TBC	TBC

2.13.8 Asset condition of unclassified roads

For unclassified roads, as shown in Table 004, road condition was better than the national average in both 2017/18 and 2018/19. The percentage improved from 25% in 2013/14 to 14% in 2019/20. The national ranking in 2019/20 is yet to be published.

Table 004: Percentage of unclassified roads where maintenance should be considered (Course Visual Inspection)

Year	East Sussex Percentage	National Average Percentage (%)	East Sussex Ranking nationally out of 148 highway authorities (Provisional)
	(%)		
2013/14 (%)	25	18	110 out of 130
2014/15 (%)	22	18	109 out of 136
2015/16 (%)	22	16	104 out of 124
2016/17 (%)	19	17	85 out of 128
2017/18 (%)	14	16	52 out of 119
2018/19 (%)	9*	16*	25 out of 118*
2019/20 (%)	14	Tbc	Tbc

*2018/19 was carried out using a different survey method and cannot be directly compared with other years.

2.13.9 The key findings of this review are as follows:

- Good understanding of most of our assets as well as the investment needed to maintain-an accurate and up-to-date asset
- Knowledge of asset location and condition for drainage is not complete, but following best practice will be increased following a risk-based approach
- Ongoing development of Asset Management Approach
- Council road condition targets have continually been exceeded for each Service Year of the current HIS Contract.

2.14 Review of current Performance Framework & Employer's Incentive Scheme

2.14.1 A robust performance management framework was implemented for the current HIS Contract. The performance of the current service is specifically targeted to deliver the following service outcomes:

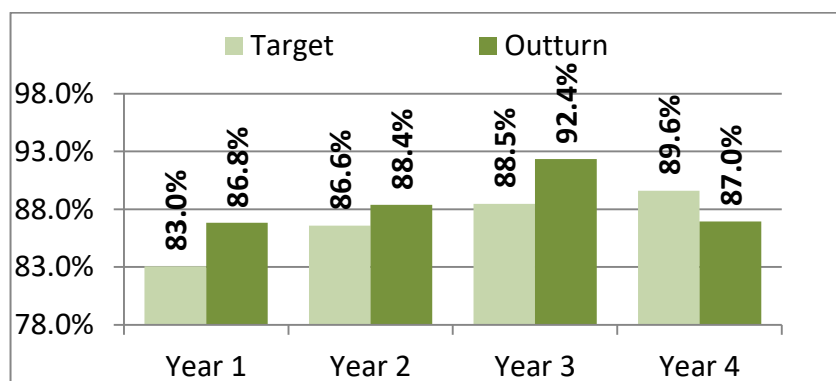
- To have the best network condition for the investment available (principle requirement) and:
 - Improve asset condition
 - Promote economic growth
 - Reduce the level of third-party claims
 - Provide value for money
 - Promote local engagement, and
 - Improve customer satisfaction and communication

2.14.2 Service Performance Indicators (SPIs) have been developed to align to the achievement of the above service outcomes. A total of 24 SPIs measure a number of performance areas:

- Operational Delivery
- Sustainability
- Safety
- Asset
- Stakeholder

2.14.3 A summary of the annual targets and Service Provider's results for Service Years 1-4 is included in Figure 003.

Figure 003: Bar chart of Service Provider's annual performance in comparison to annual target



2.14.4 The Service Provider's performance improved consecutively in Service Years 1-3. In Service Year 4 performance dropped, mainly due to a change in the Service Provider's organisational structure which had an impact on customer responsiveness and the overall quality of service delivery, which was further compounded by severe weather during the operational winter period.

2.14.5 Employer's Incentive Scheme

2.14.6 The Employer's Incentive Scheme financially rewards the Service Provider in any Service Year for achieving levels of overall performance that meet or exceed the Council's requirements. However, if the annual level of performance is not achieved the Service Provider may be penalised financially. The Service Provider earned a gainshare (financial reward) payment in both Service Year 1 and Service Year 3 by achieving the required annual performance level and all 24 SPIs being within 10% of their respective individual targets. However, gainshare was not earned in SY2 as three of the 24 SPIs did not meet their minimum targets nor in SY4 as six of the 24 SPIs did not meet their minimum targets.

2.14.7 The key findings of this review are as follows

- The Performance Framework is robust, and some individual targets are stretching
- The Employer's Incentive Scheme appropriately influences the Service Provider's approach to service delivery
- Overall annual performance improved for the first three Service Years of the HIS Contract
- Some SPIs need a more in-depth review than others as some consistently meet and/or exceed their respective targets whereas some are more inconsistent
- A full review of the Performance Framework and Employer's Incentive Scheme will be completed when developing the DBC. This will include the following:
 - What changes need to be made to the SPIs in order to meet the Council's Strategic Priorities and the new contract service outcomes
 - What new SPI's need to be introduced
 - How can the SPIs be reported more efficiently
 - Which SPIs should be linked to the Employer's Incentivisation Scheme in the future

2.15 Review of Future Service Outcomes

2.15.1 In preparing this OBC, a draft set of future service outcomes for the delivery of highway services in East Sussex have been produced in conjunction with Scrutiny Member Reference Group as follows:

Table 005: Comparison of proposed new service outcomes and current service outcomes

No.	Council Key Priority Outcomes	Proposed new Highway Service Outcomes	Current Highway Service Outcomes
1	Making best use of resources (15)	Support initiatives that deliver carbon neutral services, schemes and incentives	New
2	Driving sustainable economic growth (2)	Optimise and improve performance for all users and support the local growth agenda	To have the best network condition for the investment available & Improve asset condition
3	Making best use of resources (14) & Driving sustainable economic growth (2)	Enhance the local economy through network expansion and improvement	Promote economic growth
4	Making best use of resources (13)	Sustain a financially resilient service that delivers best value with the resources available.	Provide value for money
5	Making best use of resources (11 & 12)	Engage effectively to understand and meet the needs of our citizens and communities	Improve customer satisfaction and communications
6	Making best use of resources (13)	Embrace best practice, innovations and new technologies	New
7	Making best use of resources (12)	Develop and sustain collaborative partnerships that deliver the objectives of all partners	Promote local engagement
8	Driving sustainable economic growth (1 & 3)	Attract, develop, empower and retain the best people	New
n/a	n/a	n/a – this was a specific issue for the Council when the current contract was being developed. This is no longer the case, as the outcome has been achieved.	Reduce 3 rd Party Claims

2.15.2 These draft service outcomes were produced with input from the SMRG via a workshop that was facilitated by Proving Services Ltd. A final set of proposed service outcomes and specific operational and contractual key performance indicators will be produced during the DBC stage.

2.16 Review of Compliance Audits

2.16.1 The HIS Contract Performance Framework is underpinned by an audit process as set out in the contract, which includes the provision for the Council to undertake three different types of audits. A rolling audit programme and sample-based approach has been conducted throughout the duration of the service. Table 006 sets out an overview of the number of audits completed to date.

Table 006: Internal Compliance Audits Completed

Audit Type	SY1	SY2	SY3	SY4
Performance Audit	8	7	6	10
Works Delivery Audit	0	2	1	1
Non-Performance Audit	0	0	0	0
Total	8	9	7	11

2.16.2 In addition to the 35 internal compliance audits that have been undertaken, a number of audits have been completed by the Council's Audit department, as well as commissioned audits by 3rd parties. Details of these are set out below:

2.16.3 ESCC Internal Audit

- 1. A review of the proposed New Highways Contract was completed in 2015:**
 - This audit found full assurance with the proposed contract management.
- 2. A review on the Highway's Contract Management July 2017**
 - This audit found reasonable assurance in respect of the contract management controls being in place.
 - An action plan for improvement was agreed and has been implemented.
- 3. A review of Cultural Compliance – Highways Contract Management Group May 2020**
 - The audit found partial assurance in respect of compliance with relevant Council policies and procedures.
 - An action plan for improvement was agreed and has been implemented.

2.16.4 Independent 3rd Party Audits

- 1. Touchstone Renard Review of the CMG October 2017;**
 - Focussing on the Council's Contracts Management Group structure, governance and effectiveness;
 - Touchstone Renard are an independent management consultant
- 2. Red Ray audit into Highways Infrastructure Service April 2018;** The purpose of the review was to identify issues that present a risk to the Employer, particularly with regard to Service year-end outcomes. RedRay Ltd are an independent business management consultant.

2.16.5 The key findings of this review are as follows

- The completion of audits is a robust approach for identifying areas for improvement.
- The audits have demonstrated that there have been improvements each year
- Any audit issues identified will be reviewed within the DBC stage.
- There needs to be consideration at the DBC stage to have greater alignment of compliance activities and performance (SPI's).
- The DBC will review the current audit regime and consider proposals for inclusion within the next contract.

2.17 Review of Customer Satisfaction

2.17.1 It is recognised that one of the most significant challenges the service has faced during the current contract has been the successful implementation of a customer focused ethos.

2.17.2 Reviewing the results of the relevant SPIs, and the feedback from key stakeholders during engagement exercises as part of the HSRP, it is clear that over the last four years customer satisfaction has not improved and has either remained static or declined.

2.17.3 Table 007 highlights the results of the Council as part of the national NHT Survey since 2016. This demonstrates the sentiment that satisfaction with the service has not improved. Although it is worth noting that this is a similar trend across the Country with the national average also declining and may therefore demonstrate a more widespread dissatisfaction with the road network.

***Table 007: NHT Customer Satisfaction Data (% satisfaction)**

KBI number	High level resident satisfaction indicators	East Sussex 2016	East Sussex 2017	East Sussex 2018	East Sussex 2019	East Sussex 2020	National average (2020)
KBI25	Street Lighting	61.9	60	59	61	59	64
KBI18	Management of Roadworks	53	51	53	54	50	50
KBI26	Highway Enforcement / Obstructions	48.3	50	45	49	44	45
KBI24	Highway Maintenance	48.8	50	47	49	45	50
KBI23	Condition of Highways	28.7	27	23	27	22	36

2.17.4 With regard to the Customer Satisfaction SPI 20, under the HIS Contract, the results for this have steadily declined since the commencement of the service, with the SPI being one of the six that failed in Service Year 4. It is also recognised that since the start of the current HIS Contract, the demands of customers and stakeholders have changed, with a need for more immediate response particularly with the development of social media channels. There is a greater need for more innovative ways to manage increasing customer expectations in the future.

2.17.5 Key Findings of this review

- Customer satisfaction of highways services (Table 007) has continually decreased since 2016, this is part of a national trend
- There needs to be a more consistent approach to customer relations and communications for all those using the service, as well as ensuring the department is complying with the Council's Customer Charter.
- Need to improve timeliness and consistency of communications
- Customer Contact Centre resources need to be resilient to deal with seasonal changes in correspondence volumes.
- Quality of customer responses remains a high priority. Ethos should be right-first time and on time.
- Table 001 shows the Council road condition targets are continually being met whereas customer satisfaction of the condition of highways (Table 007) is on a downward trend.

2.18 Review of Business Needs

2.18.1 Business needs are the strategic reason(s) why the HSRP exists, without these reasons the HSRP would not be needed. Essentially the business needs are the main drivers of the HSRP. There are two key external drivers and one internal driver. These are as follows:

- **Statutory Duty** – The Council as the Highway Authority has a statutory duty to maintain and manage the highway network in a safe and usable condition. This principle should be applied to all decisions affecting policy, priority, programming and the implementation of highway works.
- **Contract Expiry** - The current contract ends in April 2023; a new arrangement must be in place by this date to ensure adherence to Council's Procurement Standing Orders and continuity of service delivery.
- **Best use of Resources** - A key Council priority remains making the best use of resources. This is to ensure the most efficient and effective service delivery that provides maximum value for money.

2.18.2 A high level review of the Council's statutory duties has been completed, (Appendix 002). This aspect of analysis looked at the current statutory and legal obligations on the Council as the Highway Authority, in respect of managing and maintaining the network.

2.18.3 In broad terms the Council has a statutory duty to maintain the highway network at public expense in a safe and usable condition. This is strengthened and supported by other legislation and regulations around the environment, health and safety and other guidance and standards such as Well-Managed Highway Infrastructure Code of Practice (2016).

2.18.4 A full review of the of the statutory requirements (Appendix 002) and what they mean in terms of outcomes and obligations for the Council will be explored future in the DBC.

2.19 Review of Business Needs - Identified Areas of Enhancement

2.19.1 To fully understand potential areas of change, four engagement exercises as set out below have been delivered with staff across both the Service Provider and the Council, as well as with County Councillors who are part of the Scrutiny Member Reference Group. These are as follows:

2.19.2 The first engagement exercise was delivered with the Council's CET departmental teams who regularly interact with the Highway Service. The exercise involved carrying out SWOT (Strength, Weaknesses, Opportunities and Threats) analysis, and provided an opportunity for the teams to share their experiences of the service. Upon analysing the information, the following areas of focus were identified;

- A need for all departments to work more collaboratively and share best practice more proactively.
- Clear service levels agreed from the outset of the contract for those other Departments which engage regularly with the service, with clear accountability over roles and responsibilities.
- Service Provider will need to develop their understanding of the Council as a whole and set out a clear plan on how to work with its other departments
- Potential to develop department specific performance indicators

2.19.3 The second engagement exercise was delivered with the Council's existing Contracts Management Group for the Highways Service. The exercise involved each team formulating a record of what lessons they believe have been learnt over the life of the contract. Upon analysing the information, the following areas of focus were identified;

- Ensuring all works are delivered as instructed and that the quality is of a good standard.

- Where works aren't delivered as expected, ensuring there is a robust process in place to rectify and address the issues identified.
- Effective relationship management, ensuring a quality service is consistently provided to key stakeholders such as Councillors and other Local Authorities.
- Service Provider needs to ensure all their staff have detailed understanding of the Contract, and that an effective training plan (joint if applicable) is in place to maintain this.
- Improve and streamline commercial processes, in particular for final accounting of works.
- Ensure an effective Asset Management system is in place to store information about the highway network and the Council's assets.

2.19.4 The third engagement exercise was delivered with the Service Provider's staff. The exercise involved sending out a survey asking for views on the current arrangements, and the impact the arrangements have had on them successfully delivering their jobs. Upon analysing the information, the following areas of focus have been identified;

- In the next contract there needs to be greater alignment between the ethos of the Service Provider and the Council.
- Needs to be greater clarity over roles and responsibilities between those that work for the Service Provider and those for the Council is needed.
- A more detailed and robust training programme on the contents and requirement of the contract is needed, at a much earlier stage.
- It is felt that processes are admin heavy, and that in the next contract these need to be reviewed and made more efficient, to improve the timeliness of the service being provided.
- Ensure it is clear from the outset what level of staff resources are needed to ensure the service remains resilient throughout the year
- There needs to be a review of the current SPI process and what is required by the Service Provider to evidence their performance.

2.19.5 The fourth engagement exercise was a workshop delivered with the Scrutiny Member Reference Group for the Re-procurement Project. The session involved discussing Members' experiences with the service, and what they felt needed to be included. Upon analysing the information, the following areas of focus have been identified;

- More consistency with communications, with a more proactive approach to sharing key information with Members and Town/Parish Councils
- Quality management needs to improve, with the Service Provider taking more of a proactive approach and managing the quality of works more closely.
- Taking a more innovative approach to repairing the network and looking at how the department can further help to support communities.
- Timeliness of communications and delivery of works needs to improve, and clear timelines need to be provided to all stakeholders
- Ensuring resilience within the Service Delivery Model to deal with those times where there is an increase in demand for the service.
- Encourage the right behaviours and working culture for the contracting parties
- Review the delivery of cyclical services, in particular grass cutting and the timing of these works.

2.19.6 Considering the results of the four engagement exercises it has been determined that the following are the priority areas of change in the next contract:

- Having a strong Customer ethos, truly putting them at the centre of everything the departments does. This will include building really strong relationships with Members, taking a proactive approach to the service being provided to them
- Develop a robust quality management approach which ensures from cradle to grave it is clear what is expected and what service level is required.
- Review of current SPIs, ensuring they drive the right behaviours across the service
- Ensure efficiency across all work processes, and that all staff have a detailed understanding of the contract and its requirements.
- Develop a working environment where innovative thinking is engrained, and staff are constantly seeking to explore other ways of working more efficiently.

2.20 Review of Soft Market Testing (SMT) activities

2.20.1 The objectives of the SMT are:

- Gauge market interest in the provision of services on behalf of the Council
- Identify the most appropriate procurement option
- Seek industry views in respect of how potential Councils/partners might approach the delivery of the service having regard to local circumstances, national performance indicators, relevant legislation and the Council's aims
- Identify external influences and constraints on the market
- Identify optimum operational processes/working practices
- Identify new technologies/innovative working practices that would lead to improvements in cost, speed, dependability, flexibility and quality of service delivery

2.20.2 An overview of the planned SMT activities is set out below:

Activity Number	Description of activity	Status
Activity 1: Proving Solutions Ltd market engagement	This stage of the pre-market engagement exercise was initiated by Proving Services Limited on behalf of East Sussex County Council and the other six participating authorities. Thirteen private sector providers were interviewed, including director level representation from each organisation. All participants provided honest, open and constructive views.	Complete
Activity 2: Information Sharing	Following on from activity 1, we reviewed the findings and noted that a number of providers have made a number of statements as well as posing a number of questions. Based on the current stage of our re-procurement project we provided outline answers to these questions and issued a follow up questionnaire to the thirteen providers.	Complete
Activity 3: PIN & OBC engagement	Following the publishing of the OBC in January 2021. We shall be carrying out some form of engagement regarding our shortlisted options. It is likely a Prior Information Notice (PIN) will be issued and the engagement activities will be offered to the whole market.	Planned
Activity 4: DBC engagement	As a final activity prior to formally launching the procurement process. The exact scope and purpose of this activity will be confirmed nearer the time.	Planned

2.20.3 The key findings of Activity 1 & 2

- Service Providers may become increasingly selective in which contracts they bid for in the future.
- Service Providers are seeking to work with authorities that are willing and able to build truly collaborative and strategic partnerships; based on trust, and for the benefit of all parties.
- An outcome-based contract is preferred compare to prescriptive based specifications
- An integrated or small number of single providers, working as a collaborative partnership, provides the best opportunity to realise efficiencies, exploit innovation and new technologies, and access specialist skills and additional capacity.
- The length of contract, ideally 8-10 years. The longer the contract the greater the opportunity and incentive to invest in innovation that improves outcomes and reduces costs.
- There is genuine interest in working with ESCC and participating further in SMT.

2.21 Benefits

2.21.1 A full benefits realisation plan will be developed as part of the DBC. This will establish and identify benefits based on the Council's priorities and objectives as well as specific highways needs and requirements. Potential strategic benefits to be realised upon project completion are as follows:

- Increased value for money without a drop in service quality, whilst effectively maintaining the road network and its associated infrastructure
- Increase in efficiency and effectiveness of delivery to achieve the Service outcomes
- A robust contract enabling all parties to work productively and cooperatively
- Improve the current performance of the Highways Service where the SPIs evidence that change may be needed
- Ensure ESCC remains an attractive client to the market
- Increase stakeholder satisfaction with the road network
- Delivering best practice

2.21.2 There will be a clear emphasis on developing a model that contributes to the wider corporate aims of improving efficiency when delivering core services. The new SDM will be designed to ensure flexibility and enable effective management of any unforeseen events that may arise during the life of the contract.

2.22 Key Risks

2.22.1 The project has identified the key business, service and external risks through the development of a project risk register. The register is being monitored by the Project Board, with each of the potential risks being ranked by scale of impact and probability of occurrence. Mitigation measures are robustly managed to reduce the scale and impact of risks, and the register will be maintained throughout the life of the Project.

2.22.2 A further risk assessment and mitigation plan will be developed in the DBC. This register will focus on the future SDM and will ensure the appropriate transfer of risk to the organisation best placed to manage it.

2.22.3 The Strategic Risks that remain for the HSRP are contained with the following table:

Table 008: List of Strategic Risks

Risk Ref. No.	Topic	Description of Risk	Impact (expected)	Revised Risk Rating 1 = Low; 4 = High			Status	Proposed or actual Countermeasure(s)
				Impact	Likely	Result		
3	Price	Change in market conditions from previous tender (fee, inflation, strategic pricing)	Potential jump in rates compared to current provider Reduced competition for TSC & Professional Services	High	Moderate	9	Active	Affordability modelling needs to be undertaken at the DBC stage once budgets are also known. Engage in soft market testing to ensure maximum level of competition. Outline to market as early as possible the preferred service delivery model and ask them to consult on it at both OBC & DBC stages to ensure that the market can deliver the preferred service delivery model Ensure stakeholders are aware of potential rise in prices
2	Continuity between bid team and delivery team	Disconnect between bid team who have understood Employer requirements and the proposed approach (tender submission Price & Quality) to meeting them and hand-off to delivery teams who derive their own interpretation. Future SDM is not embedded and benefits are not realised	Promises made within tender submission are misinterpreted or are not delivered Contractor perceives rates tendered are not sustainable, Contractor looks for immediate cost savings	High	Likely	9	Active	Develop an approach that can be included within the tender that sets our expectations / needs and consider quality questions regarding this area / mobilisation plan & transition plan Consider Employer involvement in appointment of key people / delivery team during the procurement phase
1	Brexit	There continues to be uncertainty over the finer details of the agreement and what this could mean for East Sussex.	Impact traffic and customs in Newhaven Possible impact on the supply chain and their resources. Potential aggregate delivery issues	High	Likely	9	Active	Very little input that ESH can have on this risk, other than to follow government advice and when necessary produce contingency plans when needed.
4	Operational Delivery	Withdrawal of Service Provider at preferred bid stage	Delay to project Potential failure to deliver the service Increased costs of putting alternatives in place	High	Moderate	6	Active	Implement emergency protocols, which in some circumstances would result in bypassing CCT procedures to procure works to undertake statutory obligations e.g. winter maintenance, emergency repairs. Commence TUPE arrangements to bring workforce back in, seek specialist advice on this and ensure contract clauses allow for this to happen at earliest opportunity
5	De-mobilisation	Failure to ensure continued service delivery during contract switchover or without a change in service provider	Loss of productivity could result in reputational damage to the Employer. General poor efficiency and value for money from both client and JV staff during times of uncertainty	High	Moderate	6	Active	Continue dialogue with current contractor and ensure contract de-mobilisation plan is executed. Ensure effective mobilisation plan is in place and contract training on the contract changes for TUPE staff when appropriate
6	Covid	Further lockdowns / prolonged (long term) safety measures in place regarding COVID	Delays to the project programme and longer term impacts on contract costs	High	Moderate	6	Active	Robust project management of the project timeline, regular monthly updates. Forecast cost increases to be included within the OBC, but also have been reported corporately.

2.23 Constraints

2.23.1 Highways authorities are constrained in their responsibilities for Highways Maintenance Services as set out in statutory legislation. In preparing the OBC we are not aware of any changes to legislation that would impact on the successful delivery of the project.

2.23.2 The Department for Transport (DfT) have not yet confirmed how highway authorities will be funded in the future, with the current arrangements coming to an end, a new announcement is expected to be made in the New Year. Any new funding arrangements will need to be reviewed in the context of our obligations and legislation, and this will be actively completed within the DBC stage.

2.24 Dependencies

2.24.1 The HSRP is not part of any other Council programme so there are no internal dependencies. However, depending which SDM is selected at the DBC stage, a change in the Council's client management team could be needed to deliver the SDM effectively and meet all the service outcomes.

2.25 Summary of Strategic Case:

Key Strategic Drivers

- **Statutory Duty** – The Council as the Highway Authority has a statutory duty to maintain and manage the highway network in a safe and usable condition. This principle should be applied to all decisions affecting policy, priority, programming and the implementation of highway works.
- **Contract Expiry** - The current contract ends in April 2023; a new arrangement must be in place by this date to ensure adherence to Council's Procurement Standing Orders and continuity of service delivery.
- **Best use of Resources** - A key Council priority remains making the best use of resources. This is to ensure the most efficient and effective service delivery that provides maximum value for money.
- **Carbon Reduction** – to contribute to achieving the targets set out in the Climate Emergency Action Plan June 2020
- **Asset Management** – continue to deliver the service in accordance to the Council's Asset Management Strategy, to ensure the Council attracts future funding opportunities.

Opportunities to Improve

- **Current Success** - There is evidence that the existing arrangements are working well and meeting the Council's Strategic Priorities and the Service Outcomes. The HSRP provides an opportunity to build upon and enhance the current performance levels.
- **Customer satisfaction** - remains low and aspects of current performance indicate the need to improve to ensure all elements of the Council's Customer Promise and Customer Values are consistently delivered. There needs to be a focus on channel-shift as set out in the Council's Core Offer towards self service delivery for stakeholders.
- **Quality Control** – greater consistency for total service area not just Works Activities (schemes).
- **Innovation** – willingness and flexibility to invest and /or accept innovation ideas in partnership with the Service Provider. This includes technology, materials and other best practice processes.
- **Assurance** – provide ongoing assurance to Members with regard to service performance levels.

Strategic Challenges

- **Funding** – long-term funding sources post 2021 from DfT. Insufficient to deliver longer term asset enhancement.
- **Brexit** – unknown at this stage but could impact funding, supply of materials and/or labour.
- **Covid** – unknown at this stage but could result in adapting to new working practices, impact on funding, future demand on network due to modal shift.
- **Public Perception** – managing increased and/or changing expectations of the service.

3 ECONOMIC CASE (OPTIONS APPRAISAL)

3.1 Overview of Approach

- 3.1.1 The purpose of the options appraisal is to identify possible SDMs in which the Council can deliver its future highways maintenance service beyond April 2023. It assesses the relative advantages, disadvantages and risks of different service delivery models. The long list of options is appraised with a shortlist of two options being taken forward for consideration and further development within the DBC.
- 3.1.2 Using assessment criteria set out in Table 011 an assessment has been carried out (see Appendix 003 for more details) against fifteen different options.

3.2 Options Considered

- 3.2.1 The fifteen options that were considered cover a range of the different types of SDMs that are utilised by the majority of local highway authorities. The top five ranked options evaluated at Stage 2 are defined in Table 009.

Table 009: Top 5 ranked Service Delivery Models Definitions

Service Delivery Model Type	Option	Service Delivery Model Variation	Definition
Single Provider	1	Contractor + Consultant (designer) (Separate)	• Single external Contractor providing all blue-collar services (either directly or managing a supply chain) with separate single external consultant providing design services. • No legal contractual relationship between the two.
Single Provider	2	Integrated (Contractor + Designer)	• Single external Contractor providing all blue collar and design services. (either directly or managing a supply chain) • Single legal contract
Teckal	9	Arms-Length Company	• Wholly owned local authority company limited by shares or guarantee.
Mixed Economy	12	Best Option by Function/Service	• Each function contracts separately with the best provider; this may be internal or external. For the purposes of this exercise at least one function must be contracted out and at least one function provided in-house (the contracted in function is traditionally the design function).
Joint Venture (JV) Company	7	JV	• Two or more arrangements coming together to form a separate legal entity for commercial purposes. For the purposes of this exercise it assumes a public to private JV, with a least one entity being the local Service Provider.

3.3 Summary of top 5 Options

3.3.1 Option 1 – Single Provider Contractor (Works) and Single Provider Consultant (Designer).

There would be a single external Service Provider providing all works services (either directly or managing a supply chain) with separate single external consultant providing design services. This is the fundamental difference of this option compared to Option 2, the works and design accountability is shared between two separate Service Providers. There would be no legal contractual relationship between the two, the Council would manage each contract separately.

This option would require additional resources within the Council Client Team to manage each contract.

Risks associated with this option include potential limitations on the Council to provide an integrated, and consistent approach to service delivery. Having two separate contracts and relationships could make it more challenging to identify responsibility and accountability, and there would need to be detailed risk management plans in place to mitigate this and additional resources.

3.3.2 Option 2 – Integrated Single Provider (Contractor and Designer)

This model is a continuation of the current SDM. The option scores the highest in terms of achievability critical success factors. The transition to this option would be the easiest out of the five options, it would be the least complex to set up and manage and is affordable in terms of the cost of transition. Various opportunities for improvement can be easily identified and some mitigations considered and implemented through the further development of the existing contract documentation.

With this option the Service Provider would be accountable for both design and works delivery which generates economies of scale and enables smarter risk mitigation between design and construction.

Some potential issues with this model include the effectiveness of risk transfer. This will depend on the specific terms of the contract and the nature of the Council's retained contract management function. There would be no ongoing competition between service providers to encourage lower pricing with this option, where self-delivery is provided. However, it is acknowledged that there will be ongoing competition where supply chain resources are utilised.

This option would have the least amount of impact to the service and aligns the closest to the current arrangements.

3.3.3 Option 9 – Teckal

This is where a company wholly owned by the Council would be set up and provide services back to the Council, as a single provider. The common form of corporate vehicle utilised is a private company limited by shares and may be created with a shareholder's agreement that will include a business plan.

This new company would be exempt from the Public Contract Regulations 2015 (as amended) if it satisfies the requirements of the 'Teckal Exemption' as set out in Regulation 12 (1):

- a) More than 80% of activities must be performed for the controlling local authorities;
- b) There cannot be any private sector ownership;
- c) The Teckal company's primary purpose must not be commercially orientated; and
- d) The controlling local authorities must exercise decisive influence over the strategic objectives and significant decisions.

It would not need to be procured by the Council.

Some positive aspects of this option are that the Council would not pay any 'profit' element or a 'risk transfer premium'. The Council would have the ability to respond to reduced budgets or changing priorities and be flexible, without financial liability or commercial renegotiation.

Some potential negative aspects could include that the Council would need to fund/resource the establishment of the arrangement. This is likely to be significantly more

expensive than the other options and the financial and service delivery risks would ultimately remain with the Council.

3.3.4 Option 7 – Joint Venture (public to private)

This option is where a Joint Venture (JV) organisation is created between the Council and a private sector entity (or entities). This would be established by a competitive procurement exercise and the JV once created, as a separate legal entity, would operate as a single provider. With an investment and representation in the joint venture the Council would have additional rights of control and potential return, but it would carry some risk in the delivery of works and services.

Some positive aspects include the private sector may bring a profit motive and focus on efficiency. Any benefits would be shared, and the Council would retain roles as client; shareholder; and in the appointment of directors. This combination offers considerable control.

Some potential negative aspects include difficulties in matching public and private sector cultures in one vehicle for the efficient provision of services (as the JV will be funded by the council through its payments for works and services). Unless the private sector provides extra finance (at a cost) for which it may want a greater share of returns, the Council would continue to hold some financial risk for service performance in the JV.

3.3.5 Option 12 Mixed Economy – Best Option by Function/Service

A key feature of this model is that the provision of function/service is delivered by those that are best placed to do so; this may be internal or external. For the purposes of this exercise, at least one function must be contracted out and at least one function provided in-house (the contracted in function is traditionally the design function).

A series of providers would be procured, and contracts entered into to deliver the various highways related services. This is a simpler version of the framework option as the providers would be procured to deliver particular packages of works and/or services. This provides the opportunity for specialist suppliers to deliver the relevant discrete highway maintenance service elements that they are best placed to deliver.

The Council would retain a team to manage the contracts with the various providers and the interfaces between them.

Some positive aspects of this option include the Council would not pay an overhead to a single provider to manage multiple providers (supply chain) as they would undertake this function themselves.

Some potential negative aspects include reducing the ability for the Council to deliver an integrated service and consistent approach to service delivery; the Council bearing the risk of any interface or inter-dependency issues if performance is poor; and the Council requiring a larger multi-skilled client contract management team.

3.4 Options Appraisal Summary of Methodology

3.4.1 Included within Appendix 003 are the detailed methodology and findings. It is based on work that was undertaken by an independent consultant, Proving Services Ltd, as well as additional considerations based on discussions with other local highway authorities that have adopted some of the different types of SDMs, and an assessment of the Council's local context. The initial Options Appraisal is formed of two key stages:

3.4.2 Stage 1

3.4.3 **Objective** – the objective of Stage 1 was to reduce the long list of fifteen options down to a shorter list of more feasible options to be appraised in further detail at stage 2.

3.4.4 Methodology:

- A workshop was held that identified the potential future strategic outcomes for the next contract which formed part of the options appraisal assessment criteria.
- Once the strategic outcomes were identified, each of the fifteen options were scored against the pre-set evaluation criteria using the Proving Options Analyser Tool, which is a best practice options appraisal toolkit.
- Two further workshops were carried out to appraise the fifteen options against the thirteen Critical Success Factors (CSF's), as set out in Table 010. These CSF's are a combination of those recommended by the HM Treasury Five Case Model methodology and also those pre-set using the Proving Options Analyser Tool.

3.4.5 Outcome:

- Following the three workshops a ranked options list 1 to 15 was produced.
- A recommendation was made to the Highways Service Re-procurement Project Board and the Scrutiny Member Reference Group to reduce the long list to a smaller list of feasible options (5 in number) for further analysis at stage 2. This was accepted by both and the long list was reduced to five.
- The ten options not taken forward to stage 2 were discounted from the project.

3.4.6 Stage 2

3.4.7 **Objective** – reduce the list of five options to a shortlist to be taken through to the DBC stage to then be further developed and appraised in more detail.

3.4.8 Methodology:

- The remaining five options were validated by the Project Team with support from Proving Services Ltd. This included extra evidence gathering and amendments to some scores from the Stage 1 workshops.
- The additional evidence gathered included data and information from other local highway authorities who use the respective service delivery models, market research and evidence gathering from the service.

3.4.9 Outcome:

- Following the validation and moderation of the scores, the final five options were ranked.
- Three of the five options had potential critical barriers to implementation identified against them, as set out in the results section 3.8.
- A recommendation was made to the Highways Service Re-procurement Project Board and the Scrutiny Member Reference Group to discount the 3 options with critical barriers to implementation identified against them, leaving a short list of two options.
- This recommendation was accepted, and the final two options referred to as the "shortlist".

3.5 Table 010: List of Assessment Criteria

Assessment Criteria	Broad Description	Total Number of factors Assessed
Strategic (fit & business needs)	How well the option: - Meets the investment objectives, related business needs and service requirements - Provides holistic fits and synergy with other strategies, programmes and projects	8
Economic (potential Value for Money)	How well the option: - Maximises the return on the required investment (benefits optimisation) in terms of economy, efficiency and effectiveness - Minimises associated risks	4
Management (potential achievability)	How well the option: - Is likely to be delivered in view of the organisation's ability to assimilate, adapt and respond to the required level of change - Matches the level of available skills which are required for successful delivery	6
Commercial Supply-side capacity & Capability	How well the option: - Matches the ability of the service providers to deliver the required level of services and business functionality - Appeals to the supply side	2
Financial potential Affordability	How well the option: - Meets the sourcing policy of the organisation and likely availability of funding - Matches other funding constraints	1

3.6 Table 011: Shortlisted five Options

		Option 2	Option 1	Option 9	Option 7	Option 12
Business Case	Assessment Criteria	Integrated Single Provider (Works & Design) Current SDM + lessons learned	Single Provider Works Single Provider Design	Teckal	JV (Public to Private)	Mixed Economy (Best Option Function)
Strategic (Strategic Fit & Business Needs)	Improvement & Development of the Highway Infrastructure (optimise)	66	66	100	100	100
	Improvement & Development of the Highway Infrastructure (Enhance)	100	66	100	100	66
	Customer Focus	66	33	100	100	33
	Make Best Use of Resources	66	66	66	66	66
	Collaboration	66	100	100	100	66
	Innovation & Technology	100	66	100	66	66
	People	100	66	100	100	66
	Carbon	66	66	66	66	66
Economic (Potential VFM)	Economy	66	66	33	33	66
	Effectiveness	100	100	100	100	100
	Stakeholder Value	100	33	100	66	100
	Efficiency	66	33	100	100	66
Management (potential achievability)	Complexity (Inherent Risk)	100	66	33	33	33
	Capability & Capacity	100	66	33	33	33
	Authority Readiness	100	66	0	0	33
	Governance & Reporting	100	100	66	33	66
	Partner Management	100	100	66	66	66
	Cultural Alignment	100	100	0	0	0
Commercial (Supply-Side capacity and Capability)	Provider Readiness	100	100	33	0	66
	Sector Success Stories	100	100	33	0	66
Financial (potential affordability)	Affordability	100	66	0	33	33
Strategic Total		79	66	92	87	66
Attractiveness Total		83	58	83	75	83
Achievability Total		100	85	29	22	44
Overall Totals (%)		87%	70%	68%	61%	64%
		1st	2nd	3rd	5th	4th

Options 3,4,5 (0's in red) have critical barriers to implementation

3.7 Options Appraisal Results

- 3.7.1 The full results of the scored fifteen options are set out in Appendix 003. A summary of the results of the top 5 options that were validated at Stage 2 is in Table 011.
- 3.7.2 The assessment shown in Table 012, was scored against the assessment criteria in Table 010. This has taken account of the critical success factors for the project and the service outcomes set out in Table 005.
- 3.7.3 Each assessment criteria were scored against predetermined evaluation criteria as set out in Appendix 003, the scoring matrix is 0,33,66,100. Where 0 is not scored, or for this option, this factor is a critical barrier to success and 100 is where this option would be equally as good or better than the current arrangements.
- 3.7.4 The critical success factors (assessment criteria) that have been identified as critical barriers to implementation are highlighted in red above.

3.8 Options Discounted at stage 2

- 3.8.1 Options 9,12,7 have some potential critical barriers to implementation and therefore should not be taken forward to the DBC. Further detailed evidence and the assessment criteria is included in Appendix 003, in summary these critical barriers are as follows:

- **Option 9 Teckal**
 - Affordability: Estimated an extra £1m in set-up costs
 - Authority Readiness: Low or unknown Political appetite
 - Cultural Alignment: Council's organisational cultural alignment is low
- **Option 7 – Joint Venture (JV)**
 - Sector Success Stories: There is no evidence of this in the market
 - Provider Readiness: There is low appetite from the market to form a JV.
 - Authority Readiness: Low or unknown Political appetite
 - Cultural Alignment: Council's organisational cultural alignment is low
- **Option 12: Mixed Economy (best option by function/service)**
 - Cultural Alignment: Council's organisational cultural alignment is low

3.9 Shortlisted Options

- 3.9.1 The following options were identified to be taken forward together through development of the proposal. These two options represent the best opportunity for value for money for the future delivery of highways services.

- **Option 1 Single Provider Works and Single Provider Design**
- **Option 2 Integrated Single Provider (Works & Design)**

- 3.9.2 The assessment of the five options as set out in Table 011, shows that Options 1 & 2 are ranked the highest and subject to high level affordability modelling within the Financial Case (Section 5), these should be taken forward to the DBC for further development.

3.10 Options Assurance

3.10.1 The two shortlisted options are further endorsed through the Options Study activity led by Proving Services Ltd, which comprises of eight local authorities all completing individual options appraisals for their respective future highways SDMs. Of all the scored options across the eight authorities, on average, Options 1 and 2 were ranked the highest overall. Table 012 gives a summary of the average ranking, with a detailed report provided by Proving Services Ltd included in Appendix 006.

Table 012: Service Delivery Model average ranking for all 8 authorities.

Option Number	Service Delivery Model	Overall Ranking Position	Ranking at Individual Authority Level
Option 2	Contractor + Designer (Integrated)	1 st	1, 2, 3, 3, 3, 3, 5, 6
Option 1	Contractor + Designer (Separate)	2 nd	1, 1, 2, 2, 3, 5, 7, 8
Option 12	Best Option by Function	3 rd	1, 1, 2, 4, 4, 7, 7, NS
Option 4	Function Orientated Provider	4 th	1, 2, 2, 4, 4, 4, 6, 7
Option 15	Primary Design + Add On	5 th	1, 1, 1, 3, 5, 6, 6, 9
Option 9	Joint Venture	6 th	3, 6, 7, 7, 8, NS, NS, NS
Option 11	Cyclical & Reactive In-House	7 th	4, 4, 5, 5, 8, 8, 10, NS
Option 9	Arm's Length Company	8 th	2, 5, 5, 8, 9, 10, NS, NS
Option 14	All In-House	9 th	5, 6, 6, 8, 12, NS, NS, NS, NS
Option 3	Multiple Providers	10 th	2, 7, 8, 9, 10, 10, 12
Option 6	4 Year Framework	11 th	3, 6, 9, 9, 10, 11, 11, 12
Option 16	Shared Service	12 th	7, 8, 9, 10, 11, 11, NS, NS

3.10.1 The overall ranking position is comparable with the individual assessment completed by the Council.

3.10.2 The study concluded:

- The top five options were consistent across the majority of authorities although there were some exceptions. No single option, however, scored consistently highly across the assessment criteria (Strategic Fit, Attractiveness and Achievability). It is likely therefore that some authorities will look to procure a blend of options when they go to market.
- The top ranked options overall are, Integrated Contractor and Designer and Separate Contractor and Designer. Given the majority of participants currently work with only a small number of significant partners under their current arrangements, the transition to these models for these authorities was deemed to be relatively straightforward. This outcome may be somewhat different therefore, for authorities with significant in-house or multiple provider arrangements currently.

4 COMMERCIAL CASE

4.1 Form of Contract

- 4.1.1 The Council's current form of contract for delivering its Highway services is a NEC3 Engineering and Construction Contract (ECC), with modifications to include for the delivery of the design and outsourced service functions.
- 4.1.2 The NEC forms of contract are a family of contracts, based on sound project management principles and clear risk transfer that demand close cooperation and active management from both the client and service provider and are thus ideal for term maintenance and service contracts.
- 4.1.3 During the term of the Council's contract the NEC has published the fourth edition of its suite of contracts, commonly referred to as NEC4. The new form of contract will be based upon the latest published NEC4 forms.
- 4.1.4 The Council will use the most appropriate contract(s) from the suite of NEC standard forms, but to achieve the flexibility required, the standard form will be amended to incorporate best practice, local requirements and the new operating model being proposed.
- 4.1.5 The Form of Contracts being considered are:
 - **Option 1 – Single Provider Works & Single Provider Design**
 - Works Contract – NEC4 Engineering and Construction Contract or Term Service Contract
 - Design Contract - NEC4 Professional Service Contract
 - **Option 2 – Integrated Single Provider (works and design)**
 - NEC4 Engineering and Construction Contract or Term Service Contract
- 4.1.6 The Contract(s) will include several payment options (see 4.4) as appropriate to, and dependent upon, the risks and complexity associated with each work or service type.
- 4.1.7 The various payment options will ensure that both the Council and Service Provider have the flexibility to drive and deliver efficiencies and continuous improvement, whilst maintaining a level of return for the Provider.
- 4.1.8 A full review of the appropriateness of the proposed contract forms and payment options will be undertaken as part of the DBC, including any decisions regarding its duration and extensions.

4.2 Specification (Scope)

- 4.2.1 The existing model has shown that a mix of outcome and output specifications have provided both the Council and Service Provider with the flexibility to deliver the complexities of the highway service effectively. A detailed review of the existing specifications will be undertaken, and appropriate amendments made in order to secure the best service possible from the next contract.

4.3 Sourcing options

- 4.3.1 The Council continues to maintain its relationship with its neighbouring highway authorities and continually seeks to maximise any opportunity to secure best value service delivery through collaboration.
- 4.3.2 Due to misalignment of respective contract periods between authorities, there are limited opportunities at present for any joint procurements for the delivery of this service. However, the required public notice of the procurement will be written to allow other local authorities to access any future contractual arrangements. (The public notice will appear in the new government e-notification service called "Find a Tender.")

4.4 Payment Mechanisms

4.4.1 The existing arrangement of a mixed economy, utilising standard NEC payment options A, C and E, determined by work type and funding stream has enabled appropriate risk apportionment to be applied for various works and service types, whilst providing suitable costs and budget certainty.

- **Option A – Priced Contract with Activity Schedule (Model option 1 and 2) Lump sum Core works activities**

This is a fixed price arrangement with the financial risk of carrying out the works at the agreed price being largely borne by the Service Provider. The Service Provider prices the works or services from information provided by the Council and undertakes to deliver the works or services for that price. This mechanism is best applied to works and services where the scope can be established at the outset with certainty and with clearly defined outcomes.

E.g. Winter service, gully cleaning, highway inspections (Core Services)

- **Option C – Target Contract with Activity Schedule (Model option 1 and 2) Priced Works, Schemes**

This is a target price arrangement in which the outturn financial risks are shared between the Council and the Service Provider in agreed proportions. The Service Provider prepares a target price for the works or services from information provided by the Council. If the works or services are then completed for greater than or less than the target price, the liabilities or savings are shared in accordance with the proportions defined in the contract. This mechanism is best applied to works or services where the Service Provider can best drive efficiencies through innovation and best practice, resulting in cost savings.

E.g., Strategic Economic Infrastructure schemes, carriageway reconstruction and resurfacing etc.

- **Option E – Cost Reimbursable Contract (Model option 1 and 2) Emergency/unplanned works**

This mechanism is generally used when the details of the works or services required are difficult to define sufficiently for other pricing mechanisms to be used. The Service Provider is paid their actual costs. This mechanism will generally be used for works that are either of a temporary or urgent nature, difficult to quantify in advance, or require a level of investigation before details can be finalised e.g. emergency works, drainage investigation works.

4.5 Risk Allocation & Transfer

4.5.1 As part of the previous procurement the Council embarked on a transformational journey with regard to its Highway Service provisions, including the outsourcing of a number of services that were traditionally considered to be functions of the Client, such as Highway inspections and Network management. Additionally, a number of separate contract provisions such as highway design, street lighting and traffic signals were brought into the overall single provider service.

4.5.2 Both forms of contract (Options 1 and 2) provide for an outsourced provision of the services and therefore, we can consider that the service risk is no greater than that experienced with the existing arrangements. Indeed, we can foresee a reduction in risk as we now have a fuller understanding of the outsourced service provision.

4.5.3 However, it is worth considering that there are potential new risks that may materialise on the selection of Option 1.

- Two contractual relationships to be maintained, whilst seeking to achieve the overall Service objectives,
- Different and/or conflicting objectives (multiple Service providers),
- Performance management, Employer incentive scheme difficult to administer,
- Risk transfer, design or construction liability issues.

4.5.4 Contract risk allocation is clear and transparent within the NEC forms of contract being proposed for either Option 1 or 2.

4.6 Contract length

4.6.1 The market has suggested that the longer the contract the better it is. Whilst this may be true from a Service Provider's perspective, it may not best serve the needs of the Council and therefore a full review of the contract length including any extensions will be undertaken in the DBC.

4.7 Personnel

4.7.1 The sourcing of the Highways service is a continuation of a service delivery that is the principle responsibility of the Council, therefore all current employees involved in the service, including those provided by the supply chain will be eligible for TUPE transfer to any new provider(s).

4.7.2 The eligibility of staff to transfer to the new provider, does not necessarily mean that all the existing staff will be present in any new arrangements as staff may be offered opportunities within the wider employment of the current service provider.

4.7.3 The future client structure is yet to be determined, section 6.4 sets out an illustration of a potential functional based structure to be further developed at the DBC once the preferred SDM is known.

4.8 Choice of procurement method

4.8.1 The Public Contracts Regulations 2015 (PCR 2015) set out the legal framework for public procurement. They apply when public authorities seek to acquire supplies, services, or works through a contract whose estimated value exceeds published thresholds. PCR 2015 set out procedures which must be followed before a so-called "contracting authority" awards the contract. ESCC is a contracting authority..

4.8.2 The estimated value of this procurement is above the published threshold of £4.7m and therefore the procedural rules set out in the Public Contracts Regulations 2015 (PCR2015) will apply.

4.8.4 Where the estimated value of a works contract exceeds the applicable value thresholds, then these services must be procured using an advertised, competitive procedure that is open, fair and transparent, ensuring equality of opportunity and treatment for all tenderers.

4.8.3 There are four main types of procurement award procedure provided for under the PCR2015; namely, the open, restricted, competitive dialogue and competitive with negotiation procedures. There are no restrictions in the legislation on the use of the open and restricted procedures however the competitive dialogue and negotiated procedures can only be used in certain specified circumstances as set out below.

4.8.4 A detailed review of the procurement routes, considering the benefits and dis-benefits of their use for the Highway Services has been undertaken. This is set out below:

4.8.6 **Open:**

An Open Procedure is suitable for those procurements where requirements can be clearly defined. There is no need for a pre-qualification of bidders, and it is open to all. It means there is a possibility of a significant number of suppliers bidding. Bidders may be less keen to participate in an open procedure if the contract is more complex, and as a result the tender documents require high levels of resource. The cost of preparing a full tender can be a disincentive to participation where the likelihood of success is lower due to the high level of competition.

4.8.7 **Restricted Procedure:**

A Restricted Procedure is where suppliers are required to submit to a pre-qualification assessment based on their technical, financial and professional capabilities. This limits the number of those who are able to submit bids and is suitable when you are purchasing services which can be clearly defined at time of tender.

4.8.8. **A Competitive Dialogue:**

A competitive dialogue procedure allows for the flexibility to modify the scope incorporate innovations and negotiation with bidders including the winning bidder (provided this does not modify the essential aspects of the contract or procurement or amount to a distortion of competition). ESCC may use this procedure if one or more of the criteria set out at Regulation 26(4) of the 2015 Regulations are met. These are as follows:

- the needs of the contracting authority cannot be met without adaptation of readily available solutions; or
- the requirements include design or innovative solutions; or
- the contract cannot be awarded without prior negotiation because of specific circumstances related to the nature, the complexity or the legal and financial make-up or because of risks attaching to them; or
- the technical specifications cannot be established with sufficient precision by the contracting authority with reference to a standard, European Technical Assessment, common technical specification or technical reference.

4.8.9 **Competitive Procedure with Negotiation:**

A competitive procedure with negotiation allows the contracting Authority flexibility around whether to negotiate - it is possible to reserve the right (by stating this in the required public notice) not to negotiate and to simply award the contract based on initial tenders submitted. This reservation is not possible in the competitive dialogue procedure. It is also not possible to negotiate following submission of final tenders if you are using the Competitive Procedure with Negotiation.

4.8.10 **Procurement Route Type Summary**

Confirmation of which procurement procedure is recommended will be included in the DBC.

5 FINANCIAL CASE

5.1 Background

- 5.1.1 Works instructed under the current HIS Contract are split into two key categories, namely Core and Works Activities. Core Activities represent the day-to-day roles and responsibilities of the Service Provider in maintaining the service and are priced on a lump-sum basis. Works Activities relate to planned maintenance/improvement works and are instructed at market rates using payment options A, C or E (depending on their nature and complexity), also taking into account the risks associated with both their design and delivery. Note, Works Activities also include the commissioning of professional services (design) and any pre-works site investigation and/or studies as required.
- 5.1.2 The current HIS Contract delegates certain statutory functions of the Council to the Service Provider in relation to both Network Management duties and Third-Party Claims. Both of these functions are separately defined Core Activities for which the Service Provider is paid a lump-sum to undertake.
- 5.1.3 In respect of Network Management, in return the Service Provider manages the South East Permit Scheme for Road Works and Street Works and also collects and maintains fees from parties that are in breach of the duties and functions required of them in, on and about the highway network in East Sussex, undertaking any enforcement as appropriate in executing such duties. All fees and charges recovered are retained by the Service Provider.
- 5.1.4 With regard to Third Party Claims, the Service Provider manages, handles and validates claims arising from an event on the highway network. These are categorised as either Red Claims (claims by third parties against the Council arising out of the condition of the network or performance of the works) or Green Claims (claims by the Council against third parties for damage to the Council's highway assets). The Service Provider is liable for and indemnifies the Council for costs and liabilities incurred as a result of a Red Claim (subject to exceptions) and for Green Claims arranges for any damage to be repaired, recovering their costs from either the perpetrator (where known) or the Council (where unknown). Through a coordinated Highway Asset Inspection, Reactive Maintenance and Third-Party Claims management regime the Service Provider is thereby empowered to reduce the level of third-party claims by maintaining the best network condition within the available investment.

5.2 Current Costs

- 5.2.1 A detailed analysis of costs will be undertaken within the DBC, including a full review of extra in year spend on Core Activities which are not included within the lump sum.

5.3 Cost increases

5.3.1 Inflation

5.3.2 A review of the impacts of inflation has been undertaken, Table 013, based upon the last 20 years of market data. It can be seen that the current prices may increase in the range of 9.5 -18.5%, which represents a cost increase of between £730k and £2.3m per annum, taking the current core service provision from £7,685,473 up to £10,056,633.

Table 013: Inflation

	Price Fluctuation Indices			
	RPIx	RPI	All Engineering	Civil Highway Maintenance
Average annual	2.65%	2.56%	1.72%	1.36%
Forecast to 2023 (7-year contract term)	18.5%	17.9%	12.0%	9.5%
Cost Increase	£2.3m			£0.73m

5.4 Savings

5.4.1 Significant budgetary savings were made in the last procurement, much of which was one-off cashable (£1,404,455, including £1.1m reduction in revenue costs set out in the Council's Medium Term Financial Plan). Therefore, there is very limited scope to secure further savings of this nature through the future service delivery model, however there are further potential savings to be realised within the service provision. The following Table 014 indicates potential changes in base prices dependent upon the option chosen.

Table 014: Potential change in cost.

	Option 1 (Separate)	Comments	Option 2 (Integrated)	Comments
Highway Maintenance - Core Activities	0%	Minimal or no change in operational delivery between two options	0%	Minimal or no change in operational delivery between two options
Highway Maintenance - Works Activities (Schemes)	+10% (+£2-3m per Service Year)	Delivery of design by others resulting in additional risk pricing by Contractor. Minimal opportunities for early contractor involvement. Innovations in design and delivery likely to be limited.	0%	Collaboration and efficiencies in Service Delivery – Joint ownership and common objectives
Professional Services (Design)	+10% (+£0.5-1m per Service Year)	Design rework due to buildability issues. Delays in design completion affecting operational delivery of works	-5% (-£0.25-0.5m per Service Year)	Improved management and monitoring of need and cost by ESCC

5.5 Financial risk

5.5.1 At the time of writing this OBC, there are three significant risks that could affect the affordability of any future highway delivery model,

- The financial impact of COVID-19
- DFT have yet to announce their future funding allocations
- Annual departmental funding cycles and commitments

This OBC is being developed based upon the knowns at the time of writing. Due consideration will be given to the financial risks, as part of the affordability modelling exercise to be undertaken in the DBC.

6 MANAGEMENT CASE

6.1 Project Initiation Document (PID)

6.1.1 The HSRP has been organised into 4 stages as identified in the PID (Appendix 001), which was approved at the first Project Board meeting in January 2020. The PID sets out the objectives, scope, timeframe and governance for the project.

6.1.2 The project is structured in four stages:

Stage	Stage Name	Main Activities
Stage 1	Outline Business Case (OBC)	the analysis & planning stage (small options appraisal - long list to shortlist)
Stage 2	Detailed Business Case (DBC)	detailed options appraisal of shortlist
Stage 3	Delivery of Procurement Strategy	tendering & evaluation
Stage 4	Prepare and engage	mobilisation and Training Contract Start

6.2 Project Governance

6.2.1 A Project Board, Sponsor and Team have been established to develop and deliver the re-procurement strategy and new contractual arrangements.

6.2.2 A Scrutiny Member Reference Group (SMRG) has been established to ensure effective member engagement into the project.

6.3 Project plan

6.3.1 This has been developed by the project team and is responsibility of the project manager to report progress of the plan to the Project Board. The plan covers all four stages of the project however Stages 3 and 4 cannot be fully developed until the DBC is approved which would include the determination of the preferred SDM and also the procurement route to market.

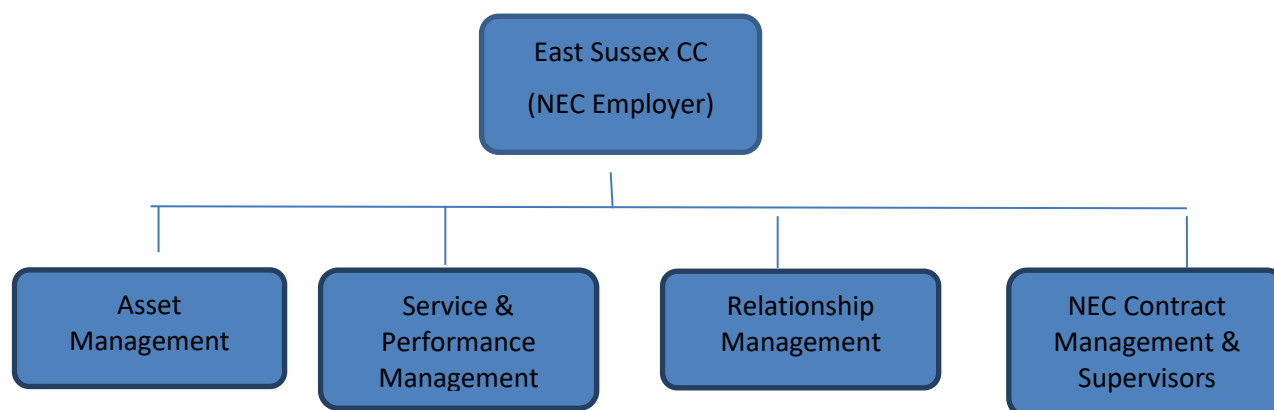
6.4 Potential future client model to deliver highway services

6.4.1 The need to get the best possible value from public spending will always remain a constant for those making spending decisions. The scope of this project does not just focus on the procurement process up to contract award, it also includes the need to ensure that the Council has adequate controls and contract management arrangements in place to manage the future service delivery model.

6.4.2 One of the Council's key priorities is to make the best use of resources, and this re-procurement project provides an opportunity to review the current structure of the Council's highways Contract Management Group structure to ensure it is appropriately staffed and with the right skills before the start of the contract. This is a key lesson from the previous re-procurement. There may be considerable change to how services are provided and therefore the client team needs to be established and trained on the future contract mechanisms, ready to work with the incoming provider(s) during the mobilisation phase.

- 6.4.3 In preparing this OBC a number of engagement activities has been carried out. A number of stakeholders have identified potential areas where there are opportunities to further develop our contract management capabilities to provide an improved service. Within the next stage of DBC, once the “preferred” service delivery model is known, a client maturity assessment will be carried out to better understand how the Council’s needs can be met.
- 6.4.4 In preparing this OBC, a future functional based client shape has been developed by the project team to illustrate the critical functions that are required to manage a future Service Delivery Model.

Figure 004: Functional Based ESCC client structure



- 6.4.5 An overview of the rationale for each of these four functions is set out below.

6.4.6 **Asset Management**

- 6.4.7 The Asset Management Strategy (AMS) which has been in place for a number of years is robust and effective that the team can move towards a more strategic focus in the next contract. The function will need to maintain and develop a “Whole Life Cost” model for maintenance as well as considering strategic infrastructure growth requirements. The function will be responsible for developing the AMS further to meet the Council’s wider objectives. The Team will also be responsible for managing and updating the Council’s relevant Highway Maintenance Policies through the life of the next contract.

6.4.8 **Service and Performance Management –**

- 6.4.9 Through the life of the HIS Contract the Council has developed a greater understanding of efficient performance and compliance management and that there is an alternative approach which should be taken when overseeing the quality of the service delivered. This being the case, by focusing our approach and realigning responsibility, a Service and Performance Management function will not only be responsible for the monitoring of the performance framework but will oversee both business case and people development and lead on innovation, carbon neutral projects, and wider service enhancements.
- 6.4.10 This will include identification and implementation of service improvement initiatives in conjunction with other client functions and the wider Council departments to ensure the Service outcomes are achieved. Business analysis and benchmarking will be essential to ensure the Council can deliver best practice service delivery and demonstrate continuous value for money, whilst maintaining excellent customer service.

6.4.11 **Relationship Management**

- 6.4.12 It is recognised that over the last five years there have been some inconsistencies in customer service. This is therefore a key area of focus for the next contract, and a Relationship Management function will be responsible for leading on this aspect. Their focus will be the management of Member enquiries and other departmental/corporate communications. They will also need to be an increased focus on overcoming any

relationship issues that develop through the life of the next contract and will develop relationships outside the Council with those key stakeholders who have regular contact with East Sussex Highways. They will support other functions, within highways and the Council's wider CET department, and their relationships will ensure a transparent and collaborative approach is taken whilst working with other Local, District, Borough, Town and Parish Councils in the future.

6.4.13 NEC Contract Management & Supervisors

6.4.14 This function is critical to the successful day-to-day delivery of the contract(s) and ensuring overall contract compliance, governance and administration of the contract. The function will fulfil the NEC Project Manager duties which include approving payments, management reporting, claims and dispute resolution and programme management / acceptance. It is recognised that a new Service Provider is likely to be commercially astute in order to achieve their respective profit margins. With this in mind, the Council's NEC Contract Management function needs to be equally skilled and resourced to ensure the Council continues to receive value for money for the commissioned services.

6.4.15 As set out in Appendix 005, where Scrutiny Reference Group Members outlined their areas of improvement, it is recognised that a more robust approach is needed to the ongoing management of the quality of the works being delivered. As such, there will be dedicated NEC Supervisor with additional resources to focus on the quality of works being delivered and address any trends or issues identified. They will be able to provide assurances to Members and other key stakeholders that the future Service Provider(s) are delivering the services to the requisite quality and in line with the requirements of the Service.

6.5 Risk Management Strategy

6.5.1 The project manager maintains a detailed Risk Register for the HSRP which is reviewed regularly, and changes reported to the Project Board. The Risk Register has been prepared using the Council's corporate risk template and best practice from the HM Treasury Five Case Model. Each identified risk is categorised as set out in Table 015:

6.5.2 The key risks at this stage of the HSRP are set out in Table 008.

Table 015 Risk Categories

Risk Categories	Description
Business Risks	These are the strategic risks which remain (100%) with the Council regardless of the sourcing method for the project (proposed spend). They include political risks
Service Risks	These are risks associated with the design, build and financing and operation (DBFO) of the proposed spending. They can be shared with the business partners and service providers.
External environmental risks	These risks affect all organisations regardless of whether they are public or private sector.

6.6 Post Implementation Review

6.6.1 The HSRP has a post project evaluation strategy, which has two main purposes:

1. To identify areas of improvement through the HSRP lifecycle, through the development of the PID to contract commencement of the new SDM. To achieve

this a series of post project engagement sessions will be completed and a report completed to the Project Board.

2. To appraise whether the HSRP has delivered its anticipated improvements and benefits. To achieve this a mobilisation audit will be completed and at the end of Service Year 1 and an independent 3rd party audit will be commissioned. Additionally, an internal audit can be completed by the Council. In preparing the DBC the detailed post implementation review requirements will be finalised.

6.7 Scope & Objectives of Stage 2 the Detailed Business Case (DBC)

6.7.1 The following is a summary of the key activities and tasks to be completed during the DBC process which will complete the planning stage of the commissioning approach:

- Affordability, benefits & efficiencies of the shortlisted options
- Design the Council's future client structure in relation to either option
- Review the technology options and determine the technology requirements
- Complete Soft Market Testing Activity 3
- Review provision of Core Activities
- Review other areas for inclusion in scope
- Review areas for improvement and make suggestions for improvement
- Design the future contract form and payment options
- Start to prepare the Pre Qualification Questionnaire (PQQ) and Invitation to Tender (ITT) documents including evaluation criteria and assessment panels
- Clarify the future contract budgets and test affordability and scalability
- Assess future demand on the network
- Complete the statutory legislation review
- Develop the future contract performance management regime
- Review Employer's Incentivisation Scheme

7 CONCLUSIONS AND AND RECOMMENDATIONS

- 7.1 In order to continue to meet the Council's legal responsibilities as the Local Highway Authority a range of different types of SDM have been considered. Through the analysis carried out it is clear that there are limited SDMs that meet all of the Council's strategic requirements.
- 7.2 In the last re-procurement in 2015 extensive analysis was completed to determine the project scope, and much of this analysis and therefore scope of service is still valid.
- 7.3 In compiling the OBC engagement sessions were held with the Council's other CET teams that interface with the highways service in order to validate the previous work completed in 2015. The findings of these sessions are included in section 2.19. A number of areas for improvement were identified and will be explored in further detail within the DBC. None of the identified issues at this time suggest that provision of any wider departmental services should be included within scope of this HSRP. However, further consideration as to whether any aspects of these teams services should be included within the future SDM will be reviewed within the DBC.
- 7.4 The initial evidence gathered shows that funding continues to be a challenge in improving the condition of the highways asset, against a backdrop of increasing network usage and stakeholder expectations of the service delivery.
- 7.5 Quality control, effectiveness of communications and overall contract efficiencies were three of the main areas identified by Members which will be further investigated for potential solutions and mitigations within the DBC stage.
- 7.6 Following the completion of the Options Appraisal the two recommended options to be developed in the DBC are;
- Option 1: Separate Contractor Contract & Separate Designer Contract
 - Option 2: Integrated Contractor & Designer Contract (current SDM)
- 7.7 These two options present the best opportunity for the Council to successfully deliver its statutory responsibilities for highways maintenance in the most efficient, effective and economic manner.



Cabinet

26 January 2021

Appendix 001

Highways Services Re-procurement Project

Document Title: Project Initiation Document (PID)

Project Initiation Document

Project Title	Highway Services Re-procurement Project (HSRP)
Department	Communities, Economy & Transport
Service Team	Operations & Contracts Management
Department Reference	Highways
Sponsor	Karl Taylor
Customer Contact	Phil McCorry
Author	Phil McCorry
Date	29/1/2019
Version	V1

The purpose of the Project Initiation Document (PID) is to define the project, to establish how it will be managed and to identify the criteria for overall success. The PID forms the basis of the project and how it will be organised. It is the Sponsor's mandate to the Project Manager.

Issue no	Approved by Project Manager	Date	Approved by project sponsor	Date	Date of next review
1	Phil McCorry	29/1/20			
2					
3					

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Appendices

A	Risk Register
B	Project Organisation Chart
C	Draft Resource Plan
D	Draft Project Budget
E	Outline Project Timeline
F	Service Delivery Models Summary Table

1. Background

- 1.1 In December 2015 [Cabinet](#) (item 33) awarded a third-generation outsourced contract for delivery of Highway Maintenance to Costain Ltd. Costain Ltd are in an unincorporated joint venture with Jacobs (formerly CH2M) to deliver the services. The contract for Highways & Infrastructure Services (HIS) commenced on the 1st May 2016 and ends on 30th April 2023. The contract is for a fixed seven-year term, no extension mechanism is included in the contract (this was deliberate). The main purpose of this project is to therefore ensure new service arrangements are designed, approved, delivered ready to guarantee business continuity of Highways Maintenance Services from 1st May 2023 onwards.
- 1.2 The award of the current contract shifted the Service Delivery Model (SDM) from a Multiple Provider model to a Single Provider model. Separate contracts for Street Lighting and Traffic Signals were consolidated into a single contract along with internal ESCC functions such as Safety Inspections, Network Management, Design Services and the Contact Centre. In total 107 ESCC staff transferred via TUPE to the new Contractor.
- 1.3 Through the use of ESCC Commissioning Framework approach to determine and through subsequent packaging of services the Cabinet award of the HIS contract in December 2015 offered a saving of £1,404,455 when compared to the budget at that time.
- 1.4 Any future contractual arrangement will need to consider the medium-term financial outlook and how this can be factored into a contractual arrangement to allow the County Council sufficient flexibility, in the event that further savings are needed in the future and the uncertainties associated with budgets in general. This is an opportunity to build on from the 2016 transformation, to further develop and implement a Highways Maintenance Service that reflects the future needs of the County Council and draws from industry best practice.
- 1.5 The project will contribute directly to the delivery of the current County Council Priorities & respective performance measures as set out in the [Council Plan 2019/20](#) :
- **Priority** - Driving sustainable economic growth
 - o Performance Measures:
 - % of principle roads requiring maintenance
 - % of non-principle roads requiring maintenance
 - % of unclassified roads requiring maintenance
 - % of County Council procurement spend with local suppliers
 - % economic, social and environmental value committed through contracts, as a percentage of our spend with suppliers
 - **Priority** - Making the best use of resources

- 1.6 In recognising the County Council's priorities and the specific requirements of Members the current Highways Maintenance Contract was designed to specifically deliver the following future service outcomes:
- 1.7 To have the best network condition for the investment available (principal requirement) and;
- Improve asset condition;
 - Promote economic growth;
 - Reduce the level of third-party claims;
 - Provide value for money;
 - Promote local engagement, and
 - Improve customer satisfaction and communication.

These outcomes will be reviewed as part of this project and a full set of criteria will be developed by the Project Team and considered and finalised by the Project Board.

2. Objectives, Benefits and Deliverables.

2.1 Objectives

The Principle Objectives of the project are to:

- Identify an appropriate Service Delivery Model for Highways Maintenance, including internal Contract Management which provides best value for money, improves cost efficiency and positively contributes to the achievement of road condition Indicators;
- Develop suitable contractual arrangements for a new Highways Maintenance Service based on the preferred Service Delivery Model which meets the future statutory, policy and ambitions of the County Council develop an exit strategy for the current contract, as necessary, and for the next generation contract;
- implement the new arrangements, including provision of an appropriate client team and training programme to ensure the successful application of the new arrangements

2.2 Benefits

To determine the right Service Delivery Model, a clear detailed business case (DBC) will be developed during the project, based on the ESCC Commissioning Framework. This approach will include, but is not limited to:

- 1 Regular engagement with the Place Scrutiny Members Reference Group
Benefit: to define service objectives
- 2 Internal analysis of current contract model and provision of service
Benefit: what is working well and what needs to improve
- 3 Market engagement with supply chain
Benefit: capacity & capability understanding
- 4 Benchmarking exercises with other authorities where possible
Benefit: gauge best value & trends

- 2.3 There will be a clear emphasis on developing a model which provides cost savings corresponding with wider corporate aims of improving efficiency when delivering core services. Additionally, the new Service Delivery Model will be designed to have greater flexibility regarding change management to allow for necessary uncertainties that may arise during the contract duration.

2.4 Deliverables

- 2.5 The project will deliver new arrangements for the delivery of Highway Services for the County Council to commence 1st May 2023. The form and scope of which will be determined by the Service Delivery Model recommended by the Project Board. The three key deliverables of this project are:
- New SDM and arrangements in place for the 1st May 2023
 - Resources are secured to deliver the service
 - Client team is in place to manage arrangements
- 2.6 There is a significant challenge to ensure the correct selection of next Service Delivery Model which, following an options appraisal, could be a continuation of the current Single Provider Model with lessons learned and minor adjustments or a wholesale change to a new model.
- 2.7 Consideration will be given to having a 11-month period for Service Year 1 (1st May 2023 – 31st March 2024), so that subsequent service years can be aligned with the ESCC financial year and commence on the 1st of April.

Further details can be found in the section below under 3. *Scope and Exclusions*.

3. Scope and Exclusions

3.1 Scope

- 3.1.1 All services set out in the current specification, provided by the incumbent Contractor Costain and its joint venture partner Jacobs, is included within the scope of this project, namely:

Core Activities (majority of revenue spend):

- COR-001 Service Management
- COR-002 Stakeholder Management – (customer contact centre)
- COR-003 Network Management
- COR-004 Third Party Claims
- COR-005 Highway Asset Inspections - (stewards)
- COR-006 Drainage Maintenance - (gully emptying and jetting, ditch and grip maintenance)
- COR-007 Control of Vegetation - (grass cutting, weed control, hedge cutting)
- COR-008 Road markings
- COR-009 Winter Service
- COR-010 Structures Routine & General Maintenance
- COR-011 Street Lighting & Traffic Signals
- COR-012 Reactive and Emergency Response - (safety defect repairs)

- 3.1.2 In addition to the core activities the following Maintenance and Improvement Schemes are also within scope (majority of capital spend):

- Carriageway and Footway surfacing
- Patch and Repair of Carriageway surfacing
- Highway improvements
- Highway structures

- Safety fencing
- Traffic movement and calming schemes
- Footway and cycleway construction
- Carriageway construction
- Road bridges and structures
- Street lighting
- Traffic signals
- Drainage Schemes
- Provision, maintenance and cleaning of road signs.
- Provision and maintenance of road studs.

3.2 Service Delivery Model Options

3.2.1 There are a range of options for the Service Delivery Model that have been researched and documented through best practice, all of will be considered. Outlined in **Appendix F** is a more detailed overview of the range of Service Delivery Models, this are summarised as follows:

1. **Single Provider** – most services are transferred to the private sector partner. The Client retains some elements of service such as strategy, performance management and policy.
2. **Framework(s)** - assumes more than one provider with similar skill sets to allow mini competitions to be held for appointment against work packages.
3. **Joint venture (JV)** – JV's have become increasing popular as a means of leveraging growth, in particular between public sector entities. Using a JV model to partner with other local authorities or Local Authority Trading Companies (LATC) could mean that public procurement is not necessary. There can also be public to private JV's in addition to public to public models.
4. **Multiple Providers** – County Council procures individual services from different providers such as surface dressing, gully emptying, Streeting lighting. The Client retains some elements of service such as strategy, performance management and policy.
5. **In house + top up** – simple arrangement to fill gaps/weaknesses in the client team. The amount of highway maintenance function remaining with the client depends on how much top up is involved, be it single or multiple providers.
6. **In-house** – assumes very limited ad hoc input from the private sector.
7. **Teckal** – a company wholly owned by the County Council, which, subject to certain conditions, is exempt from the Public Contract Regulations 2015.

3.2.2 The preferred service delivery model(s) being pursued by the County Council, will determine where the service split should lie between client and provider. In assessing the service split there are various factors that will influence the decision, and these will include:

- Overall objective(s) for the service;
- Client capability and capacity; and
- Risk and Control

3.2.3 The current Highways Maintenance Contract is essentially a Single Provider model with an Executive Client group managing the contract. It is a not fully outsourced model, as Asset Management, along with elements of budget control, remain in house. A smaller client team would be referred to as a Strategic Client and was previously considered during the last procurement.

4. Risk Management

- 4.1 A project risk register (**Appendix A**) has been developed and will be regularly reviewed and updated by the Project Manager. This identifies risks to the project including cost, programme delays and resources etc. It details consequences, mitigation actions, ownership, impact and probability. This will be regularly reviewed by the Project Board.

5. Project Organisation and Responsibilities

- 5.1 The project organisation chart is shown in **Appendix B**
- 5.2 **The Project Board** will be accountable for the successful outcome of the project, i.e. securing the next highways contract model. They will support and assist the Project Sponsor to collectively monitor and control the project's overall progress and act to escalate or resolve any risks or issues which arise in the course of the project. The Project Board will meet as required to review progress and consider issues raised by the Project Manager or Project Sponsor.
- 5.3 **The Project Sponsor** will have overall responsibility for the project and will focus on ensuring that the preferred highways model and associated contract / procurement is deliverable in terms of related processes, budgets and timescales. The Sponsor will monitor development to ensure funding and resources for the project are utilised effectively.

Project Sponsor: Karl Taylor – Assistant Director, Operations

- 5.4 **The Project Manager (PM)** will have day to day responsibility for the project and has the authority to make decisions in line with policies agreed by the Project Board and for spending within approved budgets. The PM will manage the progress against the programme, maintain the risk register and produce regular reports to the Project Board to explain progress. The PM will make interventions where necessary to modify the approach proposed by the Project Team to ensure that the objectives of the project are achieved within the defined programme. The PM will be responsible for the communication plan for the project.

Project Manager: Phil McCorry - Business Improvement Manager. The Project Manager shall report to the Project Board

- 5.5 **The Project Team** will be engaged to deliver particular work streams and will be guided by the Project Manager in consultation and agreement with the Project Sponsor. The Project Team comprises a 'core' team of project-dedicated officers, with support from service leads who will be required to undertake specific work streams as the project develops.

A draft resource plan has been developed as set out in **Appendix C** to determine requirements for the core project team shown in the structure. This is very high level at this early stage and will need to be reviewed regularly as the project progresses. This will be discussed in section 9 in more detail

5.6 Project Support/Service Leads

The project will require the support of other service areas to ensure successful delivery.

These include Human Resources (HR), Finance, Legal, Communications, Pensions, Procurement and Audit.

The Leads for the services need to be identified at the start of the project and approved by the Project Board, although some of these services may not be required until later in the project.

5.6 Other Groups

Other groups will need to be engaged as the project progresses including the respective operational & contract teams, property services and ICT services.

6. Costs and Funding

6.1 A draft budget for ESCC costs is included as **Appendix D**.

6.2 The budget includes estimated costs for the complete project from February 2020 through to contract commencement on 1st May 2023. It assumes that charges for procurement officers and input from other service leads will not be re-charged to the project. The costs for the previous Highways Contract Procurement 2016-2023 exercise have been reviewed in detail; the total cost was approximately £1.4m, which included over £750,000 of consultancy support. With lessons learned from the previous procurement and a larger and experienced client team that can be utilised for the project (subject to capacity and some backfilling), it is forecast that the cost of consultancy support can be reduced as set out in **Appendix D**.

6.3 It should be noted that following the completion of the Detailed Business Case (DBC), should the creation of a Local Authority Trading Company (LATC) be the recommended model, the budget has not made any allowances for stage 3B (shown in section 8.2) onwards. In completing the DBC, the costs of creating a LATC will be included and therefore the budget will need to be reviewed at this time.

6.4 The budget will be regularly reviewed and updated and reported to the Project Board.

7. Project Approach

The project will be managed in accordance with established project management techniques following Prince2 principals. The project will be managed by the Project Manager who is responsible for day to day management and the overall delivery of the project. The Project Manager and procurement team will work closely to determine, agree and manage the detailed activities identified in the Project Plan (section 9).

7.1 Project Administration

All project files will be stored electronically on a shared network, with appropriate access rights for team members. Project administration will be managed by a Project Support Officer.

7.2 Project Office

The Project Manager will be based at Ringmer Depot. As the project develops and the project team grows, a dedicated office/space will need to be set up. A small figure has budgeted for this in **Appendix D**. This will need to be reviewed as the project gets underway.

7.3 Business Case Approach

The project will follow the ESCC Commissioning Framework and the HM Treasury 5 Case Model (illustrated in Figure 1). There are 5 key elements of the Business Case, namely:

- the **Strategic Case** – robust case for change
- the **Economic Case** – optimise Value for Money
- the **Commercial Case** – are the proposals commercially viable
- the **Financial Case** – are the proposals financially affordable
- the **Management Case** – can the proposals be delivered successfully

7.4 The Business Case develops iteratively over time, often in 3 distinct stages (0-2) with more detail provided at each stage:

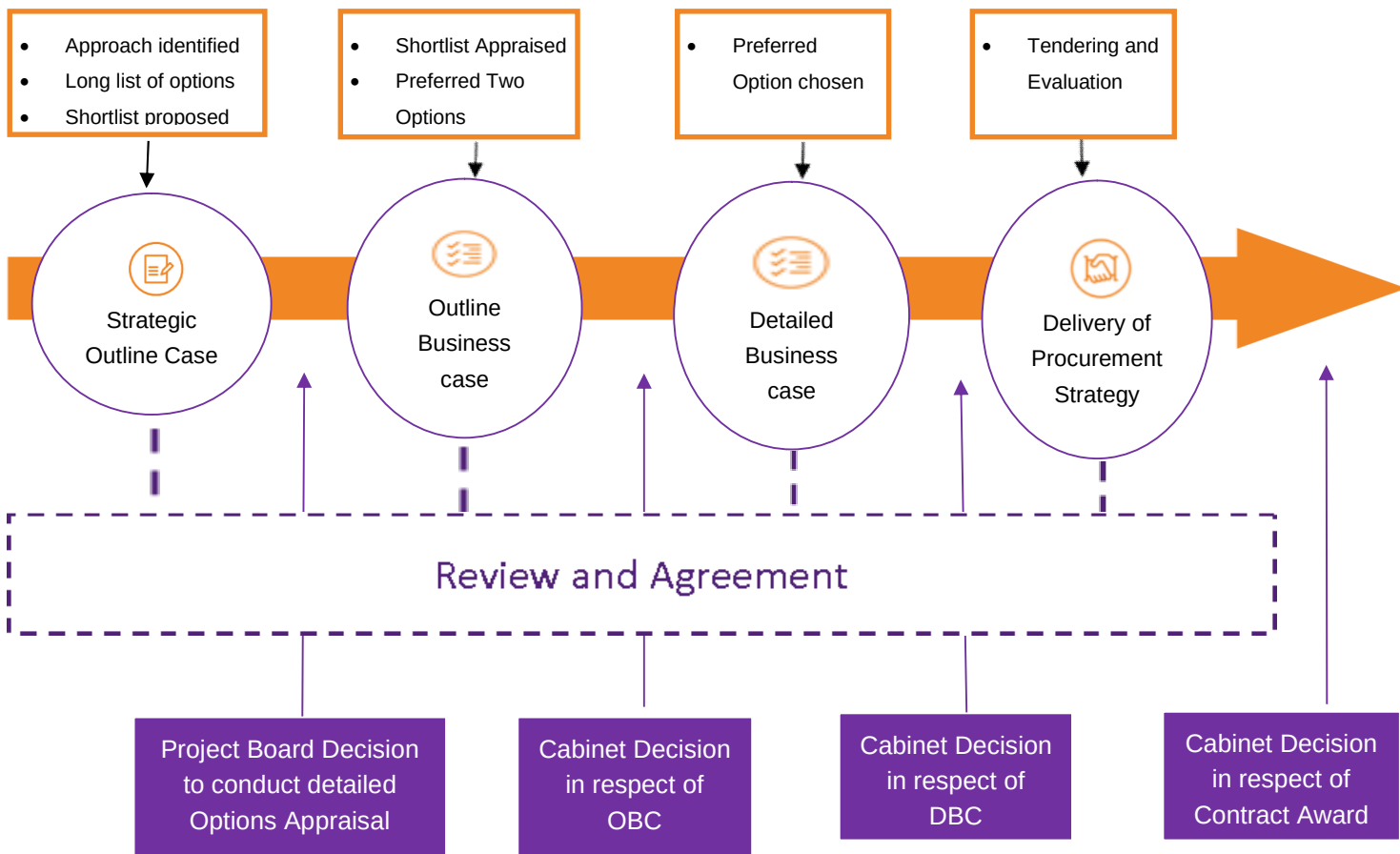
Stage 0: Strategic Outline Case (SOC) – the scoping stage

Stage 1: Outline Business Case (OBC) – the detailed planning stage

Stage 2: Detailed Business Case (DBC) – detailed final phase

Stage 3: Delivery of Procurement Strategy – tendering & evaluation

Stage 4: Prepare and engage - mobilisation and Training



8. Required Timescales

8.1 An outline project timeline is included in **Appendix E**. This outline timeline is very high level, showing the key stages and key decision points. A more detailed breakdown of each activity at each stage will be developed by the Project Manager with input from the project team, this is included within **Appendix C**.

8.2 The key stages and estimated durations are set out below:

Stage	Duration	Key Milestone
Stage 0 – Scoping the proposal and preparing the Strategic Outline Case (SOC)	Feb 2020 – May/June 2020 (4/5 months)	May 2020 Project Board approval
Stage 1 – Planning & preparing the Outline Business Case (OBC)	June 2020 – Oct/Nov 2020 (5/6 months)	Cabinet Approval of OBC Oct 2020
Stage 2 – Planning & preparing of the full Business Case (DBC)	Dec 2020 – May 2021 (5/6months)	Cabinet Approval of DBC June 2021
*Stage 3A – Delivery of Procurement Strategy (traditional) in relation to Service Delivery Models as set out in section 3.2.1; 1- Single Provider, 2 - Frameworks, 3 - Multiple Provider	May 2021 – April 2023 (23 months)	
Issue OJEU Notice		Nov 2021
PQQ Period (issue & evaluate)	Dec 2021- Feb 2021 (3 months)	
Tender Period	Jan 2022 – April 2022 (4 months)	
Tender Evaluation/site visits	April 2022 – June 2022 (3 months)	
Corporate Approvals (Full Business Case, includes tender evaluation)	July 2022 – Sept 2022 (3 months)	Cabinet Approval of Contract Award Oct 2022
Stage 4 – Prepare & Engage		
Mobilisation & Training	November 2022 – April 2022 (6 months)	
Contract Commencement		1 st May 2023
*Stage 3B - Delivery of Procurement Strategy (specialist) in relation to Service Delivery Models as set out in section 3.2.1; 4 – JV, 6 – Inhouse + Top Up, 8-Teckal, 7 – Inhouse	June 2021 – April 2023 (23 months)	Commencement of setting up either a JV, Inhouse or Teckal

*Cabinet approval of DBC would determine which SDM is approved. If any of the options under stage 3B are selected, a detailed project timeline will be developed and included in the DBC which would replace the activities under 3A.

9. Outline Project Plan

9.1 Stage 0 – Strategic Outline Case (SOC)

9.2 The purpose of this stage is to confirm the strategic context of the project proposal and to make a robust case for change, providing stakeholders and Project Board with an early indication of the preferred way forward. The SOC identifies and undertakes a high-level Strengths, Weaknesses, Opportunities, Threats (SWOT) analysis on a wide range of available options (long list). The outcome of the SOC will be to make an early recommendation to the Project Board of a short list to be appraised in more detail at the Outline Business Case (OBC) stage, and for other options to be excluded.

9.3 The SOC is a concise mini options appraisal paper, focusing on the Strategic element of the HM Five Case Model, this reflects the nature of the SOC in determining the direction of the project. Foundations are made against economic, commercial, financial, and management arrangements but it is not possible to provide detailed analysis hence these aspects are relatively under-developed at this stage.

9.4 The SOC stage will take 4/5 months (Feb 2020 – May/June 2020). A paper will be presented to the Project Board in May 2020.

9.5 Stage 1 – Outline Business Case (OBC)

9.6 This is the detailed options appraisal, taking the shortened list of options from the SOC and carrying out further analysis. The purpose of this stage is to revisit the SOC assumptions and to identify a final list of two options to take forward to the Detailed Business Case (DBC) stage. Key activities at this stage are to determine best value, affordability of each option, confirming budgets and refining contract objectives. Site visits to other local authorities may be carried out during this stage.

9.7 The main activities of the OBC stage start in the Analysis segment of the ESCC Commissioning Framework, moving into the Plan segment.

9.8 The OBC stage will take 5-6 months (June 2020 – Oct/Nov 2020). A paper will be presented to Cabinet in Oct/Nov 2020.

9.9 Stage 2 – Detailed Business Case (DBC)

9.10 Under the HM Five Case Model, this stage would normally take the preferred option from the OBC, through the procurement phase to agreeing the commercial deal. This project has, however, separated out the development of the DBC (stage 2) and the delivery of the procurement strategy (stage 3A or 3B). This is due to the required County Council approvals needed throughout the project.

9.11 The purpose of the DBC is to recommend the “most economically advantageous offer” option for Cabinet approval. This is the main stage of the project and represents the Plan segment of the ESCC Commissioning Framework. The DBC will set out a preferred and fully costed Service Delivery Model, future client management arrangements, form of contract, risk analysis and determination of the procurement route.

9.12 The DBC stage will take 5-6 months (Dec 2020 – May 2021), A paper will be presented to Cabinet in June 2021.

9.13 **Stage 3A – Delivery of the Procurement Strategy: Traditional**

9.14 This stage relates to the following three Service Delivery Modes as set out in section 3.2.1:

- 2: Single Provider
- 3: Framework
- 5: Multiple Provider

9.15 This is the procurement stage and includes the issuing of the OJEU notice(s) inviting the market to express interest in tendering for the contract, evaluation of responses and selection of the tender list, the tender stage, clarifications, tender evaluation and selection for award.

9.16 Completion of stage 2 and stage 3A or 3B would represent the completion of the Full Business Case in terms of the HM definition of a Full Business Case, i.e. following the procurement phase, detailed evaluations/clarifications/negotiations (if applicable) have been carried out and the preferred option is concluded and recommended for Cabinet approval as the “most economically advantageous offer” meeting the objectives set out in the SOC.

9.17 The Delivery of the Procurement Strategy could take up to 23 months in total, with a recommendation of contract award(s) going to Cabinet October 2022.

9.18 **Stage 3B – Delivery of the Procurement Strategy: Specialist**

9.19 This stage relates to the following four Service Delivery Modes as set out in section 3.2.1:

- 4: JV
- 6: In house + top up
- 7: In house
- 8: Teckal

9.20 These four SDM are more specialist than the three listed above in 3A, therefore it is not possible at this stage to set out a detailed timeline as set out in **Appendix E**. Should any of these four SDM be approved by Cabinet, a detailed timeline for setting up the SDM will be developed and included within the DBC.

9.21 Through consultation with other local authorities that have set up versions of Teckal companies, or JV's the estimated timeframe is 18 months – 24 months.

9.22 **Stage 4 – Prepare & Engage**

9.23 A detailed project plan for mobilisation and training will be developed when the project has progressed sufficiently to determine the detailed requirements and nature of support required.

9.24 It will be essential that all client management posts are filled, and a fully detailed mobilisation plan is signed off by the Project Board.

10. **Project Communications Plan**

10.1 A communications plan will be prepared and approved by the Project Board. Internally the Project Manager will be responsible for communicating with all internal stakeholders and contributors and with reporting on all aspects of progress to the Project Board and Project Sponsor.

10.2 The Project Board will decide when reports need to be taken to CMT and Cabinet, although as a minimum it is likely that reports will be taken at the stages set out in **Appendix E** – project timeline.

10.3 Member Engagement

- 10.4 Effective member engagement will be crucial to the success of the project. Whilst the Project Board will ultimately determine which engagement mechanism is most appropriate, the need to engage members to help inform the identification of the most appropriate service delivery model is clear. In addition to regular briefing sessions with the lead member, the Place Scrutiny Committee or a specific board will be engaged to help inform the project at key stages.

10.5 Staff Engagement

- 10.6 Effective staff engagement will be an important element of the project. Initially, building on the service assessment of the last procurement the client and Contractors operational staff will be consulted via a series of workshops to capture all risks and opportunities regarding current and future service delivery. The Project Manager will then liaise with relevant ESCC Team Managers outside of East Sussex Highways to keep them updated on progress during the development of the project. More intensive engagement may be required, and this will be dictated by the preferred procurement model.

11. Change Control

- 11.1 Any request to change the scope or definition of the project as set down in this document must be assessed by the Project Manager. They will give their assessment of the impact of the change (for example to the cost or timescale of the project) to the Project Sponsor or Project Board, who will decide whether to accept the change request.

12. Project Closure

- 12.1 When the project has been completed the Project Manager will produce a Project Closure Report which will be formally signed off by the Project Sponsor.

13. PID Authorisation

- 13.1 The PID needs to be formally authorised by the Project Sponsor or the Project Board. This means that the PID includes sufficient information for the Project Sponsor/ Project Board to authorise the actual start of the project.

Authorised by	
Date	
Signature	



Cabinet

26 January 2021

Appendix 002

Highways Services Re-procurement Project

Title of Document:

Legal Framework & Policy Review

Contents:

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1. Introduction

The aim of this report is to provide a high level overview of the legal framework applicable to East Sussex Highways and how this legal framework is applied in context through the development and implementation of Highway Policies. There are currently 32 Highways related policies as set out in table 1 Annex 1 and a further 28 associated policies (table 2) across the Communities Economy Transport (CET) department.

The report draws heavily upon Well-Managed Highway Infrastructure Code of Practice (2016). In summary the Code states that the 'highway network is a high value physical asset, both in financial and community terms, for which public authorities are responsible. Effective stewardship and asset management is crucially important, both to users and the community. Authorities are recommended to adopt the principles of the Code, to adapt them as necessary based on consideration of local circumstances and apply them consistently'.

The final version of the Well-Managed Highway Infrastructure Code of Practice was published on 28 October 2016. Local authorities had until 28 October 2018 to implement it.

The new Code supersedes the Well-Maintained Highways Code of Practice for Highway Maintenance Management dated July 2005. The underpinning principle of the new Code is that highway authorities will adopt a risk-based approach to asset management in accordance with local needs, priorities and affordability.

The new Code, like the old, is guidance only and does not have statutory status but again, non-compliance with it could mean the local authority is unable to successfully mount a section 58 Highways Act 1980 defence.

There is no doubt that the adoption of the risk based approach will lead to some front-loading of resources, with authorities having to review each highway within their jurisdiction. However, provided this is done, it may well make statutory defences to claims more robust which could ultimately lead to significant cost savings.

The suggested recommendations of the Code are explicitly not mandatory on authorities.

The information gathered in this report will influence the development of the authority's final Contract Model. The aim is to ensure the most appropriate Contract Model for all service areas is developed within the context of the relevant legislation applicable to each service area for the next Highways Contract (commencing in 2023).

2. Recommendations of the Code

There are 36 recommendations in the Code and adoption of these by the County Council aligns with the County Council's approved asset management approach to highway maintenance. The Council is compliant with 29 of the recommendations as set out in Annex 3.

Adoption of the Code enables the County Council to demonstrate best practice and continue to provide a robust defence to claims as well as evidence for the DfT's annual Incentive Fund self-assessment submission.

Annex 2 sets out the full list of the 36 recommendations.

3. Duty of Care for Highway Maintenance

It is recognised that much of highway maintenance activity is based upon statutory powers and duties contained in legislation and precedents developed over time, as a result of claims and legal proceedings. The most important aspects of these statutory powers and duties are summarised in section seven of the Code are outlined in this report.

The issue of risk management has grown in importance since the 2005 edition of the Code, both in assessing the implications of investment decisions for asset management purposes and also in determining appropriate responses to highway deficiencies. The principles of risk management are introduced in section four of this report.

It is critically important that all those involved in highway maintenance, including Members of authorities, have a clear understanding of their powers and duties, their implications, and the procedures used to manage and mitigate risk.

Even in the absence of specific duties and powers, authorities have a general duty of care to users and the community to maintain the highway in a condition fit for its purpose. This principle should be applied to all decisions affecting policy, priority, programming and implementation of highway maintenance works.

4. Risk Management

The management of highway maintenance, including the establishment of regimes for inspection, setting standards for condition, determining priorities and programmes for effective asset management, and procuring the service should all be undertaken against a clear understanding and assessment of the risks involved.

The most commonly understood risks affecting the service relate to the safety of the network and accident, injury or health risks to users and employees. Guidance on how to manage these risks is outlined in the Code.

The risk management process should include risk assessment of all key policies, procedures and operations based upon a risk register.

5. Health and Safety

The importance of health and safety has been heightened since the 2005 edition of the Code, increased by the Government indicating its intention to bring forward new legislation to make it easier to prosecute charges of corporate manslaughter. There have been a number of examples of corporate manslaughter charges in cases involving highway maintenance and this is a risk to be considered seriously.

The Health and Safety at Work Act 1974, together with the Construction (Design and Management) Regulations 1994 provide for a requirement for highway, traffic and street authorities to carry out work in a safe manner and establish arrangements for the management of construction works.

All those involved in the planning, management and delivery of highway maintenance services should receive training and regular updating, as necessary, in health and safety requirements of the service, such training is of special importance for those involved in Winter Service.

6. Powers and Duties For Highway Maintenance and Improvement

In addition to a general Duty of Care, there are a number of specific pieces of legislation which provide the basis for powers and duties relating to highway maintenance and highway improvements. The two main pieces that affect Highways are The Highways Act 1980 and the Traffic Management Act 2004. A brief summary of each is set out below:

6.1 Highways Act 1980

- **Section 41** imposes a duty to maintain highways maintainable at public expense, and almost all claims against authorities relating to highway functions arise from the alleged breach of this section.
- **Section 58** provides for a defence against action relating to alleged failure to maintain on grounds that the authority has taken such care as in all the circumstances was reasonably required to secure that the part of the highway in question was not dangerous for traffic.
- **Section 36** states highways are maintainable and public expense.
- The uncertainties about the statutory basis for Winter Service in England and Wales in the 2001 edition of the Code have been addressed through a modification to **Section 41 (1)** of the Highways Act on the 31st October 2003, by Section 111 of the Railways and Transport Act 2003. The first part of Section 41(1) now reads:
 - a) In particular, a highway authority are under a duty to ensure, so far as is reasonably practicable, that safe passage along a highway is not endangered by snow or ice’.
- Although this has clarified the position with respect to the duty for Winter Service, the issues raised by the ‘Goodes’ case concerning the limitation of the maintenance duty to the ‘highway fabric’ and which have potentially wider implications than for Winter Service, still remain and will evolve over time.
- **Section 150** of the Highways Act 1980 also imposes a duty upon authorities to remove any obstruction of the highway resulting from ‘accumulation of snow or from the falling down of banks on the side of the highway, or from any other cause’.
- **Section 62** of the Highways Act 1980 empowers or requires highway authorities and other persons to improve highways. Under this general power of improvement, highway authorities can widen footways and carriageways, provide roundabouts and cycle tracks,

construct and reconstruct bridges and alter the levels of highways, and construct, maintain and remove road humps. Sections 63 – 105 of the Act embellishes the provisions under section 62.

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6.2 Traffic Management Act 2004

Following on from the Highways Act, The **Traffic Management Act 2004** was introduced in 2004 to tackle congestion and disruption on the road network. The Act places a duty on local traffic authorities to ensure the expeditious movement of traffic on their road network and those networks of surrounding authorities. The Act introduces a number of provisions including:

- Highways Agency Traffic Officers
- local authority duty for network management
- permits for work on the highway

The most important feature of the Act is Section 16(1) which establishes a new duty for local traffic authorities 'to manage their road network with a view to achieving, so far as may be reasonably practicable having regard to their other obligations, policies and the following objectives:

- securing the expeditious movement of traffic on the authority's road network;
- facilitating the expeditious movement of traffic on road networks for which another authority is the traffic authority'.

Section 31 of the Act specially states that the term 'traffic' includes pedestrians, so the duty requires the authority to consider all road users. The duty is not limited to the actions of the department responsible for traffic within an authority. Local authorities need to consider the duty when exercising their powers under any legislation where this impacts on the operation of the road network. Authorities should therefore ensure that the whole organisation is aware of the duty and the implications for them. Authorities are required to appoint a Traffic Manager to administer the network management duty.

The Act also strengthens the regulatory regime with regard to the works of utilities and others within the highway including permit schemes, new conditions, and fixed penalty notices.

A most important issue for highway maintenance planning and programming is that authorities are expected to operate the Act even-handedly, leading by example and applying conditions and enforcement activity equally to their own and utilities works. The Traffic Manager may require the programme for authorities' own works to be compromised on occasion to facilitate utilities works, where these are considered to be of greater priority.

6.3 Other Related Powers and Duties

Powers contained in the Highways Act 1980 and Traffic Management Act within the, sit within a much broader legislative framework specifying a wider range of

powers, duties and standards relating to highway management. A brief summary for this is set out below:

- **Road Traffic Regulation Act 1984**, and the Traffic Signs and General Directions 2002;
- **Road Traffic Act 1988** which provides a duty for highway authorities to promote road safety, including a requirement to undertake accident studies and take such measures as appear appropriate to prevent such accidents occurring. It also requires authorities, in constructing new roads, to take such measures as appear appropriate to reduce the possibilities of such accidents when the roads come into use;
- **Road Traffic Reduction Act 1997**;
- The Local Authorities (Transport Charges) Regulations 1998 as applicable to RTRA 1984 and other legislation provide a power for the traffic authority to impose a charge for a number of its functions;
- **Transport Act 2000 and Local Transport Act 2008** - As the local transport authority, East Sussex County Council has a statutory requirement under the Transport Act 2000, as amended by the Local Transport Act 2008 to have an Local Transport Plan which outlines the long-term strategy for transport; this include the maintenance of the public highway.
- **Transport Act 2000**, under which an authority may designate any road as a quiet lane or a home zone. The Act also provides for the Secretary of State to review the operation of rural roads and consider whether (and if so how) the law should be amended to facilitate the introduction of rural road hierarchies.

The functions of the highway, street and traffic authority are required to also comply with an increasing range of legislation regulating the environmental affects of their operations, including:

- **Wildlife and Countryside Act 1981**, which provides a framework of legislation relating to environmental and Countryside issues with which highway maintenance operations must comply;
- The **Environmental Protection Act 1990** provides the statutory basis for other environmental issues, in particular waste management, with which highway maintenance operations must comply. It also deals with the requirement to keep the highway clear of litter and refuse which for local roads is not a duty for the highway authority.
- **The Noxious Weeds Act 1959** places a responsibility on the highway authority to take action to inhibit the growth and spread of injurious weeds growing within the highway. Weed spraying operations are also regulated by the Environment Agency and also by the Health and Safety Commission Code of Practice;

7. Within the Context of ESCC

Following the summary of the legal framework that is applicable to Local Government Highway Authorities, Annex 1 – Table 1 – Index of Highways Policies 2014. This lists the current ESCC Highway related policies and identifies the source of the policy in the context of the legalisation motioned above, other applicable legislation or where best practice standards have been developed over time. The purpose of the table is to provide a high-level understanding linking the origin of the policies through to outcomes of the service areas.

Annex 1

Table 1: The table below is a high-level overview of the East Sussex County Council Highways Policies.

Due to be Rescinded	
Under Review	
Currently up to Date	

Policy Service Areas	Policy Summary	Summary	Source of Policy	Status
Safety & Serviceability Policies	PS3/4 Technical Approval of Highway Structures	To set out the procedure for formally approving highway structures and liability	Approved by LMTE on 16/10/17	Next Review January 2022
	Highway Claims	Policy setting out ESCC approach to highway third party claims	Approved by LMTE on 16/10/17	Under Review
	Safety Certification of Sports Grounds	The purpose of the policy is to set out the Council's approach to discharging its powers and responsibilities, in respect of the issue and review of safety certificates for sports grounds, to	Approved by LMTE on 16/10/17	Under Review

		ensure the reasonable safety of spectators.		
	PS4/37 Passively Safe Sign Posts (Formerly passive safety)	The policy sets out the circumstances in which passively safe sign posts will be used. It is intended to ensure the optimum safety level to road users from highway signage whilst ensuring the best use of the available resources for new, replacement and temporary traffic signage.	Approved by LMTE on 16/10/17	Under Review
	PS3/8 Noise Regulations 1975- Discretionary Aspects	Criteria for implementing discretionary powers to offer insulation work to members of the public who are affected by noise associated with works being carried out on the Highway.	Approved by LMTE on 16/10/17	Under Review
	Highway Asset Inspection Guidance Document	Sets out inspection and repair criteria	Created from sections of TAMP with some amendments to defect categories. Approved by LMTE in April 2016.	TBC - Due to be Rescinded



			Approved by LMTE in November 2019 but due to be implemented in February 2020	
	Appendix 1 (Investigatory levels matrix) to Inspection Guidance document	Sets out impact levels of defects commonly encountered on the network	Approved by LMTE in November 2019 but due to be implemented in February 2020	TBC - Due to be Rescinded
Network Management Policies	PS4/3 Temporary Traffic Regulation Orders for Bodies other than the Highway Authority	This policy explains that the Highway Authority has the right to recover the costs of making orders.	Approved by LMTE on 16/10/17	Next Review January 2022
	PS1/3 The Network Of Roads / Network hierarchy	To guide development planning and the allocation of resources to the maintenance and improvement of the roads in the County.	Stakeholder Consultation due to begin soon.	Under Review
	PS4/5 Control of Heavy Goods Vehicles	The purpose of this policy is to establish a pattern of control in order to reconcile, so far as is possible, the conflicting demands of the	Approved by LMTE on 16/10/17	Next Review January 2022



		transport of goods and the environment. It does this by setting out the circumstances in which a Traffic Regulation Order prohibiting goods vehicles over 7.5 tonnes gross weight, except for loading or unloading, may be made.		
	PS3/6 Provision of Passing Places	This policy sets out the circumstances in which the Council would consider creating a passing place on single track roads	Approved by LMTE on 16/10/17	Under Review
	PS3/7 Provision of Lay-Bys	This policy sets out the circumstances in which the County Council would consider providing lay-bys.	Approved by LMTE on 16/10/17	Next Review June 2022
	Drainage Policy	Regarding approach to maintenance of highway drainage	LMTE 18/04/2016 LMTE 19/11/18	Next Review November 2022

Highway Maintenance Policies	PS7/1 Transport Asset Management Plan Maintenance Manual Policy	This policy summarises the relevant legislation, best practice and Council policies regarding the management of highway assets. NB there is the policy itself and then the plan that sits beneath it which includes all the detail.	LMTE 19/11/2018	TBC – Due to be Rescinded
	PS7/2 Highway Verges and Vegetation (formerly Grass Cutting)	The purpose of this policy is to set out the standards for the maintenance of highway verges and vegetation to achieve a balance between statutory obligations, safety, serviceability and sustainability.	LMTE 21/5/2018	Under Review
	PS7/3 Maintenance of Footways - materials		15/10/2007	TBC - Due to be Rescinded
	PS10/1 Street Lighting	The purpose of the policy is to set out how we will design, maintain and	Approved by LMTE on 16/10/17	Under Review

		improve street lighting across the County		
	Highway Skid Resistance Policy	The purpose of this policy is to set out how the County Council will monitor the skid resistance of the road and the approach it will take to ensure that skid resistance across the network is maintained to an agreed standard.	New policy first approved by LMTE on 19/11/18	Under Review
	Highway Asset Management Policy	Outlining the Council's commitment to following an asset management approach	Approved by LMTE on 15/10/2015 and 19/11/18	Under Review
	PS4/16 Responsibility for off street parking	The policy determines the responsibility for off street parking and when the County Council will contribute to costs.	Approved by LMTE on 16/10/17	Next Review January 2022

	PS4/19 Resident Parking Scheme - Charges	This policy was designed to establish the principles governing the financing of Residents Parking Schemes	Approved by LMTE on 16/10/17	Next Review January 2022
	Highways Conservation Policy		TBC	TBC
	Highway Asset Inspection Manual		TBC	TBC
Licencing and Enforcement Policies	PS8/2 Banners Across the Highway	The purpose of this policy is to allow the suspension of banners across the highway under controlled conditions.	Approved by LMTE on 16/10/17	Next Review January 2022
	PS8/3 Obstruction on the Highway	The purpose of this policy is to control the obstruction of the highway so as to minimise the inconvenience and danger to the user.	Approved by LMTE on 16/10/17	Next Review January 2022
	PS4/27 Temporary Event Signing (Formerly Event Signing on Lamp Posts in Urban Areas)	Circumstances and conditions for authorising temporary signing not including AA/RAC type signs	Approved by LMTE on 16/10/17	Under Review

	PS8/5 Post on Highway Verges	The purpose of the policy is to set out how we will regulate and permit posts on verges in order to ensure the safety of highway users and usability of verges e.g. for maintenance works.	Approved by LMTE on 16/10/17	Under Review
	PS8/4 Permission to trade on the Highway	The purpose of the policy is to set out how we will permit and control the obstruction of purpose made footways and pedestrian areas by trading and similar activities in order to ensure their continued safety and serviceability.	Approved by LMTE on 16/10/17	Under Review
	PS8/6 Roadside Sponsorship	This policy sets out how the Council will permit planting, landscaping and sponsorship of highway assets with appropriate recognition of sponsors.		Under Review

	PS8/7 Roadside Memorials and tributes	Policy on memorials and tributes at scene of death	Approved by LMTE on 05.09.2006	Under Review
	East Sussex Permit Scheme	Details of charging non-Highway organisations for carrying out works on the highway	Approved by LMTE on 18/7/17 Reviewed May 2019	Next Review May 2021

Table 2 Other CET Policies

Policy Number	Policy
No number	Drainage at new developments
PS2/1	Public Transport Policies
PS3/1	Development and delivery of the capital programme of local transport improvements (Formerly: Procedure for the Preparation of Road Schemes)
PS3/5	Private Street Works
PS05/02	Local Speed Limits
PS05/05	Limitations on the Introduction of No Cycling Order
PS4/7	Provision of Pedestrian Facilities
PS05/06	Provision of Traffic Signs - General
PS4/8	Road markings including cats eyes
PS05/07	Traffic Mirrors
PS05/08	Tourist and Amenity Signs
PS4/10	Provision of Traffic Signs - Place name signs
PS4/17	Provision of Doctors' Parking Spaces
PS4/18	Provision of Special On-Street Parking Spaces for Orange Badge Holders
PS4/20	Distribution of surplus revenue from on-street parking schemes
PS4/23	Siting of bus shelters

PS05/09	Provision of access markings
PS4/25	Traffic Calming
PS05/10	Speed Reactive Signs
PS5/1	Provision of school crossing patrols
PS5/3	Road Safety Audit Procedures
PS5/4	Investigation of Road Traffic Fatalities and Potential Fatalities
PS6/1	Reservations of Land for Highway Schemes
PS6/2	Estate Roads Specification
PS6/3	Development Agreements
PS9/1	Waste Disposal
PS11/1	Provision on information to the public and outside bodies
PS4/20	Distribution of surplus revenue from on-street parking schemes

Annex 2

The 36 recommendations of the Code

RECOMMENDATION 1 - USE OF THE CODE This Code, in conjunction with the UKRLG Highway Infrastructure Asset Management Guidance, should be used as the starting point against which to develop, review and formally approve highway infrastructure maintenance policy and to identify and formally approve the nature and extent of any variations.

RECOMMENDATION 2 – ASSET MANAGEMENT FRAMEWORK An Asset Management Framework should be developed and endorsed by senior decision makers. All activities outlined in the Framework should be documented. (HIAMG Recommendation 1)

RECOMMENDATION 3 – ASSET MANAGEMENT POLICY AND STRATEGY An asset management policy and a strategy should be developed and published. These should align with the corporate vision and demonstrate the contribution asset management makes towards achieving this vision. (HIAMG Recommendation 3)

RECOMMENDATION 4 – ENGAGING AND COMMUNICATING WITH STAKEHOLDERS Relevant information should be actively communicated through engagement with relevant stakeholders in setting requirements, making decisions and reporting performance. (Taken from HIAMG Recommendation 2)

RECOMMENDATION 5 – CONSISTENCY WITH OTHER AUTHORITIES To ensure that users' reasonable expectations for consistency are taken into account, the approach of other local and strategic highway and transport authorities, especially those with integrated or adjoining networks, should be considered when developing highway infrastructure maintenance policies.

RECOMMENDATION 6 – AN INTEGRATED NETWORK The highway network should be considered as an integrated set of assets when developing highway infrastructure maintenance policies.

RECOMMENDATION 7 – RISK BASED APPROACH A risk based approach should be adopted for all aspects of highway infrastructure maintenance, including setting levels of service, inspections, responses, resilience, priorities and programmes.

RECOMMENDATION 8 – INFORMATION MANAGEMENT Information to support a risk based approach to highway maintenance should be collected, managed and made available in ways that are sustainable, secure, meet any statutory obligations, and, where appropriate, facilitate transparency for network users. Well-managed Highway Infrastructure A Code of Practice

RECOMMENDATION 9 – NETWORK INVENTORY A detailed inventory or register of highway assets, together with information on their scale, nature and use, should be maintained. The nature and extent of inventory collected should be fit for purpose and meet business needs. Where data or information held is considered sensitive, this should be managed in a security minded way.

RECOMMENDATION 10 – ASSET DATA MANAGEMENT The quality, currency, appropriateness and completeness of all data supporting asset management should be regularly reviewed. An asset register should be maintained that stores, manages and reports all relevant asset data. (HIAMG Recommendation 5)

RECOMMENDATION 11 – ASSET MANAGEMENT SYSTEMS Asset management systems should be sustainable and able to support the information required to enable asset management. Systems should be accessible to relevant staff and, where appropriate, support the provision of information for stakeholders. (HIAMG Recommendation 12)

RECOMMENDATION 12 – NETWORK HIERARCHY A network hierarchy, or a series of related hierarchies, should be defined which include all elements of the highway network, including carriageways, footways, cycle routes, structures, lighting and rights of way. The hierarchy should take into account current and expected use, resilience, and local economic and social factors such as industry, schools, hospitals and similar, as well as the desirability of continuity and of a consistent approach for walking and cycling.

RECOMMENDATION 13 – WHOLE LIFE / DESIGNING FOR MAINTENANCE Authorities should take whole life costs into consideration when assessing options for maintenance, new and improved highway schemes. The future maintenance costs of such new infrastructure are therefore a prime consideration.

RECOMMENDATION 14 – RISK MANAGEMENT The management of current and future risks associated with assets should be embedded within the approach to asset management. Strategic, tactical and operational risks should be included as should appropriate mitigation measures. (HIAMG Recommendation 11)

RECOMMENDATION 15 – COMPETENCIES AND TRAINING The appropriate competencies for all staff should be identified. Training should be provided where necessary for directly employed staff, and contractors should be required to provide evidence of the appropriate competencies of their staff. Well-managed Highway Infrastructure A Code of Practice

RECOMMENDATION 16 – INSPECTIONS A risk-based inspection regime, including regular safety inspections, should be developed and implemented for all highway assets. **RECOMMENDATION 17 – CONDITION SURVEYS** An asset condition survey regime, based on asset management needs and any statutory reporting requirements, should be developed and implemented. **RECOMMENDATION 18 – MANAGEMENT SYSTEMS AND CLAIMS** Records should be kept of all activities, particularly safety and other inspections, including the time and nature of any response, and procedures established to ensure efficient management of claims whilst protecting the authority from unjustified or fraudulent claims.

RECOMMENDATION 19 – DEFECT REPAIR A risk-based defect repair regime should be developed and implemented for all highway assets. **RECOMMENDATION 20 – RESILIENT NETWORK** Within the highway network hierarchy a 'Resilient Network' should be identified to which priority is given through maintenance and other measures to maintain economic activity and access to key services during extreme weather.

RECOMMENDATION 21 – CLIMATE CHANGE ADAPTATION The effects of extreme weather events on highway infrastructure assets should be risk assessed and ways to mitigate the impacts of the highest risks identified.

RECOMMENDATION 22 – DRAINAGE MAINTENANCE Drainage assets should be maintained in good working order to reduce the threat and scale of flooding. Particular attention should be paid to locations known to be prone to problems, so that drainage systems operate close to their designed efficiency.

RECOMMENDATION 23 – CIVIL EMERGENCIES AND SEVERE WEATHER EMERGENCIES PLANS The role and responsibilities of the Highway Authority in responding to civil emergencies should be defined in the authority's Civil Emergency Plan. A Severe Weather Emergencies Plan should also be established in consultation with others, including emergency services, relevant authorities and agencies. It should include operational, resource and contingency plans and procedures to enable timely and effective action by the Highway Authority to mitigate the effects of severe weather on the network and provide the best practicable service in the circumstances. Well-managed Highway Infrastructure A Code of Practice

RECOMMENDATION 24 – COMMUNICATIONS Severe Weather and Civil Emergencies Plans should incorporate a communications plan to ensure that information including weather and flood forecasts are received through agreed channels and that information is disseminated to highway users through a range of media.

RECOMMENDATION 25 – LEARNING FROM EVENTS Severe Weather and Civil Emergencies Plans should be regularly rehearsed and refined as necessary. The effectiveness of the Plans should be reviewed after actual events and the learning used to develop them as necessary.

RECOMMENDATION 26 – PERFORMANCE MANAGEMENT FRAMEWORK A performance management framework should be developed that is clear and accessible to stakeholders as appropriate and supports the asset management strategy. (HIAMG Recommendation 4)

RECOMMENDATION 27 – PERFORMANCE MONITORING The performance of the Asset Management Framework should be monitored and reported. It should be reviewed regularly by senior decision makers and when appropriate, improvement actions should be taken. (HIAMG Recommendation 13)

RECOMMENDATION 28 – FINANCIAL PLANS Financial plans should be prepared for all highway maintenance activities covering short, medium and long term time horizons.

RECOMMENDATION 29 – LIFECYCLE PLANS Lifecycle planning principles should be used to review the level of funding, support investment decisions and substantiate the need for appropriate and sustainable long term investment. (HIAMG Recommendation 6)

RECOMMENDATION 30 – CROSS ASSET PRIORITIES In developing priorities and programmes, consideration should be given to prioritising across asset groups as well as within them.

RECOMMENDATION 31 – WORKS PROGRAMMING A prioritised forward works programme for a rolling period of three to five years should be developed and updated regularly. (HIAMG Recommendation 7)

RECOMMENDATION 32 – CARBON The impact of highway infrastructure maintenance activities in terms of whole life carbon costs should be taken into account when determining appropriate interventions, materials and treatments.

RECOMMENDATION 33 – CONSISTENCY WITH CHARACTER Determination of materials, products and treatments for the highway network should take into account the character of the area as well as factoring in whole life costing and sustainability. The materials, products and treatments used for highway maintenance should meet requirements for effectiveness and durability.

RECOMMENDATION 34 – HERITAGE ASSETS Authorities should identify a schedule of listed structures, ancient monuments and other relevant assets and work with relevant organisations to ensure that maintenance reflects planning requirements.

RECOMMENDATION 35 – ENVIRONMENTAL IMPACT, NATURE CONSERVATION AND BIODIVERSITY Materials, products and treatments for highway infrastructure maintenance should be appraised for environmental impact and for wider issues of sustainability. Highway verges, trees and landscaped areas should be managed with regard to their nature conservation value and biodiversity principles as well as whole-life costing, highway safety and serviceability.

RECOMMENDATION 36 – MINIMISING CLUTTER Opportunities to simplify signs and other street furniture and to remove redundant items should be taken into account when planning highway infrastructure maintenance activities.

Annex 3

Gap analysis and actions of the 36 recommendations

	Recommendation	Compliant/Partially Compliant/Not Compliant	Actions to bring up to/remains compliant
1.	Use of Code	Compliant	
2.	Asset Management Framework	Compliant	
3.	Asset Management Policy & Strategy	Compliant	
4.	Engaging & Communication with Stakeholders	Compliant	
5.	Consistency with Other Authorities	Compliant	Additionally, our updated Network Hierarchy Review (NHR) will be shared with other South East 7 Local Authorities once complete
6.	An Integrated Network	Partially Compliant	NHR is still underway with majority of assets being complete by October and then consultation will take place to make us fully compliant with this recommendation
7.	Risk Based Approach	Partially Compliant	Updated inspection manual and intervention level appendix mean this recommendation is mostly compliant, however the NHR Project outcome will make us fully compliant
8.	Information Management	Compliant	
9.	Network Inventory	Compliant	
10.	Asset Data Management	Compliant	
11.	Asset Management Systems	Compliant	

12.	Network Hierarchy	Partially Compliant	NHR Project outcome
13.	Whole Life/Designing for Maintenance	Partially Compliant	Jacobs review of whole life costs design
14.	Risk Management	Compliant	
15.	Competencies and Training	Compliant	
16.	Inspections	Compliant	If updated inspection manual and intervention level appendix approved at Lead Member meeting in November 2019
17.	Condition Surveys	Compliant	
18.	Management Systems and Claims	Compliant	
19.	Defect Repair	Compliant	If updated inspection manual and intervention level appendix approved at Lead Member meeting in November 2019
20.	Resilient Network	Partially compliant	NHR project outcome will update this
21.	Climate Change Adaption	Partially Compliant	Locations for potential adverse events on the resilient network to be identified and updated with NHR outcome
22.	Drainage Maintenance	Compliant	
23.	Civil Emergencies and Severe Weather Emergencies Plans	Compliant	
24.	Communications	Compliant	
25.	Learning from Events	Compliant	
26.	Performance Management Framework	Compliant	
27.	Performance Monitoring	Compliant	
28.	Financial Plans	Compliant	

29.	Lifecycle Plans	Partially Compliant	Compliant for a number of assets and ongoing work to complete for other assets
30.	Cross Asset Priorities	Compliant	
31.	Works Programming	Compliant	
32.	Carbon	Compliant	Sustainability action plan/ SPIs
33.	Consistency with Character	Compliant	If new Highway Maintenance in Conservation Areas approved at Lead Member in November 2019
34	Heritage Assets	Compliant	Links to 33
35.	Environmental Impact, Nature Conservation and Biodiversity	Compliant	
36.	Minimising Clutter	Compliant	



Cabinet

26 January 2021

Appendix 003

Highways Services Re-procurement Project

Service Delivery Model Options Appraisal

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1. Purpose of Service Delivery Model Options Appraisal (Appendix 003)

- 1.1 The purpose of Appendix 003 is to identify possible options (known as Service Delivery Models) in which East Sussex County Council (ESCC) can deliver its future highways maintenance service beyond April 2023. It assesses the relative advantages, disadvantages and risks of different service delivery models. This Appendix 003 presents the methodology and findings of the Service Delivery Model Options Appraisal.
- 1.2 It details the work that was undertaken by an independent consultant, Proving Services Ltd, as well as additional considerations based on our discussions with other Local Authorities that have adopted the types of service delivery models we have considered. In addition to our assessment of the local context in ESCC.
- 1.3 The Service Delivery Model Options Appraisal did not identify a single preferred option, but was used to assess the sustainability of several potential delivery models and identify their relative strengths and weaknesses from a variety of perspectives.

2. Background

- 2.1 In response to unprecedented market announcements and provider-side changes, a comprehensive **Provider Market Review** was proposed as a research theme by the Future Highways Research Group (FHRG). This was administered by Proving Services Ltd. and is a form of Soft Market Testing. The results of which are set out in Appendix 007.
- 2.2 Following on from **Provider Market Review** activity, a separate **Strategic Options Study (service delivery model options appraisal)** was proposed using the FHRG using their market leading support tools.
- 2.3 Originally five authorities were invited to take part; East Sussex County Council, Hertfordshire, Suffolk, Surrey and Buckinghamshire. This was then expanded to seven with the additions of Oxfordshire and Somerset.
- 2.4 These authorities are procuring their future highways maintenance contracts over the next 1-3 years and therefore being part of The Strategic Options Study, enables ESCC to identify best practice and develop a detailed understanding of risks and drivers to develop business cases for selecting the next Service Delivery Model.
- 2.5 The study commenced in April 2020 and finished November 2020.

3. Scope and Context

- 3.1 The Service Delivery Model Options Appraisal, reviews the most common types of service delivery model options that are in use across the Local Government highways maintenance sector. Fifteen options have been identified; these are defined in table one.
- 3.2 Detailed financial appraisal of the complete list of options is excluded at this stage. This activity will be completed as part of analysing the shortlist of options within the next stage, which will be the development of the Detailed Business Case (DBC).
- 3.3 The options appraisal is focusing on the provision of highways service; the options appraisal does not include a review of potential client structures. It is acknowledged that the client 'packaging' of functions such as Network Management, Inspections, Asset

Management will influence the service delivery model selection and its degree of future success.

- 3.4 When analysing the shortlist of options in more detail at the DBC stage the Project Team will also set out the type and nature of services (contract packaging) to be included in the new service delivery model, an outline client structure and governance arrangements, indicative costs and savings, contract duration, key performance indicators, opportunities for commissioning and an outline of the quality objectives and incentives and penalties.

4.0 How the options were identified

- 4.1 A service delivery model is an overarching name given to the main type of arrangements an authority has in place to provide the various aspects of a service, in this case Highways Maintenance.
- 4.2 The range of service delivery models available to authorities to deliver highways maintenance services has been well tried and tested over the years, the options available are limited and were recently well defined through the Highways Maintenance Efficiency programme (HMEP). These different models were then further expanded as variations through development of the Proving Services Options appraisal toolkit.
- 4.3 For the purposes of this Options Appraisal fifteen variations of these models have been reviewed, these are defined in table 1 below.
- 4.4 These fifteen options represent the various configurations across many authorities and therefore have been considered on their merits, alongside the current ESCC model.
- 4.5 ESCC currently operate Option 2 – A Single Provider Integrated Model. To manage this service delivery model, ESCC established an Executive Client consisting of 35 members of staff. The Executive Client structure and service delivery models are two different things. There are different Client Team structures across Local Authorities and no two are the same.
- 4.6 Previously ESCC operated a 'Mixed Economy' arrangement, most closely aligned with Option 12. This is where a number of contracts were awarded to specialist contractors with majority of design (professional services) carried out by the authority.

Table 1: Highway Service Delivery Models and Definitions

Service Delivery Model Type	Option	Service Delivery Model Variation	Definition
Single Provider	1	Contractor + Designer (Separate)	- Single external contractor providing all blue-collar services (either directly or managing a supply chain) with separate single external consultant providing all design services. - No legal contractual relationship between the two.
	2	Integrated (Contractor + Designer)	- Single external contractor providing all blue collar and design services (either directly or managing a supply chain). - Single contract with authority.
Multiple Providers	3	Multiple Providers per Service Area	- All services outsourced to multiple contractors - E.g. Winter Service, Street Lighting, Design and Drainage each contract with multiple external contractors. - ESCC would be responsible for managing all the separate arrangements
	4	Function Orientated Service Providers	- All services outsourced to multiple contractors - E.g. Winter Service, Street Lighting, Design and Drainage each contract with a single external contract, which may or may not be a different provider for each function. - ESCC would be responsible for managing all the separate arrangements
	5	Primary + Secondary (Risk sharing)	The Client contracts with two different contractors to share risk, one of which is the primary option. (primarily scheme delivery)
Framework	6	4 Year Framework	4 years as this is the term defined by OJEU. Contract can operate through joint working with other regional authorities. There can also be local frameworks. - For the purpose of this exercise we mean a framework arrangement for the bulk of services not just capital schemes
JV	7	JV	Two or more organisations coming together to form a separate legal entity for commercial purposes. For the purposes of this exercise it assumes a public to private JV, with a least one entity being the local authority.
	8	Pseudo JV (Profit Sharing)	As above but without the formation of a separate legal entity.
Teckal	9	Arms-Length Company	Wholly owned local authority company limited by shares or guarantee.
Private Finance	10	PF2	Private Finance Initiative.
	11	Reactive and Cyclical only in-house	Reactive and cyclical services provided in-house, all other services contracted out.
	12	Best Option by Function/Service	Each function contracts separately with the best provider; this may be internal or external. For the purposes of this exercise at least one function must be contracted out and at least one function provided in-house. (the contracted in function is traditionally the design function)

Mixed Economy	13	Highways Alliance	• 'Intelligent client' retains all policy and strategy functions, e.g. asset management and network management. Separate providers are appointed for term maintenance and design services and further providers may be appointed for specialist services, e.g. traffic signals. NEC contract clause X12, Partnering Agreement, is utilised to ensure a contractual commitment to collaboration between the partners. The Alliance framework encompasses all providers and is created and sustained through: • pre-contract engagement to ensure the objectives of all partners align; • a governance framework that places joint decision-making forums above individual contract discussions; and • regular professional and social events to nurture relationships and ensure cultural and behavioural alignment.
	14	All In-House	• Majority of services are provided internally, with large client team managing some outsourced specialist functions / top up services.
	15	Primary Design + Add On	• Primary design services are delivered in-house. All blue-collar services are outsourced. • Specialist design top up consultancy services are outsourced if needed.

5.0. How the options were accessed.

5.1 The Options Appraisal was delivered through two key stages as set out below.

5.2 Stage 1

5.3 **Objective** – the objective of stage 1 was to reduce the long list of 15 options down to a shorter list of more feasible options to be appraised in further detail at stage 2.

5.4 Methodology:

- A workshop was held that Identified the potential future strategic outcomes for the next contract which formed part of the options appraisal assessment criteria.
- Once the strategic outcomes were identified, each of the fifteen options were scored against the evaluation criteria in table 6.
- Two further workshops were carried out to appraise the fifteen options against the thirteen Critical Success Factors (CSF's) as set out in table 4 and these were scored against the evaluation criteria in table 5.

5.5 Outcome:

- Following the three workshops a ranked list 1 to 15 was produced.
- A recommendation was made to the Highway Services Procurement Project Board and the Scrutiny Member Reference Group to reduce the long list to a smaller list of feasible options for further analysis at stage 2.
- A recommendation was accepted by both and the long list was reduced to 5 options.
- The 10 options not taken forward to stage 2 were discounted from the project.

5.6 Stage 2

5.7 **Objective** – reduce the list of 5 to a short list of 2-3 options to be taken through to the detailed business case stage to then be further developed and appraised in more detail.

5.8 Methodology:

- The remaining five options were validated by the Project Team with support from Proving Services Ltd. This included extra evidence gathering and amendments to some scores from the stage 1 workshops.
- The additional evidence gathered included data and information from other Local Authorities who use the respective service delivery models as well as senior ESCC stakeholders who were not part of the initial stage 1 workshops.

5.9 Outcome:

- Following the validation and moderation of the scores, plus taking into account the limitations of the options appraisal process and other factors relevant to the context in which the Highways Maintenance service operations, the final five options were ranked.
- Three of the 5 options had potential critical barriers to implementation identified against them, as set out in annex 001
- A recommendation was made to the Highway Services Procurement Project Board and the Scrutiny Member Reference Group discount the 3 options with critical barriers to implementation identified against them, leaving a short list of two options
- This recommendation was accepted by both and the final two options referred to as the “shortlist” was approved to be appraised in full within the DBC.

5.10 The full evidence files for scoring of the final five options is included in annex 001

5.11 Details of the three workshops facilitated by Proving Services Ltd, are set out below.

Table 2: Summary of participants in Strategic Options Review workshops

Workshop	Description	Participants	Dates
1	Identifying potential future Strategic Drivers/Outcomes and scoring these against the fifteen service delivery model options	Simon Wilson, Andy Perrin, Karen Farquharson (Proving) Dale Poore, Robin Hayler, Mat Jasper, Phil McCorry, Pippa Mabey, Nathaniel Burrows, Jon Wheeler	16 April 2020
2	Attractiveness and Achievability Scoring of the fifteen Service delivery models	Simon Wilson, Andy Perrin, Karen Farquharson (Proving) Dale Poore, Robin Hayler, Mat Jasper, Phil McCorry, Pippa Mabey (part of), Nathaniel Burrows (part of), Jon Wheeler	23 April 2020
3	Continued attractiveness and achievability Scoring of the fifteen Service delivery models	Simon Wilson, Andy Perrin, Karen Farquharson (Proving) Dale Poore, Robin Hayler, Mat Jasper, Phil McCorry, Jon Wheeler	27 April 2020

6.0 Methodology

6.1 Proving Services Ltd have developed an Options Analysis Toolkit which enables highways authorities considering future service delivery options to assess the relative:

- **Attractiveness** and **achievability (CSF's)** of each option; and
- Contribution each option will make to the delivery of the **service's strategic objectives**.

6.2 The toolkit also enables authorities to undertake a broad consideration of a long list of potential options, to then inform the determination of a short list of options for consideration, selection, and full business case development.

6.3 Each participating authority used the same baseline Critical Success Factors set out in table 4. Table 1 provided each authority with a broad definition of the 15 most recognisable Service Delivery Models that are being applied across the sector. Definitions were reviewed to ensure that they applied to the ESCC context.

6.4 In addition to scoring the critical success factors, once the strategic drivers/outcomes had been determined following the first workshop, these were included as part of the options appraisal assessment criteria.

6.5 Scoring of the different Service Delivery Models (options) was undertaken through a Stakeholder Scoring Workshop. The attendees of this collectively possessed a thorough knowledge of the current service delivery model across and had a good appreciation of the other options being considered.

Table 4: Assessment Criteria – Critical Success Factor Definitions

Attractiveness		
Factor	Weighting	Definition
Economy	100	How much would this option cost to run compared to the current service delivery model. Are there any additional opportunities to reduce costs or increase revenues?
Efficiency	100	How productive and flexible would this option be once in operation, relative to the current delivery model?
Effectiveness	100	How would the outcomes and quality of service delivered under this option compare to the current delivery model?
Stakeholder Value	100	How would stakeholders (primarily service users, members and the client team) view this option relative to the current delivery model?
Achievability		
Factor	Weighting	Definition
Complexity	100	How complex (scale, diversity interdependencies, novelty and volatility) would the transition to this option be, relative to continuing with the current delivery model?
Capacity & Capability	50	How does our capacity and capability (including infrastructure and supporting services e.g. legal, HR and procurement), to transition to and maintain this option compare to our ability to continue with the current service delivery model?
Affordability	100	How affordable is it to transition to this option, relative to continuing with the current service delivery model?
Authority Readiness	75	How prepared is the authority to embrace this option, in terms of political preference, relative to continuing with the current service delivery model?
Provider Readiness	100	How willing is the provider market to embrace this option relative to the current service delivery model?
Sector Success Stories	75	Are there any relevant and proven success stories of similar service delivery models?
Governance and Reporting	25	How complex would the governance and reporting processes be for this option relative to those required for the current service delivery model?
Partner Management	50	How easy would it be to management partner relationships and performance under this option, relative to the current service delivery model?
Cultural Alignment	75	How well does this option align to the operational culture of the organisation and service, relative to the current service delivery model?

6.6 Scoring Methodology

The scoring methodology for *Attractiveness* and *Achievability* is set out in Table 5, and for Strategic Contribution in Table 5.

Table 5: Scoring Methodology: Attractiveness and Achievability (Critical Success Factors)

Attractiveness – Critical Success Factors	
100	This option would be more attractive than the current service delivery model for this factor.
66	This option would be equally as attractive as the current service delivery model for this factor. NOTE: Default assumption is current model scores 66 .
33	This option would be less attractive than the current service delivery model for this factor.
0	This option is not scored, or this option would be so unattractive for this factor, relative to the current service delivery model, that it would be a critical inhibitor to selection.
Achievability – Critical Success Factors	
100	This option would be equally as achievable as continuance with the current service delivery model for this factor. NOTE: Default assumption is current model scores 100 for Complexity, Capacity and Affordability.
66	This option is less achievable than continuance with the current service delivery model for this factor.
33	This option is significantly less achievable than continuance with the current service delivery model for this factor.
0	This option is not scored, or for this option, this factor would be a critical barrier to selection.

Table 6: Scoring Methodology: Strategic Contribution

Strategic Contribution	
100	This option would offer a greater contribution to delivery of this strategic objective than the current delivery model.
66	This option would be offering an equal contribution to delivery of this strategic objective than the current delivery model.
33	This option would be offering a lesser contribution to delivery of this strategic objective than the current delivery model.
0	This option is not scored, or for this option, this factor is a critical barrier to success.

7.0 Options Appraisal Results

7.1 Figure 1 below, sets out the 15 scored service delivery model options for ESCC.

Figure 1: Stage 1 ESCC Scored Strategic Options Appraisal

8.0 Options Appraisal Recommendations

8.1 Figure 2 below provides a comparison of how the scoring of each options has contributed to the development of the shortlist of Service Delivery Options. It notes which options are also not viable to take forward. Further detail of the top five options are set out in section 9.0.

Figure 2: Stage 2: validated & ranked table of scored options

Option	Category	Description	Assessment Criteria			Final Score	Recommendations
			Strategic Performance	Attractiveness	Achievability		
2	Single Provider	Integrated (Contractor + Designer)	78.8	83.0	100.0	87.3	Shortlist - Recommend to develop further within the DBC
1	Single Provider	Contractor & Designer (Separate)	66.1	58.0	84.9	69.7	
9	Teckal	Arms-Length Company	91.5	83.3	29.3	68.0	Validated at stage 2 - discounted due to potential critical barriers to implementation. Agreed by HSRP Board and SMRG
12	Mixed Economy	Best Option By Function / Service	66.1	83.0	44.0	64.4	
7	Joint Venture	JV	87.3	74.8	22.0	61.3	
15	Mixed Economy	Primary Design + Add On	75.7	57.8	66.0	66.5	Discounted at stage 1 validation as agreed by HSRP Board and SMRG
4	Multiple Provider	Function-Orientated Service Providers	80.6	66.5	44.8	64.0	
11	Mixed Economy	Cyclical & Reactive In-House	75.7	66.5	44.8	62.3	
14	Mixed Economy	All In-House	75.7	66.5	44.8	62.3	
13	Mixed Economy	Highways Alliance	61.3	58.0	61.4	60.2	
3	Multiple Provider	Multiple Providers Per Service Area	71.1	58.0	34.2	54.4	
6	Framework	4-Year Framework Agreement	47.1	41.3	54.3	47.5	
8	Framework	Pseudo JV (Partner + Profits Sharing)	0.0	0.0	0.0	0.0	
5	Multiple Provider	Primary + Secondary (Risk Sharing)	0.0	0.0	0.0	0.0	
15	Private Finance	PF2	0.0	0.0	0.0	0.0	

8.2 The evidence files for detailing scoring of top 5 ranked options is included in Annex 00

9.0 Stage 2 - Options Summary

9.1 A detailed breakdown of the key benefits and weaknesses of the six shortlisted options is set out below.

Option 2	Single Provider Integrated Contract (Design & Works)	SCORE 87.3%

Model Description	
- This is the current model being used by ESCC - This is an outsourced model that will require the Council to run a procurement process to select the single provider. - The Council enters into a contract with a defined specification with a single service provider to deliver all of its highways related services for a specified time period. - The Council will retain a team to manage the contract with the procured service provider. This offers the potential to enter into a long-term contract between the public and private sectors.	
Key Benefits	Key Weaknesses
<u>Risk</u> - The risk associated with the delivery of the services is transferred from the Council to the private sector provider. <u>Financial</u> - A single provider avoids ongoing tendering costs for the Council, whilst also being attractive to the private sector partner with a long contractual term and extent of workload to be provided. - The cost of the provision of the services by the single service provider will be as set out in the contract with mechanisms for increases agreed to keep in line with value for money assessments. <u>Quality of Service</u> - A single specification and order process will be established at day one. Any interface issues between the activities is for the provider who will have the responsibility for managing its supply chain. - The provision of services should ensure a consistent approach to delivery. <u>Control</u> Control will be exercised through the terms of the contract and dependent on the resourcing and effectiveness of the client team to exercise rights. The manner of service delivery will be for the provider.	<u>Risk</u> - The effectiveness of risk transfer will depend on the terms of the contract and the Council's contract management function. <u>Financial</u> - The Council is committing all its budget at the outset. - There is no ongoing competition between service providers to encourage lower pricing. If providers struggle to deliver profitably, performance may suffer and/or more changes are requested, increasing the anticipated budget. <u>Quality of Service</u> - The service specification may become outdated over time with changes resulting in additional costs. - Risk of reputational damage should the contractor not provide the services to the standard required by the Council. <u>Control</u> - The manner of service methods is primarily for the provider leaving reputation risk with the Council. The remedy regime may not lead to immediate improved performance undermining the appearance of control. The ultimate sanction for control would be termination.

Option 1	Single Provider Contractor & Design (Separate)	SCORE 69.7%

Model Description	
- Single external contractor providing all blue-collar services (either directly or managing a supply chain) with separate single external consultant providing design services. - No legal contractual relationship between the two, the Council manages each contract and the relationship between the two organisations	
Key Benefits	Key Weaknesses
<u>Risk</u> - The risk associated with the delivery of the services is transferred from the Council to the private sector provider. - Transparent risk allocation to each specialist provider <u>Financial</u> - Could be attractive to the private sector with a long contractual term and extent of workload to be provided. - The cost of the provision of the services by the single service providers will be as set out in the contract with mechanisms for increases agreed to keep in line with value for money assessments. <u>Quality of Service</u> - The provision of services should ensure a consistent approach to delivery as the contracts awarded to the specialists <u>Control</u> Control will be exercised through the terms of the contract and dependent on the resourcing and effectiveness of the client team to exercise rights. The manner of service delivery will be for the provider.	<u>Risk</u> - The effectiveness of risk transfer will depend on the terms of the contract and the Council's contract management function. - The Council bears the risk of any interface or inter-dependency issues if performance is poor. - The Council requires a skilled client team. <u>Financial</u> - There is no ongoing competition between service providers to encourage lower pricing. If providers struggle to deliver profitably, performance may suffer and/or more changes are requested, increasing the anticipated budget. <u>Quality of Service</u> - Reduces the ability for the Council to deliver an integrated service and consistent approach to service delivery. - The service specification may become outdated over time with changes resulting in additional costs. - Risk of reputational damage should the contractor & consultant not provide the services to the standard required by the Council. <u>Control</u> - The manner of service methods is primarily for the provider leaving reputation risk with the Council. The remedy regime may not lead to immediate improved performance undermining the appearance of control. The ultimate sanction for control would be termination. - Two separate contracts and relationships will mean having to identify who may be in default (rather than having a single provider integrated (works and design) to be liable for any default).

Option 9	Teckal Arms Length Company	SCORE 68.0%

Model Description	
A company wholly owned by the Council will be set up and able to provide services back to the Council, as a single provider. The common form of corporate vehicle utilised is a private company limited by shares and may be created with a shareholders agreement that will include a business plan. This new company will be exempt from the Public Contract Regulations 2015 (as amended) if it satisfies the requirements of the 'Teckal Exemption' as set out in Regulation 12 (1): a) More than 80% of activities must be performed for the controlling local authorities; b) There cannot be any private sector ownership; c) The Teckal company's primary purpose must not be commercially orientated; and d) The controlling local authorities must exercise decisive influence over the strategic objectives and significant decision. It will not need to be procured by the Council.	
Key Benefits	Key Weaknesses
<u>Risk</u> - The risk is retained by the Council albeit transformed to a separate entity to deliver. <u>Financial</u> - Tendering rules for public contracts do not apply, resulting in significant time and financial savings in procurement. - The Council is not paying any 'profit' element and does not need to pay a 'risk transfer premium'. - The company has a 'safe harbour' to improve and develop skills that may be 'sold' to other public sector entities and learns to manage risk as an arm's length organisation. - Any surplus generated through efficiencies is returned to the Council in the form of either dividends or rebate, which will enable the Council to reinvest in other services, unless to be reinvested in the service. - The Council will have the ability to respond to reduced budgets or changing priorities and be flexible, without financial liability or commercial renegotiation. <u>Quality of Service</u> - Flexibility in the way that works and services are allocated. - Employment within a Council company can be attractive to staff. <u>Control</u> - The Council will be the sole shareholder of newly incorporated company and can therefore exercise control over its operation. This will be done by setting out certain 'reserved matters' in its shareholders agreement and/or articles of association which require shareholder consent.	<u>Risk</u> - No transfer of risk to the private sector, as the newly incorporated company will be a wholly owned by the Council. Therefore, risk will ultimately sit with the Council. - The remedy regime for poor performance cannot pass much by way of financial risk so requires an interventionist approach conducted by an experienced client team. <u>Financial</u> - The Council will need to fund/resource the establishment of the arrangement. - There is a clear limit on pursuing external commercial activities, without running the risk of falling foul of Regulation 12 requirements. - Financial risks and risks of poor delivery ultimately remain with the Council. <u>Quality of Service</u> - Limited influence from the private sector, therefore reducing access to innovative practices and the up to date practices of the private sector. - Public sector employment can be hard to recruit into for specialist resources. <u>Control</u> - The Council may be unfamiliarity with the potential arrangement and therefore have insufficient skills and experience to set up and operate the Teckal arrangement. - Managing potentially conflicting positions as shareholder and client can result in conflicts. - The service contract requires an interventionist approach.

Option 12	Mixed Economy Best Option by Function / Service	SCORE 64.4%

Model Description	
- Each function contracts separately with the best provider; this may be internal or external. For the purposes of this exercise at least one function must be contracted out and at least one function provided in-house. (the contracted in function is traditionally the design function) - A series of providers will be procured and contracts entered into to deliver the various highways related services. This is a simpler version of the framework option as the providers will be procured to deliver particular packages of works and/or services. This provides that specialist organisations deliver the relevant discrete highway maintenance service elements. - The Council will retain a team to manage the contracts with the various providers and manage the interfaces between them.	
Key Benefits	Key Weaknesses
<u>Risk</u> - Some or majority of risk related to the individual functions will be transferred to the private sector. - The appointments can be longer than those under a framework arrangement. - Less of a risk of service disruption compare with a single provider, if a contractor was do go into administration. <u>Financial</u> - There are no ongoing tendering costs for the Council. - The Council is not paying an overhead to a single provider to manage multiple providers (supply chain) but doing it itself. <u>Quality of Service</u> - Engaging the private sector allows for access to wider skills and resources. Specialists are appointed directly. <u>Control</u> - The Council will have control as to the initial choice of service providers and the contract terms.	<u>Risk</u> - The Council bears the risk of any interface or inter-dependency issues if performance is poor. - The Council requires a skilled client team. <u>Financial</u> - No ongoing competition between service providers to encourage competitive pricing. - This will therefore require that the Council implement a robust performance measurement regime. <u>Quality of Service</u> - Reduces the ability for the Council to deliver an integrated service and consistent approach to service delivery. - Interface and inter-dependency issues remain with the Council <u>Control</u> - Logistically, it may be difficult for the Council to manage and administer as there will be multiple points of responsibility for various the various disciplines. - Direct contracts and relationships will mean having to identify who may be in default (rather than having a single provider to be liable for any default).

Option 7	Joint Venture (Public to Private)	SCORE 61.3%

Model Description	
- A joint venture created between the Council and a private sector entity (or entities). - This would be established by a procurement and the joint venture once created, as a separate legal entity, will operate as a single provider. With an investment and representation in the joint venture the Council will have additional rights of control and potential return but will carry some risk in the delivery of works and services. - Clarity will be required as to: - what benefit the private sector can bring; - why a joint venture might better deliver the Council's objectives.	
Key Benefits	Key Weaknesses
<u>Risk</u> - As a form of single provider, any contract with the Council will pass risk to the JV. However, as a shareholder in the JV the extent of risk passed may not be as great as to a single provider. - Within the JV itself risk and reward are likely to be shared. Any benefit will be shared. <u>Financial</u> - The risk of delivery to budget is passed to a separate entity. - The private sector will bring a profit motive and focus on efficiency. Any benefits will be shared. <u>Quality of Service</u> - The Council will have access to the skills and resources of the private sector and the contract can impose similar service specification requirements as for a single provider. <u>Control</u> - The Council will have roles as client; shareholder; and in appointing directors. The combination offers considerable control.	<u>Risk</u> - A JV is usually attractive to councils where there is infrastructure development and capital can be deployed and risk taken with considerable reward on increased values. Less common on service provision where there may be limited upside benefit where they can only be achieved through efficiencies. Extracting that benefit can be achieved in other ways (particularly contractually) without the need for a complex JV being procured and created. <u>Financial</u> - The JV will be funded by the council through its payments for works and services. Unless the private sector provides extra finance (at a cost) for which it may want a greater share of returns, the Council will continue to hold some financial risk for service performance in the JV. <u>Quality of Service</u> - There may be difficulties in matching public and private sector cultures in one vehicle for the efficient provision of services. <u>Control</u> - Councils can fail to maximise the benefits of this model by not engaging at joint venture level but only as a client. - There is the potential for a conflict of interest between the members / officers of the Council and the joint venture in the performance of roles as client and shareholder and for individuals as directors. Enforcing contractual rights can be difficult.



Cabinet

26 January 2021

Appendix 004

Highways Services Re-procurement Project

Document Title: Highways Asset Management

Strategy 2018-2024

Phil McCorry

Highway Asset Management Strategy 2018-2024



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We are pleased to be able to introduce East Sussex County Council's Highway Asset Management Strategy for 2018 to 2024.

The local highway network is East Sussex's largest and most valuable publically owned asset with a replacement value of £8.58bn. It is used every day by residents, businesses and visitors and provides a vital contribution towards the economic, social and environmental well-being of the County.

This Strategy sets out how the highway service will deliver against the Council's key priorities, taking into consideration customer needs, asset condition and best use of available resources.

The importance of asset management and continuous efficiency has also been reinforced by Central Government, where funding streams are linked to those authorities who can demonstrate value for money and efficient delivery of highway maintenance activities.

The County Council is committed to the development of good practice and continuous improvement. Reviews of both the Highway Asset Management Strategy and Asset Management Policy will be undertaken annually, and we shall continue to work in partnership with our customers, elected Members and staff.

By employing an asset management approach, East Sussex will continue to increase the value achieved in road maintenance, improving network resilience and reducing the burden on revenue budgets through the delivery of effective programmes of preventative maintenance over the next six years and beyond.



Rupert Clubb
Director of
Communities, Economy
Environment and Transport



Cllr Nick Bennett
Lead Member for
Transport and



The importance of Highway Infrastructure to East Sussex

East Sussex highway infrastructure provides a vital contribution to the economic growth of the county. The local highway network is without doubt the most valuable publically owned asset managed by East Sussex County Council (ESCC) with a total value of £8.58 billion (2017). The importance of the highway infrastructure to the communities of East Sussex is substantial.

Why Asset Management?

Asset management is a strategic approach that seeks to optimise the value of highway assets over their whole life (Whole Life Cost). East Sussex County Council recognises that by taking an asset management based approach to its local highway maintenance, investment can be targeted on long-term planned activities that prevent expensive short-term repairs. This approach is in line with suggested best practice and Government guidance.

Our Asset Management approach not only maximises value for money, ensuring informed investment decisions can be made, but also manages risk and maintains a highway environment that is safe and secure and accessible for our customers.

Asset Management Policy

The ESCC Highway Asset Management Policy is a high level document which establishes the Council's commitment to infrastructure investment through an asset management approach aligned with the Council Plan. The Policy is not a stand-alone document and is published alongside this strategy on the Council's website.

Asset Management Strategy

This Highway Asset Management Strategy sets out how the Asset Management Policy will be delivered. It is informed by the adoption of a highway asset management framework which establishes the activities and processes that are necessary to develop, document, implement and continually improve highway asset management within East Sussex. It is aligned to the Council's priority outcomes and seeks to follow the latest advice and guidance from recognised bodies such as the Department for Transport (DfT).

In support of the Council Plan 2014-2018¹ and the Local Transport Plan 2011-2026, this Council recognises that an asset management approach to the maintenance of the highway network will aid in the achievement of the Council's vision, as set out below:

Council vision: 'To deliver our priorities at a time of reducing resources and increasing demand we must work as One Council with a clear focus on achieving the best outcomes we can for East Sussex.'

Local transport plan vision: 'To make East Sussex a prosperous county where an effective, well managed transport infrastructure, and improved travel choices help businesses to thrive and deliver better access to jobs and services, safer, healthier, sustainable and inclusive communities and a high quality of life.'

Service and Contract Delivery Outcomes

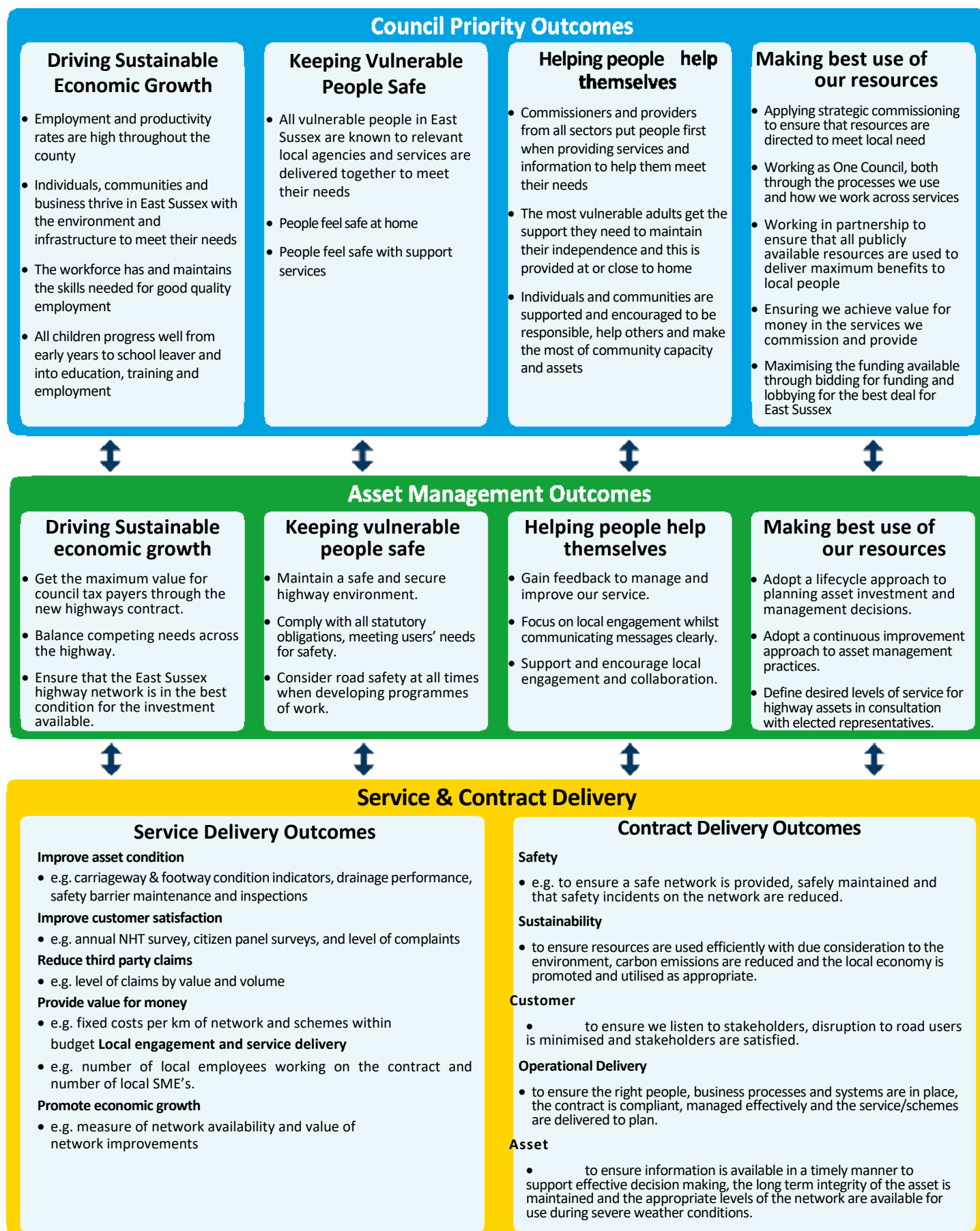
East Sussex County Council recognises that the delivery of an efficient highway service cannot be undertaken without effective maintenance of the existing highway network. It is therefore essential that new infrastructure that supports the Council's priority outcomes can be maintained to the appropriate standard in the future and that existing highway infrastructure remains serviceable. The Council is committed to having the best network condition for the investment available, and supports an asset management based approach for the maintenance of the highway network.

The current highways contract arrangement commenced in May 2016 and a Contract Management Group was established to oversee the delivery of this providing specialist contract, commercial, performance and service development functions. A series of asset management outcomes linked to service outcomes have been created that are directly aligned to the achievement of the Council Plan.

The highway service is delivered through a highway maintenance and infrastructure contract for which a series of service delivery and contract outcomes have been established respectively. The relationships between these outcomes are shown as Figure 1. The highways work programmes are established on an asset management basis for delivery through the highways contract. This will ensure the works remain aligned to this asset management policy and strategy and the Council's priority outcomes. It will also support advance planning of key investment decisions for the Council.



Figure 1 – Relationship between council outcomes and asset management outcomes



East Sussex County Council has developed a Highway Asset Management Framework (see figure 2.) that is based on the recommendations made within the 2013 Highway Management Efficiency Plan (HMEP). The framework summarises all activities and processes that are necessary to develop, document, implement and continually improve our approach to asset management. An Asset Management Implementation road map and a supporting implementation plan are being used to ensure the full implementation of the framework. The framework is shown in figure 2 and is summarised below.

Context

This establishes the context for highway infrastructure asset management in East Sussex. The context includes a variety of factors that need to be taken into consideration when determining the Council's expectations for the highway service. The factors include: national transport policy, local vision and local transport policies, expectations of stakeholders and legal and financial constraints.

Planning

This sets out the key activities that are undertaken by East Sussex as part of the asset management planning process. The activities include:

- **Policy** – East Sussex's published commitment to highway asset management.
- **Strategy** – East Sussex's published statement on: how the policy will be implemented, the implementation of an asset management framework, the strategy for each asset group, and the commitment to continuous improvement.
- **Performance** – The levels of service to be provided by East Sussex's highway service and how performance will be measured and reported.
- **Data** – East Sussex's strategy for data collection and management, without which informed decisions cannot be taken.
- **Lifecycle planning** – East Sussex's lifecycle plans for each asset group which when combined with funding levels and desired levels of service enable informed decisions to be taken.
- **Works programmes** – East Sussex's rolling programme of works for each asset group.

Enablers

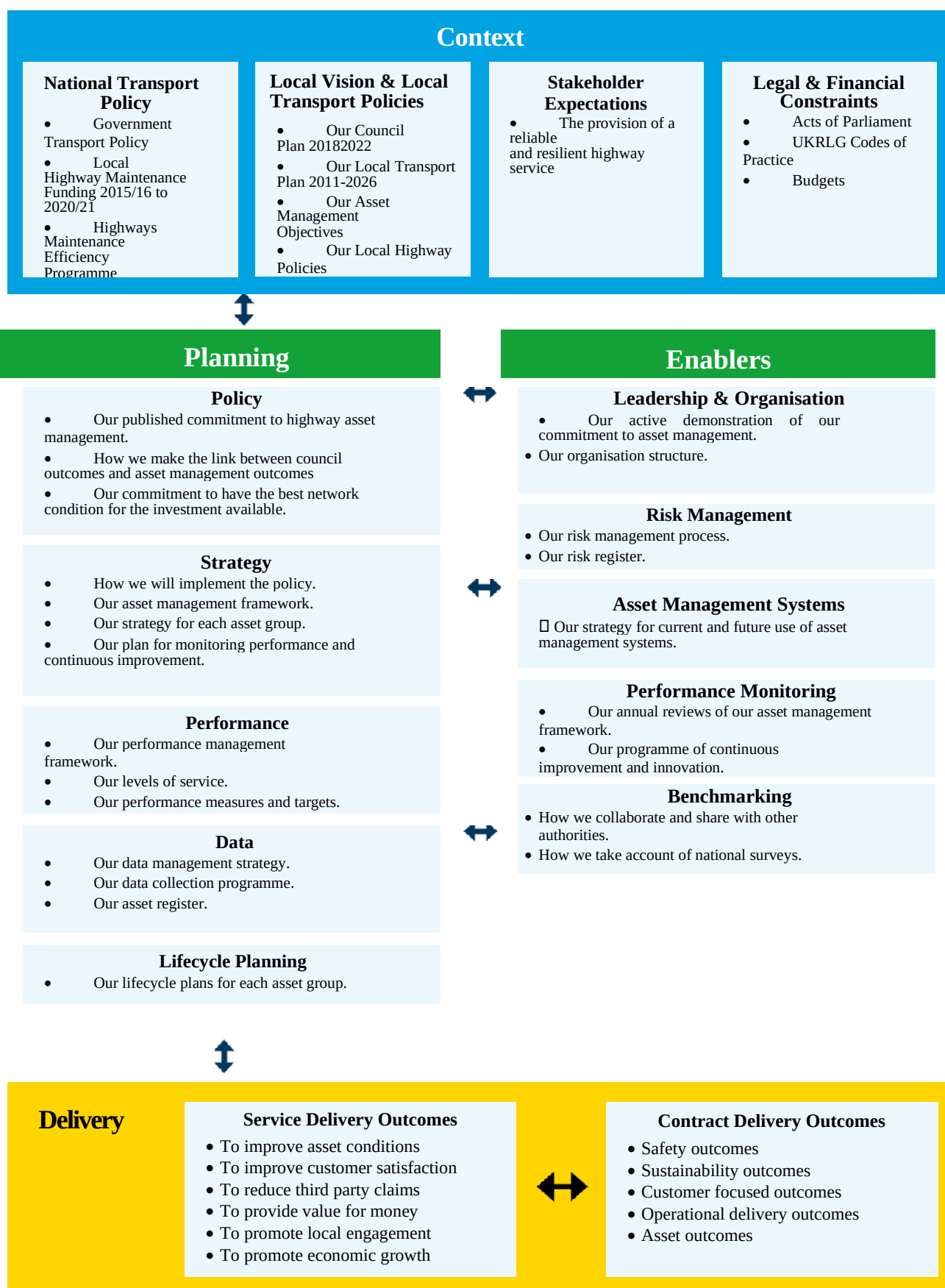
Enablers are a series of supporting activities that support the implementation of the Asset Management Framework. They provide a means of:

- developing organisational leadership and the adoption of an asset management culture
- effectively communicating and collaborating with all stakeholders
- development of the competencies and skills of all highways staff
- effective means of managing risk
- strategy for the use of asset management systems
- measuring the performance of the asset management framework
- benchmarking progress and collaborating with other highway authorities
- fostering a culture of continuous improvement and innovation

Delivery

As set out in Section 1, the delivery component of the framework sets out how the highway service will be delivered via the new highway maintenance contract for which a series of service delivery and contract delivery outcomes have been established respectively.

Figure 2 – Highway Asset Management Framework



Strategy for Main Asset Groups

Introduction

This section summarises the existing highway asset, its current condition, and a summary of the strategy to be employed for each asset type in the future. An understanding of, and agreement to, the levels of service required from each asset type is essential for the successful delivery of the strategy.

Highway Asset

The highway asset is shown below together with a summary of its current condition. **Table 1 - Summary of Highway Asset - 2016/17 figures**

Asset Group	Quantity	Condition
Carriageways	3,375km	Approximately 5% of the principal network, 6% of the non-principal and 19% of the unclassified network in East Sussex is identified as requiring maintenance.
Footways and Cycleways	2,481Km	The 2016/17 performance figures for the footway network show that 30% of the network is either functionally impaired or structurally unsound.
Structures	483 bridges, 239 retaining walls and 2 tunnels	The Bridge Condition Stock Indicator rates the average condition of East Sussex County Council bridge stock at 86 (Good). The BCSI (critical element) value is lower at 76 (Fair). At present ESCC monitors 18 structures at substandard.
Drainage	98,000 gullies and 505 km ditches	96% of the gully stock is free flowing
Street Lighting	37,500 column and wall mounted street lights, 10,000 other inventory items, 3,000 street lights belonging to Parish, Borough and District Councils.	Street lighting assets are monitored in accordance with the Institute of Lighting Professionals.
Traffic signals	66 signal controlled junctions and 140 signal controlled crossings.	A detailed review of condition is taking place in 2018.
Road markings signs and street furniture	900 grit bins, 24.7km of guard rail, 40,000 safety bollards, 43,695 road signs, 2,500km of road markings, 28.5km of safety fences/barriers	Road markings are renewed on a budget capped approach with key lines being replaced as a priority and as need arises.
Soft Estate	4,468km of vegetated verge, 75km of verge designated as Wildlife Verges and 55,000 individual trees, 36km of hedges and 50 ornamental shrub sites.	Existing information is being gathered, collated and gap analysis undertaken. Once the gaps in knowledge have been ascertained, surveys will be carried out to plug these, especially relating to the tree resource and the ecology of the soft estate.
Asset Data Management	Inventory of all of the above	The data sets vary in their completeness but they are the source of all that is undertaken upon the highway and key to the highway service achieving its goals.
Highway Asset Lifecycle	Assessing best investment practice for the assets.	Approximately 50% complete 2016 review.



Highway Asset Hierarchy

The carriageway asset is currently managed according to a hierarchy based on road classification, and further divided by urban/rural road type as outlined in Table 2 below. The hierarchy is designed to recognise the relative importance of routes to the communities (social and economic) that they serve. The carriageway hierarchy traditionally has been used as a tool to help ensure that highway maintenance activities are effectively prioritised.

Table 2 – Asset Hierarchy

Category	Road maintenance hierarchy description	East Sussex road hierarchy general description
1	Motorways	Category 1 not applicable to East Sussex
2	Strategic Route	Primary Route
3a	Main Distributor	Inter Urban Route
3b	Secondary Distributors	Intra-Urban Routes
		Intra-Rural Routes
4a	Link Roads	Business or Industrial Roads
		Residential Roads
		Village Roads
4b	Local Access Roads	Country Lanes
		Minor Urban Roads
		Minor Rural Roads

Value and Scope of carriageways

Carriageways are the most valuable highway asset in East Sussex, having a gross replacement cost (GRC) of nearly £3.5 billion and they receive the greatest levels of maintenance expenditure. They were the first asset for which lifecycle plans were developed using current condition and have resulted in the creation of several investment scenarios. This has enabled a greater understanding of where to target investment to achieve the desired levels of service. Lifecycle planning will allow the impact of highway maintenance activities in terms of whole life carbon costs to be taken into account when determining interventions, materials and treatments.

East Sussex County Council is responsible for the maintenance of 3,375km of roads, providing transport links across the county from housing areas to the national motorway network. The condition of the carriageway asset is measured through annual surveys and inspections. In 2016, 19% of the unclassified network was identified as requiring maintenance, compared to just 5% of principal roads and 6% of non-principal roads. The national average figures were: 17% unclassified; 6% non-principal and 3% principal. The figures need to be viewed in context with the increase in local authority road traffic numbers. There was an increase in East Sussex from 1993 to 2016 of 483 million vehicle miles, up 21.4%.



Planned maintenance is delivered by an annual works programme. This programme is capital funded and schemes have been identified using an asset management approach. This evidence approach is endorsed by Council Members and achieved a four year capital programme for carriageways of £70 million between 2014 and 2018 a further five years of programme of capital funding has been agreed totalling £75million to achieve a steady state of condition commencing in 2017/18, £15 million per year.

Management of potholes and other carriageway safety issues arising across the network is delivered using revenue funding which is anticipated to reduce over coming years. By employing an asset management based approach and improving the coordination of road maintenance East Sussex will continue to increase the value achieved in road maintenance. Asset Management will also improve network resilience and reduce the burden on revenue budgets through the delivery of effective capital programmes of preventative work.

Surveying the carriageway and Prioritisation of work

ESCC has reviewed its carriageway survey standards to ensure it records sufficient information to understand the condition of its highway assets and to meet the reporting requirements of the Department for Transport and our approach is to undertake annual SCANNER surveys to meet the requirements of the DfT:

1. SCRIM surveys annually of the primary network
2. Explore the use of Highway Safety Inspectors Reports
3. Explore the use of video surveys for footways and unclassified routes
4. Explore the potential for introducing deflectograph surveys on the primary network

Approach: Desired outcomes will be achieved through the continued development and implementation of the carriageway strategy in line with the East Sussex Highway Asset

Performance Indicator	12/13	13/14	14/15	15/16	16/17
% Principal Roads requiring maintenance (Council Plan)	8	7	5	5	5
% Non-Principal Roads requiring maintenance (Council Plan)	10	9	9	6	6
% Unclassified Roads requiring maintenance (Council Plan)	19	25	17	22	19



Framework to achieve short, medium and long term goals

- Continue to improve the forward programme of works by improved data management
- Introduce more detailed scheme briefs at handover stage to improve the quality of the final product
- Continue to develop and refine lifecycle models
- Benchmark with other authorities and continue to follow and develop best practices
- Seek to secure appropriate funding levels to achieve its aims through the lifecycle plans

Short-term desired outcomes (18/19 Financial Year):

To sustain a steady state of condition with the highway asset:

- 19% of unclassified roads requiring maintenance
- 6% for non-principal roads
- 5% for principal roads

Medium-term desired outcomes 5 years (18/19 to 23/24 Financial Year):

To develop a Member endorsed programme of work for the following five years to effectively deliver the budget plan, and a steady state of annual performance targets:

- 19% of unclassified roads requiring maintenance
- 6% of non-principal
- 5% of principal

Long-term desired outcomes 5 to 10 years (23/24 to 28/29 Financial Year):

- Develop a compelling case for the funding of carriageway maintenance beyond the current five year budget plan
- Implement programmes of work delivering best value against service outcomes



Footways and Cycleways

Footways and cycleways are critical assets supporting access and mobility for people in East Sussex. Securing continuous improvement in the safety and serviceability of footways and cycleways is necessary to encourage alternatives to car, particularly for journeys in urban areas. Well maintained footways aid social inclusion, particularly improving accessibility for vulnerable people.

East Sussex County Council is responsible for the maintenance of 2,433km of footways providing access to residential and rural areas. The Council also maintains 48 Km of cycleways both on and off carriageway. The footway and cycleway asset has a gross replacement cost of approximately £399 million.

Footway:	(any defect in the footway or designated cycleway, causing in a change in level, resulting from raised or sunken ironwork, pothole, failed surface, displaced paving, kerb)
High: Cat 1	Greater than 40mm deep and at least 200mm wide in all directions
Medium: Cat 2	Greater than 30mm and less than 39mm deep and at least 200mm in all directions
Low: Cat 3	Greater than 20mm

ESCC is reviewing its present footway network to ensure alignment with the Code of Practice and to make sure that limited resources are appropriately targeted.

Cycleways

The cycleway hierarchy is determined not by use or functionality but by location which reflects the differing risks associated with shared, partially segregated and fully segregated cycle routes. See below.

Description	
1	Cycle lane forming part of the carriageway, commonly a strip adjacent to the nearside kerb. Cycle gaps at road closure point (No Entry to Traffic, but allowing cycle access).
2	Cycle track – a highway route for cyclists not contiguous with the public or carriageway. Shared cycle /pedestrian paths, either segregated by a white line or other physical segregation, or unsegregated.
3	Cycle provision on carriageway, other than a marked cycle lane or marked cycle provision, where cycle flows are significant.
4	Cycle trails, leisure routes through open spaces. These are not necessarily the responsibility of the Highway Authority, but may be maintained by an authority under other powers or duties.

Similarly to footways ESCC needs to review its present cycleway network and reflect the Code of Practice so that limited resources are appropriately targeted.

Surveying the footway / cycleway and Prioritisation of work

ESCC has been reviewing its survey standards and exploring more efficient ways of capturing data and records sufficient information to understand the condition of the asset and to meet the reporting requirements of the Department for Transport.

Work prioritisation needs to be comprehensible to all users of the asset in that it uses criteria which are 'smart': specific, measurable, achievable, realistic and timely. The prioritisation also needs to be flexible to meet the aspirations of stakeholders. ESCC are working on a system that joins condition, hierarchy and risk together, but is also flexible to meet changing needs.



Approach: Desired outcomes will be achieved through the continued development and implementation of the carriageway strategy in line with the East Sussex Highway Asset Management Framework.

Our Performance

Performance	2012/13	2013/14	2014/15	2015/16	2016/17
% footway that is structurally unsound (lower is better)		12	21	15	14
% footway that is functionally impaired (lower is better)		19	3	15	16
% total footway requiring maintenance(lower is better)		31	24	30	30

Framework to achieve short, medium and long term goals

- Continue to improve the forward programme of works by improved data management
- Introduce more detailed scheme briefs at contractor handover stage to improve the quality of the final product
- Continue to develop and refine lifecycle models
- Benchmark with other authorities as it continues to follow and develop best practices
- Seek to secure appropriate funding levels to achieve aims through the lifecycle plans

Short-term desired outcomes (18/19 Financial Year):

- To sustain a steady state of condition with the footway and cycleway asset
- To undertake a high definition photographic survey of part of the network (1/3) and understand its condition

Medium-term desired outcomes (18/19 to 23/24 Financial Year):

- To develop a Member endorsed programme of work for the following five years
- To undertake a high definition photographic survey of part of the network (1/3) and understand its condition
- To sustain a steady state of condition/ improvement with the footway and cycleway asset
- To refine the condition survey to meet the objectives of ESCC

Long-term desired outcomes (23/24 to 28/29 Financial Year):

- To develop a second Member endorsed programme of work for five years
- To undertake a high definition photographic survey of the last third of the network and understand its condition
- To sustain a steady state of condition/ improvement with the footway and cycleway asset
- To refine the condition survey to meet the outcomes of ESCC





East Sussex County Council actively manages its highway structures in accordance with principles set out in the UK Roads Liaison Group publication 'Well Managed Highway Infrastructure, A Code of Practice'.

There are 483 bridges and 296 culverts which belong to East Sussex County Council, 239 retaining walls and 2 tunnels being maintained, with a gross replacement cost estimated to be £523.8 million (2017 values). A further 311 structures are being inspected to ensure the safety of the highway user. Routine maintenance of structures is based on a prioritised system of required work with the aim of minimising the risk to public safety and future maintenance costs.

The condition of the structures asset is measured primarily by two factors: BSCLavi (Bridge Stock Condition Indicator average) and BSCLcrit (Bridge Structure Condition Indicator critical) which are derived from bridge inspections.

In accordance with the nationally recognised indicators published by ADEPT (The Association of Directors of Environment, Economy, Planning and Transport) and in common with most Local Authorities, there has been a slow reduction in the overall stock value which at present in East Sussex is within the range denoted 'good'. Out of the total stock, 58 structures are rated below 'fair'. This information is stored within a bespoke database and used to determine lifecycle planning strategies.

All structures are maintained in a condition 'fit for purpose and safe for use'. If safety critical components are identified as being deficient after inspections, immediate steps are taken to make them safe. At present, 18 substandard structures are monitored to determine their structural performance and are managed in accordance with the code of practice.

Desired outcomes: The principle factor for determining the forward strategy is to maintain the asset in a condition 'fit for purpose and safe for use'. The target is to adhere to our 10 Year Structures Plan and maintain the level of the BSCI. Additional targets include alleviating culverts that cause property flooding, enhancing safety at highway structures and mitigating railway sites where vehicle incursion is an issue.

Approach: There are likely to be further financial pressures in the future, reducing the availability of finance for the maintenance of the structures stock. The key financial driver is to ensure that the time for intervention of planned maintenance to a structure is determined to provide the best financial return for that investment. This will be managed by use of the structures lifecycle models, reviewing the 10 Year Plan, monitoring the BSCLs and applying professional, qualified engineering judgement.



Our Performance

Performance	2012/13	2013/14	2014/15	2015/16	2016/17
Number of substandard structures (Lower is better)	17	17	18	18	18
BSCI average rating (Higher is better)	86 good	86 good	86 good	86 good	86 good
BSCI critical element (Higher is better)	76 fair	75 fair	76 fair	76 fair	76 fair

Framework to achieve desired goals

- Continue to improve the forward programme of works
- Introduce more detailed scheme briefs at handover stage
- Continue to develop and refine lifecycle models
- Benchmark with other authorities as it continues to follow and develop best practices
- Seek to secure appropriate funding levels to achieve its aims through the lifecycle plans

Medium-term desired outcomes 5 years (18/19 to 23/24 financial years)

- To maintain the asset as 'fit for purpose' and 'safe for use'
- Target and maintain the existing BSCI scores
- Alleviate any culverts that are causing flooding to third parties
- Mitigate any risk from road over rail vehicle incursions

Long-term desired outcomes 5 to 10 years (23/24 to 28/29 financial years)

- Build a strategic investment plan for the asset to facilitate investment at the right time for each structure
- Ensure the structures are maintained to the highest safety and condition standard within the available budget



East Sussex County Council is adopting a risk management approach towards highway drainage, taking into account the geographical location of the assets, known local flooding hot spots and risk to the highway. The Council's highway drainage asset is critical to ensuring the controlled removal of water from the carriageway for its safe use. The impact of failure from the drainage asset on other highway infrastructure is significant, particularly to the carriageway. As a consequence it is vital that we have an up to date inventory of all highway drainage assets and their condition.

The current inventory of highway drainage assets across East Sussex includes approximately 98,000 gullies 10,000 grips and 500km of drainage ditches. Outside of routine maintenance the current approach to repairs and improvements is predominantly reactive. This is the result of an incomplete inventory, lack of condition data and a lack of knowledge of the risks posed by this critical asset across the county performance.

The limitations of this approach have been made evident with the current backlog of drainage defects identified. Our ability to model a capital programme and lifecycle plan for our highway drainage asset is limited for these reasons.

To proactively maintain the entire drainage asset into the future, we will continue to build a complete inventory and good understanding of condition including the associated risks that come with failure. This will enable us to undertake programmes of preventative maintenance whilst monitoring and reviewing performance.

Improving our knowledge of drainage infrastructure across the county enables us to demonstrate evidence-based decisions on drainage maintenance and supports our ability to secure future funding investment, while demonstrating savings in revenue expenditure through efficient and effective maintenance.

The proposed new performance indicators are to drive this required improvement in our knowledge.





UFRN	Description	Measure
1	Number of road gullies cleaned and checked as 'free flowing' with their position recorded appropriately	Number
2	Length of drain validated as fit for purpose and position recorded appropriately.	Length metres
3	Length of ditching cleaned and validated as fit for purpose and position recorded appropriately	Length metres
4	Number of headwalls inspected and checked as 'free flowing' and position recorded appropriately	Number
5	Number of Manholes / access chambers inspected and checked as free flowing and position recorded appropriately	Number

Desired outcomes:

- Move away from reactive maintenance towards planned improvements
- Implementation of a proactive maintenance approach to reduce flooding and damage to other highway infrastructure

Approach:

- Continued proactive maintenance of known drainage assets in accordance with industry guidance such as the HMEP Guidance documents
- Collection of inventory and condition information for the remaining unknown drainage assets to enable clear lifecycle plans to be developed
- A proactive approach for future programmes of prioritised maintenance to be achieved

Our Performance

Performance Indicator	12/13	13/14	14/15	15/16	16/17
% Highway gullies that are free flowing and clear of obstruction (PP)		98%	98%	98%	96%



- Continue to develop and refine lifecycle models
- Benchmark with other authorities as it continues to follow and develop best practices
- Seek to secure appropriate funding levels to achieve its aims through the lifecycle plans
- Develop a forward programme of capital improvement works to deliver extra investment in drainage over the next six years

Short-term desired outcomes (18/19 Financial Year):

To sustain a steady state of condition with the drainage asset:

- Resolve the various historic paper records into a single image of the network
- Work with the County Flood Risk Management Team and build relationships with the Environment Agency, Southern Water and Borough / Districts in East Sussex to better understand the associated third party concerns

Medium-term desired outcomes 5 years (18/19 to 23/24 Financial Year):

- Continue working with the County Flood Risk Management Team and build relationships with the Environment Agency, Southern Water and Borough / Districts in East Sussex to better understand the associated third party concerns
- Continue to build a robust set of drainage records
- Produce a Member endorsed five year works programme

Long-term desired outcomes 5 to 10 years (23/24 to 28/29 Financial Year):

- Continue to build a robust set of drainage records
- Produce a second five year Member endorsed programme
- Continue working with the County Flood Risk Management Team and build relationships with the Environment Agency, Southern Water and Borough / Districts in East Sussex to better understand the associated third party concerns



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Street lighting is an important highway asset, contributing to public amenity, safety and the night time economy. With a gross replacement cost of £70.173million (2017), the lighting asset consists of approximately:

- 37,500 East Sussex street lights (column and wall mounted)
- 10,000 other inventory items (such as illuminated and reflective bollards, subway lighting, internally and externally illuminated signs and school warning lights)
- Approximately 2,000 concrete columns installed before 1982
- 3,000 street lights for parish, borough and district councils under individual, rechargeable maintenance agreements

There is concern as to the accuracy of the inventory figures and stock condition; as a result the following is required:

- Complete inventory undertaken
- Condition data on the inventory
- Listing of any critical risks

East Sussex County Council operates a six year routine maintenance cycle, with all columns in the county being visually inspected for structural and electrical condition at each visit. Monthly night scout patrols are also in operation, allowing faults to be identified and logged into a lighting management system. This maintenance cycle has an overall aim of minimising non-routine visits and improves the efficient operation of the asset. The frequency of these visits has been extended to six years due to the introduction of part-night street light operation and LED (light emitting diodes) light sources.



In addition to these maintenance activities, limited capital column replacement projects to replace life expired lighting columns are also undertaken. Replacing the columns at these locations with newer equipment minimises the risk of failure and the occurrence of non-routine faults.

ESCC are also investigating the opportunity of 'Green Bank' funding to bring the stock up to a modern standard.

Desired outcomes:

- To ensure the safety of the public
- Full inventory and condition assessment
- Reduce the risk to maintenance operatives
- Reduce energy consumption
- Reduce the cost of maintenance
- Halt deterioration of the asset



Approach:

- Working with the Joint Venture and / or a third party for data collection
- Combine routine inspection
- Regular night scouting
- Testing and cleaning
- Record public fault reports
- Continue with key projects to meet targets for reduced energy consumption, including the reintroduction of part night lighting where appropriate, and the installation of dimming and more efficient equipment

The above approach will be supported with the use of inventory systems programmes which also help to mitigate risk, and comply with current British Standards.

Our Performance

Performance	2012/13	2013/14	2014/15	2015/16	2016/17
Number of street light columns in excess of the action age (lower is better)	5,983 16% of total stock	6,137 16.3% of total stock	7,472 19.9% of total stock	7,977 21.3% of total	
Kilowatt hours	14,239,492	12,419,934	10,722,502	9,694,404	9,693,828
Carbon used	7,704	6,719	5,716	4,812	4,329

Framework to achieve desired goals

- Continue to improve the forward programme of works
- Introduce more detailed scheme briefs at handover stage
- Continue to develop and refine lifecycle models
- Benchmark with other authorities as it continues to follow and develop best practices
- Seek to secure appropriate funding levels to achieve its aims through the lifecycle plans
- Develop approach and funding to replace concrete columns

Medium-term desired outcomes 2 to 5 years (20/21 to 23/24 Financial Year):

- Develop a fully comprehensive inventory of all lighting elements
- Produce a hierarchy of need based upon community reassurance
- Refine the lifecycle model demonstrating funding requirement for various performance outcomes
- Develop a five year, Member endorsed forward plan of preventative maintenance

Long-term desired outcomes 5 to 10 years (23/24 to 28/29 Financial Year):

- Develop a programme of work which is Member endorsed for the funding of lighting elements for a second five year period
- Implement programmes of work delivering best value against the proposed investment plan





Traffic signal controlled junctions and pedestrian crossings form an important highway asset, contributing to the safe and efficient use of the road network and promoting economic growth within the county. Their efficient operation and maintenance allows those using the road network to move around the county with the minimum of delay and disruption. Efficient maintenance regimes ensure that the traffic signal installations are maintained in a safe structural and electrical condition.

There are currently 266 signal controlled junctions, 155 pedestrian signal crossings and 151 vehicle activated signs (VAS) installed across the county with a gross replacement cost of £16.38million (2017). The traffic signal sites also have white lining, anti-skid surface and pedestrian barrier rails associated with them. An annual inspection is undertaken which checks the physical condition of the infrastructure and the operation of the equipment. This includes a visual assessment of the structural and electrical condition as well as an electrical test every sixth year.

There is concern as to the accuracy of the inventory figures and stock condition of this asset and as a result the following is required:

- A complete inventory undertaken
- Condition data on the inventory
- Listing of any critical risks

Fault notification is based on reports from the general public, the Police and our partner. Key Performance Indicators (KPI's) are set and monitored to ensure that our contractor attends and rectifies faults within specified contract time periods. An age-based refurbishment programme is generated on an annual basis which is reviewed along with the annual inspection results, to ensure that all of the signal sites are maintained to an acceptable operational condition.

Desired outcomes:

- Ensure the safety of the public
- Full inventory and condition assessment
- Efficient operation of the asset
- Reduce the risk to maintenance operatives
- Reduce energy consumption
- Reduce the cost of maintenance
- Halt deterioration of the asset
- Move towards automatic fault reporting systems

Approach:

- Working with the Joint Venture and / or a third party for data collection
- Combined routine inspection and testing
- Timely attendance and repair of faults to ensure the safe operation of the asset
- Use of an inventory system to record and monitor fault and asset information
- Schedule of annual inspections to identify issues that pose a risk
- Reduced energy consumption through the use of LED lanterns signal heads
- De-cluttering and removal of unwanted equipment or its relocation on to other existing assets to reduce the number of items to maintain and reduce future maintenance costs (combined infrastructure)
- Replacement of surface cut detection loops with underground vehicle sensors to reduce future maintenance costs, reduce the opportunity of loop failure and maintain the long term structural integrity of the road surface
- Design of efficient replacement traffic signals schemes that deliver the lowest whole life costs



Our Performance

Performance	2012/13	2013/14	2014/15	2015/16	Performance
Number of Signal Controllers (Junction and Pedestrian crossings) in excess of action age (Lower is better)	8	52	10	13	Number of Signal Controllers (Junction and Pedestrian crossings) in excess of action age (Lower is better)

Framework to achieve desired goals

- Continue to improve the forward programme of works by improved data management
- Introduce more detailed scheme briefs at contractor handover stage to improve the quality of the final product
- Continue to develop and refine lifecycle models
- Benchmark with other authorities as it continues to follow and develop best practices
- Seek to secure appropriate funding levels to achieve its aims through the lifecycle plans

Framework to achieving desired goals: Short to Medium-term desired outcomes:

- A full survey of all of the sites that have powered lights/ equipment is required to understand the type and state of the facilities
- The survey results need to be put into a formal report with recommendations for investment based upon risk to the public, operatives and corporate image
- From the above a formal request for monies so that a programme of works can

Medium-term desired outcomes 2 to 5 years (20/21 to 23/24 Financial Year):

- Develop fully comprehensive inventory of all traffic signal controlled equipment
- Refine the lifecycle model demonstrating funding requirement for various performance outcomes
- Develop a 5 year, Member endorsed forward plan of preventative maintenance

Long-term desired outcomes 5 to 10 years (23/24 to 28/29 Financial Year):

- Develop a compelling case for long term sustainable funding beyond the current five year budget plan
- Implement programmes of work delivering best value against the proposed preventative investment plan

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Road markings, signs and street furniture have a significant presence within the public highway environment and appropriate design and maintenance of these assets is required to offer a safe, clear and attractive public space for all users.

East Sussex County Council is responsible for the maintenance of over: 900 grit bins; 24.7km of pedestrian guard rail; 40,000 safety bollards; 28.5km of safety fences / barriers; 43,695 road signs and nearly 2,500km of road markings. In maintaining these assets, the approach is to ensure that they offer good long term value. Community initiatives have been set up to work alongside parish and town authorities such as jointly-funding the maintenance of fingerposts. There is a need to have a robust inventory that is regularly checked and updated to ensure the continuing knowledge of the asset condition.



Approach:

- Develop a lifecycle model for road markings, signs and street furniture from inventory
- Implement a programme of preventative maintenance in 2019/20
- The programme will consider all existing road marking maintenance activity and propose a plan offering a coordinated, best value approach in future
- Use of the signs inventory to support initiatives such as street de-cluttering to improve the public realm for road users and limit maintenance liability

Framework to achieve desired goals

- Continue to improve the forward programme of works by improved data management
- Introduce more detailed scheme briefs at contractor handover stage to improve the quality of the final product
- Continue to develop and refine lifecycle models
- Benchmark with other authorities as it continues to follow and develop best practices
- Seek to secure appropriate funding levels to achieve its aims through the lifecycle plans

Medium-term desired outcomes 5 years (18/19 to 23/24 Financial Year):

- Develop a methodology for collecting data that will allow the Asset Management Team to know precisely what assets there are in this category and their condition
- Implement programmes of work delivering best value against service objectives

Long-term desired outcomes 5 to 10 years (23/24 to 28/29 Financial Year):

- Develop a compelling case for long term sustainable funding beyond the current five year budget plan
- Implement programmes of work delivering best value against service objectives





The highway soft estate provides the setting for the county's roads. It includes trees, hedges, verges and other vegetated and natural areas within the boundary of land managed as public highway.

In urban areas it generally comprises verges between the road and pavement and any trees growing within them, but also larger green areas associated with the highway, and individual trees within paved areas. Especially in rural areas, more extensive areas of habitat can be included, often comprising areas of woodland planted to mitigate the visual impact of new roads, and wetland and other habitats provided to compensate for habitat lost during new road construction.

Drainage assets such as ditches, soakaways and balancing ponds often form part of the soft estate.

Increasingly organisations' soft estate elements such as woodlands and wetlands are considered as natural capital with a measurable value, providing equally measurable benefits year on year in the form of what are known as ecosystem services – in other words 'what nature does for us'.

The East Sussex Highway soft estate is no exception, and ecosystem services provided include:

- Visual amenity and aesthetic value; enhancing economic values, improving quality of life and providing health benefits for residents and enhancing the attractiveness of the county to tourists
- Screening to residential areas
- Psychological traffic calming and a safer road environment
- Highway drainage management through run-off areas, ditches and wetlands
- Absorption of atmospheric carbon through vegetation growth
- Air pollution removal by trees and other vegetation, e.g. particulates and noxious gases.

Recent work (2015) in Highways England's Area 1 (Devon and Cornwall) valued the 300,000 or so trees on the network's verges at over £40m using the Capital Asset Valuation for Amenity Trees (CAVAT) method, and the total **annual** benefits provided by the highway soft estate at over £760,000.

The management of the East Sussex's highway soft estate has suffered in recent years from continual reductions in the funding of planned works such as grass cutting, leading to poor appearance and reduced customer satisfaction, whilst lack of knowledge of the asset has led to a reliance on reactive management of trees and other woody vegetation.

An asset management approach in the future could save money by targeting works aimed at improving the soft estate's aesthetic appeal, the ecosystem services it produces, and its biodiversity, thus also helping the county to comply with wildlife legislation.

The gathering and amalgamation of data currently held in diverse forms, together with new ecological, arboriculture, and other surveys will help us to accurately define our asset whilst ongoing research will provide innovative and cost effective solutions to our soft estate management.

The highway soft estate asset includes approximately 4,468km of vegetated verge, at least 55,000 individual trees on A roads and in major towns and approximately 36km of council maintained hedge. In addition there are a number of areas of woodland and scrub, ornamental shrubs and wetland areas.

Nearly 75km of verges are designated as Wildlife Verges and managed specifically for the wildlife interest they contain.



Approach: Desired outcomes will be achieved through the continued development and implementation of the carriageway strategy in line with the East Sussex Highway Asset Management Framework, following standards of best practice and collaborating with our partners.

Framework to achieve short, medium and long term goals

- Continue to improve the forward programme of works by ongoing survey works where knowledge gaps exist and improved data management
- Introduce more detailed scheme briefs at contractor handover stage to improve the quality of the final product
- Continue to develop and refine lifecycle models
- Benchmark with other authorities as it continues to follow and develop best practices
- Seek to secure appropriate funding levels to achieve aims through the lifecycle plans

Short-term desired outcome – 2018

1. The production of a document that can explain the journey required to achieve a safe, visually appealing and bio-diverse soft estate which is economic to maintain and meets the aspirations of the various communities of East Sussex.
2. The above will need a consultation document produced.

Medium-term desired outcomes 5 years (2019/20 to 24/25)

1. Develop a methodology for collecting data will allow the Asset Management Team to know precisely what assets there are in this category and their condition. Based upon the above document.
2. Implement programmes of work delivering best value against service objectives developed through the consultation process.

Long-term desired outcomes 5 to 10 years (2019/20 to 2029/2030)

1. Develop a compelling case for long term sustainable funding beyond the current five year budget.
2. Implement programmes of work delivering best value against service objectives.





Managing risk is integral to the effective and efficient management of the highway asset. The identification of current and future risks associated with all aspects of Highway management is embedded in the asset management approach, in accordance with our Corporate Risk Management Framework and established best practice.

Risk types include:

- Health and Safety
- Strategic
- Financial
- Regulatory
- Reputational
- Operational

Risk information is recorded corporately as a county council and with our contract partners within the Highways risk register. The Highway risk targets the identification of strategic and operational risks encountered within our works and operations. Risk registers also exist at all levels within the organisation to ensure potential issues are captured, analysed and mitigated.

Risk based decision making is used to inform and define the management approach to our assets, including, inspection regimes, setting levels of service, responses, resilience, priorities and programmes. By adopting a risk based approach highways maintenance can be carried out in accordance with local needs, safety, priorities and affordability. Guidance and training of the risk based approach and its implementation is provided to all those roles with responsibility for taking the risk based decisions. Competencies and training for those staff have been identified and are regularly updated providing a programme of continuing professional development.

A review of the current network hierarchies in East Sussex was undertaken in 2018 to ensure that appropriate management is targeted towards roads of greatest need, in order to reflect our risk based approach to the highway network.

Each asset group has different needs based upon its usage and that variance in need is reflected in the management approach taken to the asset.



The East Sussex Highways Sustainability Action Plan provides actions to mitigate direct and indirect impacts of highway maintenance on the environment and communities. This includes; Consideration of whole life carbon costs; Appraisal of materials, products and treatments for maintenance for environmental impact, nature conservation and biodiversity; and risk assessment and mitigations for the effects of extreme weather on highway infrastructure assets (Climate Change Adaptation).

Issues affecting the environment that are taken into account in highway maintenance, include:

- Carbon costs and energy reduction
- Noise
- Materials utilisation
- Waste management and recycling
- Air quality and pollution control
- Nature conservation and biodiversity
- Environmental intrusion

Actions include production and application of a carbon model, operational carbon footprint analysis, and training for sustainable designs of projects.

Highway maintenance sustainability links to the wider environment and sustainability principles and outcomes of East Sussex County Council and our Highways contractors.



East Sussex County Council undertakes a risk based approach to asset management through its knowledge of the various elements of the highway. The knowledge of the asset is undertaken by:

- Holding and updating all appropriate records
- Validating the records
- Ensuring the data is transparent for decision makers

A data management strategy is one way of documenting information and demonstrating the benefits of data. The East Sussex County Council strategy comprises the following elements:

- **Identify business need** - This is through the appropriate data being collected and an appreciation of the validity of the information and how it is best used
- **Data ownership and accessibility** - The Asset Management Team has designated owners of data who are responsible for its validity and access to it
- **Data collection** - East Sussex County Council strives to ensure the data collected is accurate, appropriate and collected in such a way that repeatability of collection is achievable
- **Frequency of collection** - The data collection is based around the risk of that data from changes to the highway network through climate and use



- **Data Storage** – The data is stored to meet the requirements of East Sussex County Council I.T. Strategy and the Data Protection Act 2010
- **Data Management** – The data is managed currently through the ESAMS system developed by East Sussex
- **Data Disposal** – The data collected is not going to be disposed in the medium term as it allows for a reflection on the management changes to the network

East Sussex County Council will collect appropriate data that allows it to make sound judgements on the rate of deterioration of the highway and all of its component parts, these include:

- Carriageways
- Footways
- Structures
- Lighting columns and associated electrical apparatus
- Road gullies, associated pipework and chambers
- Trees, vegetation and associated green space (ecological concerns)
- Safety barriers and fences
- Any other attributes to or on the highway

The data gathered in these surveys, including details on inventory, asset location and performance, is recorded and stored in asset information databases. These provide a central repository for asset information which can be easily interrogated to obtain information necessary for the day to day management of the asset and to inform short and long-term maintenance needs. As part of the implementation of asset management, we will review current data collection techniques and continue to update our data management strategy.



Life cycle planning comprises the approach to the maintenance of an asset from construction to disposal. It is the prediction of future performance of an asset or a group of assets based upon investment scenarios, usage and maintenance strategies.

Typically there are five stages to the life of an asset:

1. Creation! acquisition – a new asset as a result of a new development of capital project
2. Routine maintenance – cyclic and reactive maintenance designed to maintain the asset in a serviceable condition
3. Renewal! replacement – major work required when cyclic maintenance ! reactive works are unable to sustain the asset to the required standard
4. Upgrading – improvement to an asset to meet increased demands
5. Disposal – decommissioning of an asset when past its economic life

Effective lifecycle planning is about making the right investment decision at the right time to ensure that the asset delivers the required level of service over its expected life span to a minimum cost.

The work undertaken by East Sussex Highways is driven by a lifecycle approach through its:

- Knowledge of the asset through the survey work
- The cyclic work undertaken to repair minor faults
- The upgrading work that takes place each year to meet increased demand on the original asset.



East Sussex County Council is committed to the development of good practice and continuous improvement, having already played a leading role in the development of the regional agenda on highway asset management.

Examples of activities that demonstrate our commitment include:

- Membership of the South East 7 Alliance
- Membership of the South East Service Improvement Group
- Participation in Project Outcome (with Surrey)
- Performance Management Framework
- NHT National Survey
- CQC Efficiency Network
- Membership of the CIPFA HAMP Network
- Attendance at a variety of local and regional events

We are continually reviewing our progress against this plan. Asset management, service delivery and contract delivery outcomes are key to good delivery. We will monitor our performance against those outcomes in this document to enable us to identify where we are making progress and where we may need to make changes, to ensure we continue to manage the asset in the most efficient manner, and to ensure that we are able to continuously improve.



The following terms are used in this strategy:

Asset management

A strategic approach which identifies the optimal allocation of resources for the management, operation, preservation and enhancement of the highway infrastructure, to meet the needs of current and future customers.

Asset valuation

The calculation of the current monetary value of an authority's assets. It excludes therefore any consideration of the value to the community in terms of the economic and social benefits of providing a means for people to travel in order to work, socialise and live.

Critical asset

An asset without which you cannot deliver a statutory service.

Deterioration

The change in physical condition of an asset resulting from use or ageing.

Gross Replacement Cost

The total admissible cost of replacing the existing highway asset to a modern equivalent standard, taking into account up-to-date technology and materials.

Levels of service

Levels of service typically cover condition, availability, capacity, amenity, safety, environmental impact and social equity.

Lifecycle Planning

Making the right investment at the right time to ensure that the asset delivers the requisite level of service over its full expected life, at the minimum cost.

Whole Life Cost

The total costs incurred in the creation, maintenance and disposal of an asset.

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November 2018



Cabinet

26 January 2021

Appendix 005

Highways Services Re-procurement Project

Document Title:

Scrutiny Member Reference Group Interim Report

Highway Services Re-Procurement Project

Interim Report of the Reference Group

Councillors John Barnes
 Bob Bowdler (Chair)
 Godfrey Daniel
 Andy Smith

November 2020

The interim report of the Highways Contract Re-procurement Reference Group

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Introduction

1. The maintenance of the County's highways is one of East Sussex County Council's (ESCC) most visible services which everyone uses on a daily basis. Highways maintenance is of key importance to residents and businesses throughout East Sussex, who rely on roads and footpaths to be able to get to where they want to go, and to move goods and services around the County efficiently and safely.
2. The Place Scrutiny Committee and the former Economy, Transport and Environment (ETE) Scrutiny Committee have a long history of involvement with the Highways Maintenance Contract. Prior to the letting of the current Highways and Infrastructure Services (HIS) Contract the ETE Scrutiny Committee was closely involved in the development of the contract service delivery model and the key changes that were made to improve the service. Both Committees have also undertaken a number of scrutiny reviews on particular aspects of the service and policies in this area.
3. The current HIS Contract comes to an end on 30 April 2023 and officers have established the Highway Services Re-procurement Project (HSRP) to carry out the work needed to specify and retender the contract. The objectives of the Project are to select the next service delivery model (SDM) for the contract and the type of commercial contract that is to be used to retender the contract.
4. The Place Scrutiny Committee agreed to form a Reference Group to work alongside officers on the development of the new contract in keeping with the previous involvement the Committee has had in this work. The scope of the Reference Group's work is to:
 - Act as a critical friend and provide input into the key stages of the Highway Service Re-procurement Project;
 - Comment on the services to be included in the contract and the size and role of the client function;
 - Provide input into the development of strategic outcomes and key performance indicators for the new contract;
 - Review and comment on the contract model, Outline Business Case (OBC) and Detailed Business Case (DBC) prior to their approval by Cabinet;
 - Represent wider Members' views on the key elements, delivery and performance of the contract and to advise on the ways to disseminate information about the development of the new contract to Members.
5. As part of the work of the Reference Group members will:
 - Examine the arrangements and performance of the current Highways and Infrastructure Services contract to identify any areas for change and/or improvement.
 - Consider the services to be included in the contract and the potential Service Delivery Models, including comparison with other local authorities.
 - Review soft market research of the providers and developments/trends in the market for the provision of highway maintenance services (e.g. preferred contract type, duration, number of providers etc.).
 - Review and comment on strategic objectives and key performance indicators (KPI's) for the new contract.
 - Review and comment on the Outline Business Case (OBC) and Detailed Business Case (DBC) prior to their approval by Cabinet.

6. The Highway Services Re-procurement Project is comprised of a number of stages leading up to the commencement of the new contract in May 2023. This is a long-term piece of work and the purpose of this interim report is to cover the Reference Group's involvement in the first stages of the Project, which is the development of the Outline Business Case (OBC) prior to the agreement of the OBC by Cabinet in January 2021.

Background

7. Cabinet awarded the current Highways and Infrastructure Services Contract 2016-23 to Costain CH2M in December 2015. The services are delivered through an unincorporated joint venture agreement between Costain Ltd and Jacobs (formerly CH2M). This represented a change from the previous service delivery model (SDM), from a multiple provider arrangement to an Integrated Single Provider model. Separate contracts for the Highway term maintenance, maintenance of street lighting, traffic signals and fleet and special structures maintenance were replaced with an Integrated Single Provider contract for all services. This also included functions previously undertaken by the County Council's in-house highways team such as design work, dealing with insurance claims, customer services contact centre and Highway Stewards.

8. The current contract was awarded for a fixed seven-year term and has no provision for contract extensions, by design. The contract is based on the industry standard New Engineering Contract 3rd Edition (NEC3) Engineering and Construction Contract, modified as appropriate with output focused specifications to deliver our current maintenance policy and levels of service as the minimum required.

9. The contract includes 24 specific performance indicators (SPI's) which measure contract performance. It has targets linked to the contract outcomes which incentivise the contractor to deliver works for more value in order to access a potential 'gain share' reward payment, generated from any saving on target costs if a required performance level is achieved. Targets are increased each year to drive improvement.

10. The value of the work covered by the current contract arrangements is around £35 million to £40 million per year. This is broken down into the following elements:

- Highways Service Term Maintenance - £9.7 million revenue funding which covers reactive, cyclical and planned maintenance activities.
- Highways Core Capital Programme - £25 million covering structural road repairs, bridge maintenance and replacement street lighting programmes.
- Non-East Sussex Highways budgets - £5.4 million for Integrated Transport Management and Traffic Management & Safety.

11. The Highway Services Re-procurement Project uses the Council's four stage corporate Strategic Commissioning Framework and HM Treasury's Five Case Model as the basis for developing the business cases, which is considered best practice. The HSRP project is structured into the following:

Stage 1 – Planning & preparing the Outline Business Case (OBC)

Stage 2 – Planning & preparing of the full Business Case (DBC)

Stage 3 – Delivery of Procurement Strategy

Stage 4 – Implementation through Mobilisation & Training to Contract Commencement

12. The work of the Reference Group covers stages 1 to 2 of the Project. The work carried out by the reference Group to date, which is included in this report, covers stage 1, specific activities include the determination of the future contract outcomes and inputting into the options appraisal which evaluated a long list of options down to a short list of options.

Reference Group Work to Date

Strategic Case and Service Outcomes.

Development of the Strategic Case

13. The development of the Strategic Case is an assessment of why the Project is needed and the factors that will affect the procurement. The Council has a statutory duty to maintain the Highway in a safe condition and the road network must be available for people to use. The current HIS contract was let on a fixed term basis and therefore it is not possible to extend it. Consequently, the Council needs to procure a new contract to meet its statutory obligations and the policies it has in place.

14. The Reference Group noted that there are a number of future challenges arising from the new contract. They are:

- A likely increase in core costs (revenue) of the new maintenance contract;
- ESCC budget pressures are likely to continue
- There have been changes in the contractor marketplace and there are supply chain changes.

15. One of the strategic considerations when the contract was last re-tendered was the need to have cost certainty on the price of the new contract and to achieve savings required as part of the Council's Medium Term Financial Plan. This influenced the type of contract pricing used and the service delivery model selected to reflect the Council's financial position at that time.

16. The Council's financial position remains constrained, with a great deal of uncertainty about future levels of funding. Seeking price certainty would help with budget planning and mean the use of fixed price (lump sums) payment options, for the majority of core activities under the contract.

The Reference Group considers that having price certainty is important for the Council and should be included in the new contract arrangements.

Draft Service Outcomes

17. The Reference Group considered the draft service outcomes for the new contract which define the areas of focus for the new contract along with the Council's Overarching Priority Outcomes. The latter have been updated since the last contract was procured, and some of the Council's delivery outcomes have been changed to reflect the declaration of the Climate Emergency by the Council and the impact of Covid19 on services.

18. The service outcomes for the current HIS were developed to in conjunction with previous scrutiny reference group to address service delivery issues and desired improvements in the contract. They are listed below:

- To have the best network condition for the investment available and:
- Improve asset condition.
- Promote economic growth.
- Reduce the level of third-party claims.
- Provide value for money.
- Promote local engagement.
- Improve customer satisfaction and communications.

19. Since the development of the last contract, the service has delivered a number of improvements and successes, notably:

- An improvement in road condition as measured by the annual surveys
- Better understanding of ESCC's Highways assets
- Huge improvements in drainage response
- Demonstrable value for money
- £1.4million saving in the revenue budget
- Reduction in ESCC fixed costs and third-party claims.
- An improvement in customer satisfaction levels

20. Consequently, a new set of 8 service outcomes has been developed to reflect the changed circumstances and the new areas of focus in line with the requirements for the new contract. They are:

- Support initiatives that deliver carbon neutral services, schemes and incentives.
- Optimise and improve road network performance for all users and to support the local growth agenda.
- Enhance the local economy through road network expansion and improvement.
- Sustain a financially resilient service that delivers best value with the resources available.
- Engage effectively to understand and meet the needs of our citizens and communities.
- Embrace best practice, innovations and new technologies.
- Develop and sustain collaborative partnerships that deliver the objectives of all partners.
- Attract, develop, empower and retain the best people.

21. The Reference Group discussed the new service outcomes and whether they should be prioritised. Experience from other Councils showed that different service outcomes are important to different groups of residents and services users. The 8 service outcomes are consistent with the ones being used by other councils and capture the main areas of focus for the contract.

The Reference Group endorses the service outcomes for the new contract and agreed that they should be given equal weight rather than prioritise some over others.

Type of Commercial Contract

22. The Reference Group examined the type of contract that should be used. Industry best practice suggests that using the New Engineering Contract 3rd Edition (NEC3) Engineering and Construction Contract would be the best option, or a later revision (NEC4) if available at the time of procurement. NEC contracts are designed to get the best outcomes through shared objectives and a collaborative approach to service delivery. Using an NEC contract would be consistent with the current contract type which has successfully delivered services. All NEC contracts are designed around the following three principles:

- They stimulate good management of the relationships between those signing the contract and the work involved in the contract.
- They can be used in a diverse range of commercial situations, for a wide variety of work and in any location around the world.
- They are clear, simple and written in plain English, using a language and structure which is straightforward and easily understood.

The Reference Group supports the use of an NEC Contract for the procurement of the new Highways Maintenance Contract.

Outline Business Case

23. The development of the Outline Business case or OBC is where a range of future service delivery models (SDM) are appraised. The objective of the OBC is not to recommend a preferred SDM but to recommend a shortlist of potential feasible options that could best meet the Council's needs, the shortlisted options are then further developed in more detail at stage 2- the Detailed Business Case (DBC). The evaluation used three main groups of factors:

- Strategic Performance – delivering the service the Council needs
- Attractiveness; and
- Achievability in terms of having the capacity and resources to implement

24. The Reference Group were involved in a two-stage process whereby a short list of 5-6 SDM options was created through a strategic options analysis and appraisal process. This short list was then further reviewed to agree 2-3 options to be carried forward into the Detailed Business Case (DBC) stage of the procurement process.

25. The strategic options analysis was supported by Proving Services which is company based at Cranfield University formed as research group working with ADEPT (Association of Directors of Environment, Economy, Planning and Transport). Most of the members of the research group are County or Unitary authorities looking at the different options for the delivery of highways services and the highways sector.

26. Value for money and quality assurance are key areas of interest for the Project and Proving Services has been running a bench marking club for highways services with ADEPT over the last 8 years. Some of the key strategic themes for all authorities that have come out of this work are given below and are consistent with the service outcomes developed for the contract:

- Better connections with the communities they serve, including how they engage with the public and Parish & Town Councils;
- Local economy and environmental development issues;
- Democratically accountable services;
- Resilient and collaborative services; and
- Sustainable carbon neutral services.

27. The Reference Group heard from Proving Services that the value for money (VFM) assessment of the performance of the current contract is good for ESCC, and there is a lot that the Council may want to preserve.

28. The Reference Group commented that whatever service delivery model is selected, it needs to be flexible enough to deal with changes to transport that may be brought about as part of the revision of the Local Transport Plan (LTP) and climate change. The new contract also needs to be able to deal with changes that may result from the Government White Paper on Devolution.

Service Delivery Models

29. The Highway Services Re-procurement Project (HSRP) has been assisted by Proving Services in the development and assessment of the various service delivery models. Comparisons have been made with other local authorities to ensure ESCC is confident in its approach. The Reference Group considers there is strength and robustness in the approach that has been taken, which gives an increased level of confidence in the assessment and selection process used for the service delivery models.

Provider Market review

30. Proving Services have carried out a review of the market on behalf of ESCC. It has become apparent from this work that there are 24 authorities who will be coming to the market to re-procure their highways services contracts roughly within three years of each other. This may create a sellers' market with the providers in the sector. It is also worth noting that some current providers may leave this market sector.

31. The market review work has included forming a study group of around 8 local authorities to look at the market in more detail and the range of service delivery models available. The interim results of this work are that providers will be selective in what contracts they bid for. They will look for authorities with a good reputation and who are fair and reasonable to deal with.

The Reference Group considers that it is important for the Council to adopt a service delivery model which is attractive to the provider market and that meets the council's service requirements.

Strategic Service Delivery Model options review and appraisal

32. A long list of 15 service delivery models was drawn up and assessed and scored against Performance, Attractiveness and Achievability factors. This produced a ranked list of options, the top 6 of which were shortlisted. The shortlisted options are:

- Option 2 - Single Provider Integrated Contract (Design & Works)
- Option 9 - Teckal Arms Length Company
- Option 7 - Joint Venture (Public to Private)
- Option 12 - Mixed Economy, Best Option by Function / Service
- Option 1 - Single Provider, Contractor & Design (Separate)
- Option 15 - Mixed Economy, Primary Design + Add On

33. Across the 8 authorities in the study group the 6 service delivery options shortlisted by ESCC represent the top performing options in terms of preferences. There is a good correlation between the ESCC shortlisted options, and the options identified as the preferred options by other local authorities. Appendix 008 of the Cabinet report sets out the full study findings. ESCC's top 6 options are the top 6 in terms of:

- being close to current service delivery models; and
- the top options for providers.

The Reference Group assessed and reviewed the top 6 shortlisted service delivery model options and confirmed their support to take them forward to the next stage, but recommended that the short list be reduced to 5 by dropping the 'Primary Design + Add On' option as it is very similar to the other options within the shortlist.

Service Delivery Models to be included in the Outline Business Case

34. The next stage of the analysis process was to consider the shortlist of 5 options in more detail to select 2-3 service delivery model options to take forward and include in the draft OBC for consideration by Cabinet. The key benefits and weaknesses of each model were reviewed and discussed by the Reference Group. A summary of the discussion of each option is outlined below.

Option 1 - Separate Contracts for Works and Design. This is similar to the current service delivery models but separates out maintenance works and design work into 2 separate contracts. In terms of market acceptability, the market likes this model and it reflects how the market is currently operating. The service appetite for this is mixed as the Council has had problems with this type of model in the past in terms of cost and efficiency in the handover of work. It would require a change in the structure of the Client. It scored second overall. Design is an area of focus for improvement.

Option 2 - Integrated Single Provider. There is a lot of confidence in delivering this model as it is the current service delivery model. In terms of market acceptability, the market favours this model. The range of maintenance activities provides a critical mass of work throughout the year and has the scope and scale of services including design work that is particularly attractive to the market. In respect of service appetite for this model there are no barriers to the implementation of this model, and there is some scope for improvement.

Option 9 – Teckal. This is where a Local authority Trading Company (LATC) would be formed to provide the services. There are a lot of aspects of this model that the Council has no experience of, and the Council may need to buy in additional expertise to run this service model. There is little market appetite for this model and there is a question as whether it would be profitable and will be more costly to set up. This model presents a number of potential critical barriers to implementation. There are not many examples of where this model is operating successfully.

Option 7- Joint Venture (JV). This option is very complex and has similar issues to the Teckal option. There would be a complex transition compared to the current model. There is no appetite from the market to create a Joint Venture. No one wants to do it, which is one of the critical barriers to implementation. There are merits in the model, hence the scoring, but very few JV contracts are in use at present or have been awarded recently. In terms of service appetite there are a lot on unknowns and there could be more barriers.

Option 12 - Mixed Economy. Under this model the Council would select different single providers for different aspects of the contract. This is very similar to the previous contract arrangement where there was a main contractor for works, separate contracts for lighting, traffic signals and fleet and special structures maintenance with an in-house design team plus an external top up contract. This is not something that the market favours as it is too narrow in scope and does not offer opportunities to do other work. This option is not favoured from a service perspective as there is no integration so ESCC would lose the efficiency gains it has achieved with the current contract arrangement, thereby adding to costs. The market appetite for this model is mixed to negative, and the client team would need to be larger.

35. The Reference Group commented that under the Separate Contracts for Works and Design model and the Integrated Single Provider model, the provider will sub-contract out the more specialist work leading to reputational risk for the Council if the quality of the work is not up to standard. The quality of work needs to be managed by the main contractor to prevent reputational damage. This has been an issue at times with the current contract and will need to be interrogated further at the DBC stage when looking at quality control and the provision of Highways Stewards.

36. The Reference Group noted that option 7 Teckal would be a huge change for ESCC and it scores lower. It would not be appropriate to take this option further forward in a time of such challenge in local authority funding, when cost certainty is important. It was acknowledged that JV option 7 and Mixed Economy Option 12 also have potential critical barriers to implementation and therefore the Reference Group agreed that these three options should not be taken forward.

37. The recommendation is to take the first 2 options forward into the draft Outline Business Case (OBC) namely:

- Option 2 - Integrated Single Provider model; and
- Option 1 - Separate contracts for Works and Design model.

38. The reference Group heard that the other local authorities in the Study Group who had completed their scoring of the options had equal top scores for the first 2 options, with the Integrated Single Provider option ranked first. The Reference Group commented that the scoring comparison with other local authorities gave confidence that the recommended final two options were the right options to be taken forward. Full details of the study findings are set out in appendix 008 of the Cabinet report.

The Reference Group endorses the recommendation that the final two options that should be taken forward in the draft OBC are options 1 and 2 as they represent the most favourable and sensible options.

Service Delivery and Continuous Improvement

39. As part of its work the Reference Group considered the areas of the current contract where there may be issues or opportunities for improvement. This is based on the operation of the existing contract and the scrutiny review work that the Committee has undertaken in this service area.

40. The Project Team have also sought the views of the Client Team and other Teams within the Communities, Economy and Transport department on areas where there may be scope for improvement. Further survey work has also been carried out to seek the views of the highways contract staff on ways in which the service might be improved. This work has been resulted in around 16 suggestions where staff think there is a possibility of making improvements.

41. A summary of the areas for improvement which the Reference Group suggests are taken forward through consideration of the DBC and addressed in the next stage of the project is given in appendix 1, with quality assurance and the role of Highways Stewards being one of the main areas for further work.

Summary

42. The Reference Group has completed the first stage of its work on the selection of the service delivery models and the development of the draft Outline Business Case. It supports the selection of Integrated Single Provider and the Separate contracts for Works and Design service delivery models as the recommendation of the OBC to further develop these two options at the next DBC stage

43. The Reference Group has identified some areas of interest for improvement of the contract and will continue its involvement as the project moves into the next stage to develop the Detailed Business Case.

Appendix 1:

Summary of the Areas for Improvement

Quality Control / Quality Assurance - There have been issues with the quality of sub-contracted work (supply chain management) and there is a need for more robust/greater control of this area of work and it can lead to reputational damage for the Council. The work on the DBC will explore whether the current resources in the Client Team for this work is sufficient and whether bringing the Highway Stewards in-house would provide a better service.

Member Communications - ESCC Councillors should always be included in communication on issues within their division and training could be provided on the role of Councillors and the issues that are important to them to improve the two-way dialogue with Contact Centre staff.

Highway Stewards - Consistency of stewardship (identification of all defects) and their ability to enforce issues and standards. There may need to be a greater understanding of their role and making sure they can deliver against these expectations. Their relationship with County Councillors is key and an introduction when taking over the role would be beneficial as Councillors are often aware of long-term issues within their Division. For issues which reoccur a different approach may be needed to investigate and find solutions.

Customer Communications – Timeliness of communications (all stakeholders): a response to enquiries is always given but not always in a timely way. A review of response times in the contract may be needed. Channel shift and innovation: it would be good to be able to use an app on a smartphone to report problems/log service requests (e.g. the Report It App used by Lewes DC and Eastbourne BC). The resilience of communications with the Contact Centre may need reviewing at times of peak demand.

Stakeholder Engagement – The relationship and approach to relationships with District Borough, Parish and Town Councils should to be reviewed as part of the new contract arrangements.

Grass Cutting – The timing of the grass cutting service means that at present the grass is sometimes cut before wildflowers have time to set seed. Grass cutting arrangements under the new contract should be examined to see if more flexibility on the timing of cuts can be introduced to benefit biodiversity.

Performance Management and the Incentivisation Model - Do we have the right Strategic Performance Indicators for the contract? These will be reviewed as part of the next stage of the Project together with the incentives in the contract.

Third party works - Under the current contract there is a facility for other organisations such as Parish Councils to arrange and pay for works to be delivered by the contractor. At times the response times for third party works (internal & external) have been long/slow and this may need improving if this facility is retained within the contract.

Management of Utility Company reinstatement of works. The poor quality and timeliness of utility reinstatement work has featured in a number of scrutiny reviews. Are there any measures that could be taken in the new contract to strengthen the approach to this issue?

Knowledge and Management of the Drainage Asset – Work should continue to gain a full understanding of the location and condition of the highway drainage network.

Road Markings – Consideration should be made for the provision of additional resources within the contract core services for this category of work.

Road Repairs - There is a perception that the Council is not taking the easy approach to how repairs are prioritised. The process of managing repairs of potholes, particularly in times of poor weather or backlogs of works, may need reviewing (e.g. by using a process mapping approach). The use of innovation and a flexible approach to road repairs (e.g. use of jet patching and new techniques) should be encouraged in the new contract.

Climate Change – The new contract should take into account the Council's target for achieving carbon neutrality and include measures such as reporting the carbon footprint of the contract and the use of measures to reduce carbon emissions, such as electric vehicles and alternatively powered zero emission vehicles, in the delivery of the contract.

Appendix 2:

Scope and terms of reference of the reference group

The Reference Group was established to:

- Act as a critical friend and provide input into the key stages of the Highway Service Re-procurement Project;
- Comment on the services to be included in the contract and the size and role of the client function;
- Provide input into the development of strategic outcomes and key performance indicators for the new contract;
- Review and comment on the contract model, Outline Business Case (OBC) and Detailed Business Case (DBC) prior to their approval by Cabinet;
- Represent wider Members' views on the key elements, delivery and performance of the contract and to advise on the ways to disseminate information about the development of the new contract to Members.

Reference Group Membership and project support

Reference Group Members: Councillors Bob Bowdler (Chair), John Barnes, Godfrey Daniel and Andy Smith.

The Project Manager was Martin Jenks, Senior Democratic Services Adviser.

Phil McCorry, Business Improvement Manager provided ongoing support to the Reference Group throughout the review.

Reference Group meeting dates

Reference Group meetings – 27 May 2020, 16 July 2020, 8 September 2020, 29 September 2020 and 2 November 2020

Knowledge Bite sessions – 11 June 2020, 30 June 2020, 8 July 2020.

Witnesses providing evidence

The Reference Group would like to thank all the witnesses who provided evidence in person:

ESCC officers

Karl Taylor, Assistant Director; Dale Poore, Contract Manager Highway Infrastructure Services; Phil McCorry, Business Improvement Manager; Ruby Brittle, Stakeholder & Engagement Manager.

External Advisers

Simon Wilson, Proving Services

Evidence papers

Item	Date considered
Provider Market Review & Strategic Options Review (Options Appraisal) - Interim Findings	16 July 2020

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Cabinet

26 January 2021

Appendix 006

Highways Services Re-procurement Project

Document Title:

Future Options Study Summary of Findings

Title	Future Options Study: Summary of Findings
Research Theme	Highways Sector Future Options Study
Domain	FHRG / ADEPT
Component	Future Service Delivery Options
Date	October 2020
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1 Executive Summary

The highways sector is currently facing significant new opportunities and challenges. Modal shift and an increased focus on sustainability and social value were gaining momentum pre-COVID-19 and have accelerated since. Current contractual relationships between commissioners and providers of highways services are, in many cases, failing to deliver the collaboration and outcomes that either party had hoped for and for commissioners entering new, long term contractual relationships, the medium term landscape for the traditional highways function is now more difficult to predict. New technologies however, particularly with regards to ‘smart places’ technology, are attracting the interest of many potential new market entrants, from the energy and communications sectors, and are transforming the perception of the highways function from a costly liability to a potentially revenue-generating asset.

Against this backdrop, within the next five years, twenty-four local highways authorities will be coming to the end of their current highways term maintenance and associated contracts. Proving Services (Proving) were commissioned by eight county and unitary local authority members of the Future Highways Research Group (FHRG) to help assess the marketplace and evaluate future options for highways services delivery. These authorities recognise that this is the time to address historic weaknesses in contractual relationships and ensure future procurement enables authorities and their partners to fully address the challenges and opportunities now facing the sector. This review sought therefore to firstly establish the strategic direction of the sector over the medium term, as the backdrop against which different service models will need to deliver. A common methodology was then used to work with each authority to evaluate which of twelve potential service delivery models might best deliver these strategic objectives, in terms of both Attractiveness (value for money) and Achievability (see Appendix C for full definitions).

All participants across each of the eight authorities engaged fully with the review and several authorities involved portfolio holders and executive directors in the workshops. This can be helpful in gaining understanding and support for the outcomes more broadly within the political and executive hierarchies.

Our review found that authorities’ experience of their existing service delivery arrangements and political and cultural preferences influence perceptions of each potential future service delivery model. To mitigate against undue bias, authorities were asked to evaluate the service model underpinning their existing arrangements from the perspective of what it might deliver, if properly specified and executed. As the discussions in each workshop unfolded, participants understood and were able to view their existing arrangements more objectively, which preserved the objectivity of the process.

Prior to our review and affirmed during it, Proving has identified a close convergence in strategic direction across the sector. Strategic drivers have evolved during this period to encompass not only the traditional objectives of developing and maintaining a good quality, free flowing network for all modes of user, but also significant contemporary challenges around sustainability, skills retention and succession planning, the need for better collaboration between public and private sector partners and the imperative of capitalising on new technologies and the interest of potential new market entrants. Each of the participants of this review is seeking to deliver these same broad objectives through their future service delivery arrangements.

There was a reasonable degree of consistency across the top five options chosen by the participant authorities. No single option, however, scored consistently highly across Strategic Fit, Attractiveness and Achievability. It is likely therefore that some authorities will look to procure a blend of options when they go to market.

The top ranked models overall, **Integrated Contractor** and **Designer and Separate Contractor** and **Designer**, achieved their position primarily through Achievability; scoring less highly for their perceived Attractiveness (VFM) or potential to achieve authorities’ strategic drivers. The potential

economies and efficiencies of scale and benefits of joined up service delivery were, however, recognised as advantages of these models. Given the majority of participants currently work with only a small number of significant partners under their current arrangement, the transition to these models was deemed to be relatively straightforward. This outcome may be somewhat different therefore, for authorities with significant in-house or multiple provider arrangements currently.

The next most favoured models, **Best Option by Function** and **Function Orientated Providers**, were those that scored most highly for Attractiveness. These options involve selecting the best provider for each individual function within the service, in the case of **Best Option by Function** that provider may be internal or external. These models were generally deemed most likely to provide the best outcome in terms of economy, efficiency and effectiveness and were also considered attractive to internal stakeholders and local communities. The challenge of providing a fully joined up service under these models was noted, however.

Several authorities viewed the **Primary Design plus Add On** model favourably; taking design services back in house being seen as a model that would facilitate greater local involvement in the design process and also deliver VFM through greater cost control and more timely delivery. Challenges would be around the cost and complexity of transition; authorities are not certain of their ability to attract top talent and local government pension costs may be an inhibitor.

Several authorities chose not to consider less common models such as **Arms-Length Management Organisation (ALMO)** or **Joint Venture**. It is notable however that where scored, the level of control afforded by these models suggested they could be the most effective in the pursuit of strategic drivers. It was less certain however that they would deliver value for money and they were deemed amongst the most difficult to achieve, as local authorities tend to lack the requisite experience and commercial skills to successfully establish and operate these more complex models. There is also a dearth of current sector success stories to draw on with these models.

The majority of authorities did not favour **Multiple Provider** or **4 Year Framework** options due to the degree of direct client oversight required, the risk of divergent standards and an inability to provide an integrated service. A minority of authorities, however, expressed a contrary view, judging these models to be the best in terms of facilitating the involvement of local providers and ensuring a level of competition that could serve to both reduce costs and improve quality.

Options that would involve taking all or significant elements of the service back in house were generally viewed as attractive from the perspective of control and agility and may also be attractive to staff and local community stakeholders. There were conflicting views as to whether these models would perform better or worse than outsourcing models in terms of economy and efficiency but an acknowledgement that the lack of exposure to the wider market may dampen innovation. **The All In-house** and **Cyclical and Reactive In-house** models were often rejected however on the grounds of Achievability, in particular the cost and complexity of transition, again reflecting the starting point of the participant authorities.

There is little appetite for **Shared Service** models. Political sovereignty, dilution of focus and absence of sector success stories were amongst the barriers cited.

One option, **Highways Alliance**, was a later addition to the menu of options and as such was only considered by three authorities. For two of these authorities, this model ranked as the second highest scoring option. This model entails the use of contractual, governance and softer mechanisms to prioritise collaboration and the joint objectives of all partners above individual contracts. Other authorities may wish to consider this model as they refine the scope of the services to be procured, particularly those considering models that involve several partners.

Moving forward, whilst there is some consensus as to the top five or six favoured service delivery models, it is clear, and to be expected, that there is no 'one size fits all' model for the sector. As individual authorities crystallise their intentions as to exactly which functions and services will be encompassed in their next procurement, the methodology adopted for this review will enable them to develop and test variants of the twelve core models considered to identify the solution best matched to their own current status and future requirements.

2 Background

Proving Services re-established the Future Highways Research Group (FHRG) in 2017 as a forum for directors of service to share knowledge and experiences and identify, develop and assess innovations with the potential to transform the sector. ADEPT and Proving Services have an exclusive partnership offering access to the tools, materials and best practice research produced by the FHRG to all ADEPT local authority members.

The highways sector is currently facing significant new opportunities and challenges. Modal shift and an increased focus on sustainability and social value were gaining momentum pre-COVID-19 and have accelerated since. For commissioners entering new, long term contractual relationships, the medium-term landscape for the traditional highways function is now more difficult to predict. New technologies however, particularly with regards to 'smart places' technology, are attracting the interest of many potential new market entrants, from the energy and communications sectors, and are transforming the perception of the highways function from a costly liability to a potentially revenue-generating asset.

There has also been a recognition that current contractual relationships between commissioners and providers of highways services are, in many cases, failing to deliver the collaboration and outcomes that either party had hoped for. Following something of a contraction in the provider market, initiated by the collapse of Carillion, and a realisation that greater diligence and financial resilience will be critical features of future contracts, the past three years have also been a period of reflection for local authorities. Many are now considering increasing the size of their client function and/or an element of self-delivery to assure resilience and be able to exert greater control and agility over future direction and priorities.

Against this backdrop, within the next five years, twenty-four local highways authorities will be coming to the end of their current highways term maintenance and associated contracts. Proving Services (Proving) were commissioned by eight county and unitary local authority members of the Future Highways Research Group (FHRG) to help assess the marketplace and evaluate future options for highways services delivery. These authorities recognise that this is the time to address historic weaknesses in contractual relationships and ensure future procurement enables authorities and their partners to fully address the challenges and opportunities now facing the sector.

As part of this review, Proving interviewed thirteen private sector service providers to better understand their drivers, constraints, concerns, and the opportunities for improvement when working with local authorities within this sector. This element of the review has been reported separately ¹ and fed into the future options review which is the focus of this report.

Over summer 2020, Proving has worked with the following eight highways authorities, on an individual basis, to consider which of the myriad of potential future service delivery options may best deliver the future strategic objectives of the service in the context of both Attractiveness (value for money) and Achievability.

¹ Highways Market Place Review – Provider Consultation v2-4.

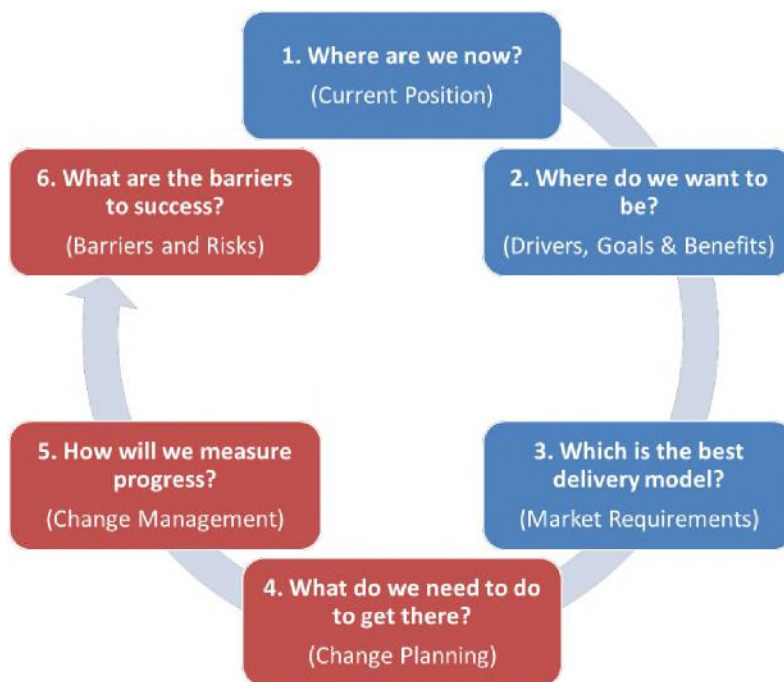


This report sets out some of the observations, conclusions and preferred future delivery models identified through these reviews.

3 Scope and Methodology

The scope of each future service delivery options review is captured in boxes 1 to 3 in Figure

1: **Figure 1: Future Service Delivery Options – Scope of Review**



Each review was undertaken through a series of workshops which considered:

- **What are the medium term strategic objectives the Service is seeking to deliver through its future service delivery model?**
 - Before we can consider which service delivery option will best serve us in the future, we need to have a clear understanding of what we will be trying to achieve.
- **How might each potential service delivery option contribute to the delivery of these strategic objectives, relative to our current model?**
- **How attractive and achievable is each potential service delivery option, relative to our current model** (see Appendix C for full definitions of Attractiveness and Achievability)?
 - Using an options analysis toolkit to weight each factor under consideration and facilitate scoring and ranking. An illustrative example of the toolkit is set out in Appendix E.

For each authority, the outcome of the above process was a provisional shortlist of potential future service delivery options which:

- Can be evolved as the procurement process develops and the scope and breadth of services to be encompassed becomes clearer.
- Helps to formulate a short list of options for full business case development.

The future service delivery options initially proposed for consideration are set out in Table 1.

Table 1: Future Services Delivery Options

Option Group	#	Option Name
Single Provider	1	Contractor & Designer (Separate)
	2	Integrated (Contractor + Designer)
Multiple Providers	3	Multiple Providers Per Service Area
	4	Function-Orientated Service Providers
	5	Primary + Secondary (Risk Sharing)
Framework	6	4-Year Framework Agreement
JV	7	JV
	8	Pseudo JV (Partner + Profits Sharing)
Teckal	9	Arms-Length Company
Private Finance	10	PF2
Mixed Economy	11	Cyclical & Reactive In-House
	12	Best Option (By Function / Service)
	13	Highways Alliance
	14	All In-House
	15	Primary Design + Add On
Shared Services	16	Shared Service (Neighbouring Authority)
	17	Regional Combined Service

As the early reviews unfolded and the market review data became available, it became apparent that certain options were not feasible either through non-availability or applicability to the sector or an absence of market interest. On that basis, the following options were subsequently excluded from the scoring process:

- **Primary + Secondary (Risk Sharing)**
- **Pseudo JV**
- **PF2**
- **Regional Combined Service**

On completion of the scoring exercise, individual authorities were provided with a provisional ranking of potential service delivery options which will help form a short list of preferred options for further investigation. Key judgements were documented and supported by a number of charts and documented analyses to summarise the outcomes. The detailed methodology, toolset, option definitions and scoring guidance underpinning each review are set out in Appendices B to D.

4 Highways Sector – Strategic Drivers

Over the past three years, Proving, working with many members of the FHRG, has identified a close convergence in strategic direction across the sector. Strategic drivers have evolved during this period to encompass significant contemporary challenges around sustainability, skills

retention and succession planning, the need for better collaboration between public and private sector partners and the imperative of capitalising on new technologies and the interest of potential new market entrants.

A consolidated set of strategic drivers and goals of members of the FHRG is shown below. Following debate and discussion centred on existing corporate and service objectives and future priorities, each of the eight participant authorities to this review adopted a set of objectives based around these consolidated drivers, albeit with some variation in intent and terminology between each authority.

- **Support initiatives that deliver carbon neutral services, schemes and incentives.**
- **Optimise and improve network performance for all users and to support the local growth agenda.**
- **Enhance the local economy through network expansion and improvement.**
- **Sustain a financially resilient service that delivers best value with the resources available.**
- **Engage effectively to understand and meet the needs of our citizens and communities.**
- **Embrace best practice, innovations and new technologies.**
- **Develop and sustain collaborative partnerships that deliver the objectives of all partners.**
- **Attract, develop, empower and retain the best people (with the sector).**

The exact strategic drivers adopted by each authority are illustrated in Appendix A. It is important to note that in some cases these strategic drivers are still to be socialised and approved with all relevant stakeholders.

5 Future Service Delivery Options – Ranking and Preferences

Each participant authority completed a comprehensive evaluation of the relative benefits of each potential service delivery model with a fully documented rationale, using the tools and approach described in Section 3 of this report.

The aggregated, summary outcomes, across all eight authorities, are illustrated in Tables 2 and 3.

Table 2: Ranking: Overall, Strategic Fit, Attractiveness, Achievability

Service Delivery Option	Overall	Ranking		
		Strategic Fit	Attractiveness	Achievability
Contractor + Designer (Int)	1	7	6	1
Contractor + Designer (Sep)	2	8	5	2
Best Option by Function	3	5	1	4
Function Orientated Provider	4	6	2	5
Primary Design + Add On	5	3	3	3
Joint Venture	6	2	8	10
Cyclical & Reactive In-House	7	9	4	6
ALMO	8	1	7	11
All In-House	9	4	9	9
Multiple Providers	10	11	12	12

Table 3: Ranking Spread

Service Delivery Model	Average Ranking Where Scored	Ranking At Individual Authority Level
Contractor + Designer (Integrated)	3.25	1, 2, 3, 3, 3, 3, 5, 6
Contractor + Designer (Separate)	3.68	1, 1, 2, 2, 3, 5, 7, 8
Best Option by Function	3.71	1, 1, 2, 4, 4, 7, 7, NS
Function Orientated Provider	3.75	1, 2, 2, 4, 4, 4, 6, 7
Primary Design + Add On	4	1, 1, 1, 3, 5, 6, 6, 9
Joint Venture	6.2	3, 6, 7, 7, 8, NS, NS, NS
Cyclical & Reactive In-House	6.29	4, 4, 5, 5, 8, 8, 10, NS
ALMO	6.5	2, 5, 5, 8, 9, 10, NS, NS
All In-House	7.4	5, 6, 6, 8, 12, NS, NS, NS, NS
Multiple Providers	8.25	2, 7, 8, 9, 10, 10, 12
4 Year Framework	8.88	3, 6, 9, 9, 10, 11, 11, 12
Shared Service	9.33	7, 8, 9, 10, 11, 11, NS, NS

Some of the key conclusions and judgements drawn from the reviews are:

- Authorities' experience of their existing arrangements and political and cultural preferences influence perceptions of each model. To mitigate against undue bias, authorities were asked to evaluate the service model underpinning their existing arrangements from the perspective of what it might deliver, if properly specified and executed. As the discussions and workshops unfolded however, participants understood and were able to consider their existing arrangements more objectively which preserved the objectivity of the process.
- The top five options were consistent across the majority of authorities although there were some exceptions. No single option, however, scored consistently highly across Strategic Fit, Attractiveness and Achievability. It is likely therefore that some authorities will look to procure a blend of options when they go to market.
- The top ranked options overall, Integrated Contractor and Designer and Separate Contractor and Designer, achieved their position primarily through Achievability; scoring less highly for their perceived attractiveness (VFM) or potential to achieve authorities' strategic drivers. Given the majority of participants currently work with only a small number of significant partners under their current arrangement, the transition to these models was deemed to be relatively straightforward. This outcome may be somewhat different therefore, for authorities with significant in-house or multiple provider arrangements currently.
- The options that scored most highly for attractiveness, Best Option by Function and Function Orientated Providers, were generally deemed most likely to provide the best outcome in terms of economy, efficiency and effectiveness. They were also thought to be attractive to internal stakeholders and local communities. The challenge of providing a fully joined up service under these models was noted, however.
- Several authorities viewed the Primary Design plus Add On model favourably; this being seen as a model that would facilitate greater local involvement in the design process and also deliver VFM through greater cost control and more timely delivery. Challenges

would be around the cost and complexity of transition; authorities are not certain of their ability to attract top talent and local government pension costs may be an inhibitor.

- Several authorities chose not to consider less common models such as ALMO or Joint Venture. It is notable however that when scored, the level of control afforded by these models suggested they could be the most effective in the pursuit of strategic drivers. It was less certain however that they would deliver value for money and they were deemed amongst the most difficult to achieve as local authorities tend to lack the requisite experience and commercial skills. There is also a dearth of current sector success stories to draw on with these models.
- The majority of authorities did not favour the Multiple Provider or 4 Year Framework options due to the degree of direct client oversight required, the risk of divergent standards and an inability to provide an integrated service. A minority of authorities, however, expressed a contrary view, judging these models to be the best in terms of facilitating the involvement of local providers and ensuring a level of competition that could serve to both reduce costs and improve quality.
- Options that would involve taking all or significant elements of the service back in house were generally viewed as attractive from the perspective of control and agility and may be attractive to staff and local community stakeholders. There were conflicting views as to whether these models would perform better or worse than outsourcing models in terms of economy and efficiency but an acknowledgement the lack of exposure to the wider market may dampen innovation. The All In-house and Cyclical and Reactive In-house models were often rejected however on the grounds of achievability, again reflecting the starting point of the participant authorities.
- There is little appetite for shared service models. Political sovereignty, dilution of focus and absence of sector success stories were amongst the barriers cited.
- One option, Highways Alliance, was a later addition to the menu of options and as such was only considered by three authorities. It is not included in the above analysis therefore, but for two of the authorities that did consider it, this model ranked as the second highest scoring option. This model entails the use of contractual, governance and softer mechanisms to prioritise collaboration and the joint objectives of all partners above individual contracts. Other authorities may wish to consider this model as they refine the scope of the services to be procured, particularly those considering models that involve several partners.

More detailed observations gathered on each of the models is set out in Table 4.

Table 4: Future Service Delivery Models: Key Observations

Model	Overall Ranking	Key Observations
Contractor and Designer (Integrated)	1	• The majority of participant authorities currently work with arrangements that closely mirror one or other of these options. These options scored highly therefore for achievability as the cost and complexity of transition would be minimal.

Contractor + Designer (Separate)	2	- These are also models that are favoured by the market, are supported by sector success stories and would have relatively simple governance and partner management arrangements. - The majority of authorities consider these models would deliver good VFM as delivering a joined up service. A minority of authorities however consider the lack of ongoing competition may compromise economy, efficiency and quality. - Experience has suggested these models do not necessarily deliver the innovation that may be expected of large organisations. Some authorities also consider agility and resilience may be compromised.
Best Option by Function	3	Some of the participant authorities currently work with arrangements similar to these models. These 'best of breed' provider models scored highly for VFM, especially in terms of operational efficiency and effectiveness. There would be some challenge in ensuring a joined up service delivery across individual functions.
Function Orientated Provider	4	- Niche providers should also bring innovation, best practice and the potential to liaise with customers on a more focused basis. - There are some notable sector success stories for these models. - The greatest challenge is around achievability, particularly the cost and complexity of transition and of ongoing management relative to, for example, an integrated model. Governance and partner management arrangements would also be more complex.
Primary Design + Add On	5	- Viewed as a model that would facilitate greater local involvement in the design process and also deliver VFM through greater cost control and more timely delivery. - Challenges would be around the cost and complexity of transition; authorities are not certain of their ability to attract top talent and additional pension costs may be an inhibitor. - Authorities including this option in their shortlist would want to experiment with what the 'Add On' (Delivery) function may look like.
Joint Venture	6	- The majority view was that this model would be beneficial in terms of strategic focus due to the level of control exercised. - If properly established and with a partner who possesses the requisite commercial skills, this model could deliver very good VFM in the medium term. - Significant challenges were noted around achievability; the cost of set up, lack of relevant skills and experience on the client side and the absence of sector success stories to draw upon. - For some authorities, political and cultural reservations would be barriers to this model.
Cyclical & Reactive In-House	7	- Control and agility are the main drivers for this model as they would facilitate much greater ability to join up different works and keep the network flowing. This in turn should lead to greater stakeholder satisfaction. - Significant challenges would come in the shape of the cost and complexity of transition. Lack of competition and exposure to the wider sector may dampen the focus on cost and innovation.
ALMO	8	This was the highest scoring model in terms of potential strategic focus due to the level of control and singular focus afforded by a model without significant partners.



		• If successfully established, this model is seen as having the potential to deliver substantial new revenue streams, but there are significant reservations as to whether this is achievable in practice for many. • An absence of the requisite skills and experience on the client side, reluctance of some stakeholders to embrace this model and the cost and complexity of transition are viewed as considerable barriers. There are no notable sector success stories for this model within the highways sector currently, albeit there are within the wider LG sector.
All In-House	9	• This model scored relatively highly for the ability to deliver strategic priorities given the level of direct control afforded. It may also be attractive to some stakeholder groups. • Whilst this model may facilitate a more joined up service, there was a recognition that the lack of competition and exposure to the wider market could mitigate against robust cost control and innovation. • The critical barriers to this model however are the cost and complexity of transition, a reflection of the participant authorities' starting point. The cost of investment in plant and infrastructure and in particular the additional pension costs led the majority of authorities to conclude this model is a non-starter.
Multiple Providers	10	• Some authorities expressed the view that the level of competition under both these models would drive down costs and increase quality. These models would also enable more direct engagement with local SMEs and a more localised, area based customer focus. • Authorities considered the lack of guaranteed work and frequent procurement would make it difficult to achieve long term programming and joined up delivery. There is also a risk of variable standards of work between suppliers, particularly under the Multiple Providers model. • Achievability makes both models prohibitive for most authorities. The cost and complexity of both transition and ongoing governance and partner management arrangements were viewed as significant barriers. Although a minority of authorities did consider that whilst the volume of partnerships may be a challenge, the client would have greater influence in these partnerships than in single provider models, these options only featured in the top six for one authority.
4 Year Framework	11	
Shared Service	12	• This model was not a favoured option for any authority. There was a concern that conflicts of interest between commissioning partners may mean a dilution in focus on local priorities and strategic objectives. Whilst in theory, this model should deliver economies of scale, authorities are sceptical about whether that would be likely in practice. • A lack of appetite from the market as well as across many stakeholder groups and an absence of sector success stories also weighed against this option, as did a view that governance and partner management arrangements could be complex.

6 Next Steps

The next steps for each participant FHRG member are to:

- Refine the Service's strategic objectives as necessary, following consultation with key stakeholders.
- Ensure the weightings for each factor accurately reflect their relative importance to the Service as this will impact the scores and ranking.
- Consider the future service delivery preferences and rationale of peer authorities and whether these influence the authority's own provisional assessment.
- As the final scope of services to be procured crystallises:
 - Fully define and document the options under consideration.
 - Test and refine the options under consideration in the context of the final scope of the service to be procured and the benefits of each option for individual functions.
- Develop full business cases for top ranking Options.

Appendix A – Strategic Drivers

Authority	Strategic Drivers
Authority A	• Ensure the safety and wellbeing of all employees and asset users. • Engage effectively to understand and better meet the needs of our communities. • Ensure we implement policies to work towards achieving a carbon neutral county. • Optimise and improve network performance for all users and to support the local growth agenda. • Sustain a financially resilient service that delivers best value with the resources available. • Embrace best practice, innovations and new technologies. • Attract, develop, empower and retain the best people. • Develop and sustain collaborative partnerships that deliver the objectives of all partners.
Authority B	• Support initiatives that delivery carbon neutral services, schemes and incentives. • Optimise and improve network performance for all users and to support the local growth agenda. • Enhance the local economy through network expansion and improvement. • Sustain a financially resilient service that delivers best value with the resources available. • Engage effectively to understand and meet the needs of our citizens and communities. • Embrace best practice, innovations and new technologies. • Develop and sustain collaborative partnerships that deliver the objectives of all partners. • Attract, develop, empower and retain the best people.
Authority C	• Support initiatives that delivery carbon neutral services, schemes and incentives. • Optimise and improve network performance for all users and to support the local growth agenda. • Enhance the local economy through network expansion and improvement. • Sustain a financially resilient service that delivers best value with the resources available. • Engage effectively to understand and meet the needs of our citizens and communities. • Embrace best practice, innovations and new technologies. • Develop and sustain collaborative partnerships that deliver the objectives of all partners. • Attract, develop, empower and retain the best people.

Authority	Strategic Drivers
Authority D	• The service will be delivered in line with authorities Sustainability Strategy, playing a key role in delivering the strategy's ambitions, both in its own operations and the behaviours it encourages. • Manage, improve and maintain the network for all users and encourage and enable active and sustainable travel. • Sustain a financially resilient service that delivers best value with the resources available. • Optimise service efficiency and maximise income from commercialisation and external funding. • Embrace best practice, innovations and new technologies, enabling the service to continuously evolve and improve. • Attract, develop, empower and retain the best people capable of driving a dynamic and agile service. • Engage effectively to understand and meet the needs of our citizens and communities. • Develop and sustain collaborative partnerships that deliver the objectives of all partners.
Authority E	• Community engagement and empowerment enabling local decision making and influence on our programmes of work and local design. • Strive to deliver Right First Time delivering best value and high quality (technical and perception) workmanship. • Drive Innovation (methods, equipment and materials) to support efficiency, improved life, and carbon/climate agenda. • Greater emphasis and consideration of walking, cycling and bus within everyday prioritisation / decision making to improve healthy living and sustainable travel. • A safe, serviceable and sustainable network that is fit for purpose for all users under all conditions and supports the development of the local economy. • Sustain a financially resilient service that delivers best value with the resources available. • Develop and sustain collaborative partnerships that deliver the objectives of all partners. • Attract, develop, empower and retain the best people capable of driving a dynamic and agile service.

Authority	Strategic Drivers
Authority F	• A flexible and agile service that attracts and retains the best people and embraces best practice and new technologies to enable innovation. • Sustain a financially resilient service that adopts robust asset management principles and delivers best value with the resources available. • A service based on the intelligent client model that develops and sustains collaborative partnerships that deliver the objectives of all partners. • Optimise service efficiency and maximise income from commercialisation and external funding. • A service that maximises social value and provides valuable local opportunities for individuals and businesses • A safe, serviceable and sustainable network that is fit for purpose for all users under all conditions and supports the development of the local economy. • A network that is adapted and resilient to climate change with a reduced carbon output, both in usage and maintenance to contribute to the commitment for the authority to be carbon neutral by 2030. • An informed community that has high public satisfaction and is engaged and enabled to do more for themselves.
Authority G	• Support initiatives that deliver carbon neutral services, schemes and incentives (1). ○ Improve biodiversity and air quality, kind to the natural environment. • Optimise network performance for all users under all conditions (1). ○ Engage effectively to understand and meet the needs of our citizens and communities. • Enhance the local economy through network expansion and improvement to meet the growth agenda. ○ Increasing revenue, decreasing and offsetting costs, rechargeable costs recovery, developing the “authority • Role of SCC as an anchor institution within the local economy; driving social value and citizen wellbeing. • Sustain a financially resilient service that delivers best value with the resources available (1). ○ Embrace best practice, innovations and new technologies enabling the service to continuously evolve. ○ Commission the best value partner for each element of our service / strategic programme. • Attract, develop, empower and retain the best people capable of driving a dynamic and agile service. ○ Creating home-grown talent, local skills and capabilities. ○ Create a culture where people feel safe and can realise their potential.

Authority	Strategic Drivers
Authority H	• Support initiatives that delivery carbon neutral services, schemes and incentives. • Optimise and improve network performance for all users and to support the local growth agenda. • Enhance the local economy through network expansion and improvement. • Sustain a financially resilient service that delivers best value with the resources available. • Engage effectively to understand and meet the needs of our citizens and communities. • Embrace best practice, innovations and new technologies. • Develop and sustain collaborative partnerships that deliver the objectives of all partners. • Attract, develop, empower and retain the best people.

Appendix B: Option Definitions

Category	Service delivery model	Definition
Single Provider	Contractor + Designer (Separate)	Single external contractor providing all blue collar services with separate single external contractor providing all white collar consultancy and design services.
	Integrated (Contractor + Designer)	Single external contractor providing all blue collar and white collar services.
Multiple Providers	Multiple Providers per Service Area	E.g. Winter Service, Street Lighting and Drainage each contract with multiple external providers.
	Function Orientated Service Providers	E.g. Winter Service, Street Lighting and Drainage each contract with a single external providers, which may or may not be a different provider for each function.
	Primary + Secondary (Risk sharing)	The Client contracts with two different contractors to spread risk, one of which is the primary option.
	4 Year Framework	4 years as this is the term defined by NEC. Contract that operates through highways alliances. There can also be local frameworks. For the purpose of this exercise we mean a framework arrangement for the bulk of services.
Joint Venture	JV	Two or more arrangements coming together to form a separate legal entity for commercial purposes.
	Pseudo JV (Profit Sharing)	As above but without the formation of a separate legal entity.
Teckal	Arms-Length Company	Wholly owned local authority company limited by shares or guarantee.
Private Finance	PF2	Private Finance Initiative.
Mixed Economy	Reactive and Cyclical only in-house	Reactive and cyclical services provided in-house, all other services contracted out.
	Best Option by Function/Service	Each function contracts separately with the best provider; this may be internal or external. For the purposes of this exercise at least one function must be contracted out and at least one function provided in-house.
	Highways Alliance	'Intelligent client' retains all policy and strategy functions, e.g. asset management and network management. Separate providers are appointed for term maintenance and design services and further providers may be appointed for specialist services, e.g. traffic signals. NEC contract clause X12, Partnering Agreement,

		is utilised to ensure a contractual commitment to collaboration between the partners. The Alliance framework encompasses all providers and is created and sustained through: • Pre-contract engagement to ensure the objectives of all partners align. • A governance framework that places joint decision making forums above individual contract discussions. • Regular professional and social events to nurture relationships and ensure cultural and behavioural alignment.
	All In-House	All services are provided internally, e.g. nothing is contracted out.
	Primary Design + Add On	Primary design services are delivered in-house. Specialist design and consultancy services and all blue collar services are outsourced.
Shared Services	Shared Services (Neighbouring Authorities)	Shared service with neighbouring authority. The extent of sharing and exact configuration to be defined with the specific authority under review, depending on whether shared administration or two very distinct and separate services under a single contract.
	Regional Combined Authority	Service contracted and provided on a regional basis by one of the ten regional combined authorities.

Appendix C – Factor Definitions

Table 1: Factor Definitions

Attractiveness		
Factor	Weighting	Definition
Economy	100	How much would this option cost to run compared to the current service delivery model. Are there any additional opportunities to reduce costs or increase revenues?
Efficiency	100	How productive and flexible would this option be once in operation, relative to the current delivery model?
Effectiveness	100	How would the outcomes and quality of service delivered under this option compare to the current delivery model?
Stakeholder Value	100	How would stakeholders (primarily service users, members and the client team) view this option relative to the current delivery model?
Achievability		
Factor	Weighting	Definition
Complexity	100	How complex (scale, diversity, interdependencies, novelty and volatility) would the transition to this option be, relative to continuing with the current delivery model?
Capacity & Capability	100	How does our capacity and capability (including infrastructure and supporting services e.g. legal, HR and procurement), to transition to and maintain this option compare to our ability to continue with the current service delivery model?
Affordability	100	How affordable is it to transition to this option, relative to continuing with the current service delivery model?
Authority Readiness	75	How prepared is the authority to embrace this option, in terms of political preference, relative to continuing with the current service delivery model?
Provider Readiness	100	How willing is the provider market to embrace this option relative to the current service delivery model?
Sector Success Stories	75	Are there any relevant and proven success stories of similar service delivery models?
Governance and Reporting	25	How complex would the governance and reporting processes be for this option relative to those required for the current service delivery model?
Partner Management	50	How easy would it be to manage partner relationships and performance under this option, relative to the current service delivery model?
Cultural Alignment	75	How well does this option align to the operational culture of the organisation and service, relative to the current service delivery model?

Appendix D – Scoring Methodology

The scoring methodology for *Attractiveness* and *Achievability* is set out in Table 2, and for Strategic Contribution in Table 3.

Table 2: Scoring Methodology: Attractiveness and Achievability

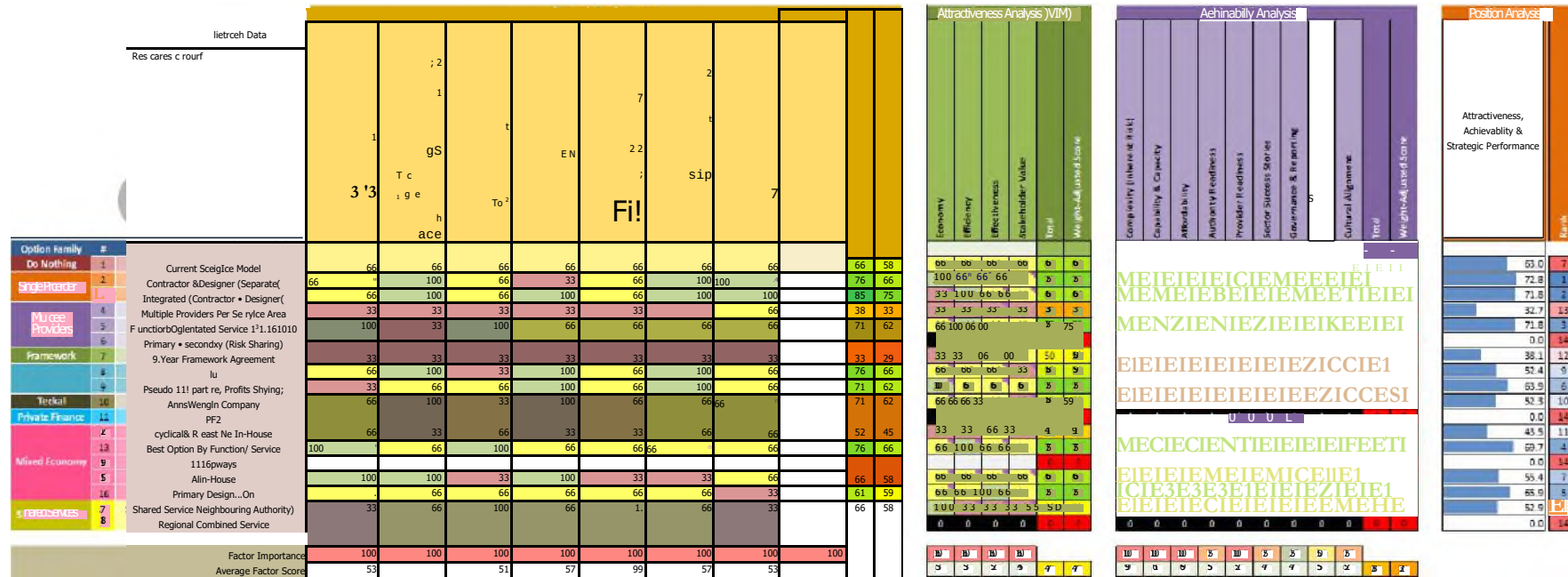
Attractiveness	
100	This option would be more attractive than the current service delivery model for this factor.
66	This option would be equally as attractive as the current service delivery model for this factor. NOTE: Default assumption is current model scores 66.
33	This option would be less attractive than the current service delivery model for this factor.
0	This option is not scored, or this option would be so unattractive for this factor, relative to the current service delivery model, that it would be a critical inhibitor to selection.
Achievability	
100	This option would be equally as achievable as continuance with the current service delivery model for this factor. NOTE: for Complexity, Capacity and Affordability , default score for current service delivery model is 100 with scores of 66 and 33 for models that are marginally and significantly less achievable, respectively.
66	This option is equally as achievable than continuance with the current service delivery model for this factor.
33	This option is less achievable than continuance with the current service delivery model for this factor.
0	This option is not scored, or for this option, this factor would be a critical barrier to selection.

Table 3: Scoring Methodology: Strategic Contribution

Strategic Contribution	
100	This option would offer a greater contribution to delivery of this strategic objective than the current delivery model.
66	This option would be offering an equal contribution to delivery of this strategic objective than the current delivery model.
33	This option would be offering a lesser contribution to delivery of this strategic objective than the current delivery model.
0	This option is not scored, or for this option, this factor is a critical barrier to success.

ADEPT

Res cares c rourf



33 Poorer Than current Performance
66 Unknown or Panty IAt Salt Performance
Rarity or BetterThan current Performance

Report to:	Cabinet
Date of meeting:	26 January 2021
By:	Assistant Chief Executive
Title:	Scrutiny Review of Becoming a Carbon Neutral Council
Purpose:	To provide an opportunity for the Cabinet to consider the report of the Place Scrutiny Committee.

RECOMMENDATION: To consider any comments the Cabinet wishes to make to the County Council on the report of the Place Scrutiny Committee.

1. Background

1.1 The Place Scrutiny Committee agreed at the meeting held on 20 November 2019 to proceed with a Scrutiny Review of Becoming a Carbon Neutral Council, which focuses on the actions the Council is taking to reduce its carbon dioxide (CO₂) and other greenhouse gas emissions. This was in response to increasing public concern linked to the publication of the 2018 report by the UN's Intergovernmental Panel on Climate Change (IPCC) and the declaration of a climate emergency by the Council in October 2019. The scope of the review includes:

- Energy use in the Council's corporate buildings, maintained schools and street lighting;
- Staff business travel and commuting (including councillors), electric charging points at council offices and the Council's fleet vehicles;
- The scope for using renewable energy sources (solar, wind, etc.) and carbon off-setting;
- Use of emerging and alternative technologies; and
- Communications and leadership, including co-ordination of the work on the climate emergency.

1.2 The scope of the review also included acting as a reference group working with officers to comment on the development of a Climate Emergency Plan for the Council. The Council's [Climate Emergency Plan](#) was agreed by Cabinet on 2 June 2020 which sets the context for the work of the scrutiny review. The scope of the review does not include divesting the East Sussex Pension Fund of investments in fossil fuels, as this is within the remit of the Pension Committee.

1.3 The aims of the Committee in undertaking the review were to:

- To gain a better understanding of the actions, costs, benefits and timescales for achieving carbon neutrality, as well as the choices that may be involved.
- To contribute to the development of a plan of actions to reduce the Council's carbon emissions.
- To identify 'easy wins' and priorities for investment in carbon reduction in the next 5 years.

1.4 The review has examined evidence from key officers, external expert witnesses and published documents on this topic. The challenge for the review has been to develop recommendations that will support the Council's ambitions in this area, whilst taking into account the Council's financial position. The Council's Climate Emergency Plan represents an important starting point in the Council's work to become carbon neutral and this review makes a number of recommendations in support of the actions contained in the Plan.

2. Summary

2.1 The intention of the review is to set a direction of travel for the Council in its ambition to become carbon neutral and to maintain the momentum created when the Council declared a climate emergency. It has not been possible within the time available for the review to carry out some of the detailed technical and costing work that will be required when appraising the various carbon reduction measures. The review presents a critical view of a possible way forward in what is a constantly evolving and moving situation. Therefore, it will be important to regularly review the Council's Climate Emergency Plan, a task which the Place Scrutiny Committee can assist with.

2.3 The Place Scrutiny Committee is aware that in order to implement some of the recommendations in the report, the Council will need to address funding through the Reconciling Policy, Performance and Resources (RPPR) budget setting process. Through this process it will be important to balance the short and long term social, economic and environmental implications of funding these proposals, including the impact on the Council's carbon footprint.

2.4 The attached report (appendix 1) contains the findings and recommendations of the scrutiny review. Copies of evidence papers listed in the report and other support documentation are available on request from the contact officer.

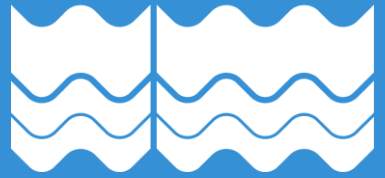
3. Recommendations and conclusion

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

PHILIP BAKER
Assistant Chief Executive

Contact Officer: Martin Jenks
Tel No. 01273 481327
Email: martin.jenks@eastsussex.gov.uk

LOCAL MEMBERS: All.



Appendix 1

Scrutiny Review of Becoming a Carbon Neutral Council

Report by the Review Board:

Councillor John Barnes
Councillor Bob Bowdler
Councillor Martin Clarke (Chair)
Councillor Pat Rodohan
Councillor Stephen Shing

November 2020

Place Scrutiny Committee – 25 November 2020

Cabinet – 26 January 2021

Full Council – 9 February 2021

The report of the Scrutiny Review of Becoming a Carbon Neutral Council

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Recommendations

Recommendation		Page
	<i>Building Energy Use</i>	
1	Priority consideration should be given to the implementation of low carbon heating systems, e.g. the use of ground source and air source heat pumps, in all newly commissioned buildings and when renewing systems in existing buildings. The most energy efficient type of heat pump currently available should be used where possible (e.g. ground source, then air source heat pumps).	12
2	The Council should keep the use of hydrogen gas heating technology under review and ensure all new or replacement boilers are capable of being 'hydrogen ready'.	13
3	a) The Council consider through the RPPR process opportunities for capital funding within the core capital programme to carry out carbon reduction projects in its corporate buildings, notably building fabric improvements, and lobbies Government for additional funding in this area. b) In developing energy efficiency projects, the Council should take a whole building approach, which is based on whole life costings. c) The Council should explore installing solar panels on its buildings and energy storage where this is possible. In particular, the Council should explore the feasibility of installing solar panel canopies over the car parks at County Hall and use the resultant energy in the building and to power Electric Vehicle/electric bike charge points in the car parks.	14
4	a) The Council, in conjunction with maintained schools, publishes comparative data on energy efficiency (e.g. league tables and energy performance), sets a carbon reduction target and encourages engagement with pupils in learning projects and activities to reduce carbon emissions. b) The Council consider through the RPPR process providing capital funding for a pilot project to install heat pump technology in one of the County's maintained schools as a best practice case study.	15
5	The Council lobbies the Department for Education to provide sufficient funding for new schools to be built to a carbon neutral standard and provide funding for major improvements to retrofit energy efficiency and carbon reduction measures to all school buildings.	15
6	The Council reviews the payback periods used for major building refurbishment projects and adjusts the provision of capital funding for carbon reduction projects to enable more work in this area to be carried out based on whole life costings.	16
	<i>Street Lighting Energy Use</i>	
7	The Council: a) Explore the scope for further energy savings by reducing the amount of time street lights are on through ongoing maintenance and replacement programmes. b) Explore the use of alternative technologies such as solar and wind turbines for less essential lit signs and other street furniture. c) Keep the use of intelligent lighting systems for street lighting under review and install intelligent lighting in the car parks and campus at the County Hall campus as an example of best practice.	17

	<i>Staff Travel & Commuting (including councillors) and Fleet Vehicles</i>	
8	a) The Council explore more varied patterns of working to determine what is the best level of remote working from a staff perspective and for the Council to meet its business needs and reduce carbon emissions. b) Work is undertaken to support cultural change to embed changes in working practices that reduce the need to travel, or encourages less travel, such as the use of technology to hold meetings remotely and provide training using remote meeting technology. c) The Council explores the provision of more capacity for drop-in centres / hot desking and collaboration space in regional offices so staff do not always need to travel into the main office buildings, including County Hall, as part of the future workplace planning arrangements. d) The Council investigate the introduction of hybrid committee meetings where councillors can either attend remotely or in person.	18
9	a) The Staff Travel Plan is revised to encourage, and where appropriate consideration is given to the potential for incentivising, the use of other travel modes (e.g. walking, cycling and public transport) and the uptake of Electric Vehicles to reduce carbon emissions. b) The Council considers lobbying the Department for Transport to make changes to season tickets for train and bus travel so they can be used flexibly by staff commuting to work.	19
10	Electric Vehicle (EV) charging points are installed at the main office buildings, or at least County Hall, with a plan agreed by the end of March 2021.	19
11	a) Smaller own fleet vehicles should be replaced by EV's in the short term when the leases expire. b) Review the car lease scheme to encourage staff to select low emission or zero emission vehicles. c) The Council considers specifying the early use of low emission vehicles in the procurement of major contracts (e.g. the Highways maintenance contract), where feasible.	20
12	The Council should keep the market for larger hydrogen powered vehicles under review, with a view to undertaking early pilot schemes and eventually phasing out the diesel-powered larger vehicles in its fleet in line with Government policy.	21
	<i>Carbon Off-Setting and Renewables</i>	
13	The Council keeps opportunities for investing in natural habitats under review for inclusion in a carbon off-setting plan at the appropriate time when the science has been developed.	22
14	a) The Council develops a carbon off-setting plan which includes investment in woodland creation, natural habitats and renewable energy generation. b) The Property Asset Disposal and Investment Strategy is reviewed to identify land availability and opportunities for carbon off-setting habitats and investment in the development of solar farms.	23

	<i>Communications and Leadership</i>	
15	a) The Council develops an interactive communication/information platform, which includes details on what the Council itself is doing on climate change and to discuss opportunities where residents may take an active role in lowering community carbon emissions. b) The Council uses its convening power to co-ordinate the actions it is taking on climate change with its partners, and in particular with the District and Borough Councils in East Sussex.	24
	<i>Other Issues</i>	
16	Corporate systems a) Business case evaluation and procurement decisions should include an assessment of the carbon impact of the proposal. b) Reports that go to the Executive and Council should include an assessment or statement of the carbon emissions impact of the proposals/decision in the report where relevant and material.	24
17	Planning The Council lobbies Government at a national level via ADEPT and the South East 7 partnership, to amend the planning system and building regulations so that the carbon performance of new buildings, including school buildings, can be taken into account in planning decisions.	25
18	Protecting trees a) ESCC build on the existing Dutch Elm Disease Strategy to develop a Strategic Tree Policy and action plan to manage Ash Dieback, Dutch Elm Disease and other tree diseases/pests which includes a programme to replace lost trees where possible (subject to safety issues) to mitigate the impact on carbon absorption. b) Both County and District/Borough Planning teams should be encouraged to attend the master class training provided by the Forestry Commission on the retention and protection of woodlands and trees.	25

Introduction

1. The Place Scrutiny Committee established a Scoping Board in June 2019 to explore undertaking a scrutiny review of climate change, and in particular the actions the Council is taking to reduce its carbon dioxide (CO₂) and other greenhouse gas emissions. This was in response to increasing public concern linked to the publication of the 2018 report by the UN's Intergovernmental Panel on Climate Change (IPCC) which highlighted that urgent action is needed to address climate change.
2. On the 15 October 2019 East Sussex County Council unanimously agreed a Motion on climate change. In agreeing the Motion, the Council declared a climate emergency and agreed to:
 - *set a target of achieving carbon neutrality from its activities as soon as possible and in any event by 2050, in line with the new target for the UK agreed by Parliament in 2019.*
 - *build upon the work we have undertaken to date, will commit resources where possible and will align our policies to address the Climate Emergency.*
 - *set out a clear plan of action to reduce our carbon emissions.*
 - *report annually at the May County Council Meeting on its progress towards the target.*
 - *investigate all possible sources of external funding and match funding to support this commitment, as well as writing to central government with respect to the emergency to request funding to implement swift appropriate actions".*
 - *use our Environment Strategy to provide a strong unified voice in lobbying for support to address this emergency, sharing best practice across East Sussex and more widely through other partners".*
3. Climate change is a very wide topic and it was important for scrutiny to focus initially on areas where it could have the most impact. The Place Scrutiny Committee considered that it would be difficult for the Council to show leadership and to advise or influence others without addressing work to reduce its own carbon emissions. Therefore, the review focusses on how the Council is going to achieve carbon neutrality in its own operations.
4. At the meeting held on 20 November 2019, the Place Scrutiny Committee agreed to proceed with a Scrutiny Review of Becoming a Carbon Neutral Council. The scope of the review includes:
 - Energy use in the Council's corporate buildings, maintained schools and street lighting;
 - Staff business travel, staff commuting, electric charging points at council offices and the Council's fleet vehicles;
 - The scope for using renewable energy sources (solar, wind, etc.) and carbon off-setting;
 - Use of emerging and alternative technologies; and
 - Communications and leadership, including co-ordination of the work on the climate emergency.
5. The scope of the review also includes acting as a reference group working with officers to comment on the development of a Climate Emergency Plan for the Council. The Council's [Climate Emergency Plan](#) was agreed by Cabinet on 2 June 2020 which sets the context for the work of the scrutiny review.
6. The aims of the Review Board in undertaking the review were to:
 - To gain a better understanding of the actions, costs, benefits and timescales for achieving carbon neutrality, as well as the choices that may be involved.
 - To contribute to the development of a plan of actions to reduce the Council's carbon emissions.

- To identify 'easy wins' and priorities for investment in carbon reduction in the next 5 years.

7. The emissions from the Councils supply chain have been excluded from the review because there is not enough information available at present on this category of emissions. This may be subject to a separate piece of work in the future. The Review Board supports the actions contained in the Climate Emergency Action Plan such as a requirement for the supplier to provide a carbon emissions footprint of their service or products in all new major contracts, and to include low carbon outcomes in new specifications and when scoring tenders.

Recommendations and funding considerations

8. The recommendations contained in this report aim to set a direction of travel for the Council in its ambition to become carbon neutral. The Review Board is aware that the Council faces considerable budget pressures and that consideration of the costs of implementing the recommendations will need to be undertaken through the Council's Reconciling Policy, Performance and Resources (RPPR) budget setting process. This will mean balancing the short and long term social, economic and environmental implications of all the proposals contained in this report, including the impact on carbon emissions they will have. In addition, these recommendations serve to augment and give momentum to the Action Plan agreed in the Climate Emergency Plan (February 2020).

Background

9. In common with East Sussex County Council (ESCC) all the District and Borough councils within East Sussex have declared a climate emergency and are taking action on climate change. Nationally almost all councils are working on this issue and those that have a scrutiny function are engaged in this work. Overall, ESCC has a target of reducing carbon emissions by 13% per annum.

10. ESCC's Climate Emergency Plan provides a framework for reducing its carbon emissions. The review and this report use the same terminology as that used within the Plan. In this context carbon emissions refers to the emissions of carbon dioxide (CO₂) and other greenhouse gases expressed in carbon dioxide equivalents (CO₂e) or tonnes of carbon dioxide equivalents (tCO₂e). The approach for measuring the Council's existing carbon emissions uses a widely accepted methodology, the Greenhouse Gas Protocol, which divides emissions into three categories referred to as Scope 1, Scope 2 and Scope 3 emissions.

11. Together, these categories represent the total greenhouse gas emissions related to an organisation and its activities. Each scope includes the following emissions:

- Scope 1 – emissions from the combustion of gas, oil, petrol, diesel, coal, or wood. For the Council this covers buildings and vehicles where the Council is responsible for paying for the fuel.
- Scope 2 – emissions from the electricity purchased by the Council.
- Scope 3 – emissions that result from all other activities of the Council.

12. The Scope 3 categories that apply to the Council include emissions from business travel, water usage, waste, procurement, staff commuting and investments. The table below, taken from Climate Emergency Plan, provides an indication of the scale of current emissions.

Scope	What's covered	Emissions (tCO ₂ e)
Scope 1	Gas consumption for heating and hot water in buildings	4,664
	Oil & propane for heating & hot water in buildings	897
	ESCC owned transport	139
Scope 2	Electricity usage in buildings	5,115
	Electricity usage in street lighting	2,645
Scope 3	Transmission & distribution	661
	Business travel	1,628
	Employee and elected Members commuting	3,120
	Waste disposal	115
	Water usage	68
	Supply chain	54,888
	Total emissions:	73,940

13. With the exception of emissions from the Council's supply chain (procurement), the review concentrates on the main sources of emissions in these categories and the actions agreed in the Climate Emergency Plan action plan for these areas. It also looks at how alternative and emerging technologies might be able to help the Council reduce its emissions and the use carbon off-setting to balance the unavoidable emissions, once all the carbon reduction measures have been taken into account.

14. This is a high level, cross-cutting review as carbon emissions are present in all the Council's activities. A thematic approach has been taken to examining evidence for the review, which has involved discussions with, and taking evidence from, a wide range of officers and external expert witnesses.

Impact of the Coronavirus Pandemic.

15. Since the review started, the Coronavirus pandemic has had a major impact on the way the Council operates and delivers services. It has meant staff working from home to a much larger extent than would otherwise have been the case. As a consequence, carbon emissions from staff business travel and staff commuting have been reduced, and the amount of office space being used has declined. Overall, this has had a positive effect on carbon emissions although it is recognised this is not a 'business as usual' pattern of working. The Review Board is interested to see whether it might be possible to retain some of these benefits in the way the Council operates in future, and this issue is explored further in the sections of the report covering staff travel and staff commuting.

Review Board Findings

Building Energy Use

16. A lot of work has been undertaken to date on projects to improve energy efficiency and reduce energy use and carbon emissions. Such projects have been integrated with maintenance programmes in corporate buildings and schools which have included improving the building insulation; replacing boilers and boiler controls; lighting replacements and core energy loading improvements (cabling and distribution systems). The Council has also signed up to a green energy tariff which means the electricity supply to all corporate buildings (e.g. libraries, register offices and office buildings) is provided from renewable sources, and is thereby having a lower carbon impact.

17. Currently the standard heating solution in most buildings is gas. Reducing emissions means moving away from gas and oil-fired heating and using alternative systems. However, not all of the alternative heating options, such as using hydrogen gas, are available at present. Using electricity is currently more expensive than gas based on unit cost so there will be a cost implication in moving away from gas heating.

18. In the longer term the de-carbonisation of the electricity supply for heating systems will be important as the technologies develop. In the shorter term the main areas for further carbon savings are:

- Awareness raising to reduce energy use (e.g. energy saving campaigns)
- Improvements in building fabric – insulation (loft & cavity wall), windows (longer payback) etc.¹
- Changes to lighting systems (e.g. through the use of LED lighting and intelligent controls)

19. In order to make the step change needed to achieve the Council's target of reducing carbon emissions by 13% per annum, more of these sorts of projects will need to be undertaken in the future. It is important to emphasise the importance of building fabric as a constraint on many carbon reduction options. For example, many of ESCC's buildings and notably some schools, have relatively poor building fabric, which means that it would not be possible to use technologies such as heat pumps because they do not currently provide enough heat for poorly insulated buildings. Some of the main measures to improve building fabric are costly (e.g. solid wall insulation) and have long payback periods, which has made them difficult to fund. Bearing in mind these constraints, the Board assessed the potential options for further reducing carbon emissions from buildings.

20. The Review Board acknowledges that in order to establish detailed costings and the carbon benefits of energy efficiency projects, an approach will need to be taken which examines each corporate building individually. An appraisal can then be made of whether energy efficiency projects, or a different set of measures would be the best way of achieving the Council's carbon reduction target. The costs and benefits will need to be considered through the Council's RPPR process, in order to balance the social, economic and environmental implications of carbon reduction initiatives.

¹ traditional building fabric insulation like loft and cavity wall insulation or flat roof when being replaced or refurbished has a shorter payback compared to solid wall or underfloor insulation, or glazing projects which have longer paybacks

21. The review has been unable to carry out this detailed technical and costing work within the timescales available but wishes to establish some principles in the way the Council evaluates the future options for building energy use. In some cases, it may not be possible or the best time to use alternative technologies due to the cost and complexity of using them in existing buildings for the reasons outlined above, but the Council should keep their use under active consideration.

Alternative Technologies for Heating

Heat Pumps

22. Heat pumps (ground source and air source) are commercially available now and they are best used in new build projects and where buildings are well insulated. Air source heat pumps are particularly suited to being retrofitted into existing and older buildings. The Board heard that although the capital cost of heat pumps is higher than conventional boilers, they are at least 2.5 to 3 times more efficient. However, they may need supplementing with other heating sources during periods of peak demand, particularly if retrofitted in older, less well insulated buildings.

23. Heat pumps use electricity but have a lower carbon footprint due to their efficiency and will have lower carbon emissions as the national electricity grid de-carbonises and switches to more renewable energy generation. The Board sees the use of heat pumps as the next step for the Council to take in the near future when opportunities arise. This should be on a building by building basis, with more energy efficient ground source heat pumps used in newly commissioned buildings where the capital costs and civil engineering works can be accommodated. For existing buildings, the review Board heard air source heat pumps are more suitable but may need supplementing with other sources of heating if building insulation is poor. It is likely that the cost of heat pumps will become more affordable as they are more widely implemented in buildings and the market and technology develops.

Recommendation 1

Priority consideration should be given to the implementation of low carbon heating systems, e.g. the use of ground source and air source heat pumps, in all newly commissioned buildings and when renewing systems in existing buildings. The most energy efficient type of heat pump currently available should be used where possible (e.g. ground source, then air source heat pumps).

Infrared Radiant Heating

24. Infrared radiant heating is another alternative heating technology which is commercially available which uses electricity. It has benefits in certain applications but requires careful design which is different from conventional heating systems. It is best used to heat people rather than spaces and parts or larger spaces (e.g. workstations in large warehouses, reception areas etc.) or where heating is required intermittently. It is certainly something that could be considered in conjunction with other technologies.

Hydrogen Gas

25. Hydrogen gas can be used as a heating system fuel just like natural gas. If hydrogen is produced using electricity from renewable sources ('green' hydrogen) it can reduce carbon emissions. There are two possible ways hydrogen gas can be used in heating systems, either as a mixture with natural gas (e.g. 20% hydrogen, 80% natural gas) or as 100% hydrogen gas. The gas distribution network would need upgrading and regulations would need to be amended in order to use hydrogen in the gas network.

26. Modern conventional boilers can be adapted to run on a mixture of natural gas and hydrogen, and most manufacturers have developed prototype hydrogen boilers that use a mix of natural gas and hydrogen. The technology is not yet commercially available, but is not far away. It would be worth the Council ensuring any new or replacement boilers are 'hydrogen ready' to run on a mixture of natural gas and hydrogen if this becomes available.

27. The use of 100% hydrogen is some way off, but there are technical trials taking place. There are also challenges around converting other appliances that run on natural gas if the whole gas network is converted to use hydrogen (e.g. cookers, gas fires etc.) and the logistics of a change over from one fuel to another.

28. One of the main issues about hydrogen is the process used to generate it and where the electricity comes from. Currently most of the hydrogen gas is 'grey hydrogen' produced either from fossil fuels or other energy intensive processes which have higher carbon emissions. For this to change, more hydrogen needs to be generated using electricity from renewable sources. The other main issue is driving down the cost of hydrogen which will be key. The cost of natural gas is one tenth of the cost of hydrogen. Consequently, the economics of hydrogen do not currently make it attractive as hydrogen boilers are more expensive and the fuel is more expensive.

Recommendation 2

The Council should keep the use of hydrogen gas heating technology under review and ensure all new or replacement boilers are capable of being 'hydrogen ready'.

Renewable Energy and Energy Storage

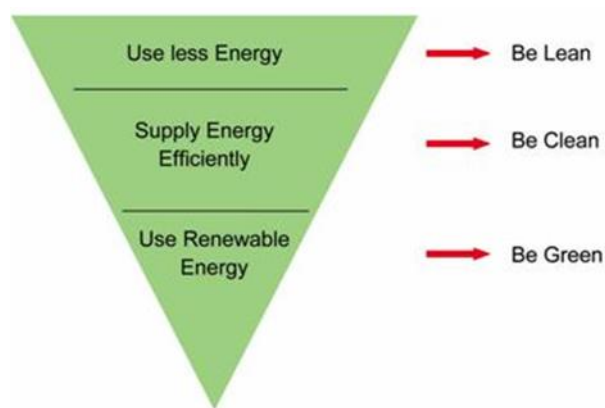
29. Another way to reduce carbon emissions from building energy use is to use on-site renewable energy generation. The two main forms of this are solar panels (photovoltaic - PV) and wind turbines, although the latter is less widely used. The Board heard that when considering renewable energy solutions, it is advisable always to use them in conjunction with energy storage (e.g. battery storage). They can also be used to power other on-site services such as Electric Vehicle (EV) charging points.

30. The Review Board understands that work is underway to look at installing solar panels (PV) and battery storage at 12 sites. The Board heard expert evidence that installing solar panels is an effective way of lowering emissions and that many councils are also taking this approach. The Board supports the investment in on-site renewable energy sources and storage for use in schools and corporate buildings.

Corporate Buildings

31. The Council has four main corporate office buildings which are County Hall in Lewes, St. Mary's House and St Mark's House in Eastbourne and Ocean House in Hastings. It also has a number of smaller offices and operational buildings used for providing particular services across the County (e.g. Libraries, Register Offices, Children's Homes etc.). Many of the buildings are of older construction types and were not built to be carbon neutral. In many cases they may require improvements in the building fabric insulation, heating and energy systems to lower carbon emissions. Options for reducing emissions will also need to take into account the leasehold arrangements, where the Council does not own buildings.

32. In considering which emission reduction measures to use, the Council should use the energy hierarchy in the figure below, with the most effective option being to use less energy in the first place and then working down the hierarchy.



33. Previously individual projects have been carried out to make improvements such as window replacements, boiler and heating controls and changes to lighting. In order to make a step change, the Review Board heard that a different ‘whole building’ approach may be needed where a package of measures that looks at all aspects of the building is undertaken rather than an approach based on separate energy efficiency projects. A whole building approach should include whole life costings which will range from shorter to longer term pay back periods (see below), and it may be possible to use short term savings to subsidise longer term improvements.

Recommendation 3

a) The Council consider through the RPPR process opportunities for capital funding within the core capital programme to carry out carbon reduction projects in its corporate buildings, notably building fabric improvements, and lobbies Government for additional funding in this area.

b) In developing energy efficiency projects, the Council should take a whole building approach, which is based on whole life costings.

c) The Council should explore installing solar panels on its buildings and energy storage where this is possible. In particular, the Council should explore the feasibility of installing solar panel canopies over the car parks at County Hall and use the resultant energy in the building and to power Electric Vehicle/electric bike charge points in the car parks.

Maintained Schools

34. Maintained schools (i.e. those that are not Academies) are included in the Council’s carbon footprint and represent over half of the Council’s scope 1 and 2 emissions for heating and use of electricity. Working with schools and school leaders is therefore important in reducing the Council’s carbon emissions. The review heard that a lot of good work has already been undertaken by Schools with the help of the Orbis Energy Team to reduce energy use and costs (e.g. through the Salix programme), thereby reducing carbon emissions. However, there is more that needs to be done.

35. Schools are managed independently from the Council and are currently under a great deal of financial pressure. A range of measures needs to be developed to encourage schools to reduce their carbon emissions further and to support them in achieving this. The Review Board considers that schools need to be aware of the role they can play in achieving carbon neutrality and contributing to the new Council target of reducing carbon emissions by 13% per annum.

36. Many schools have taken up the offer of using the renewable energy tariff negotiated by the Council and have smart meters that produce detailed information about energy use. The Review Board heard evidence that it would be beneficial to make more use of this information, for example, by publishing comparative data with other schools and establishing carbon reduction targets. It is also important to provide case studies of what can be achieved and to share information, building on the existing energy efficiency guide produced by the Orbis Energy Team, to encourage the uptake of carbon reduction measures. In many cases energy saving measures can also lead to cost savings for the schools involved.

37. Introducing energy efficiency measures and reducing carbon emissions provide great opportunities for learning and the teaching of the curriculum. Pupils, school councils and the Youth Cabinet should be encouraged to take part in carbon reduction projects and initiatives in schools.

38. Like corporate buildings, the main alternative to natural gas and oil-fired heating systems in schools is the use of heat pumps. At present there are very few examples of their use in schools and the Board believes it would be helpful to have a pilot scheme to establish best practice and share learning.

Recommendation 4

a) The Council, in conjunction with maintained schools, publishes comparative data on energy efficiency (e.g. league tables and energy performance), sets a carbon reduction target and encourages engagement with pupils in learning projects and activities to reduce carbon emissions.

b) The Council consider through the RPPR process providing capital funding for a pilot project to install heat pump technology in one of the County's maintained schools as a best practice case study.

School Building Programme

39. New school buildings and major improvements are generally funded by the Department for Education (DfE). The Council uses value engineering to incorporate as many energy efficiency and carbon saving measures in new school buildings as possible, but what is affordable via DfE funding is limited. The Board believes the Council needs to find a solution so that the best options are included in new buildings, so they are built to be carbon neutral in future given their anticipated long life. For example, timber frame construction buildings using locally sourced timber could be used in the construction of new school buildings and the extension of existing buildings or school campuses.

40. Additional funding and carbon neutral building standards for new schools and major improvement programmes could be part of the 'ask' from central Government on what is needed to achieve the target of becoming carbon neutral.

Recommendation 5

The Council lobbies the Department for Education to provide sufficient funding for new schools to be built to a carbon neutral standard and provide funding for major improvements to retrofit energy efficiency and carbon reduction measures to all school buildings.

Building Lifecycles and Payback Periods

41. The lifecycle of a building includes a number of phases which start with acquiring a site, through to construction of the building, maintenance and then disposing of the building (selling or demolition) at the end of its life. Each stage will have its own carbon footprint. In terms of maintenance activity, each element of a building (e.g. the heating system, windows, electrics, cladding etc.) has a different lifespan.

42. The evidence suggests that sometimes shorter pay back criteria are used on what appear to be longer lifespan improvements, particularly where this is needed to meet external funding criteria. It would be appropriate to use longer payback criteria depending on the lifecycle element of a building (e.g. the payback period could match the anticipated life of that element of the building). This issue can represent a barrier to the Council making the necessary improvements to its buildings, but taking a different approach may be a challenge for the Council in terms of funding.

43. For example, heat pumps due to the initial capital cost have a payback period which is typically over 10 years, whereas the Salix scheme requires a payback period of 10 years or less. This has led the Council to focus on improvements with a shorter payback period (e.g. LED lighting schemes) which can achieve this shorter payback period, when there may be other improvements that could be used to lower carbon emissions.

44. It is important to use whole life costings (also see paragraph 30 above) when developing and assessing projects, including the improvement and refurbishment of school buildings. Some technologies may cost more but have a lower overall cost, especially when carbon emissions are taken into account.

Recommendation 6

The Council reviews the payback periods used for major building refurbishment projects and adjusts the provision of capital funding for carbon reduction projects to enable more work in this area to be carried out based on whole life costings.

Street Lighting

45. The emissions from the electricity used for street lighting are around 2,645 tonnes of CO₂e per year. The Council has already completed phase one of a programme to replace street lights with more energy efficient LED (light emitting diode) lights. The second phase of the LED street light replacement programme will convert the remaining 14,019 lanterns to LEDs and will start shortly (this represents around a third of all the street lights in the County). The replacement programme is funded by the Salix scheme, which is a loan paid back with the energy cost savings that are made.

46. The Board reviewed further options for reducing emissions from street lighting and other highways infrastructure such as lit street signs. The main potential area for further savings in emissions is by reducing the amount of time street lights are on where it is safe to do so. For example, using part night settings where lights are switched off for a period of time (e.g. between midnight and 5.00am). At present the use of solar panels and mini wind turbines to power street lights is not feasible due to the limited reliability of these systems and the cost of the technology.

47. The Review Board examined the evidence on the impact of reduced street lighting and it is possible to do this without it having an impact on road safety and community safety if carefully designed. There is good evidence to suggest that it is possible to reduce street lighting levels without compromising community safety. There are locations such as lower speed residential streets where part night lighting could be safely introduced.

48. There are benefits from reducing street lighting levels such as the impact on climate change, better resource use and a reduction in light pollution which benefits people and wildlife. The Board considered that it is important to engage with stakeholders before any changes are made and a feasibility study should be undertaken to assess where changes may be possible.

49. The Board also discussed the use of dimming and intelligent lighting systems to make energy savings. These systems use lighting controls to adjust lighting levels and switch lights on when they are needed. Intelligent lighting systems could be examined in the future once the LED replacement programme has been completed and if the potential for savings warrant it. The Board observed that intelligent lighting could be installed in public sector car parks and should be installed in the car parks at County Hall as an example of what can be done.

Recommendation 7

The Council:

- a) Explore the scope for further energy savings by reducing the amount of time street lights are on through ongoing maintenance and replacement programmes.**
- b) Explore the use of alternative technologies such as solar and wind turbines for less essential lit signs and other street furniture.**
- c) Keep the use of intelligent lighting systems for street lighting under review and install intelligent lighting in the car parks and campus at the County Hall campus as an example of best practice.**

Staff Business Travel, Staff Commuting and Fleet Vehicles

Staff Travel and Commuting (including Elected Members)

50. The emissions from staff business travel and employee commuting (including Elected Members) contribute significantly to the Council's Scope 3 carbon emissions. Therefore, any measures or changes in working practices that reduce the need to travel will have an impact on carbon emissions. In this context it is useful to consider the concept of a Travel Hierarchy when considering measures to reduce emissions from transport.

1. Travel less
2. Travel using a lower emitting mode of transport (e.g. walking, cycling, bus or train)
3. Travel using Electric Vehicles (EV's)

51. The Council does not have direct control over the way in which staff travel to work. However, it has sought to introduce flexible and remote working through the Agile programme to enable employees to work from home and provide incentives through a Staff Travel Plan to use lower emitting modes of transport such as public transport and cycling. Policies regarding staff travel and travel expenses can also be used to reduce emissions. Increased working from home reduces the need for staff to commute and reduces the amount of office space needed by the organisation.

52. The Member ICT and Development Reference Group has also been looking at the use of remote meeting technology for councillors. The Council has recently passed a Motion to request Government to keep the flexibility in place to allow council meetings to be held remotely or in person (or a combination of both) in the future, which reduces the need to travel and makes best use of time and resources. The Review Board considers that the Council should investigate the introduction of hybrid committee meetings where councillors can either attend remotely or in person.

Impact of the Coronavirus Pandemic

53. The Coronavirus lockdown in March 2020 stopped most travel almost immediately, with the majority of staff working remotely from home. Staff travel claims for the first quarter from April – June 2020 showed a 77% decrease compared with the same quarter last year. Although this is an artificial situation, as normally there is a need for some staff travel, it has provided an opportunity to look at the business needs for travel in the future.

54. A Workplace Reset Programme is underway to move from the initial emergency response to a longer-term solution that balances the business needs of the Council with the needs of staff. There is an ambition to build a modern, flexible workplace where corporate spaces are used to better support residents, provide greater flexibility for employees and facilitate new ways of working across the Council's staff teams, its partners and the community. The Programme includes engagement with staff on new workstyles which builds on the 'Time to Talk' survey, and the cultural changes that will be needed to embed new ways of working such as the use of remote meeting technology.

55. The Review Board considers the Council should pursue a compromise position that meets these needs and enables a reduction in carbon emissions from reduced travelling and increased remote working to be retained. This will also have the benefit of reducing the amount of office space needed, which in turn may reduce building energy use and carbon emissions further. Work in this area should include a review of the costs and benefits of increased working from home for staff and councillors. The Board also believes it would be helpful if drop-in hot desk working facilities and collaboration spaces are expanded so staff can use the nearest corporate office to where they live when they do need to go into their normal office base.

Recommendation 8

a) The Council explore more varied patterns of working to determine what is the best level of remote working from a staff perspective and for the Council to meet its business needs and reduce carbon emissions.

b) Work is undertaken to support cultural change to embed changes in working practices that reduce the need to travel, or encourages less travel, such as the use of technology to hold meetings remotely and provide training using remote meeting technology.

c) The Council explores the provision of more capacity for drop-in centres / hot desking and collaboration space in regional offices so staff do not always need to travel into the main office buildings, including County Hall, as part of the future workplace planning arrangements.

d) The Council investigate the introduction of hybrid committee meetings where councillors can either attend remotely or in person.

Staff Travel Plan

56. The Board heard that work is being undertaken to revise the Staff Travel Plan which is an overarching approach to the Human Resources policies that relate to staff business travel and commuting. The staff travel policies which have the potential to make a difference in terms of climate change fall into three broad categories:

- Travel expenses - The travel expenses scheme could be amended to encourage the use of Electric Vehicles (EVs) through the use of the higher mileage rate for EV's and encourage other forms of transport.
- Loan schemes - The limits on loans for staff to purchase bikes could be increased to enable this scheme to cover the purchase of electric bikes, and season ticket loans for train and bus travel could be more widely promoted to encourage the use of public transport.

- Salary sacrifice schemes - Salary sacrifice schemes could be amended to enable the purchase of electric bikes and EV's, which are generally more expensive than conventional models.

57. The Review Board supports the work being undertaken on the Staff Travel Plan to encourage the use of other travel modes and the uptake of EV's. In particular, the Board supports the use of the higher mileage rate to encourage the use of EV's but acknowledges that for lower paid staff purchasing an EV may not be possible due to the higher costs involved. Providing encouragement and incentives in other ways should also be considered.

58. The Board noted that current arrangements for season tickets are not flexible and do not support the use of public transport for fewer journeys per week/per month. Therefore, staff are more likely to use other modes of transport if they are working from home more often. The Board suggests the Council lobbies Government for a more flexible season ticketing system.

Recommendation 9

a) The Staff Travel Plan is revised to encourage, and where appropriate consideration is given to the potential for incentivising, the use of other travel modes (e.g. walking, cycling and public transport) and the uptake of Electric Vehicles to reduce carbon emissions.

b) The Council considers lobbying the Department for Transport to make changes to season tickets for train and bus travel so they can be used flexibly by staff commuting to work.

Electric Vehicle (EV) Charging Points

59. The Board understands, based on the evidence, that providing Electric Vehicle charging points at the main offices or at least County Hall is essential to encouraging the uptake of Electric Vehicles by staff and should be actioned as soon as possible. This could be done in a number of ways depending on the providers and the way in which the charging facilities are paid for (there are a number of different ownership models).

Recommendation 10

Electric Vehicle (EV) charging points are installed at the main office buildings, or at least County Hall, with a plan agreed by the end of March 2021.

Council Fleet Vehicles

60. The Board looked at the work that is being done on fleet vehicle emissions which has been split into two parts:

- Grey Vehicle Fleet. These are individual cars that are used for staff business travel which are purchased by staff either privately or through ESCC's lease car scheme. The emissions from them represents 2% of the Council's scope 1, 2 and 3 carbon footprint. As such, emissions from grey fleet vehicles count for a small part of total emissions. Pre Covid19 the annual cost for vehicle mileage claims was around £2 million.
- Own Fleet (around 90 vehicles, both small and large specialised vehicles such as accessible buses). These are vehicles either owned or leased directly by the Council for use by various services e.g. Adult Social Care, Children's Services, and Communities, Economy & Transport. They represent less than 1% of total scope 1,2 and 3 emissions.

61. Two separate reports have been commissioned from the Energy Saving Trust on the options and ideas for reducing emissions from these two groups of vehicles. The Council usually leases vehicles rather than outright purchasing them. It would be possible to convert the smaller vehicles to Electric Vehicles (EVs) as this can be done with off the shelf models that are available now. The market for low emission alternatives for the larger vehicles such as Heavy Goods Vehicles (HGV's) and buses is less developed. The lease cost of larger custom-built vehicles is much higher and low emission versions can be as much as double the capital cost.

62. Depending on the outcome of the Energy Saving Trust reports, the Board considers it would be appropriate to convert all the smaller Own Fleet vehicles to EVs as soon as the current leases expire, prioritising any that use diesel fuel. The main challenge is finding low emission alternatives for larger vehicles and HGV's. This is likely to be where it would be best to use emerging hydrogen technology (see below). In the short-term action could be taken to replace small vehicles with EV's and look to replace or experiment with hydrogen powered larger vehicles when the technology is better developed.

63. Grey Fleet vehicles, which includes around 90 vehicles that are leased by staff under the current car lease scheme, are used for staff business travel. Members of staff pay the lease cost and can choose any type of vehicle they wish (subject to replacement costs). It may be desirable to review the scheme to encourage the selection of low emission or zero emission vehicles, especially as most mileage will be within the County.

64. In addition to its fleet vehicles, the Council could request the use of EVs and low emission vehicles in the Highways Maintenance Contract and other large contracts (e.g. Home to School Transport), although the Council would need to understand the potential effects on service delivery and costs.

Recommendation 11

a) Smaller own fleet vehicles should be replaced by EV's in the short term when the leases expire.

b) Review the car lease scheme to encourage staff to select low emission or zero emission vehicles.

c) The Council considers specifying the early use of low emission vehicles in the procurement of major contracts (e.g. the Highways maintenance contract), where feasible.

Alternative Technologies for Vehicles - Hydrogen

65. The use of hydrogen is the main direction for replacing the use of diesel for large vehicles such as buses and trucks. This is in part due to its energy density and the advantages it has in the time it takes to refuel vehicles that may be making longer journeys. There are two ways hydrogen can be used: direct combustion and producing electricity in fuel cells. It is commercially available now and there are a few examples locally (e.g. Brighton & Hove buses have 20 hydrogen powered buses). There are safety issues with using hydrogen, but these can be managed. The cost of hydrogen fuel cell powered trucks is more expensive compared with diesel (and electric). The solution is already there but the market needs to develop further in terms of costs and refuelling infrastructure.

66. Hydrogen vehicle technology for larger vehicles is becoming commercially available now and could be used as part of a phased replacement of the Council's Own Fleet vehicles. The development of the hydrogen powered vehicles market and the availability of 'green' hydrogen fuel should be monitored so the Council can judge the best time to convert the larger vehicles through the use of hydrogen technology.

Recommendation 12

The Council should keep the market for larger hydrogen powered vehicles under review, with a view to undertaking early pilot schemes and eventually phasing out the diesel-powered larger vehicles in its fleet in line with Government policy.

Carbon Off-Setting and Renewables**Carbon Off-Setting**

67. The Review Board heard evidence that the use of carbon off-setting should be the very last option used, once all other carbon emission reduction measures have been taken. However, it is clear from the ESCC Climate Emergency Plan that there is a very strong likelihood that there will be a gap between all the measures the Council can take to reduce carbon emissions (taking into account the de-carbonisation of electricity grid) and the target the Council needs to reach to become carbon neutral. Therefore, some carbon off-setting measures will be needed for the Council to become carbon neutral.

68. The exact amount of carbon off-setting that will be required is difficult to calculate due to changing technology and other factors such as changes in policy. However, there will be a need for investment in some carbon off-setting. There are a number of options that the Council can take which include:

- tree planting and new woodland creation in suitable locations;
- the creation and management of other natural habitats by investing in natural capital; and
- the development of large-scale renewable energy generation schemes (e.g. solar farms or on-shore wind farms).

Tree Planting and Woodland Creation

69. The Forestry Commission has developed the Woodland Carbon Code and the science behind it to assess the carbon sequestration of different types of woodland (e.g. 1 hectare of mixed broadleaved woodland can absorb 310 tCO₂e after 30 years). This is well established way of off-setting carbon emissions and one of the cheapest ways of capturing carbon at around £10 per tonne CO₂e. The impact on carbon can be negative depending on how the resulting timber is used. The main issues with this technique are land acquisition for tree planting and the ongoing maintenance costs of the woodland.

70. When considering tree planting it is important to consider the multiple benefits of having woodlands and trees and how they function in the landscape. As well as delivering wood products such as wood for carbon lean building materials and fuel, woodlands and trees can be used to alleviate flooding, improve water quality, alleviate air pollution, provide green infrastructure in urban areas and links to the wider countryside. They are also seen as important for experiencing nature, recreation and wellbeing.

71. The Review Board heard there are opportunities for new woodlands in the Low Weald where the land is challenging to farm, and in areas of the High Weald that were cleared for farming some 20-30 years ago which may also join up areas of existing woodland.

72. The National Tree Strategy, which the Government has been consulting on, could mean 10,000 hectares of new woodland per year are planted in England and this could equate to around 200 hectares (roughly 500 acres) per year in East Sussex. It is estimated based on planting broadleaved woodland, which captures about 310 tonnes of CO₂ after 30 years, ESCC would have to plant and maintain about 545 hectares between now and 2050 to off-set all the estimated 169,000 tonnes of unavoidable CO₂ emissions that ESCC may not be able to cut over that period.

73. There are existing grant schemes such as the Woodland Carbon Guarantee Scheme which provides landowners with a guaranteed indication of what they will earn in grant dependent upon the amount of carbon the woodland saves. Work is also underway to review grants and regulations for new woodland creation, and the grants for planting new woodland will be attractive as part of the national targets for woodland creation.

Natural Habitats

74. As well as woodland there are four or five habitats that are important for carbon storage. Nationally peatland is an important habitat, but there is very little of this type of habitat in Sussex. The habitats that are present in addition to woodland are:

- Grassland/Downland.
- Heathland,
- Hedgerows
- Wetland; and
- Coastal

75. The soil is an important carbon store and is mainly where the carbon is stored in all of the terrestrial habits. In woodlands carbon is also stored in the trunks and branches of the trees, as well as the leaf litter on the woodland floor. Many of these habitats and plant communities have been there for a long time and longevity is important. Disturbing soil releases carbon into the atmosphere. So the more undisturbed the soil, the more carbon will remain locked into it.

76. Although the science base is not available yet, other habitats should be considered as part of a long-term carbon off-setting plan. There are many opportunities to build carbon storage into projects such a flood management and sediment capture. Improvement in the management of habitats, as with parks and open spaces, has multiple benefits for wildlife and people.

77. The Board heard that the Nature Recovery Network is a new national Government policy initiative. The idea is to create a network of habitats on the ground which will lead to an overall increase in nature across England. Where habitats will be created will be guided by a local map of habitats identifying where and how habitats can be created to provide benefits for people and wildlife. The Environment Bill will identify 'responsible authorities' to develop a Nature Recovery Strategy for their area.

78. The Sussex Local Nature Partnership has developed a Natural Capital Investment Strategy which has a series of maps to show where investment is needed in habitats in Sussex. The Council (and its partners) could use the Strategy to target investment in habitats as part of a carbon off-setting plan. This is a shared theme contained in the East Sussex Environment Strategy.

79. The Review Board noted that the loss of natural habitats and the impact on carbon is not factored into planning considerations at present, which will be important to councils as they strive to become carbon neutral.

Recommendation 13

The Council keeps opportunities for investing in natural habitats under review for inclusion in a carbon off-setting plan at the appropriate time when the science has been developed.

Renewable Energy Generation

80. The Board considers there is a case for the Council to invest in renewable energy generation. This will enable the Council to use renewable energy generation to off-set emissions and secure a number of other benefits. It may provide the opportunity to generate income by selling renewable electricity locally, support other local carbon reduction objectives and in the process contribute to the de-carbonisation of the electricity supply. Although onshore wind farms are the cheapest way of generating renewable energy there are a number of planning constraints which may prevent their development in East Sussex where there are large areas of protected landscapes (e.g. South Downs National Park and High Weald AONB).

81. The Review Board supports the principle of investment in renewables and in particular the Council should look for opportunities to invest in solar farms for electricity generation as part of the Council's suite of measures to offset carbon emissions.

Summary

82. The Review Board has examined the options for off-setting carbon emissions and believes that the Council should develop a carbon off-setting plan that includes a mix of all three techniques. Although new woodland creation is the most established of the carbon sequestration techniques, the Board considers investment in other natural habitats should be given equal weight. This reflects the fact that it might not be the right approach to add to tree cover significantly in the protected landscapes in East Sussex such as the South Downs National Park and the High Weald Area of Outstanding Natural Beauty (where the historic nature of the landscape is also important) by balancing tree planting with the use of other natural habitats.

83. Both tree planting/woodland creation and investment in natural habitats can deliver a range of other benefits (e.g. flood alleviation, improvement in air quality, protection and enhancement of biodiversity, and areas that can be used for recreation and the promotion of well-being). It will be important to take into account the views of stakeholders on tree planting and the other measures when developing the carbon off-setting plan.

Recommendation 14

a) The Council develops a carbon off-setting plan which includes investment in woodland creation, natural habitats and renewable energy generation.

b) The Property Asset Disposal and Investment Strategy is reviewed to identify land availability and opportunities for carbon off-setting habitats and investment in the development of solar farms.

Communications and Leadership

84. The climate emergency and climate change are a difficult area for communications as there are a vast range of opinions about it, from unbelievers through to campaigners. The ways in which people react to this issue can be very different. Expert advice from the Council's Communications Team suggests that it is probably best to adopt an approach that takes small steps which provides tailored messages for the various groups of people. There is a huge potential to involve staff and partners, who can also act as advocates.

85. The Council is the lead authority for many issues within East Sussex and is able to use its convening power to bring groups and organisations together on this issue. There are many examples of previous work where this has taken place in the past. All the Borough and District Council's in East Sussex have declared a climate emergency and are developing or implementing action plans. There is, in the Board's view, an important role for ESCC to co-ordinate action on some aspects of climate change work, particularly in areas such as transport where the Council has a key role. One option may be to produce a common set of tools and resources that can be used by all partners. In this respect ESCC does have a leadership role on this issue.

86. There is also a leadership role for ESCC as a fair and neutral arbiter in the provision of information on the action needed to tackle climate change. The public need information they can trust and understand, which is educative and informative. The message needs to be that yes there is a challenge, yes there is something we can do and here are the solutions. It is also important that the Council leads by example.

Recommendation 15

a) The Council develops an interactive communication/information platform, which includes details on what the Council itself is doing on climate change and to discuss opportunities where residents may take an active role in lowering community carbon emissions.

b) The Council uses its convening power to co-ordinate the actions it is taking on climate change with its partners, and in particular with the District and Borough Councils in East Sussex.

Other Issues

87. During the course of examining evidence for the review a number of other issues outside of the scope of the review came to light. The Review Board wishes to address some of them here as they link to topics discussed by the Review Board.

Corporate Systems

88. The Board considers that some changes may be needed to corporate systems in order to take into account the carbon impact of the provision of services. Business cases have ordinarily focussed on cost and benefits to the Council and a way needs to be found to incorporate the impact on carbon emissions in project and procurement decisions (e.g. what may be the most cost effective option, may not have the smallest carbon footprint). Similarly, it would be helpful for reports to include reference to the carbon impact of the proposal or decision where relevant when being presented to Lead Members, Cabinet and Full Council.

Recommendation 16

a) Business case evaluation and procurement decisions should include an assessment of the carbon impact of the proposal.

b) Reports that go to the Executive and Council should include an assessment or statement of the carbon emissions impact of the proposals/decision in the report where relevant and material.

Planning

89. During discussion of a recent planning application for a new school building at Planning Committee, the Committee was advised that it was not possible to add a planning condition that the building be carbon neutral or have measures to improve the carbon performance of the building due to the current planning framework. The Review Board considers that strategic new school projects should be carbon neutral going forward given the anticipated life of these buildings and their inclusion in the Council's carbon footprint.

90. The Board understands that it is not clear what will be included in the new National Planning Policy Framework on this issue. Building regulations could represent a real constraint on what might be possible in the future. The Review Board considers that the Council should lobby Government on this issue so that the carbon footprint or performance of new buildings can be taken into consideration in determining Planning applications.

Recommendation 17

The Council lobbies Government at a national level via ADEPT and the South East 7 partnership, to amend the planning system and building regulations so that the carbon performance of new buildings, including school buildings, can be taken into account in planning decisions.

Protecting Trees

91. The Board heard evidence that managing existing woodland sustainably is as important for climate benefits as planting new woodlands. Linked to this the Review Board considers that policies to protect trees and woodlands and replace lost trees such as those lost due to tree diseases (e.g. Ash dieback and Dutch Elm Disease), is also important. Wherever possible trees should be replaced in situ, but other tree species (e.g. smaller ones) and alternative locations should be considered where there are safety concerns. The Forestry Commission also provides master classes for Planning teams on how to design developments to fit in within existing woodland to avoid the loss of trees, especially ancient woodland.

Recommendation 18

- a) ESCC build on the existing Dutch Elm Disease Strategy to develop a Strategic Tree Policy and action plan to manage Ash Dieback, Dutch Elm Disease and other tree diseases/pests which includes a programme to replace lost trees where possible (subject to safety issues) to mitigate the impact on carbon absorption.**
- b) Both County and District/Borough Planning teams should be encouraged to attend the master class training provided by the Forestry Commission on the retention and protection of woodlands and trees.**

Conclusions

92. The Review Board recognises that the scope of this review focuses on the Council's own carbon emissions and to tackle climate change there are many other areas where the Council can use its influence to bring about change to reduce carbon emissions. However, it considered that it was important for the Council to start here before addressing wider issues.

93. The Council's Climate Emergency Plan represents an important starting point in the Council's work to become carbon neutral. This review makes a number of recommendations in support of the actions contained in the Plan, and the Place Scrutiny Committee will remain involved in this area of work as the action plan progresses (e.g. through an annual review of the action plan at Committee).

Appendix:

Scope and terms of reference of the review

The Review was established to consider and make recommendations on the actions that are needed to reduce greenhouse gas emissions and achieve carbon neutrality for all the Council's activities. The scope includes the following topics:

- Corporate Estate building energy use;
- Local authority-maintained schools energy use (as they make up over half of scope 2 emissions from electricity);
- Communications and leadership, including co-ordination of the work of the East Sussex local authorities on the Climate Emergency;
- Street lighting reduction in energy use;
- Staff commuting, staff business travel, electric charging points at council offices and own transport fleet vehicles;
- Use of emerging and alternative technologies, which can be applied throughout the review; and
- Use and scope for using renewables (solar, wind, etc.) and off-setting.

Board Membership and project support

Review Board Members: Councillors Martin Clarke (Chair), John Barnes, Bob Bowdler, Pat Rodohan and Stephen Shing.

The Project Manager was Martin Jenks, Senior democratic Services Officer with additional support provided by Simon Bailey, Democratic Services Officer.

Andy Arnold, Environment Team Manager and Jannette Ackroyd, Climate Change Officer provided ongoing support to the Board throughout the review.

Review Board meeting dates

Scoping meeting: 04 November 2019

Review Board meetings:

24 February 2020

14 September 2020

28 September 2020

7 October 2020

15 October 2020

4 November 2020

10 November 2020

Witnesses providing evidence

The Board would like to thank all the witnesses who provided evidence in person:

ESCC officers

Andy Arnold, Environment Team Manager

Jannette Ackroyd, Climate Change Officer

Dion D'Silva, Principal Energy Efficiency Officer
 Graham Glenn, Acquisitions and Disposals Manager, Property Services
 Sarah Mainwaring, Head of Human Resources & Organisational Development
 Brian Banks, Team Manager Road Safety
 Brian Bottomley, Senior Transport Officer
 Mathew Jasper, Team Manager Asset Management
 Warwick Smith, Head of Communications and Marketing

External expert witnesses

Matthew Woodcock, Partnership & Enterprise Manager SE, Forestry Commission
 Julie Middleton, Sussex Wildlife Trust
 Dr Marco Picco, Innovation Lead for Clean Growth UK, University of Brighton

East Sussex County Council Officers who submitted written evidence:

Paul Hasley, Orbis Energy Manager
 Louise Carter, Assistant Director (Communication, Planning and Performance), Children's Services
 Helen Bowman, Project Manager Funding and Partnerships, Children's Services
 Nick Early, Human Resources Consultant

Evidence papers

Item	Date considered
The Potential for Energy Efficiency and Renewable Energy. Local Government Association. January 2016.	14 September 2020
Energising Procurement. Local Government Association. Sept 2017.	14 September 2020
Energy Saving Guide: A guide to good energy housekeeping for schools in East Sussex. Orbis Energy Team.	14 September 2020
Clean, connected and in control – what tomorrow's transport technology could mean for councils. Local Government Association. May 2018	28 September 2020
Councils in Charge – making the case for electric charging investment. Local Government Association. Aug 2019.	28 September 2020
Steinbach et al (2015) 'The Effect of Reduced Street Lighting on Road Casualties and Crime in England and Wales: A Controlled Interrupted Time Series Analysis', <i>Journal of Epidemiology & Community Health</i> , 2015:1-7.	28 September 2020
Green et al (2015) Reduced street lighting at night and health: A rapid appraisal of public views in England and Wales.	28 September 2020
Road Safety Information: Street Lighting and Road Safety. ROPSA. March 2020.	28 September 2020
ESCC Street Lighting Policy PS 10/1. October 2017	28 September 2020

Responding to the Climate Emergency with New Trees and Woodlands: A guide to help local authorities and landowning businesses achieve net zero. Forestry Commission. 2020.	7 October 2020
West Sussex County Council (WSCC) – Draft Tree Plan. September 2020.	7 October 2020
Land use: Policies for a Net Zero UK. Committee on Climate Change. January 2020.	7 October 2020
Cleaning Up Transport - Driving Change: How Hydrogen Can Fuel A Transport Revolution. Centre for Policy Studies. 2020.	15 October 2020
Climate Action Plan for Councils – Friends of the Earth.	15 October 2020
Top Climate Actions for Councils. Ashden / Friends of the Earth.	15 October 2020
Clean Growth Policy Position. ADEPT. June 2020.	2 November 2020

Contact officer: Martin Jenks, Senior Democratic Services Officer Telephone: 01273 481327
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Report to: Cabinet

Date of meeting: 26 January 2021

By: Director of Communities, Economy and Transport, and Chief Operating Officer

Title: Scrutiny Review of Becoming a Carbon Neutral Council

Purpose: To provide Cabinet with the opportunity to comment on the response of the Director of Communities, Economy and Transport and the Chief Operating Officer to the recommendations of the Scrutiny Review.

RECOMMENDATIONS:

Cabinet is recommended to:

- (1) note and welcome the report of the Place Scrutiny Committee;**
 - (2) advise the County Council that, in considering the report of the Scrutiny Committee, the Council be recommended to welcome the report and to agree the response of the Director of Communities, Economy and Transport and the Chief Operating Officer to the recommendations and their implementation as set out in the action plan attached as appendix 1 to this report; and**
 - (3) agree to moving the annual report to full Council on progress in delivering the climate emergency plan from May to October each year.**
-

1. Background

1.1 In October 2019 the County Council declared a climate change emergency and committed to reporting annually at the May County Council meeting on its progress in addressing the emergency. The Place Scrutiny Committee at the meeting on 20 November 2019 agreed to establish a Review Board to undertake a Scrutiny Review of Becoming a Carbon Neutral Council. The scope of the review covered the actions the Council needs to take in order to become carbon neutral and examined the Council's Climate Emergency Plan, which was agreed in June 2020.

2. Supporting information

2.1 The Scrutiny Review of Becoming a Carbon Neutral Council is welcomed, in particular the opportunity to review the climate emergency plan that was agreed earlier in 2020. The response to the Review Board's recommendations is set out in the action plan attached at appendix 1.

2.2 An annual greenhouse gas report is produced each year by the Council's Energy Team in Orbis and put on the corporate website. The process of collating energy data, cleansing it, analysing it and ensuring it is robust is time-consuming, as the data are from multiple Council teams, utility suppliers and third parties, and there is a significant volume of data. The process begins from April, once the final bills for the previous financial year have been received, and data analysis starts in May, once all outstanding bill queries have been addressed with sites and suppliers.

2.3 To ensure Members have the most up to date energy data from the preceding financial year the paper proposes changing the date of the annual report to the County Council from May to October. This change will provide members with the most up to date and useful picture of progress.

3. Conclusion and reasons for recommendations

3.1 It is recommended that Cabinet agrees:

- 1) the response to the Scrutiny recommendations detailed in appendix 1.
- 2) to moving the annual update report on the climate emergency plan from May to October.

RUPERT CLUBB

Director of Communities, Economy and Transport

Contact Officer: Andy Arnold.

Telephone Number: 01273 481606

PLACE SCRUTINY COMMITTEE - SCRUTINY REVIEW OF BECOMING A CARBON NEUTRAL COUNCIL – ACTION PLAN

	SCRUTINY RECOMMENDATION	DIRECTOR'S RESPONSE AND ACTION PLAN	TIMESCALE
	<i>Building Energy Use</i>		
1	Priority consideration should be given to the implementation of low carbon heating systems, e.g. the use of ground source and air source heat pumps, in all newly commissioned buildings and when renewing systems in existing buildings. The most energy efficient type of heat pump currently available should be used where possible (e.g. ground source, then air source heat pumps).	Agreed. The updated Capital Strategy, to be presented as part of the RPPR reports to Cabinet and Full Council in early 2021, will reflect that Environmental, Social and Governance (ESG) considerations are becoming more relevant in capital investment decisions. ESG requirements will need to be supported within project business cases to be included in the Capital Programme. To ensure that the costs and benefits of any potential project is balanced with the ESG implications of carbon reduction initiatives, the following will be considered: • Energy efficiency measures at the start of any capital project and included in the whole project costs when establishing a business case. • Where possible, ESG schemes to be integrated within existing funded programmes, e.g. boiler replacement programme with low carbon replacements as part of the capital building maintenance programme. • The specific technology to be deployed (eg heat pumps etc) will be dependent on a range of factors including the age, type of building and its levels of insulation/heat retention. • A whole building approach to include whole life costings which will range from shorter to longer term pay back periods. It may be possible to use short term savings to subsidise longer term improvements. This will include building fabric improvements. Scheme Specific Funding, such as external grants and Section 106/CIL contributions to be considered and actively sought to fund projects. This will include lobbying of government departments, where appropriate, to provide funding for low carbon measures, such as the Department of Education when funding new schools and major improvements.	From April 2021
2	The Council should keep the use of hydrogen gas heating technology under review and ensure all	Agreed. The Scrutiny Review panel heard that, as of December 2020, it is not possible to source "Hydrogen Ready" boilers. The government is due to publish a heat decarbonisation plan in the near future, which may help ESCC to plan for a transition to	On-going

	new or replacement boilers are capable of being 'hydrogen ready'.	hydrogen boilers. In the meantime, ESCC will continue to monitor the commercial availability of hydrogen ready boilers and associated costs.	
3	a) The Council consider through the RPPR process opportunities for capital funding within the core capital programme to carry out carbon reduction projects in its corporate buildings, notably building fabric improvements, and lobbies Government for additional funding in this area.	Agreed. Please see the response to 1.	From April 2021
3	b) In developing energy efficiency projects, the Council should take a whole building approach, which is based on whole life costings.	Agreed. Please see the response to 1.	From April 2021
3	c) The Council should explore installing solar panels on its buildings and energy storage where this is possible. In particular, the Council should explore the feasibility of installing solar panel canopies over the car parks at County Hall and use the resultant energy in the building and to power Electric Vehicle/electric bike charge points in the car parks	Agreed. The Council has identified 12 priority corporate sites on which there may be a business case for installing solar PV. It submitted a bid in November to the national £1bn decarbonisation fund to contribute to the cost of installing solar PV plus battery storage on 6 of these sites, which were those that met the funding criteria. A decision on funding is due in December. We will explore the feasibility of Solar panel canopies in the car parks at County Hall, and other measures, as part of the County Council's approach to workstyles and its approach to its office accommodation strategy and the use of buildings to support the Council's operations.	On-going
4	a) The Council, in conjunction with maintained schools, publishes comparative data on energy efficiency (e.g. league tables and energy performance), sets a carbon reduction target and encourages engagement with pupils in learning projects and activities to reduce carbon emissions.	Noted. The Council holds the relevant energy data, however the energy performance of schools varies for a number of reasons, which means that it would not be possible to compare schools on a like-for-like basis. It would also be complex and costly to try to set school-specific carbon reduction targets, therefore it's recommended that schools should be encouraged to aim for a 13% per year carbon reduction target, in line with the Council's overall target and the target for the county. There's long been engagement with schools on energy reduction, for instance through the promotion of the national Salix funding that's managed by the energy team and workshops with schools to encourage energy efficiency.	On-going
4	b) The Council consider through the RPPR process providing capital funding for a pilot project to	Agreed. In November the Council submitted a bid to the national £1bn decarbonisation fund to pay for a feasibility study into replacing the oil-fired boilers at Ninfield Primary	February 2021

	install heat pump technology in one of the County's maintained schools as a best practice case study.	school with heat pumps, solar PV and battery storage. The bid has been approved and the work has been commissioned. The feasibility study is due to be completed by mid-January, with the intention of submitting of bid to fund the capital costs of installing heat pumps through the final round of the national decarbonisation fund, should there be any funding remaining. This will act as a pilot site for ESCC.	
5	The Council lobbies the Department for Education to provide sufficient funding for new schools to be built to a carbon neutral standard and provide funding for major improvements to retrofit energy efficiency and carbon reduction measures to all school buildings.	Agreed. Please see the response to 1.	From April 2021
6	The Council reviews the payback periods used for major building refurbishment projects and adjusts the provision of capital funding for carbon reduction projects to enable more work in this area to be carried out based on whole life costings.	Agreed. Please see the response to 1.	From April 2021
<i>Street Lighting Energy Use</i>			
7	The Council: a) Explore the scope for further energy savings by reducing the amount of time street lights are on through ongoing maintenance and replacement programmes.	Agreed. The Council has just started an 18 month programme to replace the remaining 16,000 sodium lamps with very low energy LED lamps. This will reduce our carbon emissions by a further 600 tonnes per year. We will continue to explore further reductions through part night lighting and we will work with communities to apply this where appropriate, though this needs to be balanced with public safety.	On-going
	b) Explore the use of alternative technologies such as solar and wind turbines for less essential lit signs and other street furniture.	Noted. We have installed a number of solar powered signs in the past but they have not proved to be reliable. However, as the technology and reliability improves so we will continue to explore the use of these technologies for use across our lit network.	On-going
	c) Keep the use of intelligent lighting systems for street lighting under review and install intelligent lighting in the car parks and campus at the County Hall campus as an example of best practice	1) Agreed. A review of intelligent street lighting systems was undertaken by a consultant in summer 2020 and concluded that they would not provide carbon savings or a financial return. Savings were better achieved by programming the new lighting units to switch off at night as they are installed and where this is approved. As intelligent lighting technology matures so the costs are likely to decrease and, with a change in lighting policy to enable	2022-23

		greater roll out, the approach may provide carbon savings in future. Consequently, the use of intelligent lighting systems will be reviewed again in financial year 2022-23. 2) Completed. In 2016 the County Hall campus lighting was upgraded. The lamps have in-built daylight sensors and the main car park lights have lamps that are programmed to dim overnight between midnight and 5am. A data logger was used in November 2020 to confirm that dimming is taking place, which brings a saving of about 45%.	
<i>Staff Travel & Commuting (including councillors) and Fleet Vehicles</i>			
8	a) The Council explore more varied patterns of working to determine what is the best level of remote working from a staff perspective and for the Council to meet its business needs and reduce carbon emissions.	Agreed. The County Council is considering a range of proposals, working with departments to understand their business needs in terms of how they use workspaces in the future. This is incorporated into the review of workstyles and future working requirements in conjunction with the consideration of the future accommodation needs. This is likely to include proposals to facilitate new ways of working that support cultural change, including adopting more flexible working patterns, reducing the need for business travel and exploiting the use of new technology to maximise remote working in all its forms.	May 2021.
8	b) Work is undertaken to support cultural change to embed changes in working practices that reduce the need to travel, or encourages less travel, such as the use of technology to hold meetings remotely and provide training using remote meeting technology.	Agreed. Please see the response to 8 a).	May 2021
8	c) The Council explores the provision of more capacity for drop-in centres / hot desking and collaboration space in regional offices so staff do not always need to travel into the main office buildings, including County Hall, as part of the future workplace planning arrangements.	Agreed. The Council's office hubs have hot-desking and drop-in centres. Staff have been more mobile with enhanced laptops allowing significantly more flexible. Many services have adapted their work styles and work patterns during 2020 and this will be reflected overall in lower office usage. The SPACES Board is working up opportunities for greater use of local public authority assets for increased hot-desking and collaboration space. SPACES has a focused workgroup setting out targets for this to reduce travelling time.	2021
8	d) The Council investigate the introduction of hybrid committee meetings where councillors can either attend remotely or in person.	Agreed. Current national regulations that allow councillors to attend formal meetings remotely will expire in May 2021. The Council recently agreed a motion calling on Government to change the rules to allow local authorities the flexibility to choose whether to hold virtual and/or physical meetings. The Council would be able to consider and respond to any permanent new provision for remote attendance if it is introduced. We are	May 2021

		currently exploring the technology and processes that would be required to hold hybrid meetings in the event that this is required under temporary Covid arrangements, or more generally, and we already have the technology and procedures in place to hold fully remote meetings.	
9	a) The Staff Travel Plan is revised to encourage, and where appropriate consideration is given to the potential for incentivising, the use of other travel modes (e.g. walking, cycling and public transport) and the uptake of Electric Vehicles to reduce carbon emissions	Agreed. An officer working group has already been established with the task of updating the Staff Travel Plan to ensure it is fit for purpose. Considerations around incentivising travel modes other than by private car and the use of electric vehicles will be a key part of this work. Recommendations will be considered in Q4 of 2020-21.	Q4 2020-21
9	b) The Council considers lobbying the Department for Transport to make changes to season tickets for train and bus travel so they can be used flexibly by staff commuting to work.	Noted. The Council hosts Transport for the South East, which is supporting the Rail Delivery Group in a bid for funding from the Department for Transport to develop a business case for a national rail back office Pay-as-You-Go ticketing system. Whilst this does not currently include buses there is a strong appetite from the Sub national Transport Boards for it to do so. Working through TfSE is likely to be more effective than ESCC lobbying in isolation.	On-going
10	Electric Vehicle (EV) charging points are installed at the main office buildings, or at least County Hall, with a plan agreed by the end of March 2021.	Agreed. The Council does not currently provide any charge points for electric vehicles. However, we recognise that there is a growing level of demand for EVs and that the greater provision of charging points is key to increasing the uptake of EVs. We are currently developing a strategic approach, including looking at how we might procure the installation of public charging points in a way that addresses the complex range of technical, legal, procurement and practical issues in the most effective manner. This includes looking at the installation of charging points at ESCC corporate hubs (eg. County Hall).	June 2021
11	a) Smaller own fleet vehicles should be replaced by EVs in the short term when the leases expire.	Noted. Officers will review with budget holders the replacement of ESCC own smaller fleet vehicles with EVs in the short term when leases expire. The replacement will be dependent on the financial impact to the budget holder and whether the replacement EV vehicles meet the needs of the service.	On-going
11	b) Review the car lease scheme to encourage staff to select low emission or zero emission vehicles.	Agreed. Officers will review the car lease scheme to encourage staff to select low emission or zero emission vehicles.	From June 2021

11	c) The Council considers specifying the early use of low emission vehicles in the procurement of major contracts (e.g. the Highways maintenance contract), where feasible.	Agreed. As outlined in the East Sussex Climate Emergency Plan, we will consider specifying the early use of low emission vehicles in the new procurement of all major transport contracts (those over £1m spend per annum) where feasible. Assessments will be made on service delivery and cost balanced with benefit.	From April 2021 onwards
12	The Council should keep the market for larger hydrogen powered vehicles under review, with a view to undertaking early pilot schemes and eventually phasing out the diesel-powered larger vehicles in its fleet in line with Government policy.	Agreed. Officers will keep the market for larger hydrogen powered vehicles under review, with a view to undertaking early pilot schemes. Council officers are part of a Sussex-wide network of organisations looking at hydrogen for heating and transport, including Southern Gas Networks, Brighton & Hove Buses and a range of local authorities.	On-going
<i>Carbon Off-Setting and Renewables</i>			
13	The Council keeps opportunities for investing in natural habitats under review for inclusion in a carbon off-setting plan at the appropriate time when the science has been developed.	Agreed. The Council hosts the Sussex Local Nature Partnership, which has developed a Natural Capital Investment Strategy, which identifies carbon storage and sequestration as a key area for natural capital investment. The LNP has secured funding from Natural England to map where in Rother, Wealden and Eastbourne carbon sequestration could take place, for instance through habitat management and/or tree planting. This can then be used as a toolkit by Local Planning Authorities and other stakeholders.	From 2021
14	a) The Council develops a carbon off-setting plan which includes investment in woodland creation, natural habitats and renewable energy generation.	Agreed. ESCC is developing a central database of all Council land holdings which will enable a more systematic review of sites to determine whether they might be viable for investment in off-setting, though ESCC is not a large landowner. A set of criteria will need to be developed to sieve sites in line with Council priorities.	From 2021
14	b) The Property Asset Disposal and Investment Strategy is reviewed to identify land availability and opportunities for carbon off-setting habitats and investment in the development of solar farms.	Agreed. In addition to the response to 14 a), the Council's asset management plan 2020-2025 will consider land sites availability and suitability for solar farms. A business case will need to be formulated to understand the capital investment and ongoing management/expenditure requirements.	From 2021
<i>Communications and Leadership</i>			
15	a) The Council develops an interactive communication/information platform, which includes details on what the Council itself is doing on climate change and to discuss opportunities	Noted. The Council's climate emergency plan includes an action to develop a communications plan. This will be developed during Q4 of 2020-21.	Q4 2020-21

	where residents may take an active role in lowering community carbon emissions.		
15	b) The Council uses its convening power to co-ordinate the actions it is taking on climate change with its partners, and in particular with the District and Borough Councils in East Sussex.	Agreed. The Council hosts the East Sussex Environment Board, which is one of the sub boards to Team East Sussex and lead on delivering the East Sussex Environment Strategy. The Strategy sets out key actions on climate change, including developing a road map to reduce emission from East Sussex at the same rate as for the Council. Council officers have been meeting regularly with District and Borough officers to develop a county-wide action plan.	On-going
	Other Issues		
16	Corporate systems a) Business case evaluation and procurement decisions should include an assessment of the carbon impact of the proposal.	Noted. For business case evaluations and procurement tender decisions, an assessment of carbon impact will be integrated into the cost benefit decision making process. For Procurement decisions the focus will be on prioritising suppliers to give the greatest benefit – including transport and construction contracts above £1m p.a. in value. Enabling the supply chain to deliver additional benefits – such as utilising social value benefits to deliver eco driver training for transport providers	From April 2021
16	b) Reports that go to the Executive and Council should include an assessment or statement of the carbon emissions impact of the proposals/decision in the report where relevant and material.	Noted. The recommendation recognises the need to have regard to the Council's priority outcome 'making the best use of resources in the short and long term' in our decision making. Prior to implementation of this recommendation, work will be undertaken by officers to consider whether and how potential carbon emission impacts of decisions could be assessed, and to enable Directors to decide in what circumstances this should be reflected in their reports to the Executive and Council. The outcome of this work will inform updated corporate report writing guidance to provide appropriate advice to report authors. Progress will be reported to scrutiny through the monitoring reports in relation to this review.	From April 2021
17	Planning The Council lobbies Government at a national level via ADEPT and the South East 7 partnership, to amend the planning system and building regulations so that the carbon performance of new	Noted. The Building Regulations are a separate regulatory framework to the planning system. The planning system allows local planning authorities to require energy efficiency standards that exceeds the minimum requirements of the Building Regulations where there are Local Plan policies in place to do so. Both the planning system and Buildings regulations are being reviewed by government. In the meantime, the Council works with networks such as ADEPT to lobby government for change.	On-going

	buildings, including school buildings, can be taken into account in planning decisions.		
18	Protecting trees a) ESCC build on the existing Dutch Elm Disease Strategy to develop a Strategic Tree Policy and action plan to manage Ash Dieback, Dutch Elm Disease and other tree diseases/pests which includes a programme to replace lost trees where possible (subject to safety issues) to mitigate the impact on carbon absorption.	Agreed. Please see the response to 13 and 14.	From 2021
18	b) Both County and District/Borough Planning teams should be encouraged to attend the master class training provided by the Forestry Commission on the retention and protection of woodlands and trees.	Agreed. This will be raised through the East Sussex Planning Liaison Group (attended by Heads of Planning), the Local Plan Managers Group and the development Management Forum, thereby helping to ensure the buy-in for officers to attend this training.	

Report to: **Cabinet**

Date: **26 January 2021**

By: **Interim Chief Operating Officer**

Title of report: **Treasury Management Policy and Strategy 2021/22**

Purpose of report: **This report proposes the Treasury Management Policy and Strategy for 2021/22. The Council is also required to set Prudential Indicators as set out in the Prudential Code which are included in this strategy for approval.**

RECOMMENDATIONS

Cabinet is recommended to recommend Council to:

- 1) approve the Treasury Management Policy and Strategy Statement for 2021/22;**
- 2) approve the Annual Investment Strategy for 2021/22;**
- 3) approve the Prudential and Treasury Indicators 2021/22 to 2023/24;**
- 4) approve the Minimum Revenue Provision (MRP) Policy Statement 2021/22 at Appendix A (Section 3).**

1. Background

1.1 A requirement under the Chartered Institute for Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in the Public Services is to prepare a Treasury Management Policy and Strategy setting out the Council's policies for managing investments and borrowing.

1.2 The Local Government Act 2003 and supporting regulations requires the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

1.3 The Treasury Management Policy and Strategy Statement (TMSS) for 2021/22 is presented in **Appendix 'A'** to this report. The strategy includes the Treasury Management Policy Statement, the Treasury Management Strategy Statement, the Annual Investment Strategy, Prudential and Treasury Indicators for the next three years and the annual Minimum Revenue Provision Policy Statement.

1.4 The 2021/22 TMSS has been prepared within the context the financial challenge being faced by the County Council over the Medium Term Financial Plan (MTFP). The 2021/22 TMSS seeks to complement the Council's Core Offer by:

- utilising long term cash balances as effectively as possible by investing in longer term instruments and/or using to fund borrowing to reduce borrowing costs;
- ensuring the investment portfolio is working hard to maximise income by further use of alternative appropriate investment opportunities during 2021/22;
- ensuring effective management of the borrowing portfolio by exploring rescheduling opportunities and identifying and exploiting the most cost effective ways of funding the Council's borrowing requirement.

Investment Strategy

1.5 The 2021/22 Investment Strategy has been set in the context of diminishing returns and opportunities in the current economic environment. The average rate of return for 2019/20 was 1.08% and for the first six months of 2020/21 was 0.84%.

1.6 The Investment Strategy provides the framework for officers to seek new opportunities to invest long-term cash in suitable longer term instruments in order to assist in delivering treasury efficiencies by securing a level of investment income. The pandemic, and resultant market uncertainty, is limiting the scope for new investments. Actions to explore the available options for Short Dated Bond Funds and Multi Asset Funds have been paused but will be explored in the future when appropriate.

1.7 In the current climate, investments to other Local Authorities could secure an enhanced fixed level of return over traditional bank deposits with an increased level of credit security.

1.8 In response to the Council declaring a Climate Emergency, the Annual Investment Strategy for 2020/21 included Environmental Social and Governance (ESG) as a factor when undertaking investment decisions to allow the Treasury Management Strategy to actively support the Council's aspirations to tackle climate change and other ESG factors. Officers have been exploring how the Council's current counterparties are contributing to this area and are being asked how investment solutions can compliment this strategy. In reality, the market for green and ESG investments is relatively immature, which reduces the ability to actively invest in products that support the Council's aspirations. However, research and the consideration of suitability of ESG investment products will continue into 2021/22.

Borrowing Strategy

1.9 The Borrowing Strategy and the Capital Programme identifies a borrowing need of £71m over the next 3 years (between 2021/22 and 2023/24). The Council currently has large cash balances, therefore officers will seek to use cash from the Council's own reserves to initially fund borrowing. This will decrease the Council's cash balances, reducing counterparty risk, and reduce borrowing costs. Modelling of the Council's capital plans and cashflows has identified an appropriate level of internal borrowing of around £50m. This strategy will be kept under constant review by officers, and borrowing will be undertaken where it is felt there is a significant risk of steep increases in borrowing rates.

1.10 On the 25 November 2020 the Government announced the conclusion to the review of margins over gilt yields for Public Works Loan Board (PWL) rates; the standard and certainty margins were reduced by 1% but a prohibition was introduced to deny access to PWLB borrowing for any local authority which intended to purchase of assets primarily for yield (i.e. commercial assets) in its three year capital programme. This reduction in future borrowing costs has been factored into the Treasury Management tool to support the development of Capital Strategy to 2040/41.

1.11 The budget within the MTFP is calculated using the Treasury Management Tool that reflects the costs of borrowing in support of the targeted basic need programme offset by returns on investment of the Council's balances. It is therefore reflective of a point in time. The treasury management tool, developed as part of the Capital Strategy, is reviewed regularly for reasonableness.

Revenue impact

1.12 The MTFP includes £0.7m increase in the Treasury Management budget over the next two years to reflect the increase in MRP due to a change in profiling methodology. This is a planned change which resulted from the approval of moving to an annuity method of calculation. In addition, £1.0m has been added in 2022/23 and a further £1m in 2023/24 to reflect the net revenue impact of the Capital Strategy and Programme in terms of the cost of borrowing and the setting aside of MRP.

2. Supporting Information

Treasury Management Reporting

2.1 As well as this annual strategy, the CIPFA Code requires the Council reports as a minimum:

- A mid-year review;
- An annual report at the close of the year.

2.2 This Council meets this requirement with the Treasury Management Annual Report 2019/20 and mid-year report 2020/21 presented to Cabinet on 08 December 2020. Additionally, a treasury management monitoring position is reported to Cabinet four times a year.

Economic Background

2.3 The Council takes advice from Link Asset Services on its treasury management activities. A detailed view of the current economic situation and forecasts, as prepared by Link Asset Services is included in **Appendix A (Annex B)** to this report.

3. Conclusion and recommendations

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

3.2 Cabinet recommends the 2021/22 Treasury Management Policy and Strategy Statement for approval by Council.

PHIL HALL

Interim Chief Operating Officer

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Local Member(s): All

BACKGROUND DOCUMENTS

CIPFA Prudential Code and CIPFA Treasury Management Code

Local Government Act 2003 – Capital Finance

MHCLG Statutory Guidance on Local Authority Investments and the Minimum Revenue Provision.

Appendix A

TREASURY MANAGEMENT POLICY AND STRATEGY 2021/22



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1. INTRODUCTION

1.1 Background

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in counterparties or instruments commensurate with the Council's risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

CIPFA defines treasury management as:

"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

1.2 Reporting Requirements

1.2.1 Capital Strategy

The CIPFA 2017 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report, to provide the following:

- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

The aim of the capital strategy is to ensure that all elected members on the full Council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

This capital strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset.

1.2.2 Treasury Management reporting

The Council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

- a. **Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report is forward looking and covers:
 - the capital plans, (including prudential indicators);
 - a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time);
 - the treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
 - an investment strategy, (the parameters on how investments are to be managed).
- b. **A mid-year treasury management report** – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision.
- c. **An annual treasury report** – This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

This Council delegates responsibility for implementation and monitoring treasury management to Cabinet and responsibility for the execution and administration of treasury management decisions to the Section 151 Officer. Cabinet therefore receives the Mid Year and Annual treasury reports in December each year.

The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Audit Committee.

1.3 Treasury Management Strategy for 2021/22

The strategy for 2021/22 covers two main areas:

Capital issues

- the capital expenditure plans (section 2) and the associated prudential indicators (Annex C);
- the minimum revenue provision (MRP) policy (Section 3).

Treasury management issues

- the current treasury position (section 1.5);
- treasury indicators which limit the treasury risk and activities of the Council (Annex C);
- prospects for interest rates (Annex B);
- the borrowing strategy (section 2);
- policy on borrowing in advance of need (section 2.2);
- debt rescheduling (section 2.3);
- the investment strategy (section 4);
- creditworthiness policy (section 4.4); and
- the policy on use of external service provider (section 5.3).

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, MHCLG MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance.

1.4 Treasury Management Policy Statement

The policies and objectives of the Council's treasury management activities are as follows:

- i) This Council defines its treasury management activities as:

'The management of the authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks'.

- ii) This Council regards the successful identification, monitoring and control 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 Council, and any financial instruments entered into to manage these risks.
- iii) This Council 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 value for money in treasury management, and to employing suitable comprehensive performance management techniques, within the context of effective risk management.

1.5 Current Treasury Position

A summary of the Council's borrowing & investment portfolios as at 30th November 2020 and forecast at the end of the financial year is shown in **Table 1** below:

Table 1	Actual at 30 November 2020			Forecast to 31 March 2021		
	£'000	% of portfolio	Average Rate	£'000	% of portfolio	Average Rate
Investments						
Banks	125,000	46%	0.45%	140,000	58%	0.30%
Local Authorities	59,000	22%	1.24%	64,000	27%	1.21%
Money Market Funds	84,000	30%	0.39%	31,000	13%	0.10%
CCLA Pooled Property Fund	5,000	2%	3.75%	5,000	2%	3.75%
Total Investments	273,000	100%	0.63%	240,000	100%	0.50%
Borrowing						
PWLB loans	225,000	95%	4.70%	223,700	95%	4.70%
Market loans	12,900	5%	4.00%	12,900	5%	4.00%
Total external Borrowing	237,900	100%	4.67%	236,600	100%	4.67%

2. BORROWING STRATEGY

The capital expenditure plans of the Council are set out in the Capital Strategy Report being considered by Full Council on 9 February 2021. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes so that sufficient cash is available to meet the capital expenditure plans.

Any capital investment that is not funded from these new and/or existing resources (e.g. capital grants, receipts from asset sales, revenue contributions or earmarked reserves) increases the Council's need to borrow. However, external borrowing does not have to take place immediately to finance its related capital expenditure: the Council can utilise cash being held for other purposes (such as earmarked reserves and working capital balances) to temporarily defer the need for external borrowing. This is known as 'internal borrowing'.

The Council's primary objective is to strike an appropriate balance between securing cost certainty, securing low interest rates. The Council's cumulative need to borrow is known as the Capital Financing Requirement (CFR). The CFR and the actual level of external borrowing will differ according to decisions made to react to expected changes in interest rates and the prevailing economic environment. Where a decision to defer borrowing (or internally borrow) is made, the Council will be underborrowed. Where a decision to borrow in advance of need to secure cost certainty, the Council will be overborrowed.

On 25 November 2020 the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates; the standard and certainty margins were reduced by 1% but a prohibition was introduced to deny access to PWLB borrowing for any local authority which intended to purchase assets primarily for yield in its three year capital programme. The reduction in future borrowing costs will be factored into the funding of the capital programme which contains no such assets for yield purchases.

While this authority will not be able to avoid borrowing to finance new capital expenditure, to replace maturing debt and the rundown of reserves, there will be a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

There is £21m expected to be funded via borrowing in the 2020/21 Capital Programme. No new external borrowing is expected to be undertaken to fund this, and this will be funded through cash balances. This is expected to increase the Council's under-borrowed position compared to its CFR from £22m at 31 March 2020 to £39m by 31 March 2021.

2.1 Borrowing Strategy for 2021/22

The Council's Capital Programme 2021/22 to 2023/24 forecasts £211m of capital investment over the next three years with £140m met from existing or new resources. The increase in the Council's borrowing need over this period is therefore £71m as shown in **Table 2** below.

2020/21 Projected	Table 2	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	Total
£m		£m	£m	£m	£m
79	Capital Expenditure	92	66	53	211
(58)	Financed by: New & existing resources	(60)	(41)	(39)	(140)
21	Borrowing Need	32	25	14	71

Table 3 below shows the actual expected external borrowing against the capital financing requirement, identifying any under or over borrowing.

2020/21	Table 3	2021/22	2022/23	2023/24

Estimate £m		Estimate £m	Estimate £m	Estimate £m
239	External Debt at 1 April	237	250	266
(3)	Expected change in Debt	13	16	5
236	External Debt at 31 March	250	266	271
261	CFR* at 1 April	275	299	315
21	Borrowing need (Table 2)	32	25	14
(7)	MRP	(8)	(9)	(9)
275	CFR* at 31 March	299	315	320
39	Under / (Over) borrowing	49	49	49

*CFR in Table 3 is the underlying need to borrow and excludes PFI and lease arrangements, which are included in the CFR figure in the Prudential Indicators in Annex C

Table 2 demonstrates that the Council has a borrowing need of £71m over the next three years. The strategy will initially focus on meeting this borrowing need from internal borrowing; avoiding external borrowing by utilising the Council's own surplus funds. Modelling of the movement of reserves and the Council's capital expenditure plans demonstrates that the Council's long term reserves can support a level of approximately £50m of internal borrowing. This will mitigate the increase in the cost of borrowing and reduce counterparty risk within the Council's investment portfolio by reducing the portfolio size.

However, borrowing rates from the PWLB were reduced by HM treasury by 1% in November. There will remain a cost of carry (the difference between borrowing costs and investment rates) to any new long term borrowing that causes a temporary increase in cash balances which will, most likely, lead to a cost to revenue.

Therefore, the internal borrowing position needs to be carefully and continually reviewed to avoid incurring higher borrowing costs in the future at a time when the authority may not be able to avoid new borrowing to finance capital expenditure or refinance maturing debt.

2.2 Policy on Borrowing in Advance of Need

The Council will not borrow purely in order to profit from investment of extra sums borrowed. Any decision to borrow in advance will be within approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds. Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting.

2.3 Debt Rescheduling

Officers continue to regularly review opportunities for debt rescheduling, but there has been a considerable widening of the difference between new borrowing and repayment rates, which has resulted in much fewer opportunities to realise any savings or benefits from rescheduling PWLB debt.

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

The strategy is to continue to seek opportunity to reduce the overall level of Council's debt where prudent to do so, thus providing in future years cost reduction in terms of lower debt repayments

costs, and potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt. All rescheduling will be agreed by the Chief Finance Officer.

2.4 Interest Rate Risk & Continual Review

The total borrowing need in **Table 2**, as well as the debt at risk of maturity shown in **Table 4** is the extent to which the Council is subject to interest rate risk.

Table 4	2021/22	2022/23	2023/24
	£m	£m	£m
Maturing Debt	4	6	4
Debt Subject to early repayments options	6	6	6
Total debt at risk of maturity	10	12	10

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

Against this background and the risks within the economic forecast, caution will be adopted with the 2021/22 treasury operations. The Chief Finance Officer will continue to monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- if it was felt that there was a significant risk of a sharp fall in long and short term rates (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.
- if it was felt that there was a significant risk of a much sharper rise in long and short term rates than that currently forecast, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates are still lower than they will be in the next few years.

3. MINIMUM REVENUE PROVISION POLICY STATEMENT

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).

The policy below reflects a change in the policy as approved and implemented for 2018/19 onwards; no further changes are proposed. The Council is recommended to approve the following MRP Statement for 2021/22 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, 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).

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.

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.

4. ANNUAL INVESTMENT STRATEGY

The MHCLG and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals with financial investments. Non-financial investments are covered in the Capital Strategy.

The Council’s investment policy has regard to the following:

- MHCLG’s Guidance on Local Government Investments (the “Guidance”)
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 (the “Code”)
- CIPFA Treasury Management Guidance Notes 2018

The Council’s investment priorities will be the security of capital first, portfolio liquidity second and then yield (return).

4.1 Annual Investment Strategy for 2021/22

Investments will be made with reference to the core balance and cash flow requirements and the outlook for interest rates.

Bank Rate is unlikely to rise from 0.10% for a considerable period. It is very difficult to say when it may start rising. Link Asset Services (LAS) forecast assumes that investment earnings from money market-related instruments will be below 0.50% for the foreseeable future. LAS’s forecast for Bank Rate (and therefore the rate earned on liquid investments) at each financial year end (i.e. March) are:

2020/21	2021/22	2022/23	2023/24
0.10%	0.10%	0.10%	0.10%

The Bank of England mentioned in August / September 2020 that it is unlikely to introduce a negative Bank Rate, at least in the next 6 -12 months, and in November omitted any mention of negative rates in the minutes of the meeting of the Monetary Policy Committee. As part of the response to the pandemic and lockdown, the Bank and the Government have provided financial markets and businesses with access to credit, either directly or through commercial banks.

LAS's view on the prospect for interest rates, including their forecast for short term investment rates is appended at Annex B.

Following consultation, changes to the strategy were made from 2018/19 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.

During 2018/19, £5m was invested in the CCLA Pooled Property Fund which was the first step into utilising the new instruments within the revised strategy. It was previously expected that a further £10m would take place during 2019/20. Further investment in property funds was paused during 2019/20 due to a combination of factors. Firstly, officers were looking to assess the impact of the withdrawal from the EU before further investments were made. A continuation of moving deadlines has therefore drawn out the investment decision. Additionally, the UK property market is forecast to take a significant downturn over the next 2-3 years. It is therefore not an appropriate time to increase investment balances with property funds.

An options appraisal process was undertaken during 2019/20 to ascertain a) an appropriate level of cash balances that can be invested into longer term instruments and b) which other instruments are most appropriate to expand and diversify the Council's investment portfolio. This work has been also paused during 2020/21 as a result of the economic impact and market uncertainty that remains as a result of the COVID pandemic and the outcome of Brexit.

Table 5 below summarises the changes to the 2018/19 & 2019/20 strategies from those approved in 2017/18. No further changes are proposed for 2021/22. Each of the new investment products included are described in more detail in Annex E. The inclusion of an investment product category in the strategy does not automatically result in investments being placed – investments will only be placed following a due diligence procedure as described above.

Table 5 - Investment options	2017/18	2018/19	2019/20	2020/21	2021/22
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 (Including Short Dated Bond Funds)	✗	✓	✓	✓	✓
Multi Asset Funds	✗	✓	✓	✓	✓
Equity Funds	✗	✗	✓	✓	✓

The primary principle governing the Council's investment criteria is the security of its investments, although the return on the investment is also a key consideration. After this main principle, the Council will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in and the criteria for choosing investment counterparties with adequate security, and monitoring their security;
- It has sufficient liquidity in its investments;
- It receives a yield that is aligned with the level of security and liquidity of its investments;
- Where possible, it actively seeks to support Environmental, Social and Governance (ESG) investment products and institutions that meet all of the above requirements.

The preservation of capital is the Council's principal and overriding priority.

4.2 Investment Policy – Management of risk

Treasury management risks and how risks are managed and mitigated are identified in the Council's Treasury Management Practices and related procedures, details of which are held within the Council's Treasury Management Team. The main risks to the Council's treasury activities are:

- liquidity risk (inadequate cash resources);
- market or interest rate risk (fluctuations in interest rate levels and thereby in the value of investments);
- inflation risks (exposure to inflation);
- credit and counterparty risk (security of investments);
- refinancing risks (impact of debt maturing in future years); and
- legal and regulatory risk (i.e. non-compliance with statutory and regulatory requirements, risk of fraud).

The guidance from the MHCLG and CIPFA place a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

- i) Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
- ii) Other information: ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.
- iii) Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
- iv) This authority has defined the list of types of investment instruments that the treasury management team are authorised to use.
 - a. **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year. The limits and permitted instruments for specified investments are listed within Table 7.
 - b. **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised

for use. The limits and permitted instruments for non-specified investments are listed within Table 8.

- v) Lending limits (amounts and maturity) for each counterparty will be set through applying the credit criteria matrix (within Table 7).
- vi) This authority will set a limit for the amount of its investments which are invested for longer than 365 days, detailed in the Treasury Indicators in Annex C.
- vii) With the exception of the UK, investments will only be placed with counterparties from countries with a specified minimum sovereign rating of AA+ (see paragraph 4.3).
- viii) This authority has engaged external consultants, (see paragraph 5.3), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.
- ix) All investments will be denominated in sterling.
- x) As a result of the change in accounting standards for 2018/19 under IFRS 9, this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the Ministry of Housing, Communities and Local Government, [MHCLG], concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years commencing from 1.4.18.).

4.3 Sovereign Credit Ratings

For 2021/22 it is recommended to maintain the policy of lending to sovereign nations and their banks which hold either a AAA or AA+ rating, with the exception of the UK which is currently rated AA- by two of the three rating agencies (Aa2 Moody's). Maximum investment limits and duration periods will remain the same as in the previous strategy at £60 million and one year respectively. The list of countries that qualify using this credit criteria (as at the date of this report) are shown below:

AAA Australia, Denmark, Germany, Netherlands, Singapore, Sweden and Switzerland
AA+ Canada
AA- UK

4.4 Creditworthiness Policy

The Council applies the creditworthiness service provided by the Link Group. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies which is then 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;
- sovereign ratings to select counterparties from only the most creditworthy countries.

This weighted scoring system then 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.

The Council (in addition to other due diligence consideration) will use counterparties within the following durational bands provided they have a minimum AA+ sovereign rating from three rating agencies:

Y	P	B	O	R	G	N/C
<i>Up to 5yrs</i>	<i>Up to 2yrs</i>	<i>Up to 1yr</i>	<i>Up to 1yrs</i>	<i>Up to 6 months</i>	<i>Up to 100 days</i>	<i>Not to be used</i>

Typically the minimum credit ratings criteria the Council use will be a Short Term rating (Fitch or equivalents) of F1 and a Long Term rating of A-. 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.

The primary principle governing the Council's investment criteria is the security of its investments, although the return on the investment is also a key consideration. After this main principle, the Council will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in and the criteria for choosing investment counterparties with adequate security, and monitoring their security;
- It has sufficient liquidity in its investments.

All credit ratings are monitored daily. The Council is alerted to changes to ratings of all three agencies through its use of the LAS credit worthiness service. If a downgrade results in the counterparty or investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

In addition to the use of credit ratings, the Council is advised of information re 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 Council's lending list. The counterparties in which the Council will invest its cash surpluses is based on officer's assessment of investment security, risk factors, market intelligence, a diverse but manageable portfolio and their participation in the local authority market.

Table 7 below summarises the types of specified investment counterparties available to the Council, and the maximum amount and maturity periods placed on each of these. A full list of the Council's counterparties and the current limits for 2021/22 are appended at Annex A.

Criteria for Specified Investments

Table 7	Country/ Domicile	Instrument	Min. Credit Criteria/LAS colour band	Max. Amount	Max. maturity period
Debt Management and Deposit Facilities (DMADF)	UK	Term Deposits (TDs)	N/A	unlimited	12 Months
Government Treasury bills	UK	TDs	UK Sovereign Rating	unlimited	12 Months
UK Local Authorities**	UK	TDs	UK Sovereign Rating	£60m	12 Months

Table 7	Country/ Domicile	Instrument	Min. Credit Criteria/LAS colour band	Max. Amount	Max. maturity period
Banks – part nationalised	UK	- TDs - Deposits on Notice - Certificates of Deposit (CDs)	N/A	£60m	12 Months
Banks	UK	- TDs - Deposits on Notice - CDs	Blue	£60m	12 Months
			Orange	£60m	12 Months
			Red	£60m	6 Months
			Green	£60m	100 Days
Building Societies	UK	- TDs - Deposits on Notice - CDs	Blue	£60m	12 Months
			Orange	£60m	12 Months
			Red	£60m	6 Months
			Green	£60m	100 Days
Individual Money Market Funds (MMF) CNAV and LVNAV	UK/Ireland/ EU domiciled	AAA Rated Money Market Fund Rating	N/A	£60m	Liquid
VNAV MMF's and Ultra Short Dated Bond Funds	UK/Ireland/EU domiciled	AAA Rated Bond Fund Fund Rating	N/A	£60m	Liquid
Banks – Non-UK	Those with sovereign rating of at least AA+*	- TDs - Deposits on Notice - CDs	Blue	£60m	12 Months
			Orange	£60m	12 Months
			Red	£60m	6 Months
			Green	£60m	100 Days

*See Paragraph 4.3 for full list of countries that meet these criteria

** Local Authorities appear on both Specified and Non-specified investment list – an investment with a LA for up to a year is Specified, and between 1-2 years is Non-specified. The maximum amount that can be lent to any single Local Authority is £60m across both specified and Unspecified Investments

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 in **Table 8** below:

Table 8	Minimum credit criteria	Maximum investments	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)	N/A	£30m	2 - 5 years

Short Dated Bond Fund(s)	N/A	£30m	2 – 5 years

*** Local Authorities appear on both Specified and Non-specified investment list – an investment with a LA for up to a year is Specified, and between 1-2 years is Non-specified. The maximum amount that can be lent to any single Local Authority is £60m across both specified and Unspecified Investments*

The maximum amount that can be invested will be monitored in relation to the Council's 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. Where Externally Managed Funds are not rated, a selection process will evaluate relative risks & returns. Security of the council's money and fund volatility will be key measures of suitability. Counterparties may be added to or removed from the list only with the approval of the Chief Finance Officer. A full list of the Council's counterparties and the current limits for 2021/22 are appended at Annex A.

5. OTHER TREASURY ISSUES

5.1 Banking Services

NatWest, which is part Government owned, currently provides banking services for the Council.

5.2 Training

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. Training was last provided to Audit Committee members on 22 November 2018 and further training will be arranged as required.

The training needs of treasury management officers are periodically reviewed and training arranged as required.

5.3 Policy on the use of External Service Providers

The Council uses Link Asset Services as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the Council at all times and will ensure that undue reliance is not placed upon our external service providers. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed, documented and subject to regular review.

5.4 Lending to Third Parties

The Council has the power to lend monies to third parties subject to a number of criteria. These are not treasury type investments rather they are policy investments. Any activity will only take place after relevant due diligence has been undertaken.

5.5 Updates to Accounting Requirements

▪ IFRS9 – local authority override – English local authorities

The MHCLG enacted a statutory over-ride from 1 April 2018 for a five year period until 31 March 2023 following the introduction of IFRS 9 and the requirement for any capital gains or losses on marketable funds to be chargeable in year. This has the effect of allowing

any capital losses on funds to be held on the balance sheet until 31 March 2023, allowing councils to initiate an orderly withdrawal of funds if required.

▪ **IFRS 16 – Leasing**

The CIPFA Code of Practice will incorporate the requirement to account for all leases onto the council's balance sheet. There have been indications that the implementation date for this is going to be set back to 2022/23 due to pressures on staff from the COVID Pandemic.

Once implemented, this has the following impact to the Treasury Management Strategy:

- The MRP Policy sets out how MRP will be applied for leases bought onto the balance sheet;
- The Council's Capital Financing Requirement authorised limit and operational boundary for 2022/23 onwards has been increased to reflect the estimated effect of this change. These limits can be amended during 2021/22 if required and brought to full Council to amend with the TMSS Mid Year report if the limits need to be increased following some more detailed work on the leases to be bought onto the balance sheet.

Counterparty List 2021/22

ANNEX A

Bank with duration colour	Country	Fitch Ratings				Moody's Ratings		S & P Ratings		CDS Price	ESCC Duration	Link Duration Limit	Money Limit
Specified Investments:		L Term	S Term	Viab.	Supp.	L Term	S Term	L Term	S Term		(Months)	(Months)	(£m)
Lloyds Banking Group:													
Lloyds Bank	UK	A+	F1+	a	5	A1	P-1	A+	A-1	33.85	6	6	60
Bank of Scotland	UK	A+	F1	a	5	A1	P-1	A+	A-1	54.82	6	6	
RBS/NatWest Group:													
NatWest Bank	UK	A+	F1	a	5	A1	P-1	A	A-1	-	12	12	60
Royal Bank of Scotland	UK	A+	F1	a	5	A1	P-1	A	A-1	-	12	12	
HSBC Bank	UK	AA-	F1+	a	1	Aa3	P-1	A+	A-1	33.32	12	12	60
Barclays Bank	UK	A+	F1	a	5	A1	P-1	A	A-1	54.82	6	6	60
Santander (UK)	UK	A+	F1	a	2	A1	P-1	A	A-1	-	6	6	60
Goldman Sachs IB	UK	A+	F1	-	1	A1	P-1	A+	A-1	50.47	6	6	60
Standard Chartered Bank	UK	A+	F1	a	5	A1	P-1	A	A-1	32.32	6	6	60
Nationwide Building Society	UK	A	F1	a	5	A1	P-1	A	A-1	-	6	6	60
Non UK Counterparties:													
Australia & New Zealand Banking Group	Australia	A+	F1	a+	1	Aa3	P-1	AA-	A-1+	22.89	12	12	60
Commonwealth Bank of Australia	Australia	A+	F1	a+	1	Aa3	P-1	AA-	A-1+	24.61	12	12	60
National Australia Bank	Australia	A+	F1	a+	1	Aa3	P-1	AA-	A-1+	24.61	12	12	60
Westpac Banking Corporation	Australia	A+	F1	a+	1	Aa3	P-1	AA-	A-1+	25.60	12	12	60
Royal Bank of Canada	Canada	AA	F1+	aa	5	Aa2	P-1	AA-	A-1+	-	12	12	60
Toronto Dominion	Canada	AA-	F1+	aa-	5	Aa1	P-1	AA-	A-1+	-	12	12	60
Dev. Bank of Singapore	Singapore	AA-	F1+	aa-	1	Aa1	P-1	AA-	A-1+	-	12	12	60
Oversea Chinese Banking Corp	Singapore	AA-	F1+	aa-	1	Aa1	P-1	AA-	A-1+	-	12	12	60
United Overseas Bank	Singapore	AA-	F1+	aa-	1	Aa1	P-1	AA-	A-1+	-	12	12	60

Continued Counterparty list Bank with duration colour	Country	Fitch Ratings				Moody's Ratings		S & P Ratings		CDS Price	ESCC Duration	Link Duration Limit	Money Limit
		L Term	S Term	Viab.	Supp.	L Term	S Term	L Term	S Term		(Months)	(Months)	(£m)
Svenska H	Sweden	AA	F1+	aa	5	Aa2	P-1	AA-	A-1+	-	12	12	60
Swedbank AB	Sweden	A+	F1+	a+	5	Aa3	P-1	A+	A-1	-	12	12	60
ABN AMRO Bank	Netherlands	A	F1	a	5	A1	P-1	A	A-1	-	6	6	60
Rabobank	Netherlands	A+	F1	a+	5	Aa3	P-1	A+	A-1	20.24	12	12	60
ING Bank NV	Netherlands	AA-	F1+	a+	5	Aa3	P-1	A+	A-1	20.49	12	12	60
UBS	Switzerland	AA-	F1+	a+	5	Aa2	P-1	A+	A-1	27.31	12	12	60
Credit Suisse	Switzerland	A	F1	a	5	Aa3	P-1	A+	A-1	45.85	6	6	60
DZ Bank	Germany	AA-	F1+	-	WD	Aa1	P-1	AA-	A-1+	-	12	12	60
Danske Bank	Denmark	A	F1	a	5	Aa2	P-1	A	A-1	30.11	6	6	60

Yellow	Purple	Blue	Orange	Red	Green	No Colour
<i>Up to 5yrs</i>	<i>Up to 2yrs</i>	<i>Up to 1yr (semi nationalised UK banks)</i>	<i>Up to 1yr</i>	<i>Up to 6 months</i>	<i>Up to 100 days</i>	<i>Not to be used</i>

Non-Specified Investments:			
	Minimum credit Criteria	Maximum Investments	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)	N/A	£30m	2 - 5 years
Short Dated Bond Fund(s)	N/A	£30m	2 - 5 years

ECONOMIC OVERVIEW

Provided by Link Asset Services 6 January 2021

UK. The key quarterly meeting of the Bank of England Monetary Policy Committee kept Bank Rate unchanged on 5th November 2020. However, it revised its economic forecasts to take account of a second national lockdown in November 2020 which is obviously going to put back economic recovery and do further damage to the economy. It therefore decided to do a further tranche of quantitative easing (QE) of £150bn, to start in January when the current programme of £300bn of QE, announced in March to June, runs out. It did this so that “announcing further asset purchases now should support the economy and help to ensure the unavoidable near-term slowdown in activity was not amplified by a tightening in monetary conditions that could slow the return of inflation to the target”.

Its forecasts appeared, at the time, to be rather optimistic in terms of three areas:

- The economy would recover to reach its pre-pandemic level in Q1 2022
- The Bank also expects there to be excess demand in the economy by Q4 2022.
- CPI inflation is therefore projected to be a bit above its 2% target by the start of 2023 and the “inflation risks were judged to be balanced”.

Significantly, there was no mention of negative interest rates in the minutes or Monetary Policy Report, suggesting that the MPC remains some way from being persuaded of the case for such a policy, at least for the next 6 -12 months. However, rather than saying that it “stands ready to adjust monetary policy”, the MPC this time said that it will take “whatever additional action was necessary to achieve its remit”. The latter seems stronger and wider and may indicate the Bank’s willingness to embrace new tools.

One key addition to the Bank’s forward guidance in August was a new phrase in the policy statement, namely that “it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably”. That seems designed to say, in effect, that even if inflation rises to 2% in a couple of years’ time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate. Our Bank Rate forecast currently shows no increase, (or decrease), through to quarter 1 2024 but there could well be no increase during the next five years as it will take some years to eliminate spare capacity in the economy, and therefore for inflationary pressures to rise to cause the MPC concern. Inflation is expected to briefly peak at just over 2% towards the end of 2021, but this is a temporary short lived factor and so not a concern.

However, the minutes did contain several references to downside risks. The MPC reiterated that the “recovery would take time, and the risks around the GDP projection were judged to be skewed to the downside”. It also said “the risk of a more persistent period of elevated unemployment remained material”. Downside risks could well include severe restrictions remaining in place in some form during the rest of December and most of January too. Upside risks included the early roll out of effective vaccines.

COVID-19 vaccines. We had been waiting expectantly for news that various COVID-19 vaccines would be cleared as being safe and effective for administering to the general public. The Pfizer announcement on 9th November was very encouraging as its 90% effectiveness was much higher than the 50-60% rate of effectiveness of flu vaccines which might otherwise have been expected.

However, this vaccine has demanding cold storage requirements of minus 70c that impairs the speed of application to the general population. It has therefore been particularly welcome that the Oxford University/AstraZeneca vaccine has now also been approved which is much cheaper and only requires fridge temperatures for storage. The Government has 60m doses on order and is aiming to vaccinate at a rate of 2m people per week starting in January, though this rate is currently restricted by a bottleneck on vaccine production; (a new UK production facility is due to be completed in June).

These announcements, plus expected further announcements that other vaccines could be approved soon, have enormously boosted confidence that life could largely return to normal during the second half of 2021, with activity in the still-depressed sectors like restaurants, travel and hotels returning to their pre-pandemic levels; this would help to bring the unemployment rate down. With the household saving rate having been exceptionally high since the first lockdown in March, there is plenty of pent-up demand and purchasing power stored up for these services. A comprehensive roll-out of vaccines might take into late 2021 to fully complete; but if these vaccines prove to be highly effective, then there is a possibility that restrictions could start to be eased, beginning possibly in Q2 2021 once vulnerable people and front-line workers have been vaccinated. At that point, there would be less reason to fear that hospitals could become overwhelmed any more. Effective vaccines would radically improve the economic outlook once they have been widely administered; it may allow GDP to rise to its pre-virus level a year earlier than otherwise and mean that the unemployment rate peaks at 7% in 2021 instead of 9%.

Public borrowing was forecast in November by the Office for Budget Responsibility (the OBR) to reach £394bn in the current financial year, the highest ever peace time deficit and equivalent to 19% of GDP. In normal times, such an increase in total gilt issuance would lead to a rise in gilt yields, and so PwLB rates. However, the QE done by the Bank of England has depressed gilt yields to historic low levels, (as has similarly occurred with QE and debt issued in the US, the EU and Japan). This means that new UK debt being issued, and this is being done across the whole yield curve in all maturities, is locking in those historic low levels through until maturity. In addition, the UK has one of the longest average maturities for its entire debt portfolio, of any country in the world. Overall, this means that the total interest bill paid by the Government is manageable despite the huge increase in the total amount of debt. The OBR was also forecasting that the government will still be running a budget deficit of £102bn (3.9% of GDP) by 2025/26. However, initial impressions are that they have taken a pessimistic view of the impact that vaccines could make in the speed of economic recovery.

Overall, the pace of recovery was not expected to be in the form of a rapid V shape, but a more elongated and prolonged one. The initial recovery was sharp after quarter 1 saw growth at -3.0% followed by -18.8% in quarter 2 and then an upswing of +16.0% in quarter 3; this still left the economy 8.6% smaller than in Q4 2019. It is likely that the one month national lockdown that started on 5th November, will have caused a further contraction of 8% m/m in November so the economy may have then been 14% below its pre-crisis level.

December 2020 / January 2021. Since then, there has been rapid back-tracking on easing restrictions due to the spread of a new mutation of the virus, and severe restrictions were imposed across all four nations. These restrictions were changed on 5th January 2021 to national lockdowns of various initial lengths in each of the four nations, as the NHS was under extreme pressure. It is now likely that wide swathes of the UK will remain under these new restrictions for some months; this means that the near-term outlook for the economy is grim. However, the distribution of vaccines and the expected consequent removal of COVID-19 restrictions, should allow GDP to rebound rapidly in the second half of 2021 so that the economy could climb back to

its pre-pandemic peak as soon as late in 2022. Provided that both monetary and fiscal policy are kept loose for a few years yet, then it is still possible that in the second half of this decade, the economy may be no smaller than it would have been if COVID-19 never happened. The significant caveat is if another mutation of COVID-19 appears that defeats the current batch of vaccines. However, now that science and technology have caught up with understanding this virus, new vaccines ought to be able to be developed more quickly to counter such a development and vaccine production facilities are being ramped up around the world.

Prospect for Interest Rates

The Council has appointed Link Asset Services (LAS) as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives LAS's central view.

Link Group Interest Rate View 9.11.20														
These Link forecasts have been amended for the reduction in PWLB margins by 1.0% from 26.11.20														
	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	0.80	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00
10 yr PWLB	1.10	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30
25 yr PWLB	1.50	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80
50 yr PWLB	1.30	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60

The coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its subsequent meetings to 5th November, although some forecasters had suggested that a cut into negative territory could happen. However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary. As shown in the forecast table above, no increase in Bank Rate is expected in the forecast table above as economic recovery is expected to be only gradual and, therefore, prolonged.

The interest rate forecasts provided by Link above were predicated on an assumption of a reasonable agreement being reached on trade negotiations between the UK and the EU by 31st December 2020. Now that a trade deal has been agreed. Brexit may reduce the economy's potential growth rate in the long run. However, much of that drag is now likely to be offset by an acceleration of productivity growth triggered by the digital revolution brought about by the COVID crisis.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably now skewed to the upside, but is still subject to some uncertainty due to the virus and the effect of any mutations, and how quick vaccines are in enabling a relaxation of restrictions.
- There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe

haven flows, due to unexpected domestic developments and those in other major economies, could impact gilt yields, (and so PWLB rates), in the UK.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- UK government takes too much action too quickly to raise taxation or introduce austerity measures that depress demand in the economy.
- UK - Bank of England takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the Eurozone sovereign debt crisis. The ECB has taken monetary policy action to support the bonds of EU states, with the positive impact most likely for “weaker” countries. In addition, the EU agreed a €750bn fiscal support package. These actions will help shield weaker economic regions for the next two or three years. However, in the case of Italy, the cost of the virus crisis has added to its already huge debt mountain and its slow economic growth will leave it vulnerable to markets returning to taking the view that its level of debt is unsupportable. There remains a sharp divide between northern EU countries favouring low debt to GDP and annual balanced budgets and southern countries who want to see jointly issued Eurobonds to finance economic recovery. This divide could undermine the unity of the EU in time to come.
- Weak capitalisation of some European banks, which could be undermined further depending on extent of credit losses resultant of the pandemic.
- German minority government & general election in 2021. In the German general election of September 2017, Angela Merkel’s CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. The CDU has done badly in subsequent state elections but the SPD has done particularly badly. Angela Merkel has stepped down from being the CDU party leader but she will remain as Chancellor until the general election in 2021. This then leaves a major question mark over who will be the major guiding hand and driver of EU unity when she steps down.
- Other minority EU governments. Austria, Sweden, Spain, Portugal, Netherlands, Ireland and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.
- Austria, the Czech Republic, Poland and Hungary now form a strongly anti-immigration bloc within the EU, and they had threatened to derail the 7 year EU budget until a compromise was thrashed out in late 2020. There has also been a rise in anti-immigration sentiment in Germany and France.
- Geopolitical risks, for example in China, Iran or North Korea, but also in Europe and other Middle Eastern countries, which could lead to increasing safe haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- UK - a significant rise in inflationary pressures e.g. caused by a stronger than currently expected recovery in the UK economy after effective vaccines are administered quickly to the UK population, leading to a rapid resumption of normal life and return to full economic activity across all sectors of the economy.
- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a rapid series of increases in Bank Rate to stifle inflation.

Investment and borrowing rates

- Investment returns are likely to remain exceptionally low during 2021/22 with little increase in the following two years.
- Borrowing interest rates fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England: indeed, gilt yields up to 6 years were negative during most of the first half of 20/21. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.
- There will remain a significant cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

ANNEX C

PRUDENTIAL AND TREASURY INDICATORS 2021/22 to 2023/24

The Council's capital expenditure plans are a key driver of treasury management activities. The output of the capital expenditure plans is reflected in prudential indicators. Local Authorities are required to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable. The Code sets out the indicators that must be used but does not suggest limits or ratios as these are for the authority to set itself.

The Prudential Indicators for 2021/22 to 2023/24 are set out in **Table A** below:

Table A	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Capital Expenditure £m (gross) Council's capital expenditure plans	£92m	£66m	£53m
Capital Financing Requirement £m* Measures the underlying need to borrow for capital purposes (including PFI & Leases)	£375m	£406m	£405m
Ratio of financing costs to net revenue stream** Identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against net revenue stream	4.50%	4.67%	4.72%

* From 2020/21, the CFR includes an estimate for leases that will be bought onto the balance sheet under a change in leasing accounting regulations.

** the ratio of financing costs to net revenue stream illustrates the percentage of the Council's net revenue budget being used to finance the council's borrowing. This includes interest costs relating to the council's borrowing portfolio and MRP, net of the investment income from the council's investment portfolio.

The Treasury Management Code requires that Local Authorities set a number of indicators for treasury performance in addition to the Prudential Indicators which fall under the Prudential Code. The Treasury Indicators for 2021/22 to 2023/24 are set out in **Tables B & C** below. These have been calculated and determined by Officers in compliance with the Treasury Management Code of Practice.:

Table B	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Authorised Limit for External Debt £m* The Council is expected to set a maximum authorised limit for external debt. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by Full Council.	£405m	£436m	£435m
Operational boundary for external debt £m* The Council is required to set an operational boundary for external debt. This is the limit which external debt is not normally expected to exceed. This indicator may be breached temporarily for operational reasons.	£385m	£416m	£415m
Principal Sums invested for longer than 365 days	£60m	£60m	£60m

Control on interest rate exposure: Upper limit for fixed interest rate exposure Identifies a maximum limit for fixed interest rates for borrowing and investments.	100%	100%	100%
Control on interest rate exposure: Upper limit for variable interest rate exposure Identifies a maximum limit for variable interest rates for borrowing and investments.	15%	15%	15%

**From 2021/22 The Authorised Limit and Operational Boundary includes an estimate for leases that will be bought onto the balance sheet under a change in leasing accounting regulations.*

Table C		
Maturity Structure of fixed interest rate borrowing		
The Council needs to set upper and lower limits with respect to the maturity structure of its borrowing.		
	Lower	Upper
Under 12 months	0%	25%
12 months to 2 years	0%	40%
2 years to 5 years	0%	60%
5 years to 10 years	0%	70%
Over 10 years	0%	90%

SCHEME OF DELEGATION

1. Full Council

In line with best practice, Full Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals. These reports are:

i. Treasury Management Policy and Strategy Report

The report covers:

- the capital plans (including prudential indicators);
- the Capital Strategy;
- a Minimum Revenue Provision Policy (how residual capital expenditure is charged to revenue over time);
- the Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

ii. A Mid-Year Review Report and a Year End Stewardship Report

These will update members with the progress of the capital position, amending prudential indicators as necessary, and indicating whether the treasury strategy is meeting the strategy or whether any policies require revision. The report also provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

2. Cabinet

- Approval of the Treasury Management quarterly update reports;
- Approval of the Treasury Management outturn report.

3. Audit Committee

- Scrutiny of performance against the strategy.

4. Role of the Section 151 Officer

The Section 151 (responsible) Officer:

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.

There are further responsibilities for the S151 Officer identified within the 2017 Code in respect of non-financial investments. They are identified and listed in the Capital Strategy where relevant.

INVESTMENT PRODUCT GLOSSARY

Bank / Building Society: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail.

Bank / Building Society Secured (Covered Bonds): These investments are secured on the bank's assets, which limit the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in.

Corporate Bonds: Bonds issued by companies other than banks and registered providers. These investments are not subject to bail-in but are exposed to the risk of the company going insolvent.

Enhanced Cash / Ultra Short Dated Bond Funds: Funds designed to produce an enhanced return over and above a Money Market Fund. The manager may use a wider range of alternative options to try and generate excess performance. These could include different counterparties, instruments as well as longer dated investments.

Equity Fund: Equity funds are pooled investment vehicles that will focus investments primarily in UK equities.

Government: Loans, bonds and bills issued or guaranteed by UK government, local authorities and supranational banks. These investments are not subject to bail-in, and there is a minimal risk of insolvency.

Money Market Funds: An open ended fund that invests in short term debt securities, offers same-day liquidity and very low volatility.

Mixed Asset Funds: Rather than focus on a particular asset class, these funds will look to invest across a broader range of classes in an effort to provide investors with a smoother performance on a year-to-year basis. Primarily, the asset classes will be equities and fixed income, but the latter will include both corporate and government-level investments.

Pooled Property Funds: Shares in diversified property investment vehicles. Property funds offer enhanced returns over the longer term but are more volatile in the short term. The funds have no defined maturity date, but are available for withdrawal after a notice period

Short Dated Bond Funds: Funds designed to produce an enhanced return over and above an Ultra Short Dated Fund. The manager may use a wider range of alternative options to try and generate excess performance. These could include different counterparties, instruments as well as longer dated and a proportion of lower rated investments. The return on the funds are typically much higher but can be more volatile than Ultra-Short Dated bond funds, so a longer investment time horizon is recommended.

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