REPORT OF THE CABINET

The Cabinet met on 13 December 2016 and 24 January 2017. Attendance:-

Councillor Glazier (Chair) (2)
Councillors Bennett (2), Bentley (2), Chris Dowling (2), Elkin (2), Maynard (2), Simmons (2) and Tidy (2)

1. Reconciling Policy, Performance and Resources

1.1 The Council's net budget comprises three main elements: Council Tax, business rates and Government grant. As part of its deficit reduction plans, the Government has been reducing its grant to local government and will cease to provide a revenue support grant to local government in 2020/21.

1.2 The Council's decisions about how to deal with the funding shortfall, which will amount to £16.9m in 2017/18, need to take account of local circumstances. Some of the key factors influencing our choices are:

- the County's residents are poorer than average for England with full time earnings below the national average. This affects health and wellbeing, increases demand for services and limits the affordability of Council Tax rises;

- poor transport infrastructure and connectivity limiting business growth. This leads to relatively poor local wages, increases unemployment and means that the gap in the Council's income cannot be recovered by funding from growth in business rate receipts;

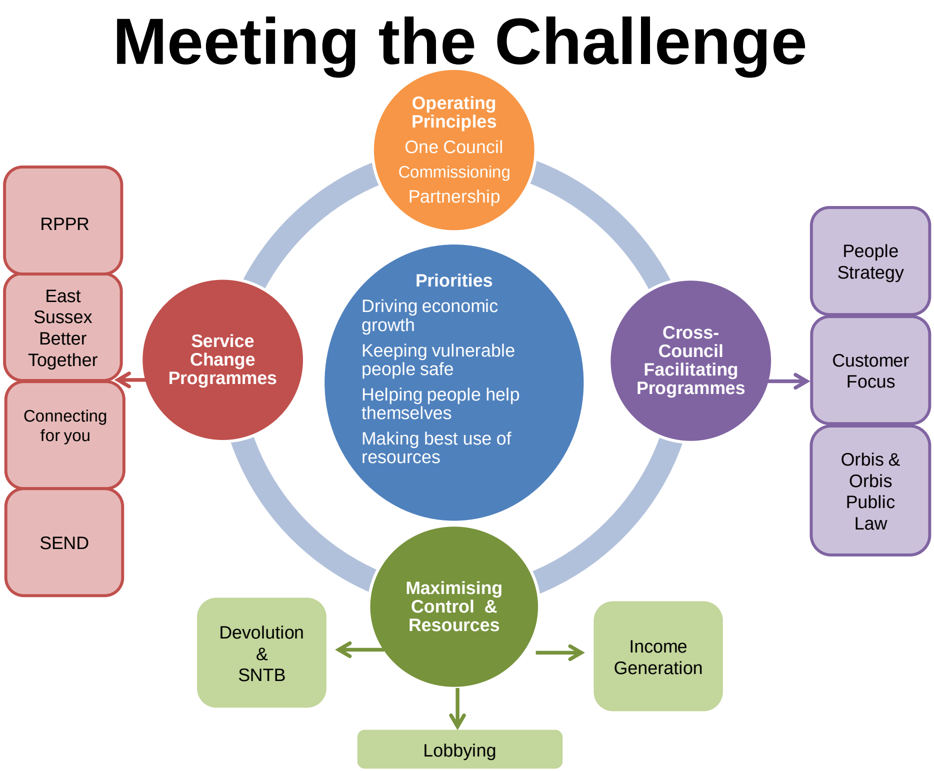
- the county's demography – East Sussex has the second highest proportion of older people in the country. People over the age of 85 are the most likely to need support and the number in this age group will rise by 9.5% between 2016 and 2020. Although the proportion of people who are of school age is only expected to rise marginally, the proportion with high need Special Educational Needs and Disability (SEND) is above the national average.

1.3 The Council has been able to meet the challenge of delivering savings against a background of diminishing resources by having a clear focus on our four priority outcomes, which are delivered through our services and service change programmes. Our "One Council" approach has provided a collective view about our priorities and investment choices and uses strategic commissioning disciplines to direct our activities to maximise the delivery of the agreed priority outcomes of driving economic growth, keeping vulnerable people safe, helping people help themselves, and making the best use of resources.

1.4 Our business planning process, known as Reconciling Policy, Performance and Resources (RPPR):
- enables us to be business-like and test comparative returns on investment so we can be confident we are making best use of resources. It will also help ensure savings in one area do not give rise to unforeseen consequences in another area;
- maximises efficiency, exploits technology, and makes the best use of all our assets;
- maximises East Sussex resources through strong partnership working, income generation, lobbying and exploring new ways of working;
- removes management and support costs wherever possible, to maximise the resources available to the front line;
- sustains investment in activity that will most help manage demand;
- encourages communities to help achieve their priority outcomes;
- is open and transparent to provide clarity about priorities and consequences, specifying clearly what the County Council will do;

- delivers service change and facilitating programmes aimed at providing modern services which meet the needs of local people, working with others to do this in a way that makes the best use of resources.
- uses our local evidence base to meet the most important needs of our communities and is leading to innovative solutions which build a compelling future, rather than managing decline.

1.5 This approach is being applied in a systematic way across all services and the diagram below shows the key current areas of development.



1.6 Our RPPR process matches available resources with our delivery plans for our priority outcomes, facilitated by the programmes and processes set out above. It has enabled us to give relative protection to priority services.

1.7 The RPPR process has been applied across all services in the development of the Council Plan supported by the Medium-Term Financial Plan (MTFP) and Capital Programme set out in this report. It was based on the need to make savings of £70-£90m between 2016/17 and 2018/19, and we will still need to make further savings in the period to 2021/22.

1.8 As in the past, Members need to make difficult choices, in particular between:

- delivering universal services and meeting the needs of a small number of very vulnerable people;
- meeting current need and investing in prevention;
- acting in the economic interests of the Council set against the wider economic interests of the county as a whole; and
- the drive for efficiency and accepting that there are limits to the savings that can be made before real service reductions are inevitable.

1.9 The Capital Programme put forward is also very constrained by limited resources. In the past Members have been able to meet core need and make investment in the County's economy, for example significant additional investment in road and broadband infrastructure. The new programme, based on an assumption of significantly reduced future funding, contains only minimum provision for school places, highways, building maintenance, ICT and house adaptations. Under the Government's future plans locally raised business rates will be an increasingly important source of income for the Council so supporting local economic growth will be important. Increasing the health and wellbeing of residents will also be improved by access to better jobs and therefore help mitigate demand for services. The inability to fund investment in economic growth will therefore have a number of negative impacts.

1.10 This report sets out:

- changes to the national context since October;
- an update on progress on the 2016/17 Council Plan and budget;
- final proposals for the 2017/18 revenue budget taking account of changes in the financial picture since October and including raising the Adult Social Care (ASC) levy by 3% to help mitigate the pressures on health and social care and raising general Council Tax as planned by 1.99%
- the savings requirement across the Council including changes since October and final savings proposals;
- the Capital programme and the rationale on which it has been developed
- feedback from engagement exercises, equalities impacts and proposals for lobbying.

National Context

1.11 Since the State of the County report in June 2016 the new Prime Minister and Cabinet have been developing their plans for managing the Country and economy in the light of the results of the European Union (EU) referendum. This has created greater uncertainty both in relation to the national economy and in the Government's policy direction, with changes in its plans for the future of education, the announcement of the development of a new industrial strategy for the Country and new proposals for housing expected. The Government has lacked the capacity since the summer to take forward any new devolution deals, due to the urgency of work in preparation for exiting the EU.

1.12 The Autumn Statement on 23 November 2016 acknowledged a greater level of economic and fiscal uncertainty following the decision to leave the EU. The Government will no longer aim for a budget surplus by 2019. Instead new fiscal targets have been set which aim for a 2% underlying deficit with debt falling by 2020 and a "balanced budget" as soon as possible thereafter. The Chancellor also confirmed that there would be no changes to Government departmental spending limits.

Council Plan and supporting Medium Term Financial Plan

1.13 The draft Council Plan (Appendix 1 of the report, to be found in the additional documents pack) continues to be built on the Council's four overarching priority outcomes: driving economic growth; keeping vulnerable people safe; helping people help themselves; and making the best use of resources. The priority outcome "Making best use of resources" is a requirement that any activity and accompanying resources must demonstrate. The remaining three priority outcomes guide our activities, direct our resources and are reflected in our Council Plan activities and targets. As resources tighten, our ambition in some areas will be to maintain performance at current levels rather than seeking improvement. We define clearly the outcomes we wish to achieve and monitor our success in delivering these outcomes for the county's residents, communities and businesses. We also keep track of a wide range of key data about East Sussex related to our priority outcomes. This helps 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.

1.14 The Council Plan provides a summary for each strategic priority including planned action and targets for the next three years. It is still work in progress until final budget allocations are made and firm targets can be set. It will be published by 1 April 2017 and refreshed in July when final performance outturn figures for 2016/17 are available. Authorisation is sought for the Chief

Executive to make final changes pre and post publication in consultation with Lead Members, as appropriate.

1.15 In order to facilitate closer working with the NHS, for financial planning purposes the MTFP covers the five years 2016/17 to 2020/21, with detailed plans developed for the first three years and indicative totals for the final two years. A summary of the MTFP is at Appendix 3.

Progress with Council Plan & Budget 2016/17 since Quarter 2

1.16 Overall progress against Council Plan targets remains as reported at Quarter 2.

1.17 While not set as a Council Plan target, the proportion of people whose transfer of care from hospital is delayed is an issue of concern nationally and locally. The position for East Sussex is summarised here and covers two indicators: All transfers and those attributable to Adult Social Care (ASC).

1.18 For all transfers between 1 April and 30 November 2016 performance is 20.6 (delays per 100,000 population), equating to an average 89.4 delays at the snapshot on the last Thursday of each month. Data indicates increased levels compared to the previous year. This is partly due to a change in counting methodology by the NHS in May 2016, but is mainly due to the ongoing reduction in available independent sector care home and home care provision, for both adult social care clients and self-funders.

1.19 For the proportion of people whose transfer of care from all hospitals is delayed due to Adult Social Care, performance between 1 April and 30 November is 6.33 (delays per 100,000 population), equating to an average 27.5 delays at the snapshot on the last Thursday of each month. Social Services delays have shown an increase and this is generally due to the lack of independent sector provision both in terms of care homes and home care.

1.20 There are a range of workstreams aimed at improving the timeliness of hospital discharges and reducing unnecessary admissions which should reduce delayed discharges from hospital for both indicators. Examples of this work being undertaken in partnership with local health organisations are listed below:

- ESCC is working with Clinical Commissioning Groups (CCGs) and East Sussex Healthcare NHS Trust (ESHT) to further develop the role of the Hospital Intervention Team. This will include increasing the numbers of social care staff based in A&E and Gateway wards to facilitate early discharge planning and admission avoidance.
- ESCC is reducing reliance on independent home care providers by increasing the hours available for community-based reablement and continues to work with care homes to optimise available capacity.
- ESCC is working with care home providers to develop the Care Home Plus model. This will provide enhanced payment to care homes where admission/transfer to a nursing home can be avoided.
- The role of the Hospital Intervention Team will also be extended to support an integrated and systematic approach to discharge by ensuring seamless working with community services, therefore providing the provision to transfer patients from acute to community settings.
- The Discharge to Assess Scheme, which enables people to return home for an assessment of their future needs. Patients return home with access to reablement support - currently 6,300 hours per week are available from the fully integrated reablement service. There is also ongoing work with private sector providers (care homes and home care) to assess and start or restart packages of care within 24 hours of referral.

1.21 The local situation for delayed transfers of care is closely managed and monitored. Health and Adult Social Care services are working together to reduce the number of delays and unnecessary hospital admissions and improve patient experience.

1.22 At quarter 2, the gross projected year-end overspend within service departments is £8.3m (ASC and Children's Services Department) and £0.4m on centrally held budgets. Work is ongoing within services to reduce or mitigate the overall overspend, however, best information is that an overspend will remain, and the position will be updated when the full Quarter 3 results are available.

1.23 Following the review of our Minimum Revenue Provision Policy and the Treasury Management budgets, there will be a reduced charge to revenue in 2016/17 of £8.2m. Normal practice is to transfer any net treasury management underspend to the Capital Programme to reduce borrowing, but this could be used to mitigate a net overspending on the General Fund if required. The general contingency of £3.4m is also available to offset this overspend. If not required, or only required in part, it is proposed that the balance be held to manage risks arising due to the unknown impact of the Business Rate Revaluation, savings realisation and the innovative financial arrangements of East Sussex Better Together (ESBT) or to manage down borrowing.

1.24 Within the Quarter 2 position, Children's Services reported a projected overspending of £2.8m relating to ISEND, looked after children and home to school transport cost pressures. The Department has carried out a full review, the results of which were reported at quarter 2. Ongoing mitigations have been implemented to contain and offset the cost pressures, and savings have therefore been made in excess of the MTFP savings target. These include inter-block transfers for Dedicated Schools Budget totalling £4.3m for 2017/18. While it is appropriate for the costs of increasing SEND provision to be met by transfers within the overall schools' budget, it is acknowledged that the extent of the transfers are causing strain on the budget of individual schools.

1.25 A joint OFSTED and Care Quality Commission inspection of the local area's effectiveness in identifying and meeting the needs of children and young people who have SEN and or disabilities was carried out between 5-9 December 2016. The results are expected to be published in the first week of February 2017 and will be reported to Members.

Revenue Budget 2017/18

1.26 The RPPR report to the October Cabinet detailed the MTFP projections for 2017/18 and subsequent years. A key consideration at the time of the October report was the considerable uncertainty affecting the MTFP projections. The changes to the budget gap since the October Cabinet report are set out below and are discussed in the following paragraphs.

Changes to the 2017/18 Budget from October Cabinet

	2017/18 £m	2018/19 £m
Cabinet 11th October 2016		
Total Savings @ 11th October 2016	23.846	27.524
Deficit/(Surplus) @ 11th October 2016	(1.595)	2.416
Internal cost reviews:		
• MRP/Treasury Management Review – revised revenue charge and MRP calculation	(4.980)	(0.500)
• Increased borrowing costs following reduction in revenue contribution to capital	0.350	-
• Adult Social Care cost pressures – base adjustment	4.500	-
• Pensions – additional cost not as great as expected	(0.973)	(0.384)
• Home to School Transport cost pressures	0.200	-
Income forecasts – growth not as great as expected		
• Council Tax Base	1.161	1.316
• Business Rates	1.614	(0.239)
Adult Social Care Precept		
• Additional 1% in 2017/18 and 2018/19	(2.451)	(2.648)
Government grants		
• ASC Support Grant – new grant income	(2.597)	2.597
• Improved Better Care Fund – new grant income	(0.286)	(7.528)
• Dedicated Schools Grant – loss of grant not as great as expected	(2.500)	0.250
• Education Services Grant – loss of grant not as great as expected	(1.142)	1.178
Recommended Changes to Investments and Savings:		
• Economic Development Grants – new investment	1.000	(1.000)
• Transformation & Delivery Risk Provision 2017/18 only – risks as noted at paragraph 1.23	0.127	(0.127)
• Transitional funding for schools - 2017/18 only	0.750	(0.750)
• Highways – new investment	1.300	-
• Community Match – new investment	0.150	-
• Youth Services – new investment	0.130	-
• Revenue contribution to capital – reduction in order to fund investments	(2.000)	-
2018/19 Surplus/(Deficit)	-	(0.589)
Other	0.309	(0.042)
Revised Savings Totals	**16.913**	**21.474**

1.27 *Review of the Treasury Management Budget & Minimum Revenue Provision (MRP)* -A report to the Audit, Best Value and Community Services Scrutiny RPPR Board on 5 December 2016 identified the potential savings of £5.0m from 2017/18 following a detailed review of the Treasury Management budget. This is largely the result of re-profiling MRP payments from a reducing balance to a straight line basis, the details of which are set out in the Treasury Management report elsewhere on the agenda. In addition, the annual provision of £1.0m from 2018/19 to support the requirement to borrow to fund the Capital Programme 2018-2023 has been reduced to £0.5m. In addition to this a further £0.35m has been provided from 2017/18 on to support the need for additional borrowing as a result of reducing revenue contributions to the capital programme from £6.0m in 2016/17 to £4.0m from 2017/18.

1.28 *Pensions* - The triennial actuarial review has been completed and the funding position of the East Sussex Pension Fund has improved from 81% to 92%. This eases the underlying upward pressure on employer contribution rates and, while the overall ESCC rate will increase by 0.5% to 21.1% in 2017/18 and by 0.5% p.a. for the following two years, the impact on the MTFP is to reduce the amount of additional budget provision required. The actuarial review does not cover the final year of the MTFP; for planning purposes, an increase of 1% has been assumed in that year.

1.29 *Council Tax Base/Collection Fund Surplus* - The MTFP previously included an assumption of a 1.5% pa growth in the tax base for 2017/18 to 2020/21. Information has now been received from all five authorities on the proposed council tax bases for 2017/18 and an increase of just over 1% is now projected; this results in reduced income against previous forecast of £1.2m. The final position on the collection fund is expected mid to late January 2017.

1.30 *Business Rates*
Projections have been reviewed to take account of the following:

- District and Borough Councils have been unable to ascertain full estimates in order to predict levy / safety net positions (due to having to wait for software updates to produce figures) ahead of the deadline to notify DCLG of changes to Pool arrangements. Given their concerns regarding increases in appeals provisions following the Business Rates Revaluation and the risk that growth in rates payable will not be enough to offset the impact of the increases to appeals provisions, the Pool have agreed to revoke arrangements for 2017/18. This has led to a reduction of £0.9m income in the MTFP, which is the County Council's previous estimated share of the Pool.

- A review of Business Rates has also been carried out which has included the impact of growth and the impact on appeals of the revaluation (the first revaluation carried out in the current business rates retention scheme). These revised projections result in a further reduction in income against previous estimates of £0.7m for 2017/18. The Business Rates top up was also confirmed as part of the 4 year deal. However, the impact of Business rate retention and S31 grant following the revaluation remain unclear until the 2017/18 forecasts are completed by District and Borough Councils at the end of January.

Adult Social Care Pressures and funding

1.31 *Social Care Pressures* - A review has been undertaken of the underlying cost pressures within the Independent Sector. In particular, the forecasting assumptions for future activity, factoring and attrition rates have been revisited. A starting deficit position on the Independent Sector of £4.5m is now projected; this is before the impact of 17/18 demand growth, demography or fee uplift that is allowed for within the MTFP. A £4.5m base adjustment is therefore required, to be applied proportionately to the ESBT and Connecting for You (C4Y) areas.

1.32 *East Sussex Better Together and Connecting for You ratio* - The proportionality varies between specific budget headings, with ESBT representing 77% of the total ASC budget, compared to 23% for C4Y (this is a ratio of ESBT spending to C4Y of 3.34:1). Members should note that, in order to ensure equity of funding between the ESBT and C4Y areas, any proposed change to the savings or investment within one area should be matched by a proportionate change to that of the other area.

Additional funding

1.33 The Government announced the introduction of an Improved Better Care Fund (IBCF) in the autumn of 2015. It had been assumed that there would be significant conditions attached to its use; in particular that there would be additional responsibilities attached to the grant and that the funds would have to be used as investment/pump priming to implement transformation projects. For this reason, the IBCF projections were excluded from the MTFP in the State of the County report. Although there is further detail to be provided, it now appears that there will be limited conditions attached to the grant so long as the funds are applied to social care, and the expected income has now been included within the MTFP.

1.34 In addition, as part of the local government settlement it was announced that the New Homes Bonus grant will now be based on a four-year period rather than the existing six-year period (with a transitional five-year period for 2017/18) and, in response to evidence presented relating to severe funding pressures, a new Adult Social Care Support Grant will be made available for 2017/18 only by redistributing £241m nationally from New Homes Bonus based on need; for ESCC this equates to £2.6m.

1.35 The Provisional Settlement also introduced the ability to charge up to 3% on the Adult Social Care Precept, in 2017/18 and 2018/19, subject to a maximum of 6% across the 3 year period 2017/18 to 2019/20. This is not additional revenue raising powers, but an opportunity to re-profile our existing plans which were based on a 2% increase in each of the years.

1.36 From 2017/18, the Council is proposing to align its Adult Social Care budget with two of the local NHS CCG partners, as part of the transition to the ESBT accountable care model which is intended to take a whole-systems approach to the planning and delivery of health and social care across the ESBT area. As a consequence of the progress made with aligned financial planning through the Strategic Investment Plan (SIP) (Appendix 5) this provides for savings in the Council’s budgets relating to the ESBT area to be achieved through a subsidy from NHS partners to the Council via the ESBT budget, rather than by reductions in Council-funded services.

1.37 Governance arrangements are being devised for the oversight of the ESBT budget including the planning and delivery of services and control of budgets. A proposal will be made to establish a joint committee comprising County Council elected Members and representatives from the two CCGs. The committee will need to meet to consider and approve the proposed Strategic Investment Plan, prior to the start of the new financial year. Pending this, Members are asked to note the current draft SIP. While significant joint work has been undertaken by the partners on the Plan, it is work-in-progress and will be considered for approval in March.

1.38 Whilst mindful of the affordability challenge to local residents of any tax rises in a county where earnings are lower than the national average Cabinet recommends that the County Council take the opportunity to raise the ASC Precept by 3% and take early advantage of the consequent additional funding, given:

- the significant pressure on the Adult social Care budget (across both ESBT and C4Y);
- the significant pressures within the NHS in East Sussex;
- the risk that NHS partners may withdraw from ESBT if the Council isn’t seen to be committed to investing as much as possible, as early as possible into the ASC and health economy; and
- the potential to sustain or improve outcomes for local residents;

1.39 The MTFP therefore assumes a precept of 3% pa in 2017/18 and 2018/19 with no increase in 2019/20.

Children's Services – home to school transport and schools related funding
1.40 *Home to School Transport* costs are continuing to increase, despite a decrease in provision. Factors include an increase in fuel cost, increases in distances pupils are transported and a high proportion of children requiring medical chaperones. Further funding of £0.2m is therefore allowed in the MTFP to mitigate this pressure. This will provide an on-going increase in the base budget for Children's Services.

1.41 The MTFP had previously assumed that the contribution made by the *Dedicated Schools Grant (DSG)* towards centrally-provided schools services would reduce from £7.4m to £4.4m in 2017/18 as a result of the move towards a national funding formula for schools. With the delay in the new arrangements and changes in the Government's approach, it is now expected that the Council will be able to retain £6.9m in 2017/18, which constitutes a much smaller reduction than previously assumed. DSG is still assumed to reduce further in future years.

1.42 The current *Education Services Grant* (ESG) funding arrangements are changing from 2017/18. The retained ESG element will be allocated within the Schools Block DSG and the Schools Forum has approved the retention of these funds (£1.0m). ESCC will also be receiving £1.1m as ESG transitional general funding until the ESG general funding ceases completely from September 2017. This funding remains outside of the DSG and will be received in the 'normal' way as separate ESG funding. The effect of these announcements is to reinstate £1.1m of income within the MTFP that had been assumed to be lost in 2017/18.

Economic Growth
1.43 To support the Council's priority of driving economic growth, it is proposed to allocate £1.0m in 2017/18 as economic development grants and loans as a one-off investment. Funds that have been allocated to date demonstrate excellent value for money allowing businesses within East Sussex to grow. It has supported the creation 633 jobs supporting over 200 businesses, with a cost per job ratio being significantly lower than the national average. This proposal recognises that the constraints on the capital programme do not allow future investment in this high priority area, and therefore utilises the opportunity provided by a reduced savings requirement to make a revenue contribution to the Council's scheme for supporting economic development grants and loans.

1.44 Cabinet also propose to make an additional £1m pa investment in highways drainage to support our strategic asset approach in following recommendations made by the Economy, Transport and Environment Scrutiny Committee.

Keeping vulnerable people safe and helping people to help themselves
1.45 Cabinet has proposed a number of other investments which aim to support vulnerable people and improve community resilience. These are:

- Additional investment into highways pavements to support mobility in local communities - £0.300m
- Additional investment into Community Match which enables local communities to invest in local priorities - £0.150m
- Additional investment into Youth Services
    - Detached and mobile outreach Youth Work Programmes – working with community safety to identify and then target Antisocial Behaviour hot spots - £0.045m
    - Junior Autistic Spectrum Disorder activity sessions – £0.052m
    - Drop in group work provision in targeted communities - £0.033m

Transitional Funding for Schools
1.46 Having considered the funding pressures being faced by East Sussex schools for 2017/18, Cabinet has proposed to provide transitional additional funding of £0.75m for 2017/18 only.

Final Savings Proposals

1.47 In the light of the changes above the savings proposed in October have been updated. They are set out in detail in Appendix 4. The ESBT saving is shown as a one-line subsidy, while planned savings in the non-ESBT areas are shown in the more traditional form as a listing of specific initiatives). The SIP (Appendix 5) shows how savings and investments will be made across the health and social care economy in order to achieve the savings required to meet the County Council's funding shortfall.

1.48 Additional grant income from the Improved Better Care Fund and Adult Social Care Grant has been applied to mitigate the scale of savings required within adult social care, and to increase the Council's contribution to the ESBT budget. The additional income has been applied proportionately to the ESBT and C4Y areas. Likewise the additional £2.5m from ASC Precept has been applied to mitigate the scale of savings across ESBT and C4Y.

1.49 A small number of proposed 2017/18 savings have been deferred to 2018/19 to provide more time to prepare for implementation, notably where they involve joint working with partners.

1.50 Notwithstanding the changes made to improve deliverability, the scale of savings required in 2017/18 remains significantly challenging at £16.9m which is equivalent to 4.6% of the Council's net revenue budget.

1.51 To manage risks arising due to the unknown impact of the Business Rate Revaluation, savings realisation, and the innovative financial arrangements of ESBT. It is proposed to provide a small transformation and delivery risk provision of £0.1m which represents around 0.6% of the total planned savings.

Summary of 2017/18 Budget

1.52 Appendix 2 presents the draft Budget Book for 2017/18. The movements in the revenue budget from 2016/17 to 2017/18 are summarised below.

Movement in Revenue Budget from 2016/17 to 2017/18

	2016/17 Rebased Net Budget	**Additions**	**Reductions**	**2017/18 Net Budget**		**Change**	
	(£m)	**(£m)**	**(£m)**	**(£m)**		**(£m)**	**%**
Adult Social Care	163.572	16.581	(11.442)	168.711		5.139	3.14%
Public Health	-	-	-	-		-	0.00%
Business Services / Orbis	21.601	0.885	(1.502)	20.984		(0.617)	-2.86%
Children's Services (inc. schools)	64.593	7.640	(3.476)	68.757		4.164	6.45%
Communities, Economy & Transport	60.818	4.268	(1.702)	63.384		2.566	4.22%
Governance Services	7.499	0.051	(0.270)	7.280		(0.219)	-2.92%
Total Departments	**318.083**	**29.425**	**(18.392)**	**329.116**		**11.033**	**3.47%**
Corporate Budgets	51.229	2.423	(17.817)	35.835		(15.394)	-30.05%
Total	**369.312**	**31.848**	**(36.209)**	**364.951**		**(4.361)**	**-1.18%**

Fees and Charges

1.53 As part of setting the budget, the Council is required to review the charges it makes for services and approve a schedule of revised charges.

- To streamline the approval process, it is recommended that the CFO be given delegated authority to approve any increase in fees up to 2% for 2017/18.
- Any individual fee or charge that is increased up to this prescribed rate will then not require any formal approval as part of the budget report, only those that have a higher rate applied to them will require specific approval.
- Where there is a statutory requirement for the Council to formally approve an increase, or new charges are being proposed, or the level of the proposed fee or charge is to be reduced, then these will continue to be reported for specific approval as part of the annual budget report.
- This will remove the need for individual fees & charges to be reported, but they will be required to be reported as part of any formal review of the policy to which to they relate.

1.54 The schedule of the fees and charges requiring specific approval is set out in Appendix 6.

Council Tax requirement

1.55 The Government has provided for relevant authorities to charge up to 3% on the Adult Social Care Precept, in 2017/18 and 2018/19, subject to a maximum of 6% across the 3 year period 2017/18 to 2019/20. The Council Tax requirement below is based on the proposal that this option is taken for the reasons set out in paragraph 1.38 above to maximise the mitigation available across health and social care.

1.56 The Council's original budget projections for 2017/18 were based on the continuation of the Council Tax policy of increasing the Council Tax precept by inflation. The Government has confirmed that the referendum limit for 2017/18 will remain at 2%. The draft budget therefore assumes a Council Tax increase of 1.99%.

1.57 It is therefore proposed that the Council be asked to consider increasing the Council Tax for 2017/18 by 1.99%. This is an increase of £24.93 pa on a Band D property. It is also proposed that there should be a further 3% increase in respect of the adult social care precept. This results in a further increase of £37.53 on a Band D property.

The proposed band D charge for 2017/18 would therefore be:

Changes in Council tax	Council Tax
Band D 2016/17	£1,251.90
1.99% Council tax increase *	£24.93
3% Adult Social Care Precept *	£37.53
Band D 2017/18	£1,314.36

* Rounded

1.58 The formal Precept notice for issuing to the Borough and District Councils will follow, for formal recommendation to council. This will be subject to change following the final settlement and confirmation of NNDR for 2017/18. The draft precept calculation and dates is at Appendix 7.

Medium Term Financial Plan (MTFP)

1.59 A summary of the MTFP is provided at Appendix 3. The table below shows the projected deficit for 2018/19 to 2020/21.

	2018/19 £m	**2019/20 £m**	**2020/21 £m**
Deficit/(Surplus)	0.589	11.732	25.407

1.60 With the significant programme of savings already planned, while a balanced budget has been reached for 2017/18, there remains an estimated deficit of £25.4m by 2020/21. This combined with ongoing uncertainties that could have significant financial impact on future years, mean that the serious financial challenge faced by the Council will continue unabated.

1.61 Additional detail is provided in the Budget Book at Appendix 2. The Budget Book will be updated after the final budget is approved.

Capital Programme

1.62 Due to the ongoing financial pressures the Council is facing, the proposed capital programme 2018-2023 has focused on a strategy to deliver core need as efficiently as possible. Significant work has been undertaken to review the delivery of basic need and to identify all potential funding and make the best use of resources.

1.63 The table below shows the areas of core need within the future programme and the reduction in the funding gap from initial estimates in February 2016.

	Position at Feb 2016 £m	Position at Jan 2017 £m
Areas of Core Need		
Schools Basic Need	229.0	100.6
Highways	124.2	118.4
Property Building Maintenance	39.6	41.9
ICT	21.2	14.8
ASC House Adaptations	0.0	1.5
CSD House Adaptations	0.0	0.5
Slippage from 2016-18 Programme and match funded schemes	0.0	49.1
Total 2018-23 gross programme	**414.0**	**326.8**
Funded by:-		
Scheme specific resources	0.0	52.2
General resources	201.9	206.4
Total funding 2018-23 programme	201.9	258.6
Borrowing gap 2018-23 programme	212.1	68.2
Total 2016-18 gross programme	**213.4**	**187.1**
Resources	151.3	139.5
Borrowing 2016-18 programme	62.1	47.6
Total 2016-23 gross programme	**627.4**	**513.9**
Capital risk provision	8.7	12.9
Total programme including risk provision 2016-23	**636.1**	**526.8**
Total Borrowing requirement 2016-23	*282.9*	*128.7*

1.64 It is proposed that the current remaining programme and the new 2018-23 programme are combined. Therefore the total 2016-23 proposed programme is estimated at an investment of £526.8m (over 7 years) as shown above. This includes capital risk provision of £12.9m, however we would not borrow for this until potential risks materialise, and therefore the current total borrowing requirement is £115.8m. There remains however, significant risk relating to Government grant assumptions and S106 not yet received and the potential conversion to Community Infrastructure Levy.

1.65 For the programme 2018-23, a commitment has been made to a 5-year Highways maintenance programme in order to secure efficiencies in partnership with the contractor. This is subject to agreement with the contractor.

1.66 The current provision is for a £4.0m contribution from revenue each year from 2017-18 to 2022-23 to support the programme. The Council's capital investment ranges across assets with a life of between 5 and 60 years. It is important that a level of revenue investment is maintained to continue the Council's investment in short life assets (ICT and House Adaptations) and avoid borrowing for these assets. While we would borrow in full for new infrastructure, it makes less financial sense to borrow in full for ongoing capital maintenance such as highways. A minimum revenue contribution to capital of £3-£4m pa is therefore acceptable but it is prudent to maintain the level at £4m.

1.67 The proposed programme is significantly lower than the Council's previous programme which was an average of circa £125m per year. The proposed programme of £526.8m covers seven years, which is an average of £75m a year, with the first two years of which relating to the previously approved programme and totalling 36%, of the value of the investment.

1.68 The detailed programme as at Cabinet can be found in the capital section of the Budget Summary at appendix 2, with supporting information at appendix 8.

Robustness and Opportunity Cost of Reserves

1.69 As part of the annual budget setting process, work to review current reserves has been undertaken to ensure the level of reserves are appropriate. The reserves are split into two categories: named service reserves and strategic reserves, as set out in the Reserve policy. ESCC reserves are estimated to total £100.2m as at 1/4/2017. The actual Reserves at 1/4/2016 totalled £106.7m;

Summary of Earmarked Reserve estimated at 1/4/17

	£m
Named Service Reserves	
Held on behalf of other or statutorily ringfenced	30.1
Waste Reserve	12.8
Set aside for the New Capital Programme 2018/23	26.8
Insurance	5.9
Total service specific reserves	**75.6**
5 Strategic Reserves	24.6
Total Reserves	**100.2**

1.70 Planned use of these reserves is estimated to reduce them to £52.2m by the end of the MTFP period in 2020/21.

1.71 Having conducted a thorough review of reserves held by the Council the level of reserves held is considered appropriate (details of reserves held can be found in the reserve section of Appendix 2). Additionally it is proposed that the insurance reserve is reduced in line with actuarial recommendations and the balance plus the reduction in insurance provision of £1.3m be transferred to the transformation reserve in recognition of the need for further service transformation to respond to ongoing financial challenges and changing service demands. The Chief Finance Officer Statement on the Budget Robustness can be found at Appendix 9.

Equalities

1.72 A high level Equalities Impact Assessment (EqIA) of the revenue savings proposals has been undertaken and is set out in Appendix 4. Further EqIAs will be undertaken where appropriate before individual proposals are implemented. EqIAs have been undertaken of the proposed Capital spending. These are summarised in Appendix 8a. In considering the proposals in this report, Members are required to have 'due regard' to the duties 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 the proposals for those with protected characteristics and to identify appropriate mitigations. The full version of relevant completed EqIAs have been placed in the Members' and Cabinet Rooms and are available on the County Council pages of the 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.

1.73 Whilst the County Council is being asked to agree the revenue budget and Capital Programme, there remains scope for reconsideration of individual proposals in the light of new information and changing circumstances during the year (for example the outcome of EqIAs). When specific executive decisions come to be taken, the full equalities implications of doing one thing rather than another can be considered in appropriate detail. If it is considered necessary, in light of equalities or other considerations, it is open to those taking the decisions to spend more on one activity and less on another within the overall resources available to it.

Staffing Impacts

1.74 The savings proposals for the next two years could lead to the reduction of 200 jobs. The County Council has established and robust employment protection policies and will continue to try and avoid making compulsory redundancies wherever possible.

Engagement Feedback

1.75 The views of the Scrutiny Committees and the outcomes of engagement events with young people, partners, representatives of business ratepayers and trade unions are set out at Appendix 10.

Lobbying

1.76 Cabinet Members and officers have been and will continue to lobby for the best interests of the residents of East Sussex, directly with the Government, through meetings and briefings with our local MPs, through contact with Government officials and through the various partnerships in which we participate such as SE7, 3SC, CCN and LGA. We have used all these channels to try to ensure that, for example, the implications of the proposed changes to local government finance to the sustainability of services in East Sussex is clear. This will include stressing that the “new” money the Government has announced for Adult Social Care is insufficient to fill the budget gap and that the change in arrangements for New Homes Bonus to direct it towards Adult Social Care will result in a net loss of the funding available for local services to the tax payers of East Sussex of £600,000, despite East Sussex having the second highest proportion of older people in the country.

Conclusion

1.77 The financial challenge the Council faces is considerable and the choices between saving and spending areas are difficult. In making recommendations to the County Council, the Cabinet has sought to balance the needs of residents and businesses in the County for services and the affordability of those services. The

1.78 The Cabinet **recommends** the County Council to:

✡ (1) approve, in principle, the draft Council Plan at Appendix 1 and authorise the Chief Executive to finalise the Plan in consultation with the relevant Lead Members;

(2) approve the net Revenue Budget estimates for 2017/18 as set out in Appendix 2;

(3) in accordance with the Local Government Finance Act 1992 to agree that:

(i) the net budget requirement is £365.0m and the amount calculated by East Sussex County Council as its council tax requirement (see Appendix 7) for the year 2017/18 is £257.4m;

(ii) the amount calculated by East Sussex County Council as the basic amount of its council tax (i.e. for a band D property) for the year 2017/18 is £1,314.36 and represents a 4.99% (3% of which relates to the Adult Social Care precept) increase on the previous year;

(4) advise the District and Borough Councils of the relevant amounts payable and council tax in other bands in line with the regulations and to issue precepts accordingly in accordance with an agreed schedule of instalments as set out at Appendix 7

(5) authorise the Chief Operating Officer, in consultation with the Chief Finance Officer, Leader and Deputy Leader, to make adjustments to the presentation of the budget to reflect the final settlement and budget decisions;

(6) approve the fees and charges set out in Appendix 6 and delegate authority to the Chief Finance Officer to approve an increase to all other fees and charges by up to 2%;

(7) approve the Capital Programme for 2016 – 2023, including a commitment to a 5 year Highways maintenance programme of £91.3m as set out at Appendices 2 and 8;

(8) note the Medium Term Financial Plan forecast for the period 2018/19 to 2020/21 as set out in Appendix 3; and

(9) note the comments of the Chief Finance Officer on budget risks and robustness as set out in Appendix 9;

(10) note the draft Strategic Investment Plan for East Sussex Better Together as set out in Appendix 5; and

(11) note the comments from the engagement exercises as set out in Appendix 10

2. Council Monitoring – Quarter Two 2016/17

2.1 The Cabinet has considered a report on performance against the Council Plan, Revenue Budget, Capital Programme, Savings Plan and risks for the second quarter of 2016/17 and end of year projections. Broad progress against the Council's four strategic priority outcomes is summarised below and an overview of performance and finance data is provided in the Corporate Summary at Appendix 11. Strategic risks were reported at Appendix 17 and a detailed report for each department was provided is provided in Appendices 12 to 16.

Overview of 2016/17 Council Plan

2.2 More detail of progress against each of our priority outcomes for 2016/17 is set out in paragraphs 2.12 to 2.22 below. Of the 67 Council Plan targets, 48 (72%) are rated green, 14 (21%) are rated amber, 2 (3%) are rated red, and 1 (1%) is TBC awaiting outturns. 2 measures (3%) are proposed for amendment to reflect the latest position:

- Appendix 12 (see ref i) – 'Number of carers known to Adult Social Care': we are unable to report on this target it is therefore proposed to amend measure to 'Number of carers supported through short-term crisis intervention'. New 2016/17 target of '675' to replace '>7,626' target relating to the previous measure.
- Appendix 15 (see ref iii) – 'Number of new apprenticeships with the County Council (ESCC and schools)': due to the introduction of the Apprenticeship Levy in 2017 we are proposing to amend the target for this year. New 2016/17 target of '46' to replace '56'.

2.3 At quarter 2, the gross projected year-end overspend within service departments is £8.3m (£12.7m at quarter 1). The main areas of overspend are:-

- £6.1m in Adult Social Care (£8.7m at quarter 1), mainly the result of ongoing pressures on Independent Sector Care. In 2015/16, the Adult Social Care overspend was mitigated by the deployment of the Better Care Fund contingency. The position continues to be monitored and is included within the development of the East Sussex Better Together Strategic Investment Plan and ongoing discussions with Clinical Commissioning Groups.

- A £2.8m overspend in Children's Services (£4.0m at quarter 1). This is within ISEND, Looked after Children, and Home to School Transport, and is the result of demand led pressures (detail is provided in Appendix 14). Children's Services has carried out a review of all costs across the department, including: reviewing recruitment activity and holding vacancies open for longer; a review of staff on non-permanent contracts and agency workers; and bringing forward savings from later years into 2016/17. Having also scrutinised ISEND pressure areas the Schools Forum has agreed the use of £1.9m Schools Dedicated Schools Grant Reserve. Children's Services are working to improve forecasting models in this area, including Home to School Transport costs (the latter with Communities, Economy and Transport colleagues).

2.4 There are budget pressures across all departments, at the moment within Communities, Economy and Transport, Business Services and Governance these are being successfully contained and there is nothing of significance to report.

2.5 Within centrally held budgets there is a projected reduction in income for the Council's share of the East Sussex Business Rates Pool and the Business Rates Cap Compensation received from the Department for Communities and Local Government totalling £0.2m. The Council's share of the pool reflects the quarter 2 projections showing a reduction, mainly due to a significant increase in appeal provision by all billing authorities in East Sussex.

2.6 Following receipt of updated figures reflecting schools converting to academy status, there is also a pressure of £0.2m for Education Services Grant (ESG). Further conversions up to March 2017 would add to this pressure, but it should not be material. The overall overspend on centrally held budgets is therefore currently forecast at £0.4m in 2016/17.

2.7 Work is ongoing within Services to reduce or mitigate the overall overspend. The general contingency provision of £3.4m is available which would, on current projections, reduce the net overspend to £5.4m. Following the review of Minimum Revenue Provision Policy and the treasury management budgets there will be a reduced charge to revenue in 2016/17. Normal practice is to transfer any net treasury management underspend to the capital programme to reduce borrowing, but this could be used to mitigate a net overspending on the General Fund if required.

2.8 The quarter 2 Capital Programme is monitored against the revised programme submitted to the Council as part of State of the County in June plus approved variations. The forecast expenditure for the year is projected at £98.4m against a current budget of £121.8m, a variation of £23.4m (£12.5m at quarter 1). The additional movement at quarter 2 of £10.9m comprises slippage of £12.8m, offset by spend in advance of £2.2m, and a net underspend of £0.3m. As part of RPPR, the current capital programme will be adjusted to reflect the updated forecast position at quarter 2 including any further approved variations.

2.9 The additional Capital slippage at quarter 2 mainly comprises:

- £6.0m on Broadband (£7.9m total slippage) after a re-profiling of payments.
- £1.8m on Terminus Road (£4.6m total slippage). The result of necessary design alternations following Bus operator concerns regarding the current plan. The change since quarter 1 is due to Highways reviewing whether any other LEP projects could be brought forward to ensure expenditure remained in line with the agreed LEP funding profile.
- £1.4m on the Schools Basic Need Programme. Of this £0.8m relates to the school development at Frant, which has been delayed as a result of the housing development not proceeding as fast as initially anticipated. The pressure for places has therefore slipped out of the current approved programme. The remaining £0.6m relates to Cradle Hill the result of planning delays, and Ninfield due to negotiations with the Parish Council on the land and lease.
- £0.6m on Bexhill Hastings Link Road Complimentary Measures. Mainly due to a review that was expected to take place earlier in the year now taking place in December, therefore delaying any measures until 2017/18.
- £0.4m on Adult Social Care House adaptations. This scheme is demand led and currently there is a low demand.

- In addition, there is a risk associated with the delivery by Costain of the Local Transport Plan, while this may result in some slippage, at this stage it is not possible to quantify.

2.10 The slippage on Terminus Road and Queensway have been offset by bringing forward expenditure of £2.0m on the North Bexhill Access Road to ensure the South East LEP funding is used as agreed. Further spend in advance of £0.3m has occurred due to the unexpected volume of grants and loans applied for by businesses from the Council's Economic Investment Fund. This is offset by a reduced spend in advance of £0.1m on the Schools Basic Need Programme. The net underspend of £0.3m is mainly due to the removal of the forecast overspend reported at quarter 1 on the Bexhill Hastings Link Road. The contractors have re-profiled payments and any impact will not materialise until future years.

2.11 The Strategic Risk Register, Appendix 17, has been reviewed. Risk 1 (Roads), Risk 6 (Local Economic Growth) and Risk 7 (Schools) all have updated Risk Control measures. No new risks have been added to the Strategic Risk Register for this review, and no existing risks have been removed. All risk scores, both pre and post mitigation, remain unchanged.

Progress against Council Priorities

Driving economic growth

2.12 126 online learning courses were completed in our libraries in quarter 2 on topics such as English, Maths and IT (Appendix 15).

2.13 87.1% of primary schools in the county are judged to be good or outstanding. Although this is slightly lower than the national rate of 89.4% it has increased by 10.1 percentage points since August 2015, over the same period the national rate increased by 5.6 percentage points. 77.8% of secondary schools are judged as good or outstanding compared to 77.6% nationally. For the 2015/16 academic year, the percentage of pupils achieving 5+ GCSEs at A*-C, including English and mathematics was 57.5% against a national average of 57%. At Key Stage 4 the East Sussex Progress 8 score was +0.04, significantly higher than the national average of -0.03. The East Sussex Attainment 8 score was 49.1, 0.8 below the national average (Appendix 14).

2.14 We have provided grants and loans worth over £870,000 to businesses in 2016/17, which expect to create 97 jobs (Appendix 15).

2.15 27 apprentices have been recruited during 2016/17, of these 12 were recruited by the Council, nine by Costain CH2M, and six in schools. The current apprenticeship retention rate is 93% (Appendix 15).

2.16 We have invested over £7m on 110 schemes of work to maintain and improve the condition of the county's roads during 2016/17 (Appendix 15).

Keeping vulnerable people safe

2.17 29 victims of financial abuse were visited by Trading Standards officers in quarter 2. During the visits the officers mentored, and were assisted by, volunteers from Age Concern and Citizens Advice. The National Trading Standards Scams Team has selected East Sussex as the pilot area for the Against Scams Partnership initiative (Appendix 15).

2.18 We opened 21 new mental capacity pre-proceedings cases in quarter 2, to ensure that members of the community who are mentally incapacitated are protected. We also opened 31 new pre-proceedings cases involving children to try to keep children in their families, and where that isn't possible to secure them a safe placement with relatives, in a foster home or by way of adoption (Appendix 16).

2.19 A network of domestic abuse champions is being introduced to bring practitioners from a range of agencies together (Appendix 12).

Helping people help themselves

2.20 The project manager for the road safety project, made possible by £1m of Public Health funding, has begun developing a range of behavioural change initiatives aimed at reducing the number of people Killed or Seriously Injured (KSI) on the county's roads. Driver error has been identified as a contributory factor in 90-95% of KSI so this is the focus of the project. Provisional data for April to June 2016 shows that there were 76 KSI on the county's roads, with 10 of these being fatalities. 10 of the KSI and one of the fatalities happened on trunk roads which are the responsibility of Highways England (Appendix 15).

2.21 A new diabetes prevention programme called Healthier You is helping people at greatest risk of developing Type 2 diabetes to avoid the disease. The programme supports people to change their lifestyle – maintaining a healthy weight and being more active – to reduce their risk (Appendix 12).

Making best use of resources

2.22 We are aiming to reduce our cost of occupancy of corporate buildings (per square metre) by 2% in 2016/17. There have been reductions in utilities costs and service charges during quarter 2. However pressures from the National Living Wage, security measures and increased waste disposal are presenting a challenge (Appendix 13)

3. Annual Progress Report of Looked After Children's Services

3.1 The Cabinet has considered the annual progress report for Looked After Children's Services which is attached as Appendix 18.

3.2 The performance data shows that good performance was at least maintained in most areas during 2015/16. There were some improvements in adoption timeliness, and notably in care leaver performance in relation to suitable accommodation and education employment and training (EET). But there was a dip in performance for NI63 (3 or more placement moves), nonetheless it remains below the national rate for 2014/15. The service worked with more children during the course of 2015/2016, and the churn rate was higher than for the previous year (179 2014/15, 185 2015/16). However this did not impact on the overall rate of Looked After Children (LAC) which remained unchanged. Educational outcomes for LAC continued to improve, especially at KS4.

3.3 The annual report was presented to the Corporate Parenting Panel on 14 October 2016. The Members noted the content and accepted the recommendations. Furthermore the Panel commended the service for the consistently good service delivered. The Panel noted that the LAC service performed consistently well during 2015/16, with a continued emphasis on the safe reduction of the number of LAC in the system and the delivery of efficiency savings following the end of both Thrive funding and of the Adoption Reform Grant.

3.4 There have been particular challenges this year as placement capacity reached saturation point in the South East. At times when no in-house placements were available, the placement team found the market unable to respond to the demand for placements of any kind, even in the independent sector. It will be imperative to continue to ensure that the right children are in the right placements for the right amount of time and that we secure the best outcomes possible within the available resources.

3.5 The Cabinet has welcomed the report and thanked those involved in the provision of services for LAC.

4. Waste and Minerals Sites Plan and Minerals and Waste Development Scheme

4.1 The Waste and Minerals Plan (WMP) was adopted by the County Council, Brighton & Hove City Council (BHCC) and the South Downs National Park Authority (SDNPA), collectively known as the Authorities, in February 2013. The WMP sets out the Authorities' planning policy for waste and minerals development in the Plan Area. It included ambitious targets for diverting 98% of all waste from landfill by 2020/21 and proposed that the Plan Area be net self-sufficient in waste management capacity. In order to achieve this, additional recycling and recovery facilities are required for the Plan period up to 2026. The WMP did not identify any specific sites but saved certain previous site allocations. To meet these targets and to have a complete and up-to-date Waste and Minerals Local Plan, as required by Government, an up to date and adopted sites plan is also required.

4.2 Preparation of the East Sussex, South Downs and Brighton & Hove Waste and Minerals Sites Plan (WMSP) began in 2013, following the adoption of the WMP. A 'Call for Sites' was held in the summer/autumn, this was followed by a public consultation on a Draft WMSP during summer 2014. The WMSP was then refined and a consultation on the proposed Submission WMSP took place in winter 2015. Based on the responses to the consultation, a number of Proposed Modifications to the WMSP were agreed by the Authorities. The WMSP and the Proposed Modifications were subsequently submitted to Government on 14 April 2016. An independent Inspector was appointed by Government to hold the subsequent Public Examination. Public Hearings, as part of the Public Examination, were held between 2 and 4 August 2016 at County Hall, Lewes during which, in response to the Inspector's concerns, the Authorities proposed two additional Main Modifications to the WMSP. These were the identification of where particular waste management uses would not be appropriate on the specific identified sites, and the extension of the safeguarded minerals resource at Lydd Quarry. A six week consultation on the revised Main Modifications was then held. On 7 November 2016 the Inspector issued his report with his findings.

4.3 The Inspector concluded that, subject to inclusion of the Main Modifications, the Waste and Minerals Sites Plan provides an appropriate basis for the planning of the area; is 'sound' and legally compliant; and, therefore capable of adoption by the Authorities. However, the Inspector also identified that the current rate of land-won aggregates in the WMP cannot be maintained with the current allocated sites, and indicated that a review of relevant minerals policies within the WMP will be required prior to the end of the Plan Period, as triggered by the conditions set in Policy WMP11.

4.4 On adoption by the three Authorities, the WMSP will replace the remaining saved policies of the Council's adopted Waste Local Plan 2006 and Minerals Local Plan 1999. It will provide updated spatial planning policy for the management of all wastes and the production of all minerals in East Sussex, the South Downs National Park and Brighton & Hove to 2026 and will help ensure that East Sussex meets the targets for waste management set out in the WMP. It will also ensure that the Council has an up-to-date Waste and Minerals Local Plan as required by the National Planning Policy Framework. In combination with the WMP, it will be used by the Council as the basis for determining planning applications for waste and minerals related development. To ensure an up-to-date Local Plan is maintained, the Authorities are required to adopt an updated policies map. A copy of the WMSP, with modifications, is attached as Appendix 19.

4.5 Additionally, in light of the proposed adoption and the requirement to review the WMP minerals policies, it is also recommended that an updated Minerals and Waste Development Scheme be adopted. This will reflect the adoption of the WMSP and commit, in ongoing partnership with the South Downs National Park Authority and Brighton & Hove City Council, to the undertaking of a review of relevant minerals policies within the WMP. The updated Minerals and Waste Development Scheme is attached as Appendix 20.

4.6 The adoption of the WMSP, updated Policies Map and updated Development Scheme is to be considered by Brighton & Hove City Council and by the South Downs National Park Authority. A six week period for legal challenge would then begin. If the three Authorities adopt the WMSP it will become part of the statutory Development Plan for East Sussex.

4.7 The Cabinet recommends the County Council to –

✡ (1) agree to adopt and publish the Waste and Minerals Sites Plan, incorporating the main modifications and minor modifications, and updated Policies Map;

(2) publish the relevant adoption statement and Sustainability Appraisal (incorporating Strategic Environmental Assessment) Report;

(3) authorise the Director of Communities, Economy and Transport to agree any further minor non-material changes to the content of the Waste and Minerals Sites Plan with the South Downs National Park Authority and Brighton & Hove City Council prior to publication; and

(4) agree to adopt the revised Minerals and Waste Development Scheme attached as Appendix 20 to the report.

5. Treasury Management Policy and Strategy

5.1 The Cabinet considered a report regarding the Treasury Management Policy and Strategy which set out the Council's policies for managing investments and borrowing as required under the Chartered Institute for Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in the Public Services.

5.2 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.

5.3 The proposed Treasury Management Policy and Strategy Statement for 2017/18 is presented in Appendix 21 to this report.

5.4 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.

5.5 Details of changes and considerations for the 2017/18 borrowing and investment strategies include the following –

- Revised Minimum Revenue Provision policy statement for 2016/17 and 2017/18, as presented to the Audit, Best Value and Community Services RPPR Scrutiny Board;
- Seek to reduce liquidity where possible and extend duration of investments within current limits. A sensible rebalancing of our liquidity requirements will improve yield without significant additional risk;
- The Council will make use of AAA rated Enhanced Money Market / Cash Funds and the high quality banking institutions from the existing counterparty list;
- Given the low returns from short-term bank investments, the Council should investigate the option of alternative asset classes (i.e., property funds). Diversification into a property fund will be considered during the period of the 2017/18 strategy with the assistance of the Council's treasury advisors (Capita). No investment in such asset class is proposed at this stage, pending a further report to Cabinet and Council that will take into account the views of Scrutiny.

Treasury Management Reporting

5.6 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.

5.7 The Council meets this requirement and also presents a treasury management monitoring position to Cabinet four times a year.

Economic Background

5.8 The Council takes advice from Capita Asset Services on its treasury management activities. A detailed view of the current economic situation and forecasts, as prepared by Capita Asset Services is included at Appendix 21 Annex A.

Minimum Revenue Provision (MRP)

5.9 The Council has carried out a review of the Minimum Revenue Provision (MRP) and look at the options for re-profiling the existing provision to generate revenue savings (Appendix 21 Annex B). The outcome of the review is that the Council is proposing to change its method of calculating MRP on debt prior to 2008 from a reducing balance to a straight line fixed period (45 year) of write down. This would bring the methodology in line with how MRP is calculated for post 2008 debt using the asset life method. The Council's external auditors have been consulted on the outcome of the MRP review.

5.10 The proposed Policy sets out the acceptable limits on ratings, investment periods, amounts to be invested and the borrowing strategy. 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.

5.11 The Cabinet **recommends** the County Council to:

✡ (1) approve the Treasury Management Policy and Strategy Statement for 2017/18;

(2) approve the Prudential and Treasury Indicators 2017/18 to 2019/20; and

(3) approve the Minimum Revenue Provision Policy Statement for 2016/17 and 2017/18

6. Appointment of External Auditors

6.1 Following the abolition of the Audit Commission, the Government appointed Auditors for each local authority by means of a national procurement exercise. The Auditors were appointed with effect from the financial year 2013/2014 on a three year contract with an optional extension for a further 2 years. The parties have agreed to extend the contract which now expires at the completion of the 2017/18 audit.

6.2 With effect from 2018/19, public bodies must appoint their own auditors following a process of competition. This report sets out the requirements to comply with the appointment legislation and recommends a proposed course of action in particular relating to the future appointment of External Auditors through Public Sector Audit Appointments (PSAA).

6.3 Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that the Council may only make the decision to 'opt-into' the appointing person arrangement by a decision of the Full Council. Members of the Audit, Best Value and Community Services Scrutiny Committee have been consulted on the content and recommendations of this report.

6.4 The current indication from the East Sussex Finance Officer Association and the Society of County Treasurers is that their respective authorities will be supporting the new arrangements and opting-in into appointing auditors through the PSAA.

Local Audit and Accountability Act 2014

6.5 The Local Audit and Accountability Act 2014 abolishes the Audit Commission and repeals the Audit Commission Act 1998. Its aim, as stated in Department for Communities and Local Government (DCLG) guidance, is to give local bodies the freedom to appoint their own auditors from an open and competitive market and to manage their own audit arrangements, with appropriate safeguards to ensure independence. The Council is a "relevant authority" within the scope of the Act. The key accounting and audit obligations will be to keep adequate accounting records; an annual statement of accounts for years ending 31 March; and have accounts audited in accordance with the Act by a local auditor appointed under the Act.

6.6 The Council's current external auditor is KPMG, this appointment having been made under a contract let by the Audit Commission. Following closure of the Audit Commission the contract is currently managed by Public Sector Audit Appointments Limited (PSAA), the transitional body set up by the Local Government Association (LGA) with delegated authority from the Secretary of State Communities and Local Government (CLG). Over recent years local authorities have benefited from reductions in fees in the order of 50% compared with historic levels. This has been the result of a combination of factors including new contracts negotiated nationally with the firms of accountants and savings from closure of the Audit Commission. The Council's external audit fee for 2015-16 is £83,572 and £26,603 for the Pension Fund.

6.7 For local government, these transitional arrangements have been extended to include the audit of the accounts for 2017/18. For the 2018/19 year of audit, the Council can make its own arrangements to appoint the external auditor. The 2014 Act sets out the framework and requirements within which this appointment can be made. In accordance with the Act the Council will need to conclude this appointment by the end of December 2017.

6.8 There are three options (analysis attached as Appendix 22), namely –

a) Make the appointment direct – with requirement to have an Auditor Panel to advise the council on the selection and appointment of a local auditor; or
b) Make the appointment in conjunction with other bodies (e.g. on a regional / sub-regional basis); or
c) Make the appointment via a national collective scheme.

Appointment via a national collective scheme

6.9 In July 2016, the Secretary of State for Communities and Local Government specified PSAA as an appointing person under Regulation 3 of the Local Audit (Appointing Person) Regulations 2015. This means that PSAA can make auditor appointments for audits of the accounts from 2018/19 of principal authorities that choose to opt into its arrangements. The Local Government Association is strongly supportive of this approach and the PSAA is leading on the development of this national option.

6.10 The PSAA has formally invited the Council to opt into the national scheme for external auditor appointments and a copy of the letter is attached at Appendix 23. PSAA will make auditor appointments to principal local government bodies that choose to opt into the national scheme, for audits of the accounts from 2018/19. PSAA intends to run the scheme in a way that will save time and resources for local public bodies. A collective procurement will secure the best prices, keeping the cost of audit as low as possible for the bodies that choose to opt in, without compromising on audit quality. Using the scheme will avoid the need for opted-in authorities to:

- establish an audit panel with independent members;
- manage auditor procurement and cover its costs;
- monitor the independence of appointed auditor; and
- manage the contract with the auditor.

6.11 The timetable for the new arrangements outlining the appointing auditors is contained within Appendix 23 with the closing date for ‘opting-in’ of 9 March 2017. The auditor appointments for the audit of the accounts of the 2018/19 financial year must be made by 31 December 2017.

Collaborative Auditor Appointment

6.12 Any of the options for appointment can allow for collaborative auditor appointments to be made. This enables the same auditor to be appointed to one or more local authorities who have indicated that they collaborate or work in a partnership and wish to make a collaborative auditor appointment. The appointed auditor would still be individually appointed to each authority and would report to each body separately, but having the same auditor would bring potential benefits to the local authorities, (for example, processing efficiencies through having common audit practices and supporting document requirements) which will benefit the Orbis shared service partnership between East Sussex County Council, Surrey County Council and Brighton & Hove City Council.

6.13 The Cabinet recommends the County Council to –

✡ (1) approve that the Council opts into the national scheme for the appointment of an External Auditor to the Council for 2018/19;

(2) approve the adoption of Public Sector Audit Appointments (PSAA) as the appointing persons for the Council; and

(3) approve the inclusion of a request for a collaborative auditor appointment with Orbis partners (Surrey County Council and Brighton & Hove City Council) in the prescribed acceptance form

7. The Conservators of Ashdown Forest: Budget for 2017/18

7.1 The Cabinet has considered a report regarding the Conservators of Ashdown Forest budget for 2017/18. This enables consideration to be given to both the overall position and the balance of funding which may be made available to the Conservators from the Trust and the Council's own resources. It must be emphasised that the 'Trust Fund' is legally distinct from the County Council's general resources. It is appropriate however, for the County Council to consider both its decision as Trustee as well as its disposition of general resources when considering the overall financial position of the Conservators.

7.2 The Conservators have produced a draft budget for 2017/18, summarised at Appendix 24. The Conservators' budget is formed of the Countryside Stewardship (CS) budget and the Core Budget (General Fund). Natural England provide the funding for the CS budget and although this represents more than half the total budget, it is ring-fenced for Heathland Conservation projects. The Conservators General Fund receive grants from both the Ashdown Forest Trust, for which ESCC is the trustee, and directly from the Council's budgets, as part of the Communities, Economy and Transport (CET) contribution. The balance of the Trust fund is estimated to be £159,339 at 1 April 2017; shown in Appendix 25.

7.3 As presented, the Conservators' draft budget assumes the level of grant from the Trust Fund will continue at £65,100 and the contribution from ESCC, held in CET budgets, will reduce by 10% to £68,220. The Conservators have managed to present a balanced budget, however this has proven to be a difficult task and the Conservators are limited both in their ability to reduce expenditure and increase income, whilst maintaining their statutory duty.

7.4 In order to present a balanced budget, the Conservators have reduced the hours of back office staff (2.7 FTE to include the Director, Finance Officer and Clerk) and maintained the level of operational staff (7.3 FTE). Additional work has also been moved back in-house to reduce external expenditure. The implications of this reprioritisation of work include risks to relationship management and the enforcement of bylaws and encroachment as well as limitations in supporting operational staff, governance changes, income generation and financial management.

7.5 The Conservators are aware of the need to increase their income in order to maintain the level of care provided to the Ashdown Forest. As such, the Conservators have set up an income generation working group. Work is also ongoing to review the Governance arrangements for the Ashdown Forest, which is hoped to provide further income opportunities. There is a lead time to the additional income generating activities and this is hoped to be in place for 2018/19, however much will depend on the Governance Review.

7.6 The Conservators agreed to maintain reserves sufficient to cover 6 months of staffing and administration costs. The Conservators are not planning any draws from reserves during 2017/18 and the resulting budgeted reserve balance for the year ending 2017/18 is £264,090, which exceeds the minimum balance of £181,585.

7.7 It is proposed to reduce the Council's grant by 10% from £75,800 in 2016/17, to £68,220 in 2017/18. This matches the provision in the CET budget.

7.8 Annual income to the Trust Fund, from a long term lease with the Royal Ashdown Forest Golf Club, amounts to £70,000 with the addition of bank interest. The contribution to the Conservators from the Trust Fund can be maintained at £65,100 in 2017/18.

7.9 The combination of awarding the contribution and grant at the recommended level would give the Conservators a budgetary pressure, yet the Conservators have responded to this and have proposed a balanced budget for approval. While the County Council has a statutory obligation to meet the shortfall between expenditure and income of the Conservators, it also has the responsibility for approving the level of expenditure. The Cabinet has therefore recommended an annual grant of £65,100 from the Trust Fund, and a contribution of £68,220 from the CET budget. The Conservators' final budget will be amended to reflect these recommendations. The recommendations are reflected in the reconciling policy, performance and resources report in paragraph 1 of this report

8. Annual Audit Letter

8.1 The Cabinet considered a report concerning the Annual Audit Letter (AAL) (Appendix 26) which summarised the key issues arising from the work carried out by the Council's external auditor (KPMG) during the year. The report contained no new findings or recommendations, but reflected the key issues already reported in the Annual Governance Report.

8.2 KPMG previously issued an unqualified opinion on the Authority's financial statements on 21 July 2016. This means that KPMG believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year. The financial statements also include those of the pension fund.

8.3 The AAL was presented to the Audit, Best Value & Community Services Scrutiny Committee on 8 November 2016. The Committee had no comments to make on the AAL and fee update prior to its consideration by the Cabinet.

8.4 The external audit fee for 2015/16 was £110,175 (County Council of £83,572 and the Pension Fund of £26,603) for the core audit in line with the planned fee. The auditors charged £3,713 for the provision of tax advisory services during 2015/16. The costs of these additional services were funded from existing budgets.

8.5 KPMG also performs additional audit-related services for the certification of the Teachers Pension Authority return which is outside of Public Sector Audit Appointment's certification regime. This certification work is still ongoing, and the final fee will be confirmed at the end of the audit.

8.6 The Council would like to extend its thanks to KPMG for their professionalism during the audit.

24 January 2017

KEITH GLAZIER
(Chair)