

## National and Local Outlook

### 1. Introduction

1.1 This Appendix provides an overview of the key current and anticipated issues at local and national level that will form the context for the next round of Reconciling Policy, Performance and Resources. The outcome of the recent general election means that there is significant uncertainty about the likely policies, priorities and timescales of the new Government so this report refers primarily to the declared intentions of the last Government. Details will be updated as more information becomes available. This Appendix should be read in conjunction with the 2016/17 end of year Council Plan monitoring (see agenda item 5 for Cabinet 27 June 2017) and provides the performance overview. This Appendix covers the following focus areas:

- Schools
- Children's Services
- Older People
- Health and Social Care Integration
- Partnerships
- Economy
- Infrastructure
- Workforce
- Customer Experience and Engagement
- Funding and Income

### 2. Schools

2.1 Ensuring that the county has good schools which help pupils achieve to the best of their ability is a vital part of the Council's mission. The "Excellence for All" Strategy sets out how the Council is seeking to influence and support schools in the face of an increasingly fragmented system, where the role of Local Authorities is increasingly reduced and marginalised. The two most immediate issues facing schools include:

#### a) Schools National Funding Formula

2.2 The previous Government had outlined its intention to replace the current funding system with one new National Funding Formula (NFF) which would determine the level of grant schools receive directly from the Department for Education (DfE). The NFF is intended to rectify disparities in the level of funding schools receive across the country and is proposed to be made up of the following factors:

- a basic pupil formula weighted by age;
- funding for additional pupil needs (eg pupils from deprived backgrounds, with low prior attainment, or English as an additional language);
- a lump sum payment with extra funding for small schools in sparsely populated areas; and
- adjusted funding based on the school's location.

2.3 Government had confirmed the following proposals to balance the different factors in the NFF and the impact on funding for individual areas and schools:

- The introduction of a NFF for schools, high needs and Local Authority services for schools in 2018/19;

- For 2018/19, the NFF will be used to calculate “notional” budgets for schools which will be aggregated up for distribution between schools via each Local Authority’s own local funding formula;
- In 2019/20 the local formula will be removed; and
- The schools funding block will be ring-fenced for spending on schools, but there will be some limited scope for movement between all funding blocks before 2019/20, and some continuing local flexibility from 2019/20, subject to consultation and approval of the Schools Forum and the majority of schools.

This stage of the consultation closed in April and the outcome was expected in summer 2017, but the general election has delayed this.

2.4 To help with the transition from the current arrangements to the NFF, the DfE had confirmed the minimum funding guarantee (which ensures individual schools’ budgets do not fall below a given percentage from one year to the next) will remain in place for 2018/19.

2.5 The transition to a NFF was originally scheduled to take place over a two year period. The DfE had intended to implement the NFF from 2017/18 with two years of a local formula. However, delays have meant Year 1 was lost. There will only be one year for local management (2018/19) before the full implementation in 2019/20.

2.6 The Dedicated Schools Grant (DSG) is currently divided into three blocks: a schools block, high needs block and early years block. In addition to DSG, Authorities receive Education Services Grant (ESG) which funds services for schools. Under the NFF it is proposed that a new, fourth funding block – the Central Schools Services Block – will be allocated to Local Authorities on a formulaic basis, to support some centrally provided Local Authority functions to replace ESG.

2.7 At present, ESG is split into two elements: “general funding” (£77 per pupil in 2017/18) to fund duties that Local Authorities are responsible for delivering (ie. school improvements, HR and financial advice) and “retained funding” (£15 per pupil in 2017/18) to fund duties Local Authorities provide for all pupils (ie. education welfare and Capital Programme). The “general funding” element of ESG will be removed with effect from September 2017. The Medium Term Financial Plan (MTFP) assumes, therefore, that the existing grant of £3.4m will be reduced to zero from 2018/19.

2.8 Local Authority historic commitments, as part of the Central Schools Services Block and which include spend on Combined Services, will be recognised by the DfE on the basis of actual costs which they will expect to “unwind over time”. It is therefore likely to add pressure over and above that assumed in the MTFP (reductions of £0.25m from 2018/19). It is, however, not possible at this stage to determine the likely reductions or their timing.

2.9 As the funding formula proposed in the consultation beds in, there will inevitably be “winners and losers”. Looking at the range of indicated gains/losses, the highest percentage “winner” in the primary phase could be 13.5% whilst the greatest loss could be 2.4%. For the Secondary Phase, the highest increase could be 5.1% and the greatest loss could be 2.5%. Overall, 48% of East Sussex schools appear to be “losers”, with smaller primary and secondary schools worst affected and some could struggle to continue to operate effectively.

## **b) Changes to Schools**

2.10 The previous Government had an ambition for all schools to become academies and all schools that receive an Ofsted grade of “Inadequate” are required to convert. Currently, in East Sussex, of 192 schools, 52 are academies (27%): 29 primary schools, 13 secondary schools, 8 special schools, 1 all through school and 1 Pupil Referral Unit. A further 6 schools are expected to convert in September 2017.

2.11 Schools continue to receive funding to support the process of conversion to academy status but the Government does not reimburse Local Authorities for the costs they incur in supporting the conversion of schools. The estimated cost to East Sussex County Council (ESCC) of schools converting to academies is £2.3m.

2.12 When a school becomes an academy and the Council owns the land, the Council remains the freeholder and a lease of 125 year is granted to the Academy Trust. Once schools have transferred to academies, Local Authorities lose responsibility for employment of staff, ownership and asset management of school buildings, and responsibilities relating to the governance, organisation and curriculum. Local Authorities continue to have three main responsibilities:

- ensuring every child has a school place;
- ensuring the needs of vulnerable pupils are met; and
- acting as champions for all parents and families.

2.13 The previous Government supported the opening of Free Schools. In the last round of applications, 7 applications were made for Free Schools in East Sussex; of these, 3 were successful and have now progressed to the pre-opening stage; 2 were for pupils with Special Education Needs (SEN) and 1 was for Alternative Provision for secondary aged pupils.

2.14 Government had indicated its intention to approve the expansion of existing grammar schools, and allow existing non-selective schools to become selective in certain circumstances. Further details are expected in the coming months.

2.15 It is unclear, at this stage, how the revoking of the White Paper, which required all schools to have converted to academy status by 2020, may affect East Sussex, but if a significant number of schools convert to academies, impacts will need to be considered, such as the key impact on Local Authority responsibilities and staff numbers, on East Sussex traded services as well as the liability of school staff pensions.

## **3. Children's Services**

### **a) Special Educational Needs and Disability**

3.1 Significant changes have taken place within the field of Special Educational Needs and Disability (SEND) over the last 2 years which have created financial pressures for ESCC. These include:

- statutory changes in provision for SEND through the Children and Families Act 2014 which:
  - extended provision of statutory assessment for an Education Health and Care Plan (EHCP) from age 16 to 19 and for the provision of SEND support from age 19 to 25. No additional funding was provided for these changes;
  - heightened parental expectations, leading to more requests for additional provision and high-cost placements;

- revised the consultation process for SEND assessment through which schools can challenge Local Authorities and refuse the placement of a child with an EHCP; and
- changed responsibilities for the provision of education in health placements, shifting costs from health to education.
- Mainstream and special schools' capacity and willingness to manage pupils' learning and behaviour effectively;
- Parental lack of confidence in mainstream provision;
- Partners' prescription of statutory assessment and recommendations for additional or independent provision which places a financial burden on ESCC.

3.2 Changes in national policy have impacted upon the overall demand for statements of SEND/EHCPs, specialist school placements and post-16 provision. These drivers have increased demand for statutory assessment and specialist.

3.3 Five key strands of work to address the increased demand on provision and resources have been identified:

- Building capacity and an inclusive ethos in mainstream schools – targeted interventions and work through Education Improvement Partnerships to improve Quality First Teaching and confidence in supporting more children with higher levels of need;
- Improving parental confidence in local provision – ensuring that parents receive consistent messages from schools and support services about the ability of local schools to support their children appropriately within their local community;
- Robustly implementing the East Sussex post-16 pathways and ceasing EHCPs at age 16 where they are not required for the young person's chosen pathway. Helping young people (age 12 to 15) to strengthen their targets for independence and academic progression to ensure they are ready for transition at the age-appropriate date without the need for an ongoing EHCP;
- Increasing the number of local special school places through the development of specialist facilities in mainstream schools, Free Schools or Capital Programme; and
- Working with partners, East Sussex Better Together and Connecting For You, to take a joined-up approach to planning the use of resources available.

3.4 As part of the proposed High Needs Block funding formula, the Government required all Local Authorities to undertake a review of spend within SEND. In East Sussex, the opportunity will be taken to address some of the ongoing concerns and make changes to the current organisation for specialist provision for children with SEND across the county, this includes those who attend mainstream schools and those who require more specialist provision.

#### b) National Dispersal Scheme for Unaccompanied Asylum Seeker Children

3.5 The Council has responded to Government's request for Local Authorities to take part in the voluntary resettlement scheme for unaccompanied asylum seek children and young people. In line with the Government's calculation that every Local Authority should take the number equivalent to 0.07% of their total child population, ESCC has committed to finding placements for 72 children and young people.

3.6 The Council does not differentiate between the routes by which children and young people come to the UK, including:

- Spontaneous arrival usually via Newhaven Port;
- The National Dispersal Scheme administered by the regional Migration Partnership;

- Dublin 3 – unaccompanied children already in Europe with an identified relative in the UK; and
- Dubs children – unaccompanied children already in Europe with no family (eg. children from the Calais camps).

3.7 Every request is being considered actively and positively and the Council will continue to work with colleagues to support unaccompanied children and young people who need help and support.

c) Financial Pressures in Children's Services

3.8 There are a number of pressures within Children's Services arising from the above issues. These will need to be understood and considered in the round in order to create a sustainable budget. Work on this is ongoing and will continue over the summer. For 2018/19, the MTFP has provision to meet these as set out below:

	<b>£m</b>
Loss of Dedicated Schools Grant for central services due to National Funding Formula (NFF)	0.25
Loss of Education Services Grant due to NFF	1.18
Return of High Needs Block top-slice to schools and other Children's Services pressures due to NFF	5.5
Extension of foster care to 21	0.7
<b>Total</b>	<b>7.63</b>

## 4. Older People

a) Services for Older People

4.1 The previous Government responded to national concerns about financial pressures in social care for older people by introducing the following short-term measures:

- Adult Social Care (ASC) Precept – Government allowed Councils to raise additional money between 2017/18 and 2019/20 up to a maximum of 6% over the 3 years, specifically for ASC. The Council agreed a precept of 3% in 2017/18. Planning is based on a further 3% increase in 2018/19 and no rise in 2019/20;
- ASC Support Grant – a one off grant for 2016/17;
- Improved Better Care Fund (IBCF – announced autumn 2015); and
- Additional IBCF (announced in spring 2017 – see below)

The table below sets out the amounts in each funding stream for East Sussex.

	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
	<b>£m</b>		
ASC Levy	7.4	15.2	15.2
ASC Support Grant (one-off in 2017/18)	2.6	0	0
Improved Better Care Fund (IBCF) – autumn 2015	0.3	7.8	14.9
Additional IBCF – spring 2017	11	7.3	3.6
<b>Total</b>	<b>21.3</b>	<b>30.3</b>	<b>33.7</b>

4.2 The Spring Budget 2017 acknowledged the pressure that the health and social care system is under, and announced an additional £2bn funding for ASC in England over the next three years, with £1bn to be made available in 2017/18. This funding has specific conditions attached to its use whose primary purpose is to protect ASC services but which also includes an intention to alleviate pressures on the NHS, such as measures to reduce delayed transfers of care. This additional

funding has enabled ESCC to mitigate the planned reductions in ASC services in 2017/18. An adjustment is required to the approved 2017/18 Budget and MTFP to take account of this additional funding, which has been applied as follows:

Application of funding in 2017/18	£000
Investment in East Sussex Better Together (ESBT) aligned budgets:	
To remove requirement for partners to offset ASC planned budget savings	7,007
To contribute towards service redesign investments	1,484
Mitigation of planned savings in ASC, outside of ESBT	781
Unallocated pending review during 2017/18	1,755
<b>Total</b>	<b>11,027</b>

4.3 These measures are not long-term and cease in 2020/21. They risk distorting the Council's priorities and will create a cliff edge if a long-term solution to ASC funding is not found by this time. The Council will be wholly reliant on local funding of services through Council Tax and Business Rates (or National Non-Domestic Rates – NNDR) by this date and is unlikely to be able to resource the resultant funding gap.

4.4 Additional pressures will continue to arise in this area because of demographic growth. This amounts to £1.8m in 2018/19, rising to £2.3m in 2019/20 and £2.6m in 2020/21. In addition, the demand and cost of services arising from meeting the changing needs of clients and the local population are projected to add further costs of £2.7m per annum to 2020/21. The total additional financial pressure arising from increased demand is therefore estimated at £14.8m over 2018/19 to 2020/21.

4.5 The previous Government had confirmed that it would set out its plans on the options for future financing in an Older People's Green Paper. The Government had clarified that these options will not include additional inheritance related taxes, but will seek a strategic approach to solving the long-term challenges of sustainably funding care in older age. It is likely that the new Government will need to address these issues and that may include a number of options including implementing the cap on care costs included within the Care Act 2014 (which has been deferred to 2020), and insurance and savings solutions.

## 5. Health and Social Care Integration

### a) East Sussex Better Together - Accountable Care System

5.1 The East Sussex Better Together (ESBT) programme, which began in August 2014, is currently transitioning to the new ESBT Alliance arrangement, with the aim to transform health and social care in East Sussex, bringing together prevention, primary and community care, social care, mental health, acute and specialist care.

5.2 The Alliance is made up of five local partners:

- Eastbourne, Hailsham and Seaford Clinical Commissioning Group (CCG);
- Hastings and Rother CCG;
- ESCC;
- East Sussex Healthcare NHS Trust; and
- Sussex Partnership NHS Foundation Trust.

5.3 A joint Strategic Investment Plan has been developed by ESCC and the two CCGs to deliver financial sustainability for the whole health and social care system through to 2021.

5.4 The ESBT Alliance will also work closely with GP practices and other organisations providing health and care in East Sussex.

5.5 The next step to achieve this transformation is to build a new model of accountable care, through the ESBT Alliance, that integrates the whole health and social care system to achieve the best outcomes from the £850m budget for health and social care in the ESBT area.

5.6 The period from April 2017 will be a transition (or shadow) year, to test out the most effective ways of working together to provide the best and most sustainable services for local people.

b) Connecting For You

5.7 Connecting For You is a programme which is being developed in partnership with High Weald Lewes Havens (HWLH) CCG to address the specific needs of the population within that area and the challenges to delivering sustainable NHS and social care services. The programme has been put in place following the withdrawal of the HWLH CCG from the ESBT programme in 2016, and within the context of the need to explore integration between health and social care.

5.8 The programme is at an earlier stage of development than ESBT and has, to date, focused on promoting health and wellbeing, preventing avoidable ill-health and co-ordinating support services, including technology, equipment and accommodation, so that people can live independently in their own homes.

5.9 The programme is developing plans for an Accountable Care System in this area, but, in contrast to the ESBT area which contains an acute foundation trust across two sites, the HWLH area does not have a single acute catchment area, and is therefore exploring a different model based on a Multi-Specialty Community Provider (MCP) model which brings together primary, community and social care providers, including Sussex Partnership Foundation and Sussex Community Foundation Trust.

5.10 It is the intention this year for the Council and the CCG to develop a joint Strategic Investment Plan for 2018/19.

c) Sustainability and Transformation Partnerships

5.11 Sustainability and Transformation Partnerships (STP - previously known as Sustainability and Transformation Plans) bring together health organisations within specific NHS England determined geographies. East Sussex is within the Sussex and East Surrey (SES) STP, along with West Sussex, Brighton & Hove, Mid Sussex and the eastern part of Surrey, which covers 1.9m residents. The remit of STPs is to bring local health leaders, organisations and communities together to develop local blueprints for improved health, care and finances over the next five years, to deliver the NHS Five Year Forward View. There is a national expectation that STPs will work in partnership with Local Authorities.

5.12 The SES STP is segmented into four areas which either have or are developing place-based plans. East Sussex is geographically represented in two of these areas:

- the area covered by the Hastings and Rother CCG and Eastbourne, Hailsham and Seaford CCG, comprising the ESBT area; and
- the area covered by the High Weald Lewes Havens CCG, forming part of the South Central Sussex and East Surrey area with Brighton & Hove.

5.13 The SES STP has identified several priorities in 2017/18:

- An STP-wide Workforce Strategy;
- Shared patient records across health and care;
- An STP-wide protocol and infrastructure for information governance and management to enable system working;
- Commissioning reform;
- Accountable care provider vehicles for each place-based plan to enable the delivery of integrated health and care services for the population;
- Sharing learning on best practice across the STP; and
- Collective work on common issues such as payment and contracting.

## **6. Partnerships**

6.1 Partners in the East Sussex public, private and voluntary and community sectors have worked hard and effectively over a lengthy period to build strong partnerships at both strategic and operational levels. There is a commitment and determination to use and develop these relationships to make best of the resources, energy and creativity to provide the best possible quality of life for current and future residents, communities and businesses in East Sussex. The strong local partnerships extend to broader geographical areas where the focus makes that appropriate: South East 7, South East Local Enterprise Partnership, Transport for the South East and Orbis all being good examples. The following areas are key partnership issues:

### **a) Image of East Sussex**

6.2 East Sussex is a diverse county with great variations between places and communities. The need to explore how best to promote a strong reputation as a good place to live, work, visit and grow businesses is increasingly pressing for inward investment, supporting existing business growth, public sector workforce strategies, school leadership and teaching and promoting tourism and culture. Initial work has been undertaken by Team East Sussex (the East Sussex Economic Growth Board) from an economic perspective, by ESCC in relation to tackling school attainment issues and by ESBT from a workforce and innovation perspective. It is a complex area which will require focus and effective delivery in 2017/18 and beyond.

### **b) Orbis**

6.3 East Sussex and Surrey County Councils have been working in partnership on business services since 2015 through Orbis; Brighton & Hove City Council joined the partnership in May 2017. Business Services budgets will be integrated by April 2018 and full integration of services will be achieved by April 2019. The Orbis Business Plan sets the expected efficiencies to be achieved. Orbis successfully delivered its targets in the first year of the business plan (2016/17) and is on track to achieve targets for the second year (2017/18). All services within Orbis had integrated leadership teams from June 2017 and integration is happening in many services.

6.4 Current focus is on strengthening and improving the quality and resilience of services to existing partners/customers rather than actively seeking to attract new partners at this stage. Opportunities for collaboration with other large Local Government partnerships such as Local Government Shared Services (LGSS - Cambridgeshire and Northamptonshire) and OneSource (London Boroughs of Havering and Newham) are, however, being explored.

6.5 The focus for 2017-2019 will be on continued integration of individual services and cross-cutting functions and the enabling IT and systems to support the



partnership. This brings both financial and non-financial benefits. Orbis will continue to be flexible to support organisational change, such as, ESBT and services to schools. The partnership will work to future proof its operating model and will, where necessary, adapt in response to changes that impact the ability to trade and operate.

c) Orbis Public Law

6.6 Orbis Public Law (OPL), the legal services partnership between Brighton & Hove City Council and the County Councils of East Sussex, Surrey and West Sussex has entered into its shadow operating budgets partnership period. OPL aims to establish a resilient, flexible, single legal service with a critical mass of expertise and provide a quality, cost effective service.

6.7 Each of the Council's legal teams face similar issues: increasing financial challenges and fewer resources making it harder to manage demand and provide the quality, and often specialised, legal service that Councils rely upon. Individually, each Council currently struggles to recruit and retain legal staff. The size and resilience of OPL will provide an effective vehicle to attract and retain excellent staff who share OPL's aspirations and ethos.

d) Strategic Property Asset Collaboration in East Sussex (SPACES)

6.8 SPACES is a partnership between Local Authorities, emergency services, health services and a number of Government departments in East Sussex and Brighton & Hove. The programme was formed in 2011 as part of the East Sussex Strategic Partnership with the aim of facilitating co-location and collaboration on property based activity. It aims to achieve £30m in capital receipts, £10m reduction in revenue costs and a 20% reduction in CO2 emissions. To date, £12.5m in benefits have been delivered across the partnership (£1.8m net benefit identified for ESCC).

6.9 This year the partnership has been successful in a bid for One Public Estate funding to support feasibility work and the development of final business cases for seven projects co-locating emergency services. Initial design work has been completed for Collaborative Workspace, to provide shared hot desks for public sector staff. A pilot will begin in the summer, to develop a business case for the potential of rolling out the shared spaces across East Sussex and Brighton & Hove.

e) Countryside Access Strategic Commissioning Strategy

6.10 There are 2,000 miles of public rights of way (PRoW - footpaths, bridleways, byways and restricted byways) in East Sussex, for which ESCC is responsible. ESCC is also responsible for managing 10 countryside sites (including Country Parks and Local Nature Reserves) totalling 1,160 hectares.

6.11 A wide engagement process has been undertaken to understand how and why people use PRoW and countryside sites. This research and engagement work helped identify the following four strategic outcomes in the draft Strategy:

- Enable residents and visitors to use the PRoW and countryside sites safely;
- Support and enable landowners, stakeholders and residents to exercise their rights and fulfil their responsibilities;
- Achieve the most efficient and effective management of PRoW and countryside sites for the benefit of residents, visitors and wildlife; and
- Enhance local communities through PRoW and countryside sites engagement.

6.12 The draft Strategy recommends a differentiated approach and considers PRoW separately to countryside sites, concluding:

- PRoWs should be managed in-house (activities including maintenance, enforcement and legal record keeping). A number of areas of improvement are identified, including how Public Health objectives are prioritised, working with those developing new paths and the contribution of the volunteer offer; and
- The management of countryside sites should be changed to improve both the visitor experience and conservation work. Other organisations experienced in community involvement, conservation and visitor engagement could be better placed to improve what the sites have to offer. The Cuckoo Trail and Forest Way are more like PRoW in their appearance and use, so they require different management arrangements to green open space. Consequently, it is proposed that the Cuckoo Trail and Forest Way continue to be managed in-house.

6.13 There has been a public consultation on the draft Strategy and the findings of this consultation and recommendations for implementation will be considered by Cabinet on 27 June 2017 (see agenda item 8).

#### f) Devolution

6.14 England has a very centralised governance system, with Whitehall setting out in detail the duties and responsibilities of local service providers, specifying many services and setting limits on local expenditure. This leads to national decisions being taken which do not take into account local variations of need and circumstances and often produces fragmented systems and strategies, with a number of Government departments trying to deal with aspects of the same issue. English devolution offered an opportunity to redress that balance and bring national funding streams together locally where that would be more effective. The new metro-mayors may gain greater local responsiveness in the areas they serve. ESCC, with partners locally and regionally, has sought and will continue to seek opportunities to achieve similar benefits in the southern area, away from the cities that have benefited to date. The Three Southern Counties (3SC) partnership, comprising Councils, public sector organisations and Local Enterprise Partnerships (LEPs) across East Sussex, Surrey and West Sussex will continue to seek to negotiate a devolution deal with Government that serves the needs of the residents, businesses and communities of the area.

6.15 The unique 3SC offer to Government is centred on the economy and infrastructure based on the following focus areas:

- Fiscal – exploring opportunities for the 3SC to have access to funding to deliver the partnership's priority outcomes with certainty and pace;
- Housing and Planning – working to ensure the relationships exist, the land is made available and freedoms and flexibilities are in place to deliver the needed homes, jobs and additional opportunities on surplus brownfield land;
- Infrastructure – ensuring the infrastructure (physical and digital) meets current and future needs of the 3SC area, to enable the housing and employment growth; and
- Skills – meeting the skills gap across the 3SC to allow businesses to grow.

6.16 The 3SC is confident of the compelling case that can be made to Government for a comprehensive 3SC devolution deal that works both in the local and national interest. Development of the broader 3SC programme of discussions with Government has been on “pause” since the beginning of 2017 to allow Government plans in a number of key initiatives to become clearer. The “pause” was intended to come to an end after the County Council elections but this has been extended as a result of the general election. Detail on the future of devolution deals and the impacts for areas without a deal will be made clearer by the new Government.

6.17 During the “pause” in broad 3SC activity, specific, priority areas have been progressed to enable the partnership to take full advantage of opportunities as they arise, including:

- Skills – the partnership held an engagement event with local skills providers to start the development on the 3SC Skills Strategy. Further engagement on and development of the Strategy will take place over the coming months and will tie in with the publication of a Skills White Paper (expected in 2017).
- Speaking with one voice – 3SC partners collaborated to develop single responses to a number of Government consultations, including, “Building a Modern Industrial Strategy” and “Fixing our Broken Housing Market”. These responses ensured the collective view of the area was incorporated into the development of key Government strategies/initiatives.
- Infrastructure – building on the strength of the partnership, the 3SC is working with Local Authorities and South East LEPs to develop a Sub-National Transport Body to oversee the delivery of strategic infrastructure and transport needs.

6.18 See paragraphs 9.5-9.10 for more detail on the Sub-National Transport Body (Transport for the South East) below.

## **7. Economy**

### **a) Industrial Strategy Green Paper**

7.1 In January 2017, Government released the “Building Our Industrial Strategy” Green Paper which sets out how the Government proposed to build a modern Industrial Strategy with the aim of improving living standards and economic growth by increasing productivity and driving growth across the whole country. Government identified ten “pillars” that it believed to be important to drive forward the Strategy, covering areas such as skills, infrastructure, business start-ups, growth, trade and inward investment.

7.2 ESCC submitted a response to the Green Paper consultation (in addition to contributing to responses submitted by the 3SC and South East Seven partnerships). ESCC welcomed the Green Paper and its aim to support economic growth, as this aligns with the Council's priority outcome to drive economic growth and will help ensure that the significant contribution made from this area to the UK economy is sustained into the future. The response also broadly welcomed the alignment of the respective ten thematic pillars into one single strategy.

7.3 The ESCC response reconfirmed what is set out in the County Council's Growth Strategy, citing in particular the infrastructure and skills needs in the context of local growth. The response identified a number of key challenges that need to be addressed to achieve economic growth in the county, including:

- the need to cater for the requirements of the particular priority industrial sectors in local areas (including construction, engineering and advanced manufacturing, healthcare [including social care], land management, digital and media, low carbon and environmental goods and services, professional and business services, culture and wholesale, retail and motor), in addition to those identified as being of national importance;
- the need to improve quality of the strategic road and rail infrastructure to facilitate economic growth;
- the provision of greater certainty in relation to longer-term levels of funding and the need for more innovative funding solutions, in appropriate circumstances, to improve the delivery of transport, broadband and the other types of infrastructure;

- the need for skills funding and provision to be designed to reflect local economic needs to ensure providers at all levels are delivering the skills that local employers require to grow and prosper;
- the importance of ongoing investment and support for Local Growth Hubs which have contributed significantly to the year-on-year growth of the East Sussex economy by helping businesses to grow and trade;
- there needs to be greater clarity on what the mechanisms will be to enable the realisation of the aims of the Strategy;
- the need for greater emphasis on natural capital which can complement growth, creating vibrant communities and the places business wants to invest with Local Nature Partnerships being given a greater role;
- the need for greater resources for cultural hubs in recognition of the role of cultural institutions and destinations in supporting and stimulating creative business clusters;
- given the ageing demographic of East Sussex, the inclusion in the Strategy of technological aids to meeting the needs of the county's ageing population; and
- the need for Local Authorities to be given the tools to unlock economic growth in their areas; in particular a stronger infrastructure spatial planning role to enable infrastructure to be planned in its widest sense to support sustainable growth and increased productivity.

7.4 It was anticipated that an Industrial Strategy White Paper would be published later in the year providing further opportunity for ESCC to contribute to the development of the Industrial Strategy. It was also anticipated that further Government consultation papers on related areas would be issued, including skills and employability and replacements for European Union (EU) Structural Funds, which would also provide further opportunities for ESCC to reflect its specific needs in the context of the local economy.

#### b) Skills

7.5 As part of the economic development work, Skills East Sussex continues to bring together businesses and education providers to help ensure that businesses in the county can access the skills they need both currently and in the future. A range of initiatives have been piloted by sector focused task groups to improve the quality of careers advice in schools, improve the curriculum offered locally to reflect business needs, and to influence nationally funded employment support projects to make sure that the adults they work with have the skills or are retrained to support the growth sectors. Further funding has also been secured to continue the work of the Career Enterprise Advisors who ensure that secondary schools have active relationships with local employers to improve the quality of careers advice and to help raise the aspirations and understanding about the range of careers available to young people.

7.6 Through the 3SC and the South East Local Enterprise Partnership (SELEP) work, the drive to persuade Government to devolve skills funding to a local level where it can be better targeted continues. As part of this, closer working with the universities and colleges across the county is being delivered.

7.7 A Skills White Paper was anticipated in 2017 and was expected to build on the Post-16 Plan issued by the DfE in 2016. It is anticipated that it would support choice at age 16 between academic learning leading to university or a new Technical Professional Education (TPE) route into work. There are likely to be 15 different TPE routes, including engineering and manufacturing, social care, construction, creative and design, digital and agriculture which are of particular importance to East Sussex,

delivered either through full-time school/college based learning with a period of work placement in a relevant industry, or via an apprenticeship programme. There will also be the introduction of an introductory or preparatory year for some learners, extending the TPE to three years.

c) Digital Economy Bill

7.8 This expected wide-ranging legislation would, amongst others things, entitle consumers to minimum broadband speeds and increase protection for intellectual property online. The Government had intended to introduce a broadband universal service obligation (USO) to give people “the right to request an affordable broadband connection, at a minimum speed, from a designated provider, up to a reasonable cost threshold”. Government’s ambition was for the USO minimum speed to be 10mbps (five times faster than the current USO), which it will “look to raise over time”. Analysis by Ofcom has shown that a download speed of 10mbps would currently enable consumers’ full participation in a digital society. Achieving this USO for all would need some high-cost interventions. These could be mitigated by introducing a “reasonable cost threshold” (RCT) whereby the appointed provider(s) would not be required to serve premises where the costs were higher unless the customer pays the difference. This approach is similar to the telephone service where the RCT is £3,400. If connection costs are above this, consumers are given the option of paying the excess construction charge. Any decision about the level of a RCT would involve a trade-off between the aspiration that the policy reaches as many people as possible and the call on any universal service fund to support the USO, which would eventually be passed, to some degree, to people and businesses. The proposed date for the introduction of a new broadband USO is 2020.

d) Economic Development Delivery

7.9 Following a successful start to the Local Growth Fund (LGF) programme, SELEP will be refreshing the Strategic Economic Plan for the region. This will ensure that future priorities are closely aligned with Government policy enabling access to future funded programmes directed towards delivering the needs of businesses locally, creating jobs, building homes and providing the skills necessary for now and in the future.

7.10 There will be a first call for the Growing Places Fund, which will provide up to £7.5m of interest free loans to developers, Local Authorities and businesses throughout the SELEP area. Team East Sussex will promote a series of bids maximising investment into the local economy.

7.11 Having seen the successful completion of the Swallows Business Park Infrastructure project in 2016/17, the East Sussex LGF programme for 2017/18 has now been confirmed and is profiled for £26m across ten projects:

- North Bexhill Access Road;
- Queensway Gateway Road;
- Newhaven Flood Defences;
- Coastal Communities Housing (Hastings);
- East Sussex Strategic Growth Package;
- Hastings and Bexhill Movement and Access Package;
- Hailsham, Polegate, Eastbourne Movement and Access Corridor;
- Devonshire Park Quarter Redevelopment;
- Eastbourne and South Wealden Walking and Cycling Package; and
- Eastbourne – Terminus Road Improvements Scheme.

7.12 In addition to the funding received through SELEP, three new Lewes District schemes will receive over £5m funding from the Coast to Capital LEP (C2C LEP) for Railway Quay and Eastside South, Newhaven, and Springman House, Lewes, alongside the £10m allocated investment in the Newhaven Port Access Road.

7.13 Funding has been secured through SELEP in 2017/18 for the East Sussex Growth Hub "Business East Sussex" to provide a one stop shop for business support services across the county. The funding secured equates to £113,000 per year in addition to the South East England Development Agency "legacy" funding of around £112,000. Over £1m funding has also been secured from the EU for the South East Business Boost (SEBB) Programme to enhance and extend the business support services available in East Sussex from August 2017 to June 2019. This is accompanied by a SEBB small grants programme of £850,000, enabling small businesses to access capital funding up to £10,000 to grow their business.

7.14 Locate East Sussex (the inward investment service for the county) continues to be part-funded by the Borough, County and District Councils. In addition, EU funding has effectively doubled the level of funding to enhance and extend the offer. A three year contract commenced in May 2017 with an annual budget of £420,000.

7.15 Work continues on the delivery of the superfast broadband programme for East Sussex. The first contract with BT was completed on time, on budget, over target and contributes to the Government's target to have 95% superfast across the UK. The second contract started in September 2016 and will run until December 2018. It will deliver improved speeds to over 7,500 premises – many of whom were not eligible for support through the first contract – and is expected to bring superfast coverage in the county to 96% alongside commercial deployment activity. Take up of fibre broadband is currently running at 42% against the national benchmark for all projects of 20%. Faster broadband to businesses and communities remains a priority and ESCC intends to increase coverage to as close to 100% as possible.

7.16 ESCC's East Sussex Invest (ESI) 5 replaced ESI 4 in April 2017, which had awarded £2m worth of grant and loan funding to 69 businesses projected to create 262 jobs over the next 6 to 12 months. To date, 128 jobs have been confirmed. ESI 5 will continue to support the local economy and create jobs. The fund offers grants ranging from £15,000 to £40,000 and loans from £10,000 to £200,000. In addition, there is a grant of £1,500 available for taking on a new apprentice.

7.17 The Catalysing Stalled Sites (CaSS) and Scheme Enabling Funds (SEF) capital funds have been used to positive effect, with a number of funding awards to develop pipeline projects towards other funding opportunities.

## **8. Environment**

8.1 Two thirds of East Sussex is covered by the South Downs National Park and Area of Outstanding Natural Beauty. This designation is significant in attracting people to the county, but places constraints on infrastructure development and economic growth. There may be risks to the environment from leaving the EU arising from the possible loss of subsidy to farmers having an adverse impact on the landscape.

8.2 The Department for Environment, Food and Rural Affairs (DEFRA) was due, in 2016, to publish a 25 year environment plan to protect the UK's environmental assets, but this was delayed due to the EU referendum. There is no timetable for the release of the Plan or the consultation period. Information provided by DEFRA

suggests that the plan would establish a series of indicators to record progress. The example indicators indicated by DEFRA are similar to those included in the East Sussex Environment Strategy (eg. on air and water quality).

## **9. Infrastructure**

### **a) A27**

9.1 Following the publication of the Department for Transport's (DfT) Roads Investment Strategy 2015-2020, £75m was allocated to smaller scale improvements to the A27 east of Lewes. Highways England (HE) consulted on proposed improvements, focused on Polegate, Wilmington, Berwick and Selveston, in late 2016. The identification of a preferred option by HE is expected by summer 2017 with construction expected to start in spring 2020 and be complete by spring 2023.

9.2 However, the A27 Reference Group, which brings together local MPs, Council Leaders and the LEPs along with the business community have continued to make the case to Government that there is a need for further investment in a new dual carriageway between Lewes and Polegate to support economic growth in the county, particularly in the Eastbourne/south Wealden area. To that end, Government allocated £3m of the £75m for the development of a more comprehensive long-term solution for the A27 by the County Council and HE.

### **b) High Speed Rail 1**

9.3 Over the last three years, ESCC has been working with Hastings Borough and Rother District Councils, local MPs and the business community to make the case to Government and Network Rail (NR) for high-speed rail services to serve Bexhill, Eastbourne, Hastings and Rye, which could change significantly local economies.

9.4 NR has recently published its Kent Route Study for consultation which identifies the infrastructure options and costs available for funders for delivering high-speed rail services on the Marshlink line via Ashford International. The DfT has also published its consultation on the South Eastern franchise renewal which sets out options for improving passenger experience, increased capacity and improved reliability and performance on the South Eastern network from December 2018 when the new franchise comes into effect. Through responses to both these consultations and partnership working, partners are actively seeking the necessary investment in the appropriate additional high-speed rolling stock and infrastructure to enable high-speed trains to serve East Sussex during the next franchise period.

### **c) Transport for the South East (Sub-National Transport Body)**

9.5 The Cities and Local Government Devolution Act 2016 makes provision for the establishment of Sub-National Transport Bodies (STB) for any area in England to oversee the delivery of strategic transport infrastructure in their area. STBs provide the mechanism for a sub-region to speak with a strong, common voice on transport infrastructure issues, giving partners greater influence over decisions and enabling the development of a single, strategic transport infrastructure framework which aligns the investment programmes and priorities from key agencies (ie. HE, NR and LEPs).

9.6 A shadow STB for the South East is being established covering Brighton & Hove, East Sussex, Hampshire, Kent, Medway, Surrey and West Sussex, Portsmouth, Southampton, the Isle of Wight and the Berkshire Local Transport Body (which represents the six Berkshire Unitary Authorities). The five LEPs in the area have also agreed to join the STB. The STB geography covers the major strategic road/rail corridors linking the key settlements, ports and airports in the South East.

9.7 The Shadow STB will develop the body's constitution and the Transport Strategy. Local Authority Leaders, LEP Chairs, a Berkshire Local Transport Body representative, and Chair of the Transport Forum will be voting members on the Board; and representatives from the DfT, Transport for London, HE, NR, Borough and District Councils and the Protected Environment will be non-voting members.

9.8 A Transport Forum will also be established to act as an advisory body to the Shadow Partnership Board, comprising a wider group of representatives from user groups, operators and Government and national agency representatives.

9.9 Work has been progressing in a number of areas to establish the Shadow STB, including:

- development of the governance structure for the shadow STB including the voting rights for each body;
- identification of the powers and responsibilities that should be included in the STB's constitution;
- development of the scrutiny arrangements and assurance framework;
- development of the draft vision, strategic priorities and outline methodology for the Transport Strategy;
- development of a communications plan and vision for the new body;
- ongoing discussions with the DfT about the constitutional arrangements and resourcing requirements for the STB; and
- ongoing discussions with key partners about their involvement in the shadow STB and liaison with other emerging STBs across the country.

9.10 The first meeting of the Shadow Partnership Board took place on 26 June 2017 where governance arrangements for the Shadow STB were discussed, along with development of both the Transport Strategy and the proposal to Government, setting out the way in which the STB will be constituted and the powers and responsibilities that are being sought. Once the proposal has been submitted, there will be a year-long parliamentary process before the STB will formally be established as a statutory body. It is anticipated that, subject to successful ongoing negotiations with the DfT, this stage is likely to be reached in April 2019.

## **10. Workforce**

10.1 As the largest local employer and key provider of local public services, effective workforce management and development, in partnership, is a key part of the ESCC delivery strategy and economic growth plan. There are two substantive current issues in addition to the image issues identified under partnerships above:

### **a) National Living Wage**

10.2 The Government introduced a new mandatory National Living Wage (NLW) for workers aged 25 and above from April 2016. This was initially set at £7.20 per hour and will rise to at least £9 per hour by 2020. The NLW is based on achieving 60% of median UK earnings by 2020, and therefore, the actual rate will change when set each year. The National Minimum Wage (NMW) continues to apply to employees under the age of 25.

10.3 A 1.69% increase was applied to those employees affected via the local pay spine and salary points in April 2016, costing £600,000. It was agreed in February 2016 that a provision for NLW in 2018/19 be set at £4.7m, which reflected increasing the lowest spinal column points to meet the national living wage whilst maintaining pay structure differentials. A review of the national pay spine is currently being undertaken but as yet, formal negotiations in relation to pay for 2018/19 onwards



have not begun. It is therefore prudent to leave the full provision of £4.7m in for 2018/19 and, if unused, hold in a temporary reserve for the next year to manage the risk of any backdated pay bill until the picture becomes clearer.

#### b) Apprenticeship Levy

10.4 From 6 April 2017, employers with an annual wage bill over £3m must pay an Apprenticeship Levy. The Levy is 0.5% of an organisation's annual wage bill. This equates to £600,000 per annum for the Council and £688,000 for Schools.

10.5 The Levy is collected by Government and, in return, employers receive electronic vouchers that can be exchanged with local providers for training of apprentices.

10.6 The Government has set a statutory target of 2.3% of the public sector workforce being apprentices. This equates to 102 apprentices for the Council and 137 in schools. A programme is being developed to make best use of the Levy. It has four key initial strands: i) communicating and engaging with managers and staff to ensure awareness of the new arrangements, ii) procurement work to secure local providers to deliver the apprenticeship training, iii) an analysis of the workforce to understand both current qualification training which, in future, can be delivered via an apprenticeship, as well as the job roles which could be recruited to on the basis of an apprenticeship, and iv) the creation of a dedicated workstream to support schools.

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

### **11. Customer Experience and Communications**

11.1 Communicating and engaging effectively with residents, communities and businesses is an ongoing core business need. A Customer Project Board has reviewed ESCC's relationship with its customers, focusing on identifying strengths and development opportunities in relation to customer experience, understanding what other Local Authorities and the private sector are delivering in terms of customer experience, and making recommendations for ways in which improvements can be made to the quality and consistency of customer experience across ESCC. The review has taken into account the current financial climate and recognises the need to make the best use of resources, but has also sought to ensure that opportunities are identified to benefit both customers and the Council.

11.2 In order to ensure that the project has, at its heart, a One Council approach to customers, the Board consists of senior officers from each department. This approach has enabled the Board to take an overview of customer experience from a wide range of service perspectives, and to ensure that future work supports the Council's priority outcomes and complements other corporate programmes, such as ESBT and Orbis/Orbis Public Law. The review also recognises that not all services are delivered directly and, irrespective of the service provider, customers rightly expect the same quality of service from ESCC.

11.3 Key successes of the project in 2016/17 were:

- New corporate email signatures and auto-acknowledgements were implemented, in order to provide clear information to the public when contacting the Council about response times, and a clear and professional corporate image.
- Creation of a Customer Promise which includes a set of new customer values and revised customer service standards. The Customer Promise was tested with both customers and staff through a number of engagement sessions. The new Customer Promise, to be launched mid-2017, reflects what customers confirmed they value and expect from the Council and will improve customer experience when applied consistently across all ESCC services. It will be supported by a package of staff training and guidance.
- Completion of a gap analysis which has identified where ESCC is lacking feedback from customers about the services it delivers. The Board has identified a series of recommendations that would enable customers quickly and simply to provide ESCC with feedback about their experience in contacting the Council, and about the way in which services have been delivered or information provided about what the Council does. This feedback will enable the Council to improve customer experience, service delivery and business efficiency.

11.4 It is proposed to pilot this customer experience system initially to enable customers to rate the quality and relevance of information and services available on and via the ESCC website, as well as providing feedback on the quality of responses to enquiries and requests which are responded to via social media and email. A short-term benefit will be that the real time data from the system will be used to improve any immediately resolvable issues. The medium-term aim will be to gain a broader understanding of findings, trends, and lessons learned through the information gathered, building a comprehensive picture of customer experience across the Council. The systems will be evaluated to determine if it provides value for money by looking at how effective it is at using customer feedback to improve service delivery, business efficiency and customer experience as a whole, which is an essential element of the Council's work.

## **12. Funding and Income**

This section draws together the key current issues on finance. Specific updates on Adults' and Children's Services are provided under those headings above.

### 100% Retention of Business Rates

12.1 In October 2015, Government announced that, by 2020, Local Authorities would be able to keep 100% of the NNDR they raise locally. This represents a fundamental change to the way in which Local Government is financed and, unless mitigation is introduced, will remove the link between funding and local need.

12.2 The General Election has raised practical issues for the legislative timetable and the introduction of the 100% NNDR retention plans. ESCC continues to lobby against the changes as there is little correlation between NNDR and the main cost drivers for Local Government, namely, population, demography and deprivation.

12.3 The final position on NNDR for 2017/18 shows a reduction of approximately £500,000 per annum. The main reason for the reduction is the provisions for appeals that have been made following the revaluation which was carried out by Government earlier this year.

### Collection Fund surplus/Council Tax base

12.4 Based on historic trends and evidence, the MTFP assumes an annual growth of 1% per annum in the Council Tax base, together with an annual Collection Fund surplus of £4m. There is a risk that this level of income will not be realised in the future, and the Collection Fund surplus in particular may not be sustainable. The position will continue to be monitored closely, and further analysis of the Collection Fund and Council Tax base will be carried out over the summer as more information becomes available from Borough and District Councils

### Commercialisation

12.5 Over the last three years, ESCC has focused on looking at ways of optimising the income that could be generated from adopting a more business-like approach. Work has focused across four core areas: corporate initiatives, fees and charges, potential commercial activity and culture.

12.6 The key activities include:

- Corporate Initiatives - a revised approach to the Treasury Management Policy and optimisation of cash flows, revisions to the Council Tax reduction scheme and introduction of an NNDR pooling arrangement delivered by the Borough and District Councils in East Sussex, have collectively generated £5.5m of annual benefits to the Council.
- Traditional Fees and Charges - a complete review has been undertaken, including benchmarking against other County Councils with similar population and geographical characteristics. This showed that ESCC is performing well in terms of generating income per head of population and is charging for the vast majority of services that others are. The new opportunities identified from have now been implemented, generating the Council an additional £0.75m per annum.
- Other Income Generating Activity:
  - ESCC has developed/refreshed a number of trading initiatives which may, over time, generate new income opportunities, including, Orbis/OPL, Services to Schools and Buzz Active;
  - A review of ESCC's property portfolio has been completed and a new Investment Strategy is being developed in order to maximise the financial returns on assets;
  - Opportunities to optimise the income that can be generated from Council assets or activities are under regular review. This has included the investment in solar energy through Solar PV installations on corporate buildings which will generate £15,000 per year (or £300,000 over the initial 20 year investment period); and
  - Establishing a new advertising/sponsorship contract based on highways and property related assets.
- Culture - the focus has been income generation and has run parallel to the cost reductions/savings required to meet financial targets. The Council now needs to focus on operating in a more commercial way which combines both elements to maximise the cost effective use of limited resources.

12.7 The East Sussex Borough, County and District Councils are exploring opportunities with the Local Government Association to develop a peer challenge (following on from the successful, joint "Open for Growth" peer challenge the partners undertook in 2014) on commercialisation. The challenge could consider how, in light of the changing financial context for Local Authorities, all avenues to develop independent funding streams are being exploited fully. It is anticipated that the peer challenge would take place in spring 2018.

## 2016/17 Outturn

12.8 As detailed in the Council Plan end of year report being considered by Cabinet on 27 June 2017 (see agenda item 5), there was an overall underspend of £8.1m in 2016/17. This is mainly due to the change in Treasury Management Policy which released £8.3m one-off funding (see the Council Plan end of year report for a detailed explanation). The Council Plan report proposes that, in order to ensure greater sustainability in long-term finances, £1.2m be set aside to smooth the need for any additional savings in 2018/19, £1.1m be put in reserve to manage the in-year shortfall pressures arising from NNDR and other pressures that will impact 2017/18. The remaining £5.8m will be used to realise returns in future years through support for capital investment and/or reduced borrowing in the Capital Programme, thereby reducing the scale of future MTFP deficits.

## General Contingency

12.9 The General Contingency has been increased in 2017/18 and 2018/19 to reflect the increase in ASC precept and Collection Fund surplus as it is set as a proportion of total corporate funding less Treasury Management.

## Reserves

12.10 It is five years since the current reserves policy was approved and work has taken place to review the level/type of reserves held to ensure they are adequate and the policy is fit for purpose. The policy has been reviewed and refreshed to ensure that the policy is reflective of the Council's strategic agenda and the current financial risks and issues the Council faces through the medium-term.

12.11 The current reserves position is shown in the table below (£m).

	01.04.17 Estimate	01.04.17 Actual	31.03.21 Estimate
Held on behalf of others or statutorily ring-fenced	30.1	26.4	17
<b>Named Service Reserves</b>			
Waste Reserve	12.8	12.8	12.8
Set aside for the new Capital Programme 2018/23	26.8	26.8	0
Insurance	5.9	5.9	5.9
<b>Total Named Service Reserves</b>	<b>45.5</b>	<b>45.5</b>	<b>18.7</b>
Financing	11.8	14	1.9
Infrastructure	6.2	6.3	3.1
Transformation	3.9	5.2	1.3
Risk	2.2	4.5	3
Service Development	0.5	1.6	0.2
<b>Strategic Service Reserves</b>	<b>24.6</b>	<b>31.6</b>	<b>9.5</b>
<b>Total excluding those held on behalf of others</b>	<b>70.1</b>	<b>77.1</b>	<b>28.2</b>
<b>Total Reserves</b>	<b>100.2</b>	<b>103.5</b>	<b>45.2</b>

12.12 The Council's specific reserves can be split into three categories: those held on behalf of others, named service reserves and strategic service reserves. Reserves are a key element of the RPPR and financial management arrangements.

12.13 The increase in strategic service reserves balances at 01/04/17 of £7m against previous estimates are due to a number of movements, the main ones being:

- £2.3m set aside to smooth the need for additional savings in 2018/19 and in-year pressures from 16/17 Council underspend (see paragraph 12.8);
- £1.1m slippage on Orbis and Agile programmes and £0.7m lower than expected use of redundancies reserve;

- £0.6m payments for election costs being mainly in 17/18;
- £0.5m slippage on Supporting People projects; and
- the remainder being individual movements not exceeding £0.5m each on specific schemes and projects.

12.14 Additionally, there is a General Fund balance held by the Council of £10m. This was increased from £8.3m following review in 2016. This is a minimum general balance that is assessed annually in relation to risks facing the Council. The £10m is lower proportionately than most other Authorities.

#### Adequacy of Resources

12.15 It is crucial to bear in mind that the reserves are the only source of financing to which ESCC has access to fund risks and one-off pressures over a number of years. If the Council minimises the level of reserves to the point that financial planning across years is hampered, the risks and pressures would need to be managed through Council Tax increases (which would become difficult to sustain year on year). Reserves can only be spent once and the possibility of creating new reserves at a time when finances are challenged is limited.

12.16 The current levels and nature of the reserves are adequate and necessary and have been set with the issues that could have a significant impact over the planning period in mind, including:

- Changes to the Local Government finance system;
- The Accountable Care Organisation/East Sussex Better Together; and
- Other risks identified on the corporate risk register.

12.17 The actual reserves at 1/4/17 totalled £103.5m. Current planned use of these reserves is estimated to reduce them to £45.2m by the end of the MTFP period in 2020/21. Of which, £17m is held on behalf of others and £18.7m for specific service risks.

12.18 The Strategic Reserves have been in place for some years and have proved valuable in facilitating flexibility to respond to risks and priorities, and smoothing between years. It is proposed however that the Strategic Reserves can be further refined to three reserves to simplify their management and help ensure further flexibility and robustness, as set out below.

Reserve	Purpose	01.04.17 Actual	31.03.21 Estimate
		£m	
Financing Reserve	To manage known issues with a one-off or short-term financial impact or one-off remedial action while resolutions are sought over the life of the MTFP.	17.8	3.7
Priority Outcomes and Transformation Reserve	To fund the specified initiatives to change, protect and improve Council services, with particular emphasis on: Invest-to-save Seed funding for innovation (notably digital) and developments contributing to the County Council's priorities Investment in the redesign of the way services are delivered	5.2	3

Risk Reserve	To fund actions that mitigate the potential financial consequences of risks recognised in the Council's Corporate Risk Register and the Chief Finance Officer's robustness statement	8.6	2.8
<b>Total Strategic Service Reserves</b>		<b>31.6</b>	<b>9.5</b>

12.19 An updated Reserves Policy is set out below at the end of this Appendix.

### Savings

12.20 The table below sets out the existing savings plans, adjusted for the impact of 17/18 additional funding for ASC announced in the Spring Budget (set out in paragraph 4.1 above). Appendix 4 provides details of these for 2018/19.

	2017/18 Savings	2018/19 Savings
Department	£000	
ASC - outside ESBT	771	2,359
Business Services/Orbis	1,472	1,396
Children's Services (excl. schools)	3,440	5,335
Communities, Economy & Transport	1,136	2,119
Governance Services	270	134
East Sussex Better Together:		
ASC	0	10,507
Children's Services	36	69
<b>Subtotal ESBT</b>	<b>36</b>	<b>10,576</b>
<b>Subtotal Departments</b>	<b>7,125</b>	<b>21,919</b>
<b>Capital Programme Management</b>	<b>2,000</b>	<b>0</b>
<b>Total Savings</b>	<b>9,125</b>	<b>21,919</b>

12.21 There continues to be a risk regarding achieving savings as profiled.

12.22 Savings have previously been identified for 2018/19 of £21.5m, adjusted to £21.9m where savings have been deferred from 17/18 due to the additional 17/18 funding announced in the Spring Budget. This requirement is unlikely to reduce and so savings plans should now be firmed up. The projected deficit on the MTFP beyond 2018/19 is currently estimated at £33.1m (see summary at the end of this Appendix) and Chief Officers will now begin to work up savings opportunities for 2019/20 and 2020/21, at approximately £30m-£40m over the two years (subject to further ASC grant modelling), and consider the appropriate balance of savings between service areas. Possible cross-cutting or corporate savings opportunities, such as further "commercialisation" (including investment in property or trading ventures) and drawing down from the Apprenticeship Levy pot to fund existing budgets, will be considered. Savings plans for all three years (firm for 2018/19 and outline for later years) will be scheduled for consideration by Cabinet in October.

12.23 The total savings requirement for the three years to 2020/21 is currently therefore estimated at approximately £50m-£60m. This is a significant reduction from the £70m-£90m originally estimated at the time of setting the 2016/17-2018/19 Plan, and reflects the conclusion of the withdrawal of RSG. It should be noted, however, that the future savings requirement is on top of the £111.9m savings achieved since 2010. The Council has a track record of making hard decisions in order to live within its means, but it has to be recognised that the scope for further savings is greatly

reduced and, even at a reduced level, very difficult decisions will continue to be required by Members.

### Capital Programme

12.24 Current 2016-23 Capital Programme - the Capital Programme, as agreed at Full Council on 7<sup>th</sup> February 2017, focuses on a strategy to deliver core need as efficiently as possible. As agreed, where there are other service developments and investment opportunities that require capital investment (that are not identified as core need), they are required to be either match funded or produce a business case that demonstrates benefits. Approved bids will be added to the Programme in line with the current variation policy.

12.25 In addition to the core need, the current programme, includes a number of other fully funded schemes which are either funded through the SELEP, or for the provision of grants and loans. These were originally pump primed in the 2013-2018 programme and include the Economic Intervention Fund which, by 2021/22, will become self-funding.

12.26 At budget setting in February 2017, the remaining 2016-18 Capital Programme was combined with the future 2018-2023 Capital Programme. The total approved Capital Programme was £526.8m (gross). This included a general capital risk provision of £12.9m. The paragraphs below provide information regarding changes arising since February 2017.

12.27 2016/17 Year end outturn - in 2016/17, the County Council spent £79.6m (gross) compared to a budget of £93.3m, a variation of £13.7m. Of the £13.7m, £13.4m represents a number of scheme delays including; redesigning a bridge structure on the North Bexhill Access Road, longer tender and revaluations on Building Improvements, longer consultation periods for the Agile Programme, and delays in planning permission on Queensway Gateway Road. This was offset by £0.5m being spent in advance, mainly on transport schemes. Additionally, there was a £0.8m underspend on a number of Schools Basic Need projects and temporary school accommodation, where the need for the project contingency did not materialise.

12.28 Special School update - following the outcome in March 2017 of the free school bids, the provision within the Capital Programme has been reviewed. Initial estimates are that the successful bids have resulted in a reduced requirement of £9m. Provision, therefore, remains (for one Social, Emotional and Mental Health school for 80 pupils and a Profound and Multiple Learning Disability requirement for 51 pupils) of £18m.

12.29 In the 2016 Autumn Statement, Government announced a new National Productivity Investment Fund (NPIF) of £23bn to ensure the UK economy is fit for the future, and to tackle the perceived relatively low productivity identified in the emerging Industrial Strategy. The NPIF is aiming to target four areas that are critical for improving productivity: housing, transport, digital communications, and research and development. The Government is administering the fund through grants to Local Authorities and, from 2018/19, it will be based on a bidding mechanism. The grant for East Sussex in 2017/18 of £2.13m is for transport schemes and expenditure that are additional to existing approved plans. A number of options for using the funding have been considered. These include the extension of the A259 bus corridor between Newhaven and Brighton, and a package of measures to reduce congestion on the A22/A26 corridors. Neither of these is sufficiently developed to advance to

construction within the timescales, however, and the former would require Brighton & Hove City Council to prioritise it, given that it would effectively be a cross-border project. It is, therefore, proposed that the 2017/18 funding is allocated to Exceat Bridge. The project meets the Government's criteria and repair of the existing bridge is already in the Capital Programme. The additional funding would enable the construction of a two-lane "offline" bridge removing a key bottleneck.

12.30 Non-Specific Grants - there continues to be uncertainty in relation to Government grants. The approved budget included £209.8m of non-specific grants and the considerable risk associated with the 69% of unconfirmed grants was highlighted. These estimates were based on current levels and formula projections. After 2016/17 use, the remaining grants estimated against the 2017-23 Programme would have been £174.7m based on original estimates. Announcements in March 2017, however, have seen the following changes:

Grant	Year impacted	Movement (reduction) /increase
Basic Need funding	2019/20	(£6.938m)
Potential Future Basic Need funding reduction*	2020 onwards	(£5.062m)
SEND Funding	2017/18	£1.800m
Incentive grant funding	2017/18	£0.378m
School condition grant funding	2017/18	(£1.629m)
<b>Total Reduction</b>		<b>(£11.451m)</b>

*\* Given that the 2019/20 Basic Need funding announcement was significantly less than previously forecast, the future basic need forecast for 2020 onwards has been reduced in line with compensating school basic need reductions. A more detailed analysis will be carried out over the summer.*

12.31 These changes reduce the total grants available to £163.2m. Of the £163.2m, only £53.1m (33%) is currently confirmed, therefore Government grant risks remain.

12.32 Borrowing - the approved borrowing when the budget was set was £115.8m. This included £19.2m for 2016/17. Due to the significant amount of slippage, only £1.7m has been required. Details of the movement in borrowing are set out below:

Borrowing at Feb 2017	£115.8m
Less Borrowing forecast for 16/17	(£19.2m)
Add Borrowing Slippage (£19.2m less £1.7m used in 16/17)	£17.5m
<b>Subtotal</b>	<b>£114.1m</b>
Less Additional Incentive Fund 17/18	(£0.4m)
Less Additional SEND Funding	(£1.8m)
Less Special school reduction	(£9m)
Less Underspend in 16/17	(£0.8m)
Add Potential Schools Basic Need Grant reduction	£12m
Add Additional borrowing against contingency approved for increased scheme costs	£1.6m
<b>Borrowing at May 2017</b>	<b>£115.7m</b>

12.33 Capital receipts - a full review of capital receipts will take place over the summer for update in the autumn as part of the RPPR process.

12.34 Re-Profiling - as part of the ongoing RPPR process, departments have been asked to review spending profiles across all years. The table below sets out the changes (in £m) to planned profiles.



Year	16/17	17/18	18/19	19/20	20/21	21/22	22/23	Total
Approved gross programme at Feb 17	91.6	95.5	83.9	76.7	67.3	55.5	43.4	513.9
Approved Variations		9.6	2	0.1	(1.0)	0.2	- - -	10.9
2016/17 Slippage/ Spend in advance	(12.9)	12.9	- - -	- - -	- - -	- - -	- - -	0
Re-profiling		(21.6)	(4.7)	10.6	1.5	(2.7)	16.9	0
Net Nil adjustments		3.3	2.8	(1.9)	(1.9)	(1.8)	1.1	1.6
16/17 variations approve post Feb 17	1.7							1.7
Less 16/17 expenditure	(80.4)							(80.4)
<b>Proposed 2017-23 Programme</b>		<b>99.7</b>	<b>84</b>	<b>85.5</b>	<b>65.9</b>	<b>51.2</b>	<b>61.4</b>	<b>447.7</b>

12.35 Ongoing work - work continues to refine and update the Capital Programme. A Children's Services Sub-Board has been set up to scrutinise the £104m School Basic Need programme at a more granular level with an aim to manage and, where possible, drive down costs further. The Capital Strategic Asset Board has built in further in-year scrutiny of the Programme in line with the Quarterly monitoring cycle. Reviews of income streams are on-going.

12.36 The current Capital Programme focuses on delivering core need as efficiently as possible. Where there are other service developments/investment opportunities that require capital investment (not identified as core need), they must be either match funded or produce a business case that demonstrates benefits. Approved bids will be added to the Programme in line with the current variation policy.

12.37 During 2017/18, work will be undertaken to understand any factors that significantly impact the Council's long-term planning (eg. the Council's Property Strategy, changes in service strategy), to planning the future Programme.

12.38 The remaining 2017-23 Programme is below, including contingency (£m).

Current Programme at February 2017	513.9
Contingency at February 2017	12.9
<b>Subtotal</b>	<b>526.8</b>
Less 2016/17 planned expenditure at February 2017	(91.6)
Add Variations for 2017/18 onwards:	
East Sussex Strategic Growth Package	8.2
Coastal Communities Housing	0.6
NPIF – Exceat Bridge	2.1
Bexhill Hastings Link Road	2
Other small variations	(0.4)
Add Slippage/Spend in Advance	12.9
Less contingency (Feb 17)	(12.9)
<b>Total Programme at May 2017 (excluding contingency)</b>	<b>447.7</b>
Contingency at June 2017	11.3
Support for capital investment and/or reduced specific borrowing	5.8
<b>Total</b>	<b>464.8</b>

## 12.39 The current revised Capital Programme is below.

CAPITAL PROGRAMME 2017-23	Total Budget	Previous Spend	17/18	18/19	19/20	20/21	21/22	22/23	Total Remaining
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adult Social Care</b>									
Older People's Service Improvements (formerly Opportunities)	536	405	76	55					131
Social Care Information System	4,257	4,240	17						17
LD Service Opportunities <i>PSS Grant - 94189</i>	5,092 (1,900)	3,427 (1,900)	1,201	240	224				1,665
Refurbishment of Facilities to meet Care Quality Commission Standards	2,373	2,357	16						16
House Adaptations	2,719	719	532	468	250	250	250	250	2,000
Gross Scheme Specific Resource - Grant/External Contribution Scheme Specific Resource - S106 Contrintion Net	14,977 (1,900) <b>13,077</b>	11,148 (1,900) <b>9,248</b>	1,842 <b>1,842</b>	763 <b>763</b>	474 <b>474</b>	250 <b>250</b>	250 <b>250</b>	250 <b>250</b>	3,829 <b>3,829</b>
<b>Business Services</b>									
Core Back Office Services	1,268	847	50	50	321				421
The Link	2,718	2,649	69						69
SALIX Contract <i>SALIX Grant - 94106</i>	4,032 (3,762)	1,626 (1,356)	335 (335)	671 (671)	350 (350)	350 (350)	350 (350)	350 (350)	2,406 (2,406)
Property Agile Works <i>CERA Contribution</i>	9,606 (509)	8,411 (509)	1,195						1,195
Early Years	2,890	2,884	6						6
Early Years Nurseries <i>Early Years Capital Fund</i> <i>Schools Contribution</i> <i>Section 106 - D&amp;Bs</i>	1,875 (1,406) (50) (150)		1,875 (1,406) (50) (150)						1,875 (1,406) (50) (150)
Mobile Replacement Programme	8,079	8,043	36						36
Universal Infant Free School Meals <i>Free School Meals Grant - 94194</i>	1,954 (1,954)	1,870 (1,870)	84 (84)						84 (84)
<b>Core Programme - Schools Basic Need</b> <i>School Contribution</i> <i>Section 106 - D&amp;Bs</i> <i>Further S106 and Grant</i>	166,228 (40) (21,251) (148)	62,364 (3) (347) (148)	9,057 (37) (174)	16,089 (7,777)	22,366 (2,588)	17,577 (2,219)	14,250 (5,246)	24,525 (2,900)	103,864 (37) (20,904)
<b>Core Programme - Capital Building Improvements</b>	85,386	34,086	9,723	9,145	9,416	7,185	7,881	7,950	51,300
<b>Core Programme - ICT Strategy Implementation</b>	27,557	10,220	2,499	3,700	3,983	2,300	2,305	2,550	17,337
Gross Scheme Specific Resource - Grant/External Contribution Scheme Specific Resource - S106 Contrintion Net	311,593 (8,019) (21,251) <b>282,323</b>	133,000 (3,886) (347) <b>128,767</b>	24,929 (2,062) (174) <b>22,693</b>	29,655 (671) (7,777) <b>21,207</b>	36,436 (350) (2,588) <b>33,498</b>	27,412 (350) (2,219) <b>24,843</b>	24,786 (350) (5,246) <b>19,190</b>	35,375 (350) (2,900) <b>32,125</b>	178,593 (4,133) (20,904) <b>153,556</b>
<b>Children's Services</b>									
Lansdowne Secure Unit <i>Grant - 94104</i>	261 (261)	208 (208)	53 (53)						53 (53)
Seven Sisters Canoe Barn <i>Grant - 94994</i>	24 (24)	22 (22)		2 (2)					2 (2)
Family Contact	188	156	32						32
House Adaptations for Disabled Children's Carers Homes	1,468	660	288	120	100	100	100	100	808
Schools Delegated Capital <i>Grant - 94977</i>	12,688 (12,688)	7,826 (7,826)	899 (899)	859 (859)	824 (824)	791 (791)	760 (760)	729 (729)	4,862 (4,862)
Direct to Schools Capital <i>Section 106 - Various</i>	65 (65)		65 (65)						65 (65)
School Information Hub	230	144	86						86
Gross Scheme Specific Resource - Grant/External Contribution Scheme Specific Resource - S106 Contrintion Net	14,924 (12,973) (65) <b>1,886</b>	9,016 (8,056) (65) <b>960</b>	1,423 (952) (65) <b>406</b>	981 (861) (65) <b>120</b>	924 (824) (65) <b>100</b>	891 (791) (65) <b>100</b>	860 (760) (65) <b>100</b>	829 (729) (65) <b>100</b>	5,908 (4,917) (65) <b>926</b>
<b>Communities, Economy &amp; Transport</b>									
New Archive and Record Office - "The Keep" - Phase 1 & 2 <i>Other Contributions - 94642</i>	20,178 (6,960)	20,128 (6,960)	36	14					50

CAPITAL PROGRAMME 2017-23	Total Budget	Previous Spend	17/18	18/19	19/20	20/21	21/22	22/23	Total Remaining
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Registration Ceremonies Website	30		30						30
<i>CERA Contribution</i>	(30)	(30)							
Rye Library	87	47	40						40
<i>Section 106 - 94327</i>	(35)	(16)	(19)						(19)
Hastings Library	8,782	5,858	2,612	312					2,924
<i>CERA Contribution</i>	(43)	(43)							
Newhaven Library	1,713	1,674	39						39
Southover Grange (formerly The Maltings)	1,307	1,073	234						234
Library Refurbishment	1,473	1,145	328						328
<i>Section 106 - 94318</i>	(93)	(88)	(5)						(5)
Newhaven S106 - ERF	474	469	5						5
<i>Section 106 - 94856</i>	(474)	(469)	(5)						(5)
Travellers Site Bridges Tan	1,347	1,332	15						15
Broadband	25,600	17,266	8,334						8,334
<i>BDUK Grant - 94191</i>	(10,640)	(10,640)							
Bexhill and Hastings Link Road	126,247	119,560	4,562	702	601	577	245		6,687
<i>LEP Funding (SELEP)</i>	(1,586)	(1,586)							
<i>Rental Income</i>	(44)		(11)	(11)	(11)	(11)			(44)
<i>Historic England Grant</i>	(407)	(107)	(60)	(40)	(67)	(67)	(66)		(300)
BHLR Complementary Measures	1,800	1,068	300	432					732
<i>Section 106 - 94350</i>	(36)	(36)							
Reshaping Uckfield Town Centre	2,500	2,474	26						26
<i>Section 106 - 94358</i>	(2,500)	(2,474)	(26)						(26)
Exceat Bridge Maintenance	2,633	38	462	2,133					2,595
<i>National Productivity Investment Fund</i>	(2,133)			(2,133)					(2,133)
<b>Economic Growth &amp; Strategic Infrastructure Programme</b>									
Economic Intervention Fund	9,791	4,331	1,269	1,439	1,399	1,353			5,460
<i>Recycled Loan Repayments</i>	(1,700)	(228)	(472)		(435)	(565)			(1,472)
<i>CERA Contributions</i>	(900)		(900)						(900)
<i>Bond Repayment</i>	(80)	(80)							
Catalysing Stalled Sites	916	117	599	200					799
EDS Upgrading Empty Commercial Properties	500	53	447						447
EDS Incubation Units	1,500		650	500	350				1,500
North Bexhill Access Road	16,600	11,010	5,590						5,590
<i>LEP Funding (SELEP)</i>	(15,010)	(11,010)	(4,000)						(4,000)
Queensway Gateway Road	6,000	2,540	3,460						3,460
<i>LEP Funding (SELEP)</i>	(1,559)	(1,559)							
Newhaven Flood Defences	1,500	1,100	400						400
<i>LEP Funding (SELEP)</i>	(1,500)	(1,100)	(400)						(400)
Coastal Communities Housing	667		667						667
<i>LEP Funding (SELEP)</i>	(667)		(667)						(667)
East Sussex Strategic Growth Package	8,200		6,300	1,900					8,200
<i>LEP Funding (SELEP)</i>	(8,200)		(6,300)	(1,900)					(8,200)
A22/A27 Junction Improvement Package	4,500				2,500	2,000			4,500
<i>LEP Funding (SELEP)</i>	(4,000)				(2,000)	(2,000)			(4,000)
<i>S106 Contributions - D&amp;B held</i>	(500)				(500)				(500)
LGF Business Case Development	196	30	166						166
Newhaven Port Access Road	23,271	876	320	11,268	10,345	462			22,395
<i>LEP Funding</i>	(10,000)			(5,000)	(5,000)				(10,000)
Real Time Passenger Information	2,449	2,149	300						300
<i>Section 106 - Various</i>	(517)	(287)	(230)						(230)
Eastern Depot Development	1,586	224	1,362						1,362
Waste Leachate Programme	250	11	239						239
<i>DEFRA Waste Performance Grant - 94048</i>	(159)		(159)						(159)
<i>DEFRA Waste Infrastructure Grant - 94105</i>	(29)	(11)	(18)						(18)
<b>Integrated Transport - LTP plus Externally Funded</b>									
Hastings and Bexhill Movement & Access Package	12,643		1,995	3,648	3,500	3,500			12,643
<i>LEP Funding (SELEP)</i>	(12,000)		(1,352)	(3,648)	(3,500)	(3,500)			(12,000)
Eastbourne Town Centre Movement & Access Package	3,000				1,000	2,000			3,000
<i>LEP Funding (SELEP)</i>	(3,000)				(1,000)	(2,000)			(3,000)
Eastbourne/South Wealden Walking & Cycling Package	9,450	808	1,892	1,750	2,500	2,500			8,642
<i>LEP Funding (SELEP)</i>	(8,058)	(808)	(500)	(1,750)	(2,500)	(2,500)			(7,250)
<i>Section 106 - 94806</i>	(250)		(250)						(250)
Hailsham/Polegate/Eastbourne Movement & Access Corridor	2,350	151	1,599	600					2,199
<i>LEP Funding (SELEP)</i>	(2,100)		(1,500)	(600)					(2,100)
<i>Section 106 - 94806</i>	(250)	(151)	(99)						(99)
Other Integrated Transport Schemes	37,288	18,994	3,699	2,919	2,919	2,919	2,919	2,919	18,294
<i>Developer and Other Contributions - Various</i>	(6,429)	(3,951)	(2,478)						(2,478)
<i>Section 106 - Various</i>	(3,528)	(2,864)	(664)						(664)
<i>LEP Funding (SELEP)</i>	(162)	(162)							

CAPITAL PROGRAMME 2017-23	Total Budget	Previous Spend	17/18	18/19	19/20	20/21	21/22	22/23	Total Remaining
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Speed Management	2,948	2,919	29						29
Terminus Road Improvements	6,250	1,024	2,000	2,726	500				5,226
External Contributions - Various	(450)		(450)						(450)
Section 106 - D&B held	(300)		(300)						(300)
LEP Funding (SELEP)	(1,055)	(550)	(505)						(505)
CAMS System	30	19	11						11
CERA Contribution	(30)	(30)							
Core Programme - Highways Structural Maintenance	234,346	117,747	18,849	19,550	19,550	19,550	19,550	19,550	116,599
CERA Contributions	(7,800)		(1,300)	(1,300)	(1,300)	(1,300)	(1,300)	(1,300)	(7,800)
DoT Highways Network Grant	(2,300)	(2,300)							
LEP Funding (SELEP)	(7,375)	(7,375)							
External Contributions - Various	(55)	(55)							
Core Programme - Bridge Assessment Strengthening	13,310	5,932	1,378	1,200	1,200	1,200	1,200	1,200	7,378
Core Programme - Street Lighting - Life Expired Equipment	10,133	4,883	850	880	880	880	880	880	5,250
Core Programme - Rights of Way Surface Repairs and Bridge Replace	4,883	2,338	395	430	430	430	430	430	2,545
Gross	608,728	349,388	71,489	52,603	47,674	37,371	25,224	24,979	259,340
Scheme Specific Resource - Grant/External Contribution	(116,461)	(48,585)	(21,072)	(16,382)	(15,813)	(11,943)	(1,366)	(1,300)	(67,876)
Scheme Specific Resource - S106 Contrinution	(8,483)	(6,385)	(1,598)		(500)				(2,098)
Net	483,784	294,418	48,819	36,221	31,361	25,428	23,858	23,679	189,366
Total Gross	950,222	502,552	99,683	84,002	85,508	65,924	51,120	61,433	447,670
Scheme Specific Resource - Grant/External Contribution	(139,353)	(62,427)	(24,086)	(17,914)	(16,987)	(13,084)	(2,476)	(2,379)	(76,926)
Scheme Specific Resource - S106 Contrinution	(29,799)	(6,732)	(1,837)	(7,777)	(3,088)	(2,219)	(5,246)	(2,900)	(23,067)
Total Net	781,070	433,393	73,760	58,311	65,433	50,621	43,398	56,154	347,677

Medium Term Financial Plan				
State of the County	17/18	18/19	19/20	20/21
	Approved Budget	Estimate	Estimate	Estimate
	£million	£million	£million	£million
<b>CORPORATE FUNDING</b>				
Business Rates	(71.879)	(73.970)	(76.559)	(78.090)
Revenue Support Grant	(26.727)	(14.966)	(3.491)	
Council Tax	(254.044)	(269.130)	(285.145)	(291.607)
Council Tax - Adult Social Care Precept	(7.355)	(7.800)		
Transition Grant	(2.696)			
New Homes Bonus	(2.250)	(1.589)	(1.524)	(1.500)
<b>TOTAL CORPORATE FUNDING</b>	<b>(364.951)</b>	<b>(367.455)</b>	<b>(366.719)</b>	<b>(371.197)</b>
<b>PLANNED EXPENDITURE</b>				
Net Service Expenditure	318.399	329.116	328.303	341.148
Pay Award/Inflation/National Living Wage	9.767	15.090	10.859	11.445
Adult Social Care Growth & Demography	5.119	4.500	5.000	5.300
Extension of Foster Care to 21	0.900	0.700		
Education Services Grant	2.278	1.178		
Dedicated Schools Grant	0.500	0.250	0.250	0.250
Childrens Services pressures	1.800	5.500		
ESBT/C4Y Investment	4.500			
Waste Housing Growth	0.119	0.124	0.130	0.136
ASC Support Grant	(2.597)	2.597		
Improved Better Care Fund	(0.286)	(7.528)	(7.088)	
Improved Better Care Fund - Supplementary	(11.027)	3.684	3.694	3.649
Economic Development Grants	1.000	(1.000)		
Home to School Transport	0.200			
Highways	1.300			
Community Match	0.150			
Youth Services	0.130			
Transition Funding for Schools	0.750	(0.750)		
Additional spending funded by additional IBCF	3.239	(3.239)		
Savings adjustment re additional IBCF	7.788	(0.445)		
Savings	(14.913)	(21.474)		
<b>NET SERVICE EXPENDITURE</b>	<b>329.116</b>	<b>328.303</b>	<b>341.148</b>	<b>361.928</b>
Corporate Expenditure	50.913	35.835	39.152	40.933
Treasury Management	(6.630)	0.500	0.500	0.500
Funding Capital Programme - base contribution	(2.000)			
Funding Capital Programme - New Homes Bonus	(0.628)	(0.661)	(0.065)	(0.024)
General Contingency	0.050	0.020	(0.010)	0.040
Contribution to balances and reserves	(6.765)	2.762	0.554	
Pensions	0.157	0.746	0.784	0.885
Apprenticeship Levy	0.600			
Levies	0.133	(0.050)	0.018	0.014
Other	0.005			
<b>TOTAL CORPORATE EXPENDITURE</b>	<b>35.835</b>	<b>39.152</b>	<b>40.933</b>	<b>42.348</b>
<b>TOTAL PLANNED EXPENDITURE</b>	<b>364.951</b>	<b>367.455</b>	<b>382.081</b>	<b>404.276</b>
<b>DEFICIT/(SURPLUS)</b>	<b>0.000</b>	<b>0.000</b>	<b>15.362</b>	<b>33.079</b>
<b>NOT INCLUDED IN FIGURES ABOVE</b>				
Care Act (shown at medium risk for 2020/21)				10.577
(Full range - low risk £2.5m; medium risk £10.6m; high risk £21.3m)				

	<b>17/18</b>	<b>18/19</b>	<b>19/20</b>	<b>20/21</b>
	<b>Approved</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
	<b>Budget</b>			
	<b>£million</b>	<b>£million</b>	<b>£million</b>	<b>£million</b>
<b>Council 7th February 2017, DEFICIT/(SURPLUS)</b>		0.589	11.732	25.407
Business Rates Retention & S31 grants		0.478	0.495	0.505
Council Tax rounding for precept calculation		0.015	0.015	0.016
Waste Housing Growth		0.119	0.243	0.379
General Contingency		(0.010)	(0.010)	(0.010)
Contribution to balances and reserves		(0.554)		
Dedicated Schools Grant				0.250
Adult Social Care growth and demography		(0.637)	(0.807)	(0.811)
IBCF Supplementary funding	(11.027)	(7.343)	(3.649)	
Additional spending funded by additional IBCF	3.239			
Savings adjustment re IBCF Supplementary	7.788	7.343	7.343	7.343
<b>State of the County</b>	<b>0.000</b>	<b>0.000</b>	<b>15.362</b>	<b>33.079</b>

## **Reserves and Balances Policy**

### Background

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

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).

### 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.

Earmarked reserves will be maintained as follows:

- risk reserve: to manage the potential financial consequences of risks recognised in the Council's risk management arrangements and the CFO's robustness statement;
- priority outcomes and transformation reserve: to fund the transformation programme to change, protect and improve Council services;
- financing reserve: to enable the effective management of the medium-term financial strategy; and
- named service reserves will be held specifically for the capital programme, waste contract risk and insurance risk.

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.

### 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

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

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

### 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.

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.

#### 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.

The CFO will monitor the drawdown of specific reserves in accordance with the agreed policy, and keep Members advised.