

REPORT OF THE CABINET

The Cabinet met on 6 and 27 June 2017. Attendance:-

Councillor Glazier (Chair) (2)

Councillors Bennett (2), Bentley (2), Elkin (2), Maynard (2), Simmons (2), Standley (2) and Tidy (2)

1. Council Monitoring – Quarter Four 2016/17

1.1 The Cabinet has considered a report on performance against the Council Plan, Revenue Budget, Capital Programme, Savings Plan and risks for 2016/17. Broad progress against the Council's four strategic priority outcomes is summarised below and an overview of performance and finance data is provided in the Corporate Summary at Appendix 1. Strategic risks were reported at Appendix 7 and a detailed report for each department is provided in Appendices 2 to 6.

Overview of 2016/17 Council Plan and Budget

1.2 2016/17 was the first year of a challenging 3-year Reconciling Policy, Performance and Resources (RPPR) medium-term planning period, requiring significant changes to service provision, demand management and savings if a balanced budget was to be achieved. The Council has focused on its key priorities and made good progress in many areas.

1.3 We have continued to support vulnerable adults and children to stay safe and independent. Over 9,000 adults and 7,000 carers received support during the year. A Joint local area SEND inspection carried out by OSTED and CQC reported positively in December 2016 on the services provided to children with disabilities and their families and the Council has been responsible for over 500 Looked After Children at any one time during the year. The number of families receiving a family support intervention as part of the Troubled Families programme in 2016/17 was 876; this places our performance in the top 10% of local authorities nationally. At the same time as delivering services, good progress was made on a ground-breaking alliance agreement with health partners, under East Sussex Better Together (ESBT), which aims to help us to maintain sustainable services in the future through better integration of health and social care services.

1.4 More detail of progress against each of our priority outcomes for 2016/17 is set out in paragraphs 1.13 to 1.26 below. Of the 67 Council Plan targets, 41 (61%) were achieved and 23 (34%) were not achieved. 3 (5%) are carried over for reporting in quarter 1 of 2017/18, these are targets where action has been completed, but the year-end outturn data is not yet available to be reported. The outturn of 49 measures can be compared with the 2015/16 outturn. The performance improved or was at the maximum in 27 (55%) of these measures; 4 (8%) remained the same; 15 (31%) deteriorated; and 3 (6%) are carried over for reporting at quarter 1 2017/18.

1.5 The outturn financial position is improved compared to that projected earlier in the year, as a result of mitigating actions taken, but still reflects the considerable pressure on service budgets. As shown in Appendix 1, nearly 80% of planned savings were achieved with almost all of the remainder still considered achievable, but delayed, and therefore have slipped to 2017/18. At the end of the year the net service overspend was £3.3m compared to the £6.9m reported at quarter 3. The main changes from quarter 3 are:

- Adult Social Care – an overspend of £2.9m (£4.7m at quarter 3). The main reason for the reduction is a one-off contribution of £1.5m from the CCGs within ESBT, which was at the

final stage of agreement and reported orally to members at quarter 3 but not included in the report.

- Business Services underspend of £1.7m (£0.6m at quarter 3): the main reasons are a change in accounting practice for property maintenance (£0.5m) and increased savings from Orbis (£0.4m).
- Children's Services overspend of £2.5m (£3.0m at quarter 3): the main reasons are reductions in the overspends for Early Help and Social Care (£0.3m) and Communications Planning & Performance (£0.3m) but these were offset by pressures in Education and ISEND.
- Communities, Economy & Transport underspend of £0.4m (£0.1m at quarter 3): the main reasons are early delivery of savings and increased income (£0.2m), staff vacancies and funding of additional work at Hastings Library from capital budgets (£0.1m) in Customer & Library Services.

1.6 The underlying demand pressures affecting both Adult Social Care and Children's Services were addressed as part of the RPPR process when updating the Medium Term Financial Plan (MTFP) in autumn 2016 and extra investment in both services was made in the 2017/18 Budget. This will mitigate, but not fully remove, the risk of further overspend.

1.7 Within centrally held budgets, and as previously reported at quarter 3, there is a pressure of £0.3m from the Council's share of the East Sussex Business Rates Pool and Cap Compensation, loss of £0.2m from the Education Services Grant (ESG) and an underspend on the provision made for the cost of National Living Wage of £0.3m. The overall overspend on these centrally held budgets therefore amounts to £0.2m. Giving a total overspend of £3.5m.

1.8 During the RPPR review of the MTFP, the opportunity was taken to review the Council's policy for accounting for debt repayment, following changes in government rules. As reported at quarter 3 and as reflected in the 2017/18 Budget, this, and an overall review of treasury management budgets, has resulted in a significantly reduced charge to the revenue account. The final outturn is an underspend against the original budget of £8.3m rather than £8.1m forecast at quarter 3.

1.9 The general contingency has been reduced slightly for bad debt, from £3.4m to £3.3m. Overall, there is therefore a General Fund surplus of £8.1m (comprising; service overspend of £3.3m (paragraph 1.5), overspend on centrally held budgets £0.2m (paragraph 1.7) offset by £3.3m general contingency and £8.3m treasury management (paragraph 1.8). The State of the County report elsewhere on this agenda describes the significant financial pressures facing the County Council over the next three years, and the Cabinet has agreed that the outturn surplus is used to mitigate those pressures. Specifically, it was agreed that £1.2m be set aside to smooth the 2018/19 profile and avoid an increased need for savings in that year, £1.1m be set aside to manage in-year pressures, notably the known shortfall in Business Rates and other pressures, and the remaining £5.8m is used to realise returns in future years through support for capital investment and/or reduced borrowing. Use of the surplus in this way will improve the sustainability of the Council's finances, manage in-year risks and provide a full year future saving against the MTFP projections of at least £230,000 pa.

1.10 The value of debt over 5 months at quarter 4 has increased marginally to £2.276m (2015/16 £2.190m). This is mainly as a result of higher Adult Social Care debt raised in 2016/17 (£10.8m) compared to 2015/16 (£10.1m).

1.11 The quarter 4 capital programme is monitored against the revised programme submitted to the Council in February; together with some minor net nil approved variations. The expenditure for the year was £79.6m against a budget of £93.3m, a variation to gross budget of £13.7m. Most of the variation is attributed to slippage of £13.4m, offset by £0.5m spend in advance mainly on Highways Structural Maintenance. In addition there was a £0.8m underspend, mainly due to a number of School Basic Need and temporary school accommodation projects, where the need for the project contingency did not materialise. The four largest value areas of slippage are:-

- £1.9m on Queensway Gateway Road (ref. xvi appendix 5),

- £1.6m on the North Bexhill Access Road (ref. xv appendix 5),
- £1.4m on Capital building improvements (ref. x appendix 3)
- £1.2m Agile (ref. ix appendix 3).

The Capital Strategy and Asset Management Board continues to review forecasting and profiling processes in order to improve management of the overall capital programme and reduce the extent of slippage.

1.12 The Strategic Risk Register, Appendix 7, has been reviewed. Risk 8 (Capital Programme) has been updated and also has updated risk control responses. Risk 4 (Health), Risk 5 (Reconciling Policy, Performance & Resources), Risk 6 (Local Economic Growth) and Risk 9 (Workforce) all have updated risk control responses. A new risk (Cyber attack) has been added to the Strategic Risk Register. No existing risks have been removed and all risk ratings remain unchanged.

Progress against Council Priorities

Driving economic growth

1.13 We have made good progress in areas contributing to the East Sussex Growth Strategy during 2016/17. 2,508 additional premises were able to connect to superfast broadband as part of our second contract. 41 businesses have been awarded funding as part of East Sussex Invest 4; they are expecting to create 130 jobs. 15 companies were supported by Locate East Sussex to either start-up or relocate into East Sussex from outside the county, 20 further existing companies were supported to relocate within the county. Our bid to the European Regional Development Fund (ERDF) to continue, expand and enhance our inward investment service was successful; as a result, the budget for Locate East Sussex will be doubled for the next three years. A total of 75 apprentices have started during 2016/17, 21 with the Council, nine with Costain CH2M and 45 in schools, the current retention rate for apprentices is 92% (Appendix 5).

1.14 50% of Council spending in 2016/17 was with local suppliers (against our target of 48%); this equates to £196.8m spent with local suppliers (Appendix 3).

1.15 363 online Learndirect and Learn My Way courses were completed in our libraries in 2016/17. The total was boosted by the introduction of our new IT for You project which aims to boost people's IT skills; IT for You instructors are referring people on to Learndirect and Learn My Way courses when they think it's appropriate (Appendix 5).

1.16 75.7% of all 2 year olds achieved a good level of development in the Early Years Foundation Stage, better than the England average of 69.3%. Our Progress 8 score for all children at the end of Key Stage 4 was +0.04, above the national score of -0.03. 18.8% of Looked After Children (LAC) achieved A*-C in English and maths at Key Stage 4, compared to 17.5% for England; the Progress 8 score for Looked After Children (LAC) was -1.28, below the national score of -1.14. 88.6% of all young people were in education, training, or employment with training at academic age 17, exceeding the target of 88%. 71% of LAC were in education, training, or employment with training at academic age 17, exceeding the target of 70% (Appendix 4).

Keeping vulnerable people safe

1.17 As part of The Portal, which provides help and support for survivors of domestic and sexual violence and abuse in Brighton & Hove and East Sussex, a new Domestic Abuse Surgery has been set up at the Citizens Advice Bureau in Eastbourne. The surgery offers people over the age of 16 specialist information and advice (Appendix 2).

1.18 The average time between a child entering care and moving in with their adoptive family, for the three year period 2013-2016, was 517 days against a national average of 558 days (Appendix 4).

1.19 114 positive interventions were made in 2016/17 with vulnerable people who have become the target of rogue trading or financial abuse. Interventions included; visiting victims of

financial abuse to return cash and bank account details and give them information on ways to protect themselves in the future; installing call blockers to the telephone lines of victims being persistently targeted by telephone fraudsters; and the Rapid Action Team making interventions to stop people becoming victims of rogue traders (Appendix 5).

Helping people help themselves

1.20 The £1m Road Safety programme, to address the high level of people Killed and Seriously Injured (KSI) on the county's roads, has continued to progress well; behavioural change experts have begun a detailed analysis of the county's crash data to identify trends and groups who will be amenable to behavioural change. Provisional data shows that there were 383 KSI on our roads between January and December 2016, with 25 of these fatalities, of these 50 KSI and three fatalities occurred on trunk roads which are the responsibility of Highways England. This is a 10% increase in the number of KSI compared to 2015, and a 14% increase in fatalities. Compared to the 2005-2009 average the 2016 totals are a 1% increase in the number of KSI, but a 24% reduction in the number of fatalities (Appendix 5).

1.21 East Sussex Better Together (ESBT); plans are in-hand to see us through the Accountable Care Organisation transitional year and help inform the development of the formal Alliance arrangements by 2018. This includes defining: the Strategic and Locality Planning Cycle and Framework; delivery model for year 1; and delivery model for year 2. Further work is being undertaken to define and shape the Responsible Authority and business infrastructure functions. This will inform the resource requirements needed for the formal Alliance arrangements (Appendix 2).

1.22 Our Shared Lives Scheme, which enables shared lives carers to share their home and family life with adults who need care and support to live well, was rated as outstanding following an inspection by the Care Quality Commission (CQC) in January 2017. Milton Grange Care Home, an old peoples home and day service operated by the Council was also rated outstanding by the CQC in February 2017 (Appendix 2).

Making best use of resources

1.23 The reduction in the number of papers being printed for meetings, has reduced costs by almost £29,000 (59%) in 2016/17 (Appendix 6).

1.24 The total 2016/17 sickness absence outturn for the whole authority (excluding schools) was 8.73 days lost per full-time equivalent employee. This is a 4% decrease on the 2015/16 total. Management and support measures have been implemented to maintain and continue the reduction in absence levels (Appendix 3).

1.25 In December 2016 the Orbis Joint Committee and the Council's Cabinet approved Brighton & Hove City Council joining Orbis as a founding partner. Orbis was runner up in the Innovation category at the 2017 Institute for Continuous Improvement in Public Services awards in March (Appendix 3).

1.26 We have reduced the cost of occupancy of our corporate buildings to £146 per sq metre during 2016/17, which is a reduction of more than 2% on last year's costs, meeting our target for the year. The main reductions were secured in energy, where there's been a 30% reduction in spend from 2015/16; service charge costs have been reduced by 40%, and planned maintenance spend has been reduced following previous investment programmes (Appendix 3).

2. Reconciling Policy, Performance and Resources – State of the County

2.1 The State of the County report is part of the Council's Reconciling Policy, Performance and Resources (RPPR) process, the Council's integrated business and financial planning cycle. The report sets out the context and provides an overview of the latest position in preparation for more detailed planning for 2018/19 and beyond. The Council will spend over £350m net each year and it is vital that these resources, in partnership with others, are deployed in the most effective way. This starts with being clear about the priority outcomes and the evidence base.

Council Priority Outcomes and Resources

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

2.3 The current four priority outcomes are:

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

The priority outcome that the Council makes the "best use of resources" is a test that is applied to all activities. The priority outcomes are set out in more detail in Appendix 8.

2.4 The priority outcomes have been developed taking account of a wide range of demographic and service need information and feedback from Members, stakeholders and service users and are used to direct activity and inform investment. Those services across all departments which make the most significant contribution to achieving the outcomes under each of the priority areas have been prioritised for investment and, where possible, given relative protection from the requirement to make savings. The scale of the savings the Council has delivered and the extended period over which savings have been required means, however, that the scope for making further savings in non-priority areas is very constrained.

2.5 Cabinet has considered the priority areas and outcomes in the light of the information set out in the report. Whilst no substantial changes to the priority outcomes are recommended, it is proposed that the priority "driving economic growth" is replaced with "driving sustainable growth". The proposed change of wording is to capture that the breadth of ambition is not just about an increase in local businesses but also to ensure East Sussex has the infrastructure, housing, environment and skills that will ensure growth is long-term, coherent and comprehensive for all residents. Ensuring residents, communities and businesses are prosperous, healthy and more resilient will reduce demand for the Council's services as well as helping them maximise their potential.

2.6 Over recent years, the Council has faced significant reductions to one of its core sources of funding from Government, the Revenue Support Grant (RSG). In 2010, RSG was £100.2m (before other grants were included). In 2018/19, it will have reduced to £15m and by 2020/21 it is projected to be zero. This reduction in Government funding, at the same time as increased service pressures have required the Council to deliver savings and efficiencies amounting to £111.9m between 2010 and 2018. The latest Medium-Term Financial Plan (MTFP) shows savings of £21.9m (equivalent to 6% of the net revenue budget) will be required in 2018/19 and a further £33.1m over the two years to 2020/21. There is considerable uncertainty about key areas of Government funding and policy. The MTFP will therefore continue to be reviewed and updated as more information becomes available.

2.7 In addition to reduced Government funding, the County Council has experienced increases in demand for services, notably in Adult Social Care (ASC), mainly as a result of a growing number of very old people (those aged 85+), and also in Children's Services due to an increasing number of children with statements of Special Educational Needs and Disability (SEND) or Education Health and Care Plans (EHCPs). Both the Council and Government have invested in ASC and the Council has made provision for pressures in Children's Services. The combination of reduced funding and rising cost pressures mean that, in addition to realising efficiency savings, the Council has had to reprioritise its investment in services and reduce the extent and breadth of its service offer, with significant impacts in the areas of community based ASC services, in the number of family centres, in the universal youth service offer, in the libraries and culture offer and the amount spent on the highways network. The scale of the savings the Council has needed to make to date and the continued pressure on budgets in the future mean that, despite continuing commitment to maximise efficiency and generate income, more direct impacts on frontline services across the organisation are unavoidable.

Development of the Council's Medium Term Plans

2.8 A One Council approach will continue to be taken to developing plans using the following principles:

- Having a collective view of the priority outcomes and investment choices. Using strategic commissioning disciplines to direct activities to maximise delivery of the agreed priority outcomes. This approach enables the Council to be business-like and test comparative returns on investment to ensure the best use of resources is being delivered. It will also help ensure savings in one area do not give rise to unforeseen consequences in another area;
- Building on the existing plans that maximise efficiency, exploit technology, and make the best use of all Council assets;
- Ensuring the right partners are chosen, especially those who will deliver system change and the best use of resources;
- Maximising the resources of East Sussex through strong partnership working, income generation, lobbying and exploring new ways of working;
- Removing management and support costs, wherever possible, to maximise the resources available to the frontline;
- Recognising which areas offer more flexibility and the considerable areas where flexibility is limited in the short-term;
- Sustaining investment in activity that will most help manage demand;
- Mobilising and encouraging communities to help achieve their priority outcomes;
- Enabling staff, residents and communities to be creative and courageous, helping them to work through uncertainty; and
- Being open and transparent to provide clarity about priorities and consequences, specifying clearly what the County Council will do.

2.9 The next three years will see demand for services continue to rise due to demographic pressures. The changes expected to affect Council services are set out in Appendix 9. The key issues continue to be:

- The growth in the very elderly population and their consequent increasingly complex needs;
- The growth in the number of households in the county and the need to provide suitable accommodation for the new and smaller households that will constitute the increase, coupled with the affordability gap between house prices and wages, which means that home ownership is unachievable for many;
- The need to provide school places both in the right areas and of the right kind of provision to meet demand;
- The need to keep on creating good quality jobs so that the county's economy continues to improve and to ensure that people have the right skills to take advantage of those jobs, to help local residents live prosperous and self-sufficient lives; and
- The need for a wide range of infrastructure to support the changing needs of the population.

2.10 The national and local context in which the Council's plans will need to be made is set out in Appendix 10.

2.11 The Council's net income comes from three sources: Council Tax, RSG and business rates (or National Non-Domestic Rates – NNDR). RSG comes from Central Government and will cease in 2020 (see paragraph 2.5 above). Central Government sets the level of NNDR and controls which businesses have to pay it. Council Tax is set locally and can be increased up to a threshold set annually by Central Government (any proposed increase over this threshold requires public support via a referendum).

2.12 The prospects for the economy as a whole remain uncertain as a result of the potential impact of the decision to leave the European Union (EU) and the outcome of the general election. There is no reason to believe, however, that the long-term aim of reducing public expenditure as a proportion of GDP will change. With continued constraint on tax revenues there is no prospect, therefore, for additional funding for most Local Authority functions from Government.

2.13 Financially, there are a number of key issues which will impact on the MTFP. Firstly, whilst there is speculation that a new Government may not implement its' predecessor's plans for Councils to retain 100% of locally collected NNDR, it is unlikely that any Government will reverse the decision to cease RSG in 2020. This would mean that there will be no funding based on local need for Local Authorities and, unless this issue is addressed, specific pressures in demand-led services will need to be dealt with by individual Authorities. This would be particularly challenging in areas like East Sussex, which have growing demand for services for older people due to its demographic profile. The nature of local businesses, which are small and not property based; the environmental constraints on growth in the county; and the reliefs offered by Government mean that there is unlikely to be a significant increase in Council income from this source in future. It would require a 54% increase in NNDR income to cover the £38m savings originally required in 2017/18 and 2018/19. Growth in NNDR between 2013/14 and 2018/19 was less than £2m. The County Council will continue to lobby against the implementation of 100% NNDR retention and in favour of a full redistribution of resources between Local Authorities based on need.

2.14 In 2016/17, the Government introduced a number of short-term measures to assist Councils with ASC responsibilities, including:

- ASC Precept – Government has allowed Councils to raise additional Council Tax between 2017/18 and 2019/20 up to a maximum of 6% over the 3 years. The Council agreed a precept of 3% in 2017/18. Planning is currently on the basis of a further 3% in 2018/19, but this would mean no further rise in 2019/20; and
- Specific Grants – these amount to £13.9m in 2017/18, £15.2m in 2018/19 and £18.6m in 2019/20. No allocations have been indicated for 2020/21 or beyond.

2.15 The previous Government had intended to produce a Green Paper on services for older people in the autumn. It is too early to know what the new Government will do or its timescale but the importance of addressing current social care and health issues had a high profile during the election so action of some sort is anticipated.

2.16 In March 2017, Government acknowledged the pressure that the health and social care system is under with a 3-year allocation. The above figures include the 3-year allocation for East Sussex of £11m. This was announced after the Budget and MTFP had been set. It is a time limited grant with the funding reducing in 2018/19 and 2019/20. The Council's Constitution provides for earmarked revenue budget income, received for a specific purpose, to be spent for the purpose it was received so long as the expenditure will not cause additional commitments for future years. An adjustment has, therefore, been made to the 2017/18 Budget and MTFP to incorporate the funding. The details of this are shown in Appendix 10 paragraphs 4.1 - 4.5.

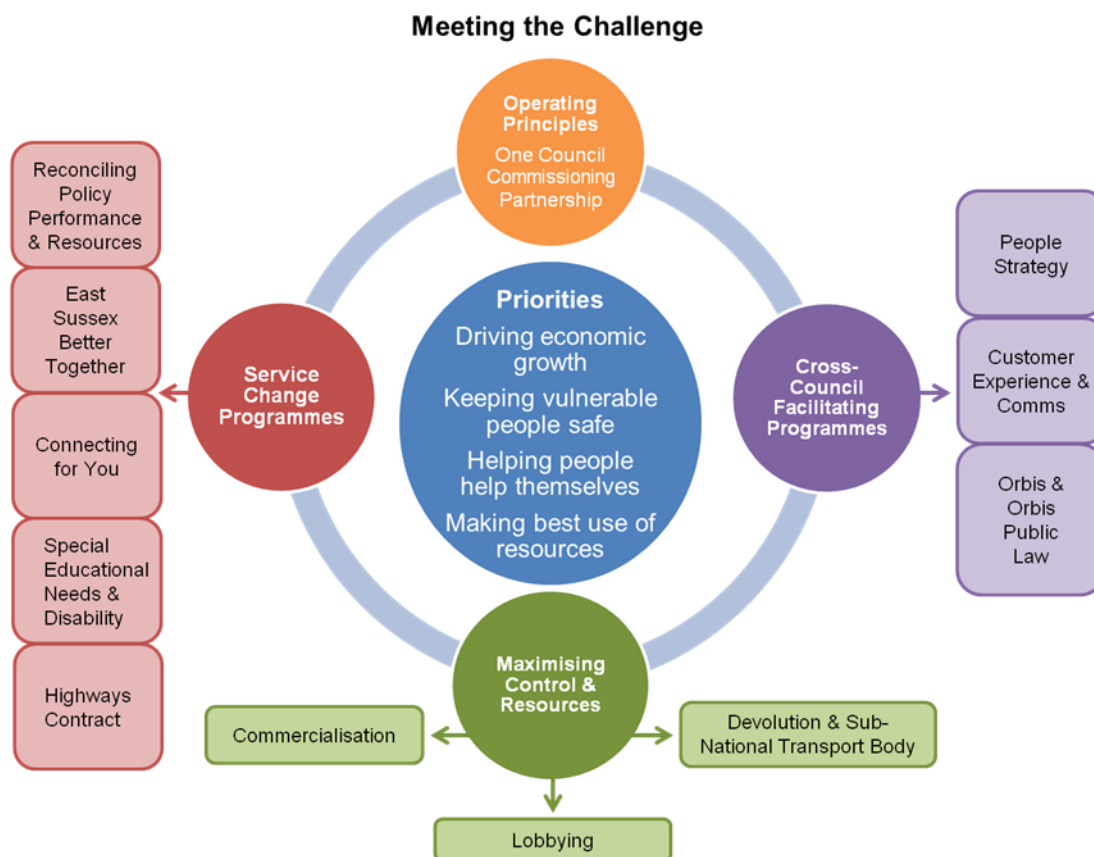
2.17 If there is no allocation of ASC grant for 2020/21, the Council would lose £18.6m and savings would need to be identified to offset this loss.

2.18 Each of the above grants has conditions applied to them, making long-term planning difficult. If Government does not address the long-term future of funding for ASC, the loss of these grants and inability to raise equivalent funding locally will create a cliff edge in the future. The County Council keenly awaits, therefore, the proposals to be made in the Green Paper on the future funding of ASC. This will need to set out a sustainable funding solution to meet the growing pressures on this critical service. The Council's resource allocation planning will also need to strike an appropriate balance between the needs and resources of ASC and other demand-led services for individuals and universal services, such as highways.

2.19 In addition, there are other potential issues and pressures which will need to be taken into account in the planning, including the impact of the Schools Fair Funding review and the implications for both schools' and the County Council's budgets, the costs associated with Looked After Children and children with SEND, and the ongoing need for capital investment in transport infrastructure and school places. Work will need to continue to ensure a sustainable budget for the future.

Meeting the Strategic Challenge

2.20 Each year, the Council identifies the key elements which will help meet the strategic challenge over the next planning period; these, along with progress against them, are set out below.



a) Cross-Council Facilitating Programmes

2.21 A summary of the progress on the cross-Council facilitating programmes which will help ESCC work most effectively in future years is set out below:

- i) **People Strategy** – the People Strategy is being implemented to ensure that staff are attracted, developed and retained to serve the residents and businesses of East Sussex. A key issue for the Council will be ensuring it maximises the amount it recoups from the Apprenticeship Levy which was introduced in 2017/18. The Levy costs the County Council £550,000 and schools £700,000 per annum. Government has set a national target for the public sector of 2.3% of the workforce being apprentices. A key component of the Council's strategy for recouping the Levy will be the conversion of existing workforce and training plans to apprenticeships, where possible, and identification of job roles which could be recruited to as apprenticeships. A careful balance will need to be struck, however, between achieving the target and the operational needs of the Council where there is no apprenticeship standard to match training needs or where the requirement for 20% of the training to be away from the workplace creates operational and cost difficulties. (see Appendix 10 paragraphs 10.4 - 10.7)
- ii) **Customer Experience and Communications** – improvements are continuing to be made to the way in which the Council deals with customers and to the recording of performance so that customers are served well and consistently, whether services are provided internally or externally. This includes improving the Council's digital offer as part of the Communications Strategy. (see Appendix 10 paragraphs 11.1 - 11.4)
- iii) **Orbis and Orbis Public Law** – the Council has been expanding and embedding its business services partnership – Orbis – with Surrey County Council (SCC) since 2015 (Brighton & Hove City Council joined the partnership in May 2017).

2.22 The Orbis Business Plan will see business service budgets across the three Councils integrated by April 2018 and services fully-integrated by April 2019. Orbis has made savings of £3.4m since its inception and has helped to minimise the savings needed from frontline services.

The savings from integration alone will, in the main, be exhausted by the end of the second year and more transformational change will need to be sought in future. (see Appendix 10 paragraphs 6.3 - 6.5)

2.23 Orbis Public Law is a joint legal services partnership with Brighton & Hove City Council, and Surrey and West Sussex County Councils. The partnership aims to share knowledge and expertise, provide resilience in specialist areas and achieve efficiencies.

Legal Services within East Sussex are already low cost and lean when compared to both public and private sector providers. The main advantage of the partnerships is, at a time of increasing demand, to ensure greater resilience and expertise is available in specialist areas, such as commercial law. (see Appendix 10 paragraphs 6.6 - 6.7)

b) Maximising Control and Independence

2.24 In order to be able to plan effectively for the future and to maximise the resources available to help local people, the Council is working to ensure as much local control and predictability about its resources as possible. This work is supported by the following workstreams:

i) Commercialisation

2.25 Over the last three years, Members have focused on optimising the income that could be generated from adopting a more business-like and commercialised approach. Work has focused across four core areas:

- Corporate initiatives – looking at how the available resources are managed and working with the Borough and District Councils has generated £5.5m of annual benefits to the Council.
- Traditional fees and charges – reviewing and benchmarking against other County Councils with similar population and geographical characteristics showed that the Council performs well in terms of generating income per head of population. The limited, new opportunities identified from the benchmarking have now been implemented, generating the Council an additional £750,000 per annum.
- Other commercialised activity – the Council has developed/refreshed a number of new trading initiatives.
- Culture – increasing emphasis on engaging staff and encouraging them to be entrepreneurial and business-like in the way they work.

2.26 The Council now needs to focus on increasing and expanding the commercial activity which drives cost effective use of limited resources. The objective for the coming year will be to establish a new strategy focused on commercialisation, with consideration being given to opportunities to realise financial returns from property, for example, through acquisition of commercial property or through taking development risk on disposal sites. (see Appendix 10 paragraphs 12.5 - 12.7)

ii) Partnership, Devolution and Sub-National Transport Body

2.27 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 Economic Partnership, Transport for the South East and Orbis all being good examples.

2.28 Work is taking place to develop a Sub-National Transport Body (STB) covering the Berkshire Unitary Authorities, Brighton & Hove, East Sussex, Hampshire, the Isle of Wight, Kent, Medway, Portsmouth, Southampton, Surrey and West Sussex – named Transport for the South East. The STB will require approval by Government and will oversee the delivery of strategic transport infrastructure in the area. The STB will provide better engagement with key partners including the Department for Transport, Transport for London, Highways England, Network Rail than individual Authorities could achieve on their own and will be a key component in achieving

the kind of investment that areas with similar arrangements, such as Transport for the North, have secured. A Shadow STB has been established and the Department for Transport has supported the establishment of a formal STB.

2.29 The Councils in East Sussex have been working with Local Authorities in Surrey and West Sussex (as the Three Southern Counties – 3SC) to negotiate a devolution bid with the previous Government as part of the initiative which saw mayors elected in a number of regions in May. The previous Government did not prioritise the 3SC bid, preferring to concentrate on metropolitan areas and those rural areas where the economy was weaker than the South East. The unique aspect promoted by the 3SC bid was that the area is a net contributor to the economy of the country, but that its infrastructure is under pressure and that, without significant investment, this key engine of the national economy could stall. Development of the broader 3SC programme is currently on “pause”, pending a decision from Government about the direction of travel of English devolution. The approach taken to date and the groundwork completed has provided the basis for the work on the STB and will help partners take advantage of future opportunities in areas such as skills. (for devolution see Appendix 10 paragraphs 6.14 - 6.17 and for STB see Appendix 10 paragraphs 9.5 - 9.10)

iii) **Lobbying**

2.30 The Council has carried out extensive lobbying on areas of concern both to the Council and on issues that affect local people. The Council works with decision makers and influencers locally, regionally and nationally to make the case for East Sussex. The issues the Council has sought to influence over the last year have included Government policy on local economic development and skills; housing; transport; infrastructure and fair funding for local services, particularly schools and social care. This work will need to continue with the new Government to ensure that sustainable services can be provided to local people and the local economy can grow and thrive outside the EU.

c) *Service Change Programmes*

2.31 In response to changes in legislation and to assist in delivering savings, the Council has a rolling service change programme, established in line with the corporate commissioning model. A number of programmes have been completed during the past few years and the impact they are having will be monitored and reported to Members, as key indicators and targets, in the Quarterly monitoring report. It is through these activities, supported by the cross-Council facilitating programmes, that services are reshaped so that they are sustainable in the future. The current key programmes are set out below:

Special Educational Needs and Disability

2.32 Significant changes have taken place within the field of SEND over the last two years which have created additional financial pressures. These include statutory changes in provision for SEND which increase the age to which the Council must support children and which have shifted costs from health to education. At the same time, mainstream and special schools' capacity and willingness to manage pupils' learning and behaviour effectively has lessened and some parents lack confidence in mainstream provision. The introduction of EHCPs has allowed health partners to prescribe additional support, often from the independent sector. These changes have increased the demand for statements of SEND/EHCPs, specialist school placements and post-16 provision, which have increased costs significantly.

2.33 The Council has recognised these pressures in setting its budget for 2017/18 and has also invested significantly in work to address the underlying causes. These are:

- Building capacity and inclusive ethos in mainstream schools;
- Improving parental confidence in local provision;
- Implementing the East Sussex post-16 pathways, ceasing EHCPs where they are not required and strengthening young people's targets for independence and academic progression to ensure they are ready for transition when they are old enough;
- Increasing the number of local special school places through the development of specialist facilities in mainstream or Free Schools; and

- Working with partners, such as East Sussex Better Together and Connecting 4 You, to take a joined-up approach to planning the use of resources available.

There is a significant risk that this work, which relies on influencing behaviour of parents, schools and others, will not be successful, particularly under the proposed National Funding Formula for schools, which will prevent additional money being moved between schools' and the Local Authority budget. As such, if the Council's costs increase as it is paying for placements because mainstream schools exclude children with SEND, there will no way of recouping the funding from the schools funding block. (see Appendix 10 paragraphs 2.1 - 2.4)

Adult Social Care – East Sussex Better Together and Connecting For You

2.34 Almost half of the Council's net revenue budget is spent on ASC. It is an area which is demand-led and where the increasingly ageing population means that significantly increased funding will be needed year-on-year to maintain the same level of services provision. The high proportion of spend in this area has meant that ASC has had to make a contribution to the Council's savings. Over the past 5 years, the Council has cut funding in non-priority services within ASC, reduced care packages delivered to those receiving a service by an average of 30% and cut funding to those areas of early intervention and prevention work least likely to increase demand for more expensive services in the long-term. Government has taken some measures to assist with short-term funding (see paragraph 2.14 above and Appendix 10) and, while this has helped mitigate some of the savings needed in the current financial year, it does not fully meet the growth in demand.

2.35 Locally, the Council has been working with health partners to make the best use of resources available, currently in two programmes, East Sussex Better Together (ESBT) and Connecting For You (C4Y).

ESBT

2.36 The ESBT partnership comprises:

- Eastbourne, Hailsham and Seaford CCG;
- Hastings and Rother CCG;
- ESCC;
- East Sussex Healthcare NHS Trust; and
- Sussex Partnership NHS Foundation Trust

2.37 The aim of the partnership is to integrate prevention, primary and community care, social care, mental health, acute and specialist care so that demand for acute services is reduced and more people can get the services they need in their local communities. This will help to ensure the best use is made of the £850m budget for health and social care in the ESBT area.

2.38 A joint strategic investment plan has been agreed by ESCC and the two CCGs to deliver financial sustainability for the whole health and social care system through to 2021. A formal Alliance has been formed for 2017 by the partners to make progress on integration and to start to implement the plan. The next steps to achieve this transformation will be to build a new model of accountable care, through the ESBT Alliance, which integrates the whole health and social care system. 2017/18 will be a transition year, to test out the most effective ways of working together to provide the best and most sustainable services for local people. (see Appendix 10 paragraphs 5.1 - 5.6)

C4Y

2.39 The C4Y programme 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 was 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.

2.40 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. It is the intention this year for the Council and the CCG to develop a joint Strategic Investment Plan for 2018/19. (see Appendix 10 paragraphs 5.7 - 5.10)

2.41 The above service change programmes are well-developed and have made good progress in addressing challenges and sustaining critical services in a difficult financial environment. By their nature they have inherent risks and, in respect of demand-led services, they tend to mitigate rather than remove pressures. In addition, it should be noted that the ambition of ESBT for a whole-system accountable care model is unprecedented in the UK and, therefore, the risks to achievement of that ambition are considerable. They remain, however, the right thing to do and, with active risk management, the Council can continue its track record of successful delivery.

Highways

2.42 In 2016, the Council entered into a new contract for highways maintenance services. The contract, with an estimated value of £300m over 7 years, provides maintenance to the same policies as the previous arrangements. Payment for these services depends on the contractors meeting performance metrics associated with Council policies.

2.43 Despite a reducing highways maintenance budget, capital investment decisions since 2012 have raised the condition of A, B and C roads and the future investment profile aims to maintain the network at these current condition levels. For the unclassified road network, initial investment has improved the condition and the future investment profile also aims to maintain the network at this condition.

Capital Programme and Reserves

2.44 Due to the ongoing financial pressures the Council is facing, the Capital Programme 2017/23, as agreed at Full Council on 7 February 2017, focuses on a strategy to deliver core need as efficiently as possible. This programme was added to the existing current programme.

2.45 The areas of essential core need included in the 2017-2023 programme are:

- Schools Places (early years, primary, secondary and special);
- Highways Structural Maintenance, Bridge Strengthening; Street Lighting;
- Highways, Rights of Way and Bridge Replacement Programme;
- Property Building Maintenance;
- ICT Strategy; and
- Adults' and Children's House Adaptations Programme.

2.46 In addition to the core need, there are a number of other fully funded schemes which are either funded through the South East Local Enterprise Partnership, 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.

2.47 As part of the National Productivity Investment Fund announced at the 2016 Autumn Statement, East Sussex was awarded a grant of £2.13m for transport schemes which help to tackle areas of low productivity in the Economy. This funding is additional to the agreed Capital Programme and must be used in 2017/18. Options for use of the funding to relieve congestion in the County have been considered and it is proposed that the grant is used to replace the single lane Exceat Bridge with a new two lane bridge. Essential repairs to the existing bridge are in the existing Capital Programme, but only on the basis of a single lane bridge, which is a bottleneck for traffic. The funding would allow a new two lane bridge to be constructed. Other schemes have also been considered, such as the extension of the bus corridor on the A259 and a package of measures in the A22/A26 corridors, but none are sufficiently advanced to enable construction within the timescale. (see appendix 10 paragraph 12.29).

2.48 The approved programme has now been updated to include the Quarter 4 position and other approved variations, the details of which are set out Appendix 10.

2.49 As part of the RPPR process, the Council's reserves policy has been updated and the Strategic Reserves realigned to better support the Council Plan and MTFP. Full details are provided at the end of Appendix 10.

Engagement and Communications

2.50 Engagement and communications will take place on both the Council's overall position and specific proposals as they emerge with the public, partners, staff and stakeholders. Members will be engaged through Council, Cabinet and Scrutiny in the development of priorities, service change, spending and savings options. There is a commitment to be as open as possible, as early as possible, with services users, stakeholders and the public about changes to the services that can be provided.

RPPR Next Steps

2.51 The County Council agreed savings targets for services for 2018/19 and the areas from which these savings will be sought at its meeting in February (slightly amended details of which are provided at Appendix 11). The latest MTFP has confirmed this requirement. The Cabinet has agreed that Chief Officers be asked to continue to refine proposals for 2018/19 in line with the plan agreed by Council in February, and bring initial high-level proposals for the following two years for consideration by Cabinet in October prior to review by Scrutiny and decision-making in January/February.

2.52 The message presented by this State of the County review is, in many ways, a familiar one. There are huge challenges with growing need, public and service user expectations, less money and reducing opportunities for efficiencies, and the Council will therefore need to continue to be relentless in its pursuit of value for money and alternative sources of funding, be bold in the extent of its partnership working across and beyond East Sussex, and be very focused in its prioritisation and funding of services. This means being very clear about the outcomes that will be delivered, while acknowledging there will inevitably need to be further reductions in the breadth and quality of some services. The Council has a strong track record in working in this climate and can be confident that, with continued focus and energy, it can continue to deliver well for the future.

2.53 The Cabinet recommends the County Council to –

- ✧ 1) agree to the priority outcome “driving economic growth” being replaced with “driving sustainable growth” as set out in paragraph 2.5 above.

3. Scrutiny Review of Educational Attainment at Key Stage 4

3.1 The Cabinet has considered a report of the Children's Services Scrutiny Committee on its review of educational attainment at Key Stage 4. The report is included elsewhere on the agenda (see agenda item 7).

3.2 Following a detailed discussion on the barriers that secondary schools face to sustain improvement in educational attainment, the Review Board decided to focus on issues relating to the recruitment and retention of teachers and its potential impact on attainment. The Committee's report focuses on the relationship between recruitment and retention and educational attainment with a view to providing practical recommendations to assist schools with the recruitment challenges they face.

3.3 The leadership for school improvement now sits with schools, and they are increasingly demonstrating their collective commitment to whole-system improvement. As schools work

together to build a sector-led improvement system, the local authority will continue to provide support in order to discharge its responsibilities to:

- Act as champion of children, young people and their parents, in particular the most vulnerable and disadvantaged.
- Promote high standards of education and have high expectations for the outcomes of all groups of pupils.
- Safeguard and promote the welfare of children.

3.4 The role and responsibility of the Regional School Commissioner (RSC) in raising education attainment is as follows:

- taking action where academies and free schools are underperforming or where governance is inadequate
- deciding on applications from LA maintained schools to convert to academy status
- improving underperforming maintained schools by providing them with support from a strong sponsor
- encouraging and deciding on applications from sponsors to operate in a region
- taking action to improve poorly performing sponsors
- advising on proposals for new free schools
- advising on whether to cancel, defer or enter into funding agreements with free school projects
- deciding on applications to make significant changes to academies and free schools

3.5 In welcoming the findings of the Scrutiny Committee, the Cabinet has considered a report by the Director of Children's Services on the specific recommendations and endorsed it as its response to the recommendations (as set out in Appendix 12). The Scrutiny Review has provided a useful insight into the attainment at Key Stage 4 and the issues related to the retention and recruitment of teaching staff in East Sussex. The report made six recommendations which cover the recruitment and retention of teaching staff with a greater emphasis on retaining staff. The recommendations provide the opportunity to address leadership and teacher shortages in our schools and the department's responses are set out in the action plan. This recognises the role of the Local Authority in delivering school improvement and supports the Department's Excellence for All strategy.

3.6 The Cabinet, in welcoming the report, recommends the County Council to –

- ☆ approve the response of the Director of Children's Services on the implementation of the recommendations in the Scrutiny Committee's report.

4. Scrutiny Review of Superfast Broadband

4.1 The Cabinet has considered a report of the Economy, Transport and Environment Scrutiny Committee on its review of Superfast Broadband in East Sussex. The report is included elsewhere on the agenda (see item 8).

4.2 The County Council established an infrastructure project to improve broadband coverage in the County in response to Government's Superfast Broadband Programme (formerly the Rural Broadband Programme). A Local Broadband Plan was agreed by the Cabinet on 6 March 2012, which sought to increase access to superfast broadband in the parts of the County where commercial telecoms infrastructure providers were not planning to deliver upgrades as part of their own investment plans. At that time only 3% of premises had access to superfast services and private sector investment was planned for more densely populated, predominantly urban areas where the business case for investors is less challenging (for example Hastings, Eastbourne, Hailsham, Uckfield, Bexhill; Battle, Castleham; Lewes, Crowborough, Hampden

Park, Polegate, Newhaven, Peacehaven, Seaford exchange areas) although it should be noted that the project has done infill, in particular to business parks, in pockets in such exchange areas that the private sector has left behind.

4.3 The Council used a national framework agreement and signed a contract with British Telecom (BT) Group in May 2013 to deliver a 3 year programme of infrastructure improvements. This was funded by £15m from the Council's capital programme, a £10.64m contribution from Broadband Delivery UK and a £4.4m contribution from BT.

4.4 The Economy, Transport and Environment Scrutiny Committee established a Scrutiny Review of Superfast Broadband at its meeting on 16 March 2016. This followed representations from County Councillors who expressed residents' concerns about the delivery of the Broadband Project. These concerns were:

- Broadband speeds have not improved for some residents and small businesses, despite being connected to fibre enabled services;
- Broadband speeds are slow at peaks times of demand;
- Coverage has not reached all residents and premises and some have been left with slow or no broadband;
- In a number of cases, the provision of information concerning the timing and availability of superfast broadband to particular premises was not available.

4.5 The Scrutiny Review of Superfast Broadband is welcomed by the Communities, Economy and Transport Department as it provides a timely opportunity to review the progress of the Broadband Project, and examines the issues that lie behind resident's concerns. The Department is confident that it has also enabled a wider understanding of the engineering and technical challenges involved in the successful delivery of the contract with BT (Contract 1), and the additional work being planned and delivered through subsequent contracts (Contract 2 and, subject to award, Contract 3) to further increase superfast broadband coverage.

4.6 In welcoming the findings of the Scrutiny Committee, the Cabinet has considered a report by the Director of Communities, Economy and Transport on the specific recommendations and endorsed it as its response to the recommendations (as set out in Appendix 13). The Scrutiny Review has provided a thorough examination of the concerns expressed by residents about the Superfast Broadband Project, and makes a number of practical recommendations to provide solutions.

4.7 The Cabinet, in welcoming the report, recommends the County Council to –

- ☆ approve the response of the Director of Communities, Economy and Transport on the implementation of the recommendations in the Scrutiny Committee's report

27 June 2017

KEITH GLAZIER
(Chair)