

**Local and National Policy and Resources Outlook****1. Introduction**

1.1 This appendix provides an overview of the key current and anticipated issues and developments at the local and national level that will form the context for the next round of Reconciling Policy, Performance and Resources (RPPR). The financial outlook for the Council and Local Government as a whole over the coming three years (2019/20-2021/22) remains exceptionally challenging. At the same time, Government capacity and Parliamentary time continue to be taken up by negotiations and preparation for leaving the European Union (EU). In consequence, Central Government commitment to bold policies that could improve this financial context in the immediate future is unlikely. The issues and developments covered in this appendix will inform our planning for the Council's new role and Core Offer to residents, business and partners in this context.

1.2 This Appendix covers the following focus areas:

- Schools
- Children's Services
- Adult Social Care and Health
- Partnerships
- Economy
- Transport and Infrastructure
- Environment
- Communities and Residents
- Workforce
- Funding and Income

**2. Schools**

2.1 The role that East Sussex County Council (ESCC) plays in schools and for pupils in East Sussex continues to change with the shifting education landscape. This section outlines recent developments and the anticipated key issues for schools and our education services in the coming year.

**Schools landscape**

2.2 In line with our Excellence for All Strategy 2017-2019, ESCC continues to work with all East Sussex schools to support them in improving standards. Increasingly, this work is delivered through brokering school to school support as we move away from directly providing school improvement services.

2.3 We are seeing a slow rise in schools converting to academies, particularly where they are joining a Diocesan Multi-Academy Trust. We continue to promote the opportunities of school federation and the academy programme and we anticipate we will see an increase in academy conversation in the coming year. The impact of the increase (on ESCC's responsibilities, staff numbers, traded services and the liability of school staff pensions) will continue to be monitored.

**Schools Funding**

2.4 Schools are facing a challenging financial landscape, in part caused by transition to the National Funding Formula (NFF), but also significantly by the real cost increases to be absorbed within current funding levels.

2.5 The funding system for schools is being replaced by a new NFF, which will determine the level of grant schools receive directly from the Department for Education (DfE). The formula is intended to rectify any disparities in the level of funding schools receive across the country. The current indication is that the NFF will be fully implemented by 2020/21. 2018/19 and 2019/20 are transitional years, where the total funding local authorities receive will be determined by the principles of the NFF, but local authorities will retain the function of distributing funding to schools using a locally determined formula. ESCC, in conjunction with school representatives comprising the Funding Formula Working Group, has used this period to transition towards the NFF with a number of steps taken for 2018/19 and further changes under discussion for 2019/20. The aim of this gradual approach to adoption is to maintain stability in funding for schools.

2.6 Additional transitional funding (for 2018/19 and 2019/20) was announced in September 2017. This was to ensure that no school would see a reduction in funding as a result of NFF introduction during this period. Funding levels beyond 2019/20 are uncertain. Overall, the introduction of the NFF shows a potential net financial gain for East Sussex schools. However, original illustrations of full implementation of the formula, modelled by the DfE in 2017/18, indicated that approximately 45% of schools would see a reduction as a result of the introduction. One of the overriding principles of the NFF is to allocate as much funding as possible via pupil led factors. The major impact of this for East Sussex schools is the lump sum element of the budget to be allocated under the NFF is significantly lower than it has historically been. Smaller schools, with fewer pupils, therefore see little or no increase to their funding from the introduction of the NFF.

2.7 More significant than the impact of the NFF, however, and currently impacting all schools, is the real cost increases schools are required to absorb. Pay awards, higher National Insurance and pension contributions, the implementation of the National Living Wage (NLW) and the Apprenticeship Levy have seen payroll costs increase and continue to add additional pressures in future years. (Further detail on Apprenticeship Levy and pay award costs can be found in Section 10). Additional inflationary pressure on bought in services and non-pay costs are also impacting on schools budgets. Larger schools which will on the whole realise a gain when the NFF is fully implemented will have some level of protection against these cost pressures. However, small schools face a significant risk to overcoming the cost pressures faced.

2.8 To ensure sustainability, ESCC actively encourages schools to plan ahead, to operate differently and to use partnerships and collaborative working to operate more efficiently. We continue to support schools in financial difficulties to find sustainable models. ESCC has also supported schools in challenging Government for a fairer funding regime. Schools are reporting that pressure on their budgets is impacting negatively on children and young people, in particular those who are most vulnerable.

### School places

2.9 In May this year, the Secretary of State for Education announced £680m, funding to create 40,000 extra school places in England. A further £50m is to be provided to improve facilities and create more good school places for children with Special Educational Needs. Our review of the interim guidance available suggests East Sussex will not benefit from this additional fund and will continue to rely on Council resources to meet basic need.

### Special Educational Needs and Disability (SEND) pressures

2.10 East Sussex has historically had high numbers of children on statements which have now been transferred to Education, Health and Care Plans. Whilst the rise in number of new plans is below that of our neighbouring authorities, the overall numbers of children who are subject to a plan remain high. This has an impact on finding suitable provision and on cost. Both locally and nationally, if this rise continues the High Needs Block of the Dedicated Schools Grant will come under sustained pressure. Children's Services has introduced new systems and processes and is working closely with our schools to manage this demand and try and ensure that children can attend their local school. The successful free school bids we made in 2017 will over time assist in managing this pressure.

2.11 National legislation relating to post-16 provision for young people with SEND has been unfunded; locally and nationally there has been a significant increase in the number of young people supported; and the associated costs have risen disproportionately.

### Hastings Opportunity Area

2.12 The Hastings Opportunity Area is an ambitious two year programme to improve educational outcomes and social mobility for children and young people in Hastings. The programme is funded by the DfE, but delivered locally in partnership with ESCC. A delivery plan was published in January 2018 and sets out how the programme will invest £6m direct funding to deliver the Plan's four priorities to:

- improve literacy;
- raise attainment in maths;
- improve mental health and resilience; and
- broaden horizons and prepare young people for work.

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

### Safeguarding pressures

3.1 East Sussex is experiencing the same increase in demand in Safeguarding and Looked After Children numbers as other authorities around the country. The rises are contributing to the £2bn shortfall in national funding for Children's Services by 2020 that the Local Government Association (LGA) has identified. Due to changes to national benefits and the rise in children living in poverty we are experiencing a rise in neglect cases and in new families approaching the service. As we prioritise our remaining resources on services for safeguarding and supporting children most in need, we will review our early help offer and the targeted support we provide, which is likely to further increase these pressures in the future.

3.2 ESCC is also experiencing an increase in drug related activity as London gangs target shire authorities in a development which is termed 'County lines'. This development sits within a range of other behaviours that are leading to an increase in the number of children who are being exploited.

### Children's Mental Health

3.3 There is increasing focus in the national press and in the Government's 'Transforming children and young people's mental health provision' Green Paper on the growing concerns around children and young people's emotional wellbeing and mental health and their ability to access services. Locally increasing numbers of children require support. The Children and Adolescent Mental Health Services (CAMHS) Transformation Grant continues to be focused on generating innovative solutions. Work

is underway with the Clinical Commissioning Groups to review the CAMHS contract and ensure these innovations are mainstreamed.

#### **4. Adult Social Care and Health**

4.1 The need for a long-term sustainable solution for funding the delivery of social care to our increasingly aging population remains a major area of concern for ESCC and continues to receive national Government and media attention. This section sets out the latest national position on reforming social care provision, pressures acting on our budget and our local plans to deliver the best services possible within available resources.

##### National funding for social care

4.2 The Government announced in the Spring Budget 2017 that it intended to produce a Green Paper to reach a long-term, sustainable solution for providing the care that older people need. An inquiry is currently underway seeking views from expert witnesses and written submissions from interested parties. In June, the Secretary of State for Health and Social Care announced that the Paper would be published in the autumn so that it could be aligned with the new NHS spending plan. The Government has also started parallel work to develop a sustainable funding solution for working age adults' social care.

4.3 It is unlikely that the Older People's Green Paper will resolve the immediate funding problems presented to local authorities that provide social care. The Secretary of State for Health and Social Care has confirmed that the long term funding profile for social care will not be settled until the next Comprehensive Spending Review, due in 2020/21. In the meantime, the Revenue Support Grant (RSG) to local authorities will continue to taper off and the replacement fair funding system (the details of which are still to be confirmed) won't be in place until 2020/21, which leaves us with difficult decisions to make about the services we provide with our remaining resources. (Further detail on local government funding changes and announcements is provided at paragraphs 11.4-11.9.)

##### National pressures

4.4 National trends influence the way we allocate our resources. Government has recently prioritised the reduction in delayed transfers of care in hospitals, with areas being given nationally mandated targets to achieve and funding for this being provided through the Better Care Fund and Improved Better Care Fund. The targets are expected to continue to get more stringent, although the funding to achieve this is projected to decrease over time. This means that we have to prioritise our resources and activity to support hospital discharges, whereas we know that supporting people in the community so that they do not end up in hospital is the better option for people's health and wellbeing, and as a use of limited resources. Additional funding for the NHS, such as that announced in the five year funding plan in mid-June, without taking a strategic whole system approach to delivery of health and social care is inefficient. We will continue to emphasise to Government the need to recognise the link between community and acute care and to fund both parts of the system appropriately to make the best use of public resources.

4.5 There are also concerns about the sustainability of the care home and home care markets. In East Sussex, we have put a lot of support into care homes which were failing to ensure that they improve the safety and quality of their provision. In the past, some national providers have gone into administration and this may occur again in the

future. The need to pay staff the National Minimum Wage rate for sleep-in shifts and the direction from HM Revenue and Customs to backdate this by six years is likely to have a significant financial impact on providers and councils.

#### Adult Social Care and Health's (ASC&H) Future Role and Responsibilities

4.6 With national trends and decisions generating pressures; demand on our services rising as our local community ages; and funding stagnating, the Council must rethink how it can continue to meet our statutory duties, powers and responsibilities within available resources. It has a number of statutory duties and powers relating to care, which are laid out in full in the Care Act 2014. Briefly they are to meet people's social care needs, applying National Eligibility Criteria. We also have a number of responsibilities for the promotion of wellbeing and independence. In previous years, the Council has allocated some of its budget to fund preventative services, usually from the voluntary and charitable sector. This has always been acknowledged to be an important aspect of the service we provide to help people maintain their independence for as long as possible.

4.7 To date, savings in ASC&H have been delivered by making reductions in the non-statutory services that we provide, alongside reducing the number of staff employed in management and administrative posts. The review of the future role of our services will focus on how we can continue to improve the way we work, becoming more efficient where possible, and ensuring our staff are supported and trained to have meaningful conversations with people to ensure that their strengths and personal and community assets are included in their support planning. This has proved to be an approach which can promote independence and wellbeing in a cost-effective manner in other areas, and will also empower staff to use greater creativity in the assessment and support planning process.

4.8 There are other areas that we will need to look at in order to focus our resources on delivering our statutory duties. We may not be able to continue delivering the same services in the same way that we do now. We are looking at best practice examples in other local authorities to understand how we can make changes to reduce spend but minimise the impact on residents. One of the aspects we will be looking at is talking to East Sussex communities to agree what they can expect from us, and what we will need from them to help us achieve our priorities.

4.9 Realistically, we are not going to be able to continue to invest in the preventative services that we would wish to. Our community will therefore need to take more responsibility for looking after themselves and each other to keep everyone safe and independent for as long as possible. The longer we can keep people out of institutional care, the more money we will have available to support greater numbers of people to keep their independence for longer.

#### Health and Social Care Integration

4.10 Since 2014 we have worked closely with our local NHS partners with the vision of developing integrated, seamless services across health and social care in East Sussex, and moving towards a culture of all organisations taking joint responsibility for ensuring our community receives the best service possible within the available resources to improve health and wellbeing outcomes for everyone.

4.11 ESCC is a member of the East Sussex Better Together (ESBT) Alliance, formed from the East Sussex Better Together Programme launched in 2014. The other Alliance

members are the Hastings and Rother Clinical Commissioning Group (CCG), Eastbourne, Hailsham and Seaford CCG, East Sussex Healthcare Trust (ESHT) and Sussex Partnership NHS Foundation Trust. The Alliance's ambition is to build a new model of Accountable Care that integrates the whole health and social care system to make the best use of the £850m spent every year to meet the health and care needs of the people of East Sussex and this will continue to be the focus of work in the coming year.

4.12 In the western side of the county, covering the Wealden, Lewes and Newhaven areas, ESCC is a member of the Connecting 4 You Programme, alongside High Weald Lewes Havens CCG, Sussex Partnership NHS Foundation Trust and Sussex Community Foundation Trust. This Programme was launched in 2016 and will continue to seek greater integration of health and care services to better serve the community throughout the coming year.

#### Sustainable Transformation Partnership

4.13 The Sussex and East Surrey Sustainable Transformation Partnership (STP) is led by the NHS and brings together health organisations in East and West Sussex, Brighton & Hove, Mid Sussex and East Surrey and represents around 1.9 million residents. East Sussex is geographically represented in two of the four place-based areas within this STP footprint, ESBT to the east of the county, and the Central Sussex Alliance to the west of the county. The STP's purpose is to develop local blueprints for improved health, care and finances which may involve commissioning some services across the whole geographical area where this provides financial and clinical benefits. There is a national expectation that STPs will work in partnership with local authorities.

#### Care Quality Commission Area Review

4.14 East Sussex participated in the first round of Care Quality Commission (CQC) local system reviews that took place during 2017/18. The focus of the review was the interface between health and social care and the outcomes for older people moving through the system. There was an assessment of the governance in place for the management of resources and of commissioning across the interface; specialist commissioning and mental health services were out of scope.

4.15 The final report was received on 24 January 2018. The report acknowledged the strength of the shared vision and purpose across health and social care organisations, the maturity of organisational relationships, and the local focus on prevention and support for people to maintain their wellbeing. Areas for further work included implementation of the High Impact Change Model, enhanced market capacity and improved discharge processes. An action plan has been developed with our partners to address these areas for further work throughout 2018, and progress against the plan is monitored by the Health and Wellbeing Board.

## **5. Partnerships**

### Orbis

5.1 East Sussex and Surrey County Councils have been working in partnership on business services since 2015 through Orbis; Brighton & Hove City Council (B&HCC) joined the partnership in May 2017. Business Services budgets were integrated in April 2018 and optimum integration of services will be achieved by April 2019.

5.2 The Orbis Business Plan 2021 sets out the savings to be achieved for 2018/19 and the areas of search for further efficiencies and savings in response to the financial

challenges faced by the three partner councils. Orbis successfully delivered its targets in the first two years of the business plan and is on track to achieve targets for the third year (2018/19). All services within Orbis have integrated leadership teams and service integration is well developed for most services.

5.3 At this stage, focus is on strengthening and improving the quality and resilience of Orbis services for existing partners/customers rather than actively seeking to attract new partners. Opportunities for collaboration with other large local government partnerships are, however, being explored. An Orbis Partnership website has been launched and its development in 2018/19 will focus on a local government collaboration area for business services.

5.4 For 2018/2019 we will have both an internal focus on how we run the partnership and a customer focus on meeting the needs and priorities of the three partner councils. This means we will look at continued integration of individual services and cross-cutting functions, and the enabling IT and systems to support the partnership to realise financial and non-financial benefits. Orbis will continue to support and be responsive to the strategic priorities and change agendas of each individual partner council in order to ensure that the level and pace of change can be resourced and delivered. One example of this is supporting work throughout 2018/19 to consider what being a digital organisation means and what opportunities there are to exploit emerging ways of working and new technologies.

#### Orbis Public Law

5.5 Orbis Public Law (OPL) is the legal services partnership between B&HCC and the County Councils of East Sussex, Surrey (SCC) and West Sussex (WSSC). In 2018/19 a number of key areas of work will be pursued to deliver a single integrated service for 2019/20:

- an integrated staffing structure, organised by specialisms;
- a joint operational budget, and
- a single IT case management platform.

5.6 In early 2018, OPL appointed Philip Baker, ESCC Assistant Chief Executive, as Interim Head of OPL and created the Interim Leadership Team composed of:

- Liz Culbert (B&HCC), Interim Head of Commercial and Governance;
- Richard Grout (ESCC), Interim Head of Litigation;
- Sarah Baker (SCC), Interim Head of Children's Social Care;
- Diane Henshaw (WSSC), Interim Head of Adult Social Care, Health and Education; and
- Andrea Kilby (SCC), Business Development Manager.

5.7 A number of work streams and projects are being pursued to bring the proposals into being. These will help the partnership to deliver its objectives of enhancing the value of service to member authorities, improving resilience, reducing the net cost of legal services, increase opportunities for staff and creating the capacity and means to grow.

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

5.8 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 (ESSP) 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, just under £13m in benefits have been delivered across the partnership (£1.8m net benefit identified for ESCC).

5.9 The partnership has been successful in One Public Estate phases 5 and 6 bids for funding to support feasibility work and the development of business cases for projects to co-locate emergency services, deliver specialist advice for some local assets and provide some support for development of assets, to support integrated health and social care. Collaborative workspace has been launched and there are a number of hubs that enable staff from the SPACES partner organisations to work in hot desk locations across the county.

### Devolution

5.10 In 2015 the Government launched a call for devolution proposals from local authorities and subsequently agreed a number of formal Devolution Deals with areas around the country. The majority of the agreed deals resulted in the establishment of new combined authorities, with directly elected metro mayors appointed as chairs of the combined authorities and granted new powers and responsibilities to make strategic decisions for the area. Six metro mayors were elected in May 2017.

5.11 In 2015, ESCC joined with councils, public sector organisations and Local Enterprise Partnerships (LEPs) across East Sussex, Surrey and West Sussex to establish the Three Southern Counties (3SC) partnership to negotiate a devolution deal with Government. The 3SC proposal did not make provision for an elected mayor. Following the EU referendum result and change in Government in 2016, Government focus has been to support the implementation of agreed devolution deals rather than establish new ones. The 3SC work programme was therefore halted in early 2017 pending clearer direction from Government on opportunities for devolution.

5.12 It is anticipated that the Government will publish a new Devolution Framework in July, which is expected to present opportunities for devolution outside of the mayoral framework.

5.13 Outside of formally agreed deals, the LGA has made the case for a new constitutional settlement post-Brexit to ensure that powers are devolved beyond Whitehall and the devolved Parliaments to local communities. Currently, local government has a formal advisory role in the EU law and policy-making process through its membership to the EU Committee of Regions and the LGA has made the case that local government must play a key role in the decisions and policy making that transferred back to the UK post-Brexit.

5.14 ESCC will monitor developments to ensure we are taking advantage of opportunities to pursue powers for local decision making where it will enhance our ability to improve the delivery of services and our priority outcomes. We will continue to lobby for discretionary powers to manage services and raise revenue in ways we know will improve service delivery locally and make the best use of resources.

## **6. Economy**

6.1 The economy of East Sussex continues to grow. Since 2011, the level of Gross Value Added (GVA) contributions to the UK economy has increased by 20%. Whilst this is really encouraging, the County Council and its partners continue to secure funding to deliver projects that will grow the economy further. This section outlines the progress

that has been made and a number of new opportunities emerging that will help us to continue the growth.

### East Sussex Economic Development

6.2 Following a South East Local Enterprise Partnership (SELEP) call for projects for the Growing Places Fund (GPF) in the summer of 2017, two schemes were successful in securing funding. The Eastbourne Fisherman's Quay project will receive £1.15m of loans and will secure the long term future of the fishing fleet at Sovereign Harbour; and The Charleston Trust received £120,000 towards the completion of their Centenary Project, which complements the £400,000 grant from the Coast 2 Capital (C2C) LEP.

6.3 SELEP will be launching another call for projects in the summer of 2018, with the intention to allocate £8.3m of Local Growth Funding (LGF) still available for investment by March 2021. Team East Sussex (TES), as the local growth board, will be managing this call locally and will seek to identify a range of deliverable projects from across the county that can be submitted to the pipeline and be spent by 2021.

6.4 The East Sussex LGF programme for 2018/19 has been confirmed and is profiled for £16.7m across seven projects:

- North Bexhill Access Road;
- Queensway Gateway Road;
- East Sussex Strategic Growth Package;
- Hastings and Bexhill Movement and Access Package;
- Hailsham, Polegate, Eastbourne Movement and Access Corridor;
- Eastbourne and South Wealden Walking and Cycling Package; and
- Eastbourne – Terminus Road Improvements Scheme.

6.5 A tenancy agreement between Sea Change Sussex and the Department for Work & Pensions (DWP) for the GPF funded Havelock House in Hastings has now been confirmed. The agreement is for a 15 year occupation of the entire building. This sees the near-full occupation of the GPF office developments with Sovereign House at 80% full, whilst Glover's House was fully let on opening in 2015.

6.6 Other successful funding bids and initiatives include:

- funding equating to £113,000 through SELEP over the next two years (starting in April 2018) for the Growth Hub "Business East Sussex" to provide a one stop shop for business support services across the county supporting high growth potential companies;
- over £1m 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 and revenue funding up to £25,000 to grow their business;
- EU funding has been secured to effectively double the level of funding provided to enhance and extend the offer of Locate East Sussex, the inward investment service for the county; and
- East Sussex Invest (ESI) 5 replaced ESI 4 in April 2017, which awarded £1.88m worth of grant and loan funding to 67 businesses and is projected to create 202 jobs over the next 6 to 12 months. Since May 2017, over £700,000 has been awarded to 15 businesses to create 104 jobs. 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.

### UK Shared Prosperity Fund

6.7 Government has committed to create a UK Shared Prosperity Fund, a domestic programme of investment after leaving the EU. It will replace and combine current Local Growth and EU Funds and is likely to be the principle source of funding to deliver local growth schemes. A consultation on the fund is due to take place in the autumn, to which the County Council will respond.

### Skills

6.8 ESCC continues to facilitate Skills East Sussex (SES), which oversees a range of business-led careers education, information, advice and guidance campaigns and curriculum development activity in the county via six task groups. Each group focuses on the skills needs of our priority sectors; engineering, construction, land based, creative and digital, visitor economy and health and social care (the latter is delivered in partnership with ESBT).

6.9 Our Enterprise Adviser Network supports 40 secondary schools and colleges in East Sussex, identifying initiatives and opportunities for employer engagement in school careers activities.

6.10 Government has published its national Careers Strategy for schools and colleges, and is promoting the introduction of technical education to support the Industrial Strategy (more information on the Industrial Strategy can be found at paragraphs 6.15 - 6.17). Both of these policy changes are being carefully monitored by SES and embedded in the work of our task groups.

6.11 In the first two quarters of this academic year, August-January 2017/18, there was a 26% decrease in new apprenticeship starts compared to the same period in 2016/17. This compares to a decrease of 24% nationally. Apprenticeships East Sussex, a sub-board of SES, is actively lobbying on issues impacting on the take up of apprenticeships, in particular amongst Small and Medium Enterprises, since the introduction of the Apprenticeship Reforms in May 2017.

6.12 Government is due to undertake a review of post-18 education and funding to ensure an effective, 'joined-up' system. The review will focus on: choice and competition across a joined-up post-18 education and training sector; creating a system that is accessible to all, including disadvantaged learners; delivering the skills our country needs; and value for money for graduates and taxpayers. The County Council will input in to the review where appropriate and through the SELEP.

### Broadband coverage

6.13 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 which 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.

6.14 Faster broadband to businesses and communities remains a priority and ESCC intends to increase coverage to as close to 100% as possible. With this in mind a third contract (worth £4.3m) was signed in March 2018. It will deliver a further 7,220 superfast premises, with build starting in January 2019 and project completion provisionally scheduled for the end of March 2020, resulting in the county moving to a position where 99% superfast coverage is expected by spring 2020.

#### Industrial Strategy White Paper and Local Industrial Strategies

6.15 The Government published its 'Industrial Strategy: Building a Britain Fit for the Future' White Paper at the end of November 2017. The Strategy will act as the country's plan for growth, setting out how the Government intends to help businesses boost productivity and create better, higher-paying jobs with investment in the skills, industries and infrastructure of the future.

6.16 The Strategy focuses on five key foundations: Ideas, People, Infrastructure, Business Environment, and Places. It also highlights four 'Grand Challenges', global trends that will shape our rapidly changing future and which the UK must embrace to ensure we make the most of all the opportunities they bring. These Grand Challenges are: Artificial Intelligence and Data Economy; Clean Growth; the Future of Mobility (for people, goods and services); and an Ageing Society (and the innovation required to meet its needs).

6.17 The Industrial Strategy provides the framework within which local authorities and LEPs will develop their Strategic Economic Plans (SEP) and Local Industrial Strategies. The SELEP has been working to revise its SEP in recent months and will ensure it is fully aligned to the Industrial Strategy; the final draft of the SELEP SEP is expected to be published by September 2018. It is currently unclear when it is anticipated that Local Industrial Strategies will be prepared. There are currently three national pilot strategies, and it is likely that further guidance will follow from Government later in the year.

#### LEP Reviews

6.18 Towards the end of 2017, the SELEP Secretariat proposed a series of changes to its Assurance Framework to ensure full compliance with the Government's expectations on governance and transparency following the Mary Ney review. Published in October 2017, the Mary Ney review made a series of recommendations designed to strengthen LEP governance arrangements. The Ministry for Housing, Communities and Local Government (MHCLG) later advised that it had accepted all of Mary Ney's recommendations, which will now form part of the next revised National Assurance Framework for LEPs. The changes to the SELEP's Assurance Framework, which included new policies on conflicts of interest, whistleblowing and complaints, were approved in February 2018 and have already been incorporated into the local Terms of Reference for TES.

6.19 SELEP's Annual Conversation with MHCLG took place in December 2017 which led to a 'Deep Dive' audit taking place in March 2018 and culminated in a letter from the MHCLG which confirmed that it was largely in line with the National Assurance Framework for LEPs. Some recommendations were made to further strengthen the SELEP's governance structures, which have now largely been implemented. They related particularly to recruitment to respective boards, and wider governance issues.

6.20 Government has also instigated a national review of LEPs. At this stage it is unclear what the review will conclude, but it could result in some changes to current

LEP boundaries, as Government indicated that it wants to reduce the number of LEPs and review where overlaps exist. The review remains a very fluid process and may well result in no changes whatsoever. Government will also consider the recommendations made in the Sir John Armitage Commission on growth in the Thames Estuary. There would be significant potential impact for East Sussex if the boundaries of our two LEPs were changed. The review is expected to be published during July-August 2018.

## **7. Infrastructure and Transport**

7.1 The need to improve and provide new infrastructure is a key part of the East Sussex Growth Strategy, particularly in relation to transport. The following section sets out strategic infrastructure plans and delivery within the county and wider South East region.

### A27 East of Lewes - Smaller scale intervention

7.2 Highways England's (HE) preferred route announcement (PRA) package on the smaller scale interventions on the A27 East of Lewes was published in September 2017. The PRA will be funded from £75m allocated in the Government's Roads Investment Strategy (RIS) 2015–2020. In summary, the package comprises:

- improvement to the A27/A2270 signalised junction and two lanes in both directions to Cophall Roundabout as well as signalisation of the Gainsborough Lane junction;
- ghost island junction improvement and crossing facilities at Wilmington to improve safety;
- enlarged roundabout with two lane entry on both the east and westbound A27 arms at Drusillas to improve capacity; and
- shared use path between Beddingham and Polegate.

7.3 HE will be carrying out further surveys and investigations in order to design the scheme in more detail over the coming months and plan to hold further public information exhibitions in 2018. HE expect construction to commence by March 2020 at the latest, with completion of the works by March 2022.

### A27 East of Lewes Study

7.4 £3m of the £75m funding identified in the RIS 2015–2020 for the A27 East of Lewes was allocated by the Secretary of State for Transport in May last year to help develop a strategic outline business case for an offline dual carriageway option, which is required to support the housing and employment growth of the area in the medium and long term. Highways England, with the County Council's involvement in the specification development and tender assessment, commissioned consultants WSP to undertake this work in October 2017.

7.5 The study scope includes the section between Southerham Roundabout and Beddingham Roundabout (online widening), Beddingham Roundabout to Cophall Roundabout (new offline route), and Cophall Roundabout (at-grade or grade-separation for east-west movements). The Do Minimum (i.e. "without scheme") assumes that the A27 East of Lewes online improvements (the RIS1 scheme improvements detailed in paragraphs 7.2 and 7.3 above) will be in place.

7.6 The first stakeholder workshop was held on 12 January 2018 and had representation from local and regional bodies in the public and private sector (including local authorities, trade associations, user-groups and community groups). The focus of the first Reference Group was to seek stakeholder input on:

- current (and future) issues and constraints affecting the A27 between Lewes and Cophall Roundabout, and how these impact on the local and wider region;
- consider transportation, environmental, land use and socioeconomic impacts;
- opportunities for addressing the issues and constraints; and
- what the potential impacts and benefits of any off-line options might be.

7.7 A further stakeholder workshop was held in early May 2018 to outline the emerging findings from the study. The final study will be complete by the end of June 2018 and its outcomes will be considered by the Department for Transport (DfT) as part of the development of HE's Roads Investment Strategy 2 (RIS2) covering the period from 2020 to 2025.

### High Speed 1 (HS1)

7.8 We have been working with Network Rail and other partners to make the case for the extension of high speed rail services to run via Ashford International into East Sussex, not only for the travel benefits (for example, a circa 40 minute reduction in journey times between Bexhill and London) but for the economic benefits that would accrue. The high speed rail service could provide economic benefits in the range of £711.2m of GVA (£459.9m for East Sussex and £285.6m nationally in total over a 30 year time horizon) and 1,290 jobs per annum once all benefits are realised.

7.9 Network Rail has commenced design work on the Ashford West junction which would enable the trains to run between the existing high speed rail link, via Ashford International Station, and the Marshlink. The design work, which will be completed by October 2018, will be to Network Rail's Guide to Rail Investment Process (GRIP) Stage 3 and will also identify the anticipated costs for these enhancements (currently estimated at £15 – 25m). It is expected that Network Rail will be looking for third party contributions towards the overall cost of the scheme including potentially from the LEP. Therefore in 2018, a funding strategy will be developed to ensure that the necessary monies are secured to bring the scheme to fruition. Network Rail is seeking to tie the delivery of these enhancements, subject to securing funding, into the proposed track renewals at Ashford International currently programmed for Christmas 2019.

7.10 The South Eastern potential franchisees submitted their bids to Government on 14 March 2018. Whilst high speed rail services into East Sussex were not within the core of the franchise specification, it was an option that the three potential franchisees (Abellio, Stagecoach and Govia) could consider and include in their submission which would increase their score. As the shortlisted bidders developed their submissions, the three authorities (ESCC, Hastings Borough Council and Rother District Council) met with each one and communicated our aspirations for this part of the rail network, particularly around high speed rail. The preferred franchisee is expected to be announced in November 2018 with the new franchise coming into effect in April 2019.

### Port Access Road

7.11 The County Council has been continuing the development work for the construction of Phase 2 of the Newhaven Port Access Road (NPAR) across the Newhaven–Seaford railway and Mill Creek to the harbour mouth.

7.12 Within the County Council's capital programme there is £13m allocated towards the scheme and this will be augmented with £10m in C2C LEP Local Growth Deal funding. DfT has identified the NPAR as one of its 'portfolio' schemes and therefore will retain the overall decision making responsibilities for approving the release of the

Growth Deal funding. The final funding approval will be a ministerial decision. Following submission of the business case in June 2018, a decision is expected to take 8 to 10 weeks. Subject to approval of the business case, main construction will start in late summer 2018. Construction will take 19 months with completion anticipated for early 2020.

7.13 Newhaven Port and Properties (NPP) proposals for the extension to port facilities at Newhaven are at an advanced stage of delivery planning. This will include the provision of extended deep water berthing to accommodate larger vessels and the expansion of laying out areas. This will enable NPP to accommodate the increased interest from companies that wish to have a base in the port; at present there is very limited available quayside space to support this.

7.14 These plans will increase port capacity and therefore generate substantial additional Heavy Goods Vehicle (HGV) and related traffic. Presently this traffic can only access the port via Railway Road / Beach Road, which are already inadequate for the level of HGV traffic accessing and leaving the Port. The completion of NPAR is therefore critical to enabling port expansion. The future of the ferry service to Dieppe has been secured with DFDS for a further 5 year period from January 2018. This provides greater stability with the continuing commitment to the current level of crossings with potential for improvements in service.

#### Transport for the South East (TfSE)

7.15 Transport for the South East (TfSE) is an emerging sub-national transport body for the South East. It will speak with a single voice on the area's transport needs, priorities and investment plans and will directly influence the decisions of national and regional infrastructure providers and operators (for example Network Rail, Highways England, ports and airports). To do this TfSE will develop a Transport Strategy for the South East which will identify and prioritise a programme of strategic transport interventions.

7.16 Early this year an Economic Connectivity Review of the South East was produced by consultants Steer Davies Gleave. The work reviewed the economic characteristics of the area, identifying economic clusters/corridors and estimating the indicative value of connectivity improvements by area/growth corridor.

7.17 The outcomes of the review were presented at the Connecting the South East event in Farnborough on 8 May. At the event it was announced that DfT had allocated £1m to TfSE, which will be used undertake further work to develop the Transport Strategy. The funding will also be used to develop a proposal for statutory status to be submitted to Government and to further raise awareness of TfSE and its purpose with stakeholders in the region. A Westminster Debate on TfSE was secured by Huw Merriman (MP for Bexhill and Battle) in April and helped this work by raising the profile of TfSE at Westminster.

#### Major Road Network Consultation

7.18 The Government's Transport Investment Strategy laid out plans to consult on the creation of a Major Road Network (MRN) to sit between the Strategic Road Network (SRN), which is the responsibility of HE, and the local road network, which is the responsibility of local authorities, and include the busiest and most economically important local authority A roads. The creation of the MRN intends to provide more

long-term certainty of funding, with a portion of the National Roads Fund being dedicated to the MRN.

7.19 In December 2017, the DfT published a consultation document on the creation of the MRN. The County Council's response to the consultation set out a number of areas where the proposals could be improved, including recommending changes to be made to the criteria used to define the roads eligible for inclusion in the MRN, providing a wider classification which includes economic needs and the provision of resilience for the SRN, for example through alternative routes/ additional capacity. A number of additional roads were also suggested for inclusion. The Government is expected to publish its response to the consultation and final MRN in autumn 2018. It is expected that funding from the newly established National Roads Fund, derived from Vehicle Excise Duty revenues, will be available for improvements to the MRN from the early 2020s.

#### Housing Infrastructure Fund

7.20 In July 2017 the Government opened competitive bids to the Housing Infrastructure Fund (HIF). The £2.3bn pot was split in two streams:

- Marginal Viability Fund, which was open to lower-tier authorities to overcome viability issues at single site interventions; and
- Forward Funding pot, available to upper-tier authorities to address the requirement for larger scale strategic interventions.

7.21 Officers from the District, Borough and County Councils worked in partnership to identify a list of schemes that would be suitable for each of these available pots. £16.7m has been confirmed for East Sussex, to be invested in the following four schemes:

- Bedfordwell Road, Eastbourne – £1.23m (planning permission granted)
- Combe Valley Sports Village, Hastings – £2.225m
- North Street Quarter, Lewes - £10m (planning permission granted)
- Blackfriars, Battle - £3.24m (planning permission granted)

7.22 The County Council and Wealden District Council (WDC) submitted an Expression of Interest for a £32m bid from the Forward Funding pot focusing on interventions that would address issues surrounding the Ashdown Forest, increase education provision in South Wealden, and improve transport links along the Hailsham to Eastbourne corridor. In March 2018, it was announced that the Expression of Interest had been successful and that a full business case would now need to be developed. ESCC will be working with WDC over the next 12 months to develop and submit the business case to the MHCLG

#### Revised National Planning Policy Framework

7.23 In March 2018 the Government published a revised draft of the National Planning Policy Framework (NPPF) for consultation. A number of the proposed changes are driven by the Government's Housing White Paper, which aims to tackle the failures of the housing market and increase the number of new houses built in the country. The revised draft of the NPPF sets a number of proposals to ensure that up-to-date Local Plans are in place that set deliverable strategies for where, when and how the housing needs for that area will be met. This includes how the necessary infrastructure and supply of building materials will be delivered and met.

7.24 The Government has proposed Statements of Common Ground as a way of providing clarity and agreement between planning authorities and infrastructure

providers on strategic matters of importance for the Local Plans. The County Council is likely to be a signatory to a number of these Statements of Common Ground. This will be in both its role as an infrastructure provider and the waste and minerals planning authority. Through the statements, the County Council will seek to ensure infrastructure planning is undertaken more effectively on a strategic and cross-boundary basis. Such an approach is essential in order to guarantee a robust, co-ordinated and implementable strategy for ensuring that the required investment in new and improved infrastructure supports the ambitions for housing growth.

#### Additional Government Pothole Funding

7.25 In March 2018, the Government announced a further £100m nationally to help repair potholes after winter damage. ESCC was allocated £302,029 from the Pothole Action Fund and £875,883 for flood resilience. These funds are being targeted on preventative surfacing and patching works across the county, to prevent the formation of potholes. This Government funding is in addition to the £15m that the County Council invests from its capital programme each year for its planned resurfacing and surface dressing maintenance programmes. It is through this capital investment that the Council has been able to maintain the overall condition of the county's roads.

#### Community Transport Consultation

7.26 The Government has recently undertaken a consultation on fundamental changes to the operating arrangements of community transport (CT) minibuses operators. The changes follow the threat of legal action from a group representing some commercial bus and coach operators, who have disputed the DfT's previous interpretation of the relevant EU Regulations. New DfT guidance has since been issued to CT operators, which now affects their ability to charge for services and to compete for public sector contracts. This has reversed two decades of previous guidance to the sector.

7.27 Widespread concerns have been raised about the effect on CT providers and their service users. CT operators providing services in East Sussex include CTLA, Brighton & Hove CT, Wealdlink, Cuckmere Buses, Battle Area CT, Rye & District CT, Bexhill Community Bus and Hastings CT. Local authorities are likely to face increased contract costs as a result of not for profit CT suppliers not being able to compete for transport contracts. Some CT operators may overcome these obstacles by changing to public service vehicle operators, though in doing so significantly increase their overheads due to the mandatory licensing and professional training requirements. The outcome of the consultation is expected this autumn.

#### Home to School Transport

7.28 The County Council has a statutory responsibility to make transport arrangements for children to travel to and from school if: their nearest suitable school is beyond 2 miles (if below the age of 8) or beyond 3 miles (if aged between 8 and 16); they have special educational needs, a disability or impaired mobility; their route is deemed unsafe to walk; or they have extended eligibility. Due to the rural nature of our county, a large number of children are eligible for transport and in 2017/18 the County Council transported 4,492 children from home to school. This is done at an exceptionally large cost to the Council of £11.4m.

7.29 Recent research by the County Councils Network, to which we contributed, illustrated that the costs of providing this service in rural areas is significantly higher than urban areas, in part due to high numbers of eligible children but also due to the

cost of transporting pupils over longer distances, and Government grant allocations do not take these differences in cost into account. We will work with others in the sector in the coming year to make the case to Government that the cost of providing this service in its current form is prohibitive and either requires review or sufficient resourcing.

## **8. Environment**

8.1 The environment is a critical asset. It underpins a productive economy by providing a wide range of goods and services and regulates a healthy living environment. This section sets out the local and national strategies in place to ensure the protection of our environment for the future.

### East Sussex Environment Strategy

8.2 The partnership Environment Strategy for East Sussex was adopted by the ESSP in July 2011. The Strategy brings together the high level aims, objectives and actions of a wide range of organisations into one shared, long-term strategic environmental plan for the county up to 2026.

8.3 During 2018-19 the Strategy will be updated to reflect the recent changes in national policy and strategies, notably the Government's 25 Year Environment Plan which was published in January, the Industrial Strategy and the Clean Growth Strategy. An Environment sub-board of TES will also be set up to review the progress of the Environment Strategy, alongside the ESSP. This will ensure that the economic development and environmental agendas are brought together in East Sussex more effectively.

### Draft Clean Air Strategy

8.4 In May this year, the Government published a draft Clean Air Strategy, setting out how the Government plans to reduce air pollution. The Secretary of State for Food, Environment and Rural Affairs has indicated that legislation placing a duty on local authorities to reduce air pollution will be brought forward. Air Quality Management Areas are currently managed by Borough and District authorities, and it is unclear whether any legislation would result in a new duty on the County Council. We are responding to the consultation which closes in August and will set out that any new duties on councils will need to be funded appropriately.

### LoCASE

8.5 The Low Carbon Across the South East (LoCASE) project is an £18.8m three year EU funded project which aims to provide support to 1,050 businesses across the SELEP area to cut carbon emissions by 6,510 tonnes. The project aims to create 270 new jobs, support 77 new businesses and enable businesses to substantially cut their energy bills. The partnership is led by Kent County Council and includes ESCC, Essex County Council, Thurrock Council and the University of Brighton.

8.6 In 2017/18, 149 businesses in East Sussex received an energy audit and 58 were awarded a grant, which enabled the participating businesses to save £292,380 per year collectively, as well as cut their emissions of CO<sub>2</sub> by 747 tonnes each year. In 2018/19 we aim to award a further 62 grants of up to £10,000 each. Further information about the programme, including what has been achieved to date across the partnership and a range of case studies, can be found on the LoCASE website ([www.locase.co.uk](http://www.locase.co.uk)).

### Flood Risk Management

8.7 The County Council became a Lead Local Flood Authority (LLFA) responsible for managing surface water, groundwater and ordinary watercourse flood risk when the

Flood and Water Management Act was enacted in 2010. Since then the Flood Risk Management Team has been developing its technical capability in what is still a new and demanding area. The biggest challenge it has faced recently has been a change in legislation making the LLFA a statutory consultee to planning authorities when they determine major planning applications.

8.8 We are currently finalising an agreement with the Pevensey and Cuckmere Water Level Management Board which will combine our resources in a particular area of concern for flood risk management in East Sussex. We are also working with Southern Water and other partners to see how surface water in central Eastbourne can be better managed to alleviate pressure on combined sewers in the town. In Forest Row, we are concluding a study into the use of natural flood risk management measures in the upper catchment to slow surface water flows through the village.

#### Household Waste Recycling Site Review

8.9 On 26 June 2018, Cabinet considered a review of East Sussex Household Waste Recycling Sites (HWRS). The review recommended changes to the service to deliver the £720,000 savings from the Waste Budget agreed by County Council in February. Cabinet agreed to introduce disposal charges for rubble, soil, plasterboard, asbestos and tyres at East Sussex HWRS; close Forest Row and Wadhurst HWRSs; and reduce opening times at the Lewes and Mountfield HWRSs. The changes will ensure the service remains sustainable and continues to provide high quality sites that are reasonably accessible to residents. Cabinet also asked the ESCC Waste Team to continue to engage with charitable organisations currently using ESCC facilities to dispose of waste, to better understand the impact that the introduction of any waste disposal restrictions may have on their organisations and report the findings to the Lead Member for Transport and Environment in the autumn.

## **9. Communities and Residents**

### Libraries

9.1 In March 2018, the refurbished Hastings Library opened after a two year, £9.5m modernisation programme. The refurbishment project has created a modern library, as well as protecting and enhancing the history and heritage of the town by renovating the Grade II listed Brassey Institute in which the library is housed. The new library has more space for the public, with more public access computers, free Wi-Fi and improved toilet facilities. The Children's Library area boasts a bespoke frieze designed by renowned artist and author Sir Quentin Blake.

9.2 In March, we concluded the successful Advantage East Sussex project, a £150,000 programme of events delivered in libraries and through outreach, which was funded by Arts Council England and supported the most disadvantaged communities in East Sussex.

9.3 Work has begun on delivery of the four strategic outcomes in our new Libraries Strategic Commissioning Strategy, approved by Cabinet in March. Work to meet these outcomes includes:

- we've started sessions for families at Shinewater Children's Centre in Eastbourne and at the East Hastings Children's Centre;
- as part of our Children and Young People's Offer we are offering free literacy support to schools in areas of the county with the highest needs, with visits and support from librarians as part of this year's Summer Reading Challenge;

- we are also developing a package of support and a new Teacher's Library Membership for East Sussex schools, allowing teachers to borrow items on a long loan from libraries for use in the classroom. The new scheme will launch in time for the autumn term;
- later in the year we will launch Homework and Study Clubs so that children and young people have quiet spaces with access to resources that can help them study and revise; and
- we have launched the Community Library Membership, which allows communities to set up a volunteer-run Community Collection, a range of items which can be made available locally to the community, for example, within a village hall, community café or a similar setting. Librarians help interested communities to identify where collections will be kept and how best to manage them.

9.4 We have also supported five communities to open Community Libraries in the ESCC library buildings which closed in May 2018, with a free loan of library stock, furniture and fittings, and where possible, rent-free premises. Ringmer Community Library opened in June and we expect that Community Libraries in Ore, Pevensey Bay, Polegate and Willingdon will open towards the end of the summer and early autumn.

### Customer Experience

9.5 Our work to improve customer experience across Council services has continued in 2017/18. The Customer Project Board has continued to review ESCC's relationship with customers in order to improve further the quality and consistency of customer experience for those accessing the range of services we provide.

9.6 In 2017/18 a key success of the project included piloting a customer feedback survey, Customer Thermometer, across digital channels – email and webpages. In addition to providing us with a much better picture of overall levels of customer satisfaction, having immediate feedback at the point of customer contact with us enables us to resolve any problems or make improvements quickly.

9.7 We have used this feedback to improve our webpage content, making sure information is more accurate and up-to-date. We've also used the feedback to make our email correspondence with customers clearer and more relevant to their needs, with simpler language and better signposting to further sources of information.

9.8 In 2018/19, key project activity will include continuing and expanding the Customer Thermometer pilot, introducing a random customer satisfaction survey for customers contacting us by phone, and the introduction of face-to-face customer feedback devices at Eastbourne and Hastings Libraries, County Hall, St Mary's and Ocean House.

9.10 We're setting up a Customer Service Network which will provide staff from across varying customer facing teams a quarterly forum to share knowledge and best practice and implement changes to improve customer experience. We are also applying the Customer Promise, which we launched last year, to new contracts with a value of over £100,000 that deliver services to our customers – this will become part of our procurement process.

### East Sussex Road Safety Programme

9.11 Over 90% of people Killed and Seriously Injured (KSI) on roads in East Sussex and nationally are caused by driver error. The ESCC Road Safety programme is

designed to target high risk groups and issues with the aim of reducing collisions and the number of people killed and seriously injured in East Sussex. This work includes two main elements, a road infrastructure programme and a range of behaviour change projects delivered in conjunction with the Behavioural Insights Team (BIT). Following detailed data analysis, the key target groups are motorcyclists, young drivers (17-25) and drivers in relation to vulnerable road users (e.g. cyclists and pedestrians). Current work includes the implementation of the identified road improvements and the launch of the behaviour change schemes. These will be delivered with key project partners over approximately the next 18 months and will inform the future direction of the ESCC Road Safety Programme.

### Trading Standards

9.12 Trading Standards is developing its commercial business support packages, including workshops, bespoke advice and Primary Authority Partnerships. They will be launching a collaboration with three other neighbouring authorities, known as the Business Advice & Support Partnership, giving scope for collective marketing and larger product offerings for local businesses. This will also see Service Level Agreements developed with other regulators such as the Fire Service and Environmental Health. Trading Standards are also engaged in ever more challenging and complex criminal investigations aimed at protecting the vulnerable and ensuring a fair trading environment is maintained in East Sussex, including via online purchasing platforms.

### Counter-terrorism Strategy

9.13 The Government's fourth version of its counter-terrorism strategy, also known as CONTEST, was published on 4 June 2018 and sets out how the Government will continue to reduce the risk to the UK from terrorism. The Strategy continues, but updates, the existing four strands of the Government's counter-terrorism strategy: Prevent and Pursue (intended to reduce the threat of terrorism) and Protect and Prepare (intended to reduce vulnerabilities to terrorism).

9.14 The Strategy maintains the Prevent Duty which requires local authorities to establish or make use of existing multi-agency groups to assess the local picture, coordinate activity and to put in place arrangements to monitor the impact of safeguarding work to prevent radicalisation. The Prevent Board, training and awareness activity is well established and embedded in East Sussex. Partners are fully engaged in this agenda. An example of current activity is the development of an East Sussex Learning Network which will include Prevent (in the sessions) for residents/businesses and community groups as a way of promoting this area of risk more widely.

9.15 The Strategy also includes provision to establish a series of Multi-Agency Centre pilots to trial an approach of MI5 declassifying and sharing information on citizens suspected of terrorist sympathies with neighbourhood policing and local authorities. The first trials will take place in London, the Midlands and Manchester. ESCC will consider learning for the pilots ahead of any new approach being implemented locally.

9.16 The Government has been piloting a new approach to the Channel programme (offered to individuals identified as at risk of radicalisation), where local authorities, rather than the police, take a greater role in running the programme. ESCC is in regular contact with neighbouring authorities and authorities that have been involved in the pilot of this approach to consider and plan for the changes locally. Specific timescales are unclear and no significant issues for ESCC have been identified from the pilots.

## **10. Workforce**

### National Living Wage (NLW)

10.1 The Government introduced a new mandatory 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 continues to apply to employees under the age of 25.

10.2 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 NLW whilst maintaining pay structure differentials. This was in addition to the provision of £2.6m set aside for the standard pay award. Following extensive negotiations, the national employers and trade unions reached an agreement which, in broad terms, provides for a two year deal, covering the period 1 April 2018 to 31 March 2020 (financial years 2018/19 and 2019/20), and gives a headline increase of 2% each year, with more at the bottom end of the pay spine to take account of NLW increases. The total cost of the two year pay award is now estimated at £6.7m, subject to the outcome of Managers' and Chief Officers' pay awards. The balance of £0.6m, once finalised, will be released to fund other pressures. The provision for pay award in future years is 2% in both 2020/21 and 2021/22. Information on provision for budget pressures, including pay awards, is also provided in the separate Medium Term Financial Plan appendix.

### Apprenticeship Levy

10.3 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 £559,000 per annum for the Council and £448,000 for schools. The Levy is collected by Government and, in return, employers receive electronic vouchers that can be exchanged with local providers for training of apprentices.

10.4 The Government has set a statutory target of 2.3% of the public sector workforce being apprentices. This equates to 103 apprentices for the Council and 125 in schools. By April 2018, 111 staff will have undertaken an apprenticeship, approximately 48% of the 2.3% target. To support the introduction of the Levy, a small team of an Apprenticeship Strategy Manager, Apprenticeship Co-ordinator and Administrative Officer have been appointed. In addition, a Steering Group has been established, comprising representatives from each department.

10.5 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.

### Gender Pay

10.6 The Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017 required all employers with 250 or more employees to undertake a gender pay analysis and publish the data on the gov.uk website. Public sector bodies were required to publish by 31 March 2018 using pay data from the snapshot date of 31 March 2017.

10.7 The gender pay gap for the Council is 7.47%, significantly lower than the average gender pay gap for County Councils which is approximately 13%. We already have in place a range of initiatives which improve the gender pay position including occupational maternity pay, flexible working and investment in people but are developing an action plan to look at initiatives to reduce the gender pay gap.

### Workforce Shape

10.8 The LGA has recently published a consultation document on the strategy for the Local Government workforce: "Great People for Growing places". This notes that over the next ten years the local government sector is facing a funding gap of £5.8bn, changes to the financing structure and uncertainty over social care funding, as well as the impact of Brexit on the labour market. In terms of the workforce, we also expect to see demographic change and growing diversity, changes to the state pension age, changing technologies, digital services and automation/robotics and a workforce that will contain multiple generations from Generation Z to those in their 60s, with different needs and expectations.

10.9 Like many Councils, we have a number of "hard to recruit" areas and our workforce is getting older, with over 67% of our staff aged 40+ and 40% aged over 50. The county as a whole is facing a decreasing working age population and the number of older people will rise sharply. Conversely, only 4% of our workforce is aged under 24 and 13% aged under 30.

10.10 The Council is currently in the process of refreshing its 'People Strategy'. This supports the Council's strategic priorities by identifying the interventions needed to develop staff and managers and build its workforce of the future. The plans and interventions within the People Strategy will therefore include strategies to both attract a diverse workforce and to retain our existing highly skilled staff.

## **11. Funding and income**

### 2017/18 Outturn

11.1 As previously reported to Cabinet, within service departments there was an overspend of £0.6m in 2017/18. This has been offset by a reduced charge to revenue of £1.2m. The balance of £0.6m (after offsetting the service overspend) has offset the borrowing requirement for the approved capital programme; and the unused general contingency provision of £3.4m has been used, in the first instance to mitigate £1.748m of savings from 2018/19, as previously reported. The remaining balance has been transferred to reserves to help manage future pressures, savings and unknowns.

11.2 Capital Programme expenditure for the 2017/18 year was £81.7m, against a budget of £87.5m, a variation to the gross budget of £5.8m. The variation is largely attributed to slippage of £10.2m, offset by £4.4m spend in advance.

11.3 Reserves and balances have now been updated to reflect the outturn (see 11.14).

### Future changes and announcements

11.4 There are a number of announcements expected that could result in significant change for local government finance. What these will mean for the Council is as yet unknown. Given this uncertainty, financial planning continues based on what we know and where we are able to reasonably estimate financial impacts. Where possible, work is being undertaken to support and work with interest groups and within our networks to

understand as early as possible changes that could impact on the Council and to influence decisions through lobbying.

11.5 The next government **Comprehensive Spending Review** (CSR) is expected in the autumn of 2019, coinciding with the last year of the four year deal for local government funding in 2019/20. Spending Reviews provide the plan on how Government money will be allocated across years. The length of the next CSR is unknown given changes to the system, and could be as short as a single year. It will look at the budgets of all the Government departments and sets the maximum amount that each department can spend. It will give us an idea of the level of funding local government can expect and, depending on the period it covers, if the shortfall in the overall quantum is to be addressed.

11.6 There continues to be uncertainty about the replacement funding mechanism for local government, timetabled for introduction in 2020/21. We await the outcome of the consultation on the **Fair Funding Review** that concluded on 12 March 2018, for which we submitted a return. It is anticipated that baseline funding levels and transitional arrangements will be ready by autumn 2019 for implementation in the 2020/21 financial year.

11.7 Government has announced that it will aim for local authorities to retain 75% of **Business Rates** from 2020/21 and the retained amount will roll in the provision for existing grants such as the Rural Services Delivery Grant, Public Health Grant and RSG. The Government is also due to publish its prospectus for the 2019/20 Business Rates Retention pilots shortly. Ahead of this, East Sussex authorities have jointly commissioned LG Futures to conduct an analysis of what a bid for the area could look like and the potential financial impact in 2019/20 (all pilots being agreed for single years only in the run up to the new system).

11.8 It is well publicised now that the growth in the elderly population is putting a strain on both local authority and health finances. The **Older People's Green Paper** will set out the government's proposals on improving care and support for older people and tackling the challenge of an ageing population. Any updates regarding Improved Better Care will likely come after this. (Further information on the Green Paper can be found at paragraph 4.2 - 4.3).

11.9 It is important, therefore, that throughout this year's RPPR process, due regard is taken that any one or all of these changes and announcements that could impact on the currently estimated Medium Term Financial Plan (MTFP) position and therefore the savings targets, particularly in the later years of the MTFP.

#### Reserves, Contingency and General Fund

11.10 Following the issue of a Section 114 notice by Northamptonshire County Council in February 2018, there have been a number of published reviews on the adequacy of reserves, and therefore, robustness of local authorities' budgets. The National Audit Office paper on financial sustainability of local authorities published in March 2018 used the measure of 'remaining years' worth of total reserves based on usage in 2016/17 and ascertained that 10.6% of single-tier and county councils would have the equivalent of less than three years' worth of reserves left if they continued to spend reserves at the rate of application in 2016/17. The same calculation applied to ESCC calculates that it has circa 16 year's reserves, compared to Northamptonshire which has below 3. On 2 July 2018, CIPFA invited Council's to respond to a consultation on the CIPFA index of

resilience for English councils. The index, based on publically available information, will provide an assessment of the relative financial health of each English council. CIPFA has designed the index to provide reassurance to councils who are financially stable and prompt challenge where it may be needed.

11.11 It is the S151 Officer's duty to consider the robustness of the Council's budgets, the adequacy of reserves and the general fund when they are set annually. This consideration is summarised in the published Robustness Statement and the position reported in February 2018 stands.

11.12 The Council's approach to the management and accounting for earmarked reserves is set out in the Reserve Strategy adopted by the Cabinet in June 2017.

11.13 Reserves are the only source of financing to which ESCC has access to fund risks and one-off pressures over a number of years. Reserves can only be spent once and the possibility of creating new reserves in an era where budgets are tight and can become overspent, not just individually but corporately, is increasingly limited. However, in recognition of the increasingly uncertain financial position and pressures on services the Council has looked to bolster its reserves where possible.

11.14 The reserves are split into two categories: named service specific reserves and strategic reserves, as set out in the Reserve Policy. ESCC reserves total £99.3m as at 1 April 2018:

Summary of Earmarked Reserves estimated at 1 April 2018

	<b>Balance @ 01.04.18 £m</b>	<b>Balance @ 01.04.21 £m</b>
<b>Held on behalf of others or statutorily ringfenced</b>	<b>24.7</b>	<b>18.0</b>
<i>Service Specific Reserves</i>		
Waste Reserve	12.8	12.8
Set aside for the new Capital Programme 2018-23	21.0	0.0
Insurance	5.4	5.4
<i>Strategic Reserves</i>		
Risk Reserve	2.8	4.2
Priority Outcomes and Transformation Reserve	9.8	3.7
Financing Reserve	22.8	6.8
<b>Total ESCC service specific &amp; strategic reserves</b>	<b>74.6</b>	<b>32.9</b>
<b>Total Reserves</b>	<b>99.3</b>	<b>50.9</b>

11.15 Planned use of ESCC specific and strategic reserves is estimated to reduce them to £32.9m by the end of the MTFP period in 2020/21. This is an increase of £4.3m in the last two years as the Council takes every opportunity to top up reserves where possible. Efforts to manage within the overall budget have once again meant that the general contingency of £3.4m for 2017/18 could be used to top up reserves in line with Reserves Policy. This will be used in the first instance to mitigate savings from 2018/19, with the balance remaining in the Financing Reserve to enable the effective management of the MTFP.

11.16 The County Council holds a general contingency in 2018/19 of £3.5m to cushion the impact of unexpected events and emergencies in year (within the base revenue budget). As per 2017/18, any unused balance will be transferred to strategic reserves.

11.17 There is also a General Fund Balance of £10.0m, which, whilst it remains lower proportionately than a lot of other authorities, is considered adequate on the basis that the in-year general contingency is also held.

#### Treasury Management

11.18 The Treasury Management budget will continue to be reviewed as opportunities are sought to maximise investment income in line with the revised Treasury Management Strategy and reflect the cost of capital investment and borrowing.

#### Commercialisation

11.19 The East Sussex County, Borough and District Councils have commissioned an LGA peer challenge on commercialisation (following on from the successful, joint “Open for Growth” peer challenge the partners undertook in 2014). The peer challenge will provide an opportunity for the councils to take stock of existing commercial activity taking place, to articulate and promote the existing good and successful practice and explore new opportunities to adopt commercial practices further. The peer challenge is taking place between 16 and 19 July 2018.

11.20 Over the last three years to 2017/18, 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.

11.21 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 National Non Domestic Rates pooling arrangement delivered by the Borough and District Councils in East Sussex, have collectively generated £5.6m 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 have now been implemented, generating the Council an additional £0.5m 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;
  - 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 in the region of £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.

11.22 The Council has progressed from the income generation focus onto thinking about a broader commercial strategy. This follows a desktop review of commercial strategies in place in other local authorities and an internal review of the key priorities for the County Council. The ESCC commercial strategy will pull together various existing strands of work in order to ensure our approach is consistent, cohesive and widely understood.

11.23 A component of the commercial strategy will be the County Council's Property Asset Disposal and Investment Strategy. This was approved by Cabinet at its meeting on 24 April 2018 with an initial focus of the areas of the strategy that take a commercial approach to developing assets to support the Council's key priorities in particularly supporting service need. Governance arrangements will be established during 2018 and sites will be brought forward for consideration by Cabinet.