REPORT OF THE CABINET

The Cabinet met on 10 and 18 December 2019 and 28 January 2020. Attendances:-

Councillor Glazier (Chair) (3)
Councillors Bennett (3), Bentley (3), Claire Dowling (3), Maynard (3), Simmons (2), Standley (2) and Tidy (3)

1. Reconciling Policy, Performance and Resources

1.1 The services the Council provides are crucial to the residents of the county, particularly those who are most vulnerable. The Council has set out its priority outcomes for the county and the core set of services and infrastructure which residents and businesses most need from the Council to ensure those needs are met and its priorities are delivered. This has been done against a background of diminishing resources and increased demand over the last 10 years.

1.2 The Council has been able to do this by having a realistic and challenging business and budget planning process which links resources to priorities and which ensures members have the demographic trends and performance information to enable them to monitor progress. Our Reconciling Policy, Performance and Resources (RPPR) process matches available resources with our delivery plans for our priority outcomes. It has enabled us to give relative protection to activity that delivers our priority objectives most effectively. The RPPR process has been applied across all services in the development of the Council Plan (Appendix 1) supported by the Budget (Appendix 3), MTFP (Appendix 2) and Capital Programme (Appendix 9) set out in this report.

1.3 Robust and innovative management and strong partnerships means we have transformed the way the Council works and made savings of £134m between 2010 and 2020. We have done everything possible to make the most of the money available. We have a joint back office function with Surrey County Council and Brighton & Hove City Council; we have implemented outstanding arrangements in Children's Services which have helped us to avoid the level of rise in the number of children being taken into care that has been seen elsewhere in the country; and we have put in place some excellent services to support health and social care integration. A joint venture with Costain provides the county with an effective Highways maintenance and management programme; the Waste PFI partnership with Brighton & Hove City Council continues to drive efficiencies and improve recycling, while the Council's commitment, alongside 16 local transport authorities and five local enterprise partnerships, to the Transport for the South East initiative will help to shape and improve all aspects of transport and travel in the region in the coming years. The next year will see the County Council entering into a ground breaking partnership with West Sussex County Council which we anticipate will bring benefits to both councils, enabling us to share mutual learning and improvement. There are many areas where we have shared interests and opportunities including working with the local NHS, police and other partners, lobbying government, economic and transport development, adapting to climate change and managing markets for social care. The partnership will make us stronger in all these areas.

1.4 Our lobbying of Government has met with success and the Provisional Local Government Finance Settlement saw some acknowledgement of the issues that local government faces, particularly in relation to social care. The additional funding announced, together with our prudent planning has put us in a position where members can consider options for investment of unallocated resources in areas where it will lead to a reduction in future spending and to delay some of the savings considered by Cabinet and County Council in February 2019.

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

1.6 This report sets out:

- changes to the national context since the report to Cabinet on 12 November 2019;
- the draft Council Plan 2020/21 and updated MTFP;
- updated Q2 performance;
- proposals for the 2020/21 revenue budget, taking account of changes in the financial picture since November and based on an increase in Council Tax of 1.99% and an Adult Social Care precept by 2%;
- the savings planned for the next two years and options for use of unallocated funding;
- the Capital Programme update and the rationale on which it has been developed; and
- feedback from engagement exercises and equalities impacts.

National Context

1.7 Since the last report to Cabinet in November the General Election saw the Conservative Party returned with an increased majority. Its manifesto had the following provisions in relation to the County Council's functions:

Social care

- Build cross-party consensus on a solution to social care funding, with talks to begin within first 100 days;
- Solution to include condition that nobody needing care should be forced to sell their home to pay for it;
- £1 billion additional funding in each year of the next Parliament.

Schools and child care

- Extra £4.3 billion in real-terms for schools by 2023/24, with funding increases to be legislated within first 100 days;
- At least £5,000 a year for each secondary school pupil and at least £4,000 for each primary school pupil;
- £1 billion fund for child care, including before and after school and during holidays.

Transport

- Invest £100 billion of additional infrastructure spending, including roads, rail and flood defences;
- Create £4.2 billion fund for new bus and metro rail links in cities outside London;
- Launch pothole-filling programme.

Devolution

- Publish an English Devolution white paper.

1.8 The notes to accompany the post General Election Queen's speech indicated that an additional £1bn for Social Care will continue to be allocated for the lifetime of this Parliament. This has been included in the MTFP. It provides a grant of £10.2m for the Council in 2020/21. The detail of how this funding is distributed may change after 2020/21, but will provide some relief for the Council. In addition, the provisional Local Government Finance Settlement saw a roll into the Social Care Grant of adult social care winter pressures of £2.6m, previous Social Care Grant of £4.4m and SEND High Needs Block additional funding of £5.8m. The proposal that Councils can raise an additional 2% precept for Social Care is being consulted on as part of the provisional settlement. This funding has been included in our planning assumptions in accordance with the steer from Cabinet in November.

1.9 The Government has indicated that it wishes to start cross-party talks to find a sustainable solution for funding social care early in the new-year. Whilst the additional funding which the Government has made available is very welcome and will allow Members to make some choices about unallocated funding for the next year, it is imperative that a long term solution for social care funding is agreed before this funding runs out. The Council will continue, with its partners, to press the case for urgent action on sustainable funding for local services including social care.

1.10 The Government has also announced that a white paper on English Devolution would be published in the Spring with more mayors and powers for "functional economic areas".

1.11 The Government's main priority for the next year will be to get the Brexit Withdrawal Agreement Bill through Parliament and for the UK to negotiate a trade deal before the transition arrangements expire at the end of 2020. Becky Shaw has been acting as a regional lead to ensure all councils in the South East have consistent information from Government about the impact of Brexit for their functions, local residents and businesses. Over the next year we will continue to fulfil this role and to pass on intelligence about the impact of Brexit on residents as any issues arise.

Council Plan

1.12 The draft Council Plan is attached at Appendix 1. The Council Plan continues to be built on the Council's four overarching priority outcomes: driving sustainable economic growth; keeping vulnerable people safe; helping people help themselves; and making best use of resources. Making best use of resources is the priority test through which any activity must pass. The remaining three priority outcomes guide our activities, direct our resources and are reflected in our Council Plan activities and targets.

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

1.14 A new delivery outcome has been added to the making the best use of resources priority to reflect the Council's ambition in relation to Climate Change. Overarching targets will be added to the outcome "East Sussex County Council activities are carbon neutral as soon as possible and in any event by 2050" in the Resources Portfolio to ensure we work as one Council towards the aim of reducing our carbon footprint. Targets in relation to individual service activity will be included in the appropriate Portfolio Plans. This may include lobbying for legislative change or funding from central Government where changes in national policy and practice are needed to achieve the target.

1.15 The Council Plan is still a work in progress until final budget allocations are made and firm targets can be set. It will be published in April 2020 and refreshed in July when final performance outturn figures for 2019/20 are available. Authorisation is sought for the Chief Executive to make final changes pre and post publication in consultation with Lead Members, as appropriate.

Progress with Council Plan & Budget 2019/20 since Quarter 2 (Q2)

1.16 Between April and October 2019 there were an average of 46.6 Delayed Transfers of Care (DTC) from hospital care per day, against a target of 39.8 or less. This is an improvement from 85.3 (down 45%) compared to the same period in 2017 (the baseline). The average of 46.6 DTCs are broken down as follows:

- An average 8.1 DTC per day due to Council social services, against a target of 11.5 or less. An improvement from 33.1 (down 76%) from the same period in 2017
- An average 37.5 DTC per day due to local NHS, against a target of 24.4 or less. An improvement from 49.6 in the same period in 2017 (down 24%).
- An average 1.0 DTC per day jointly attributable to Council social services and local NHS.

1.17 Although the targets of 39.8 for all DTC and 24.4 for NHS DTC are not being achieved, implementation of a number of actions across the county has led to a significant reduction from the 2017 baseline. This includes Discharge to Assess beds, designed to avoid unnecessary admissions to acute hospitals and, where an admission is necessary, ensure that people are discharged as soon as is safe and practical back to their own homes, or as close to home as possible.

1.18 83% of Health Hub Referrals were handled within the correct time scales across all priorities, against a target of 90%, between April and August 2019. The shortfall in performance is due to a deficit of nurses within the Health Hub. This is being remedied and staffing is expected to be at normal levels by the end of the financial year. Performance in August improved to 85%, but, due to lower performance in the first half of the year, it is not anticipated currently that the target will be achieved by year-end.

1.19 There is minimal change to the projected Q2 revenue budget forecast service overspend of £6.1m. The general contingency of £3.6m will offset the deficit after applying underspends from Treasury Management, other centrally held budgets and Business Rates. Therefore there is currently an estimated break even position, subject to further Government announcements and final service review; any minor surplus or deficit will be managed through reserves.

Revenue Budget 2020/21

1.20 The MTFP reported to Cabinet in November has been updated as set out below.

	Ref	Estimate (£m)			
		2020/21	2021/22	2022/23	Total
Cabinet 12 November 2019 DEFICIT/(SURPLUS)		**(1.105)**	**23.176**	**10.468**	**32.539**
Savings 2020/21-2021/22	A	(5.208)	(1.972)		(7.180)
DEFICIT/(SURPLUS) - after savings		**(6.313)**	**21.204**	**10.468**	**25.359**
Pressures added to / (removed from) the MTFP					
CSD: Core Service Offer: reprofile Family Key Worker element of Early Help savings	A	0.981	(0.981)		0.000
CSD: Looked After Children - update to model	B	0.300			0.300
CSD: Disabled access regulations for buses/coaches	C	0.012	0.043	0.098	0.153
CSD: Residential homes - staffing	C	0.549			0.549
BSD: IT&D licences	C	0.123	0.025		0.148
CET: Climate change staff resource	C	0.055			0.055
CET: Waste housing growth	C	(0.066)	0.023	0.038	(0.005)
CET: waste contract inflation	C	(0.382)	(0.118)	(0.078)	(0.578)
GOV: Coroners - post mortems / pathology	C	0.033			0.033
Investment of Unallocated Funding					
Revenue schemes	D	2.453	(0.746)	(1.707)	0.000
Temporary mitigation of savings	A/D	0.686	(0.298)	(0.388)	0.000
Capital schemes	D	1.242	(1.242)		0.000
Second-year funding of schemes above	D	2.095	(2.095)		0.000
Spending Round Funding					
SEND High Needs Block Additional funding (one-off)	E		(0.814)	(1.324)	(2.138)
Revenue Support Grant adjustment	F	0.013	(0.005)	(0.006)	0.002
Social Care Grant (share of £1bn over life of the Parliament, plus £4.4m grant rolled in from previous years)	G		(14.630)		(14.630)
Normal Updates					
Council Tax (reductions in projected growth from Districts & Boroughs) / Collection Fund	H	1.271	(0.072)	0.040	1.239
Inflation & Pay Award updates	F	(0.196)	(0.288)	(0.247)	(0.731)
Business Rates adjustment	F	(0.248)	(0.004)	(0.005)	(0.257)
Business Rates Pooling - arrangements confirmed by MHCLG	I	(1.452)	1.452		0.000
Treasury Management (capital impact)	J	0.000	0.000	1.000	1.000
General Contingency	K	0.150	(0.010)	(0.010)	0.130
Pensions	L	(1.300)			(1.300)
Levies	M	(0.006)	(0.001)		(0.007)
DEFICIT/(SURPLUS) AFTER UPDATES TO THE MTFP		**(0.000)**	**1.443**	**7.879**	**9.322**

1.21 The changes to the MTFP shown above are as follows:

A Savings

The latest saving proposals are set out in Appendix 4. Changes have been made to reflect that the Early Help Family Key Worker savings of £0.981m will not be taken in 2019/20 and 2020/21. Changes have also been made for the investment of unallocated funding to reprofile savings for Safeguarding, Library Services and Trading Standards (see paragraphs 1.25 to 1.28 below).

	2020/21 £m	2021/22 £m	Total £m		2022/23 £m
Communities, Economy & Transport	1.362	0.629	1.991		0.388
Children's Services	0.770	1.835	2.605		
Adult Social Care	0.248		0.248		
Business Services / Orbis	1.161	0.787	1.948		
Total Departments	**3.541**	**3.251**	**6.792**		**0.388**

B Looked After Children (LAC) - The structural pressure within Children's Services relating to LAC has been updated to reflect the latest modelled projections.

C Pressures - A number of new pressures have been included in the MTFP and the amount included for pressures in relation to waste has been reduced. The net pressures total £0.355m.

D Investment of Unallocated Funding – Cabinet and Scrutiny Committees considered potential use of available unallocated funding (Appendix 5) and provision for its use as set out in paragraphs 1.25 to 1.28 below has now been included in the MTFP and budget.

E SEND High Needs Block additional funding - Funding of £700m nationally for SEND has been distributed as part of the high needs block, giving an additional £5.8m to the Council. Profiled use of this is included in the MTFP.

F Inflation adjustments - relevant items have been adjusted for RPI and CPI published at September 2019.

G Social Care Grant –The Government has indicated that councils will receive an additional £1 billion for adults and children's social care in every year of this Parliament. The Council's share of this is £10.2m a year which has been included as permanent funding during the MTFP period. This new funding along with the £4.4m Social Care Support Grant, which was first provided in 2019/20, have been merged together to form the Social Care Grant. The MTFP also assumes the continuation of this funding, although the specific allocation methodology is still to be confirmed.

H Council Tax - Issues with tax base calculations provided by Districts and Boroughs have resulted in reduced council tax income for the Council. The Council is working with Districts and Boroughs to put measures in place to improve forecasting, monitoring and debt recovery in the future. The resulting deficit on the Collection Fund represents a cash flow issue between 2020/21 and 2021/22, and will be managed through reserves so as not to impact on Council Tax or longer term reserve balances.

I **Business Rates –** The MHCLG has confirmed that East Sussex Councils will revert to pre-pilot pooling arrangements for 2020/21. Proceeds of pooling have been estimated using published information from Districts and Boroughs Councils.

As is normal practice, any variations in Business Rates will be managed in-year, as Districts and Boroughs are not required to submit final Business Rates until the 31 January (any deficit will be managed through reserves).

J **Treasury Management** - The change in 2022/23 reflects the revenue impact of increased capital borrowing required to fund the new Capital Strategy set out in Appendix 9.

K **General Contingency** - The general contingency is currently set at 1% of net budget less treasury management, and has been updated to reflect changes in the MTFP since November Cabinet.

L **Pensions –** preliminary figures have been included for the outcome of the triennial actuarial review.

M **Levies** - Confirmation of the Council's Sussex Inshore Fisheries Levy has now been received.

1.22 The MTFP does not yet include the likely impacts of:

- Final position for the Pensions Fund triennial valuation, preliminary figures have been included as stated at L;
- Confirmation of Final Finance Settlement;
- Final pay award currently budgeted at 2.5%; and
- The final position for the Collection Fund and Business Rates.

1.23 Whist the Council has received some very welcome additional funding from the Government; it still needs to make savings of £9.3m, in addition to the £7.2m already identified as potential areas for savings, by 2022/23 in order to achieve a balanced budget. The Reserves and Robustness Statement is set out in Appendix 7.

Engagement Feedback and Future Consultation

1.24 The views of the Scrutiny Committees including their priorities for use of unallocated funding as a result of the additional funding made available by the Government and the outcomes of engagement events with young people, partners, business ratepayers and Trade Unions are set out in Appendix 8.

Investment of unallocated funding and savings

1.25 Cabinet and Scrutiny Committees considered potential use of any available unallocated funding in November and December as set out in Appendix 5, based on projected funding announced in the Government's September 2019 Spending Round. The MTFP has been updated in the light of the Provisional Local Government Finance Settlement and post-General Election Queen's Speech. This left £6.6m funding in 2020/21, once the savings proposed in February 2019 have been made, which had not been allocated to services.

1.26 Chief Officers have considered the use of this funding in the light of the views of the principles agreed by Cabinet, the views of the Scrutiny Committees and local partners and the changing national landscape. The budget and MTFP appended to this report allocates provision in the relevant service heads for the following:

i) Deferral of savings

- Children's Services Safeguarding savings [£586,000]
- Part of Libraries savings [£288,000]
- Trading Standards savings deferred by two years [£200,000] – although this was not included in the options put forward in November, the agreement of the Brexit Withdrawal Bill by the House of Commons and the negotiations of new trading arrangements over the course of the year will mean that businesses may need support in moving to a new regulatory framework and could mean additional responsibilities for council Trading Standards services in future. It would therefore be prudent to keep the capacity we have, which is already small, until the implications of Brexit and new trading arrangements are clear.

ii) Investment in projects to reduce future demand:

- ASC/CS Accommodation and Floating Support [£1.560m]
- CS No Wrong Door [£2.250m]
- CS Family Group Conferencing expansion [£350,000]

These projects are intended to produce savings in the longer term for the Council and it is recommended therefore that the County Council agree provision of funding for the projects for the next two years, with the expectation that they are self-funding thereafter.

iii) Capital

It is recommended that the Council agree a revenue contribution to Capital to cover:

- Remodelling of Disability Children's Homes [£242,000]
- Investment of £1m in Highways for dropped kerbs, lining and patching

1.27 If agreed as the basis of the budget plans, the decisions about progressing these projects will be made in line with the delegations set out in the County Council's constitution.

1.28 In relation to the remaining proposed projects considered by the Scrutiny Committees, provision may be made for them within the Transformation Reserve, following business cases identifying benefits, in line with the County Council's constitution.

2021/22 & 2022/23 and beyond

1.29 The budget is balanced in 2020/21, but has a forecast deficit of £9.3m by 2022/23, after savings have been made. The Council has a robust planning process and sufficient reserves, and will continue to work towards a balanced position in 2021/22, taking account of the impacts of the Fair Funding Review and the Business Rates Review which are expected to inform budget setting in 2021/22. There may also be a further Spending Review in 2020.

Council Tax requirement

1.30 Cabinet agreed in November that budget planning should be on the basis that Council Tax is increased by 1.99% and that the Council applies the 2% Adult Social Care precept proposed by the Government. It therefore proposed that the County Council consider increasing Council Tax in 2020/21 by 3.99%. If agreed, the proposed band D charge for 2019/20 would therefore be:

Changes in Council Tax	Council Tax Annual	Council Tax Weekly
Band D 2019/20	£1,434.78	£27.59
Council Tax increase*	£28.62	£0.55
Adult Social Care precept*	£28.62	£0.55
Indicative Band D 2020/21*	£1,492.02	£28.69

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

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

Capital Programme

1.32 The current approved programme has now been updated to include the Quarter 2 position and other approved variations and updates. This is in line with revisions to the Chartered Institute of Public Finance and Accounting Prudential Code for Capital Finance in Local Authorities (December 2017), and work has been ongoing with service departments to develop further the 20 year Capital Strategy and a supporting 10 year planned programme to 2029/2030.

1.33 The areas of targeted core need have been developed and included:

- Schools Places (early years, primary, secondary and special);
- Highways Structural Maintenance; Bridge Strengthening; Street Lighting; Rights of Way and Bridge Replacement Programme;
- Property Building Maintenance (schools and corporate);
- IT&D;
- Economic Intervention;
- Adults' and Children's House Adaptations Programme; and
- Libraries.

1.34 It is proposed that a core programme of £662m be set from 2019/20 to 2029/30 and will require £260m borrowing over the MTFP period. An update to the capital programme is at Appendix 9 with the full proposed programme detailed at Appendix 3.

Robustness and Reserves

1.35 The State of the County report gave an estimated total reserves balance of £73.8m. Since then there have been some updates and, moving the estimates on a year, balance at 31 March 2024 is now £77.8m of which only £26.6m relates to strategic reserves. The current reserves position is shown below.

	At State of the County July 2019	**Full Council February 2020**
	Estimated Balance at 31.03.23 £m	**Estimated Balance at 31.03.24 £m**
Earmarked Reserves:		
Held on behalf of others or statutorily ringfenced	**21.3**	**20.3**
Named Service Reserves		
Waste Reserve	8.6	9.7
Capital Programme Reserve	0.0	5.8
Insurance Reserve	4.8	5.4
Subtotal named service reserves	**13.4**	**20.9**
Strategic Reserves		
Financial Management	24.7	22.5
Priority Outcomes and Transformation	4.4	4.1
Subtotal strategic reserves	**29.1**	**26.6**
Total Earmarked Reserves	**63.8**	**67.8**

General Fund Balance	***10.0***	***10.0***
TOTAL RESERVES	**73.8**	**77.8**

1.36 The level of reserves held by the Council is considered appropriate. It is becoming increasingly important to hold sufficient reserves for the future given the continued financial uncertainty. It continues to be essential to, wherever possible, transfer resources to the Financial Management reserve. Details of the reserves held and the Chief Finance Officer Statement on Reserves and Budget Robustness is set out in Appendix 7.

Equalities

1.37 A high level Equalities Impact Assessment (EqIA) of the revenue savings proposals has been undertaken and is set out in Appendix 4. Further EqIAs will be undertaken where appropriate when individual proposals are being considered. EqIAs have been undertaken of the proposed Capital spending. These are summarised in Appendix 9. In considering the proposals in this report, Councillors are required to have 'due regard' to the objectives set out in Section 149 of the Equality Act 2010 (the Public Sector Equality Duty). EqIAs are carried out to identify any adverse impacts that may arise as a result of proposals for those with protected characteristics and to identify appropriate mitigations. The full version of relevant completed EqIAs have been placed in the Members' and Cabinet Rooms and are available on the Council pages of the County Council's website. They can be inspected upon request at County Hall. Members must read the full version of the EqIAs and take their findings into consideration when determining these proposals.

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

Fees & Charges

1.39 The Chief Finance Officer is delegated to approve all fees and charges and to report to Cabinet and County Council those set at a level above inflation; a reasonable inflation level with regard to CPI and RPI being 2.5%. Appendix 10 shows a schedule of the fees and charges that have increased by more than 2.5% at Q3 as part of the budget setting process.

Conclusion

1.40 Prudent planning by the Council has led to the Council being able to make investment in services next year of £6.6m once savings of have been made. Whilst the additional funding by the Government in Social Care is welcome, it does not make up for the amount of funding lost over the last 10 years and neither will it be sufficient to prevent savings needing to be made in other areas in future to fund pressures from the rising demand for and cost of social care. The Council will continue to press the case for East Sussex to receive a fair share of the funding available from Government and for it to urgently address the need for it to put in place sustainable funding for local services, in particular social care.

1.41 The Cabinet recommends the County Council to:

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

(2) approve the net Revenue Budget estimate of £403.4m for 2020/21 as set out in Appendices 2 (Medium Term Financial Plan) and 3 (Budget Summary) and authorise the Chief Operating Officer, in consultation with the Chief Finance Officer, Leader and Deputy Leader, to make adjustments to the presentation of the Budget Summary to reflect the final settlement and budget decisions;

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

(i) the net budget requirement is £403.4m and the amount calculated by East Sussex County Council as its council tax requirement (see Appendix 6) for the year 2020/21 is £300.9m;

(ii) the amount calculated by East Sussex County Council as the basic amount of its council tax (i.e. for a band D property) for the year 2020/21 is £1,492.02 and represents a 3.99% (2% of which relates to the Adult Social Care precept) increase on the previous year;

(4) advise the District and Borough Councils of the relevant amounts payable and council tax in other bands in line with the regulations and to issue precepts accordingly in accordance with an agreed schedule of instalments as set out at Appendix 6

(5) note the fees and charges set out in Appendix 10 that have been increased above inflation;

(6) approve the Capital Strategy and Programme as set out at Appendix 9;

(7) note the Medium Term Financial Plan forecast for the period 2020/21 to 2022/23 as set out in Appendix 2;

(8) note the comments of the Chief Finance Officer on budget risks and robustness as set out in Appendix 7; and

(9) note the comments from the engagement exercises as set out in Appendix 8.

2. Council Monitoring - Quarter 2 2019/20

2.1 The Cabinet has considered a report on performance against the Council Plan, Revenue Budget, Capital Programme, Savings Plan and risks for quarter 2 2019/20. Broad progress against the Council's four strategic priority outcomes is summarised below and an overview of finance and performance data is provided in the Corporate Summary at Appendix 11. Strategic risks are reported at Appendix 17.

Council Plan 2019/20 amendments and variations

2.2 One performance measure is proposed for amendment:

- Road Safety, from:

  Percentage of *young male drivers* who were aware of the social media campaign who report they changed their behaviour;

to:

The percentage of *young drivers and their passengers* who report positive attitudinal and behavioural change in response to the engagement campaign designed to reduce risk of collisions/KSIs immediately after intervention and over time.

The target remains at 15%, see Appendix 15, ref ii.

2.3 The details of over and underspends in each department are set out in the relevant appendices, and show a total forecast overspend of £6.1m (a decrease of £0.3m from the quarter 1 forecast of £6.4m). The main headlines are:

- The reduction on last quarter's forecast overspend from £1.0m to £0.8m for Adult Social Care, is due to a small reduction in demand led costs (equal to 0.1% of the ASC budget).
- Children's Services is projected to overspend by £5.9m (£5.5m in quarter 1), principally due to the increases in agency placements for Looked After Children as reported previously. The movement from quarter 1 is mainly due to two Section 17 placements and five more Asylum Seekers than had been forecast.

2.4 Within Treasury Management (TM), the strategy to maximise income and minimise the cost of debt where possible continues, together with opportunities being taken to repay debts where advantageous to do so. No additional short or long term borrowing was undertaken in the quarter and no further cost effective opportunities have arisen to restructure the existing PWLB or wider debt portfolio. There is currently an estimated £1.2m underspend, which has increased from quarter 1 by £0.6m, reflecting that the Council is unlikely to borrow this year; this will be used to offset service overspend. There is continued uncertainty around the impact of Brexit, and other TM considerations, meaning there could be fluctuations in forecasts over the year.

2.5 Corporate Funding continues to show additional income of £0.4m for Business Rates, reflecting final forecast information from Districts & Boroughs.

2.6 The general contingency of £3.6m will partially offset the deficit after applying underspends from TM, other centrally held budgets and Business Rates; the remaining deficit of £0.6m will be covered through use of reserves.

2.7 The Capital Programme expenditure for the year is projected to be £100.8m against a budget of £110.4m, a variation of £9.6m (£0.3m in quarter 1). It should be noted that the majority of slippage (£7.6m) is in schemes being delivered by or in partnership with others, where those organisations control the timetable.

Variances within the Council's control are:

- slippage due to additional groundwork discovered during initial works over the summer at the Reef Way project (£0.6m);
- a review and re-profile of the schools basic need programme to match need in future years (£1.4m);

Variances outside the Council's direct control are:-

- a delay by the DfE at Summerdown, as the DfE proceed through their process and negotiate with the trust (£2.9m);
- a delay to the Hastings and Bexhill Movement and Access Scheme, delivered via LEP, resulting in slipping due to resourcing issues, third party objections and safety audit issues (£2.6m);
- a delay to the Eastbourne and South Wealden Walking and Cycling Package, delivered via LEP, due to resourcing issues (£1.0m);
- suspension of work on Eastbourne Town Centre, delivered via LEP, agreed in October, pending the completion of the Terminus Road stage (£0.7m).

- a delay of the Hailsham/Polegate/Eastbourne Movement & Access Corridor, delivered via LEP, due to the need for wider transport modelling work (£0.4m);

2.8 The Strategic Risk Register, Appendix 17, was reviewed and updated to reflect the Council's changing risk profile. Risk 1 (Roads), Risk 4 (Health), Risk 5 (Reconciling Policy, Performance and Resource), Risk 6 (Local Economic Growth), Risk 7 (Schools), Risk 9 (Workforce) and Risk 15 (Climate) all have updated risk control measures. No new risks have been added to the Strategic Risk register following this review and no existing risks have been removed.

Progress against Council Priorities

Driving sustainable economic growth

2.9 82 carriageway asset improvement schemes were completed in quarter 2, to maintain and improve the condition of the Council's roads (Appendix 15).

2.10 Businesses were assisted to create 49 jobs in quarter 2, through business support programmes; Locate East Sussex also assisted 12 businesses to move into, or relocate within, the county (Appendix 15).

2.11 Provisional 2019 Key Stage 2 (KS2) data for East Sussex shows 45.8% of disadvantaged pupils achieved the expected standard in reading, writing and maths, compared to 51.4% nationally, a gap of 5.6 percentage points (Appendix 14).

2.12 Key Stage 4 results (Appendix 14).

- Progress 8; this is a measure of how well pupils progress from end of key stage 2 to the end of key stage 4 compared to students across England who got similar results at the end of key stage 2. Because it is a relative measure the national average score will be close to zero. A higher/positive result means pupils on average make more progress, and a lower/negative result means pupils on average make less progress. Progress scores are significance tested, based on DfE methodology and will be deemed to be one of the following: well above average, above average, average, below average or well below average. The provisional overall Progress 8 score for East Sussex for academic year 2018/19 is -0.05 (below average) compared to -0.03 nationally.
- Attainment 8; this measures the average achievement of pupils in up to 8 qualifications. The total average Attainment 8 score for East Sussex in 2019 is 45.2 (the same as 2018), compared to 46.7 nationally.

2.13 The overall effectiveness judgement for schools inspected at 30 August 2019, places East Sussex 27th across all schools in the Ofsted league of schools that are good or outstanding. In August 2014 East Sussex was ranked 130th out of 152 (Appendix 14).

Keeping vulnerable people safe

2.14 East Sussex Clinical Commissioning Groups and East Sussex County Council have successfully bid to become a trailblazer for the implementation of new Mental Health Support Teams (MHSTs) in schools. This is an additional resource to set up new provision aimed at building greater capacity to support more children with Mental Health and Emotional Wellbeing needs. It has been indicated that we have been awarded funding for three MHSTs covering in total approximately 24,000 pupils / 60 schools (Appendix 14).

2.15 Trading Standards made 66 positive interventions to protect vulnerable people in quarter 2; including visiting 59 victims of rogue trading or financial abuse and installing seven call blockers to protect people from telephone scams (Appendix 15).

Helping people help themselves

2.16 A project has been delivered to ensure all GP surgeries in East Sussex have access to advice and guidance from hospital consultants to prevent unnecessary referrals to hospital. There have been 4,000 fewer hospital referrals this year compared to the same period last year. The project will be expanded to review the number of pathology tests requested by GPs to optimise the use of the testing service at the hospital (Appendix 12).

2.17 Services for adults to help them live independently and delay the need for residential or nursing care resulted in 90.8% of older people still at home 91 days after discharge from hospital into reablement/rehabilitation services, while the rate of permanent admissions of both working age and older people to residential/nursing care were on target for the year (Appendix 12).

2.18 Three infrastructure schemes to improve road safety have been delivered in 2019/20 with a further scheme currently being implemented. Subject to costs and the availability of funding from the identified budget, it is planned that a further 6 schemes will be implemented this year (Appendix 15).

Making best use of resources

2.19 Lobbying of the Government has continued in quarter 2, including the Leader writing to Rishi Sunak MP; the Leader signing the County Councils Network letter urging the Prime Minister to deliver on his promise to ‘level up’ funding; Luke Hall MP, and the new Minister for Local Government agreeing to meet the Leader and East Sussex MPs, a meeting date is to be confirmed (Appendix 16).

2.20 Transport for the South East (TfSE) successfully launched their draft Transport Strategy on 10 October 2019, at a conference attended by over 250 representatives from local authorities, businesses and transport organisations. The keynote address at the conference was delivered by George Freeman, Minister of State at the Department for Transport. A consultation on the strategy will close on 10 January 2020 (Appendix 16).

3. Annual Progress report for Looked After Children

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

3.2 On 31 March 2019 there were 600 Looked After Children (LAC) in East Sussex; this represents a decrease of 3 children (0.5%) as compared to 2017/18 and a rate of 56.9 per 10,000 population. This is just below the Income Deprivation Affecting Children Index (IDACI) expected rate (a measure in terms of population profiles and deprivation levels) of 57.2 and below the 2017 England rate of 64.0.

3.3 The LAC data only ever gives a snapshot of our children moving in and out of the system at a fixed date each month/year and considerable activity sits beneath it. The data below and set out in the annual report is referred to as 'churn'. This cohort of children will come in and out of the system within the year, or some may come in and stay whilst others leave. It has been calculated that the churn figure for 2018/19 is 188 which, when added to the total number of LAC, equates to the service working with 788 children. This total figure is higher than last year (756 children), and the churn rate is also higher than for the previous years (153 for 2017/18, 175 for 2016/17).

3.4 There was a decrease in children coming into care from 212 during 2017/18 to 195 during 2018/19. The number of 0-5 year olds admitted to care during 2018/19 decreased to 87 (from 104 in 2017/18). The number of 6-12 year olds admitted to care during 2018/19 decreased to 38 (from 50 in 2017/18). The number of children aged 13+ increased from 58 for 2017/18 to 70 in 2018/19.

3.5 At year end there was an increase in the number of our LAC leaving care, from 164 in 2017/18 to 197 in 2018/19. The number of 0-12 year olds leaving care increased slightly to 90 during 2018/19 from 89 in 2017/18. This was made up of 70 0-5 year olds and 20 were 6-12 year olds. There was an increase in the 13+ age group from 75 of our young people leaving care in 2017/18 to 107 in 2018/19 The trend for this year is showing, for the first time, a slight decrease in our LAC numbers as compared to the previous 3 years. During 2018/19 there was a reduction in children coming into care in the 0- 12 year olds but an increase in the 13 plus age group. This increase was largely related to the changes in policy and practice, both locally and nationally, in relation to children who suffer neglect, sexual and criminal exploitation and also a more rigorous application of the Southwark Judgement, whereby teenagers can be offered section 20 accommodation and hence become LAC rather than being viewed as homeless. Although there were higher numbers of children leaving care across all age ranges, the overall 'churn figure' indicates not only greater numbers of our LAC worked with throughout the year, but that many of these children presented with greater levels of complexity particularly in the 13 plus age cohort

3.6 The number of our LAC with disabilities remains similar in 2018/19 to that of 2017/18. At 31 March 2019 there were 31 LAC with disabilities, 9 of whom, were aged between 16-19. This compares with 34 LAC, 14 of whom were aged between 16-19 in 2017/18. There were 10 LAC placed in residential schools and 7 were jointly funded with health. These children represent all of the LAC with disabilities placed out of county. The remaining LAC were placed within the county in either agency, in-house foster care or ESCC residential units. There is only one independent children's home in East Sussex and there was one child placed there.

3.7 At 31 March 2019 ESCC was caring for 36 Unaccompanied Asylum Seeking Children, 16 more than the previous year. These young people were mainly male and over 16, with an additional 27 having ongoing support needs as care leavers. In the last year, 5 children have come via The Vulnerable Children's Resettlement Scheme and the remainder have been spontaneous arrivals, found either by the Police or at Newhaven Port.

3.8 The Youth Offending Team (YOT) worked with 48 of our young people. This accounted for 12.7% of the total young people worked with by the YOT throughout the year. Our LAC aged 10-17 is less than 1% of the total population of this age group across the county therefore our LAC are still over-represented. There is an agreed protocol in place which focuses on decriminalizing them where possible.

3.9 The services for LAC are supported via core funding from the Children's Services Authority budget, a small proportion of the Dedicated Schools Grant and the Pupil Premium for additional education support for children.

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

4 Treasury Management Policy and Strategy 2020/21

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

4.2 The Local Government Act 2003 and supporting regulations requires the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

4.3 The Treasury Management Policy and Strategy Statement (TMSS) for 2020/21 is presented in Appendix 19. The strategy includes the Treasury Management Policy Statement, the Treasury Management Strategy Statement, the Annual Investment Strategy, Prudential and Treasury Indicators for the next three years and the annual Minimum Revenue Provision Policy Statement.

4.4 The 2020/21 TMSS has been prepared within the context the financial challenge being faced by the County Council over the Medium Term Financial Plan. The 2020/21 TMSS seeks to complement the Council's Core Offer by:

- utilising long term cash balances as effectively as possible by investing in longer term instruments and/or using to fund borrowing to reduce borrowing costs;

- ensuring the investment portfolio is working hard to maximise income by further use of alternative appropriate investment opportunities during 2020/21;
- ensuring effective management of the borrowing portfolio by exploring rescheduling opportunities and identifying and exploiting the most cost effective ways of funding the Council's borrowing requirement.

Investment Strategy

4.5 The 2020/21 Investment Strategy continues with officers seeking new opportunities to invest long-term cash in suitable longer term instruments in order to assist in delivering treasury savings by increasing investment income. Modelling of the Council's use or reserves and planned capital programme has identified £5-10m of balances that could be invested for a longer duration (for approximately 3 years). An options appraisal review was undertaken during 2019/20 to identify investment options which matched the three year time horizon. Short Dated Bond Funds and Multi Asset Funds have been identified as suitable instruments that match the Council's risk appetite and investment time horizon, and a selection process will be explored in Quarter 4 2019/20 to identify suitable funds.

4.6 At its meeting of 15 October 2019, the County Council declared a Climate Emergency, and discussed the Environmental, Social and Governance (ESG) considerations for the East Sussex Pension Fund. Treasury Officers have been exploring ways in which the Council's cash balances can be utilised to support the Council's commitment to tackle climate change. As a result, consideration of ESG factors has been built into the 2020/21 Annual Investment Strategy.

Borrowing Strategy

4.7 The Borrowing Strategy and the Capital Programme identifies a borrowing need of £90m over the next 3 years. The Council currently has large cash balances, therefore officers will seek to use cash from the Council's own reserves to initially fund borrowing. This will decrease the Council's cash balances, reducing counterparty risk, and reducing borrowing costs. Modelling of the Council's capital plans and cashflows has identified an appropriate level of internal borrowing of £50m. This strategy will be kept under constant review by officers, and borrowing will be undertaken where it is felt there is a significant risk of steep increases in borrowing rates.

4.8 On 9 October 2019 the Government announced an unexpected increase to the Public Works Loan Board (PWLB) interest rate for all new loans. The increase added 1% (100bps) to the cost of borrowing. It also increased the statutory limit on how much the PWLB can have lent out at once, from £85bn to £95bn. The increase to future borrowing cost will have an impact and has been factored into the development of the 2020/21 to 2029/30 Capital Strategy.

Revenue impact

4.9 The Medium Term Financial Plan (MTFP) includes a total of £1.0m savings in the Treasury Management budget over the next two years. The £0.50m saving in 2020/21 is expected to be delivered as a combination of increasing the Council's underborrowing position and investing £5-10m in longer term instruments. This is offset by the increased MRP costs as profiled when the movement to an annuity method was approved. In 2022/23, a £1.0m increase in the budget has been included in the MTFP to reflect the impact of the 10 year Capital Programme.

Treasury Management Reporting

4.10 As well as this annual strategy, the CIPFA Code requires the Council reports as a minimum:

- A mid-year review;
- An annual report at the close of the year.

4.11 This Council meets this requirement with the Treasury Management Annual Report 2018/19 and mid-year report 2019/20 presented to Cabinet on 10 December 2019. Additionally, a treasury management monitoring position is reported to Cabinet four times a year.

Economic Background

4.12 The Council takes advice from Link Asset Services on its treasury management activities. A detailed view of the current economic situation and forecasts, as prepared by Link Asset Services is included in Appendix 19 (Annex B) to this report.

4.13 This policy sets out the acceptable limits on ratings, investment periods, amounts to be invested and the borrowing strategy. The financial position is kept under constant review and if at any time it is felt that any of these limits represent an unacceptable risk appropriate and immediate action will be taken accordingly.

4.14 The Cabinet recommends the County Council to:

✡ 1) approve the Treasury Management Policy and Strategy Statement for 2020/21;
2) approve the Annual Investment Strategy for 2020/21;
3) approve the Prudential and Treasury Indicators 2020/21 to 2022/23; and
4) approve the Minimum Reserve Provision Policy Statement 2020/21 at Appendix 19 (section 3)

5. Conservators of Ashdown Forest Budget for 2020/21

5.1 The Cabinet has considered a report regarding the Conservators of Ashdown Forest draft budget for 2020/21. This enables consideration to be given to both the overall position and the balance of funding which may be made available to the Conservators from the Trust. It must be emphasised for completeness, that the ‘Trust Fund’ is legally distinct from the County Council’s general resources. It is appropriate however, for the County Council to consider both its decision as Trustee as well as its disposition of general resources when considering the overall financial position of the Conservators.

5.2 The Conservators’ budget is formed of the Core Budget (General Fund) and the Countryside Stewardship (CS) budget. The Conservators draft Core Budget for 2020/21 is summarised at Appendix 20. This was approved by the Board of Conservators at their meeting on 25 November 2019 and requires approval from the Council. The Ashdown Forest Trust position is shown at Appendix 21 and the draft Countryside Stewardship (CS) budget, including a breakdown of CS funded projects, is shown at Appendix 22. The draft CS budget is shown for information only.

5.3 The Conservators Core Budget (General Fund) receives a grant from the Ashdown Forest Trust for which ESCC is the trustee. As presented, the draft budget assumes the level of grant from the Trust Fund will continue at £65,100. The balance of the Trust Fund is estimated to be £156,949 at 1 April 2020; shown in Appendix 21. The lease to the Ashdown Forest Golf Club expires in January 2020 and is currently being renegotiated.

5.4 The contribution from ESCC which was £30,000 in 2019/20 has been completely removed for 2020/21, as planned, as part of the Council’s approved savings programme and the delivery of services within the Core Offer.

5.5 The 2019/20 forecast expenditure figure is significantly higher than budget. Staff costs have increased due to the appointment of a new Chief Executive, part time member of staff to administer the income generation project and to address some salary grading discrepancies. There was an upgrade to the unit’s radio communications system, and investment into setting up the Ashdown Forest Foundation. Donations for car parking are lower than expected and the scheme will be further promoted for 2020/21. Sale of deer carcasses is slightly lower than budgeted but the plan is to engage a butcher which should increase future sales.

5.6 The Conservators have presented a balanced Core Budget (General Fund) for 2020/21. The budget includes £55,500 of income from the sale of commemorative plates on the new memorial wall. This figure is based on the fact that these schemes have been shown to be very popular nationally and there has been significant interest locally. The wall is at the pre-planning consent stage and there may be a risk of project slippage. Any resulting shortfall of income will be met from reserves. There is also a planned contribution of £15,000 from the recently formed Ashdown Forest Foundation generated by private donations and the recovery of gift aid. A number of Ashdown Forest Centre events are planned including a launch event and a sponsored walk which should generate £10,000. The expenditure budget includes the additional cost of changes to staff hours and responsibilities and of the new part time member of staff. £18,000 has been planned as the cost of building the memorial wall. The Conservators are aware that the income from the memorial wall is one-off and will work with the newly appointed Chief Executive to ensure that future budgets are sustainable in the long term.

5.7 The Conservators agreed to maintain reserves sufficient to cover 6 months of staffing and administration costs. The Conservators are not planning any draws from reserves during 2020/21. The resulting budgeted reserve balance for the year ending 2020/21 is £343,432, which exceeds the minimum balance of £196,000.

5.8 Natural England provide the funding for the CS budget £522,676 for 2020/21 and although this represents more than half the total Forest income, it is ring-fenced for Heathland Conservation projects. As such, all CS budget must be spent under the conditions for receipt of the money and may not be used to offset General Fund expenditure. However, there is a multiplier applied to CS staff costs and contracted-out in house staff to enable the Conservator's to recoup some staff on-costs and Forest Centre overheads. For 2020/21 this is £135,000 and is shown under income as 'Countryside Stewardship Staff Recharge'. The CS budget shows a planned deficit of £84,210 and will be met from the CS reserve which includes a £46,768 projected surplus in 2019/20. The CS budget has been separated from the General Fund and is shown as Appendix 22.

5.9 The Conservators are acutely aware of the need to continue to increase their income and control their costs in order to maintain the level of care provided to the Ashdown Forest and to help bridge the gap to sustainability.

5.10 It is proposed to remove the Council's grant which was £30,000 in 2019/20. This matches the provision in the CET budgets.

5.11 Annual income to the Trust Fund, from a long term lease with the Royal Ashdown Forest Golf Club, amounts to £70,000 with the addition of bank interest. The contribution to the Conservators from the Trust Fund can be maintained at £65,100 in 2020/21.

5.12 Awarding the grant from the Trust Fund at the recommended level would give the Conservators a balanced budget for 2020/21.

5.13 While the County Council has a statutory obligation to meet the shortfall between expenditure and income of the Conservators, it also has the responsibility for approving the level of expenditure. The recommendations set out above are reflected in the reconciling policy, performance and resources report in paragraph 1 of this report.

28 January 2020

KEITH GLAZIER
(Chair)