Report to:	**Cabinet**
Date:	**29 June 2015**
By:	**Chief Executive**
Title of report:	**Reconciling Policy, Performance and Resources - State of the County**
Purpose of report:	**To begin the Reconciling Policy, Performance and Resources (RPPR) process for 2016/17 and beyond**

RECOMMENDATIONS:
Cabinet is recommended to:

i) Agree to the development of a three year business and financial plan based on existing priority outcomes and operating principles;
ii) Note that the anticipated financial context for the period 2016/17-2018/19 is a savings requirement of £70m-£90m, subject to any announcements which affect financial plans in the budget on 8 July 2015, with plans to be developed for savings of £20m-£25m in 2016/17 for initial consideration by Cabinet in October;
iii) Note the evidence base on demographics and the policy and resources outlook set out in the report and in Appendix 2 and 3;
iv) Agree the proposed areas of search for savings proposals for consideration by Cabinet in October, as set out in paragraphs 4.12-4.16 and 6.4;
v) Note the developing proposals for lobbying communications and engagement as set out in paragraph 7;
vi) Agree the revised Capital Programme in Appendix 4; and
vii) Note the progress made in identifying capital pressures and potential resources in Appendix 4.
viii) Recommend the County Council agree the amendments to the Treasury Management Strategy set out in Appendix 5 to facilitate investment in a wholly local government owned municipal bond agency

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1. Background

1.1 The State of the County report begins our Reconciling Policy, Performance and Resources process, the business and financial planning cycle, for the period 2016/17-2018/19. The Council's current medium term financial plan runs to the end of the current financial year.

1.2 The last five years have seen the County Council make savings of £78m. The diagram below shows how those savings were achieved through a mixture of service change, efficiency and prioritisation. During this period we have been able to make differential savings across priorities and have used reserves to invest in some areas. Whilst the County Council will still have a net budget of about £350m next year, the need to make savings of £20m-£25m in 2016/17 and a total of £70m-£90m up to 2018/19, will bring a new scale of challenge which cannot be met without direct impact on front line services for all service areas across the organisation.

Our Journey

2010 → - £14.4m → **2013** → - £64m → **2016** → - £70m to £90m → **2019**

<u>Efficiency and Resource Management</u>

- In-year cuts in response to emergency budget
- Ceased activities where specific grant cut
- Relative protection for: older people, people with disabilities and highways
- Pressures in LAC addressed
- Provided for balance of concessionary fares not funded by grant

<u>Commissioning led change based on Priority Outcomes</u>

- Differential savings based on 12 service areas & 4 priority areas
- reserves and revenue budget used invest in programmes to improve long-term outcomes:
  - THRIVE
  - school standards
  - roads
  - economic development projects
- Departments absorb other pressures
- Broadly 20% cuts in back office functions and 15% cuts to front line services across the Council as a whole

Priority Outcomes

- Driving economic growth
- Keeping vulnerable people safe
- Helping people help themselves
- Best use of resources

Operating Principles

- One Council
- Commissioning
- Partnership

Facilitating Programmes

- Agile
- Digital
- Orbis
- People

Service Change Programmes

1.3 The next three year's programme will be developed and implemented against a background where public expenditure as a proportion of GDP will become the lowest it has been since World War 2. With some areas of Government spending being protected (such as Health), unprotected departments (such as Communities and Local Government) will face some very deep cuts. For the County Council, this will mean statutory services will need to be provided at a reduced level and some services that the public value will have to cease if we are to manage within our means. This may increase the risks to some of the more vulnerable people in the community. Research shows that the public considers the period of austerity to be over and there is a danger that they will see Local Government as the cause of the cuts rather than Central Government.

1.4 The next three years will be unprecedented both in the scale of Government grant reductions and uncertainty about the effects of the Care Act (the latter of which means that the financial position of the Council's largest service is hard to predict but is likely to be in the range indicated above). These savings are in addition to the £78m reduction in spending the Council made between 2010 and 2015. Savings to date have been achieved by ceasing activities where specific Government grants were cut, applying Lean methodologies and working in partnership where this is more efficient and provides better value for money. This has allowed the Council to make differential savings, providing relative protection to or investment in priorities such as older people's services, highways and Looked After Children, and taking higher levels of savings in back office and non-priority areas. Clear targets for the areas of investment and for delivery of the priority outcomes are set out in the Council and in Lead Members' Portfolio Plans. It is not possible to achieve the next round of savings through efficiency and without affecting front line services, when so much has already been achieved in this way and the scale of the savings is so large.

2. Council Priority Outcomes

2.1 Last year, Members agreed a more focused approach to the Council Plan and agreed some broad outcomes which indicate success in delivery of our four priorities. These outcomes provide a focus for decisions about spending and savings and will direct work across the Council. The outcome that "the Council makes the best use of resources" is a test that will be applied to all our activities. The four priority outcomes are set out in more detail in Appendix 1, but fall under the following headings:

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

3. Development of the Council's Medium Term Plans

3.1 The Council's current Medium Term Plan runs to the end of 2015/16 and was agreed by County Council in February 2014. The Council has, in the past, been able to develop detailed plans for a rolling three year period, which has enabled longer-term service change to be achieved in support of our priorities and the savings necessary to achieve a balanced budget to be made.

3.2 The next Medium Term Planning period, the three years between 2016/17 and 2018/19 will see demand for services continue to rise due to demographic pressures. The changes expected which will affect our services are set out in Appendix 2. The key changes are:

- A 1% rise in the overall population, with reductions in the absolute numbers and proportions of young people and working age adults;
- An increase in the number and proportion of older people, with the largest percentage rise in people aged over 85;
- Potential need for 7,500 new jobs to meet the increase in the workforce as the retirement age increases and to provide employment for those currently on Jobseekers' Allowance; and
- Whilst the overall number of young people will decrease (as the population of 0-4 and 16-17 falls), there will be an increase in the number of primary age pupils in the middle of the period and a need for additional primary school places to provide places and choice in the areas where new housing growth is providing pressures on places. This bulge in the primary school population will feed through to secondary schools and there will be a need for additional places in the following three years.

3.3 The national and local context in which the Council's plans will need to be made is set out in Appendix 3. Broadly, the Government's long-term aim of reducing tax as a percentage of GDP, coupled with low productivity in the economy, means that public expenditure will continue to fall as a percentage of GDP until 2020. The lower ratio of GDP to spend tends to become locked into Government plans and is therefore likely to continue beyond 2020. With less money, the state will therefore need to have a smaller role in society. With spending commitments and priority being given to the NHS, to some aspects of welfare spend (such as pensions) and to defence, savings in other "unprotected" areas will need to be greater. As an unprotected area, spend and, therefore, the services Local Government can provide will inevitably continue to decline.

3.4 The Office of Budget Responsibility has said that the plans set out in the Conservative party's manifesto imply cuts of more than 5% in 2016-17 and in 2017-18. A number of the Government's manifesto promises could involve additional costs for the Council, but there is unlikely to be additional funding available to meet any costs, as the Conservative party manifesto set a target of saving £13bn from Government departments. A new Comprehensive Spending Review is anticipated to take place over the summer and will be published in October 2015. It will set out detailed spending plans for each Government department. The detailed provisional settlement for the Council is expected in December 2015, but the current planning assumption is that the Council will lose £46m in Government funding over the next three years.

3.5 The Government has also announced an emergency budget for 8 July 2015. The budget is expected to introduce measures to reduce the deficit by addressing the country's poor productivity record, to introduce changes to welfare provision and may begin the cuts required of unprotected Government departments. The Chancellor's speech to Parliament on 5 June 2015 indicated that there were likely to be in-year cuts to Local Government services, for example, Public Health.

3.6 The effects of the Care Act add to the difficulty of making firm predictions about the level of savings required (see paragraph 4.9 below) and there will be some opportunities to increase the Council's income (see paragraphs 4.3 and 4.4 below). However, taking all these changes together, it is estimated that the Council will have a net budget of just over £350m in 2016/17 to spend on services. This will require savings of £20m-£25m in 2016/17. Savings for the period 2016/17-2018/19 are expected to need to total £70m-£90m. These savings are in addition to those the Council has made over the last five years which total £78m. Services have, in the main, absorbed inflationary and service pressures, which mean that the savings made were much higher in real terms. Chief Officers may also need to take measures to implement any in-year cuts to Local Government spending introduced as part of the budget in July.

4. Meeting our Strategic Challenge

4.1 The key elements which will help us meet the strategic challenge we face, and progress against them, is set out below.

<u>Cross-Council Facilitating Programmes</u>

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

i) **Community Resilience** – work is underway throughout all services on early intervention to help avoid more costly interventions later. Work in the next year will concentrate on developing a strategy to work with the communities to reduce demand for public service through increased self-help.

ii) **People Strategy** – the approved strategy is being implemented, along with a new learning management system due to be launched in September, with a stronger focus on health and wellbeing and the personnel performance management system currently under review.
iii) **Agile** – activity on the Property and IT phase of the work continues, with a supporting programme aimed at helping staff to manage in an Agile environment.
iv) **Digital** – linked to our Agile programme, our Digital Strategy has a number of elements which support our service change programmes. These will help us to share information with others, work more efficiently and support and enable channel shift to allow more services to be delivered digitally and to reduce costs.
v) **South East Business Services** – work is progressing towards the creation of a joint business services partnership with Surrey County Council (SCC), now known as Orbis, following agreement by Cabinet. The services covered will include: personnel, finance, procurement, property and ICT. Work is also underway to develop a legal services partnership with SCC aligned with the Orbis programme.

<u>Maximising control and independence</u>
4.3 **Income Generation** - work is underway to ensure the Council maximises its income under four themes:
- core finance and funding;
- fees and charges;
- cultural change; and
- commercial strategy.

4.4 In relation to core finance, additional income will be generated through the Business Rates Pooling agreement, the increase in Council Tax base (estimated at 1% per annum), increased income from Business Rates from new developments and rises in Council Tax. The assumption officers have made about increases in Council Tax of 1.95% per annum could be subject to change, following any revised Government ceiling on Council Tax increases without a referendum. An Investment Strategy for Property is also under development.

4.5 The Local Government Association (LGA) has created a Municipal Bonds Agency (MBA) which it believes will allow councils to raise funds at significantly lower rates than those offered by the PWLB. It is an independent company with the sole aim of reducing financing costs for councils through arranging lending at competitive interest rates. It is envisaged that the company will fund lending through any or all of the following:
- Raising money on the capital markets through issuing bonds
- Arranging lending or borrowing directly from local authorities
- Sourcing funding from other third party sources, such as banks, pension funds or insurance companies.

4.6 The County Council is not able to issue its own bonds due to the stringent capital market requirements including an initial sum of £250m+ needed to get a market rate. The MBA would, however, be able to raise finance in bulk from the capital markets by issuing bonds and lending to local authorities. The current indication is that around 60 local authorities have pledged support. The County Council is giving consideration to whether to participate in the scheme and a report will be taken to the Lead Member shortly for decision. The Council is currently in negotiations to determine the level of its participation in the scheme.

4.7 Taking part in setting up the agency does not commit the Council to borrowing, but could give early access to potentially cheaper borrowing if required.

4.8 There are other benefits that arise from the creation of the MBA including:
- Reduced exposure to shifting government lending policies through increased competition and diversity of lending sources.
- The creation of a centre of expertise at the intersection between capital markets and local government finance.

- The opportunity to access European Investment Bank (EIB) funding for future Council infrastructure development. EIB rates are lower than PWLB rates, but cannot usually be accessed by local authorities, because, in most cases, the EIB will only lend money for specific projects worth £250 million or more (in some cases the EIB will help to finance £150 million projects) for which it will provide up to half the funding.
- There is the possibility that the Council may receive dividend income in the future.

4.9 The proposals are grounded in the prudential code, but there are a number of risks associated with the formation of the MBA. These are:

- The company has not started to operate and is an proven concept;
- It may not be possible to raise the required level of capital or further capital may be required;
- The demand for borrowing may not materialise;
- The PWLB may reduce its margins making the company an unattractive prospect;
- If the company has to be wound up, assets remaining in the company will be distributed to the value of cash investments – the value of any investment may not therefore be realised.
- In the event of any local authority becoming bankrupt, the Council's liability will be limited to the proportion of its investment.

4.10 In order to participate in the scheme Council will need to agree amendments to its Treasury Management Strategy. The recommended amendments are set out in Appendix 5.

4.11 **Devolution** - work is also underway to ensure we fully exploit any opportunities that devolution may offer to make the most of the public funding that is available for the benefit of the people of East Sussex. Proposals in the Cities and Local Government Bill are predicated on a mayoral model. The Council is working with SE7 partners to develop a devolution ask and offer which will be based on the circumstances in the south east and which seeks a more flexible governance model to take account of a large two-tier area. More details of the developing SE7 proposal are set out in Appendix 3 paragraph 1.4.

<u>Service Change Programmes</u>

4.12 In response to changes in legislation and in preparation for the scale of savings anticipated during the next planning period, a number of service change streams have been developed. It will be through these change streams, supported by the cross-Council facilitating programmes, that services will be reshaped in a way that will help them become sustainable in the future.

4.13 **Skills** - the work in relation to skills has the following two main streams:

- ensuring the County Council, as an employer, is playing its part to assist young people and vulnerable groups into employment, linked to its workforce plan and future workforce needs; and
- facilitation between schools, colleges and employers to ensure that the county has the workforce it needs, equipped with appropriate skills, both for current employment opportunities and in future growth sectors.

4.14 **Children's Services Future Operating Model** - the Thrive Programme has successfully reduced the number of children coming into care and the length of time they spend in care. The savings needed in the next planning period and the changing relationships with schools as they become more autonomous, means that we need to develop a radical new operating model for Children's' Services, which delivers our priority outcomes as effectively as possible against the background of diminishing resources and influence over schools. The review of service design aims to:

- commission integrated services working closely with partner agencies;
- ensure the right people work with the right children, families and settings in the right way for the right amount of time;

- work better together with Adult Social Care and NHS for the benefit of the whole population; and
- mobilise communities and other partners to help children, young people and families.

4.15 **East Sussex Better Together and the Care Act** - a more detailed explanation of the work we are carrying out on East Sussex Better Together (ESBT) and the Care Act is set out in Appendix 3, paragraphs 3.1 to 3.9. The rising numbers of older people needing help, the additional duties arising from the Care Act and its effect on market inflation in the care sector would place considerable strain on our ability to meet all substantial and critical need without additional funding. Service development through the better integration with the NHS via the ESBT Programme will help to mitigate this strain, provided the Government continues to support a shift from acute to community care. The additional savings likely to be required during the next planning period could mean the ability to meet our statutory duties is jeopardised. With half our budget spent on services for Adults, however, it will not be possible to protect the budget, whilst continuing to meet our other duties.

4.16 **Highways Contract Re-let** - Members will be aware that the highways contract re-let, which will be completed for the start of the 2016/17 financial year, and which will have taken an outcomes focus to services, is expected to deliver savings of just over £1m. This will leave the Council with a new role in relation to highways, managing the contract and the asset, but with delivery of the contracted outcomes the responsibility of the contractor.

5. Capital Programme

5.1 A summary of the changes to the Capital Programme following the closure of the 2014/15 accounts and a review of the programme's overall deliverability is attached at Appendix 4.

5.2 The review of the programme has identified changes to the profile of individual schemes including slippage, to ensure alignment with delivery timescales. In addition, there is a reclassification of £0.9m within the building improvement project to revenue and additional budget requirement for the Schools Access Initiative Programme of £0.2m due to the current budget allocation ending in 2014/15 and our need to ensure that we accommodate children with specific needs in "mainstream" schools. The Council has capital contingency to fund this cost.

5.3 The Council has a contingency to mitigate programme risks outlined in detail at Appendix 4 paragraph 2.7. Following a review, this stands at £12.9m (£10m agreed at the February meeting of the County Council less the £1.2m used and adding the additional resources of £4.1m).

6. RPPR next steps

6.1 Through the RPPR process, we will bring forward proposals for savings across the next three financial years to reshape the organisation and deliver the savings required by commissioning services which will deliver our priority outcomes as far as possible, in partnership with others, where this will yield better outcomes for local people. Where the services commissioned are delivered by others, arrangements will need to ensure that democratic accountability for use of budgets and outcomes is protected.

6.2 Whilst the existing service change, facilitating and income generation programmes identified above will help to ensure that the Council delivers its services in the most efficient way possible and that it maximises the use of all the resources available to it, they cannot deliver the scale of savings likely to be required during the next three years. We will continue to make sure we learn from best practice elsewhere, benchmark our services for value for money and take efficiency savings where these are available. However, the scale of the savings we have already made and the size of the task ahead means that our service offer will need to fundamentally change and reduce. Some services will need to cease and statutory services will need to be delivered in a tightly targeted way, which means that some people who access them now may not be able to do so in the future. This will bring increased risk to the Council and to those we serve.

6.3 The Council has identified its key outcomes against the four priority areas which will help officers bring forward prioritised and targeted savings plans (Appendix 1). The facilitating programmes contribute to and our commissioning approach will help to deliver a One Council approach to achieving the outcomes identified by Members.

6.4 Our priority outcomes and operating principles are being used to shape the work already underway in relation to the elements in the strategic challenge diagram. Chief Officers have used them to identify areas of search for savings in the next year. These are:

- Adult Social Care – integrating work with health to take a single view of health and care requirement; developing our digital systems to maximise efficiency and reduce the cost of advice and assessment; review return on investment in preventive services to focus on those which give the greatest return in terms of reduced need for long term care;
- Children's' Services - integrated services with partner agencies; ensuring the right people work with the right children, families and settings in the right way for the right amount of time; integrated work with Adult Social Care and NHS; and mobilising communities and other partners to help children, young people and families as part of our community resilience work and increased digitalisation of service access.
- Review the Capital Programme to ensure we are making the right choices between revenue and capital to meet basic need in the county;
- Communications model redesign;
- Commissioning strategy for community based services such as libraries and children's centres;
- Review of corporate financing arrangements; and
- Highways contract re-let and review of winter maintenance policy and routes.

6.5 Cabinet is also asked for its views on any additional areas of search it would like to see investigated.

6.5 Cabinet is asked to agree that Chief Officers develop plans over the summer for the delivery of savings of £70m-£90m in the next three years, subject to any amendment required following the Government's emergency budget in July, with more detailed proposals for savings of £20m-£25m to be brought to Cabinet in October.

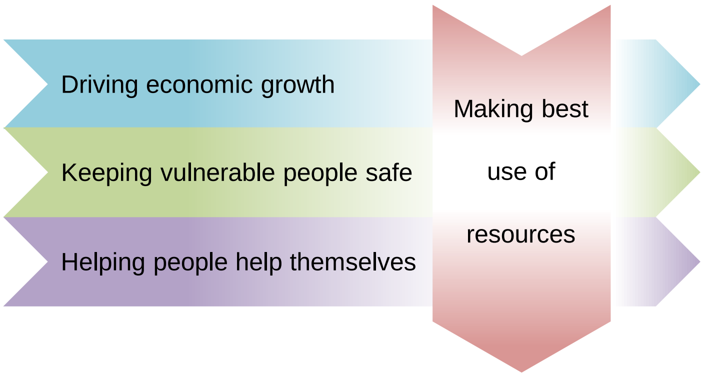
7. Engagement, Communications and Lobbying

7.1 Engagement and communications will take place on both the Council's overall position and specific proposals as they emerge with the public, partners, staff and stakeholders. The Council will seek to lobby through national, local and regional networks and direct with decision makers on issues affecting the county to get the best possible outcomes for local people.

Becky Shaw
Chief Executive

Priority Outcomes

Our Priority Outcomes



Driving economic growth - delivery outcomes

- Employment and productivity rates are high throughout the county
- Businesses are able to thrive in East Sussex and can access the skills and infrastructure they need
- Thriving East Sussex economic growth sectors
- A unique and well known East Sussex offer
- All children progress well from early years to school leaver and into education, training or employment

Keeping vulnerable people safe - delivery outcomes

- All vulnerable people in East Sussex are known to relevant local agencies and services are delivered together to meet their needs
- People feel safe at home
- People feel safe with support services

Helping people help themselves - delivery outcomes

- Commissioners and providers from all sectors put people first when providing services and information to help them meet their needs
- The most vulnerable people get the support they need to maintain their independence and this is provided at or close to home
- Individuals and communities are supported and encouraged to be responsible, help others and make the most of community capacity and assets

Making best use of resources - delivery outcomes

- Applying strategic commissioning to ensure that resources are directed to meet local need
- Working as One Council both through the processes we use, and how we work. We will work in a well-connected way across Council teams to achieve our priorities
- Working in partnership to ensure that all publicly available resources are used to deliver maximum benefits to local people
- Ensuring we achieve value for money in the services we commission and provide
- Maximising the funding available through bidding and through lobbying for the best deal for East Sussex

Appendix 2

State of the County 2015 – Demographic Outlook

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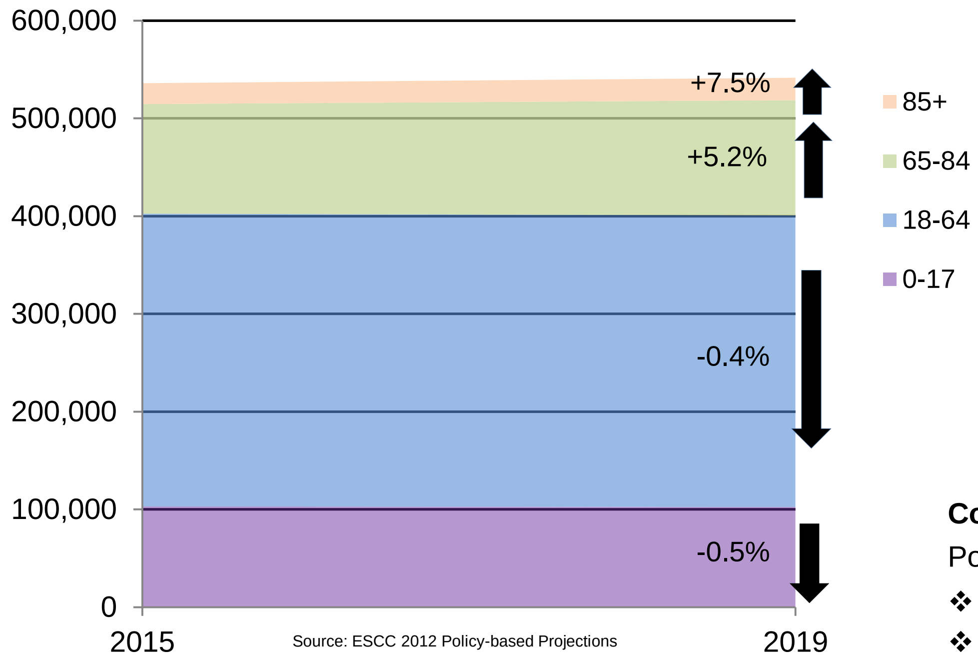
East Sussex County Council

June 2015

East Sussex population growth

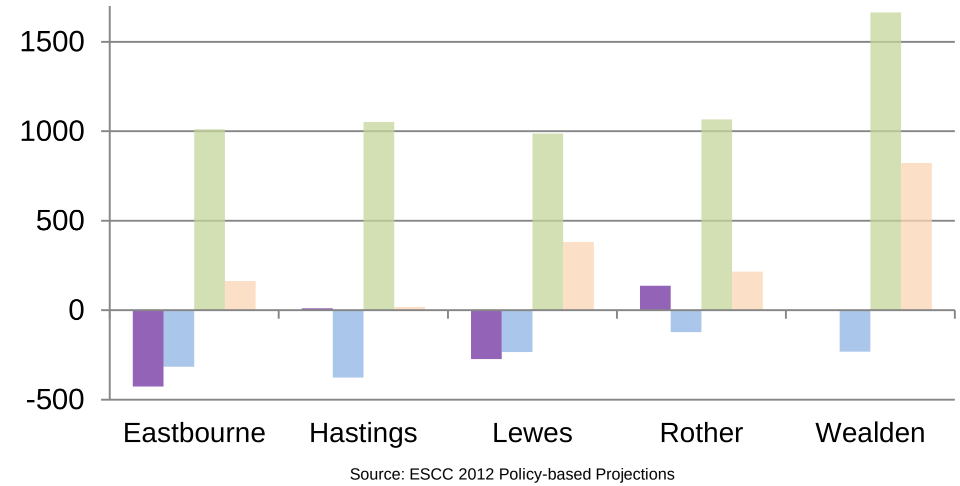
Population 2015		Births		Deaths		Migration in		Migration out		Population 2019
536,100	+	20,500	−	24,700	+	204,600	−	194,900	=	541,600 Up 5,500 (1%)

Projected East Sussex Population Change



Age band	2015	2019	No. change	% change
85+	21,382	22,989	+1,607	+7.5
65-84	112,128	117,913	+5,785	+5.2
18-64	299,522	298,241	-1,281	-0.4
0-17	103,023	102,473	-550	-0.5
Total	536,055	541,616	5,561	+1.0

Projected population change by District 2015 - 2019



Compared to 2015 by 2019 there will be:

Population**:**

- 5,500 more people living in East Sussex (+1%), with all growth among ages 65+
- 830 more people aged 85+ in Wealden, +14.5%; but just 20 more in Hastings
- Little change in child numbers, following the birth rate peak in 2010/11
- A general decrease in working age population aged 18-64

Households:

- 243,400 households in the county an increase of 2.2% from 238,200 in 2015
- 58,900 households with dependent children, an increase of 2.9% from 2015
- A 1.8% increase in the number of one person households to 80,400
- 2.23 people per household compared to 2.25 in 2015

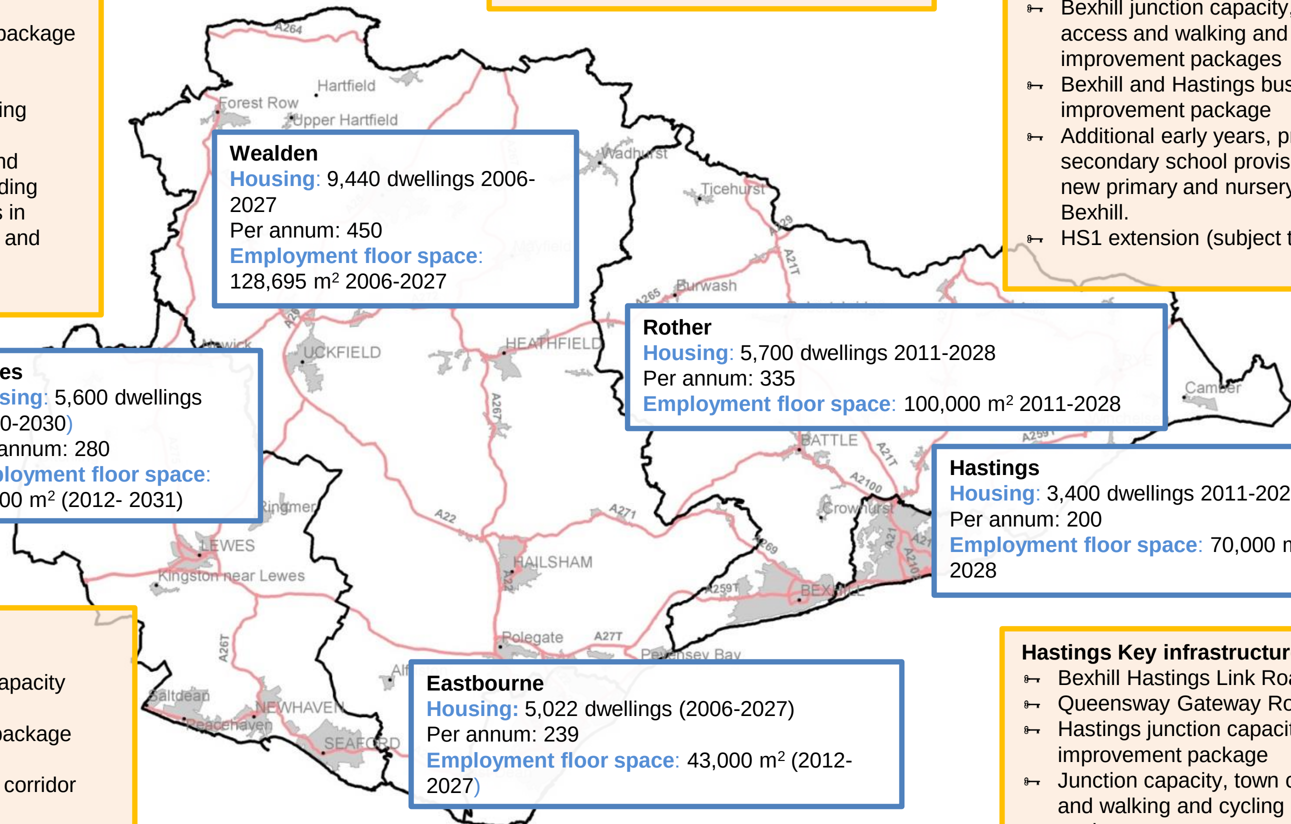
Housing and Infrastructure

Planned Development and Key Infrastructure in East Sussex – March 2015

Wealden Key infrastructure
- A27/A22 junction improvements
- A27 improvements
- Uckfield Town Centre accessibility improvements
- Hailsham/Polegate accessibility package
- Hailsham/Polegate/Eastbourne Sustainable Transport Corridor
- South Wealden walking and cycling package
- Additional early years, primary and secondary school provision including new primary and nursery schools in Hailsham, Uckfield and Polegate and new secondary school facility in Hailsham.

Countywide:
Next Generation Access Broadband for 65,500+ premises

Rother Key infrastructure
- Bexhill Hastings Link Road
- North Bexhill Access Road
- A21 improvements
- Bexhill junction capacity, town centre access and walking and cycling improvement packages
- Bexhill and Hastings bus access improvement package
- Additional early years, primary and secondary school provision including a new primary and nursery school in Bexhill.
- HS1 extension (subject to funding)



Wealden
Housing: 9,440 dwellings 2006-2027
Per annum: 450
Employment floor space: 128,695 m² 2006-2027

Rother
Housing: 5,700 dwellings 2011-2028
Per annum: 335
Employment floor space: 100,000 m² 2011-2028

Lewes
Housing: 5,600 dwellings (2010-2030)
Per annum: 280
Employment floor space: 74,000 m² (2012- 2031)

Hastings
Housing: 3,400 dwellings 2011-2028
Per annum: 200
Employment floor space: 70,000 m² 2008-2028

Eastbourne
Housing: 5,022 dwellings (2006-2027)
Per annum: 239
Employment floor space: 43,000 m² (2012-2027)

Lewes Key infrastructure
- Newhaven Port Access Road
- Newhaven Ring Road, junction and capacity improvements
- Newhaven area walking and cycling package
- A27 improvements
- Brighton/Peacehaven/Newhaven bus corridor Phase 2
- A26/B2192 (Earwig Corner) improvements
- Lewes town junction and cycle route 90 improvements
- Newhaven Flood defences
- Additional early years, primary and secondary school provision including a new primary and nursery school in Newhaven.

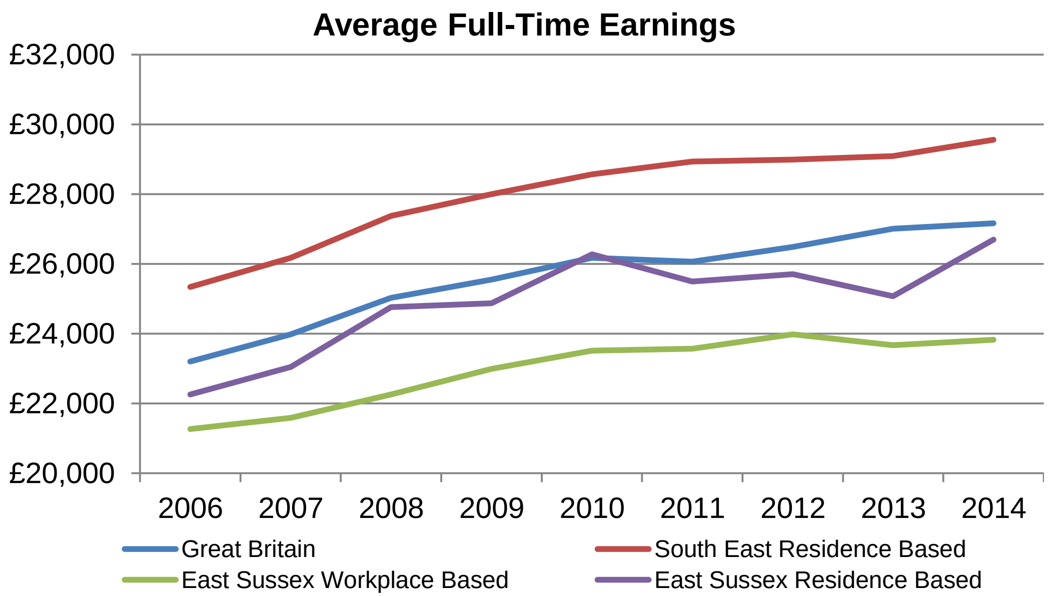
Eastbourne Key infrastructure
- A27/A22 junction improvements;
- A27 improvements
- Eastbourne town centre access and walking & cycling improvement packages; bus access & improvement package;
- Hailsham/Polegate/Eastbourne Sustainable Transport Corridor
- Additional early years, primary and secondary school provision

Hastings Key infrastructure
- Bexhill Hastings Link Road
- Queensway Gateway Road
- Hastings junction capacity improvement package
- Junction capacity, town centre access and walking and cycling improvement packages
- Hastings and Bexhill bus access improvement package
- Additional early years, primary and secondary school provision
- HS1 extension (subject to funding)

Source: Borough and District Council Local Plans

Driving Economic Growth

13,000, number of people actively seeking work (ILO Dec 14)	+	370, projected workforce growth 2015 – 2019 (All ages)	=	Potential job need of 13,370	–	4,750, number of new jobs by 2019 (East Sussex Economic Forecasting Model)	=	A shortfall of 8,620



Source: ESIF Average (median) earnings, 2006-2014 - districts

Average median earnings workplace based (Full-time)				
	2008	2010	2012	2014
Eastbourne	£24,716	£25,811	£25,185	£25,967
Hastings	£20,127	£21,535	£23,516	£23,621
Lewes	£22,369	£23,934	£25,550	£26,280
Rother	£20,753	£20,857	£22,265	£19,762
Wealden	£22,578	£23,881	£23,151	£22,161

Source: ESIF Dataset: Average (median) earnings, workplace-based, 2006-2014 – districts, http://www.ons.gov.uk/ons/dcp171778_385428.pdf

Full-time earnings

- £26,697 average full-time wage for residents of East Sussex in 2014
- 1.7% less than the national average
- 9.7% less than the South East average
- Projected to increase to around £29,000 by 2019
- 6.2% fewer people worked full time in East Sussex in 2013 than nationally
- This is projected to increase to around 7% by 2019
- In 2014 Rother workplaces had the lowest average full-time wages in Britain at £379 per week

Source: ESIF workplace based jobs, ESIF: Average (median) earnings, workplace-based, 2006-2014 - districts

Gender and Employment

- 48.3% of women worked part-time in 2011 and 15.6% of men
- Both above national and regional figures, national 43.4%/14.6%, South East 43.8%/13%

Source: ESIF Hours worked by age and sex in 2001 and 2011 – wards

- 29.8% less, amount women who work in East Sussex earn on average compared to equivalent men
- Nationally the difference is 35.1%. South East difference 37.2%

Source: ESIF Average (median) earnings, workplace-based, 2006-2014 – districts

- 8.9% of women in East Sussex are self-employed
- This is above both the South East, 7.3%, and National, 6.2%, averages
- For men the East Sussex figure is 20.7%, again above both the South East, 16.3%, and Nationally, 14.7%

Source: ESIF Economic activity by age and sex in 2011 – wards

Driving Economic Growth

Earnings and home ownership affordability 2014 - 2019

- Average East Sussex wage 2014 - £20,231
- Average East Sussex house price January 2014 - £183,317
- Projected average East Sussex wage 2019 - £21,750
- Projected average East Sussex house price 2019 - £245,000

Based on full and part time workers, median residence based

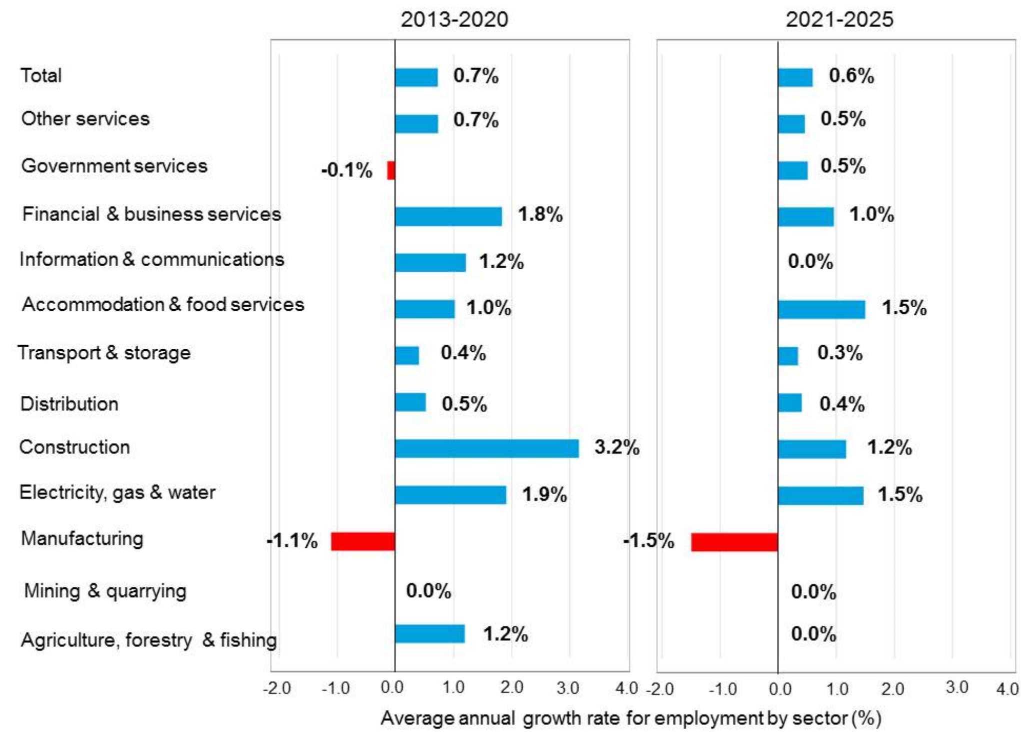
House Price Multiplier	2006	2008	2010	2012	2014	2016	2018	2019
						Projections		
National	8.38	8.87	7.63	7.49	7.69	8.29	8.92	9.26
South East	9.53	10.22	8.94	8.72	9.29	10.28	10.95	11.29
East Sussex	9.53	10.07	8.56	8.65	9.06	10.08	10.87	11.29

Source: ESIF House Price Index, 2001 – 2014 – County and ESIF Average (median) earnings, residence-based, 2006-2014 - districts

Employment growth

- Between 2015 and 2019 the county is projected to create 4,750 new jobs; an increase of +0.5% on average per annum (East Sussex Economic Forecasting Model)
- Growth sectors include: finance and business services, accommodation and food services, and construction
- Limited growth/decline in manufacturing, and government services
- The East Sussex Growth Strategy highlights emerging high growth and innovative sub-sectors including: engineering; health & social care; digital, media and creative
- There are around 1,500 companies identified with potential for growth which may be accelerated with our intervention

East Sussex employment forecasts: growth by sector to 2025

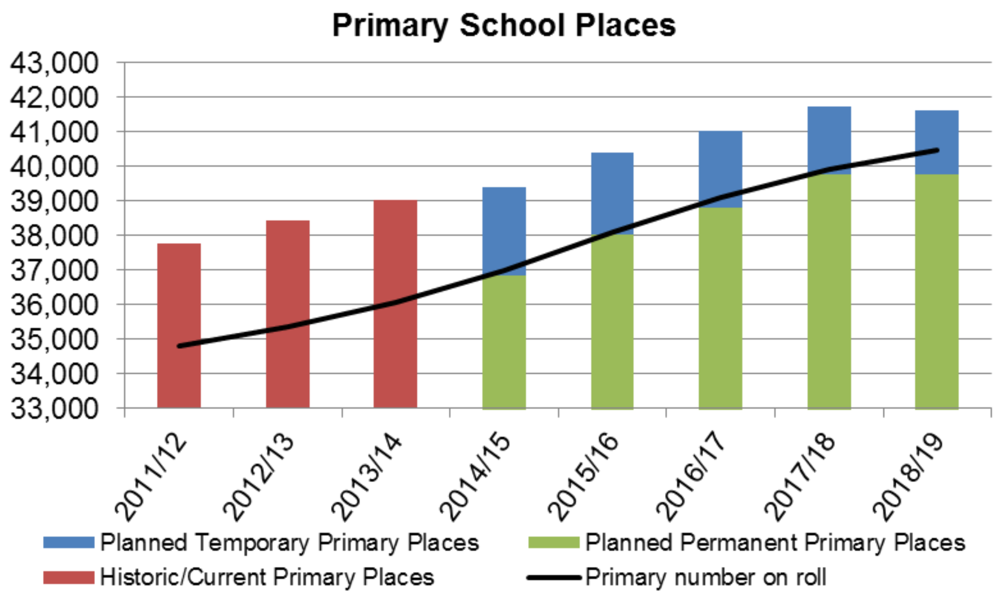


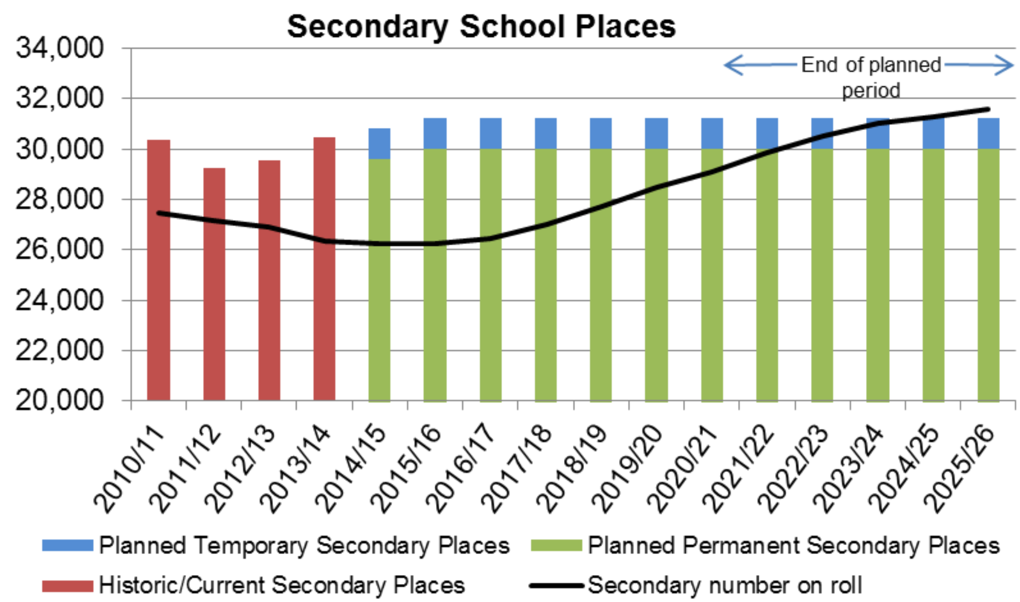
Source: East Sussex Economic Forecasting Model, Cambridge Econometrics, September 2014

Science Technology Engineering Maths (STEM) skills

- Local advanced manufacturing and engineering sector is high value and optimistic about the potential for growth
- Some hard to fill vacancies in professional and skilled occupations
- STEM graduate employees boost growth and innovation in many industries
- Lack of interest in engineering apprenticeships and lack of awareness of successful local engineering businesses amongst young people
- Need to promote STEM careers at early age, especially to female students
- University Technical College Harbourside, Newhaven opening Sept 2015 and Advanced Engineering Centre, Brighton construction 2015

Driving Economic Growth - School places needed by 2019





Source: ESCC Education Commissioning Plan 2014 – 2018 and Schools, pupils and their characteristics: January 2014, SFR15/2014

Primary School Places

- Additional capacity is planned to meet forecast shortfalls in local areas: 2200 extra places by 2018/19 compared to 2014/15
- Includes additional temporary places to meet short-term demand
- Total numbers on roll expected to fall from around 2021/22
- Post 2021/22 increases still likely in some local areas

Secondary School Places

- Total number of places is fewer than primary as many 16 – 17 year old students don't attend school sixth forms
- Secondary numbers expected to peak around 2025/26
- Capacity in some local areas forecast to be exceeded before 2020
- Current capital programme ends 2017/18; after this more places will be needed

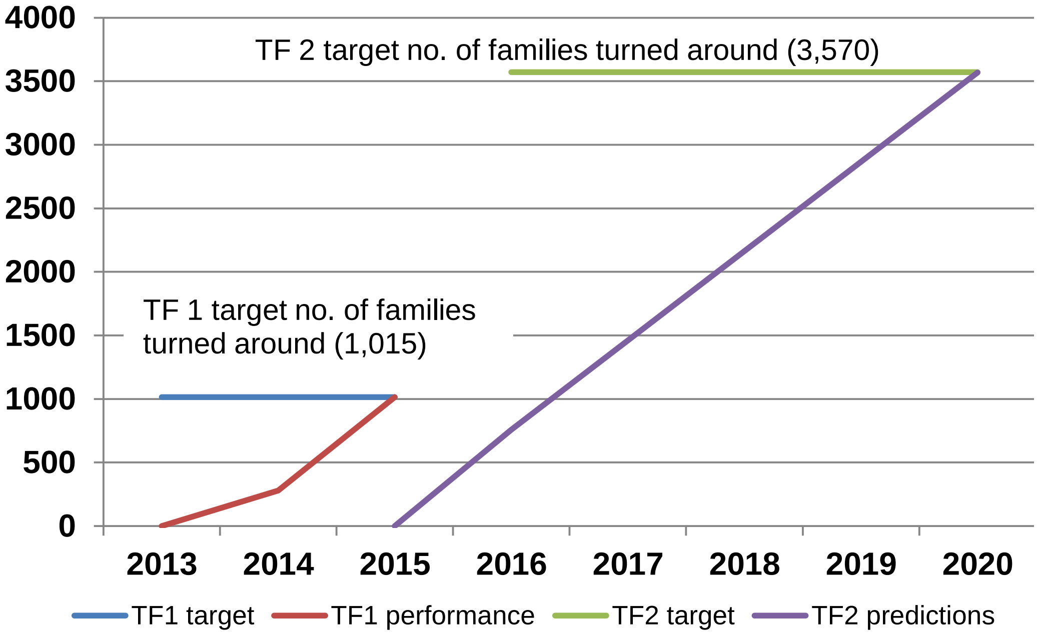
Projected change in youth population

	2015	2016	2017	2018	2019	% Change 2015 - 2019	2020	2021	2022	2023	2024	2025	% Change 2020 - 2025
0-3	21,906	21,702	21,561	21,358	21,111	-3.6	20,915	20,756	20,599	20,455	20,316	20,178	-3.5
4-10	41,032	41,638	41,706	41,760	41,536	+1.2	41,379	41,047	40,521	40,133	39,854	39,574	-4.4
11-15	28,340	28,145	28,408	28,999	29,576	+4.4	29,931	30,567	30,896	31,068	30,972	30,943	+3.4
16-17	11,746	11,218	10,835	10,454	10,250	-12.7	10,546	10,612	10,860	11,227	11,391	11,470	+8.8

Source: ESIF

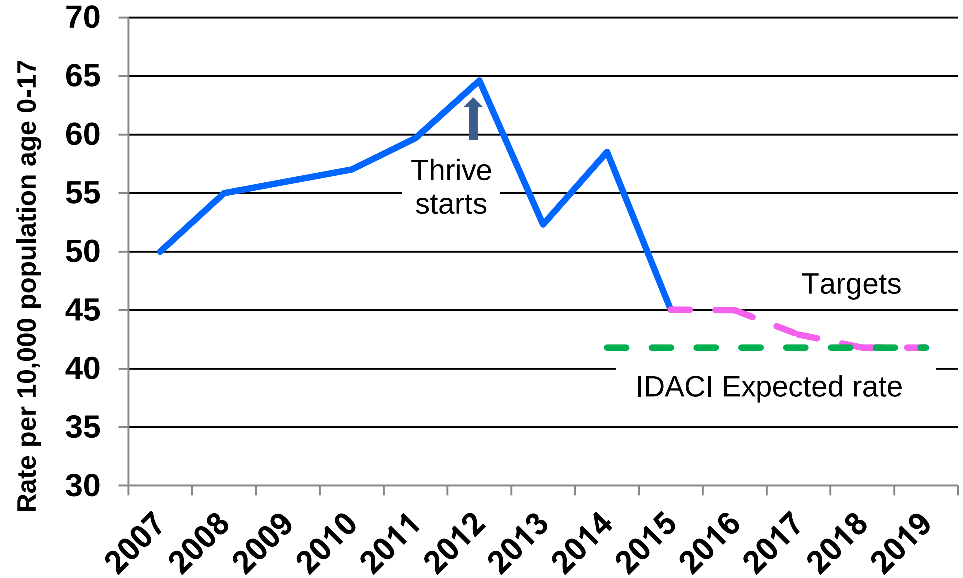
Keeping Vulnerable People Safe and Helping People Help Themselves - Children

Troubled Families



Source: Dept for Communities and Local Government

Child Protection Plans



Source: Children in Need Census 2014, SFR43/2014, Dept for Communities and Local Govt, and South East Sector Led Improvement Social Care Benchmarking

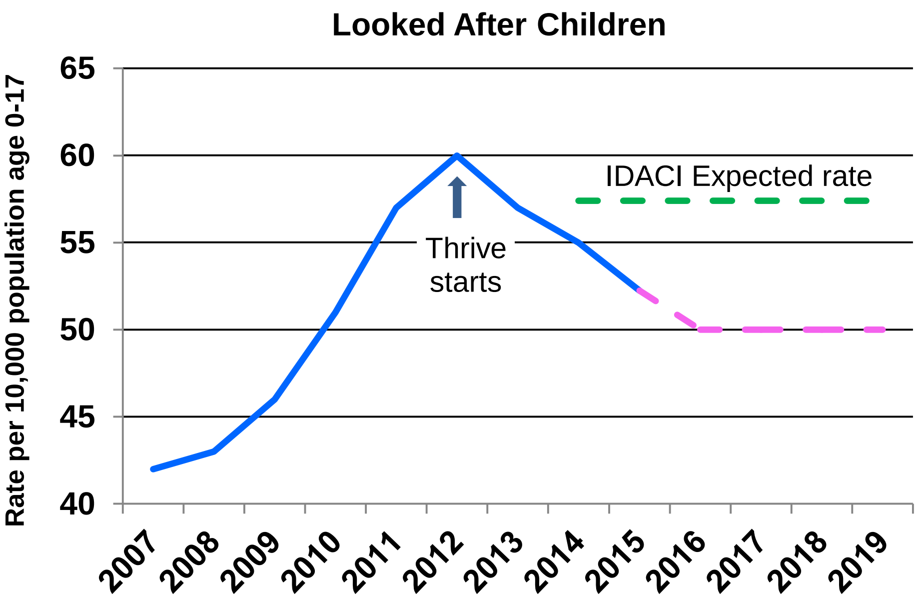
Troubled families results

- The Troubled Families programme (TF1) was launched in March 2012 as a 3 year programme
- The expanded Troubled Families programme (TF2) was announced in August 2014 to run from 2015-2020.
- Troubled Families work is a core element of Children's Services delivery
- Payment by results targets are linked to successful family outcomes
- Successful family outcomes impact positively on all priority outcomes and reduce demand for other services

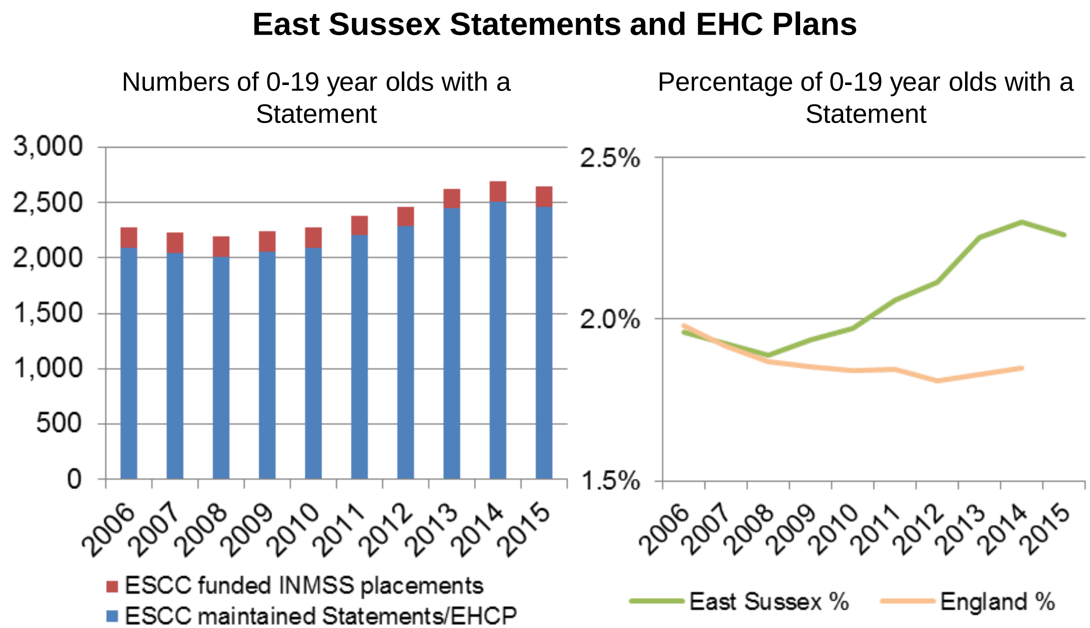
Child Protection (CP) Plans

- Before Thrive the number and rate of CP Plans were rising each year
- Projected rate was unsustainable
- East Sussex is still above the expected rate based on the index of child deprivation (IDACI)
- The target is to reach the IDACI expected rate by 2018
- Number of CP Plans 2015: 469, rate 45 per 10,000 is above expected rate benchmarked for child deprivation (IDACI)
- Target is to reach and maintain IDACI expected rate from 2018 a drop of 36 (-7.7%) CP Plans (Number of CP Plans 433, rate 42 per 10,000)

Keeping Vulnerable People Safe and Helping People Help Themselves - Children



Source: Children looked After return 2014, SFR36/214, Dept for Communities and Local Govt and South East Sector Led Improvement Social Care Benchmarking



Source: Special educational needs in England: January 2014, SFR36/2014

Looked after Children (LAC)

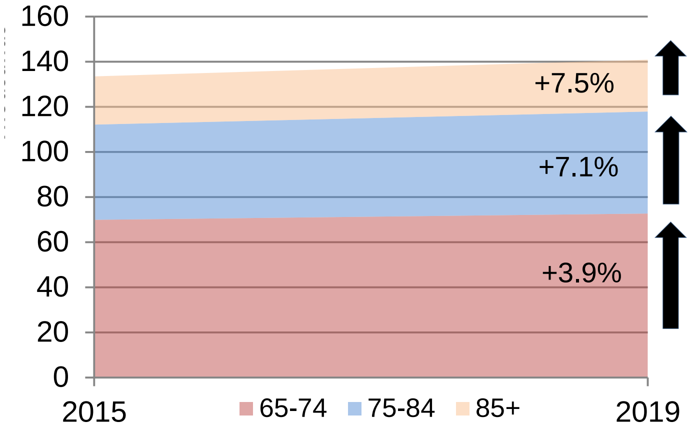
- Before Thrive LAC numbers were rising year on year and the budget was unsustainable
- By 31 March 2015 LAC numbers had been reduced to 548 (52 per 10,000 children) from 620 in 2012
- The average cost per LAC in East Sussex is £736, compared to the national average of £921 and comparison group average of £1,023
- Indicative targets to be confirmed with a focus more on costs than numbers of LAC. Target rate of 50 per 10,000 is 518 LAC by 2019, 30 fewer (-5.5%)

Special Educational Need and Disability

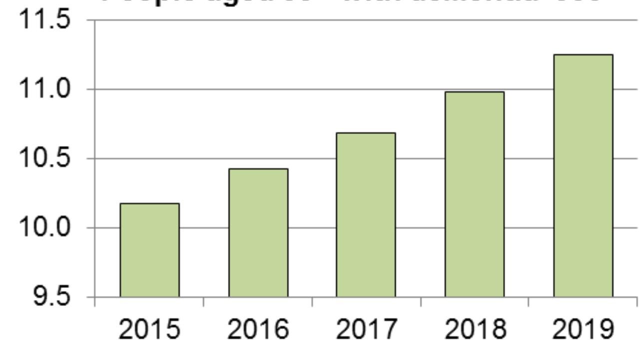
- Since September 2014 Education, Health & Care Plans (EHCP) replace a statement of SEN, for new assessments
- Council funded high cost placements at Independent and Non-Maintained Special Schools (INMSS) have remained around 180 since 2006
- All statements of SEN/EHCP maintained by the Council increased by 23% from 2,193 (in 2008) to 2,690 (in 2014). 2015 now shows a 2% decrease to 2,645. Majority of provision funded by a local authority (primarily ESCC) or from within a schools own delegated budget.
- ESCC Statement of SEN/EHCP as a percentage of population aged 0-19 (2.26% in 2015) is lower than the previous year but continues to be above that for England (1.85% in 2014)

Keeping Vulnerable People Safe and Helping People Help Themselves – Older People

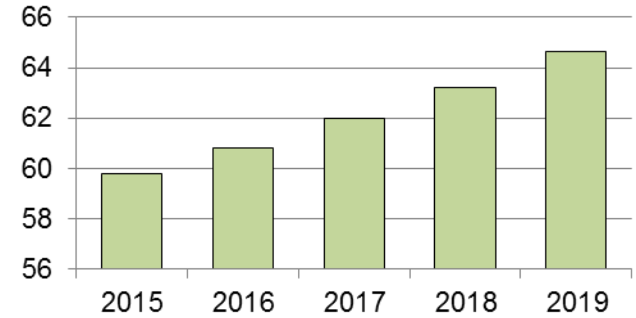
Increase in Older People (65+) '000



People aged 65+ with dementia '000

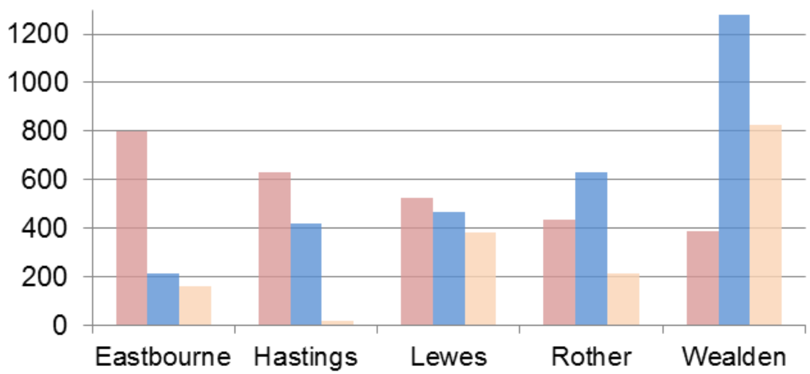


People aged 65+ with a limiting long-term illness in East Sussex '000



Source: POPPI, http://www.poppi.org.uk

Change to 65+ population by District



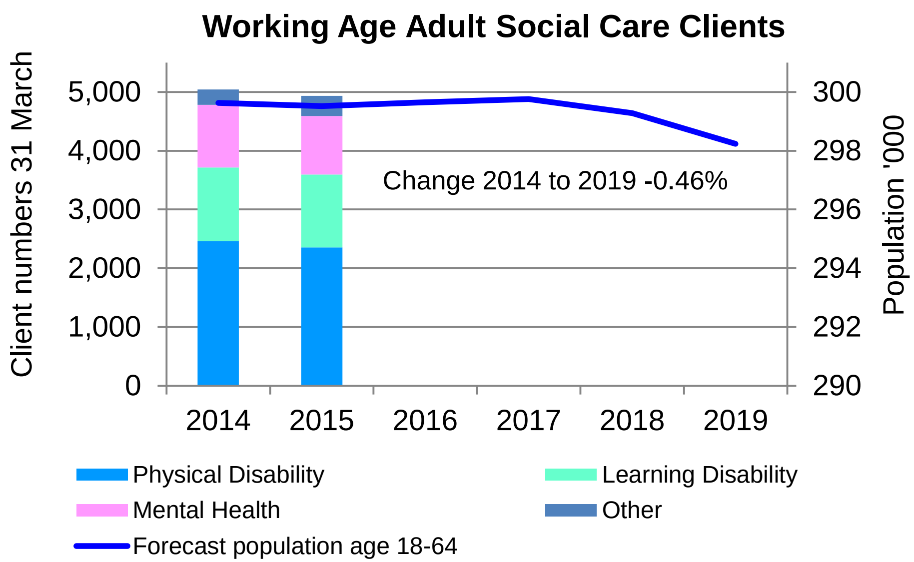
Sources: ESIF Population projections policy-based

2014/15 Service provision	65+ Physical Disability	65+ Mental Health	65+ Learning Disability	65+ Substance Misuse	65+ Other Vulnerable People	Total Clients
Community Based Services	9,530	835	70	10	185	10,630
Residential Care	1,235	390	105	5	40	1,835
Nursing Care	1,085	210	20	0	15	1,410

Older People

- By 2019 there will be:
  - A countywide increase in people aged 65+ of 7,392 (5.5%), from 133,500 to 140,900
  - Wealden: more people 75 - 84, 1,300 (10.4%) and 85+, 800 (14.5%)
  - Eastbourne: more people 65 – 74, 800 (6.7%)
  - Hastings: little change to 85+ population, but 420 (8.2%) more people 75 – 84
  - Rother 630 (7%) more people 75 – 84
  - Lewes 380 (9.5%) more people 85+
- Estimated over 10,000 people with dementia in 2015; 5,384 have a formal diagnosis. There will be over 1,000 (+10.6%) more by 2019
- Memory Assessment Service expect over 2,100 referrals in 2015/16
- Up to 46% of 65+ people with a limiting long-term illness, up 4,880 (+8.2%)
- Care Act changes expected to mean 9,000 more social care and financial assessments for self funding people 65+ by 2016/17
- Of the 9,000, 1,700 expected to be eligible for Council funded care and support, and 5,500 may become eligible if they reach the self funding cap

Keeping Vulnerable People Safe and Helping People Help Themselves -Working Age Adults



Working Age Adults

- ❖ The population of all people aged 18-64 is forecast to fall by 2019
- ❖ Changes following the introduction of the Care Act show no significant difference to the number of working age adults accessing services
- ❖ Client groups changed in 2015/16 from Physical Disability, Learning Disability, Mental Health and other to those in the box below. This makes comparisons looking back difficult

2014/15 service provision	18 – 64 Physical Disability	18 - 64 Mental Health	18 - 64 Learning Disability	18 - 64 Substance Misuse	18 - 64 Other Vulnerable People	Total Clients
Community Based Services	2,245	960	850	120	100	4,275
Residential Care	115	100	425	5	10	655
Nursing Care	45	20	10	0	0	75

New client groups

Number of working age adults receiving long-term support

	2014/15
Physical Support	1225
Sensory Support	33
Support with Memory and Cognition	35
Learning Disability Support	1033
Mental Health Support - Mental Health Support	503
Social Support	114
Total	**2981**

Keeping Vulnerable People Safe and Helping People Help Themselves – Adult Social Care

Carers

- In the 2011 Census 59,400 people said they provided unpaid care for someone because of long-term physical or mental ill health or disability, or problems related to old age
- 13,100 people provided care for more than 50 hours a week
- 5,640 carers currently supported
- Carers are eligible for support if they meet three conditions:
  - Their needs are caused by providing necessary care for an adult
  - As a result their physical or mental health is at risk of deteriorating OR they are unable to achieve specified outcomes
  - As a consequence there is, or is likely to be, a significant impact on the carer's wellbeing
- The Care Act removes the following requirements:
  - That carers undertake regular and substantial care
  - That the cared for person has eligible needs
- As a result of these changes, projections suggest an additional 6,500 carers assessments by 2019/20

Safeguarding

- The Care Act introduced statutory duties on councils for adult safeguarding: including:
  - Establishing a Safeguarding Adults Board
  - Making safeguarding enquiries a corporate duty
  - Making Safeguarding Adult Reviews mandatory
  - Placing duties to co-operate over the supply of information
  - Placing duties on local authorities to find advocacy support for those who need it
- Over 3,000 concerns a year are expected, resulting in more than 800 safeguarding enquiries

Appendix 3

National and Local Outlook

1. New Government

1.1 A Conservative majority Government was returned at the general election. Legislation announced in the Queen's speech on 27 May 2015 included:

Childcare Bill

1.2 The Bill had its first reading in the House of Lords on 1 June. It will give families where all parents are working an entitlement to 30 hours a week of free childcare for three and four year-olds for 38 weeks of the year (equivalent to the school year). There is no promise of additional funding for providers and Local Authorities who manage the existing scheme and there may be issues about ensuring sufficient places are available to ensure the scheme increases the number of parents who wish to return to work.

Cities and Local Government Devolution Bill

1.3 This Bill was published on 28 May and will provide the legal basis to implement the Government's "northern powerhouse" ambitions, which will devolve powers to cities with elected "metro mayors" and will empower towns and counties by building on the Growth Deals. The Bill will give generic powers to any elected mayor in a combined authority of Councils in major English cities – especially in economic and policing powers, including taking on the role of Police and Crime Commissioners. The Bill will also give permission for Councils within an area to streamline their governance. There is some measure of flexibility in the Bill in relation to governance arrangements, but authorities not adopting a mayoral model may not benefit from all the devolution offers being made by the Government.

1.4 The SE7 has begun to consider the case it could put forward to Government for a transfer of a package of freedoms and flexibilities. The case for devolution would build upon the existing SE7 framework and arrangements as a long-established partnership, with a proven track record and a strong and well-recognised brand (both nationally and locally). A SE7 devolution bid would fit with the Conservative manifesto pledge to "strengthen and improve devolution for each part of our United Kingdom in a way that accepts that there is no one-size-fits-all solution". Development of the SE7 specific devolution and governance models are critical to ensure the offer/ask is received well. The relationship of most of the SE7 area to London is critical and will form a cornerstone of the devolution bid. The case for devolution will not focus solely on savings: it is primarily about the best possible outcomes and service provision for residents. An initial SE7 initial devolution framework is being develop to comprise fiscal devolution over the following areas:

- road and rail infrastructure;
- social care and health;
- employment and skills; and
- infrastructure for the future.

Buses Bill

1.5 The Bill will allow combined authorities with directly-elected mayors to take on responsibility for local bus services, promoting an integrated transport system. The legislation will provide the option to franchise bus services.

Education and Adoption Bill

1.6 The Bill was published on 3 June 2015 and contains new powers for the Secretary of State and Regional Schools Commissioners to intervene more rapidly in schools rated "Inadequate" or as "Requiring Improvement". Schools that are unable to achieve "Good" within an acceptable timescale will be turned into academies. The legislation also contains measures to encourage Councils to join together to create regional adoption agencies.

Enterprise Bill

1.7 This Bill will extend and simplify the Primary Authority scheme, which allows a business to get advice on regulation from a single local Council and that advice must be respected by all other councils. The legislation also introduces business rates appeals reform and allows for the Valuation Office Agency to share information with local government. The Bill is intended to cut red tape by "at least £10bn" in Whitehall and from independent regulators. The legislation will also create a Small Business Conciliation Service and cap the redundancy payments made to public sector workers.

Full Employment and Welfare Benefits Bill

1.8 Some of the social security changes outlined in the Conservative manifesto will be contained in this Bill, amounting £1.5bn of the £12bn a year saving in benefits proposed in the manifesto.

1.9 The four main elements of the Bill are:

- a reduction in the household benefit cap from £26,000 to £23,000;
- a two year freeze on the majority of working-age benefits, including unemployment benefit, child benefit and tax credits, from 2016-17;
- the removal of automatic entitlement to housing support for 18 to 21-year-olds; and
- the creation of duties to report on the progress of Government policies such as the Troubled Families Initiative, full employment and apprenticeships.

1.10 The Bill will remove the link between median earnings and benefits will therefore widen the gap between those in an out of work.

1.11 Jobseekers' Allowance for 18 to 21 year-olds will be replaced with a Youth Allowance, time-limited to six months, after which individuals will be required to undertake an apprenticeship, training or community service. Jobcentre Plus support will be provided in schools to supplement careers advice. The Bill also creates duties on Ministers to report annually on job creation and apprenticeships.

Housing Bill

1.12 The Bill will extend the right-to-buy scheme to 1.3m Housing Association tenants in England. Councils will be required to sell the most valuable homes from their remaining stock. The proceeds will be used to build replacement affordable homes on a one-for-one basis.

1.13 The Government is targeting 200,000 new starter homes across Britain, which will go on sale to first-time buyers under 40 at a 20% discount below the open market value. The Government is focusing its building strategy on brownfield land. It will set up a statutory register, with the aim of getting development plans in place on 90% of suitable brownfield land by 2020. It also promises to speed up the planning system to push through housebuilding projects.

National Insurance Contributions Bill/Finance Bill

1.14 Legislation will be introduced to prevent the Government increasing income tax rates, VAT or national insurance for five years after the election. These three main taxes raise 60% of revenues.

1.15 Legislation will also ensure that people working 30 hours a week on the minimum wage pay no income tax on their earnings, by raising the personal allowance.

Health and Social Care

1.16 Whilst no bill was proposed, a promise was given to provide seven-day access to the NHS in England, £8bn extra funding by 2020 and new standards for mental health services.

Draft Public Services Ombudsman Bill

1.17 This will merge the existing Parliamentary and Health Service Ombudsman with the Local Government and potentially the Housing Ombudsmen's offices.

2. Other Conservative Party Manifesto commitments

2.1 The key points of the Conservative party's manifesto as they relate to our services and service users, not covered in the Queens speech are:

2.2 Children and Schools

- At least £7.5m to be invested each year in relationship support to help families stay together.
- Open at least 500 new free schools, resulting in 270,000 new school places and continue to expand the academies, free schools, studio schools and University Technical Colleges programme.
- The amount of money following children into school will be protected; as the number of pupils increases, so will the amount of money in schools.
- Introduce regional adoption agencies working across Local Authority boundaries to match children with the best parents for them.
- Training programmes for children's social work such as Frontline will be expanded.

2.3 Crime and Justice

- The role of Police and Crime Commissioners to be developed and enable Fire and Police Services enabled to work more closely together.

2.4 Employment and Business

- Introduce a workplace entitlement for those who work for a big company and the public sector to volunteering leave for three days a year, on full pay.

2.5 Energy and the Environment

- Invest £300m in cutting light pollution from new roads.
- Support the safe development of shale gas, and ensure that local communities share the proceeds through community benefit packages and create a Sovereign Wealth Fund for the North of England to allow the area to benefit from fracking which take place there.

2.6 Governance and Public Sector

- Continue to reduce Government spending by 1% each year in real terms for the first two full financial years of the next Parliament (the same rate as over the last five years).
- Commit to move into surplus in 2018-19.
- Scale-up social impact bonds and payment-by-results in the future, focusing on youth unemployment, mental health and homelessness.
- Barnett Formula will be retained and seek agreement with the Scottish Government on how to adjust the block grant following the devolution of tax powers.
- Find £13bn from departmental savings.
- Pilot allowing local Councils to retain 100% of growth in business rates, so they reap the benefit of decisions that boost growth locally.
- Deliver more bespoke Growth Deals with local Councils, where locally supported, and back Local Enterprise Partnerships to promote jobs and growth.

2.7 Transport

- A number of commitments to road and rail infrastructure in the north and midlands and south west.

2.8 Welfare and Pensions

- Make an addition £12bn welfare savings, on top of the £21bn of savings in the last Parliament.
- Review how best to support those suffering from long-term yet treatable conditions, such as drug or alcohol addiction, or obesity, back into work.
- Provide significant new support for mental health, benefiting thousands of people claiming out-of-work benefits or being supported by Fit for Work.

- Increase the State Pension by at least 2.5%, and introduce a single-tier pension to replace the Pension Credit.
- Commitment to maintain all current pensioner benefits including free bus passes, prescriptions and TV licences, and implement the "temperature test" so that expats in hot countries will no longer receive Winter Fuel Payments.

3 Existing Legislation

Care Act 2014

3.1 The majority of the provisions in the Care Act came into force in April 2015. The Act aims to achieve fundamental reform by simplifying and clarifying over sixty years of legislation in the area of social care. The Care Act also introduces a new cap on care costs from April 2016, along with more generous charging thresholds. The key changes introduced through Part 1 of the Act are set out below:

General duties	• To promote wellbeing • To prevent, delay or reduce development of care and support needs • To cooperate with relevant partners • Duties apply equally to carers
Funding reform (from 2016)	• Duty to operate a cap on care costs (expected to be £72,000 for people aged 25 and over) achieved through independent personal budgets and care accounts • No contribution for people up to the age of 25 with eligible care and support needs • New legal basis for charging • Increase in the capital threshold at which people receive help with their care at home from £23,250 to £27,000 • Increase in the capital threshold at which people receive help with their residential care costs from £23,250 to £118,000
Deferred payments	• New national scheme • Councils will be able to charge interest on loans and apply administration charges to ensure they run on a cost neutral basis
Changes to eligibility and assessment	• National minimum eligibility threshold • New requirements when an adult moves • Extension of ordinary residence rules to extra care and supported housing • New safeguarding duties including a duty to make enquiries, or ask others to, for adults with care and support needs who may be at risk of abuse or neglect • New responsibilities for care and support in prisons • Duty to carry out assessments for all carers who provide "necessary care" regardless of whether the person they care for is eligible for care and support • Duty to assess young people, and carers of children, who are likely to have needs as an adult where it will be of significant benefit, to help them plan for the adult care and support they may need, before they (or the child they care for) reach 18 years • New duties towards young carers • New legal right to a personal budget and direct payment
Commissioning	• Duty to join up care and support with health and housing particularly where this delivers better care and promotes wellbeing and where it can prevent, reduce or delay needs for care and support • Duty to ensure there is a wide range of good quality care and support services available that enable local people to choose the care and support services they want • Duty to ensure needs are met if a provider fails

Advice and information	• Councils will be required to provide comprehensive information and advice about care and support services in their area and what process people need to use to get the care and support that is available (including health and housing) • Duties to provide advice and information to clients and carers who do not meet the eligibility threshold • Duty to tell people where they can get independent financial advice about how to fund their care and support • Duty to arrange for independent advocates for people who have significant difficulty being involved in care and support processes and no one else appropriate to support them

3.2 Part 2 of the Act covers Care Standards: Quality of services; Care Quality Commission; Increasing the independence of the Care Quality Commission; Performance ratings; False or misleading information and Regulated activities. Part 3 covers Health Education England, the Health Research Authority and Trust special administration.

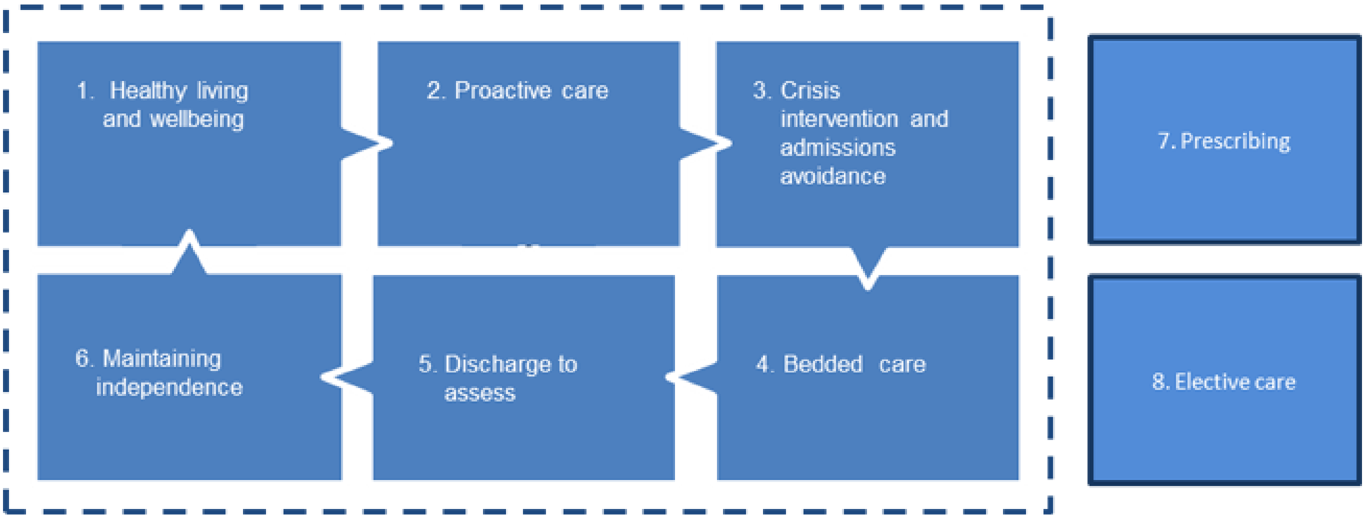
3.3 The reforms set out in the Act will have a significant financial impact on the Council. There is the potential for increased demand from people who are currently funding their own care and there is likely to be an increase in demand for carers' assessments as a result of changes to eligibility and contact with more self-funders.

3.4 The Act introduces a number of risks and uncertainties for the Council, these are:

- Increased costs and pressures of carrying out more needs and financial assessments (and reviews) that will be required to establish eligibility of people who are paying for their own care and want to set up a care account.
- Systems development and administration.
- Increased demand from carers.
- Changes to the eligibility criteria.
- Loss of income and increased costs when the cap is introduced.
- Increase in means tested thresholds.
- Introduction of a national deferred payment scheme.
- Potential negative impact on the local care market and Local Authority negotiated nursing and care home fees.

East Sussex Better Together

3.5 East Sussex Better Together (ESBT) is the shared programme of work which the Council and the three Clinical Commissioning Groups partners in East Sussex have established to agree integrated commissioning plans which will enable health and social care system to change and become sustainable over the next few years. The aim of ESBT is to develop a fully-integrated local health and social care system that ensures patients receive proactive, joined-up care, supporting them to live as independently as possible and achieving the best outcomes. To this end a framework known as the 6+2 box model of care has been developed. The six boxes below describe the services and support required throughout the whole cycle of a patient's care. Two further boxes, prescribing and elective care will also be the subject of efforts to improve the quality and affordability of services.



3.6 The elements in each box are:

- Healthy living and wellbeing - preventing ill health, promoting independence and improving awareness of and access to services and activities that support healthy lifestyles.
- Proactive care - helping patients with long-term conditions and illnesses, to stay healthy and independent for as long as possible, by providing integrated health and social care services which help people avoid having to go to hospital.
- Crisis intervention and admissions avoidance - ensuring the right services are in the right place at the right time to help people regain their independence and wellbeing quickly following a period of illness.
- Maintaining independence - supporting users of health and social care services, and their carers, to live independent lives.
- Discharge to assess - ensuring patients in hospitals and care homes are discharged as quickly as possible to an appropriate place, with a package of care to support their recovery.
- Bedded care - making sure that people who require in-hospital care receive the best possible services.
- Prescribing - research shows 50% of people don't take their medicines as prescribed. Across East Sussex, £90m is spent on medicines prescribed by local GPs. This means up to £45m of this might not be making the difference it should to the health of local people. The aim is to bring together clinicians and pharmacists to develop ways of working with local patients to ensure they receive effective medicines as and when they need them.
- Elective care - streamlining planned treatment to ensure local people have choice and are able to make informed decisions about their care.

3.7 The 6+2 model has been developed into the four key workstreams set out below:

- <u>Providing streamlined points of access for health and social care services</u> - better integration will help to provide higher quality services and deliver financial savings through improved co-ordination and reduced double handling and handoffs between services. It will improve response times for assessments and interventions. It is anticipated that this will lead to reductions in avoidable emergency admissions and re-admissions, shorter stays in acute settings and fewer emergency nursing home placements. The first phase of this programme covering points of access for adults with physical health needs, long term conditions, or who are vulnerable or frail launched at the beginning of the financial year. A review of access points for mental health and children's services is also being conducted.
- <u>Development of integrated community health and social care teams in localities</u> - a new delivery model for community based services is being developed. This new model will be shaped around locally defined communities with integrated health and social care teams.
- <u>GP-led access for urgent care and support</u> - this will be a local system, providing access that responds to public needs, is easy to navigate and use. It will provide access at the right level of "need" or "contact". More activity will take place in community based services, with a focus on self-care as appropriate. It is anticipated that the new pathway and model of urgent care provision will be implemented in autumn October 2016.

- Healthy living and wellbeing (including helping people to manage long-term conditions) - an improved and more co-ordinated approach to promoting individual and community resilience linked to the development of integrated community health and social care teams, including more devolved commissioning and strengthening of local partnerships. There will also be specific projects to support vulnerable people and patients to take control of their own care and to manage the support they receive.

3.8 The work of the ESBT progamme is supported by a pooled budget of £42m in East Sussex. The Better Care Fund is a national Department of Health policy objective, which realigns specific health and social care funding, to deliver enhanced community-based health and social care services. The 2015/16 BCF includes funding for:
- Protecting adult social care services that benefit health services: £9.7m
- Disabled Facilities Grants to District and Boroughs: £3.1m
- Care Act implementation: £1.5m
- Supporting and developing carers services: £4.7m
- Capital investment: £1.4m
- Maintaining reablement services: £0.9m
- Funding to develop preventive and community based services: £20.9m

3.9 Through ESBT there is a commitment across all health and social care partners to use the BCF to support integration. There is a more significant recognition by all partners that the scale of the challenge faced in East Sussex requires a broader level of transformation to deliver a clinically and financially sustainable health and social care system. These challenges include a significant reduction in Local Government funding, budget deficits and constraints in the health economy and the need to shift health investment from acute to community and primary care. It is difficult to assess what the financial impact for ESCC and the wider East Sussex health economy will be but initial projections indicate a potential cost of up to £20m a year.

Extension of Foster Care to 21
3.10 A new legal duty was introduced in December 2013 for local authorities to provide financial support for every care leaver who wants to stay with their foster carers beyond the age of 18 - giving local authorities £40m over the next 3 years to put in place the support arrangements. From the age of 18, young people are not legally “in care” and “looked after” and therefore fostering arrangements and legislation relating to children placed with foster carers no longer apply. In circumstances where a young person remains with their former foster carers after their eighteenth birthday, the arrangement will therefore be an “age 18 and older” or “Staying Put” arrangement. The “Staying Put” initiative is designed to ensure young people can remain with their former foster carers until they are 21 so that they are able to move successfully into their adult lives. Details of how much Government grant ESCC will receive is still to be confirmed.

3.11 ESCC has been successfully implementing this way of working in advance of Government legislation. Support has been provided to Looked After Children, by ESCC, after the age of 18 through the Leaving Care Service and when a young person legally becomes an adult, the status of their placement changes from a foster placement to a supported lodgings placement. ESCC currently supports 18 young adults (aged 18+) in this way, while they complete a programme of training, further or higher education and move into work. A system of payment is still provided to the carer that is generally in line with payments for supporting vulnerable adult.

4. Economic Development
4.1 Work continues with the South East LEP and Team East Sussex and it is anticipated that the Government will wish to continue with the LEPs as one of its key economic delivery vehicles. Kent County Council has been uncomfortable about the shape of the South East LEP and would prefer a LEP on its own boundaries, but signals from the Government before the election were that the number of LEPs may be reduced, so any proposal which increases the number is unlikely to find favour. The new Secretary of State has indicated that any change to

LEP boundaries would need to be by consensus and that an emphasis would be placed on the views of businesses.

4.2 In January 2015 the Department for Business, Innovation and Skills announced an “expansion” to the original Growth Deal, with SE LEP gaining a further £46.1m of funding for 13 additional projects. East Sussex has provisionally been allocated £5.7m for 3 priority projects – Bexhill Enterprise Park (£2.6m), Swallow Business Park in Hailsham (£1.4m), and Sovereign Harbour in Eastbourne (£1.7m). A pan-LEP Coastal Communities project (led by Hastings Borough Council) also gained part-funding of £2m.

4.3 For those East Sussex projects confirmed in the first round of Growth Deal funding allocated last year in July 2014, we have the following four projects starting in 2015-16 - Queensway Gateway Road; Hailsham-Polegate-Eastbourne sustainable transport corridor; Eastbourne and South Wealden walking and cycling package; and Newhaven Flood Defences. The Queensway Gateway now has planning permission and funding of £15m will begin to be drawn down.

4.4 The new Skills East Sussex partnership has begun meeting to bring together businesses and education providers in order to help ensure that young people in the county are better equipped with the skills that business need both currently and in the future. Work is being carried out to assess the skills available and any gaps in provision in the key growth areas in the community. Detailed work has been carried out on the construction sector and on employers needs for Science, Technology, Engineering and Maths (STEM) skills, with a particular focus on the engineering sector.

4.5 The East Sussex Invest (ESI) programme continues to inject £1.3m of capital annually into generating business growth and job creation through the provision of grants and loans to businesses. The money can be used for one-off capital projects such as upgrading or extending premises, buying new equipment or machinery or developing software. Previous rounds of ESI supported 130 businesses, creating 580 new jobs with an investment of £4.2m that has levered in £17m of match funding from local businesses.

4.6 The new Catalysing Stalled Sites (CaSS) capital fund of £916,000 will unlock stalled commercial and housing site opportunities across the county. There are a number of sites across East Sussex that have remained undeveloped for decades for a number of reasons and the funding will be applied to undertake feasibility studies, viability / business plans and in some cases carrying out practical works. The capital investment will crucially bring forward sites much sooner for delivery, contributing to local plan targets and enabling a continued pipeline of projects ready to secure further Local Growth Fund resources from central government.

5. Financial Outlook

5.1 Whilst there have been some indications of the Government’s plans, much of the detail will not be available until after future announcements. There will be an Emergency Budget on 8th July 2015; the new Comprehensive Spending Review (CSR) is anticipated to take place over the summer and will be published in October 2015 and the detailed provisional Local Government Settlement (LGS) will be in December 2015. Much of the detail will not therefore be available until late 2015. The Government has previously chosen to take a greater proportion of its savings from Local Government rather than other areas of public service and there is no reason to believe that there will be any change in this policy.

5.2 The projections in the Medium Term Financial Plan are set out in Appendix 3, Annex 1. It is still estimated that savings of £70-£90m will be needed over the next three year planning period, with approximately £20m - £25m required in 2016/17 but it must be noted that there is no significant additional data on which to base projections. The projections will be updated as more data becomes available following the Emergency Budget (8th July), CSR (October 2015) and the LGS (December 2015).

5.3 The projections in the Medium Term Financial Plan include two big unknowns: Revenue Support Grant (RSG) and the Care Act.

5.4 Firstly, the continued reduction in the RSG: there has been a funding reduction of £42m since 2012/13 and it is estimated that the reduction in RSG will be £46m over the next three years, reducing to nil by 2019/20. However, the pace of Government spending reductions will remain unclear until further announcements are made. It should be noted that these estimates reflect the Coalition Government's spending plans as no new intelligence is available. Before the election, the Conservative Party pledged that they would achieve an overall budget surplus in the next parliament provided that the recovery is sustained. The Institute for Fiscal Studies have noted that, "…it is unclear when exactly in the next parliament they plan to achieve this target." Until further announcements are made, there is no better intelligence upon which to revise assumptions.

5.5 Further assumptions which underlie estimates of the projected deficit are as follows:

- Business Rates: the Council's share of business rate income is increased each year by the Retail Price Index for the preceding September. Using the Office for Budget Responsibility March 2015 projections, increases of 2016/17 1%, 2017/18 2.25% and 2018/19 3% have been included. For 2015/16, the countywide pooling scheme has resulted in benefits of £0.9m. The projections will be updated for 2016/17-2018/19 later in the year. At this stage, no allowance has been made for any surpluses or deficits on the collection funds operated by the Borough and District Councils;

- Other Specific Government Grants: it is likely that there will be further reductions to specific grants. Planning assumptions are that reductions in specific grants will be borne by the services supported by those grants. There are relatively few specific grants remaining. There is a risk that the Public Health Grant (of £24m in 2015/16) will be rolled into the RSG and therefore may diminish in the same way with significant impact on the service should there be no mitigating policy;

- Funding Capital Programme – the current working assumption is that there will be a revenue contribution to the capital programme of £7.5m. This may not be sufficient and members may wish to adjust it when the capital programme pressures are known;

- New Homes Bonus: it is assumed that there will be no changes to the existing scheme. It is transferred to the capital reserve to fund economic growth activities rather than supporting general service expenditure. There is a risk that the scheme will be withdrawn and this will have an impact on the capital programme;

- Council Tax: following three years of accepting the Council Tax freeze grant offered by Government, Council Tax was increased by 1.95% for both 2014/15 and 2015/16. This increase enabled the Council to maximise the control it has over its funding so that it can manage its own business as far as possible. For 2016/17-2018/19, an annual increase of 1.95% has been assumed. The Localism Act 2011 placed a duty on Local Authorities to hold a referendum if they wished to raise their Council Tax above the limit that applies to them – the limit is currently 2% although this could change given the current levels of inflation. At this stage, no allowance has been made for any surpluses or deficits on the collection funds operated by the Borough and District Councils;

- Council Tax Base: as billing authorities, the Borough and District Councils are responsible for estimating the number of properties which form the tax base. For 2015/16, the tax base increased by 1.5%. For 2016/17-2018/19, an annual increase of 1% has been assumed;

- Inflation: our planning assumptions include provision of 2016/17 £7.209m, 2017/18 £7.25m and 2018/19 £7.74m for pay awards (2% for each year) and inflationary increases;

- National Insurance: currently, employees who are paying into a contracted out occupational pension scheme do not receive the state second pension and pay a lower rate of national insurance contributions. This practice will cease from April 2016 and both employers and employees will pay increased national insurance contributions. This is projected to cost an additional £2.5m per annum;

- Adult Social Care Growth and Demography: this has been calculated using an average of information from three sources – LG Futures model, PWC model and in-house data on the independent sector;

- Independent Living Fund (ILF): this is an external public agency which will close on 30 June 2015. At this point funding will be transferred to Local Authorities, but not ring-fenced to match the payments to individual fund users. The key issue is whether the funding is based on local authority assessed costs of care as opposed to services previously supported by ILF. It is estimated that the budget pressure may be in the region of £850,000;

- Extension of Foster Care to 21: £3.3m by March 2019.

5.6 The projected deficit, therefore, before allowing for the risks and implications of the Care Act is £51.5m (note 1 MTFP).

5.7 The impact of the Care Act 2014 has been projected using information modelled by an independent public sector finance company who has advised the Department of Health, and local assumptions with regard to any Government funding. The assumptions are:

5.8 The low risk funding pressure by 2018/19 will be in the region of £13.6m. This is based on the following assumptions:
- The number of self-funders will be 8,900, of which 5,500 will be eligible for an assessment and of which 1,700 will be eligible for some level of ASC funded support.
- We may need to assess up to 2000 Carers.
- Additional pressure from increased care costs will be £6.2m.
- Working Age Adults – loss of income from changed regulations - £2m.
- Increased staffing costs to meet the assessment and care management responsibilities for additional clients - £4.6m.
- Other costs – including information and guidance, advocacy, safeguarding - £0.8m.

5.9 ASC currently supports 9,500 clients with long term care and support needs (excluding one-off equipment etc.). The potential impact of the Care Act is, as a minimum, 1,700 additional clients; which represents an 18% increase in clients supported.

5.10 The funding assumptions are:
- Care Support within Prisons - £0.1m (from initial grant regulations).
- Better Care Fund - £2.7m. Based on current guidance and funding included within the BCF Pooled Budget. The funding supports additional costs of carers, safeguarding, information and advice and advocacy.
- New Burdens Funding - £8.3m. This is assuming that the funding support 65% of Care Act pressures.
- Total assumed funding - £11.1m.

5.11 The minimum risk associated with the Care Act based on the assumptions above is £2.5m (£13.6m less £11.1m – note 2 MTFP).

5.12 The unknown factors relating to the Care Act**:**
- Change in self-funder numbers eligible for assessment and ongoing care and support has a significant impact on financial risk.
    - High Risk - £18.8m – (note 3 MTFP).

- Impact on the Market – it is likely that the implementation of the Care Act will have a significant impact on the residential care market although the Government has not acknowledged this to date and has not accepted that this will need to be funded (note 4 MTFP).
- New Burdens Funding – there is a risk that this funding will be withdrawn over time (note 5 MTFP).
- Timescales for implementation: there is speculation that the 1 April 2016 implementation will be delayed – 6 months or a year?
- Whatever funding is made availed by the Treasury, if it is not released as a specific grant, there will be limited benefit if it is just rolled into a diminishing RSG.

5.13 Finally, the detailed implications of the new Government's spending plans will not be known until late 2015; there could be numerous issues which will directly affect Local Government funding – (note 6 MTFP).

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East Sussex County Council APPENDIX 3 ANNEX 1

Medium Term Financial Projections

	15/16 Estimate £million	16/17 Estimate £million	17/18 Estimate £million	18/19 Estimate £million	
RESOURCES					
Business Rates	(70.785)	(71.875)	(73.651)	(76.031)	
Revenue Support Grant	(65.093)	(47.453)	(32.261)	(18.561)	
Council Tax *	(231.775)	(233.967)	(240.915)	(248.069)	
New Homes Bonus	(2.497)	(2.999)	(3.104)	(3.129)	
TOTAL RESOURCES	**(370.150)**	**(356.294)**	**(349.931)**	**(345.790)**	
PLANNED EXPENDITURE					
Net Service Expenditure	309.734	309.734	325.219	334.083	
Pay Award/Inflation		7.209	7.250	7.740	
NI - Abolition of Contracted Out		2.500			
New Pressures					
- Adult Social Care Growth & Demography		3.244	0.714	0.722	
- Extension of Foster Care to 21		1.700	0.900	0.700	
- Independent Living Fund		0.832			
NET SERVICE EXPENDITURE	**309.734**	**325.219**	**334.083**	**343.245**	
Treasury Management	30.566	30.566	30.566	30.566	
Funding Capital Programme - base contribution/CERA	13.400	7.500	7.500	7.500	
Funding Capital Programme - New Homes Bonus	2.497	2.999	3.104	3.129	
General Contingency	3.500	3.260	3.190	3.150	
Contribution to balances and reserves	4.542	0.648	0.648	0.648	
Pensions	5.479	6.299	7.429	8.559	
Levies	0.432	0.441	0.450	0.459	
TOTAL CORPORATE EXPENDITURE	**60.416**	**51.713**	**52.887**	**54.011**	
TOTAL PLANNED EXPENDITURE	**370.150**	**376.932**	**386.970**	**397.256**	
DEFICIT PRE CARE ACT	**0.000**	**20.638**	**37.039**	**51.466**	**1**
Care Act Implementation - Low Risk		2.320	2.462	2.477	
Total including Care Act Implementation	**0.000**	**22.958**	**39.501**	**53.943**	**2**
Increased volume of assessment & care packages - High Risk		18.400	18.600	18.800	
Total including high risk volumes	**0.000**	**41.358**	**58.101**	**72.743**	**3**
Impact on the Market		?	?	?	
Total including Impact on the Market	**0.000**	**41.358**	**58.101**	**72.743**	**4**
If New Burdens funding @ 65% ceases				8.312	
Total including loss of New Burdens funding	**0.000**	**41.358**	**58.101**	**81.055**	**5**
Other risks including loss of Public Health Grant			?	?	
POTENTIAL DEFICIT	**0.000**	**41.358**	**58.101**	**81.055**	**6**

* - for 2015/16 this includes the collection fund surplus for 2014/15, which was taken account of in Council Tax setting for 2015/16

APPENDIX 4
Capital Programme Update

1. Background

1.1 The Council approved the current Capital Programme on the 10th February 2015, as part of setting the 2015/16 budget.

1.2 For 2014-15, the Capital Programme is reporting a variation of £50.8m against an approved gross budget of £170.5m. This is due to slippage on a handful of major projects such as £9.5m on Bexhill Link Road as a result of adverse weather conditions, £6m due to a delay on Hastings Library in order to allow the project plans to be reviewed to prevent an overspend, £9.3m in the School Places Programme due to issues relating to planning deferring expenditure by £2.5m and the remainder of the variation due the budget not being aligned to delivery plans, £5.2m on the Broadband scheme due to implementation costs being lower than anticipated allowing for a Phase 2 in 2015-16 and Terminus Road has incurred slippage of £3.1m as the project is still in development stage and firm cost profiles will not the known until a contractor is appointed.

2. Capital Programme Review and Update

2.1 Significant work has been undertaken during the year and a review of the programme management is ongoing to address the robustness of the Capital Programme governance and deliverability of the projects within identified timeframes.

2.2 The review since February 2015 has identified a number of impacts as follows:

- Reprofiling of existing schemes including slippage from 2014-15 to ensure alignment with delivery timescales;
- Reclassification of building improvement project expenditure to “revenue” and a corresponding reduction of the programme and revenue budget funding (net nil impact); and
- Additional budget requirement for Schools Access Initiative Programme.

2.3 These findings are summarised in the table below. The overall programme detail showing the changes in the schemes and projects is set out in Appendix 4, Annex 1.

Capital Programme 2015-16 to 2017-18	£m
Current Approved Gross Capital Programme (2015 to 2018) as at February 2015	303.1
Add:	
Approved Variations post February 2015	3.4
2014-15 Slippage	52.6
2015-15 Spend in Advance	-2.4
Review Recommendations:	
Scheme reclassified as revenue	-0.9
Additional Budget Requirement	0.5
Total Gross Programme	356.3
Less:	
Scheme Specific Resources	-102.8
Proposed Capital Programme (NET)	**253.5**

Committed and Uncommitted Schemes

2.4 The Capital Programme can be classified between contractually committed and schemes approved by members, where the contract has not been let. Prior to year-end, the contractually committed figure amounted to £103.2m. There have been a number of movements since the last programme review, and additional slippage identified at year-end would increase the committed figure to £134.7m.

2.5 The additional budget requirement of £0.19m for Schools Access Initiative is also committed, thereby increasing the overall committed figure to £134.9m.

Additional Resources

2.6 After financing of the 2014/15 capital expenditure and programme review the following table sets out the current resources for the period to 2017/18 therefore leaving £4.1m of additional available resources.

Capital Programme Resources	**£m**
Current Capital Programme Net Funding	253.5
Add Additional Resources	
DfT Transport Grant allocation over planned estimate	0.5
DfE Schools Condition Grant Allocation over planned estimate	1.8
Additional contribution to reserve (HCIP repayment & saving from reduced borrowing)	0.9
Additional Non Specific Grant & S106 Income	0.1
2014-15 Underspend	0.8
Total Resources	**257.6**

Capital Programme Contingency

2.7 At the meeting of the County Council in February 2015, approval was given for a £10m contingency to be held to manage risk. This contingency was approved to cover the following:

- Inflationary pressures on construction costs;
- Uncertainty about delivery of projects in the programme (eg. Bexhill to Hastings Link Road and Highways procurement);
- Unknown requirements; and
- Uncertainty regarding the level of Government grants.

2.8 Of the agreed £10m contingency approved in February, £8.8m remains. Draws on the contingency to date have been as follows:

Project	£m	Approval
2014-15 Draws		
The Grove	0.5	Capital Board 09.10.14
Etchingham	0.5	Capital Board 13.03.15
2015-16 Draws		
Schools Access Iniative Confirmed Need	0.2	Capital Board 14.05.15
Total	1.2	

2.9 Including the available additional resources (set out in paragraph 2.6 above), there is £12.9m of contingency available to manage risk in the future.

2.10 In line with the Treasury Management Policy and the Capital Strategy, the reduced requirement for Minimum Revenue Provision as a result of a reduction in borrowing to support the Capital Programme, has enabled a further reduction in the Capital Programme borrowing to £92m (from the previously reported £94m).

3. Looking Ahead

3.1 There will be a new five year Capital Programme from 2018-19. Early work has taken place to identify and quantify our core need requirements from 2018-19 onwards. Our core need is currently estimated at £414m and is outlined below:-

- Schools places (primary, secondary and special) - £229m;
- Highways Programme (structural maintenance core contract, bridge strengthening and street lighting) - £122m;
- Highways Rights of Way and bridge replacement programme - £2m;
- Property building improvements (priority works) - £40m; and
- ICT Strategy - £21m.

3.2 Against a backdrop of reducing Government grants, consideration is being given to the available level of revenue contributions, potential use of S106, Community Infrastructure Levy developer contributions, capital receipts and maximising the potential from our asset base.

3.3 Initial estimates of our core need requirements were discussed at the Capital Board in May 2015. A review of the Capital Programme to produce a robust profile for future planning has taken place whilst consideration of our future resource position is ongoing.

Appendix 4, Annex 1

CAPITAL PROGRAMME 2015-16	15/16 £'000	16/17 £'000	17/18 £'000	Total Remaining Budget £'000
2015/16 County Council Feb 15	**139,275**	**71,621**	**92,217**	**303,113**
	(23,588)	**(23,617)**	**(42,250)**	**(89,455)**
	115,687	**48,004**	**49,967**	**213,658**
Add: Approved Variations Post February 2015	3,415	10		**3,425**
	(2,493)	(10)		**(2,503)**
Add: 2014/15 Slippage	50,178			**50,178**
	(10,514)			**(10,514)**
Updated 15/16 Opening Position	**192,868**	**71,631**	**92,217**	**356,716**
	(36,595)	**(23,627)**	**(42,250)**	**(102,472)**
	156,273	**48,004**	**49,967**	**254,244**
Capital Programme Review - Recommendations				
Schemes Reclassified as Revenue				
Capital Building Improvements expenditure reclassified as Revenue	(918)			**(918)**
Additional Budget Requirements				
Schools Access Initatives	190			**190**
Agile Reclassification of Expenditure from Revenue to Capital	333			**333**
	(333)			**(333)**
Scheme Reprofiles				
ASDC 2012/13	(15)	15		
Early Years 2yr Old Grant	(100)	100		
Mobile Replacement Programme (formerly Battle & Langton)	(150)	150		
Core Programme - Schools Basic Need	(12,837)	17,053	(4,216)	
Bexhill Hastings Link Road Corporate Contingency	662	405	(1,067)	
BHLR Complementary Measures	(45)		45	
Economic Growth & Strategic Infrastructure Programme	(1,900)	(150)	(28,100)	**(30,150)**
LEP Funding (SELEP)	600		28,100	**28,700**
S106 Contributions - Various	657	150		**807**
Integrated Transport	1,900	150	28,100	**30,150**
S106 Contributions - Various	(657)	(150)		**(807)**
LEP Funding (SELEP)	(600)		(28,100)	**(28,700)**
Mobile Replacement Programme - Hankham	(1)			**(1)**
Mobile Replacement Programme - All Saints	(37)			**(37)**
Mobile Replacement Programme - Chantry	(6)			**(6)**
Mobile Replacement Programme - Dudley	(115)			**(115)**
Mobile Replacement Programme (formerly Battle & Langton)	159			**159**
Core Programme - Schools Basic Need	(539)			**(539)**
Temporary Accommodation	539			**539**
Bexhill Primary Places	(25)			**(25)**
Bexhill Grant - 94077	25			**25**
Eastbourne Primary Places Phase 2	(2,349)			**(2,349)**
Basic Need 10/11 - 94113	2,122			**2,122**
St Mary Magdalen	(2,162)			**(2,162)**
Basic Need 10/11 - 94113	2,162			**2,162**
Core Programme - Schools Basic Need	4,536			**4,536**
Bexhill Grant - 94077	(25)			**(25)**
Basic Need 10/11 - 94113	(4,284)			**(4,284)**
Bexhill and Hastings Link Road	4,717			**4,717**
Bexhill Hastings Link Road Corporate Contingency	(4,717)			**(4,717)**
Capital Programme Revised Profile	**179,988**	**89,354**	**86,979**	**356,321**
Income	**(36,928)**	**(23,627)**	**(42,250)**	**(102,805)**
Net	**143,060**	**65,727**	**44,729**	**253,516**

Appendix 5

2015/16 Treasury Management Strategy (extract)

1. Amendment to the 2015/16 Treasury Management Statement

1.1 Minor but important amendments are required to the Council's Treasury Management Strategy to permit the investment in shares in the Municipal Bonds Agency. The technical name for this type of investment is 'Non-Specified'.

1.2 It is important to note that the amendments will not enable the Council to make investments in shares where the sole purpose is to speculate on increasing share values.

1.3 It is proposed that the following sentences will be **deleted** from the Treasury Management Strategy (para 5.17):- *'Non-Specified investments are any other type of investment (i.e. not defined as specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out in Table 4 below. Non specified investments would include any sterling investments'.*

1.4 The following sentences will be **added** to the Treasury Management Strategy (para 5.17: *'The Council may make an investment in the form of shares in the municipal bonds agency (Local Capital Finance Company Limited) where the primary purpose is to support the Council's priorities rather than to speculate on the capital sum invested. With the exception of the municipal bonds agency investment, only investments where there is no contractual risk to the capital invested and where the rate of return justifies their use will be entered into.*

Non-Specified investments are any other type of investment (i.e. not defined as specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out in Table 4 below. Non specified investments would include the purchase of shares in the municipal bonds agency (Local Capital Finance Company Limited).'