REPORT OF THE CABINET

The Cabinet met on 29 June 2015. Attendance:-

Councillor Glazier (Chair)
Councillors Bennett, Bentley, Elkin, Maynard, Simmons and Tidy

1. Council Monitoring – end of year 2014/15

1.1 The Cabinet has considered a report on performance against the Council Plan, Revenue Budget, Capital Programme, Savings Plan and risks for the end of year 2014/15. Broad progress against the Council's four strategic priority outcomes is summarised below and an overview of performance and finance data is provided in the Corporate Summary at Appendix 1 of the report to the Cabinet, previously circulated to all members. Strategic risks were reported at Appendix 7 of the report to the Cabinet and a detailed report for each department was provided was provided in Appendices 2 to 6 of the Cabinet report.

Overview

1.2 The broadband project is delivering speeds which are exceeding expectations. 580 jobs have been created and £4.2m allocated to support business growth in the county. There has been an improvement in the proportion of roads that should be considered for structural maintenance. The opening of the Bexhill to Hastings Link Road has been delayed until later in 2015. In 2014/15, 100% of working age adults and older people receiving our support, and 100% of carers received self-directed support. The number of children with a Child Protection Plan reduced to 469 from 613. 1,684 children are accessing a place with an eligible early years provider, a take up of 78.1% which is 16.1% above the national average. As part of the SE7, we delivered £3m of savings against a target of between £750,000 and £1m, due to additional savings delivered through joint work with Surrey County Council on procurement. Newhaven Library opened 14 March 2015. Our dedicated World War One website has been viewed 45,000 times since launch in August 2014.

1.3 More detail of progress against each of our priority outcomes is set out at paragraphs 1.9 to 1.34 below. 76 performance targets are reported at year end: 51 (67%) were achieved, 21 (28%) were not achieved and 4 (5%) are carried over for reporting in quarter 1 2015/16, because outturn data is not yet available. 46 can be compared to previous years, of these 31 (67%) improved, 3 (7%) showed no change, 8 (17%) deteriorated and 4 (9%) are carried over for reporting at quarter 1 2015/16.

1.4 At the end of the year the gross service overspend was £5.5m, this is an improvement of £0.1m from the £5.6m overspend reported at quarter 3. There are, therefore, no new material variations to report. As previously reported this can be managed within the unused general contingency and the remaining inflation provision for 2014/15. The provisional outturn, subject to external audit, is a significant achievement given the scale of savings that have been delivered. Of the £30.4m savings planned for 2014/15 (net of £0.3m investments), £21.9m were made as planned and there were mitigating savings of £0.6m; a total of £22.5m of savings were delivered, £7.9m below target. In addition, there were slipped savings from 2013/14 of £2.4m, of these £2.0m were achieved in 2014/15, with £0.4m remaining unachieved.

1.5 As reported at quarters 2 and 3 the Agile programme has become more complex as significant changes are being made in the way we deliver services and the planned £3m savings from Agile are not being made in 2014/15 in the way originally planned.

1.6 The value of debt over 5 months at quarter 4 is £2.490m. This is an increase of £434k when compared to quarter 4 2013/14 outturn of £2.056m. This is due to a number of debts which are secured against a property where we are awaiting the issue of an order for sale/possession, these debts would not have been included in the aged debt profile last year. Joint working is continuing with Adult Social Care and Legal team colleagues. The new aged debt reporting continues to be of value in enabling better monitoring to identify areas for focus.

1.7 For 2014-15 the capital programme is reporting a variation of £50.8m against an approved gross budget of £170.5m. At quarter 3 we reported a variation of £30.5m due to slippage on a handful of major projects such as Bexhill Hastings Link Road £6.7m, Hastings Library £6.0m and £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. The additional variation of £20.3m reported at quarter 4 is largely due to slippage on the Broadband scheme of £5.2m due to implementation costs being lower than anticipated allowing for a phase 2 in 2015-16, further slippage on the Bexhill Hastings Link Road of £4.7m due to adverse weather conditions and Terminus Road has incurred slippage of £3.1m as the project is still in development stage and firm cost profiles will not be known until a contractor is appointed.

1.8 The Strategic Risk Register, Appendix 7 of the report to the Cabinet, has been reviewed and eight risks have been amended. Risk 3 (Care Act) has been amended to reflect the Care Act being enacted on 1 April 2015. Risk 1 (Roads), risk 4 (Health), risk 6 (Local Economic Growth), risk 7 (Schools), risk 8 (Capital Programme), risk 9 (Workforce) and risk 10 (Welfare Reform) all have amended risk control responses. There are no changes to any existing risk scores.

Progress against Council Priorities

Driving economic growth

1.9 The entire £4.2m Regional Growth Fund (RGF) has been allocated and 580 jobs created against a target of 486. Projects supported include the expansion of BD Foods in St Leonards, creating 40 new jobs and Airtrace in Eastbourne, creating 15 jobs (Appendix 5o the report to the Cabinet).

1.10 A total of 38,565 premises are now able to be connected to improved broadband, exceeding the target of 35,000. The delivered speeds are exceeding expectations; as of December over 15,000 premises were able to receive speeds of 24mbps or above, with only 2,211 able to receive less than this (Appendix 5 of the report to the Cabinet).

1.11 The contractor of the Bexhill Hastings Link Road was unable to complete the bulk earthworks during 2014 due to wet weather, the amount of archaeology undertaken, and the subsequent winter delays. Following dry weather earth moving activities restarted earlier than envisaged. Remaining works comprise the completion of the countryside section of the scheme including bulk earthworks, landscaping and topsoiling in parallel with finishes to the structures and carriageway construction (Appendix 5 of the report to the Cabinet).

1.12 The planning application for the Queensway Gateway Road was approved by Hastings Borough Council in February 2015. Following assessment of the business case, an allocation of £15m was approved by SELEP on 20 March 2015. Site clearance work started in March 2015 and the scheme is due for completion in September 2016 (Appendix 5 of the report to the Cabinet).

1.13 Stage 1 of the Uckfield Town Centre Highway Improvement Scheme was completed in November. This included new street lights and widening footways outside the railway station (Appendix 5 of the report to the Cabinet).

1.14 21 highways resurfacing schemes have been delivered in quarter 4, treating 5.8 miles of road at a cost of £1.75m. Throughout the year we have completed over 314 resurfacing schemes, which equates to over 120 miles of resurfaced roads and fewer roads requiring structural maintenance (Appendix 5 of the report to the Cabinet)

1.15 In 2014/15, 41% (£216m) of procurement spend was with local suppliers. We have focused our attention where we can add the greatest value, for example in the construction category, we achieved 70% of procurement spend with local suppliers. We have also introduced the 'Supply to East Sussex' website in collaboration with public sector partners across the county, to provide a 'one stop shop' for communicating contract opportunities to our suppliers, including Small and Medium Enterprises (Appendix 3 of the report to the Cabinet)

1.16 The percentage of Looked After Children (LAC) making two levels or more of progress between KS1 and KS2 is higher than the national average in writing (90% against a national average of 82%) and in maths (76% against a national average of 75%). 76% of LAC made two levels or more progress between KS1 and KS2 in reading, compared to the national figure of 81%. 23% of LAC made three levels of progress between KS2 and KS4 in English, against a national average of 34.5%. 26.5% made three levels of progress in maths against the national outturn of 26.3%. A high proportion of the cohort has benefitted from additional 1:1 tuition funded by the Pupil Premium, attended the Virtual School’s residential revision weekend and received additional support. 12.5% of LAC achieved 5 or more A* - C GCSE’s including English and maths against a national average of 12% (Appendix 4 of the report to the Cabinet)

1.17 Of the 155 eligible care leavers, 12 took up places at university in September 2014 which represents 7.7% against a target of 7%. In 2014/15 6 care leavers took up an apprenticeship, one of which is within the Council. This represents 3% against a target of 10% (Appendix 4 of the report to the Cabinet).

Keeping vulnerable people safe

1.18 Between January and December 2014 (pending DfT validation) there were 388 people Killed or Seriously injured (KSI) on the roads, an increase of 14.5% on 2013 and 2% higher than the 2005-2009 average. In 2014, 16 people were killed; this is lower than the average of 33 per year for 2005-2009. East Sussex figures mirror national data which identifies that driver/rider error is a main or contributory factor in over 90% of crashes. Public Health has allocated £1m to reduce KSIs in the county, and this will be used to deliver a 3 year programme of targeted activity. We are currently developing the draft programme which will ensure this funding is spent efficiently and effectively, and this will be presented to a joint Economy Transport and Environment and Audit, Best Value & Community Services scrutiny board in the autumn. The programme will focus on the following actions: behaviour change and education, growing and strengthening local partnerships, and development of a better evidence base. In addition there will be a detailed evaluation plan for the programme (Appendix 5 of the report to the Cabinet).

1.19 Two school safety zones have been completed. A 20mph zone has been created on Steyne Road, Sutton Avenue and a number of side roads in Seaford, creating a safe route for children travelling to and from schools in the area. A further zone has been introduced outside St Andrew’s Infant School in Eastbourne. Two

School Safety Zones covering Ratton School in Eastbourne and Heathfield Community College have been delayed until 2015/16. These are due to additional survey and liaison work for the Eastbourne scheme and investigation of alternative technology for the Heathfield scheme (Appendix 5 of the report to the Cabinet).

1.20 The number of care proceedings initiated continues to reduce from 77 in 2013/14 to 67 in 2014/15; we have also supported the courts to improve timeliness of proceedings. Looked After Children admissions in 2014/15 have significantly reduced when compared with 2013/14, a reduction of 16% from 190 in 2013/14 to 159 in 2014/15 (Appendix 4 of the report to the Cabinet).

1.21 The target to recruit 50 adopters was met and 56 children were placed for adoption against a target of 50, these included placements for three older children who were more difficult to place (Appendix 4 of the report to the Cabinet).

1.22 The Family Drug and Alcohol Court (FDAC), which is the first in the South East outside of London, sat for the first time in Hastings on 7 April 2015. FDACs work differently to conventional care courts by addressing the entrenched problems of the parents in order to enable the children to remain with them (Appendix 6 of the report to the Cabinet).

Helping people help themselves

1.23 100% of the total target number, 1015, of families in the Troubled Families programme were turned around by the end of the 3 year programme. Families are considered to be turned around if an adult in the family sustains a job for a minimum period, thereby allowing themselves to come off related benefits, or if the family achieve targeted reductions in antisocial behaviour, under 18's crime, school exclusions or unauthorised absences. 1,294 families received a family support intervention during the programme (Appendix 4 of the report to the Cabinet).

1.24 East Sussex continues to perform well at providing NHS Health Checks. To quarter 3 this year 16.4% (27,279) of those eligible were offered a health check; this is 27% higher than the same period last year (21,482) (Appendix 2 of the report to the Cabinet).

1.25 At 31 March 2015 there are 1,874 service entries on 1Space across 1,798 organisations exceeding the target figure for 14/15. There were a total of 43,511 visits to 1Space during 2014/15 (28% repeat visitors and 72% new visitors) a 51% increase on the 14/15 target figure for this period and a gross increase of 71% from 2013/14 (Appendix 2 of the report to the Cabinet).

1.26 Services for the residents of East Sussex requiring support following welfare reform have been streamlined. Universal Credit goes live in Hastings and Rother in April 2015, with Eastbourne, Lewes and Wealden following in June 2015 (Appendix 6 of the report to the Cabinet).

Making best use of resources

1.27 We have completed our plans for the final year of the Medium Term Financial Plan 2013/14 - 2015/16 and are now developing our approach for 2016/17 onwards. The Council Plan, Portfolio Plans and Revenue Budget Summary have all been published (Appendix 6 of the report to the Cabinet).

1.28 We have increased our focus on generating income; significant additional income includes the partnership 'pool' for Non Domestic Rates within East Sussex, covering the County Council, the five Borough and District Councils and the Fire and Rescue Service. (Appendix 3 of the report to the Cabinet).

1.29 We are expanding and embedding our partnership working with Surrey County Council in relation to all Business Services and Legal Services. This will lead to a wide range of benefits including fostering innovation, increased sustainability and improved quality of services, commercial leverage and delivery of broader shared efficiencies (Appendix 3 of the report to the Cabinet).

1.30 Eight SPACES projects were completed in 2014/15 against the target of three. This includes five co-locations, one disposal and community provision and one land swap. In addition, Wealden District Council is now storing documents at the County Council's Ropemaker Park. The Programme benefits measured to date include £12.9m capital receipts and £2m reduction in revenue costs across the partners (Appendix 3 of the report to the Cabinet).

1.31 A vastly improved system for managing committee meetings and the associated paperwork has been implemented. The system, called "modern.gov" will provide much easier and more efficient management for all our committee papers. Content will be much easier to find, view and cross reference electronically than is possible with our current system. The system went live on 5 May 2015 (Appendix 6 of the report to the Cabinet).

1.32 £2.55m of capital receipts were generated in 2014/15 against a target of £4m due to three disposals being delayed. The delays are due to a belated footpath challenge Westfield Down (£560k); a restrictive covenant relating to 14 Westfield Lane (£375k); and purchaser queries on ground conditions at Woollards Field (£540k) (Appendix 3 of the report to the Cabinet).

1.33 The Citrix project is now complete and this major infrastructure project is a major contributor to our Public Services Network accreditation allowing us to share information across organisational boundaries with our partners (Appendix 3 of the report to the Cabinet).

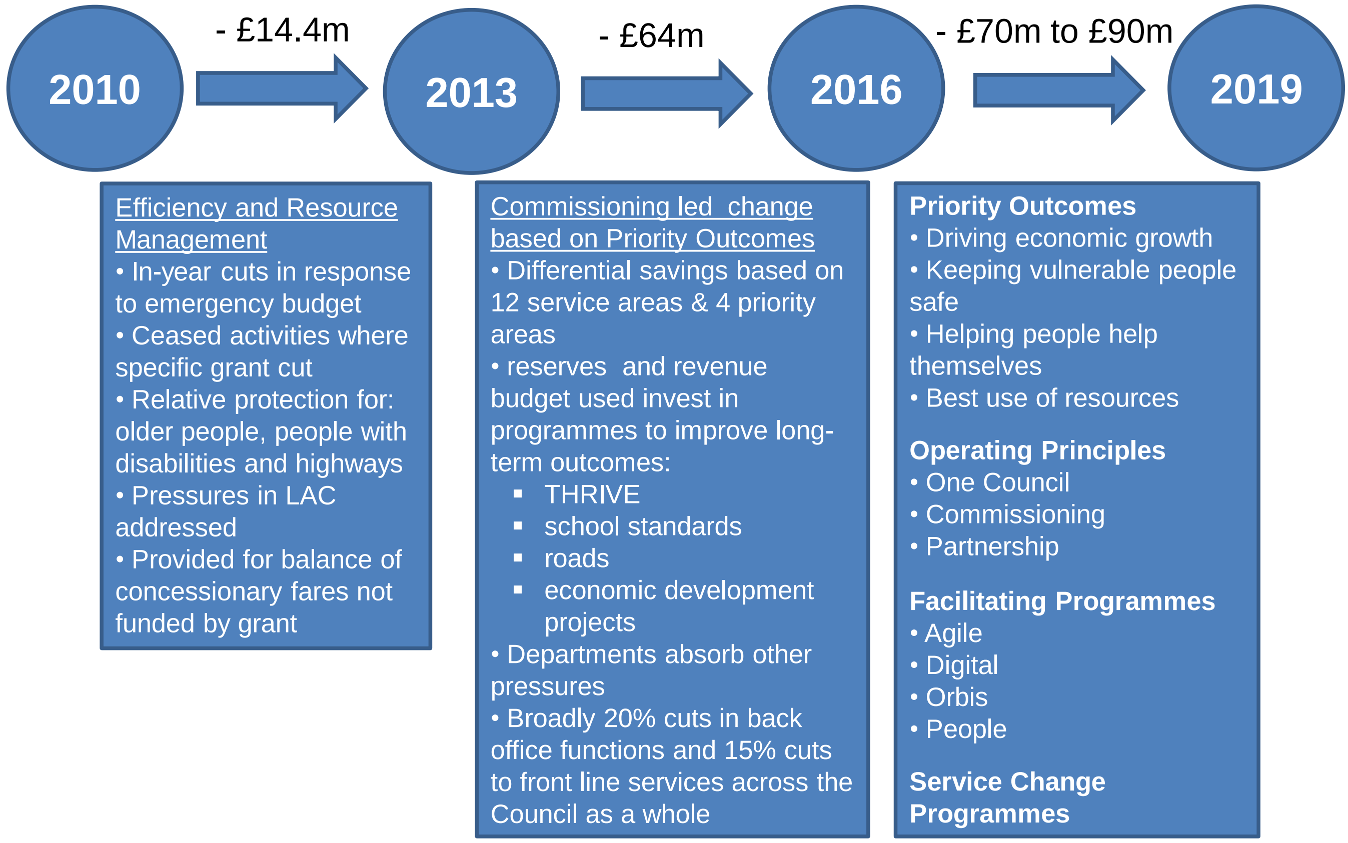
1.34 The Sickness Absence outturn for the whole authority (including schools) is 8.31 days lost per FTE employee, which represents an increase of 6.3% since 2013/14. The majority of the increase is in non-schools teams and comparisons with a small group of local authorities indicates that this outturn is higher than average. We will validate the comparability of the data and explore potential learning from approaches to absence and wellbeing. Stress continues to be the primary driver of absences across the organisation (Appendix 3 of the report to the Cabinet).

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

2.1 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.

2.2 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



2.3 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.

2.4 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.

Council Priority Outcomes
2.5 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 of the report to the Cabinet, but fall under the following headings:

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

Development of the Council’s Medium Term Plans
2.6 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.

2.7 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 of the report to the Cabinet. 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.

2.8 The national and local context in which the Council’s plans will need to be made is set out in Appendix 3 of the report to Cabinet. 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.

2.9 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.

2.10 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.

2.11 The effects of the Care Act add to the difficulty of making firm predictions about the level of savings required and there will be some opportunities to increase the Council's income (see paragraphs 2.14 and 2.15 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.

Meeting our Strategic Challenge

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

Cross-Council Facilitating Programmes

2.13 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.

Maximising control and independence
2.14 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.

2.15 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.

2.16 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.

2.17 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 as 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.

2.18 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.

2.19 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.

2.20 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.

2.21 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 1 which has been circulated separately to all members.

2.22 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 of the report to the Cabinet.

Service Change Programmes
2.23 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.

2.24 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.

2.25 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.

2.26 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 of the report to the Cabinet. 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.

2.27 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.

Capital Programme
2.28 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 of the report to the Cabinet.

2.29 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.

2.30 The Council has a contingency to mitigate programme risks outlined in detail at Appendix 4 paragraph 2.7 of the report to the Cabinet. 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).

RPPR next steps
2.31 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.

2.32 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.

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

2.34 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.

2.35 Cabinet has agreed 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.

Engagement, Communications and Lobbying
2.36 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.

2.37 The Committee **recommends** the County Council to:

✡ agree the amendments to the Treasury Management Strategy set out in Appendix 1 to facilitate investment in a wholly local government owned municipal bond agency.

3. South East Seven (SE7) and South East Devolution Update

3.1 The last SE7 Leaders' Board meeting of Leaders and Chief Executives took place on 15 May 2015 and the notes of the meeting were attached as Appendix 1 of the report to the Cabinet. The meeting had a specific focus on the decentralisation and devolution agenda with discussion on national policy shifts and the implications and opportunities for the SE7 partnership.

3.2 Following agreement at the previous meeting, Tony Travers, Director at London School of Economics, attended the meeting to deliver a presentation (a copy of the presentation was attached at Appendix 1 of the report to the Cabinet) on the challenge facing the public sector over the next five years, with a specific focus on:

- Future public expenditure and the consequence for Local Government; and
- The evolution of Government policy towards “sub-national Government.

3.3 The key points of the presentation and the discussion were as follows:

- The Government's financial plans signal a continued period of reducing monies for the public sector, with Local Government taking a continued, larger share of the burden.
- The policy shift towards devolution represents an opportunity for Local Government to build strong cases for local freedoms and flexibilities.
- The SE7 offer/ask to Government would be better received if it were to be seen as providing a solution to or taking on a Central Government challenge.

3.4 The Board was in agreement that the SE7 is well-positioned to build a case for a transfer of a package of freedoms and flexibilities. A case for devolution could build upon the existing SE7 framework (namely a coalition of the willing where two or more councils can collaborate on shared priorities) and arrangements as a long-established partnership, with a proven track record and a strong and well-recognised brand (both nationally and locally). Any devolution activity would be predicated on strong relationships within the two-tier areas of the SE7 and would be an alternative to a change to Unitary Authorities.

3.5 The Board also considered the work undertaken by the Chief Executives' Board (with the support of KPMG) to explore the specific devolution opportunities for the SE7. Caroline Haynes, Director at KPMG, set out the context and options for the SE7. The key points of the discussion were as follows:

- A SE7 devolution offer 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 a SE7-specific devolution offer and governance model is critical to ensure the proposal is received well by Government and is locally appropriate for the SE7 (i.e. to reflect that the SE7 is not a city region and that the mayoral model would not be appropriate).
- The relationship of most of the SE7 area to London was considered critical and infrastructure within the SE7 was noted as an essential component of a SE7 offer.

3.6 It was agreed that a coalition of willing SE7 authorities would be formed, who would work at pace to progress this activity. The case for devolution will not focus solely on savings: it is primarily about the best possible outcomes and service provision for residents. The group would develop a SE7 framework for fiscal devolution of the following:

- road and rail infrastructure;
- digital infrastructure;
- adult social care and health;
- employment and skills; and
- support to local businesses.

3.7 Since the meeting, East Sussex, Surrey and West Sussex County Councils have, agreed to explore with Government what powers and freedoms can be devolved to this part of the South East. The three councils are clear on the crucial role that partners, especially Borough and District Councils, will play in the shaping of a successful devolution offer. Further detail of the initial offer to Government is set out in the letter to the Secretary of State for Communities and Local Government, Rt. Hon. Greg Clark MP, at Appendix 2 of the report to the Cabinet.

3.8 As the devolution discussion develops with Government and partners over the coming weeks and months, further updates will be provided to Members. Where decisions need to be made which impact ESCC, formal endorsement will be sought through Reconciling Policy, Performance and Resources and other relevant governance mechanisms.

3.9 A communications and stakeholder engagement strategy will be developed to ensure the devolution offer can be shared and communicated in the most effective way.

3.10 A number of additional activities will also be progressed by the SE7:

- Collaboration with the Behavioural Insights Team will continue and an update will be shared with the Leaders' Board at the next meeting in September; and
- The Chief Executives' Board will consider the review by Louise Casey into the Rotherham Child Sexual Exploitation case at their next meeting and any lessons will be shared at a future meeting of the Leaders' Board.

4. Ashdown Forest Trust

4.1 The Cabinet considered a report by the Director of Communities, Economy and Transport regarding the Ashdown Forest Trust's Income and Expenditure Account for 2014/15 and Balance Sheets as at 31 March 2015. The Ashdown Forest Trust, a registered charity, was set out by a declaration of Trust in 1988. East Sussex County Council is the trustee and agrees grants made to the Ashdown Forest Conservators, from the Ashdown Forest Trust Fund.

4.2 The Trust's Income and Expenditure Account shows an annual deficit in 2014/15 of £18,694. The movement from the previously projected surplus of £1,768 is mostly attributable to the £21,000 grant payment for the refurbishment of the Ashdown Forest Visitor's Centre. This was approved by Cabinet and payment was made at the end of the financial year. There has also been a slight reduction in the audit fees that were estimated earlier in the year.

4.3 The main source of income was the rent from the Royal Ashdown Forest Golf Club, currently £70,000 per annum. A rent review took place at the end of 2014 and it was agreed that there would not be any increase in the rent payable. This decision was based on market evidence, which identified that the current rent was in line with the market and therefore a rent increase would be unreasonable. This will be reviewed every five years under the terms of the lease. The majority of the expenditure relates to the £65,100 annual grant paid to the Conservators of the Ashdown Forest. In 2013/14, the Trust made an operating surplus of £176, when no one-off payments were approved but audit fees were more costly. The accumulated General Reserve totalled £155,470 at 31 March 2015.

4.4 A formal annual report and statement of accounts will be compiled in accordance with the Charity Commission's Statement of Recommended Practice (SORP). These accounts will be independently examined before being submitted to the Charity Commission by 31 January 2016.

29 June 2015 KEITH GLAZIER
(Chair)