

REPORT OF THE CABINET

The Cabinet met on 15 December 2015 and 26 January 2016. Attendance:-

Councillor Glazier (Chair) (2)

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

1. Reconciling Policy, Performance and Resources (RPPR): Draft Council Plan 2016/17, Revenue Budget and Capital Programme

1.1 At its meeting on 13 October 2015, Cabinet considered the approach which had been taken to planning both our activity and savings. The report set out a series of proposed savings in 2016/17 of £22.4m as part of an overall budget gap for the Medium Term Financial Plan (MTFP) period of £70m - £90m. The report set out the One Council approach which had been taken to developing savings proposals using the following principles:

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

1.2 Applying these principles, officers have continued to try to devise a sustainable financial and performance plan for the Council which recognises the permanent reduction in the size of the public sector.

1.3 As One Council, the following have been considered:

- Prevention and Demand Management – prioritised according to effectiveness;
- Ring-fenced Government grants;
- Democratic Core and Support Services;
- Demand Led Budgets to meet specified statutory minimum – including Community Care budget and Looked After Children;
- Long-term contracts – including Waste PFI, and Highways Contract; and
- The future shape of the Council.

1.4 The savings put forward to Cabinet have been subject to wide ranging consultation with the public, Members, staff, Trade Unions, and partners; comments from these groups and from

Scrutiny Committees are attached at Appendix 7 and detailed feedback is available in the Members' room.

1.5 This report details the changes to the financial position since October and proposes for 2016/17 a draft Council Plan and budget. The report also highlights the very significant challenges the County Council will face in 2017/18 and 2018/19 and the importance of setting a sustainable MTFP for the full three years.

Council Plan and supporting MTFP

1.6 The draft Council Plan (Appendix 1 of the report, to be found in the additional documents pack) continues to be built on the Council's four overarching priority outcomes: driving economic growth; keeping vulnerable people safe; helping people help themselves; and making the best use of resources. Making best use of resources is the priority through which any activity and accompanying resources must pass. The remaining three priority outcomes guide our activities, direct our resources and are reflected in our Council Plan activities and targets. As resources tighten, our ambition in some areas will be to maintain performance at current levels rather than seeking improvement, defining clearly the outcomes we wish to achieve and monitoring our success in delivering these outcomes for the County's residents, communities and businesses. We also keep track of a wide range of key data about East Sussex and related to our priority outcomes. These will help us to assess our impact more fully and respond appropriately when we need to do so; they will be monitored annually as part of the State of the County report.

1.7 The draft Council Plan provides a summary for each strategic priority including planned action and targets for the next three years. It is still work in progress until final budget allocations are made and firm targets can be set. It will be published by 1 April 2016 and refreshed in July when final performance outturn figures for 2015/16 are available. Authorisation is sought for the Chief Executive to make final changes pre and post publication in consultation with Lead Members as appropriate.

1.8 The Government announced the Autumn Statement on 25 November, which signalled a significant number of policy changes that will impact on the nature, role and size of the Council over the Medium Term, as well as an indication of changes to the future Local Government Finance system. These were set out in the Cabinet report of 15 December. This was followed by the announcement of the Council's provisional settlement on 17 December 2015. More details on this and the other finance changes can be seen in Appendix 2.

Revenue Budget 2016/17

1.9 The changes to the budget gap since the October Cabinet report are set out below in Table 1 and are discussed in the following paragraphs, along with a summary of the revised savings in Table 2, set out in more detail in Appendix 2.

Table 1 – Changes to the 2016/17 Budget from October Cabinet

	£m
Budget Gap at October Cabinet	22.962
Council Tax - increase re Local Council Tax Reduction Scheme ¹	(4.264)
Council Tax – reduction in projected number of properties	0.349
Council Tax – contribution to operating costs of LCTRS	0.300
Council Tax - increase in estimated collection fund surplus	(2.010)
Council Tax - increase from 1.95% to 1.99%	(0.093)
Council Tax – Social Care Precept @ 2%	(4.657)
Additional Funding for Adult Social Care Growth & Demography ²	3.986
Revenue Support Grant	2.346
Pay/Inflation/National Living Wage	(1.495)
Business Rates	0.972
Education Services Grant ³	0.664

Waste Contract	0.292
OFSTED Improvement Plan	0.200
General Contingency	0.090
Deficit	19.642

¹ This includes £1.8m of Local Council Tax Reduction Scheme (LCTR) previously included as a saving. The change in tax base takes account of a change in collection rates for two councils.

² The MTFP reported to October Cabinet included £2.1m for ASC Growth & Demography. The total now included in 2016/17 for ASC Growth & Demography is £6.1m (£2.1m + £4.0m).

³ Reduced grant due to academisation £0.335m, reduced grant due to new methodology for 2016/17 £0.329m.

Table 2 – Revised 2016/17 Savings

	£m
Savings reported at October Cabinet	22.363
Adult Social Care	(1.921)
Council Tax Reduction Scheme – £1.8m now included in Council Tax	(1.800)
Treasury Management – additional £1m saving	1.000
Revised Savings Total	19.642
Departmental Savings	16.642
Treasury Management Savings	3.000
	19.642

The Provisional Settlement

1.10 The Provisional Settlement has confirmed the downward direction of travel of Government funding (Revenue Support Grant - RSG) to local government. The reduction in RSG in the Provisional Settlement is £50.1m over the 3 years, compared to £46.5m in the draft MTFP (an additional £3.6m lost). Indicative allocations of the new Better Care Fund (BCF) Grant that will be received directly by Local Authorities and not through Health (£1.5bn nationally) have been made of £0.3m in 2017/18 and £7.8m in 2018/19.

1.11 Within this, the provisional settlement in RSG for 2016/17 was £2.4m less than was expected. This was slightly worse than the average loss of the County Councils.

1.12 The settlement also changes significantly the profile of the savings the County Council will have to make in 2017/18 and 2018/19. The savings challenge for 2017/18 is much higher than we have planned for as the Council will need to find a further £6m savings in 2017/18 over and above what the Council has already consulted on and also bring forward almost £5m of the savings that have been planned for 2018/19.

1.13 The settlement also introduced a new feature to the potential funding arrangements by giving authorities with Adult Social Care (ASC) responsibilities the flexibility to raise council tax in their area by up to 2% above the existing threshold. If all local authorities use this to its maximum effect it could help raise nearly £2 billion nationally a year by 2019-20. The expectation is that, taken alongside the Better Care Fund (BCF), the social care levy will support councils to continue to focus on core services and to increase the prices they pay for care, including to cover the costs of the National Living Wage (see paragraph 7 Appendix 2 for more detail).

1.14 The Government has also, through the settlement, sought to “rebalance” funding for those authorities with Adult Social Care (ASC) responsibilities by assuming that all those authorities will raise the 2% ASC levy. Having made that assumption the Government has redistributed RSG and the new BCF taking the 2% levy into account. The impact of this has been that in 2016/17, the Council has lost almost the same amount of RSG through this redistribution as is available to it in funding by raising the 2% levy.

1.15 The redistribution assumes that the Council will continue to fully utilise the 2% levy, in addition to the Council Tax it is raising throughout the life of the MTFP.

1.16 As a further consequence of this redistribution, the indicative BCF grant that the Council has received is about half of what might have been expected in 2018/19 (indicative grant is £7.8m). No information or guidance has been issued about the new BCF grant, which does not commence until 2017/18, so there may be some new responsibilities attached to this grant.

Medium Term Financial Plan changes

1.17 The Council has continued to work through its RPPR process to update and refine the budget figures. The Council taxbase is based upon the estimated numbers of homes in each taxband, with an assumed collection rate and now, in addition, the discounts given to residents who qualify under the local schemes adopted by the District and Borough Councils. Four of the Boroughs and Districts have adopted new discount schemes for 2016/17. The adoption of these new schemes has provided additional Council tax (estimated at £4.3m), which is £2.5m in excess of the £1.8m estimated in October.

1.18 The updated medium term financial plan and savings plans take account of the £4.7m available from the Adult Social Care Levy in 2016/17.

1.19 The County Council has continued to estimate and manage its pressures. The Cabinet in October noted pressures in excess of £10m for 2016/17 (see Appendix 1, section 1.1), the largest pressure by far being within the Community Care budget in ASC which meets critical and substantial care needs. The pressure on the budget is being driven by both increasing numbers of residents needing support and by increasing complexity of needs. The 2015/16 overspend reported at Quarter 2 of £4.3m may increase through winter pressures to £5.8m.

1.20 The draft budget contains a proposal to allocate £6.1m of funding to take account of that in 2016/17. The allocation for 2016/17 would have been £3.3m, but has been increased by an additional £2.8m by using the ASC levy. However, other pressures resulting from changes in 2016/17 and future years remain.

1.21 The East Sussex Better Together (ESBT) Programme Board agreed the deployment of £5.985m from the Better Care Fund (BCF) 2015/16 contingency to help fund the modelled impact of the increase in demand and complexity of cases requiring ASC support in 2015/16. The allocation from the BCF acknowledged pressure across the whole system and the need for social care to reduce pressure on health care by increasing diversion from hospital care, supporting more complex cases in the community and enabling higher levels of discharge from hospital. The ESBT programme will deliver a significant transformation in how integrated care is provided and the use of the BCF contingency will support ASC and the whole system until the new models are in place. The longer term implications of this approach will be addressed through the ESBT programme future use of the BCF and RPPR.

1.22 If pressures exceed the budget in 2016/17, the County Council will need to use its £3.4m contingency. Pressures will be closely managed during the year and reported through the RPPR process. Future ASC levy income has not been built into the MTFP, as pressures for those years may continue to grow in excess of base budgets.

1.23 The Council is still awaiting announcements for some specific grants, crucially Public Health, the final settlement and Business Rates income (from District and Borough Councils).

1.24 Taken together, these changes, along with a reduction in the funding required for the National Living Wage/Inflation of £1.5m (a £6m reduction in total through to 2018/19), lead to a balanced budget for 2016/17.

1.25 The savings plans, including proposed amendments since the version for consultation was agreed in October, are set out in detail in Appendix 3. The changes primarily relate to Adult Social Care and reflect the use of £1.9m of the 2% social care levy (the rest being proposed for use towards meeting the community care pressures); some of the Better Care Fund and the £334k of the £2m of the Commissioning Grants Prospectus (CGP) funding proposed for retention in October. Members will be aware that we consulted on reducing the whole CGP funding to ensure we fully understood the impact changes would have. The appendix details those proposed for retention (either in part or whole) as well as those proposed for implementation. The savings have been under continual review to take into account:

- The provisional settlement
- Medium Term Financial Plan changes
- Public, partner and business consultation
- Equality Impact Assessments
- Feedback from the Scrutiny Boards

1.26 The proposed savings and increased allocations to the Community Care budget deliver a balanced budget for 2016/17 and are part of a Strategic Commissioning approach to delivering a sustainable strategy in response to the challenges and opportunities over the planning period 2016/17-2018/19 and beyond. There clearly remains a significant savings gap for 2017/18 to 2018/19, and the savings proposals for 2016/17 reflect strategies that are best positioned to provide a sustainable One Council strategy and balanced budget in the short and medium term.

Capital Programme 2016/17

1.30 There are a number of minor changes to the Capital Programme since it was last revised by Council as part of the State of the County Report in June. These are set out in detail in Appendix 2, section 6. The programme has been updated to reflect slippage and for the specific changes set out in Table 3 below. A new Capital Programme for 2018/19-2022/23 will be included in the next State of the County report in July, which will take account of a more comprehensive capital programme management approach to supplement and strengthen the improvements that have been made in monitoring capital programme performance and practice.

Table 3 – Revised Net Capital Programme 2015/16 to 2017/18

	£m
State of the County – July 2015 Capital Expenditure inc. Contingency	266.3
7. BHLR additional costs	7.9
8. Capital Building Improvements financed from Government grant (net nil)	0
9. Capital Expenditure matched by income (net nil)	0
10. Specific scheme under/over spend – see appendix 2 section 6 -Table 6a & 7	(1.7)
11. Capital Expenditure reclassified as revenue	(3.0)
12. Reduced Capital Receipts	(1.0)
13. New Homes Bonus	3.0
Revised Net Capital Expenditure 2015/18 inc. Contingency (Capital Expenditure £262.8m + Contingency £8.7m)	271.5

Fees and Charges

1.31 The Council is required to review the charges it makes for services. Members are recommended to delegate to the Chief Finance Officer authority to increase all fees and charges (save those set out in Appendix 4), that were agreed last year, by up to 2% for 2016/17. Appendix 4 sets out those fees where:

- (i) there is a statutory requirement for the Council to approve an increase;
- (ii) new charges are being proposed;

- (iii) the level of the proposed fee or charge is to be reduced; or
 - (iv) the level of the fee is to be increased by more than 2%.
- These are recommended for approval by Members.

Council tax requirement

1.32 The Council tax requirement and ASC levy for 2016/17 is set out in Table 4 below. The 2% ASC levy of £4.7m is being used to fund ASC pressures of £2.8m and in some cases to delete or reduce ASC services totalling £1.9m that were previously part of the savings proposals (appendix 3). The proposed increase in council tax is now 1.99% compared to the 1.95% included in the October Cabinet MTFP.

Table 4 – Council Tax 2016/17

Changes in Council tax	Council tax
Band D 2015/16	£1,203.93
1.99% Council tax increase *	£23.95
2% ASC Levy *	£24.02
Band D 2016/17	£1,251.90

* Rounded

Medium Term Financial Plan (MTFP)
Table 5 – 2016/17 to 2018/19 MTFP

	15/16 Estimate £million	16/17 Estimate £million	17/18 Estimate £million	18/19 Estimate £million
RESOURCES				
Business Rates	(70.785)	(70.903)	(73.119)	(75.440)
Revenue Support Grant	(65.093)	(45.107)	(26.727)	(14.966)
Council Tax	(231.775)	(246.842)	(252.183)	(261.025)
New Homes Bonus	(2.497)	(2.886)	(2.902)	(1.823)
TOTAL RESOURCES	(370.150)	(365.738)	(354.931)	(353.254)
PLANNED EXPENDITURE				
Net Service Expenditure	309.734	311.234	334.890	350.924
Pay Award/Inflation/National Living Wage		11.714	10.782	15.929
NI - Abolition of Contracted Out		2.500		
Adult Social Care Growth & Demography		6.086	3.752	4.285
Extension of Foster Care to 21		1.700	0.900	0.700
Waste Contract		0.792		
Education Services Grant		0.664		
Apprenticeship Levy			0.600	
OFSTED		0.200		
NET SERVICE EXPENDITURE	309.734	334.890	350.924	371.838
Treasury Management	30.566	30.566	30.566	30.566
Funding Capital Programme - base contribution	13.400	6.000	6.000	6.000
Funding Capital Programme - New Homes Bonus	2.497	2.886	2.902	1.823
General Contingency	3.500	3.350	3.240	3.230
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
Contribution to operating costs of LCTRS		0.300	0.300	0.300
TOTAL CORPORATE EXPENDITURE	60.416	50.490	51.535	51.585
TOTAL PLANNED EXPENDITURE	370.150	385.380	402.459	423.423
DEFICIT	0.000	19.642	47.528	70.169

CUMULATIVE SAVINGS (Departmental & corporate)

(19.642) (36.897) (64.263)

Budget Gap

0.000 10.631 5.906

Better Care Fund (cumulative)

(0.300) (7.800)

2% Social Care Precept (cumulative)

(4.926) (10.125)

(5.226) (17.925)

The MTFP and Revenue Budget 2016/17 in Appendix 2a show a balanced budget with savings included in Net Service Spend and Treasury Management.

1.33 The projections exclude the Better Care Fund indicative grant of £0.3m for 2017/18 and £7.8m for 2018/19 as it is not clear what additional responsibilities will be attached to the grant.

1.34 The overall deficit has reduced from the £75.9m projected in the October Cabinet report to £70.2m. The Council will need to identify an additional £5.9m of savings if the current projected deficit is to be funded. Additional income from the 2% ASC precept in 2017/18 and 2018/19 has not been taken account of in that figure, as it possible that it will be offset by further pressures. The deficit in 2017/18 has been increased as a result of the accelerated reduction in RSG for 2017/18.

1.35 There remain very significant risks and uncertainties in future years (see appendix 2) including the new approach to National Non-Domestic Rates (NNDR), Education Support Grant, National Living Wage which may raise the overall deficit significantly in future years.

Robustness and Opportunity Cost of Reserves

1.35 The Chief Finance Officer is required to report on the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides, as part of the budget setting process. This is set out in Appendix 6. The reserves are split into two categories: named service reserves and strategic reserves, as set out in the reserve policy. ESCC reserves are estimated to total £94.6m as at 1 April 2016, a reduction of £35.7m (27%) from 1 April 2015.

Equalities

1.36 An assessment of the potential impact, from an equalities perspective, of the proposals in the Council's overall budget is set out in Appendix 3. Copies of Equality Impact Assessments (EqIAs) have been placed in the Members' Room, are available on the Cabinet pages of the Council's website and can be inspected on request at County Hall. Members are required to read the EQIAs and the Council's duties in relation to equalities must be taken into account when Members consider the recommendations to County Council on the Revenue Budget and Capital Programme. EqIAs, including appropriate consultation, will be carried out before service changes are agreed consequent to the proposed budget.

1.37 Whilst the County Council is being asked to agree the Revenue Budget and Capital Programme, there remains scope for reconsideration of individual proposals in the light of new information and changing circumstances during the year (for example, the outcome of EqIAs). When specific executive decisions come to be taken, the full equalities implications of doing one thing rather than another can be considered in appropriate detail. If it is considered necessary, in light of equalities or other considerations, it is open to those taking the decisions to spend more on one activity and less on another within the overall resources available to it. A summary of the impact assessment of the Capital Programme on equalities is set out in Appendix 2b.

1.38 Notwithstanding the above paragraph, in order to be able to realise the full year savings on the savings proposals that are agreed, Cabinet, in relation to those items set out in Appendix 3a and b, has agreed to implement those savings proposals recommended as such, subject to the budget limit for those items (set out in Appendix 3) being agreed by County Council as part of the budget. The limit is the budget estimate at Appendix 2a which has had the savings from Appendix 3 applied. The impact assessments and a summary of responses to the consultation are available in the Members' room and on the County Council pages of the Council's website [[County Council - 9 February 2016](#)] and on request at County Hall. Full details of the responses to the consultation are available in the Members' room.

Staffing Impacts and Implications

1.39 As a responsible employer, the Council is committed to ensuring our employees are supported through times of change and we fully recognise the impact the current level of reduction and change may have on individuals and teams. Proactive action has, therefore, been taken to mitigate disruption to the Council's employees and service delivery. An employee well-

being support package is provided, giving the entire workforce 24 hour access to telephone counselling support and a full range of information providing practical guidance and support identifying pragmatic options that minimise the negative impact of change. A full support programme is available for all employees who face a restructure, which includes a range of opportunities such as training around interview techniques and skills, managing stress, careers advice and a “resilience/well-being” workshop, where participants are coached in techniques which enable a more positive and realistic outlook to change, allowing more informed choices to be made. The response to this support from managers, employees and Trade Unions alike has been extremely positive and has greatly reduced the level of anxiety for many employees.

1.40 It is anticipated that the Council will be required to reduce its workforce over the coming financial year; the scale of the reduction will be clearer throughout the course of ongoing consultation with employees and Trade Unions.

Lobbying

1.41 ESCC will continue to lobby the Government and our MPs, along with the Local Government Association, the County Councils Network and other partners to ensure that the needs of the people of East Sussex are understood by central Government, both in the next year and for the future, at a time when there will be significant changes to the way local government is financed. The leaders of all the political groups on the Council wrote to the Prime Minister on 14 January 2016 expressing their concerns about the settlement and its impact on residents and calling on the Government to revisit the grant distribution. The letter also calls on the Government to work in partnership with councils on future arrangements. A copy of the letter is attached at Appendix 8.

Conclusion

1.42 The County Council is still projecting an overall deficit of at least £70m over 3 years. The MTFP provides a budget which will give residents, businesses and partners a sustainable service offer during a period of significant change and uncertainty in local government and its financing. Identifying sustainable savings proposals for 2016/17 in order to deliver a balanced budget has been very challenging. The remaining two years of the current plan will be even more difficult as we need to bring forward significant additional savings in 2017/18, at the same time as demand will continue to grow.

1.43 The County Council continues to be on track to deliver balanced budgets for the remaining two years of the MTFP. However, the significant policy changes that will take place over this period, particularly within ASC/Health integration and the removal of the County Council’s role in relation to schools, will mean that the current savings target of £70.2m is subject to uncertainty.

1.44 We will continue to lobby the Government to ensure it both fully understands and recognises the impact of the financial constraints on residents and is persuaded to revisit the grant and NNDR distribution for future years so they reflect local needs especially to more fairly recognise the real pressure on social care authorities. We will seek to ensure that the new financing arrangements reflect our needs, are accompanied by the flexibilities and freedoms that councils should have in order to manage their income sources; and to ensure that changes to policy and resourcing in areas such as schools apprentices are developed using a sound evidence base.

1.45 Our RPPR process and plans put us in the best place possible to deal with the challenges ahead.

1.46 The Cabinet **recommends** the County Council to:

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

- (2) approve the net Revenue Budget estimates for 2016/17 as set out in Appendix 2a;
- (3) in accordance with the Local Government Finance Act 1992 to agree that:
 - (i) the net budget requirement is £365.7m and the amount calculated by East Sussex County Council as its requirements for the year 2016/17 is £242.6m;
 - (ii) the amount calculated by East Sussex County Council as the basic amount of its council tax (ie for a band D property) for the year 2016/17 is £1251.90 and represents a 3.99% (2% of which relates to the Adult Social Care precept) increase on the previous year;
- (4) advise the District and Borough Councils of the relevant amounts payable and council tax in other bands in line with the regulations and to issue precepts accordingly in accordance with an agreed schedule of instalments as set out at Appendix 5
- (5) authorise the Chief Operating Officer, in consultation with the Chief Finance Officer, Leader and Deputy Leader, to make adjustments to the presentation of the budget to reflect the final settlement;
- (6) approve the fees and charges set out in Appendix 4 and delegate authority to the Chief Finance Officer to approve an increase to all other fees and charges by up to 2%;
- (7) approve the Capital Programme including further investment in essential programme need 2016/17 to 2017/18 as set out at Appendix 2a;
- (8) note the Medium Term Financial Plan forecast for the period 2016/17 to 2018/19 as set out in Appendix 2a; and
- (9) note the comments from the engagement exercises as set out in Appendix 7

2. Council Monitoring – Quarter Two 2015/16

2.1 The Cabinet has considered a report on performance against the Council Plan, Revenue Budget, Capital Programme, Savings Plan and risks for the second quarter of 2015/16. 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 of 2015/16 Council Plan

2.2 Locate East Sussex helped to create 10 jobs in quarter 1. "East Sussex Invest 4" approved 13 business applications for funding, committing over £302,000 which will help create 42 jobs. We completed 63 road work schemes, investing over £4.5m. School safety zones were completed in Eastbourne and Heathfield. Overall attainment results for 2014/15 across early years, primary schools, and secondary schools, have improved since 2013/14. 22% of care leavers are attending university. 100% (4,521) of working age adults and older people receiving our support received self-directed support (between April and September 2015). 18.7% of adults with learning disabilities have been supported into paid or voluntary employment.

2.3 More detail of progress against each of our priority outcomes is set out in paragraphs 2.9 to 2.18 below. Of the 69 Council Plan targets, 50 (72%) are rated green, 9 (13%) are rated amber, and 4 (6%) are rated red. 6 (9%) were proposed for amendment or deletion to reflect the latest position, these are:

- Appendix 2 of the report to the Cabinet – Care Act: ensure people with eligible needs have a care account – measure proposed for deletion as care costs cap will not be introduced this year.

- Appendix 2 of the report to the Cabinet – East Sussex Better Together (ESBT): implement an Integrated Strategic Commissioning Framework – 2015/16 target proposed for amendment, and new target proposed for 2016/17 in line with new timelines.
- Appendix 2 of the report to the Cabinet – ESBT: introduce locality Community Health and Social Care Teams – 2015/16 target proposed for amendment, to bring in line with ESBT 150 week plan.
- Appendix 2 of the report to the Cabinet – referrals to Memory Assessment Service – 2015/16 target proposed for amendment as referral rates have reduced as a result of earlier diagnoses.
- Appendix 2 of the report to the Cabinet– adults with learning disabilities supported into employment – measure and 2015/16 target proposed for amendment to report numbers instead of percentages.
- Appendix 5 of the report to the Cabinet – pedestrian improvements in Terminus Road – 2015/16 target proposed for amendment due to unexpected delays and increased funding requirements.

2.4 At quarter 2, the projected year-end overspend for net departmental budgets is £5.1m, compared to £6.0m reported at quarter 1. The main areas of overspend are: Adult Social Care £4.3m, mainly on Independent Sector Care, compared to £3.0m reported at quarter 1; Children's Services £0.4m mainly for Looked After Children, a reduction from £1.2m reported at quarter 1; Communities, Economy and Transport £0.4m mainly from unachieved highways and road safety savings, a reduction from the £0.7m reported at quarter 1; Business Services is projected to breakeven compared to a projected overspend of £1.0m at quarter 1.

2.5 In addition, there is a projected reduction in income for the Council's share of the East Sussex Business Rates Pool of £0.4m. This is based on quarter 2 projections that show a reduction of £5.4m in collectable rates across East Sussex; mainly due to a significant increase in appeals provisions at all billing authorities. There is also an estimated reduction in the Education Support Grant of £0.2m due to Academisation. There is therefore a projected overspend of £1.158m for the Council after the general contingency and unused inflation provision have been applied. However, there is the potential deployment of the Better Care Fund contingency as outlined in Appendix 2 of the report to the Cabinet.

2.6 The total savings target for 2015/16 is £19.9m including unachieved savings carried forward from previous years. At this stage, £8.6m of savings will not be achieved. Permanent mitigations of £0.5m and temporary mitigations of £3.0m have been identified.

2.7 The forecast expenditure on the capital programme is £147.9m against a budget of £180.1m. This represents a variance of £32.2m in comparison to a variance of £23.8m reported at quarter 1, an overall increase of £8.4m. The variation at quarter 2 comprises slippage of £41.9m offset by net over and underspends of £3.4m and spending in advance of £6.3m. Continuing with the review and challenge of reporting conducted at quarter 1; the most significant new variation at quarter 2 is slippage of £8.6m within the Economic Growth and Infrastructure programme. This is mostly the result of re-profiling the award of Economic Intervention Fund grants and loans that are demand led and an updated timetable from the Environment Agency as lead authority for implementation of the Newhaven Flood Defence scheme. Other significant slippage previously reported remains £12.7m on the Newhaven Port Access Road and £6m on the Hastings Library although the re-design and rationalisation of the project has also achieved a saving of £1m not previously reported. There is a further increased cost of £0.1m on the Bexhill Hastings Link Road (BHLR) over the £4.4m previously reported at quarter 1. The profiling of BHLR expenditure between the financial years has now been resolved. Total spend in advance has increased from £3.9m at quarter 1 to £6.3m at quarter 2, mainly as a result of bringing forward some of the works programme for schools basic needs to meet the identified service requirement for September 2018. The capital programme will be re-aligned to take account of the slippage, over/underspends and spend in advance identified in this report.

2.8 The Strategic Risk Register, Appendix 7 of the report to the Cabinet, has been reviewed

and six risks have been amended. Risk 1 (Roads), risk 6 (Local Economic Growth), risk 8 (Capital Programme) risk 9 (Workforce), and risk 10 (Welfare Reform) all have amended risk control responses, with risk 1 (Roads), risk 6 (Local Economic Growth) and risk 8 (Capital Programme) also having amended risk scores. Risk 7 (Schools) has an amended risk definition. No new strategic risks have been added and no risks have been removed from the register.

Progress against Council Priorities

Driving economic growth

2.9 Early Years and Primary School overall attainment levels for the academic year 2014/15 have improved since 2013/14. 74.3% of children achieved a good level of development at the Early Years Foundation Stage, an increase of 8.7% compared to 2013/14, and 8% higher than the national average. The achievement gap between the lowest attaining 20% of pupils and the median is 25.5%; 6.6 percentage points better than the England figure (32.1%). At Key Stage 1, 82.8% of pupils achieved level 2b or above in reading; 74.2% achieved this in writing; and 83.8% achieved this in maths. All results are above the national average and an improvement on 2013/14. At Key Stage 2, provisional results show that 80% of pupils achieved level 4 or above in reading, writing and maths combined, an increase of 1.6% on 2013/14, and in line with the national average (Appendix 4 of the report to the Cabinet).

2.10 Secondary school overall attainment levels for the academic year 2014/15 have also improved since 2013/14. At Key Stage 4, provisional data shows that 55.3% of pupils achieved 5+ A*-C grades at GCSE including English and maths, 2.1% higher than 2013/14, but 1% below the national average. We have reviewed the results and issued performance and standard warning letters to two maintained schools. We have also contacted the Regional Schools Commissioner where we have concerns about the performance of academy schools (Appendix 4 of the report to the Cabinet).

2.11 Ofsted inspected the Council's arrangements for supporting school improvement from 9 to 13 November. This followed up on our first inspection in June 2014 when the arrangements were judged, by Ofsted, to be ineffective. The key focus of the inspection is the impact of school improvement activity and the difference this is making to the performance of schools and the outcomes for children and young people. The conclusions of the inspection will be published by Ofsted in December (Appendix 4 of the report to the Cabinet).

2.12 We have made good progress in areas contributing to the East Sussex Growth Strategy. 59,436 premises now have access to improved broadband speeds. We have agreed a second contract of works with BT, beginning in 2016, to extend high-speed internet access to at least 5,000 more homes and businesses. Locate East Sussex helped two companies either open new businesses or expand, creating 10 jobs. 13 businesses were approved for funding under East Sussex Invest 4, committing £302,000, with the aim of creating 42 jobs. The Business East Sussex website was officially launched on 16 October. 16 Business Administration Apprentices have been appointed and are due to start with the Council in mid-November (Appendix 5 of the report to the Cabinet).

Keeping vulnerable people safe

2.13 Eight contacts to the Trading Standards Rapid Actions Team (RAT) were made in quarter 2, all of which were responded to within the two hour target response time. The intervention of the RAT saved the eight consumers a total of £9,950; this included a couple in their 80s who were talked into paying £5,200 to have their drive block paved despite their contract not complying with the law (Appendix 5 of the report to the Cabinet).

2.14 A number of Safe Place Schemes are developing through the goodwill of businesses, organisations and the staff working within them, and many schemes will be launched this autumn. The schemes aim to provide vulnerable people, particularly those with a learning disability and older people, with a safe place to go and get help if they are feeling scared or upset while out on their own in the community (Appendix 2 of the report to the Cabinet).

2.15 The Joint Domestic, Sexual Violence and Abuse, and Violence Against Women and Girls Unit for Brighton & Hove and East Sussex Councils was launched on 1 September 2015. The unit

will co-ordinate activity across the areas in order to make best use of resources and maximise impact (Appendix 2 of the report to the Cabinet).

Helping people help themselves

2.16 The integrated commissioning framework has been developed for East Sussex Better Together and reformed commissioning functions across health and social care will be implemented by July 2016. The integrated locality teams which will support older adults and those with long-term conditions will be implemented by April 2016. (Appendix 2 of the report to the Cabinet).

Making best use of resources

2.17 We have continued to increase and expand our partnership working with Surrey County Council through Orbis. The Orbis Business Plan was approved by the Orbis Joint Committee and Cabinet on 13 October; it incorporates feedback and guidance from key stakeholders including Orbis Joint Committee, ESCC and SCC Scrutiny Committees and Trade Unions. The partnership will make our business services more resilient and will provide savings to both authorities (Appendix 3 of the report to the Cabinet).

2.18 As part of the SPACES programme, the Bexhill Traffic Team have been co-located with Rother District Council at Bexhill Town Hall. Greenwich House in Peacehaven has been turned into a nursery, using the existing estate to deliver necessary services in the area. This takes the total number of projects delivered in 2015/16 to seven; providing capital receipts of £2.2m and reducing revenue expenditure by over £100,000 (Appendix 3 of the report to the Cabinet).

3. Three Southern Counties Devolution

3.1 The Three Southern Counties (3SC) devolution prospectus, which was developed over the summer in consultation with a wide range of stakeholders, was one of 38 proposals submitted by areas across the country by the Government's deadline of 4 September 2015. The Rt Hon Greg Clark MP, Secretary of State for Communities and Local Government, responded positively to the 3SC prospectus and invited representatives to a meeting with Ministers to discuss the proposals (a copy of the response letter was attached as Appendix 1 of the report to the Cabinet). The date of the Ministerial meeting is still to be confirmed by Government, but it is expected to take place in early 2016. The 3SC team attending the meeting will be made up of the Leaders from the County Councils, a Borough and District Leader representative from each county area and Tim Wates, Chairman of Coast to Capital Local Enterprise Partnership (LEP). East Sussex will be represented at the meeting by Cllr. Glazier as Leader of East Sussex County Council and by either Cllr. Peter Chowney, Leader of Hastings Borough Council, or Cllr. Bob Standley, Leader of Wealden District Council.

3.2 In preparation for the Ministerial meeting, 3SC representatives have been in discussion with civil servants from the Department for Communities and Local Government and the Department for Business, Innovation and Skills. Initial feedback on the 3SC devolution prospectus is very positive and civil servants have indicated that further work should take place on the basis that it should be possible to finalise a devolution deal by the time of the Budget announcement in March 2016. This is a great opportunity and endorsement of the 3SC ambition, however, it will require a significant amount of work, with a wide range of partners and stakeholders, to deliver an effective devolution deal.

3.3 To assist Government in managing the discussions with a wide range of areas developing devolution deals, the 3SC has been encouraged, as have other areas across the country, to adopt a phased approach to negotiating the proposals set out in the prospectus. The initial focus of discussions with Ministers will, therefore, be as follows (an overview of the elements of the focus areas was set out in Appendix 2 of the report considered by the Cabinet):

- Housing and planning;
- Infrastructure (including transport, operation services, smart specialisation, digital, infrastructure and place packages); and
- Skills.

The financial implications and opportunities of devolution are being considered alongside and as part of these focus areas. The Section 151 Officers from the 3SC County Councils are leading on this work.

3.4 The 3SC proposals relating to Public Service Transformation will also be developed further as a later, second phase. Opportunities to expand this focus area to helping people with complex needs will be explored as part of this work.

3.5 As part of the preparatory work for a devolution deal, a governance review will be undertaken to consider and consult on the governance arrangements that may be needed to deliver the necessary accountability for an increase in responsibilities. The Monitoring Officers from the 3SC County Councils are leading on this work.

3.6 Engagement and involvement of the many partners and stakeholders, particularly the 23 Borough and District Councils, National Park, East Sussex Fire and Rescue Authority and the 3 LEPs, across the 3SC area is essential for the successful, detailed development of the devolution proposals. Representatives of the 3SC Borough and District Councils are part of the working groups to develop the detailed proposals relating to the priority focus areas. The 26 Leaders and Chief Executives from across the 3SC area are leading on the work to engage and work with relevant partner/stakeholders.

3.7 As set out in the 3SC prospectus, close work is continuing with neighbouring authorities in Greater Brighton and Hampshire and the Isle of Wight as they develop their devolution proposals. There are a number of shared focus areas in the 3SC and Greater Brighton proposals and, as such, activity on developing proposals in relation to transport and infrastructure has been combined to develop joint proposals.

Next Steps

3.8 Detailed work on the development of the priority focus areas for 3SC devolution will continue in advance of and in preparation for the Ministerial meeting in early 2016. Leaders and officers will continue to work with and engage partners and stakeholders from across the 3SC area to ensure the devolution proposals to Government are as strong and effective as they can be. Local authority networks will be accessed to ensure the 3SC can learn any lessons from other areas that are further advanced in their devolution negotiations with Government.

4. Scrutiny Review of Raising the Participation Age

4.1 The Cabinet has considered a report of the Children's Services Scrutiny Committee on its review of Raising the Participation Age. The report is included elsewhere on the agenda (see item 6). The Scrutiny report has previously been circulated to all Members.

4.2 The aim of the review was to examine whether the County Council is meeting its statutory duties and to identify whether any improvements can be made to increase participation in education, employment or training. The aim of raising the participation age (RPA) is to ensure that young people remain positively engaged with education, employment or training until at least the age of 18, offering the best possible opportunity of developing the skills that will enable them to pursue successful careers.

4.3 In welcoming the findings of the Scrutiny Committee, the Cabinet has considered a report by the Director of Children's Services (as set out in Appendix 9 to this report) on the specific recommendations and endorsed it as its response to the recommendations. The recommendations recognise the importance of Careers Education, Information, Advice and Guidance in securing and sustaining education, training and employment opportunities and demonstrate the Council's commitment to RPA and the importance of developing further good quality Careers Education, Information, Advice and Guidance.

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

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

5. Treasury Management Policy and Strategy

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

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

5.3 The proposed Treasury Management Policy and Strategy Statement for 2016/17 is attached as Appendix 10 to this report.

5.4 The Strategy includes the Treasury Management Policy Statement, the Treasury Management Strategy Statement, the Annual Investment Strategy, Prudential and Treasury Indicators for the next three years and the annual Minimum Revenue Provision Policy Statement.

5.5 Details of changes to the 2016/17 borrowing and investment strategies are included in sections 5.3 and 6.2 of the Strategy respectively.

5.6 In addition to the annual strategy, the CIPFA Code requires the Council reports as a minimum:

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

The Council meets this requirement and also presents a treasury management monitoring position to Cabinet four times a year.

5.7 The Council takes advice from Capita Asset Services on its treasury management activities. A detailed view of the current economic situation and forecasts, as prepared by Capita Asset Services was attached as Appendix B to the report to the Cabinet, previously circulated to all Members.

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

5.9 The Cabinet **recommends** the County Council to:

- ✧ (1) approve the Treasury Management Policy and Strategy Statement for 2016/17;
- (2) approve the Prudential and Treasury Indicators 2016/17 to 2018/19; and
- (3) approve the Minimum Revenue Provision (MRP) Policy Statement for 2016/17

6. The Conservators of Ashdown Forest: Budget for 2016/17

6.1 The Cabinet considered a report regarding the Conservators of Ashdown Forest budget for 2016/17. The Conservators' budget is formed of the Countryside Stewardship (CS)

budget and the General Fund. Natural England provide the funding for the CS budget, which has replaced the Higher Level Stewardship (HLS) funding from January 2016. Although the CS funding has increased from the previous HLS funding and is more than half the total budget, this money is ringfenced for projects and has enabled the Conservators to bring forward plans for improvements. As such, any remaining surplus in the CS budget must be spent under the conditions for receipt of the money and may not be used to offset General Fund expenditure. The remaining funds held in reserve from the HLS funding, will also need to be spent accordingly.

6.2 The Conservators have produced a draft budget for 2016/17, summarised at Appendix A of the report to the Cabinet, previously circulated to all Members. This was approved by the Board of Conservators at their meeting on 17 December 2015. Further budget detail, including a breakdown of the CS funded projects, was shown in Appendix C of the Cabinet report.

6.3 The Conservators General Fund receive grants from both the Ashdown Forest Trust, for which ESCC is the trustee, and directly from the Council's budgets, as part of the Communities, Economy and Transport (CET) contribution. The balance of the Trust fund is estimated to be £157,994 at 1 April 2016; shown in Appendix B of the report to the Cabinet.

6.4 As presented, the Conservators' draft budget assumes the level of grant from the Trust Fund will continue at £65,100 and the contribution from ESCC, held in CET budgets, will continue at £75,800.

6.5 Assumed within the Conservators' draft budget, is the use of reserves for £10,386. The Conservators must maintain reserves sufficient to cover 6 months of staffing and administration costs. The resulting budgeted reserve balance for the year ending 2016/17 is £340,450, which exceeds the minimum balance of £242,500.

6.6 The Conservators are aware of the need to increase their income from other sources in order to maintain the level of care provided to the Ashdown Forest. As such, the Conservators are aiming to prepare a Fundraising Strategy once the outcomes of the Governance review are known. Work is also ongoing to review the Governance arrangements for the Ashdown Forest.

Recommended Funding

6.7 It is recommended to maintain the Council's own contribution at the current level of £75,800. This matches the provision in the CET budgets.

6.8 Annual income to the Trust Fund, from a long term lease with the Royal Ashdown Forest Golf Club, amounts to £70,000 with the addition of bank interest. The Grant to the Conservators from the Trust Fund can be maintained at £65,100 in 2016/17.

6.9 The combination of maintaining the contribution and grant at the current level would give the Conservators a deficit of £10,386, which the Conservators have agreed to fund from their reserves. While the County Council has a statutory obligation to meet the shortfall between expenditure and income of the Conservators, it also has the responsibility for approving the level of expenditure. The Cabinet has therefore recommended an annual grant of £65,100 from the Trust Fund, and a contribution of £75,800 from the CET budget. The Conservators' final budget will be amended to reflect these recommendations. The recommendations are reflected in the reconciling policy, performance and resources report in paragraph 1 of this report

7. Annual Audit Letter

7.1 The Cabinet considered a report concerning the Annual Audit Letter (AAL) which has previously circulated to all Members which summarised the key issues arising from the work carried out by the Council's external auditor (KPMG) during the year. The report contained no

new findings or recommendations, but reflected the key issues already reported in the Annual Governance Report. The AAL has been circulated to all Councillors and published on the Council's website.

7.2 The AAL was presented to the Audit, Best Value & Community Services Scrutiny Committee on 23 November 2015. The Committee had no comments to make on the AAL and fee update prior to its consideration by the Cabinet.

7.3 The external audit fees for 2014/15 was £138,036 (County Council of £111,429 and the Pension Fund of £26,607) for the core audit in line with the planned fee. Certifications of various grants and returns were completed including the Council's Transport Infrastructure grant with a combined agreed fee of £8,967.

7.4 The auditors charged an additional £15,000 for work undertaken on objections received to the Council's 2013/14 financial statements, and £1,500 for the provision of tax advisory services during 2014/15. The costs of these additional services were funded from existing budgets.

7.5 The Council would like to extend its thanks to KPMG for their professionalism during the audit.

26 January 2016

KEITH GLAZIER
(Chair)