

Report to: **Cabinet**

Date: **28 June 2016**

By: **Chief Executive**

Title of report: **Reconciling Policy, Performance and Resources - State of the County**

Purpose of report: **To continue the Reconciling Policy, Performance and Resources process for 2016/17 and beyond**

RECOMMENDATIONS:

Cabinet is recommended to:

- i) agree to the continued development of a three year business and a five year financial plan based on existing priority outcomes and operating principles;**
 - ii) note that the anticipated financial context for the period 2016/17-2018/19 remains with a savings requirement of £70m-£90m;**
 - iii) agree to continue to develop plans for savings of £17.3m in 2017/18 from the areas of search set out in paragraph 7 for consideration by Cabinet in October 2016;**
 - iv) note the evidence base on demographics and the policy and resources outlook set out in the report and in Appendices 2 and 3;**
 - v) note the developing proposals for lobbying communications and engagement as set out in paragraph 6;**
 - vi) approve the updated current Capital Programme 2016-2018 as set out in Appendix 3; and**
 - vii) note the work in progress to develop a Capital Programme and Strategy for 2018-2023 in Appendix 4, which will be considered in full in October.**
-

1. Background

1.1 The State of the County report is part of the Council's continuing Reconciling Policy, Performance and Resources (RPPR) process, the business and financial planning cycle, and sets out the latest position as more detailed planning for 2017/18 is started, the second year of the three year plan agreed by Council in February 2016. The year-end monitoring report for 2015/16 is elsewhere on the agenda.

1.2 The Medium Term Financial Plan (MTFP) has been extended to 2020/21 to match the NHS 3+2 year model in preparation for an integrated budget with the Eastbourne, Hailsham and Seaford Clinical Commissioning Group (CCG) and the Hastings & Rother CCG and East Sussex County Council (ESCC) as part of the work on East Sussex Better Together (ESBT). The first three years of the revised MTFP updates the existing plans for the savings requirement. The further (+2) two years of the five year plan are more indicative and should be viewed as showing a direction of travel for the County Council. The Council Plan will continue to be set on a three year basis. As with last year, more detailed planning will be carried out on the next financial year than the following two, because of the high degree of uncertainty about both the Council's future functions and funding. The County Council will look to update its estimates for September.

1.3 Current plans are predicated on the need to make savings of £70m-£90m during the current three year plan period 2016/17-2018/19. This means that, despite continued commitments to maximise efficiency and income generation, a continued, direct impact on front line services for all areas across the organisation is unavoidable.

1.4 The Government has acknowledged the particular issues faced by Local Government in providing for the growth in the elderly population and has made provision for an Adult Social Care (ASC) precept to be applied for the years 2016/17 to 2019/20. The precept enabled the Council

to mitigate some savings within the ASC budget in 2016/17 and to fund some growth, while other budgets were reduced in real terms in line with the One Council priority outcomes and the policy of making differential savings across services. However, this increase in ASC is more than matched by an increase in demand. The pressure on the budget is being driven by both increasing numbers of residents needing support and by increasing complexity of needs. The reduction in funding for school related activities is also having a significant impact. The Council will, therefore, continue to face difficult choices in these services. Clear targets for the areas of investment and for delivery of the priority outcomes are set out in the Council Plan and in the Lead Members' Portfolio Plans.

2. Council Priority Outcomes

2.1 Last year, Members endorsed the existing priority outcomes, which provide a focus for decisions about spending and savings and 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 activities. The four priority outcomes are set out in more detail in Appendix 1 and fall under the following headings:

- Driving economic growth;
- Keeping vulnerable people safe; and
- Helping people help themselves.

3. Development of the Council's Medium Term Plans

3.1 The Council's current MTFP runs until the end of 2018/19 and was agreed by County Council in February 2016. In order to facilitate closer working with health, it is intended to work towards a five year period for financial planning purposes, with detailed plans being developed for the first three years and indicative totals for the final two years. This will give as much assurance as possible for the planning of integrated health and social care services, whilst acknowledging the significant changes that will take place. This will enable longer-term service change to be achieved in support of the priorities and to deliver the savings necessary to achieve a balanced budget. The Council Plan and service targets will continue to be set on a three year period.

3.2 The next three years will see demand for services continue to rise due to demographic pressures. The changes expected to affect Council services are set out in Appendix 2. The key issues continue to be:

- The growth in the very elderly population;
- The growth in the number of households in the county and the need to provide suitable accommodation for the new and smaller households that will constitute the increase;
- The need to provide school places in the right areas to meet demand;
- The need to keep on creating good quality jobs so that the county's economy continues to improve and local residents can live prosperous and self-sufficient lives; and
- The need for infrastructure to support the changing needs of the populations.

3.3 The national and local context in which the Council's plans will need to be made is set out in Appendix 3. Broadly, the Government's long-term aim of reducing tax as a percentage of GDP, coupled with low productivity in the economy, means that public expenditure will continue to fall as a percentage of GDP until 2020. At the same time, there will be a move towards Councils retaining 100% of locally collected business rates (NNDR) to replace Government grants.

However, there are a number of uncertainties about the new system. The key risks relate to:

- How needs will be assessed to ensure that those areas, such as East Sussex, which are net importers of business rates currently can continue to fund services;
- How retained NNDR will be distributed between tiers of Local Government within areas;
- The nature and cost of any new responsibilities that will be transferred to Local Government as part of the new arrangements; and
- Management of risk – for example, the Government will retain control of the level of NNDR, the businesses that pay business rates and the rules relating to revaluation and appeals which could create significant volatility for Local Government.

3.4 The Government has set out a four year offer to Local Government of “a guaranteed budget to every Council which desires one and which can demonstrate efficiency savings – for next year, and for every year of this Parliament.” The Council has until 14 October 2016 to decide if it will accept the offer. It is not clear, however, what the advantages of accepting such an offer would be when the Government has also said the situation may change if the wider economic environment changes and when the 100% NNDR retention comes into force by 2020. Members will be updated in September.

3.5 Plans will continue to be developed in line with the savings plan agreed by County Council in February 2016. However, as the Government’s plans for the future funding and functions of the Council become clearer, there may be a need for further savings to be planned towards the end of the period. It will also be necessary to ensure that any pressures which arise during the year are reflected in future plans.

4. Meeting the Strategic Challenge

4.1 Each year, the key elements which will help the Council meet the strategic challenge it faces are identified. The key elements over the next 18 months are set out below, together with progress against them.

One Council Strategic Challenge 2016 onwards



Cross-Council Facilitating Programmes

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

i) **People Strategy** – the People Strategy is being implemented. The key issues for the Authority in the coming year are the effects of the National Living Wage, the apprenticeship levy and national targets for recruitment of apprentices on finances and workforce (see paragraphs 2.25-2.28 of Appendix 3). In addition to working with the LGA to avoid a top-down target for apprentice numbers from Government and to exclude schools from these plans, work on devolution will include proposals for freedom to use the levy locally to support the skills needs in the wider economy.

- ii) **Customer Focus** – improvements are being developed to the way in which the Council deals with customers and to the recording of performance so that customers are served well and consistently, whether services are provided internally or externally. Plans are also being developed on a number of digital projects aimed at improving business intelligence and efficiency. (see paragraphs 3.1-3.3 of Appendix 3)
- iii) **Orbis and Orbis Public Law** – these key partnerships with South East Seven Authorities will improve both the efficiency and resilience of key back office services. This will enable services to continue to be provided against a background of diminishing resources. (see paragraphs 3.4-3.14 of Appendix 3)
- iv) **SPACES** – the programme aims to achieve £30m in capital receipts, £10m reduction in revenue costs and a 20% reduction in CO₂ emissions across the public estate in East Sussex. To date, £1.1m of net benefit has been identified for ESCC. (see paragraphs 3.17-3.21 of Appendix 3)

Maximising Control and Independence

4.3 In order to be able to plan effectively for the future and to maximise the resources available to help local people, the Council is working to ensure as much local control and predictability about its resources as possible. This work is supported by the following workstreams:

- i) **Income Generation** – the Council continues to place a high priority on income generation and work continues through the Member and officer group which has both senior officers and Lead Member involvement. (see paragraphs 3.15-3.16 of Appendix 3)
- ii) **Devolution** – the Three Southern Counties (3SC) area has a different economic profile from those which have already signed deals with the Government, as the 3SC area is a net contributor to the economy of the country. A devolution deal which offers the area greater benefit from the income generated within it will help to maintain the growth the UK economy needs and enable the area to have the infrastructure necessary to support that growth and maintain the quality of life of local people. Good progress is being made in building the partnership which will deliver the deal if it is agreed with Government and initial discussions have been held with the Treasury over the Government's appetite to negotiate a deal which has a greater scope and ambition than most which have been signed to date. (see paragraphs 2.7-2.14 of Appendix 3)

Service Change Programmes

4.4 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.

Excellence for All

4.5 Excellence for All 2016/17 sets out how the Council, in partnership with all educational providers across the county, will build on the successes of the past two years to create a truly excellent and inclusive education system for the children and young people of East Sussex.

4.6 Since the original Excellence for All was published in 2013, the Council and its partners have moved a long way towards achieving the shared vision that “all children and young people who are educated in East Sussex will attend an establishment that is at least rated “good” by Ofsted...and will make good levels of progress”. Key achievements to date include:

- Outcomes have increased significantly since 2013, with pupils achieving at least in line with national averages on most indicators, and well above on some, such as the percentage of early years children achieving a Good Level of Development;
- There has been a rapid increase in the number of children having access to high quality primary education, with over 80% of primary schools now judged “good” or better by Ofsted;
- The early years, secondary and post-16 sectors continue to perform well in terms of Ofsted outcomes;
- Positive reductions have been secured in fixed term exclusions since 2014; and

- The percentage of 16-18 year olds participating in education, employment or training continues to rise.

4.7 The strategy sets out how, in partnership with all local providers, the Local Authority will build on this success to deliver five key objectives over the next two years:

- Every school, college and setting to be judged at least “good” by Ofsted, and increase the proportion of schools judged to be “outstanding”;
- Performance at all Key Stages to be at least in the second quartile and, in many instances, in the top quartile on all key outcome measures;
- Accelerate progress for all key groups of pupils at all ability levels, with a particular focus on disadvantaged learners and those with Special Educational Needs and Disabilities, in order to close gaps in achievement at all Key Stages;
- Increase attendance and reduce both fixed term and permanent exclusions in line with national averages; and
- Every young person to be able to access high quality employment, further education or training up to the age of 19.

4.8 Whilst there will be little change in the numbers of children in the county, the peak in birth rates in 2010/11 and the changes in distribution of school age children in the area will mean that there are pressures on school places in some areas. The effect of this on the Capital Programme is set out in Appendix 4, paragraphs 2.14-4.22).

East Sussex Better Together

4.9 ESBT aims to develop a fully integrated health and social care system in East Sussex by 2018, ensuring every person enjoys proactive, joined-up care and support that enables them to live as independently as possible. The programme will help to bridge the funding gap of £135m by 2020 in health and social care in the ESBT area.

4.10 A single planning process is being developed further in the ESBT area which will ensure that decisions about services and finances are taken in a co-ordinated way across the Eastbourne, Hailsham and Seaford CCG and the Hastings & Rother CCG and ESCC and that resources are pooled. This will optimise health and social care outcomes for local people, whilst preserving the sovereignty and accountability of each organisation.

4.11 The position in the area covered by the High Weald Lewes Havens (HWLH) CCG remains the same as last year, where ESCC will work as closely as possible with health colleagues to improve integration. A programme of joint work is in development and this will be reported to Cabinet, however plans in this area are much less developed.

4.12 The different approaches and different stages of development of the joint programmes may lead to a divergence in the health and social care services offered across the county. The ESBT areas may benefit from new, integrated services which meet the growing needs of the older population which may not be immediately available in the HWLH CCG area. The need to make savings across the whole area in order to deliver a balanced budget could further exacerbate the difference across the county. (see paragraphs 3.23-3.33 of Appendix 3)

Highways Contract Re-let

4.13 The new highways contract which started in May 2016 will deliver savings of just over £1m per annum. The contract means the Council is responsible for managing the contract and the asset, but delivery of the contracted outcomes is the responsibility of the contractor. (see paragraphs 3.33-3.38 of Appendix 3)

5. Capital Programme

5.1 Work has been undertaken to update the current Programme 2013/14 to 2017/18 for agreement. As part of this update, it is proposed that the current Capital Programme include a budget for pre-planning work relating to the 2018-23 Programme that will give greater cost and programme certainty. (see paragraphs 4.19-4.29 of Appendix 3)

5.2 At the February 2016 Council meeting, Members were made aware of the requirement for a new, five-year Capital Programme. At that time, initial estimates of core needs identified a requirement of £414m and a funding level of £202m, creating a gap of £212m.

5.3 Since this meeting, further detailed planning work has continued in order to identify ways to manage the diminished level of resources and the increasing core need and reduce the funding gap by driving down costs and making the best use of resources. Current estimates of resources hold significant risk, for example, of the £143m estimated Government grants, only £3m (2%) is confirmed. The Council has focused on a strategy to deliver its core need for less. Where there are other service developments and needs that require capital investments, they will either be match funded or would need to be the subject of a business case that demonstrated return and payback.

5.4 Appendix 4 provides an updated position on the need for the core programmes and other known pressures including a high level estimate of potentially available funding.

6. Engagement, Communications, Partnership and Lobbying

6.1 Engagement and communications will take place on both the Council's overall position and specific proposals as they emerge with the public, partners, staff and stakeholders. Feedback from Members and partners on the 2015/16 process has been reviewed, and lessons learnt will be applied. The early and continued engagement in the proposals under consideration will remain ongoing in the lead up to final decisions by the Council in February 2017. Dialogue with Members across the Council will take place to garner ideas and views on how to tackle the issues faced through meetings with Group Leaders, Scrutiny Committees and Whole Council Forums. There is a commitment to be as open as possible, as early as possible about changes to the services that can be provided with services users, stakeholders and the public.

6.2 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. Of particular concern over the next few months will be ensuring the new funding arrangements the Government puts forward provide for sustainable services in the future.

7. RPPR next steps

7.1 Through the RPPR process, proposals will be brought forward for savings across the next three financial years, on the basis of the plan agreed by Council in 2016 to reshape the organisation and deliver the savings required by commissioning services which will deliver the priority outcomes as far as possible, and in partnership with others where this will yield better outcomes for local people. Where the services commissioned are delivered by others, arrangements will be made to ensure that democratic accountability for use of budgets and outcomes is protected.

7.2 Whilst the existing service change, facilitating and income generation programmes identified above will help to ensure that the Council delivers its services in the most efficient way possible and that it maximises the use of all the resources available to it, they cannot deliver the scale of savings required during the next three years. The Council will continue to make sure it learns from best practice elsewhere, benchmarks its services for value for money and take efficiency savings where these are available. However, it will be necessary to continue to make savings of a scale that cannot avoid impact on front line services, which will bring increased risk to the Council and to those served.

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

7.4 The 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 used the priority outcomes to identify areas of search for savings agreed in October 2015. These are:

- Adult Social Care – integrating work with health to take a single view of health and care requirement;
- 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 the community resilience work and increased digitalisation of service access;
- Review the Capital Programme to ensure the right choices are being made between revenue and capital to meet basic need in the county; and
- Commissioning Strategy for community based services, such as libraries.

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

7.6 Whilst planning will continue on the current savings assumptions over the summer, there remains significant uncertainty in some key areas. For example, the implications of accepting the Government’s four year funding offer are not yet clear, the new arrangements for localisation of business rates are at a very early stage of development by Government and plans in Adult and Children’s Social Care are dependent on integration with health, the full implications of which are being developed and are yet to be considered by Members. Focused work will continue over the summer on a number of aspects of the MTFP and Members will be updated in September. At that point, it is hoped that there will be greater certainty about what level of additional savings will be necessary. More detailed services and savings plans will be considered in October. It is not recommended, at this stage, that further savings are sought to meet the funding gap given the significant unknowns.

Becky Shaw
Chief Executive

Priorities and Delivery Outcomes

