

REPORT OF THE CABINET

The Cabinet met on 24 May and 28 June 2016. Attendance:-

Councillor Glazier (Chair) (2)

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

1. Council Monitoring Report – end of year 2015/16

1.1 The Cabinet has considered a report which sets out the Council's position and year end provisional outturns for the Council Plan targets, Revenue Budget, Capital Programme, Savings Plan, together with risks at the end of March 2016. Broad progress against the Council's four strategic priority outcomes is summarised below and an overview of performance and finance data including the full savings plan is provided in the Corporate Summary at Appendix 1 circulated separately to all councillors. Strategic risks are reported at Appendix 7 and detailed reports for each department are provided in Appendices 2 to 6.

Overview of 2015/16 Council Plan

1.2 100% (4,482) of working age adults and older people receiving our support, and 100% (3,297) of carers, received self-directed support. 66,453 premises were able to be connected to improved broadband speeds by the end 2015/16, with 82% able to receive speeds of 24 mbps and above. 1,995 people were referred to the Memory Assessment Service. 81% of eligible two year olds took up a place for free early education entitlement with an eligible provider, the national rate was 74%. A 3SC (Three Southern Counties partnership for devolution) Leaders' Seminar took place on 8 April 2016 bringing together, for the first time, all of the Leaders and Chief Executives of the 26 Councils in the 3SC area and representatives of the East Sussex Fire Authority, the South Downs National Park Authority and the three Local Enterprise Partnerships which cover the area. Orbis Public Law was launched in April 2016. We have gone 'paperless' for all council meetings from April 2016. The rate per 10,000 children (aged 0-17) with a Child Protection (CP) Plan has reduced to 43.8 (462 children), while the rate for Looked After Children (LAC) has reduced from 52.2 (550 children) to 51.6 (544 children). As part of East Sussex Better Together (ESBT) locality managers for the new Integrated Health and Social Care Locality Teams took up their roles from 1 April 2016.

1.3 More detail of progress against each of our priority areas is set out at paragraphs 1.10 to 1.24 below. 68 performance targets are reported at year end: 48 (71%) were achieved, 16 (23%) were not achieved and 4 (6%) are carried over for reporting in Q1 2016/17, because year-end outturn data is not yet available. 49 can be compared to previous years. Of these, 31 (63%) improved, 6 (12%) showed no change, 8 (17%) deteriorated and 4 (8%) are carried over for reporting at Q1 2016/17.

1.4 At the end of the year the net service overspend was £0.7m compared to the £0.3m reported at quarter 3. There are, therefore, no new material variations to report. Some savings plans have been amended during the year following consultation or where circumstances changed. All these changes and mitigations were reported to Cabinet and discussed with the relevant scrutiny committee. In the Children's Services and Business Services departments this proved to be the case for a proportion of the savings requirement, but permanent savings have been found which have allowed the departments to meet the level of their planned savings. In the Communities, Economy and Transport Department, the delay to the start of the highways contract meant that planned savings slipped and the failure of the waste contract to meet expected recycling rates resulted in a shortfall. The shortfall was offset by a number of other savings including use of the waste reserve.

1.5 For Adult Social Care (ASC) the policy changes which were implemented during the year achieved their expected impact, but these cost reductions were more than offset by an increase in the numbers of people needing a service and the greater complexity of need for both new and existing clients. The East Sussex Better Together (ESBT) Programme Board agreed the deployment of the Better Care Fund (BCF) contingency to help fund the impact of this growth in demand. The allocation from the BCF acknowledges 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 longer term implications of this approach will be addressed through the East Sussex Better Together Programme and future use of the BCF. The Council has added to the base budget for ASC for 2016/17 to take account of 2015/16 pressures, however, more growth in demand will bring similar issues in 2016/17, as reported to the County Council in February 2016. Dealing with this growth sustainably in the long term is one of the key goals of the ESBT programme for full integration of health and social care. Work is underway within ASC and more widely in "Single Investment Planning" within ESBT to seek to address this pressure.

1.6 In addition, there is a reduction in income for the Council's share of the East Sussex Business Rates Pool, Business Rate Retention and Educational Services Grant of £0.5m, a further £0.1m reduction from that reported at quarter 3. This combined with the projected underspend of £4.5m, comprising unused general contingency and inflation provision, means that there is an overall net projected underspend of £3.3m. As previously agreed at quarter 3 the net underspend will be held in reserve to support the Capital Programme 2018-23.

1.7 The value of debt over 5 months at quarter 4 is £2.19m. This is a reduction of £0.3m when compared to quarter 4 2014/15 outturn of £2.49m. The reduction is mainly due to the continued focus on aged debt monitoring.

1.8 The quarter 4 capital programme is monitored against the revised programme submitted to the Council in February; together with some minor net nil approved variations. The forecast spending for the year is projected at £132.4m against a budget of £151.4m, a variation to gross budget of £19m. Most of the variation is attributed to slippage of £22.5m, offset by £4.6m spend in advance mainly on schools basic need. The programme has further been reduced by a £1.1m reduction in developer contributions, however this is net nil overall. The main areas of slippage are £4.1m on Broadband (reference xi, appendix 5), £2.9m on the Bexhill Hastings Link Road (reference xii, appendix 5), £2.9m on Schools Basic Need (reference xiii, appendix 4), £2.3m for Integrated Transport (reference xvii, appendix 5), £1.2m on Capital Building Improvements (reference v, appendix 3) and £1.1m for Agile (reference iv, appendix 3).

1.9 The Strategic Risk Register, Appendix 7, has been reviewed. Risk 1 (Roads), risk 3 (Care Act), risk 4 (Health), risk 5 (Resource), risk 6 (Local Economic Growth), risk 8 (Capital Programme) and risk 9 (Workforce) all have amended risk control responses. The post mitigation score for risk 3 (Care Act) has also been reduced from 4 to 2 so this risk now falls under the green 'low' risk category. No new risks have been added and no existing risks have been removed from the register for this review.

Progress against Council Priorities

Driving economic growth

1.10 Since the Bexhill Hastings Link Road (Combe Valley Way) opened to traffic on 17 December 2015 there have been a number of benefits; such as reduced journey times to the Conquest Hospital; and the whole of Glovers House, the first building on the new Bexhill Enterprise Park, being let. The contractor has begun additional work to complete the Greenways and it is anticipated these will be open to pedestrians, cyclists and equestrians in spring 2016. (Appendix 5)

1.11 We have made good progress in areas contributing to the East Sussex Growth Strategy during 2015/16. Over 66,000 premises have access to improved broadband speeds, with 82% able to receive speeds of 24 mbps or above. The Business East Sussex service and website has been fully implemented, with over 250 businesses receiving support since it was launched, over £1m of extra funding has been provisionally secured to continue and expand the

Growth Hub. 57 Apprentices were recruited over the year, 26 in the Council and 31 in schools. (Appendix 5)

1.12 The rate of young people participating in education, training or employment with training has improved for academic age 16 (year 12) and academic age 17 (year 13) for Looked After Children (LAC) and for young people. In academic year 2014/15 the percentage point gap between the lowest achieving 20% of Early Years Foundation Stage profile and the rest has narrowed by four percentage points to 25.5% which is narrower than the national average of 32.1%. For pupils achieving 5 A* - C GCSEs or equivalent including English and maths the percentage point gap was 31.2% compared to the national average of 28.3%. (Appendix 4)

Keeping vulnerable people safe

1.13 The rate per 10,000 children (aged 0-17) with a CP Plan has reduced to 43.8 (462 children) against a target of 44.7 (471 children) demonstrating sustained improvement as a result of steps introduced as part of the CP action plan to safely reduce the number of children with a CP Plan, which was developed in 2014/15. The rate per 10,000 (of 0 – 17 population) of LAC has reduced from 52.2 (550 children) to 51.6 (544 children), this is below the IDACI expected rate of 57.4 for 2015. (Appendix 4)

1.14 For adoption the average time between a child entering care and moving in with its adoptive family for the three year period 2012 – 15 was 520 days. This is below the national average of 593 days and East Sussex is ranked 5th against Statistical Neighbours. (Appendix 4)

1.15 This year, 33 women have received a full service offer from the Foundations Project, which works with women who have previously had children removed from their care. 60% (20/33) of women engaged with Foundations reported improved mental health, and take up of effective contraception has been good. (Appendix 4)

1.16 The new Specialist Domestic and Sexual Abuse Service led by RISE (Refuge, Information, Support and Education) in partnership with Survivors Network and the Crime Reduction Partnership (CRI) was launched in January 2016 and a range of promotional materials are being developed and distributed. (Appendix 2)

Helping people help themselves

1.17 Figures for January to December 2015 (pending DfT validation) show that there were 348 people Killed or Seriously Injured (KSI) on East Sussex roads, with 22 being fatalities. The KSI rate is a decrease of 10.3% compared to 2014, and 8% less when compared to the 2005-2009 average. Fatalities were significantly less than the 2005-2009 average of 33 per year but an increase on 2014 when there were 16. (Appendix 5)

1.18 Construction of School Safety Zones have been completed at Heathfield Community College and Ratton School in Eastbourne. Further design work is required for schemes at St Richards Catholic College in Bexhill and Christ Church CE school in St Leonards. (Appendix 5)

1.19 East Sussex, as part of a South East Collaborative, is one of the 27 first wave areas in England to offer the world's first nationwide Diabetes Prevention Programme. People in East Sussex identified at high risk of Type 2 diabetes will be invited to join a programme helping them to avoid developing the condition by changing their lifestyles. (Appendix 2)

Making best use of resources

1.20 Eight Member workshops were held in March and several Members were supported to get the best from their technology, with some being allocated updated equipment. This has enabled the Council to go 'paperless' for all Council meetings from 1 April 2016 (Appendix 6)

1.21 The Inter Authority Agreement, which provides the legal basis for the Orbis partnership and will form the contract between East Sussex County Council (ESCC) and Surrey County Council, has now been signed. We are also collaborating with Brighton & Hove City Council to integrate them into the Orbis partnership as the due diligence process continues. (Appendix 3)

1.22 14 projects have been achieved across the SPACES partnership in 2015/16, with three happening in quarter 4. Lewes District Council, Sussex Police and ESCC registration services

have moved to Hastings Town Hall; South East Coast Ambulance Services are now co-located with Sussex Police in Seaford; and Saxon House in Newhaven has opened, which contains East Sussex Fire & Rescue Service (with the Fire Station service moving from Fort Road in Newhaven), Sussex Police and Lewes District Council. (Appendix 3)

1.23 There has been a 5.7% reduction in our carbon emissions in 2015/16, due to improved energy efficiency. Projects undertaken include the new boilers installed at County Hall, three solar PV schemes and various improvements to the efficiency of buildings. (Appendix 3)

1.24 During 2015/16, 46% (£187m) of procurement spend was with local suppliers (against our target of 45%). We engaged with local businesses through the Build East Sussex network and supporting event in February, creating a large amount of interest through social media feeds. We are continuing to promote and support the development of the South East Shared Services E-Procurement Portal, a collaboration between public sector authorities in the South East region to provide a simple, secure and efficient way for managing sourcing and quotation activities, reducing time and cost for buyers and suppliers. (Appendix 3)

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

2.1 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.

2.2 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.

2.3 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.

2.4 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.

Council Priority Outcomes

2.5 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 8 and fall under the following headings:

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

Development of the Council’s Medium Term Plans

2.6 The Council’s current MTFP runs until the end of 2018/19 and was agreed by the 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.

2.7 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 9. 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.

2.8 The national and local context in which the Council’s plans will need to be made is set out in Appendix 10. 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.

2.9 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.

2.10 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.

Meeting the Strategic Challenge

2.11 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

2.12 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 2.23-2.26 of Appendix 10). 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 10)
- 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 10)
- 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 10)

Maximising Control and Independence

2.13 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 10)
- 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 10)

Service Change Programmes

2.14 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

2.15 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.

2.16 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.

2.17 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.

2.18 Whist 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 11, paragraphs 2.14-2.22).

East Sussex Better Together

2.19 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.

2.20 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.

2.21 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.

2.22 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 10)

Highways Contract Re-let

2.23 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 3.34-3.38 of Appendix 10)

Capital Programme

2.24 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 4.18-4.28 of Appendix 10)

2.25 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.

2.26 Since that 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.

2.27 Appendix 11 provides an updated position on the need for the core programmes and other known pressures including a high level estimate of potentially available funding.

Engagement, Communications, Partnership and Lobbying

2.28 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.

2.29 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.

RPPR next steps

2.30 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.

2.31 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.

2.32 The Council has identified its key outcomes against the four priority areas which will help officers bring forward prioritised and targeted savings plans (Appendix 8). The facilitating programmes contribute to the commissioning arrangements which will help to deliver a One Council approach to achieving the outcomes identified by Members.

2.33 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.

2.34 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.

3. Principles and Characteristics for a local Accountable Care model

3.1 The County Council holds the budget and makes decisions about the deployment of resources for Adult Social Care, Children's Services and Public Health. Budgets available to the Council for these services are facing significant pressure over the next medium term financial plan, and are contributing an overall funding gap of £135million across health and social care by 2020. As part of preparing for the Reconciling Policy Performance and Resources (RPPR) process the Council is developing an integrated plan for the commissioning of health and social care with East Sussex Better Together (ESBT) programme partners, Eastbourne, Hailsham and Seaford Clinical Commissioning Group (EHS CCG) and Hastings and Rother Clinical Commissioning Group (HR CCG), for inclusion in the 2016 State of the County report. This is a significant step forward in planning collectively for our shared resources and reflects the need to make collective decisions about priorities in order to get best value for the public purse.

3.2 This integrated approach to planning means that from 2017/18 onwards a significant proportion of Council revenue budgets across Adult Social Care, Children's Services and Public Health will be covered by a joint plan with EHS and HR CCGs. This is critical to making coherent decisions for the future and to testing aspects of an Accountable Care model in 2017/18. Work is also in train to develop an alternative programme for integrated services for the population within the High Weald Lewes Havens (HWLH) CCG area, following the CCG's decision to withdraw from the ESBT programme.

3.3 Previous reports to Cabinet have provided detail about the Council's lead role in the ESBT programme, initiated in August 2014 to deliver fully integrated health and social care services and a sustainable local health and social care economy for future generations. An ESBT Scrutiny Board has been set up to enable Members to focus on these transformation plans, and strong progress has been made with redesigning local care pathways and services. We now need to consider the delivery and future design of our health and social care provider landscape, to make sure our ambition of a sustainable integrated health and social care system is fully realised.

3.4 Our research indicates that Accountable Care models are the most effective way to achieve the best possible outcomes with the resources we have jointly available across our health and social care economy, through bringing improvements that are needed in the health of our population, the quality of the care received and the efficiency with which it is delivered. Our original research into Accountable Care models can be found at www.eastsussex.gov.uk/accountablecare. A short description of the characteristics that are common to Accountable Care models across the globe is contained in Appendix 12 to this report, circulated separately to all Members.

3.5 Accountable Care models move away from activity based contracts and payment for episodes of treatment and elements of care to positively incentivising the system through outcomes based contracting and a capitated budget payment mechanism. The model entails a provider (or group of providers) being held jointly accountable for achieving a set of outcomes for a defined population over a period of time and for an agreed cost under a contractual arrangement with a commissioner. A summary of the international evidence base on the benefits

CABINET

of Accountable Care models is contained in Appendix 13 to this report, circulated separately to all Members

3.6 The ESBT Programme Board agreed to explore the Accountable Care models further in December 2015, as a means of meeting the Council's and two CCGs' objectives for a transformed and sustainable health and social care economy. The exact details of how the model would be structured, the services that would be in scope and the financial commitment and risk involved are all yet to be determined, and will be detailed through the process of developing a robust full business case which will be brought to Cabinet in November 2016.

3.7 The initial phase of work has been to establish the core principles and characteristics of an Accountable Care model for East Sussex. These will serve as the evaluation criteria that will be used to judge the options as part of the production of the detailed business case. This has involved lead officers and clinicians from across the Council, CCGs, East Sussex Healthcare NHS Trust (ESHT) and Sussex Partnership NHS Foundation Trust (SPFT) participating in four themed seminars facilitated by PricewaterhouseCoopers (PwC) to get a stronger technical understanding of the following elements:

- Payment reform and incentivisation
- Procurement and contractual options
- Governance and management of risk
- The longer term vision and how to get there

3.8 A report and presentation was made to the ESBT Scrutiny Board in April 2016 about the characteristics that are common to all Accountable Care models.

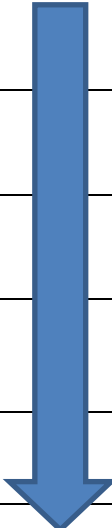
3.9 As a result of initial discussions we have established local consensus about a set of principles and characteristics that we propose would be used to judge the options in the next phase of detailed business case development. These are as follows:

Key principles / characteristics of a local Accountable Care model	
1	All health and social care services are in scope – primary, acute District General Hospital (DGH), community, mental health, social care and public health services for children and adults. Those that are ruled out will be by exception, for example where feasibility may be an issue. 'Whole person' care needs to be supported by a whole population approach rather than segmenting or subdividing the population by conditions or age. We want to avoid having different models of care for different people within the population.
2	Having a positive impact and delivering outcomes that are important to local people – both health outcomes and experiential outcomes
3	The outcomes based contract and capitated budget should be sufficiently large to achieve the economies of scale needed to tackle a £135 million funding gap.
4	There should be a focus on reducing the costs of commissioning and transacting the business, as well as avoiding the pathway fragmentation that undermines integration and adding in transaction costs through operating parallel models.
5	A strong emphasis on population health promotion, prevention, early intervention and self-care and self-management to reduce demand for services and allow care to be delivered increasingly out of hospital and at the lowest level of effective care
6	A strong culture of whole system working on the ground that actively empowers staff to be able to 'do the right thing' and putting patient's and client's needs first within a single health and social care system covering primary, acute DGH, mental health, social care and public health services
7	An organisational form for the model that enables learning and development to take place in stages to share and manage risks between commissioners and providers

CABINET

	towards an endpoint of full Accountable Care i.e. the fullest possible levels of integration and maximum ability to achieve the long term vision and benefit of a sustainable and affordable health and social care system
8	A model that inspires and attracts health and social care professionals and maximum levels of clinical and staff engagement and leadership, with a positive impact on workforce recruitment and retention
9	A model that secures accountability and the sovereignty of the partners.

3.10 The next steps in the process are to develop the full detailed business case. A summary of that is contained in Appendix 14 to this report, circulated separately to all members. This will follow the anticipated high level timeline set out below. The involvement of the ESBT Scrutiny Board will be ongoing throughout this process, alongside wider public and stakeholder communication and engagement activity. A specific Whole Council Forum will be arranged during September 2016 to give Members the opportunity to work through the detail of the Accountable Care model as it emerges from the business case development activity over the summer.

	High level milestone/decision	When by	Stakeholder Engagement
1	Agreement of key principles and characteristics to be used to evaluate options and produce a detailed business case	May 2016	
2	Whole Council Forum on the local Accountable Care model	September 2016	
3	Presentation of full business case for the preferred model for agreement through governance processes	November 2016	
4	Arrangements in place for a learning 'test phase' year and evaluation of the shadow form of Accountable Care	April 2017	
5	Move to full Accountable Care model	April 2018	

3.11 The initial phase of work highlights that there is strong agreement and appetite across our local system to explore and design an Accountable Care model appropriate for East Sussex, as the best way to achieve the best possible outcomes with the resources we have jointly available. Senior officers and clinicians from ESHT and SPFT have participated in initial discussions alongside the Council, EHS and HR CCGs, and the Local Medical Committee and Healthwatch East Sussex have also been involved. There has also been initial endorsement from the Health and Wellbeing Board and ESBT Scrutiny Board.

3.12 The Cabinet has agreed the move to the next phase of detailed business case development, with the suggested principles and characteristics set out in this paper being used as the framework for evaluating the options for the local model. The business case will be brought to Cabinet for decision in November 2016.

28 June 2016

KEITH GLAZIER
(Chair)