REPORT OF THE CABINET

The Cabinet met on 12 December 2017 and 23 January 2018. Attendance:-

Councillor Glazier (Chair) (2)
Councillors Bennett (2), Bentley (2), Elkin (2), Maynard (2), Simmons (2), Standley (2) and Tidy (2)

1. Treasury Management Policy and Strategy 2018/19

1.1 The Cabinet has 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.

1.2 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.

1.3 The summary of changes incorporated within the 2018/19 proposed Treasury Management Strategy is attached as Appendix 1 to this report, and the Treasury Management Policy and Strategy Statement for 2018/19 is presented in Appendix 2 to this report. 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.

1.4 During November 2017, reports were received by the Audit, Best Value and Community Services RPPR Board outlining various options for increasing investment income and seeking approval for them to be considered for inclusion in the 2018/19 strategy. Details of the changes proposed to investment and borrowing investment strategies include:

- Seek to reduce liquidity where possible and extend duration of investments within current limits. A sensible rebalancing of liquidity requirements will improve yield without significant additional risk;
- Wider use of other Local Authorities and Building Societies where rates are favourable;
- Inclusion of Short Dated Bond Funds and Corporate Bonds;
- Inclusion of pooled property funds and pooled mixed asset funds. Given the low returns from short-term bank investments, the Council will diversify with the use of pooled funds. With the assistance of the Council's treasury advisors (Link Asset Services), a selection process will take place in the new year where members and officers can scrutinise a suitable selection of funds;
- No external borrowing is planned for 2018/19, officers will be monitoring the situation in the next 12 months. Officers continue to regularly review opportunities for debt rescheduling, Public Works Loan Board (PWLB) debt restructuring is now much less attractive as consideration would have to be given to the large premiums (cash payments) which would be incurred by prematurely repaying existing PWLB loans. It is very unlikely that these could be justified on value for money grounds if using replacement PWLB refinancing.

1.5 When compared to the SE Group, stretching of risk/return assumptions within the new investment strategy will allow the Council to invest in better performing funds, which will improve the Council performance benchmarks against other County Councils and improve the Council status within the benchmarking group. In addition, changes within the Treasury Management activities are expected to generate an additional income in the region of £1.6m from 2019/20.

Treasury Management Reporting

1.6 As well as this 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.

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

Economic Background

1.8 The Council takes advice from Link Asset Services on its treasury management activities. A detailed view of the current economic situation and forecasts, as prepared by Link Asset Services is included in Appendix 3 to this report.

Minimum Revenue Provision (MRP)

1.9 A review of the MRP policy was carried out in 2016/17 and the outcome was to change the method of calculation on debt prior to 2008 from a reducing balance to a straight line fixed period write down, which brings it in line with the post 2008 debt calculation using the asset life method. No major changes are proposed for 2018/19 other than the annual review of asset lives.

CIPFA & DCLG Consultations

1.10 Following consultation, CIPFA is about to publish its updated Prudential Code for Capital Finance and Treasury Management Code of Practice. In addition, the DCLG is consulting on its amended investment guidance and minimum revenue provision guidance. The updates are mainly to address the implications of local authorities acting more commercially, their approaches to risk and ensuring financial sustainability.

1.11 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 accordingly.

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

✡ (1) approve the Treasury Management Policy and Strategy Statement for 2018/19;

(2) approve the Prudential and Treasury Indicators 2018/19 to 2020/21; and

(3) approve the Minimum Revenue Provision Policy Statement for 2018/19

2. Reconciling Policy Performance and Resources (RPPR)

2.1 The Council’s net budget comprises three main funding elements: Council Tax, Business Rates and Government grant. As part of its national deficit reduction plans, the Government has been reducing its grant to local government and will cease to provide a Revenue Support Grant to local government in 2020/21 when Business Rates Retention, incorporating the outcome of the Fair Funding Review, will be introduced.

2.2 The Council’s decisions about how to deal with the funding shortfall, which latest estimates show will amount to £17.051m in 2018/19, need to take account of local circumstances. Some of the key factors influencing our choices are:

- the County’s residents are poorer than average for England with full time earnings below the national average: this affects health and wellbeing; increases service demand and limits the affordability of Council Tax rises;
- poor transport infrastructure and connectivity which, combined with environmental designations, limits business growth – especially that which generates Business Rates: this

leads to poor local wages; poor quality jobs and means that the Council's income gap cannot be filled by business rate growth;

- the county's demography – East Sussex has the second highest proportion of older people in the country. People over the age of 85 are the most likely to need support and the number in this age group will rise by 14% between 2017 and 2021. Whilst the proportion of school age people is only expected to rise marginally, the proportion with recognised high needs Special Educational Needs and Disability (SEND) is above the national average. The number of children in need of support is also starting to rise.

2.3 The Council has been able to meet the challenge of delivering savings by having a clear focus on our four priority outcomes, which are delivered through our services and service change programmes. Our "One Council" approach has provided a collective view about our priorities and investment choices, and uses strategic commissioning disciplines to direct our activities to maximise the delivery of the agreed priority outcomes of driving sustainable economic growth, keeping vulnerable people safe, helping people help themselves, and making best use of resources.

2.4 Our RPPR process matches available resources with our delivery plans for our priority outcomes. It has enabled us to give relative protection to activity that delivers our priority objectives most effectively. The RPPR process has been applied across all services in the development of the Council Plan (Appendix 6) supported by the MTFP (Appendix 4) and Capital Programme (Appendix 10) set out in this report. We will have made savings of £112m between the beginning of this decade and the end of the 2017/18 financial year. We need to make savings of £17.051m in 2018/19 and an estimated £30.286m across the two following years (subject to the proposed extra 1% increase on Council Tax being agreed).

2.5 Last year, additional short-term funding was available for Adult Social Care (ASC) through the option to apply an ASC Council Tax precept and through the Government's ASC support grant (2017/18 only) and Better Care Fund (reducing to zero by 2020/21). The MTFP includes a 3% ASC precept in 2018/19. The precept was subject to a maximum charge of 6% over the three years to 2019/20. So, as it was levied at 3% in 2017/18, it cannot therefore be levied in 2019/20. It is proposed to retain the current profile given current need.

2.6 As agreed by County Council previously the Capital Programme provides only minimum basic need provision. This includes essential budgets for school places and highways infrastructure.

2.7 This report sets out:

- changes to the national context since the report to Cabinet on 10 October 2017;
- an update on progress on the 2017/18 Council Plan and budget;
- proposals for the 2018/19 revenue budget taking account of changes in the financial picture since October, an increase the Council Tax by 2.99% and an increase the Adult Social Care precept by 3%;
- the savings requirement across the Council including changes since October and final savings proposals;
- the Capital Programme update and the rationale on which it has been developed; and
- feedback from engagement exercises, equalities impacts and proposals for lobbying.

National Context

2.8 The preparations for Brexit continue to dominate the Government's agenda. This means that a number of issues affecting the future sustainability of local government remain unresolved. Whilst the Government is pressing on with its plans for removing its grant to local government, progress has been slow with regard to proposed changes in local government funding, including the Fair Funding Review which will update how Business Rates will be redistributed nationally using a needs based formula.

2.9 As part of the Provisional Local Government Finance Settlement announced on 19 December 2017 the formal consultation on the review of relative needs and resources (the Fair Funding Review) was published. It was also announced that local Business Rates Retention would move from 50% to 75% in 2020/21 and that this would also involve the bringing of Public Health and other grants within the Business Rates Retention methodology, effectively ending the Public Health ring fence and potentially resulting in the Council receiving less income overall. Additionally a reset of the Business Rates Retention system will take place. This will update the redistribution of Business Rates to better reflect how much local authorities are actually collecting in Business Rates (the current system is based on the amount collected in 2010/11 and 2011/12). The Fair Funding Review is essential because there is no link between local Business Rates generation and need. Areas like East Sussex will never be able to support local need adequately from locally raised rates. The Government had been providing some transitional grant to bridge the gap between RSG and the availability of more Business Rates locally, but this ended in 2017/18. Lobbying has continued since the provisional settlement but additional resources cannot be relied on.

2.10 The growth in the elderly population is putting a strain on both local authority and health finances. The Green Paper which was anticipated to look at how services to older people could best be provided has been delayed until the middle of 2018. A permanent solution is unlikely to be available before the temporary funding the Government has made available runs out.

2.11 The Provisional Local Government Finance Settlement also announced that the Government will allow councils to increase Council Tax by a further 1% in 2018/19 and 2019/20 without triggering a referendum i.e. up to 3% rather than 2% and excluding the ASC precept without holding a referendum.

East Sussex Better Together and the Health Economy

2.12 The East Sussex Better Together (ESBT) programme has, since its inception in 2013, implemented integrated community services and demand management schemes in order to reduce the number of patients needing acute care. Over time this has delivered a sustained improvement in performance with growth in demand for acute care in ESBT being significantly lower when compared with other health economies in the region and with the national average. In 2017/18 the NHS has faced a significant restriction on its resources and therefore has required an unprecedented level of demand mitigation to meet its financial targets. Despite improved length of stay performance, acute admissions have risen. This, coupled with increased hospital costs, has created a financial deficit within the local NHS.

2.13 It was envisaged that through the course of the Strategic Investment Plan (SIP), which runs to 2020/21, the alignment of our plans would see social care being, in part, supported by NHS resources. The deficit position of the ESBT health economy in 2017/18 means that no NHS support can be expected in 2018/19. The County Council Adult Social Care contribution to the ESBT SIP in 2018/19 will be 77% of its budget (23% relates to Non ESBT), as previously agreed, which will take account of the RPPR savings requirement of £7.409m of savings for the year.

Council Plan and supporting MTFP

2.14 The draft Council Plan (Appendix 6) continues to be built on the Council's four overarching priority outcomes: driving sustainable economic growth; keeping vulnerable people safe; helping people help themselves; and making best use of resources. Making best use of resources is the priority test 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 further, 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 is critical. 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; key data will be monitored annually as part of the State of the County report.

2.15 The Council Plan provides a summary for each strategic priority including planned actions 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 in April 2018 and refreshed in July when final performance outturn figures for 2017/18 are available. Authorisation is sought for the Chief Executive to make final changes pre and post publication in consultation with Lead Members, as appropriate.

2.16 Previously we have been able to have a detailed three year MTFP and savings schedules, but given the uncertainty about the shape of our future finances we have detailed plans for 2018/19 and indicative totals for the final two years. The MTFP is set out in Appendix 4.

Progress with Council Plan & Budget 2017/18 since Quarter 2

2.17 Overall progress against Council Plan targets remains as reported at Quarter 2.

2.18 Since the end of quarter 2 the Care Quality Commission (CQC) has carried out an area review looking at the Health and Social Care interface in East Sussex and the impact of shared working, with a particular focus on outcomes for adults aged over 65. A draft report on the outcomes was issued in January 2018, and there will be the opportunity to check for matters of factual accuracy. Following this, a summit will be held with key partners so the CQC can provide feedback and identify next steps. An action plan will then be formulated to be overseen by the Health and Wellbeing Board.

2.19 A Delayed Transfer of Care (DTOC) Action Plan is being implemented to address the key issues which cause delays. These are

- Patient or Family Choice—an average of 6.0 delays per week, equating to 33% of ASC delays;
- Awaiting care package in own home—an average of 5.8 delays per week, equating to 32% of ASC delays; and

The impact of these actions is being monitored and performance has shown continued improvement since July.

2.20 As part of our library transformation programme, East Sussex Libraries – The Way Forward, a consultation on the proposed changes was held between September and December 2017. During the consultation 3,639 completed questionnaires (1,907 paper, 1,732 online) were received. We will analyse and consider all of the feedback we received as part of the public consultation, prior to revising the strategy for consideration by Cabinet in March 2018.

2.21 At quarter 2, the projected year-end underspend was £1.0m, after applying centrally held contingency. Within service departments there is a projected overspend of £2.4m. Work continues within services to reduce or mitigate the overall overspend. Within centrally held budgets it is likely that there will be a reduced charge to revenue for treasury management. This is the result of reduced Minimum Revenue Provision due to delayed capital expenditure in 2016/17 and no additional interest charges on new borrowing. Normal practice is to use this to reduce the borrowing requirement for the capital programme, but wider risks need to be considered as part of the RPPR process. Whilst work is ongoing to reduce or mitigate service pressures further, as noted above, the general contingency provision of £3.4m is available to reduce the projected overspend.

2.22 The capital programme has been updated for the quarter 2 position and any subsequent variations and updates that have come to light.

Revenue Budget 2018/19

2.23 The RPPR Report to Cabinet on 10 October 2017 detailed the MTFP projections for 2018/19 and subsequent years. A key consideration at the time of the October report was the considerable uncertainty affecting the MTFP projections, therefore at that point no updates to the 2018/19 savings requirements were made.

2.24 The changes to the MTFP since the October cabinet report are set out below and detail is provided in the subsequent paragraphs.

		2018/19	**2019/20**	**2020/21**
		Estimate	**Estimate**	**Estimate**
		£m	**£m**	**£m**
Cabinet 10th October 2017 DEFICIT/(SURPLUS)	**Ref.**	**1.080**	**16.424**	**18.725**
MTFP inclusive of savings plans		***21.869***	***0***	***0***
Proceeds of Business Rate Pooling	1	(0.610)	-	-
Council Tax Base and Collection Fund (net of contribution to balances and reserves)	2	(0.216)	(1.575)	(0.050)
General Contingency (based on agreed formula)	3	0.040	0.010	0.010
Service Inflation	4	0.471	0.118	0.088
Business Rates inflation	5	(0.466)	0.304	0.135
Departmental budget reviews: reassessment of service pressures	6	(2.538)	0.850	(0.250)
Revised Treasury Management Strategy – to be approved by County Council Feb 2018	7	-	(1.600)	0.100
New Homes Bonus	8	0.358	0.167	0.025
NHB to Capital Programme	8	(0.358)	(0.167)	(0.025)
Council Tax: additional 1%	***9***	***(2.579)***	***(2.850)***	***(0.153)***
Revised Savings Requirements		**17.051**	**11.681***	**18.605***

*Savings requirement indicative only at this stage.

2.25 The changes to the MTFP shown above are as follows:-

1. Proceeds of Business Rate Pooling **–** Confirmation has now been received from the Ministry of Housing, Communities and Local Government (MHCLG) (formerly the Department for Communities and Local Government) of the designation of the East Sussex pool. This is following the Council's agreement to re-establish the pool with District and Borough Councils for 2018/19. The MTFP has been updated with an estimate of pooling proceeds based on their returns at the end of January 2017, considered a prudent position for budget setting. The MTFP also assumes that the county will continue to pool until the Government rolls out Business Rates Retention, the timing of which is expected to be in 2021.

2. Council Tax base and collection fund - The estimate has been aligned to the figures provided by District and Borough Councils in January 2018 and changes reflected through reserves.

3. General Contingency - The general contingency is calculated at an agreed formula of 1% of net budget less treasury management.

4. Service Inflation - The inflation model has been updated for the inflation figures published by the Office of Budget Responsibility (OBR) at the Autumn budget.

5. Business Rates Inflation - Business Rates inflation is provided by the OBR at the time of the Autumn budget. For 2019/20 onwards they have reduced their previous inflation projections from 3.5% to 3.1%.

6. Departmental budget reviews - re-assessment of service pressures within departments.

7. Revised Treasury Management Strategy (to be approved by County Council February 2018) - A change in risk profile to allow the council to invest in better performing funds will generate additional income from 2019/20 estimated in the region of £1.6m.

8. New Homes Bonus - For 2017/18, the Government announced a new methodology for calculating New Homes Bonus (NHB) whereby a threshold of 0.4% growth in housing stock per annum must be achieved before any NHB grant is calculated. A further consultation on the scheme was undertaken in the autumn, but the government is not proposing any changes for 2018/19. NHB figures have therefore only altered for the District and Borough data on actual housing growth**.**

9. Council Tax: Additional 1% - At the Provisional Local Government Financial Settlement on 19 December 2017 it was announced that the Government would allow council to increase Council Tax by a further 1% in 2018/19 and 2019/20 without triggering a referendum. i.e.3% rather than 2% and excluding the ASC precept.

2.26 There continues to be uncertainty regarding the replacement funding mechanisms from 2020/21. At the provisional Local Government Finance Settlement the Fair Funding Review consultation was issued and will run for a period of 12 weeks until 12 March 2018. Alongside the implementation of the outcome from the Fair Funding Review, the Government will aim for local authorities to retain 75% of Business Rates from 2020/21, including existing grants such as Public Health and Revenue Support Grant. What this will mean for the Council is as yet unknown.

2.27 With the significant programme of savings already planned a balanced budget proposed for 2018/19. The estimated deficit is £30.286m by 2020/21. This combined with ongoing uncertainties that could have significant financial impact on future years, mean that the serious financial challenge faced by the Council will continue unabated.

Final Savings Proposals

2.28 In October 2017 the savings needed to give a balanced budget were £21.869m. The revised MTFP enables the savings requirement to be reduced to £17.051m. Savings proposals have therefore been reviewed. Reductions in savings targets have been directed towards priority areas, mainly in Children's Services and Adult Social Care. They are set out in detail in Appendix 7. The table below summarises the movements.

2018/19 Savings £m					
Department	**Oct-17**	**Jan-18**	**Movt Oct-Jan**	**Explanation for Movements**	**Impact of Change on savings targets**
Business Services/Orbis	1.396	1.396	0.000		
Children's Services (excl. schools)	5.404	4.029	(1.375)	MTFP RPPR update (£0.836m); 1% Council Tax increase (£0.539m).	Reduce Support Services savings (£0.017m); remove Locality savings (£0.226m); reduce SWIFT and YOT savings (£0.134m); remove LAC savings (£0.267m); reduce SLES savings (£0.050m); reduce ISEND and ESBAS savings (£0.321m); remove Unallocated savings (£0.360m). *NB: Early Help savings of £1.561m have also been slipped to 19/20 and will be mitigated in 18/19 through use of reserves.*
Communities, Economy & Transport	2.119	1.942	(0.177)	1% Council Tax increase (£0.177m).	Reduce Waste savings (£0.080m); reduce Libraries savings (£0.097m). *NB: elements of two savings have been slipped to 19/20 and will be mitigated in 18/19 through use of reserves: Libraries (£0.025m) and Waste (£0.162m).*
Governance Services	0.084	0.084	0.000		
Adult Social Care Non-ESBT	2.960	2.191	(0.769)	MTFP RPPR update (£0.456m); 1% Council Tax increase (£0.313m).	Remove Community Care savings (£0.677m); reduce Assessment and Care Management savings (ACM) (£0.092m)
East Sussex Better Together - ASC	9.906	7.409	(2.497)	MTFP RPPR update (£1.455m); 1% Council Tax increase (£1.042m).	Remove Community Care savings (£1.995m); reduce ACM savings (£0.502m).
TOTAL	**21.869**	**17.051**	**(4.818)**		

Fees and Charges

2.29 As part of setting the budget, the Council is required to review the charges it makes for services and approve a schedule of revised charges. Current policy is:

- The Chief Finance Officer has delegated authority to approve any increase in fees up to 2% for 2018/19.

- Any individual fee or charge that is increased up to this prescribed rate does not require any formal approval as part of the budget report, only those that have a higher rate applied to them will require specific approval.
- Where there is a statutory requirement for the Council to formally approve an increase, or new charges are being proposed, or the level of the proposed fee or charge is to be reduced, then these will continue to be reported for specific approval as part of the annual budget report. This removes the need for individual fees & charges to be reported, but they will be required to be reported as part of any formal review of the policy to which to they relate.

2.30 It is proposed that for 2019/20 onwards, delegated authority is given to the Chief Finance Officer to set the level of fees and charges and to report to Cabinet and County Council as part of the quarterly monitoring report on those set at a level above inflation.

2.31 The schedule of the fees and charges requiring specific approval is set out in Appendix 8.

Council Tax requirement

2.32 The Government has provided for relevant authorities to charge up to 3% on the ASC precept, subject to a maximum of 6% across the 3 year period 2017/18 to 2019/20. The Council Tax requirement in the MTFP is based on the proposal that this option is taken to maximise the mitigation available across health and social care.

2.33 In the Provisional Local Government Finance Settlement on 19 December the Government announced that Councils could apply a Council Tax increase of up to 3% in each of the next 2 years without triggering a referendum. This was described as following inflation. The Council can therefore increase Council Tax by 5.99% in 2018/19 (including the 3% ASC precept) and 2.99% in 2019/20.

2.34 It is therefore proposed that the Council be asked to consider increasing Council Tax in 2018/19 by 2.99%. It is also proposed that there should be a further 3% increase in respect of the ASC precept. If agreed the proposed band D charge for 2018/19 would therefore be:

Changes in Council Tax	Council Tax Annual	Council Tax Weekly
Band D 2017/18	£1,314.36	£25.28
1.99% Council Tax increase*	£26.19	£0.50
1.00% Additional Council Tax increase*	£13.14	£0.25
3% ASC precept*	£39.42	£0.76
Indicative Band D 2018/19*	£1,393.11	£26.79

* Council Tax and ASC precept are rounded as they are required to be divisible by nine.

2.35 The formal precept notice for issuing to the Borough and District Councils will follow for formal recommendation to council. This will be subject to change following the final settlement and confirmation of Business Rates for 2018/19. The draft precept calculation and dates are at Appendix 9.

2019/20 & 2020/21 and beyond

2.36 The level of uncertainty about the Government's plans and funding for services provided by Local Government means that there could be fundamental changes in both the resources the Council has available and its expectations for service delivery, so the process for the latter two years of the Council's MTFP will, necessarily be iterative. Currently, the MTFP is predicated on the need to make £30.286m of savings during these two years.

2.37 If there are no new resources from Government, by 2021/22 the Council will be left with a minimum service offer. It will provide safeguarding for all ages, will still meet critical and substantial need in ASC and will deal with the highest level of need and risk cases in Children's Services. We will continue to use our influence to assist with the economic development of the county, but will not be able to invest directly in the way we have in the past. We will be able to carry out maintenance on our roads so that they are safe for users. Central services will be reduced to a democratic core with minimum support for departments and more self-service. We will not be able to fund early intervention or prevention services in Adult and Children's Social Care or support to schools to improve attainment. We will have to move away from assets management in highways towards more reactive maintenance, leading to long-term deterioration of condition.

2.38 This challenging outlook places a premium on our lobbying work and the need to explore all our options. Cabinet is asked to endorse a renewed focus on commercialisation and income generation, partnership working and the following areas of search for savings in future years, in order that a balanced budget, focused on priorities, can be achieved in 2019/20 and 2020/21:

- All areas of ASC not directly involved in providing for critical and substantial need;
- Standards and Learning Effectiveness Service;
- Remaining Children's early help offer;
- Highways maintenance;
- Public transport and concessionary fares;
- Road safety and school crossing patrols; and
- All support services.

Capital Programme

2.39 Due to the ongoing financial pressures the Council is facing, the Capital Programme 2017/23, as agreed at Full Council on 7 February 2017, focuses on a strategy to deliver core need as efficiently as possible. Where there are other service developments and investment opportunities that require capital investment (that are not identified as core need), they will be required to be either match funded or would require a business case that demonstrates benefits. Approved bids are added to the programme in line with the current variation policy.

2.40 The areas of essential core need included in the 2017-2023 programme are:

- Schools Places (early years, primary, secondary and special);
- Highways Structural Maintenance, Bridge Strengthening; Street Lighting; Rights of Way and Bridge Replacement Programme;
- Property Building Maintenance;
- ICT Strategy;
- Adults' and Children's House Adaptations Programme; and
- Libraries

2.41 In addition to the core need, there are a number of other fully funded schemes which are either funded through our Local Enterprise Partnerships, or for the provision of grants and loans. These were originally pump primed in the 2013-2018 programme and include the Economic Intervention Fund which, by 2021/22, will become self-funding.

2.42 The approved programme has now been updated to include the Quarter 2 position and other approved variations and updates, the details of which are set out Appendix 10.

Robustness and Opportunity Cost of Reserves

2.43 The State of the County report gave an estimated total earmarked reserves balance of £45.2m at 31.03.21. Since then there have been some updates and the estimated position by

31.03.21 is now £44.2m. The current reserves position is shown in the table below.

	01.04.18 Estimate £m	**31.03.21 SoC Estimate £m**	**31.03.21 Estimate £m**
Held on behalf of others or statutorily ring-fenced	19.9	17.0	13.9
Waste Reserve	12.8	12.8	12.8
Set aside for the new Capital Programme 2018/23	21.0	0.0	0.0
Insurance	5.5	5.9	5.5
Strategic Reserves:			
Risk	3.1	2.8	4.5
Priority Outcomes and Transformation	7.8	3.0	3.4
Financing	18.5	3.7	4.1
Total Strategic Reserves	29.4	9.5	12.0
Total ESCC service specific reserves	**68.7**	**28.2**	**30.3**
Total Reserves	**88.6**	**45.2**	**44.2**

2.44 Additionally, there is a General Fund balance held by the Council of £10m. This is a minimum general balance that is assessed annually in relation to risks facing the Council. The £10m is lower proportionately than most other Authorities.

2.45 Following the review and policy update conducted for the State of the County in June, the level of reserves held by the Council is considered appropriate. It is becoming increasingly important to hold sufficient reserves for the future given the financial uncertainty ahead. It is proposed that where possible resources are transferred to the Financing and Risk reserves e.g. the net underspend from 2017/18. Details of the reserves held can be found in Appendix 5. The Chief Finance Officer Statement on Budget Robustness can be found at Appendix 11.

Equalities

2.46 A high level Equalities Impact Assessment (EqIA) of the revenue savings proposals has been undertaken and is set out in Appendix 7. Further EqIAs will be undertaken where appropriate before individual proposals are implemented. EqIAs have been undertaken of the proposed Capital spending. These are summarised in Appendix 10a. In considering the proposals in this report, Cabinet Members are required to have 'due regard' to the duties set out in Section 149 of the Equality Act 2010 (the Public Sector Equality Duty). EqIAs are carried out to identify any adverse impacts that may arise as a result of the proposals for those with protected characteristics and to identify appropriate mitigations. The full version of relevant completed EqIAs have been placed in the Members' and Cabinet Room and are available on the County Council's website. They can be inspected upon request at County Hall. Members must read the full version of the EqIAs and take their findings into consideration when determining these proposals.

2.47 Whilst Cabinet and 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.

Staffing Impacts and Implications

2.48 The savings proposals for the next year could lead to the reduction in the region of 200 fte staff. The County Council has established robust employment protection policies and will continue to try and avoid making compulsory redundancies, wherever possible.

Engagement Feedback and Future Consultation

2.49 The views of the Scrutiny Committees and the outcomes of engagements events with young people and partners are set out at Appendix 12. The views of representatives of business ratepayers will be tabled at the County Council following their consultation event.

2.50 The timing of different decisions is dependent on a range of circumstances including the complexity and level of interest. The options open to the Council include:

- the budget is set by County Council, following which the Cabinet will make decisions relating to service delivery, and as part of that decision making process a consultation will be undertaken prior to the final decision; and
- the consultation starts to explore proposals, and in the meantime a separate decision is taken by full Council in relation to setting the budget; and following the closure of the consultation Cabinet then considers the responses and makes a decision relating to service delivery. It is really important to stress that just because the consultation is ongoing at the time the budget is set does not mean any decision has been taken by the Cabinet about the outcome of the consultation or how services will be delivered. When the Cabinet considers the issue (including the results of the consultation) after the budget has been set it is still open to the Cabinet to decide to spend, the same, more or less on an area. The constitution contains rules allowing amounts to be transferred between various budget heads and if necessary a referral back to County Council can be made to reconsider allocations.

Lobbying

2.51 Cabinet Members and officers have been and will continue to lobby for the best interests of the residents of East Sussex directly with the Government, through meetings and briefings with our local MPs, through contact with Government officials and through the various partnerships in which we participate. We have used all these channels to try to ensure that, for example, the implications of the proposed changes to local government finance to the sustainability of services in East Sussex is clear. This year our lobbying has included the Stand Up for East Sussex petition, which garnered nearly 6,000 signatures and was submitted to the Prime Minister in December.

Conclusion

2.52 The financial challenge the Council faces is considerable and the choices between saving and spending areas are difficult. In making recommendations to the County Council, Cabinet have tried to be as transparent as possible about their thinking and how they have tried to balance the needs of all residents and businesses in the County for services and the affordability of those services to Council Tax payers.

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

✡ (1) approve, in principle, the draft Council Plan at Appendix 6 and authorise the Chief Executive to finalise the Plan in consultation with the relevant Lead Members;

(2) approve the net Revenue Budget estimates totalling £371.3m for 2018/19 as set out in Appendices 4 (Medium Term Financial Plan) and 5 (Budget Summary) and 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 and budget decisions;

(3) in accordance with the Local Government Finance Act 1992 to agree that:

(i) the net budget requirement is £371.3m and the amount calculated by East Sussex County Council as its council tax requirement (see Appendix 9) for the year 2018/19 is £276.7m;

(ii) the amount calculated by East Sussex County Council as the basic amount of its council tax (i.e. for a band D property) for the year 2018/19 is £1,393.11 and represents a 5.99% (3% 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 9

(5) approve the fees and charges set out in Appendix 8 and delegate authority to the Chief Finance Officer to approve an increase to all other fees and charges by up to 2%;

(6) approve the Capital Programme for 2017 – 2023 as set out at Appendix 10;

(7) note the Medium Term Financial Plan forecast for the period 2018/19 to 2020/21 as set out in Appendix 4; and

(8) note the comments of the Chief Finance Officer on budget risks and robustness as set out in Appendix 11;

(9) note the comments from the engagement exercises as set out in Appendix 12; and

(10) delegate authority to the Chief Finance Officer to set fees and charges for 2019/20 onwards and to report to Cabinet and County Council on those set at a level above inflation as part of the quarterly monitoring.

3. Council Monitoring – Quarter Two 2017/18

3.1 The Cabinet has considered a report on performance against the Council Plan, Revenue Budget, Capital Programme, Savings Plan and risks for Quarter 2 2017/18. 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 13. Strategic risks are reported at Appendix 19 and a detailed report for each department is provided in Appendices 14 to 18.

Overview of 2017/18 Council Plan

3.2 Detail of progress against each of our priority outcomes for 2017/18 is set out in paragraphs 3.10 to 3.24 below. The Cabinet has agreed to the amendment of seven measures as follows:

- Number of hospital bed days lost due to delayed transfers from hospital care (Appendix 14, ref i).
- Number of hospital bed days lost due to delayed transfers from hospital care due to Council social services (Appendix 14, see ref ii).
- Number of hospital bed days lost due to delayed transfers from hospital care due to local NHS (Appendix 14, ref iii).

The change to the targets for delayed transfers reflects the national requirement to report on the new Better Care Fund targets based on the daily, rather than monthly (as the target was previously), average.

- Health and Social Care Connect (Appendix 14, ref iv) – the new target better reflects the purpose of the service.
- Proportion of working age adults and older people receiving direct payments (Appendix 14, ref v) – the change to the direct payments target will keep our performance above average but realistically reflects the choices that those receiving a service are making.
- Exit from the specialist domestic abuse and sexual violence service – % of those affected by domestic violence and abuse (Appendix 14, ref vii).
- Exit from the specialist domestic abuse and sexual violence service –% of those affected by rape, sexual violence and abuse (Appendix 14, ref viii).

The new measures in relation to the domestic and sexual violence service are intended to place less of a burden on service users whilst ensuring that services are having a positive impact.

3.3 At quarter 2, the projected year-end overspend within service departments was £2.4m, this compares to a £3.0m overspend at quarter 1. This is the result of strategies and actions that services have been working on to reduce or mitigate this overspend. The main areas of overspend remaining are:-

- £1.9m (£2.2m in quarter 1) in Children's Services mainly due to the continued pressure for Looked After Children expenditure and in particular from expensive placements for children with more complex needs who are difficult to place. At quarter 2 these pressures have been in part offset by some underspending where the Inclusion Special Educational Needs & Disabilities (ISEND) service has been successful to date in driving down Special Educational Needs (SEN) Agency placements and SEN High Needs top up costs.
- £1.1m (£1.1m in quarter 1) in Adult Social Care. Directly Provided Services and Assessment & Care Management are showing an overspend mainly due to slippage in savings plus pressure from increasing demand for the Integrated Community Equipment Service (ICES). The independent sector budget is now showing a forecast underspend; whilst there is continued pressure on services, in-year mitigation of these pressures has partly come from the new Improved Better Care Fund (IBCF). Members will be aware that the CCGs are reporting a significant overspend on acute services within the health economy and that further work is being undertaken to address the challenge in 2017/18, which will be reported back to the Scrutiny Board and Strategic Commissioning Boards. The risk to ESCC with respect to the aligned ESBT budgets is, however, limited to the £916k support planned for Adult Social Care from the ESBT CCGs, which can be contained within the ESCC 2017/18 budget.

3.4 There are budget pressures across all departments. Within Communities, Economy and Transport; Business Services; and Governance; these are being successfully contained and there is a small underspend of £0.6m (£0.3m at quarter 1) being reported across these services.

3.5 Within centrally held budgets it is likely that there will be a reduced charge to revenue for treasury management. This is the result of reduced Minimum Revenue Provision due to delayed capital expenditure in 2016/17 and no additional interest charges on new borrowing. Normal practice is to use this to reduce the borrowing requirement for the capital programme, but wider risks need to be considered as part of the RPPR process. Whilst work is ongoing to reduce or mitigate service pressures further, the general contingency provision of £3.4m is available to reduce any projected overspend. Should the position remain unchanged there would be an in year general fund surplus of £1.0m, noting the significant risk and uncertainty outlined in 3.3 above in relation to current service projections.

3.6 The forecast capital programme expenditure for the year is projected at £91.2m against a current budget of £104.9m, a variation of £13.7m (£4.3m at Q1). The additional movement at quarter 2 of £9.4m comprises £9.1m slippage and £0.7m reduction in overspend offset by spend in advance of £0.4m. As part of RPPR the current capital programme will be adjusted to reflect the updated forecasts at quarter 2 including any further approved variations.

3.7 The additional slippage comprises:-

- £5.4m on Broadband where phase 3 procurement continues, with the consequence that the spend profile has been revised to slip expenditure into 2018/19.
- £1.5m on Hailsham/Polegate/Eastbourne Movement and Access Corridor due to design complexities.
- £0.9m in CET a combination of: lower than anticipated demand for Catalysing Stalled Site (£0.2m) and Upgrading Empty Commercial Properties (£0.2m); and a re-profiling of Libraries (£0.3m on Hastings Library and £0.1m Library Refurbishment) and Real Time Passenger Information (£0.1m) as a result of unforeseen contractor delays.
- £0.8m on Hastings and Bexhill Movement and Access Package as a result of delays in business case submission and design work.
- £0.7m on Capital Building Improvements due to planning issues which have come to light since quarter 1.
- £0.2m reduction in SALIX slippage following an increase in planned works for 2017/18.

Offset by the additional spend in advance which comprises:-

- £0.3m in CET as the result of projects progressing ahead of plan.
- £0.1m on LD Service Opportunities due to re-profiling of costs.

And reduction in overspend of:-

- £0.7m on Hastings Library following the re-profiling of the overspend into future years.

3.8 The Strategic Risk Register, Appendix 19, has been reviewed and updated to reflect the Council's risk profile. Risk 12 (Cyber-attack) has been updated and also has updated risk control responses. Risk 4 (Health), Risk 5 (Reconciling Policy, Performance & Resources), Risk 6 (Local Economic Growth), Risk 7 (Schools) and Risk 9 (Workforce) all have updated risk control responses. No new risks have been proposed and all risk ratings remain unchanged following this review.

3.9 One Risk 'Apprenticeship levy' (formally Risk 11) has been deleted from the Strategic Risk Register. The Corporate Management Team is satisfied that this risk is now appropriately controlled with an action plan in place and therefore it has been de-escalated from the Strategic Risk Register.

Progress against Council Priorities

Driving economic growth

3.10 Almost 4,800 additional premises were able to be connected to superfast broadband at the end of quarter 2 as part of our second contract of works. Take up of superfast services under contract 1 is 46.3%, while the contract 2 take up is 31.7% (Appendix 17).

3.11 86 road improvement schemes have been delivered in quarter 2 investing almost £3.1m to maintain and improve the condition of the county's roads (Appendix 17).

3.12 There were 70 online training courses completed in our libraries in quarter 2, offering people help with topics such as IT, maths, English, and help to get online and use the internet (Appendix 17).

3.13 10 applications for grants or loans, allocated from East Sussex Invest 5 funding, were approved in quarter 2, investing almost £500,000 to support businesses in the county. The funding is expected to create or protect 44.5 jobs (Appendix 17).

3.14 £1m of funding has been secured from Arts Council England, the South East Local Enterprise Partnership and Visit England, for Culture Coasting. The funding will be used to deliver a new arts trail using geocaching technology and we will launch a European marketing campaign to promote the trail and increase tourism (Appendix 17).

3.15 One contract was awarded in quarter 2 which was within the criteria of the Social Value Measurement Charter. Over £45,000 worth of social and economic benefits were secured as part of the contract, including the contractor using local suppliers to buy all project equipment and using local sub-contractors for works, and a local person being offered an apprenticeship (Appendix 15).

Keeping vulnerable people safe
3.16 The rate of Looked After Children, per 10,000, is 54.9 (579 children), within the target rate of 57.2 (606 children) and below the Income Deprivation Affecting Children Index expected rate, however, this has risen from 51.1 (573 children) in quarter 1 (Appendix 16).

3.17 Adult Social Care Outcome Framework data for 2016/17 was published in October 2017, benchmarking adult social care departments across 26 measures. We are in the upper quartile for 58% (15) of the measures, and upper or upper middle quartiles for 77% (20) of the 26 measures (Appendix 14).

3.18 Two key resources have been developed, with East Sussex Better Together and Connecting 4 You, to support schools address mental health and emotional wellbeing. A Top Ten Tips booklet and poster advising schools how to support pupils has been produced; and Boing Boing have been commissioned to produce detailed guidance and resources (Appendix 16).

Helping people help themselves
3.19 Extensive efforts to increase referral rates to local Memory Assessment Services have resulted in a diagnosis rate of 66.1% in quarter 2 (Appendix 14).

3.20 A Telescreen pilot, to test the use of the PRISMA 7 assessment system, has been launched with 100 Telecare clients. The pilot will test the system's ability to spot frailty related decline over the phone and measure the effectiveness of putting in place low cost solutions early to prevent further escalations in need (Appendix 14).

3.21 Quarter 2 has seen improvements against the key metrics outlined in the Improved Better Care Fund with: Delayed Transfers of Care from hospital and admissions to residential/nursing care reducing; and the number of people who are still at home 91 days after discharge from hospital into reablement/rehabilitation services increasing (Appendix 14).

Making best use of resources
3.22 Quarter 2 has seen a 5.4% reduction in carbon emissions compared to the same quarter in 2016/17. Schools are showing a 4.2% reduction, while non-schools are showing a 6.7% reduction. The Energy Team are working on a number of measures to reduce gas consumption in schools which should have a beneficial effect on the numbers (Appendix 15).

3.23 Orbis Public Law (OPL) has completed the implementation of the digital case management system in all OPL offices during quarter 2. The system facilitates the sharing of work between the different organisations and has allowed staff across OPL to begin working for other authorities within the partnership (Appendix 18).

3.24 The Council website has won two awards from the local government IT trade body SOCITM (Appendix 18). The ESBT Alliance and its partner projects have also been shortlisted for four national Health Service Journal awards (Appendix 14). The Council's Children's Services Department were runners up in the Social Worker of the Year Awards 2017, in the category of

Best Social Work Employer (Appendix 16).

4. Annual Progress report for Looked After Children's Services

4.1 The Cabinet has considered the annual progress report for Looked After Children's Services which is attached as Appendix 20.

4.2 On 31 March 2017 there were 558 Looked After Children (LAC) in ESCC; this represents an increase of 14 children (2.57%) as compared to 2015/16 and a rate of 52.7 per 10,000 population. This is below the Income Deprivation Affecting Children Index (IDACI) expected rate (a measure in terms of population profiles and deprivation levels) of 57.2 and the 2016 England rate of 60.3.

4.3 The LAC data only ever gives a snapshot of the children moving in and out of the system at a fixed date each month/year and considerable activity sits beneath it. The data below is referred to as 'churn'. This cohort of children will come in and out of the system within the year, or some may come in and stay whilst others leave. It has been calculated that the churn figure for 2016/17 is 175 which, when added to the total number of LAC, equates to the service working with 733 children. This total figure is higher than last year (729 children), but the churn rate was lower than for the previous years (185 for 2015/16, 179 2014/15).

4.4 There was an increase in admissions to care from 190 during 2015/16 to 198 during 2016/17. This increase was across all age groups. The number of 0-5 year olds admitted to care during 2016/17 increased from 94 in 2015/16 to 98 in 2016/17, with a slight increase in admissions for 6-12 year olds from 43 in 2015/16 to 44 for 2016/17 and for children aged 13+ an increase from 53 for 2015/16 to 56 in 2016/17.

4.5 At year end there was a decrease in the number of LAC discharged from care, from 191 in 2015/16 to 183. The number of 0-12 year olds discharged from care also fell to 106 during 16/17 from 117 in 15/16. This was made up of 77 0-5 year olds and 29 were 6-12 year olds. There was a slight increase in the 13+ age group from 74 discharged in 2015/16 to 77 in 2016/17.

4.6 These figures combined continue to show a picture of an overall increase in the number of LAC worked with during the course of the year. There remains a high level of activity with the cohort of 0 to 5 year olds given the increased number of admissions and fewer discharges as children became subject to Adoption, Special Guardianship or Residence Orders, or remained in family arrangements. The 6 to 12 year old cohort showed higher admissions to care with a similar discharge pattern (as in the previous year), producing a net increase over the year. This means that for this age cohort of children, once they enter care, they tend to remain in permanent placements. The 13+ cohort continue to show a higher level of admissions. This relates mainly to a few children with complex needs, who are often subject to child sexual and/or criminal exploitation, as well as children remanded to care, or who are unaccompanied asylum seeking children (UASCs).

4.7 In terms of UASC, at year end ESCC was caring for 24 children, mainly male and over 16, with an additional 15 having ongoing support needs as care leavers. These young people have usually arrived in a clandestine way via Newhaven, or been found elsewhere in East Sussex. East Sussex also continued to accept UASC via the national dispersal scheme. A small number of young people have disappeared from care placements before age assessments can be completed to determine whether they are indeed children.

4.8 Overall the LAC service continued to perform well during 2016-17 and to achieve good outcomes for children in the care of ESCC. Continued pressure on recruitment and retention of in house carers and on availability of placements within the private market in the South East has impacted on placement stability, especially for those children with the most complex needs.

4.9 The challenge for 2017/18 is to continue to ensure that the right children are in the right placements for the right amount of time, and that we secure the best outcomes possible within a context of reducing resource in Children Services. Maintaining good performance is a significant achievement within a context of diminishing resources, however the ongoing steady rise in both LAC numbers and in placement costs that has been evident over the past year and has continued since April 2017 is placing significant pressure on already stretched budgets in the LAC service.

4.10 The Cabinet has welcomed the report and thanked all those involved in the provision of services for LAC.

5. The Conservators of Ashdown Forest Budget for 2018/19

5.1 The Cabinet has considered a report regarding the Conservators of Ashdown Forest budget for 2018/18. This enables consideration to be given to both the overall position and the balance of funding which may be made available to the Conservators from the Trust and the Council's own resources. It must be emphasised for completeness, that the 'Trust Fund' is legally distinct from the County Council's general resources. It is appropriate however, for the County Council to consider both its decision as Trustee as well as its disposition of general resources when considering the overall financial position of the Conservators.

5.2 The Conservators have produced a draft budget for 2018/19, summarised at Appendix 21. This was approved by the Board of Conservators at their meeting on 18 December 2018. Further budget detail, including a breakdown of Countryside Stewardship funded projects, is shown at Appendix 23.

5.3 The Conservators' budget is formed of the Countryside Stewardship (CS) budget and the Core Budget (General Fund). Natural England provide the funding for the CS budget £522,676 for 2018 and although this represents more than half the total budget, it is ring-fenced for Heathland Conservation projects. As such, all CS budget must be spent under the conditions for receipt of the money and may not be used to offset General Fund expenditure. However, there is a multiplier applied to CS staff costs and contracted-out in house staff to enable the Conservator's to recoup some staff on-costs and Forest Centre overheads. For 2018/19 this is £104,840 and is shown under income as 'Countryside Stewardship Staff Uplift'. The CS budget has been separated from the General Fund and is shown as Appendix 23.

5.4 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 CET contribution. The balance of the Trust fund is estimated to be £160,624 at 1 April 2018; shown in Appendix 22.

5.5 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 reduce by 10% to £61,398 The Conservators have an ongoing challenge to maintain balanced budgets in the context of opportunities and limitations to reduce expenditure and increase income, whilst maintaining required services.

5.6 The Conservators agreed to permanently increase the hours of back office staff (Director +6 hours, Clerk +7 hours and Finance Office +4 hours) in order to provide a realistic level of professional support to manage the Forest. This has resulted in an additional staffing expenditure for which it was agreed to fund from a planned draw from reserves of £29,610.

5.7 The 2017/18 forecast figures for Forest Centre development and operational expenses are significantly higher than budget. Work on the woodstore and an upgrade to the sewage system at the Forest Centre was funded by the Ashdown Forest Conservation Trust. Operational expenses includes the resurfacing of three carparks which was funded by the Friends of Ashdown Forest. The income for these projects is included in the restricted funds budget line.

5.8 The Conservators are aware of the need to increase their income and control their costs in order to maintain the level of care provided to the Ashdown Forest and to help bridge the gap to sustainability. Income generation work has mainly concentrated on securing at least £5,250 of grants from parish councils and sales from the centre shop have increased. There is a lead time to additional income generating activities and this is planned to be in place for 2019/20. Where there are dependencies on the related activities the Conservators are aware that the need to balance their financial plans and dependencies on the further income opportunities.

5.9 The Conservators agreed to maintain reserves sufficient to cover 6 months of staffing and administration costs. The Conservators are not planning any draws from reserves during 2018/19 other than the £29,610 (see 5.6) and the resulting budgeted reserve balance for the year ending 2018/19 is £277,908, which exceeds the minimum balance of £182,000.

5.10 It is proposed to reduce the Council's grant by 10% from £68,200 in 2017/18, to £61,398 in 2018/19. This matches the provision in the CET budgets.

5.11 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 contribution to the Conservators from the Trust Fund can be maintained at £65,100 in 2018/19.

5.12 The combination of awarding the contribution and grant at the recommended level would give the Conservators a budget overspend of £29,610 which the Conservators have agreed to fund from reserves

5.13 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 £61,398 from the CET budget. These recommendations are reflected in the reconciling policy, performance and resources report in paragraph 2 of this report.

6. Annual Audit Letter

6.1 The Cabinet considered a report concerning the Annual Audit Letter (AAL) (Appendix 24) 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, including the objection from a local elector, which is currently being considered.

6.2 KPMG previously issued an unqualified opinion on the Council's financial statements on 18 July 2017. This means that KPMG believe the financial statements give a true and fair view of the financial position of the Council and of its expenditure and income for the year. The financial statements also include those of the pension fund.

6.3 The AAL was presented to the Audit, Best Value & Community Services Scrutiny Committee on 29 November 2017 for consideration.

6.4 The external audit fees for 2016/17 was £110,179 (County Council of £83,572 and the Pension Fund of £26,607) for the core audit in line with the planned fee. The grant certification work is still ongoing; the final fee will be confirmed on the outcome of that work. The costs of these additional services will be funded from existing budgets.

6.5 KPMG also performs additional audit-related services for the certification of the Teachers Pension Authority return which is outside of Public Sector Audit Appointment's certification regime. This certification work is still ongoing, and the final fee will be confirmed at the end of the audit.

6.6 The Council would like to extend its thanks to KPMG for their professionalism during the 2016/17 audit.

23 January 2018 KEITH GLAZIER
(Chair)