REPORT OF THE CABINET

The Cabinet met on 11 December 2018 and 22 January 2019. Attendance:-

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

1. Reconciling Policy, Performance and Resources

1.1 The County Council continues to play a key role in the quality of life of the residents, communities and businesses of East Sussex through services, employment, purchasing and how we work in partnership with others. Against a background of ever diminishing resources and increasing demand, especially in social care, the County Council has been working over the last eight years to ensure that the core set of services and infrastructure most needed from the Council is available to residents and businesses. Our activity is captured each year in a detailed Council Plan which covers what we will do and the specific targets we will use to judge our performance during the year. The Council Plan, revenue budget and capital programme are fully integrated through our business planning process.

1.2 Robust and innovative management and strong partnership means we have transformed the way the Council works and made savings of £129m between 2010 and 2019. We have done everything possible to make the most of the money available. We have a joint back office function with Surrey County Council and Brighton & Hove City Council; we have implemented excellent arrangements in Children's Services which have helped us to avoid the level of rise in the number of children being taken into care that has been seen elsewhere in the country; and we have put in place some excellent services to support health and social care integration.

1.3 Making savings on this scale has not, however, been easy or without impact on front line services and residents. The Council has had to reprioritise its investment and reduce the extent and breadth of its service offer. This has meant significant impacts in community based Adult Social Care (ASC) services, in assessment and care management staffing levels, in the universal youth service offer, in the libraries and cultural offer and the amount spent on the highways network and the public realm. The scale of the savings the Council has needed to make to date and the continued pressure on budgets in the future mean that, despite continuing commitment to maximise efficiency and generate income, it will have to concentrate services on those in most urgent need. Currently we spend 66% of our net revenue budget on Children's Services and Adult Social Care and only 16% on the universal services provided by Communities, Economy and Transport.

1.4 While the proposed budget is balanced for 2019/20, this does include making proposed savings of £5.1m. There is an estimated deficit of a further £21.2m for the following two years, with only savings of £7.2m so far identified to meet the gap. The need for further lobbying for sufficient funding remains urgent and significant, particularly for 2020/21.

1.5 Local Government has to date borne the brunt of austerity and the savings it has been required to make are higher than in most areas of government expenditure. All councils, particularly those with high levels of social care demand, are facing real challenges. Our demography means, however, that we have already had to make choices that others are only just beginning to face in order to meet the needs of our vulnerable elderly people, whilst continuing to provide a basic level of service to the rest of our population.

1.6 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.

1.7 Spending and savings decisions 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 and, in line with national trends, the number of vulnerable young people needing support is rising.

1.8 The Council has been able to meet the challenge of delivering savings so far 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.

1.9 Our Reconciling Policy, Performance and Resources (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 4) supported by the Medium Term Financial Plan (MTFP) (Appendix 1) and Capital Programme (Appendix 7) set out in this report.

1.10 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.

1.11 This report sets out:

- changes to the national context since the report to Cabinet on 13 November 2018;
- an update on progress on the 2018/19 Council Plan and budget;
- the draft Council Plan 2019/20 and updated MTFP;
- proposals for the 2019/20 revenue budget, taking account of changes in the financial picture since November and based on an increase in Council Tax of 2.99%;
- the savings requirement across the Council including changes since November and final savings proposals;
- the Capital Programme update and the rationale on which it has been developed; and
- feedback from engagement exercises and equalities impacts.

National Context and Lobbying

1.12 We have significantly increased our lobbying work in the last year both directly to the Government and with our local, neighbouring and national partners to lobby Government. This work has included using the Core Offer approach which was the subject of a separate report considered by the Cabinet on 22 January 2019.

1.13 The part of the Provisional Local Government Finance Settlement contained very welcome additional one off funding for social care of £4.4m and for adult social care winter pressures of £2.6m (although this will be aligned within the Better Care Fund and so is not included within the MTFP). It also included East Sussex being a business rate pilot during 2019/20. This will potentially bring £4.3m additional funding to the county area including for ESCC an estimated additional £1.6m. This is in addition to the existing business rate pool which brings £3.2m into the county, split between the County Council, Borough and District Councils and East Sussex Fire and Rescue Authority.

1.14 The Government has announced additional special educational needs and disability (SEND) funding over the next two years. The Council will receive £1.1m in each of 2018/19 and 2019/20 as additional funds to the High Needs block of the Dedicated Schools Grant. This recognises the additional pressure this block is under nationally with increased numbers of Education, Health and Care Plans (EHCPs) and non-maintained school placements.

1.15 These new funding streams are very welcome and show that the lobbying the County Council and others have been carrying out is starting to be effective. They are however one-off. They will be used as part of the measures to close the funding gap for 2019/20 and across the three year planning period. They do not affect our three year savings estimate captured in the MTFP. The proposed budget is balanced for 2019/20 but includes proposed savings of £5.1m (see appendix 3). There remains an estimated deficit of a further £21.2m for the following two years, with savings of £7.2m identified so far and significant doubt about our ability to identify significant further savings. This means the need for further lobbying remains significant.

1.16 We will continue to develop the current approach make very best use of the resources we have and to develop our MTFP but lobbying the Government for a permanent and sustainable funding solution for local government which takes account of demography and the real needs of local people and which does not place the whole funding burden on local tax payers and businesses will remain a key activity. This will focus on the Comprehensive Spending Review expected this year.

1.17 Consultation papers on Business Rates Retention and the Fair Funding Review were also published with the settlement, with a closing date of 21 February. The County Council's response will be considered by the Lead Member for Strategic Management on 20 February.

1.18 The unfunded growth in the needs of our 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 continues to be delayed. A permanent solution is unlikely to be available before the temporary funding the Government has made available runs out.

Council Plan

1.19 The way in which the Council will use all its resources is captured in the draft Council Plan (Appendix 4). The Council Plan 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 must pass. The remaining three priority outcomes guide our activities, direct our resources and are reflected in our Council Plan activities and targets.

1.20 The Council Plan contains the targets and milestones used to judge our performance. The Cabinet and County Council actively consider performance during the year and may decide to adjust targets to reflect any changed circumstances. 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 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.

1.21 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 2019 and refreshed in July when final performance outturn figures for 2018/19 are available. Authorisation is sought for the Chief Executive to make final changes pre and post publication in consultation with Lead Members, as appropriate.

Progress with Council Plan & Budget 2018/19 since Quarter 2 (Q2)

1.22 Overall progress against Council Plan remains as reported to Cabinet on 11 December 2019. This section provides an update on some specific developments since then.

1.23 The Department for Digital, Culture, Media & Sport (DCMS) is providing funding to stimulate the development of Local Full Fibre Network (LFFN) Schemes. LFFN schemes will provide sustainable, high-speed, high-capacity network connectivity services. We submitted an expression of interest to DCMS at the end of September outlining a possible Full Fibre infrastructure project within East Sussex, and have been invited to develop a business case. The scheme will be included within the Council's Capital Programme, subject to the council's bid to DCMS being approved and receipt of the DCMS funding.

1.24 The Government has set a statutory target for all public sector organisations with 250 or more staff to employ at least 2.3% of their staff as new apprenticeship starts. Based on current headcount, this equates to 225 apprentices: 102 in the Council and 123 in Schools. All public sector bodies were required to publish details of their progress against this target by 30 September 2018. League tables were published on the 22 November 2018; we achieved 1.1% against the 2.3% target which puts us joint 4th highest amongst county councils.

1.25 The number of Looked After Children (LAC) has increased from the 620 reported at quarter 2 to 627 on 14 December 2018. This is above the target of 625 children for the "Rate of Looked After Children (per 10,000 children)" Council Plan measure. The increase is due, in part, to a higher number of Unaccompanied Asylum Seeking Children (UASC). There were a high number of UASC LAC admissions in November increasing the number to 27, compared to the 17 reported at quarter 2.

1.26 Q2 revenue forecasts have been updated. There is no change to the projected year-end overspend in service departments of £4.4m. Business Rates income is expected to increase by £0.3m as previously reported. The forecast underspend in Treasury Management has increased to £1.2m (£0.8m at Q2); the impact of the part-year interest saving resulting from the decision to make early repayment of the LOBO loans with RBS. Additionally MHCLG has now confirmed that the Business Rates Levy account surplus allocation of £1.1m will be received in 2018/19 rather than 2019/20 and therefore will add to the predicted underspend.

1.27 The underspend in Centrally Held Budgets will be used to offset the service overspend. The general contingency provision of £3.5m will support any remaining service overspend, with the net balance contributing to or drawing from reserves.

1.28 The capital programme has slipped by a further net £2.0m since quarter 2, comprised of £3.3m slippage offset by £1.3m spend in advance. This is reflected in Appendix 7 – Capital Programme update.

Revenue Budget 2019/20

1.29 The RPPR Report to Cabinet on 13 November 2018 detailed the MTFP projections for 2019/20 -2021/22. Since then focus has been on three areas of search to close the projected gap: cost of operations, financing and a number of national funding decisions, including:

- further announcements in the final Local Government Settlement;
- the Fair Funding Review: due to be implemented in 2020/21;
- Business Rates Retention (BRR): the longer term model for BRR has yet to be announced and will be informed by the learning from the 75% BRR Pilot for 2019/20, in which East Sussex is a participant;
- Comprehensive Spending Review 2019 which will impact from 2020/21; and
- Older People Social Care Green Paper, which continues to be delayed.

1.30 Changes to the MTFP since the November Cabinet report are set out below

	Ref	**19/20 Estimate £million**	***20/21 Estimate £million***	***21/22 Estimate £million***	***Total Estimate £million***
Cabinet 13th November 2018 DEFICIT/(SURPLUS)		**16.725**	**19.610**	**9.366**	**45.701**
Savings	1	(5.131)	*(5.208)*	*(1.972)*	*(12.311)*
		11.594	**14.402**	**7.394**	**33.390**
National Funding					
Council Tax Base D&B update in Dec	2	0.456	*0.014*	*0.014*	*0.484*
Council Tax Collection Fund D&B update in Dec	3	0.176	*(0.176)*		
New Homes Bonus: update for 2018 Housing Data	4	0.111	*(0.111)*		
New One off Funding					
Business Rates Pilot	5	(1.600)	*1.600*		
Social Care Support Grant 19/20	6	(4.417)	*4.417*		
Cost of Operations					
ASC: Growth & Demography	7	(1.462)	*(1.460)*	*(1.800)*	*(4.722)*
ASC: Change in Care Contracts Inflation	8	(2.398)	*(2.557)*	*(2.656)*	*(7.611)*
CSD: Growth & Demography	9	(1.052)	*1.052*		
CSD: service pressures inc. Home to School Transport	10	0.478	*0.248*		*0.726*
CET: service pressures, Waste Housing Growth	10	(0.005)	*0.006*	*0.011*	*0.012*
BSD: service pressures, IT&D licences	10	(0.153)			*(0.153)*
Change in General Inflation	11	0.020	*(0.759)*	*(0.614)*	*(1.353)*
Levies and Grants	12	(0.019)	*0.007*		*(0.012)*
General Contingency change	13	0.030	*(0.010)*	*0.010*	*0.030*
Financing					
Treasury Management Strategy; MRP Review	14	(2.140)	*0.587*	*0.321*	*(1.232)*
Treasury Management Strategy; Target for reduced cost of carry	15	(0.500)	*(0.500)*	*(0.500)*	*(1.500)*
Revenue Contribution to Capital; remove for MTFP term	16	(4.000)			*(4.000)*
Contribution to balances and reserves	17	4.881	*(4.881)*		
DEFICIT/(SURPLUS)		**0.000**	**11.879**	**2.180**	**14.059**

1.31 The changes to the MTFP shown above are as follows:

National Funding

1. Savings – In reviewing and taking the opportunity to re-profile savings it is proposed to move £713k of savings from 2019/20 to 2020/21. Final proposals are set out in Appendix 3 and the changes outlined in paragraph 7 below.

2. Council Tax Base – An updated estimate was provided by the District and Borough Councils in December 2018. They have advised that this is likely to change before the end of January. The final position will be updated for County Council (any balance will be managed though reserves).

3. Council Tax Collection Fund – The final position will be provided by District and Borough Councils. This may be later than County Council (any balance will be managed though reserves).

4. New Homes Bonus (NHB) – it is proposed that NHB is used to contribute to revenue in 2019/20. The NHB figures have been updated to reflect data on actual housing growth from District and Borough Councils at November 2018.

5. Business Rates Pilot – East Sussex will be a business rate pilot. The MTFP has been updated with the estimated £1.6m gain from the pilot.

6. Social Care Support Grant 2019/20 – The Provisional Local Government Financial Settlement confirmed the funding announced at the Autumn Budget for social care. This one-off grant is aimed at ensuring that adult social care pressures do not create additional demand on the NHS and can also be used to improve the social care offer for older people, people with disabilities and children. This funding will be used to mitigate service pressures.

Cost of Operations

7. Adult Social Care: Growth and Demography – A Growth and Demography review has been undertaken and figures updated to reflect the impact of changing service models in recent years.

8. Adult Social Care: Change in Care Contracts Inflation – The introduction of the National Living Wage (NLW) in 2016 was recognised as a significant additional inflationary factor however the impact of the NLW has now been reflected within CPI indices for two years; therefore CPI will be used to reflect inflation from 2019/20 onwards for the majority of care contract budgets, but with a higher rate for certain areas (OP Nursing, Direct Payments and Home Care in 2019/20) in recognition of the need for market sustainability.

9. Children’s Services: Growth & Demography – the opportunity has been taken to review and re-profile the pressures.

10. Departmental budget pressures – A strengthened pressures protocol has been used to review and identify pressures which need to be incorporated in order to set a sustainable budget. These include a Home to School Transport pressure and changes to Waste Housing Growth and IT&D licences.

11. Change in General Inflation – Business rates and the service inflation model has been updated using the inflation figures published by the Office of Budget Responsibility (OBR) in the Autumn.

12. Levies and Grants – Reflects latest estimates of the Flood & Coastal Protection Levy, Sussex Inshore Fisheries Levy and New Responsibilities Funding.

13. General Contingency –is calculated at an agreed formula of 1% of net budget, less treasury management.

Financing

14. Treasury Management Strategy; Minimum Revenue Provision (MRP) Review – As part of the Treasury Management Strategy it is proposed the Council move from the straight-line to the annuity method for calculating the minimum revenue provision. Moving to an annuity method will give revenue savings in the early years, although these are matched by higher costs in latter years. It is considered prudent to use the annuity asset life method; one of the methods included in MHCLG guidance.

15. Treasury Management Strategy; Target for reduced cost of carry – work will continue to make targeted reductions through, for example, a decrease in the cost of carry.

16. Revenue Contribution to Capital; remove for the term of the MTFP – It proposed that the funding of £4m annually for the Capital Programme is removed for the life of the MTFP on the basis of continued slippage, new grants received and capital receipts re-profiled to support short life assets.

17. Contribution to balances and reserves – It is proposed that the new one-off grant funding received will be used to support the sustainability of the MTFP in 2019/20 and a net contribution will be made to reserves and balances. This supports the management of the implementation of service changes, changes to Council Tax, updates on business rates, any unforeseen financial pressures and potential management of the peak in pressures arising in 2020/21.

1.32 Even with the above proposals, the estimated deficit is £14.059m by 2021/22. Work will continue to identify savings in the areas of search identified and opportunities taken to add to reserves where possible, with the aim of reducing the deficit and producing a robust budget in future years. The Reserves and Robustness Statement is set out in appendix 8.

Engagement Feedback and Future Consultation

1.33 The views of the Scrutiny Committees and the outcomes of engagements events with young people, partners and Trade Unions are set out in Appendix 9. Those of representatives of business ratepayers will be made available to members once the meeting has been held.

Final Savings Proposals

1.34 The latest saving proposal are set out in Appendix 3. It is proposed to move £713k of savings from 2019/20 to 2020/21. This includes: £586k Children's Safeguarding; £85k Early Years Inclusion Services; £30k Ashdown Forest; £18k Trading Standards Services and £6k is brought forward from 2020/21 for Home to School Transport.

Council Tax requirement

1.35 The Provisional Local Government Finance Settlement confirmed that councils could apply a Council Tax increase of up to 3% in 2019/20 without triggering a referendum. The Council has already taken up the maximum allowed ASC precept of 6% across the three year period 2017/18 to 2019/20. It is therefore proposed that the County Council be asked to consider increasing Council Tax in 2019/20 by 2.99%. If agreed, the proposed band D charge for 2019/20 would therefore be:

Changes in Council Tax	Council Tax Annual	Council Tax Weekly
Band D 2018/19	£1,393.11	£26.79
2.99% Council Tax increase*	£41.67	£0.80
Indicative Band D 2019/20*	£1,434.78	£27.59

* Council Tax is rounded to allow all bands to be calculated in whole pounds and pence.

1.36 The formal precept notice for issue to the Borough and District Councils will follow for formal recommendation to County Council. This will be subject to change following the final settlement and final figures on Council Tax base and collection fund from Borough and District Councils at the end of January. The draft precept calculation and dates are at Appendix 5.

2020/21 & 2021/22 and beyond

1.37 The Council is in a balanced position in 2019/20, but has a forecast deficit of £14.059m by 2021/22. Work will continue to identify savings in a number of areas including the cost of operations and financing. The Council has a robust planning process and sufficient reserves, and will continue to work towards a balanced position in 2020/21.

Capital Programme

1.38 Due to ongoing financial pressures, the Capital Programme 2018/23, agreed by the Council on 6 February 2018, focuses on a strategy to deliver core need only, as efficiently as possible. Other service developments and investment opportunities that require capital investment either need match funding or a business case that demonstrates benefits. Approved bids are added to the programme in line with the current variation policy.

1.39 The areas of essential core need included in the 2018-2023 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.

1.40 In addition to core need, there are a number of other schemes which are fully funded either through the Local Enterprise Partnership, or by 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.

1.41 The approved programme has now been updated to include the Quarter 2 position and other approved variations and updates. A supporting paper setting out the key updates is at Appendix 7.

1.42 In line with revisions to the Chartered Institute of Public Finance and Accounting Prudential Code for Capital Finance in Local Authorities (December 2017), the Capital Strategy has been updated and is attached at Appendix 7a. This is part of an ongoing review and will be refined over future years.

Robustness and Reserves

1.43 The State of the County report gave an estimated total reserves balance of £60.9m. Since then there have been some updates and the estimated balance at 31 March 2023 is now £65.2m of which only £26.5m relates to strategic reserves. The current reserves position is shown below.

		At State of the County July 2018 (£m)		County Council February 2019 (£m)
		Estimated Balance at 31.03.22		**Estimated Balance at 31.03.23**
Earmarked Reserves:				
Held on behalf of others or statutorily ringfenced		**18.0**		**15.8**
Named Service Reserves				
Waste Reserve		12.8		8.6
Capital Programme Reserve		0.0		0.0
Insurance Reserve		5.4		4.3
Subtotal named service reserves		**18.2**		**12.9**
Strategic Reserves [1]				
Risk		4.2		0.0
Financing		6.8		0.0
Financial Management		0.0		22.5
Priority Outcomes and Transformation		3.7		4.0
Subtotal strategic reserves		**14.7**		**26.5**
Total Earmarked Reserves		**50.9**		**55.2**
General Fund Balance		***10.0***		***10.0***
TOTAL RESERVES		**60.9**		**65.2**

[1] Following a review of Strategic Reserves, Risk and Financing have now been merged into Financial Management.

1.44 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 continues to be essential to, wherever possible, transfer resources to the Financial Management reserve. Details of the reserves held and the Chief Finance Officer Statement on Reserves and Budget Robustness is set out in Appendix 8.

Equalities

1.45 A high level Equalities Impact Assessment (EqIA) of the revenue savings proposals has been undertaken and is set out in Appendix 3. Further EqIAs will be undertaken where appropriate when individual proposals are being taken. EqIAs have been undertaken of the proposed Capital spending. These are summarised in Appendix 7a. In considering the proposals in this report, Cabinet Members are required to have 'due regard' to the objectives 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 Rooms and are available on the Cabinet pages of 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.

1.46 Whilst the County Council asked to agree the Revenue Budget and Capital Programme, the budget decision does not constitute final approval of what policies would be or what sums of money will be saved under the service proposals. The recommendations in the report do not commit the Council to implement any specific savings proposal. When the Executive come to make specific decisions on budget reductions, where necessary, focussed consultations and the full equalities implications of doing one thing rather than another will be considered in appropriate detail. If it is considered necessary, in light of equalities or other considerations, it will be open to those taking the decisions to spend more on one activity and less on another within the overall resources available to the Council.

Staffing Impacts and Implications

1.47 The savings proposals for the next year could lead to the reduction in the region of 130 full time equivalent (fte) staff in 2019/20 and a total of 230 fte by the end of the three year planning period. This is in addition to the 182 redundancies made in 2018. The County Council has established robust employment protection policies and will continue to try and avoid making compulsory redundancies, wherever possible.

Fees & Charges

1.48 County Council has agreed to delegate authority to the Chief Finance Officer to set fees and charges for 2019/20 onwards and to report to Cabinet and County Council those set at a level above inflation as part of quarterly monitoring: a reasonable inflation level with regard to CPI and RPI being 2.5%. A schedule of the fees and charges that have been assessed as part of the budget setting process as being above inflation of 2.5%, are attached for information at Appendix 6.

Conclusion

1.49 The financial challenge the Council faces is considerable and the choices between saving and spending areas are difficult. In making recommendations to Cabinet, officers 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.

1.50 The Cabinet recommends the County Council to:

✡ (1) approve, in principle, the draft Council Plan at Appendix 4 and authorise the Chief Executive to finalise the Plan in consultation with the relevant Lead Members;

(2) approve the net Revenue Budget estimates totalling £375m for 2019/20 as set out in Appendices 1 (Medium Term Financial Plan) and 2 (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 Summary 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 £375m and the amount calculated by East Sussex County Council as its council tax requirement (see Appendix 5) for the year 2019/20 is £287.7m;

(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 2019/20 is £1,434.78 and represents a 2.99% increase on the previous year;

(4) advise the District and Borough Councils of the relevant amounts payable and council tax in other bands in line with the regulations and to issue precepts accordingly in accordance with an agreed schedule of instalments as set out at Appendix 5

(5) note the fees and charges set out in Appendix 6 that have been increased above inflation;

(6) approve the Capital Strategy and Programme for 2018 – 2023 as set out at Appendix 7;

(7) note the Medium Term Financial Plan forecast for the period 2019/20 to 2021/22 as set out in Appendix 1;

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

(9) note the comments from the engagement exercises as set out in Appendix 9.

2. Council Monitoring – Quarter 2 2018/19

2.1 The Cabinet has considered a report on performance against the Council Plan, Revenue Budget, Capital Programme, Savings Plan and risks for quarter 2 2018/19. Broad progress against the Council's four strategic priority outcomes is summarised below and an overview of finance and performance data is provided in the Corporate Summary at Appendix 10. Strategic risks are reported at Appendix 16.

Council Plan 2018/19 amendments and variations

2.2 The Cabinet has agreed amendments to five performance measures to reflect the latest position. Three reflect more challenging Delayed Transfer of Care targets set by NHS England through the Better Care Fund for 2018:

- Number of hospital bed days lost due to delayed transfers from hospital care (daily average) (Appendix 11, see ref i).
- Number of hospital bed days lost due to delayed transfers from hospital care due to Council social services (daily average) (Appendix 11, see ref ii).
- Number of hospital bed days lost due to delayed transfers from hospital care due to local NHS (daily average) (Appendix 11, see ref iii).

One amendment was due to issues with data collection within the rape, sexual violence and abuse service; some outcomes were not being recorded, affecting the reliability of the data. The new target reflects the new practice agreed with the service provider to improve data quality:

- When they leave the service the % of those affected by rape, sexual violence and abuse who have improved coping strategies (Appendix 11, see ref iv).

The final amendment was due to delays in the scheduled completion of the Queensway Gateway Road, which is being managed by Seachange Sussex:

- Work with Seachange Sussex to deliver major transport infrastructure – Queensway Gateway Road (Appendix 14, see ref i).

2.3 At quarter 2, the projected year-end overspend within service departments is £4.4m, this compares to a £4.2m overspend reported at quarter 1. This will be offset by an underspend in Centrally Held Budgets and Corporate Funding (see paragraph 2.5). The main areas of overspend are:

- £3.3m (£2.6m in quarter 1) overspend in the Children's Services Department (CSD): Early Help and Social Care have incurred increased costs due to funding private sector accommodation for vulnerable families in East Sussex who have been classified as Intentionally Homeless by District & Borough Housing Departments, while the family's housing options are considered (£0.3m). There have also been additional (£0.1m) costs for care placements. There continues to be pressures in agency placements for young people with extremely complex needs within Looked After Children (LAC). There is also continued pressure on placements for disabled children. Additionally there has been an increase in both numbers and costs (£0.3m) of statutory Home to School Transport for pre 16 pupils, mainly relating to the new academic year, and which therefore couldn't be forecast at quarter 1. The department is working hard to manage these pressures, for example looking for Early Help and Social Care creative packages of support for children to remain at home, and continuing to work with officers in the Communities, Economy and Transport (CET) department to understand the home to school transport increases and to identify any opportunities to reduce costs. Looking ahead to 2019/20, the impact of the current pressures will be assessed as part of the pressures funding protocol and, where appropriate, be included within the Medium Term Financial Plan and form part of ongoing Reconciling Policy, Performance and Resources (RPPR) reporting. The department is also seeking external bid funding as appropriate.

- The savings forecast (table at Appendix 10 Corporate Summary) show £0.033m as yet unmitigated savings in the CSD that will slip into 2019/20. This forms part of the overall departmental overspend.
- £1.5m (£1.3m in quarter 1) overspend in Adult Social Care and Health (ASC): There are a range of service areas that have increased levels of demand and/or increased costs, including: the Integrated Community Equipment Service, which has seen a significant increase in demand during 2018/19; Extra-Care, where a re-tendering exercise has been undertaken because a provider was unable to fulfil the original contract; and Technology Enabled Care Services, which has also seen an increase in demand. Additionally there has been an increase in the number and cost of independent sector care packages for working age adults. Work is ongoing to mitigate the financial pressures within ASC. These include: interventions to reduce equipment spend and increase collection rates in the Integrated Community Equipment Service (ICES); working closely with our telecare provider to identify efficiencies; reviewing the provision of extra care to reduce expensive residential placements and void costs; and the use of additional one off funding to support expenditure that we have committed to alleviating winter pressures on our NHS partners.
- There are small amounts of underspend, amounting to £0.3m (previously a £0.2m overspend), being reported across CET, Business Services Department and Governance.

2.4 On 2 October 2018 the Secretary of State for Health and Social Care announced an extra £240m of funding would be made available to councils to provide adult social care during winter 2018/19. East Sussex County Council's allocation is £2.6m. The funding has been received for a specific purpose and is required to be used for reducing ASC Delayed Transfers of Care, helping to reduce extended lengths of stay, improving weekend discharge arrangements so that patients are assessed and discharged earlier and speeding up the process of assessing and agreeing what social care is needed for patients in hospitals. The Cabinet has agreed the outline proposals for allocating this funding as shown in Appendix 11, and has agreed that authority is delegated to the Director of Adult Social Care and Health to agree and implement more detailed spending plans in accordance with the funding conditions.

2.5 Within Centrally Held Budgets Business Rates income is expected to increase by £0.3m. The Treasury Management budget is also forecast to underspend by £0.8m, because of slippage in the capital programme, removing the need to borrow externally in 2018/19, and additional investment income from the increase in bank rate and the investment in the pooled property fund. The underspend will be used to offset the service overspend. The general contingency provision of £3.5m will support any remaining service overspend, with the remaining balance contributing to reserves.

2.6 The quarter 2 capital programme has a variation of £12.2m (£1.6m at quarter 1). This comprises £14.4m slippage, underspends of £0.4m on residual projects, offset by £2.6m spend in advance. This net reduction results in a reduced charge to the Treasury Management provision provided for borrowing and therefore represents opportunities foregone elsewhere.

The main movements are:

- Spend in advance of £1.8m for the School Basic Need programme on early procurement of land.
- Spend in advance of £0.8m on A22/A27 junction improvements, street lighting and bridge assessment strengthening.
- Slippage of £3.2m on Lansdowne Secure unit due to delays in procurement on the main contract.
- Slippage of £1.0m on capital building improvements, due to a re-phasing of building condition works and a review of capacity.
- Slippage of £1.4m on the Bexhill and Hastings Link Road due to a delay in settlement of part one compensation claims and other land claims.
- Slippage of £1.3m on Broadband. As a result of invoicing delays by the contractor, the money set aside for the payment of 2017/18 chargeable works was overestimated, reducing the amount that will be spent this year.
- Slippage of £1.2m on Newhaven Port Access Road due to a delay in receiving confirmation of funding from the Department for Transport.
- Slippage of £1.1m on Queensway depot due to ongoing negotiations on the purchase of a bungalow.
- Slippage of £0.9m on Hastings and Bexhill Movement and Access package, where progress has been delayed due to a shortage of staff resources which is now resolved.
- Slippage of £0.6m on the IT&D strategy arising from a saving to the cost of the mobile phone roll-out & Citrix renewal; however this is required in future years for further IT&D Strategy Implementation.
- Slippage of £0.6m on Economic Intervention Fund due to less grants than anticipated being awarded in quarter 2.
- Slippage of £0.5m on Terminus Road which has had to be redesigned due to groundwork issues which have impacted on progress to the design briefs.
- A number of residual projects have been removed from the programme resulting in an underspend of £0.4m. Should any final payments be incurred these will be managed through the Capital Risk Provision and additional budgets approved via the variation process for these specific schemes.

2.7 The Strategic Risk Register, Appendix 16, was reviewed and updated to reflect the Council's risk profile. The RAG for risk 5 (Reconciling Policy, Performance and Resources) has increased to 'Red'.

Progress against Council Priorities

Driving sustainable economic growth

2.8 The provisional 2018 Progress 8 result for state funded schools in East Sussex is -0.02, which is in line with the national average, meeting the target for the year. There have also been improvements in the key stage 2 results which have brought us broadly in line with national outturns (Appendix 13).

2.9 The target for the average Attainment 8 score for disadvantaged pupils has not been met. The East Sussex average score was 33.1 and the national score 36.6, a gap of 3.5 points (target no more than 3 points) (Appendix 13).

2.10 82 carriageway asset improvements schemes were completed in quarter 2, to maintain and improve the condition of the county's roads, this is an increase compared to quarter 1 and this is forecast to continue in quarter 3 (Appendix 14).

2.11 1,211 additional premises (total 7,906 under contract 2) had access to improved broadband speeds at the end of quarter 1 (reported a quarter in arrears), 88% of premises in the intervention area are able to receive superfast speeds (Appendix 14).

2.12 Business support programmes have helped local companies to create 62.75 jobs in quarter 2; Locate East Sussex also assisted nine businesses to move into, or relocate within, the county (Appendix 14).

2.13 The Council has spent £202.1m with local suppliers over the last 12 months, which equates to 57% of our total spend; 998 local suppliers were used (Appendix 12).

Keeping vulnerable people safe

2.14 Trading Standards made 65 positive interventions in quarter 2 to protect vulnerable people, including visiting 52 victims of rogue trading or financial abuse, installing 12 call blockers to protect people from telephone scams, and one intervention from the rapid response team (Appendix 14).

2.15 104 organisations have joined the East Sussex Against Scams Partnership, and with the assistance of other 'SCAM champions', 2,487 residents have participated in Friends Against Scams awareness sessions (Appendix 11).

Helping people help themselves

2.16 Trials of behaviour change initiatives, as part of the Council's £1m Road Safety scheme, began in quarter 2. The trials include changes to the Notice of Intended Prosecution and Operation Crackdown, with the aim of reducing speeding. Two infrastructure schemes to improve road safety were completed in quarter 2 (Appendix 14).

2.17 There have been improvements in the key metrics outlined in the Improved Better Care Fund in quarter 2. There has been a reduction in Delayed Transfers of Care and admissions to residential nursing homes, and an increase in the number of older people still at home 91 days after discharge from hospital into reablement/rehabilitation services (Appendix 11).

Making best use of resources

2.18 The Annual Report, which highlights the Council's progress against our priorities in 2017/18, was published in September 2018. The draft Portfolio Plans for 2019/20 – 2021/22 will be reviewed by the new Scrutiny Committee RPPR Boards in December before publication in March (Appendix 15).

2.19 Extensive lobbying of Government has continued in quarter 2, for recognition of the distinctly challenging financial situation the Council faces and the need for transitional funding. Lobbying work, with the assistance of our MPs, has included, amongst other activities:

- meetings between the Leader and one of James Brokenshire's, Secretary of State for Housing, Communities and Local Government, Special Advisors in August, the Special Advisor subsequently visited the county to get a better understanding of the challenges facing the Council;
- a meeting between the Leader and Kelly Tollhurst, MP, Assistant Government Whip and Minister for Small Business, to brief her on the Council's financial situation; and
- as a result of continued work with local MPs, Matt Hancock, Secretary of State for Health and Social Care, will visit the county to find out more about the work we are doing to integrate health and social care, and how despite this we still face significant demographic pressures (Appendix 6).

2.20 The Government's Budget was announced on 29 October 2018 and the local government settlement announcement due on 6 December 2018 was postponed) will be for the fourth and final year of the four year financial settlement agreed in 2016/17. Implications of these will be considered as part of the RPPR process for 2019/20 onwards (Appendix 6???).

2.21 There was a 7.1% reduction in CO_2 arising from Council operations in quarter 2, when compared to the same quarter in 2017/18 (Appendix 12).

3. Annual Progress report for Looked After Children

3.1 The Cabinet has considered the annual progress report for Looked After Children's Services which is attached as Appendix 17

3.2 On 31 March 2018 there were 606 Looked After Children (LAC) in ESCC; this represents an increase of 45 children (8.1%) as compared to 2016/17 and a rate of 56.9 per 10,000 population. This is just below the Income Deprivation Affecting Children Index (IDACI) expected rate (a measure in terms of population profiles and deprivation levels) of 57.2 and below the 2016 England rate of 60.3.

3.3 There is a strong link between rates of LAC and the rate of children subject to Child Protection (CP) Plans, with arguably some risk held at that lower level. The rate of children subject to CP plans has shown a sharp increase from 44.9 per 10,000 in 2016-17 to 52.9 per 10,000 in 2017/18. This is higher than the IDACI expected rate of 42.9 and the 2016 England rate of 43.1.

3.4 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 and in the annual report 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 2017/18 is 153 which, when added to the total number of LAC, equates to the service working with 759 children. This total figure is higher than last year (733 children), but the churn rate was lower than for the previous years (175 for 2016/17, 185 for 2015/16).

3.5 There was an increase in admissions to care from 198 during 2016/17 to 212 during 2017/18. This increase was across all age groups. The number of 0-5 year olds admitted to care during 2016/17 increased from 98 to 104 in 2017/18, with an increase in admissions for 6-12 year olds from 44 in 2016/17 to 50 for 2017/18, and for children aged 13+ an increase from 56 for 2016/17 to 58 in 2017/18.

3.6 At year end there was a decrease in the number of LAC discharged from care, from 183 in 2016/17 to 164. The number of 0-12 year olds discharged from care also fell to 89 during 17/18 from 106 in 16/17. This was made up of 60 0-5 year olds and 29 were 6-12 year olds. There was also a slight decrease in the 13+ age group from 77 discharged in 2016/17 to 75 in 2017/18.

3.7 The trend for the last three years is showing a picture of an overall increase in the number of LAC worked with year on year. During 2017/18 there was an increased number of admissions and fewer discharges across every age cohort. This means that with the higher number of children being admitted to care, a lower proportion of the overall cohort moved into alternative permanent options such as adoption, special guardianship or returned to their birth families. This produced a net increase of children in permanent or long term foster placements, and significantly fewer in the churn data. The increase was largely related to the changes in policy and practice both locally and nationally in relation to children who suffer neglect, and the application of the Southwark Judgement whereby teenagers can be offered or request section 20 accommodation and hence become LAC rather than being viewed as homeless.

3.8 The trend within the specialist disability children's and transition services has been a decrease in the number of LAC. At year end 2016/17 there were 43 LAC, which reduced to 34 at year end 2017/18. Throughout this period personal budgets were being offered to support families in a flexible way and 143 personal budgets were given to families assessed as requiring support, with the aim of preventing harm and family breakdown. Placement of disabled children made when they cannot remain within their families has largely mirrored proportionally that of nondisabled children, with an emphasis on placing close to home and in foster care wherever possible, with fewer children being placed in residential homes and out of county placements. At year end there were 8 children placed full time within the in house disability residential provision. The number of children placed out of county has reduced year on year to 8 children. These represent a small number whose health needs cannot be met within a family setting, local school or a children's home. 6 of these children are funded jointly by health budgets in the context of significant health issues, for example uncontrolled epilepsy or occasionally due to extreme challenging behaviour. The transforming care agenda and other local solutions are anticipated to reduce this number still further as plans are formulated to meet the health needs of disabled children more locally.

3.9 In terms of UASC, at year end ESCC was caring for 20 children, 4 fewer than the previous year. These young people were mainly male and over 16, with an additional 10 having ongoing support needs as care leavers. These young people usually arrived in a clandestine way via Newhaven, or were found elsewhere in East Sussex. East Sussex also continued to accept UASC via the National Transfer Scheme. A small number of young people disappeared from care placements before age assessments could be completed to determine whether they were indeed children.

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

4. Treasury Management Policy and Strategy 2019/20

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

4.2 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.

4.3 The Treasury Management Policy and Strategy Statement (TMSS) for 2019/20 is attached as Appendix 18. 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.

4.4 The 2019/20 TMSS has been prepared within the context the financial challenge being faced by the County Council over the Medium Term Financial Plan, and the resulting Core Offer that the Council is exploring through the Reconciling Policy, Performance and Resources process for 2019/20. The 2019/20 TMSS seeks to complement the Council's Core Offer by:

- utilising long term cash balances as effectively as possible by investing in longer term instruments and/or using to fund borrowing to reduce borrowing costs;
- ensuring the investment portfolio is working hard to maximise income by exploring alternative appropriate investment opportunities during 2019/20;
- ensuring effective management of the borrowing portfolio by exploring rescheduling opportunities and identifying and exploiting the most cost effective ways of funding the Council's borrowing requirement.

4.5 The 2018/19 Annual Investment Strategy was revised considerably to include a broader group of investment instruments including pooled property funds, short dated bond funds, and pooled mixed asset funds. The inclusion of these instruments provides options for the Council to invest its longer term cash, which assists in both diversifying the investment portfolio whilst providing an improvement to the overall yield. The council's first step in using these wider instruments was with a £5m investment in the CCLA Pooled Property fund in July 2018 following a fund selection process. In its first 3 months, this investment achieved an annualised yield of 3% over and above what the council could achieve for one year deposits with banks at the time. It was always intended that a total of £10m would be invested in the CCLA Property Fund. A further investment of £5m will be reviewed in April/May 2019, once the impact of the UK withdrawal from the EU on the UK property market can be assessed.

4.6 The 2019/20 Investment Strategy continues with officers seeking new opportunities to invest long-term cash in suitable longer term instruments in order to assist in delivering treasury savings by increasing investment income. An investment options appraisal will be undertaken during 2019/20 to identify which assets are most appropriate for the Council's need. The 2019/20 strategy continues to prioritise security of the Council's cash and as such, caution will be taken to ensure that any risks associated with prevailing market and economic climates, including any perceived impact of a disorderly withdrawal from the European Union, are considered, understood and mitigated as part of the options appraisal process.

4.7 The Borrowing Strategy and the Capital Programme identifies a borrowing need of £74m over the next 4 years. No external borrowing is planned in 2019/20. The council currently has large cash balances, therefore officers will seek to use cash from the Council's own reserves to initially fund borrowing where it may be required. This will decrease the council's cash balances, reducing counterparty risk, and reducing borrowing costs. This strategy will be kept under constant review by officers, and borrowing will be undertaken where it is felt there is a significant risk of steep increases in borrowing rates.

4.8 The Medium Term Financial Plan includes a total of £1.5m savings in the Treasury Management budget over the next three years, with the first £0.5m to be delivered in 2019/20.

Treasury Management Reporting

4.9 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.

4.10 The Council meets this requirement with the Treasury Management Annual Report 2017/18 and mid-year report 2018/19 presented to Cabinet on 11 December 2018. Additionally, a treasury management monitoring position is reported to Cabinet four times a year.

Economic Background

4.11 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 18 (Annex B).

Minimum Revenue Provision (MRP)

4.12 A paper was considered at the Audit Committee on 20 September 2018 recommending a revision to the MRP methodology, which was supported by the Committee. The current methodology is based on using an equal instalment method. The alternative proposed was an annuity method. Under this revised methodology, MRP will be lower in the early years and increases over time. This is considered a prudent approach as it reflects the time value of money (i.e. the impact of inflation) as well as providing a charge which is better matched to how the benefits of the asset financed by borrowing are consumed over its useful life. That is, a method that reflects the fact that asset deterioration is slower in the early years of an asset and accelerates towards the latter years. The revised MRP Policy Statement (Appendix 18, Section 3) therefore reflects this change in policy which, if approved, will be introduced during 2018/19.

4.13 Officers are in conversation with the Council's auditors, Grant Thornton, regarding this change in policy and the impact on the council's accounts.

Revision of CIPFA Codes and MHCLG Guidance

4.14 The framework in which treasury management operates was revised by the Ministry for Housing, Communities and Local Government (MHCLG) and CIPFA during 2017/18, with full implementation expected by 2019/20. The changes were largely in response to a growing number of authorities increasing their use of non-financial investments (such as commercial property portfolios) to generate income in response to reducing resources to deliver their core services. The revised codes and guidance sought to increase transparency and to provide a single place to assess the proportionality of this activity in comparison to an authority's core services. This report is fully compliant with the revised requirements, and a new, separate, report (The Capital Strategy) is part of Reconciling Policy, Performance and Resources report (see paragraph 1). The purpose of the Capital Strategy is to drive the authority's capital investment ambition, whilst also ensuring appropriate capital expenditure, capital financing and treasury management in the context of the sustainable, long term delivery of services.

4.15 This 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.

4.16 The Cabinet recommends the County Council to:

✡ 1) approve the Treasury Management Policy and Strategy Statement for 2019/20;
2) approve the Annual Investment Strategy for 2019/20;
3) approve the Prudential and Treasury Indicators 2019/20 to 2021/22;
4) approve the revised Minimum Revenue Provision (MRP) Policy Statement 2019/20 at Appendix A (Section 3).

5. Conservators of Ashdown Forest Budget for 2019/20

5.1 The Cabinet has considered a report regarding the Conservators of Ashdown Forest draft budget for 2019/20. 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 2019/20, summarised in Appendix 19. This will be approved by the Board of Conservators at a future meeting, the date of which is to be confirmed. Further budget detail, including a breakdown of Countryside Stewardship funded projects, is shown at Appendix 21.

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 2019/20 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 2019/20 this is £115,000 and is shown under income as 'Countryside Stewardship Staff Recharge'. The CS budget has been separated from the General Fund and is shown as Appendix 21.

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 £158,799 at 1 April 2019; shown in Appendix 20.

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 to £30,000 for 2019/20. The ESCC contribution will be completely removed from 2020/21. This is due to ESCC's move to deliver services within the Core Offer. 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 and legal obligations.

5.6 The 2018/19 forecast figures for Operational Expenses and Expenditure from Ringfenced Funding is significantly higher than budget and includes the cost of the current education programme and funding of memorials within the forest. The income for these projects is included in the Restricted Funds and Sundry Receipts income budget lines.

5.7 The £30,000 reduction in ESCC contributions will be mitigated in 2019/20 by an increase in income. The third year of the Deer Programme will result in an increase in the sales of deer carcasses. Core staff will take on more CS work which will increase the recharge of staff time from CS budgets, and funding from donations and energy feed in tariffs which will no longer be ring fenced for ride maintenance and Forest Centre development. Additional funding for these projects will be sought if required. Expenditure on buildings, vehicles, machinery, training, IT, carpark maintenance and signage will be reduced. Necessary maintenance will now be undertaken by Conservator staff.

5.8 The Conservators have presented a balanced budget for 2019/20. The budget includes an additional £25,000 of income which is planned to be generated from a new car parking donation and membership scheme and an increase in charitable donations. The car parking scheme is being developed and there is a risk of under-achieving that income should the implementation be delayed. Any resulting deficit would be funded from a draw from reserves at the end of the year (see paragraph 5.9)

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 2019/20. The resulting budgeted reserve balance for the year ending 2019/20 is £312,242, which exceeds the minimum balance of £196,000. The 2018/19 budget includes an approved draw from reserves of £29,137 of which it seems likely that only £5,000 will be required. This will leave sufficient approved reserve draw to fund any under-achieved income in 2019/20.

5.10 The Conservators are acutely 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 identified a number of income streams in addition to the car parking scheme (see paragraph 5.8) including the sale of deer carcasses and increasing sales from the centre shop. Detailed plans are being worked up.

5.11 It is proposed to reduce the Council's grant from £61,398 in 2018/19 to £30,000 in 2019/20. This matches the provision in the CET budgets.

5.12 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 2019/20.

5.13 The combination of awarding the contribution and grant at the recommended level would give the Conservators a balanced budget for 2019/20.

5.14 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 30,000 from the CET budget. These recommendations are reflected in the reconciling policy, performance and resources report in paragraph 1 of this report.

6. Scrutiny Review of Schools Coping with Change

6.1 The Cabinet has considered a report of the People Scrutiny Committee on its review of Schools Coping with Change. The report is included elsewhere on the agenda (see item 7). The Scrutiny Committee established a Scrutiny Review Board which focussed on organisational matters and partnerships (rather than matters relating to educational attainment). In particular, the issues listed below were the main areas considered by the Board:

- Issues relating to the future role of the Local Authority and other strategic matters. This includes the changing role of the Local Authority and its relationship with other key stake holders; the future shape and role of the Standards and Learning Effectiveness Service and the fragmented nature of the governance/management systems that may evolve in the future.
- School partnerships. This includes consideration of the strengths and weaknesses of the different types of partnerships schools are creating; what the barriers are to their effective operation and whether schools are fully exploiting the benefits of the partnerships already in place.
- The sustainability of small schools. This includes consideration of the particular challenges facing small schools and exploring the potential to develop innovative responses to the evolving situation.

6.2 The Scrutiny Review is welcomed as it provides an insight into some of the challenges for schools and potential for further change in relation to their organisation, funding and governance. Our existing strategy *Excellence for All* and our 2018/19 priorities deal with the issues of securing high quality leadership and governance across all our schools, colleges and settings and building a coherent and sustainable self-improving school system. In 2019 the Children's Services Department will be preparing a refreshed *Excellence for All* strategy for publication in September 2019 which will take account the core offer proposals.

6.3 In welcoming the findings of the Scrutiny Committee, the Cabinet has considered a report by the Director of Children's Services (as set out in Appendix 22 to this report) on the specific recommendations and endorsed it as its response to the recommendations

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

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

22 January 2019 KEITH GLAZIER
(Chair)