REPORT OF THE CABINET

The Cabinet met on 7 November and 12 December 2023 and 23 January 2024. Attendances:-

Councillor Glazier (Chair) (3)
Councillors Bennett (3), Bowdler (3), Claire Dowling (3), Maynard (3) and Standley (2)

1. Annual Report of Looked After Children's Services

1.1 The Cabinet has considered the annual progress report for Looked After Children's Services which is attached as Appendix 1. It was presented to and discussed at the Corporate Parenting Panel on 28th October. Some additional information regarding the budget for looked after children has been added to this version of the report.

1.2 During the course of 2023-23 a total of 865 children were looked after by ESCC. At the end of the year there were 33 more children in care than the previous year, 661 in total. This was, in part, due additional Unaccompanied Asylum Seeking Children (UASC) and fewer children being discharged from care during this period. The presentation of many of these children showed a rise in the levels of complexity both in terms of their mental health, neurodiversity, poor school attendance and complex family dynamics making reunification more difficult to achieve.

1.3 31% of this cohort identified as being of a minority ethnic background or of mixed heritage. 112 were UASC and 106 UASC were Care Leavers (CLs) aged 18+. 35 young people came to ESCC through the National Transfer Scheme and the remainder were spontaneous arrivals via Police involvement or directly from Newhaven Port. In addition, the Home Office opened a number of asylum hotels which resulted in 60 referrals to age assess young people who claimed to have had their age incorrectly assessed at the point of entry.

1.4 There was a slight increase in children coming into care from 246 during 2021/22 to 249 during 2022/23. The number of 0-5 year olds admitted to care during 2022/23 remained at 81 (from 81 in 2020/21). The number of 6-12 year olds admitted to care during 2022/23 decreased from 71 in 2021/22 to 57 in 2022/23. The number of children aged 13+ admitted to care in 2022/23 was 111 compared to 94 in the previous year.

1.5 At year end there was a decrease in the number of our LAC leaving care, from 228 in 2021/22 to 217 in 2022/23.

1.6 The annual report identified that there was a shift in the type of placements used with fewer children being placed in foster care (in house, kinship or with independent fostering agencies) and an increase in children placed for adoption, placed with parents, placed in supported 16+ accommodation, with a very significant increase in children placed in agency residential children's homes. This was reflective of the significant and ongoing national sufficiency challenges where the sourcing of all placement types. There were a limited number of occasions when children were placed in unregistered provision for short periods of time as a consequence of the shortage of regulated placements. These arrangements were subject to robust risk assessments and carefully monitored. The 'Use of Resources' slide (slide 39 of Appendix 1) gives a very clear indication of the financial impact of the change in placement split. Many of the children with the most complex needs were placed in our in-house children's homes/fostering placements due to the independent sector being unable to meet their needs.

1.7 Overall, the increase in LAC numbers, levels of complexity and sufficiency and financial challenges prompted ESCC to engage Impower, a Consultancy specialising in Children's Services. They have a proven track record in assisting Local Authorities to deliver improved processes specifically through an approach called Valuing Care, this has focused on analysing current capacity and ensuring the right placements for the right child at the right time. This work is currently underway. The LAC service is focussed on improving sufficiency, improving market engagement, maintaining performance and reducing the financial burden of children's placements to the local authority. (See slide numbers 40 and 41 of Appendix 1 for the priorities).

1.8 The services for Looked After Children (LAC) are supported via core funding from the CSA budget, a small proportion of the Dedicated Schools Grant and by the Pupil Premium for additional education support for children.

1.9 Further detail on the work undertaken by the Looked after Children's Services in set out in Appendix 1.

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

2. Reconciling Policy, Performance and Resources (RPPR)

2.1 The County Council continues to provide vital services that underpin the quality of life for our residents, communities and businesses. The past year has seen both significant achievements and growing challenge. We have been able to deliver additional investment in our roads and improvements to public transport, opened new Family Hubs and taken further steps in the integration of health and care, all of which benefit our residents and communities. Our Local Government Association Corporate Peer Challenge recognised the strong leadership and robust management of the Council, along with the dedication of its staff, and the huge value of the effective partnership working in the county. Our services have been externally assessed as providing good value for money. These successes, achieved despite many years of financial and service pressures, put us in the strongest possible position to respond to ongoing demands and new challenges as a well-run and effective organisation.

2.2 However, the financial outlook we now face represents a step change. Growth in need for the statutory, demand-led services for vulnerable children and adults which account for around three quarters of our budget, coupled with the escalation in costs being felt right across the Council, have significantly increased the expenditure required to maintain core services. Our increased costs have not been offset by additional income. Despite extensive lobbying by us and the local government sector, highlighting the national factors impacting on all councils, the Autumn Budget Statement contained no new funding for local authorities and contained updates which further increased our costs. The provisional Local Government Finance Settlement confirmed the lack of additional funding, indicating that authorities should instead draw on their reserves to make ends meet.

2.3 Without the hoped for national support to meet unavoidable costs, the proposed budget for 2024/25 presented in this report is reliant on, for the first time, making a significant withdrawal from our limited reserves as the only way to bridge a large shortfall in funding. The use of reserves is a short term measure and, as having some working capital to protect services against unforeseen risks and to enable service changes is vital, the reserves will need to be replenished. The size of the forecast financial gap in the medium term means that our available reserves would be exhausted within the next two years. Council Tax would need to increase by over 9% to cover the coming year's gap, and well beyond that in future years, which would require a referendum. In addition to the budget approach proposed, the coming year will require a further fundamental look at what more can be done to address the sizeable deficit as far as possible. This task is particularly challenging in East Sussex because of the work done and reductions made since 2010, which make options scarce.

2.4 The escalation in need seen over the last 12 months, particularly for the vital services this Council provides for the most vulnerable, stems from the persistent legacy of Covid, the increased cost of living and other national and international factors. These have resulted in a combination of more people needing our support and needs becoming more complex to meet. On top of this, the cost of providing services has risen rapidly, particularly in Children's Services, and it remains difficult to recruit and retain the skilled workforce we need to deliver our services. We also continue to respond to significant national reforms which place new demands on our services. These are all factors largely outside local control.

2.5 These pressures have already had a considerable effect in the current year and also mean the outlook for the future has become more difficult. We continue to take action wherever we can to mitigate financial and service delivery pressures – making best use of new technology, investing in our workforce, seeking efficiencies and checking that our services are effective and provide value for money. But, ultimately, there are few levers left to pull, particularly given a lack of funding for the preventative work which would reduce the need for more intensive support in the future. As this work has been scaled back over time, services have become increasingly focused on responding to the most critical needs, creating a negative cycle of growing demand and increased costs. The intense strain on resources also means we are not able to invest to the level we would want to in other important areas, such as the roads which support the county's economy and communities.

2.6 The latest picture of both current and future pressures must be factored into our planning for the future and our detailed Council Plan which covers what we will do and the specific targets we will use to judge our performance. The Council Plan, revenue budget and capital programme are fully integrated through our robust business planning process, Reconciling Policy, Performance and Resources (RPPR). In the face of significant challenges it is crucial that we maintain a sharp focus on our four priority outcomes and their supporting delivery outcomes in our business planning. In June Cabinet agreed, for planning purposes, some changes to the delivery outcomes to ensure they remain up to date and these have been factored into the plans presented in this report.

2.7 The RPPR process matches available resources with our delivery plans for our priority outcomes so that we focus and protect our spending where it will deliver our priorities most effectively. RPPR also ensures we have the demographic trends and performance information to monitor our progress. The process of planning, through RPPR, for 2024/25 and beyond has translated our full analysis of key trends and pressures into updated service and financial plans. The RPPR process has been applied across all services in the development of the Council Plan (Appendix 2) supported by the Budget (Appendix 4), Medium Term Financial Plan (MTFP) (Appendix 3) and capital programme (Appendix 9a) set out in this report.

2.8 In recent years the Council has been able to provide welcome stability in our service offer to residents during a very uncertain time, helped by short-term Government support for social care and Covid impacts. This relative stability was also made possible by over a decade of significant work to transform services and manage resources as effectively as possible through innovation, working as One Council and proactively in partnership. This involved taking difficult decisions to reduce or step back from services when we had to, in order to live within our means and protect services for the most vulnerable. Overall, this meant identifying savings of £139m between 2010 and 2023, focusing spending on core services to balance our books. Making savings on this scale was not easy and had significant impacts on front line services and residents. The Council had to reprioritise its investment and reduce the extent and breadth of its service offer. This means we have already implemented the service reductions some other authorities are now progressing to address funding shortfalls, leaving us few avenues left to explore for further savings or efficiencies. Making any further savings would mean a fundamental review of our Core Offer which previously set out a realistic, basic but decent level of value for money services for residents in a time of austerity.

2.9 The immediate position for 2024/25 is the most challenging we have seen in recent years. We have taken every step we can to minimise the deficit, including reprioritising spend, maintaining preventative approaches which will reduce higher level demand where possible, and reviewing and reducing our capital programme to minimise the need for borrowing. Despite this, the balanced budget presented for the coming year is, for the first time, and in the absence of other realistically deliverable options within the timeframe, supported by a significant draw from reserves. Previous robust and prudent management means we have this final safety net to see us through the next 12 months, but this is not a sustainable way to balance the budget. Reserves can only be used once and do not reduce longer term pressure, in effect simply deferring the deficit whilst also depleting the contingency funding we have available for the future. We will need to use the temporary buffer provided by using our limited reserves to develop and implement further measures to reduce the longer term deficit where we can, and to continue to call for national recognition of the untenable position we and other councils face. Further detail on the revenue budget position is provided from paragraph 2.43

2.10 In addition, the budget reflects the continued national reliance on Council Tax to fund ongoing core pressures from rising demand, particularly for social care. As previously indicated, Government has extended for a further year the level of Council Tax flexibility and the approach of expecting local authorities to apply an Adult Social Care Precept on bills to provide essential funding for care services. Government funding calculations for 2024/25 assume councils with social care responsibilities will take both the higher level of Council Tax and the additional precept, with this factored into the allocation of funding to local authorities. Council Tax now represents around 70% of our net budget. Given the very significant deficit we face in the coming year and beyond, we do need to apply these increases to safeguard services as far as possible. We have long highlighted to Government that individual authorities' ability to raise Council Tax is unrelated to need for services and is particularly problematic for areas such as East Sussex with high need for social care services, but where capacity for local people to pay more to support these services is limited. We will continue to make this case.

2.11 Our lobbying of Government, individually and through our networks and partnerships, will continue to set out robustly the challenges we face and the consequences of funding shortfalls for people, communities and businesses in the county. Throughout the autumn and winter we added our voice to those of the sector as a whole in articulating the issues to Government. The County Councils' Network letter to the Secretary of State and Chancellor attached at appendix 11 illustrates the key points being made. There is much uncertainty about the medium term, particularly in light of the general election expected this year. The need for immediate support to meet statutory duties and local needs, sustainable reform to the way local government is funded and multi-year financial settlements to support effective planning will be key messages from ESCC and the wider local government sector to any new Government.

This report sets out:

- key changes to the national and local context since the report to Cabinet on 7 November 2023;
- the draft Council Plan 2024/25 and updated MTFP;
- key updates on performance since quarter 2;
- proposals for the 2024/25 revenue budget, taking account of changes in the financial picture since November and based on an increase in Council Tax of 2.99% and an Adult Social Care Precept of 2%;
- the savings currently planned for the next year;
- the position in relation to reserves;
- the reviewed and reprofiled capital programme in light of the revenue position; and
- feedback from engagement exercises and equalities impacts.

National and Local Context

2.12 Since the last report to Cabinet in November the national policy environment has continued to evolve, with further announcements which will impact on us locally. Key developments are set out below along with detail of how we are responding:

2.13 **King's speech and Government reshuffle:** The King's speech on 7 November set out the Government's planned legislative programme ahead of the next general election, expected to take place this year and by January 2025 at the latest. Government plans focused on strengthening society, growing the economy and keeping people safe, including specific legislation related to automated vehicles, smoking and vaping, and crime, anti-social behaviour and terrorism. Policy measures focused on progressing Government priorities around the economy, NHS and migration. The Prime Minister subsequently undertook a reshuffle of his frontbench team later in November. New ministerial appointments of most relevance to local government included new Secretaries of State for the Home Office, Health and Social Care and Environment and new Ministers for Local Government, Public Health, Schools and Roads.

2.14 **National economic outlook and Government spending plans:** The Chancellor announced the Autumn Budget Statement on 22 November, accompanied by new national economic forecasts from The Office for Budget Responsibility (OBR). The OBR judged that overall growth would be 0.7% in 2024, rising to 1.4% in 2025, and then an average of 1.9% between 2026 and 2028. Debt and borrowing forecasts were lower than at the March 2023 Budget, with debt expected to hit a peak of 93.2% of Gross Domestic Product (GDP) in 2026/27 before falling to 92.8% in 2028/29. The unemployment rate was predicted to peak at 4.6%, later than expected, in 2025 before falling to 4.1%. The OBR forecasted that headline inflation will remain higher for longer than previously predicted, falling to 2.8% by the end of 2024 and not reaching the 2% target rate until 2025 – this revised projection has impacts for our ongoing operating costs. The Bank of England held interest rates at 5.25% in December in support of its ongoing strategy to curb inflation, with some analysts predicting rates may begin to fall during 2024 as inflation reduces further.

2.15 In the Budget Statement the Chancellor indicated that the Government's focus was on economic growth. The Budget announcements focused on deploying additional spending on measures designed to stimulate growth and on changes to taxation policy, notably a reduction in employee national insurance contributions from 12% to 10% from January 2024 and reductions in taxes for businesses and the self-employed. The Budget also confirmed that means-tested and disability benefits would rise by 6.7% in line with inflation (as at September 2023), and the state pension by 8.5% due to the triple lock. The National Living Wage will also be increased to £11.44 for workers 21 years old and over from April 2024, an increase of 9.8%. This will add significant financial costs to the social care provider market, increasing the financial pressure on Adult Social Care and Children's Services in the coming years. There was no change in the overall planned increase in Government department spending limits of 1% in real terms. This could mean real terms cuts for unprotected services, including most of local government. The announcements were accompanied by a target of 0.5% annual productivity improvements in the public sector. The statement included no new funding for local government beyond what had already been announced. The date of the spring Budget has been set for 6 March 2024.

2.16 **Local government funding:** The provisional Local Government Finance Settlement, received on 18 December, provided the detailed funding picture for local government and was again for one year only. It indicated that Core Spending Power would increase by an average 6.5% for local authorities in England, based on the presumption that all councils will levy the maximum increase in Council Tax. The Council Tax referendum limit was maintained at 3% and the Adult Social Care precept at 2%. There was no additional funding, but the continuation of a range of short-term grants was confirmed, including grant funding for social care. In response to cost pressures on councils the Department for Levelling Up, Housing and Communities (DLUHC) instead advised the use of reserves to maintain services and for investment to be made in preventative approaches in children’s services where possible to improve the sustainability of children’s social care. The implications of the Budget and provisional finance settlement announcements for the Council’s MTFP are set out from paragraph 2.43.

2.17 **Cost of living**: The increased cost of living has continued to impact on households, although inflation, as measured by the Consumer Prices Index (CPI), reduced to 3.9% in the 12 months to November (down from 4.6% in October), a larger than expected reduction. The falls in recent months have been driven by a significant drop in the cost of energy from the peak in autumn 2022 and slower growth in the cost of food and fuel. However, the ongoing high rate, on top of previous price increases, continues to create significant pressures on households, particularly those on low incomes. We continue to work with partners through the multi-agency East Sussex Financial Inclusion Steering Group on ways to maximise access for vulnerable residents to the advice and support available. The Household Support Fund (HSF), which is administered locally by ESCC, continues through the winter but is currently due to close at the end of March 2024. As with all short-term grant funded schemes, it will not be possible for ESCC to maintain the HSF measures without further national funding. Cabinet agreed in December to extend for a further and final financial year (2024/25), using residual Contain Outbreak Management Fund (COMF) grant, the Additional Measures scheme which has provided funding to voluntary, community and social enterprise (VCSE) money and debt advice organisations county-wide to support those facing cost of living pressures.

2.18 **Levelling up and devolution**: The Autumn Budget Statement also announced four new devolution deals across England. This included two Level 3 mayoral deals with Greater Lincolnshire, and Hull and East Yorkshire and two Level 2 non-mayoral deals with Lancashire and Cornwall. The Government also announced that opportunities would be made available for counties with no neighbouring or ‘island’ unitary authority to take up Level 2 devolution deals, where there is local consent to such arrangements and subject to meeting relevant criteria as set out in the Levelling Up White Paper. This includes Surrey County Council in the south east. DLUHC also published a new framework for extending deeper devolution to existing Level 3 Mayoral Combined Authorities, and a scrutiny protocol, setting out best practice for accountability in devolved areas.

2.19 The third round of the Levelling Up Fund was also announced in November, with funding allocated to proposals submitted under previous rounds rather than through a new round of bidding. No funding was awarded to East Sussex authorities in this round. Further detail on the previously announced Funding Simplification Doctrine was set out earlier in January to coincide with the doctrine coming into effect. The doctrine, which aims to ensure that central government chooses the most suitable distribution methodology when designing new funding for councils, is a cross-Government policy with DLUHC responsible for its administration. It covers all new funds that are made available exclusively to councils by Government, but explicitly excludes funding within the Local Government Finance Settlement and services mandated by statute such as funding for schools, children’s and adult social care and public health.

2.20 Levelling Up Partnerships with Government in Hastings and Rother continue to progress work to develop bespoke, place-based regeneration plans to access associated capital funding. We will continue to work with our district and borough partners and DLUHC on these partnerships, and the Long Term Plan for Towns endowment funds for Hastings and Bexhill, to maximise the benefit of these opportunities for local communities and the local economy. Further guidance on the Long Term Plan for Towns was published by DLUHC in December including arrangements for Town Boards, which are to include representation from the county council in two tier areas.

2.21 The Office for Local Government (Oflog) has outlined next steps in establishing an early warning system for local authorities at risk of failure, intended to complement existing mechanisms for warning and support - including external auditors, peer challenges, the work of teams in DLUHC and other government departments, and regulators of particular services such as the Care Quality Commission and Ofsted. Oflog’s two-phase approach, starting with deskbased research which will be followed up with ‘Early Warning Conversations’ with local authorities identified as potentially at risk, will be piloted before the first conversations take place in mid-2024.

2.22 **Local Economic Growth:** The transfer of the three main functions of Local Enterprise Partnerships (LEPs) (business representation, strategic economic planning, and responsibility for the delivery of government economic growth programmes) to upper tier local authorities or bodies with devolved powers is ongoing. In December, Government published further guidance setting out expectations on the transfer and future delivery of business representation and local economic planning. In 2024/25, Government will provide eligible combined authorities and upper tier local authorities with up to £240,000 to deliver the functions previously delivered by LEPs, subject to final business case and integration plan approvals. This represents a reduction on 2023/24 funding levels, as Government expects the integration of functions into combined and local authorities to deliver efficiencies. Future funding is to be set out at the next Spending Review. Locally, a transition plan has been developed to manage the transfer of relevant South East Local Enterprise Partnership (SELEP) functions to constituent local authorities, including ESCC, from April 2024. The transition of LEP functions links to work on the new East Sussex Economic Strategy, which is being informed by consultation undertaken towards the end of 2023, with a draft planned to be in place for the new financial year.

2.23 **Children’s Services**: Children’s Services nationally, regionally and locally have continued to experience significant pressures from rising demand and increased complexity of need, coupled with workforce shortages and a lack of specialist placements, all of which has led to escalating costs and operational challenges over the past year. Locally, in response to rising demand in children’s social care, Children’s Services has worked with Impower consultants to implement the Valuing Care approach, enhancing our ability to secure the right care for the right child for the right length of time and working on placement sufficiency, including foster carer recruitment. This approach will be taken forward into business as usual in 2024/25. The department is also launching the nationally trialled Family Safeguarding model, which is in line with the recommendations of the Independent Review of Children’s Social Care, in early 2024. The final two of 11 new Family Hubs opened in November, in Lewes and Peacehaven. Family Hubs will offer ongoing access to support and advice from Midwives, Health Visitors, Early Communications Support Workers, Early Years Practitioners, Community Engagement Coordinators and Early Help Keyworkers.

2.24 In December, the Government published further detail on how it will take forward commitments set out in ‘Stable Homes, Built on Love', its plan to reform children’s social care. This included:

- a Kinship Care Strategy, setting out the practical and financial support the government will provide extended families providing homes for children who cannot live with their parents, including plans to expand the role of Virtual School Heads;
- a Children's Social Care National Framework, which brings together the purpose, principles, enablers, and outcomes that should be achieved in children’s social care;
- updated statutory guidance on 'Working Together to Safeguard Children’, which sets out new child protection standards and advocates for a multi-disciplinary workforce to support the diverse needs of children; and
- a data strategy which outlines plans to transform children's social care data, including improved information sharing through research and evaluation.

We are assessing the implications of this latest policy for our services.

2.25 In December OFSTED undertook an inspection of ESCC Children’s Services under the inspecting local authority children’s services (ILACS) framework which focuses on children’s social care. We await the report which will also inform the future development of these services.

2.26 **Adult Social Care and Health**: Locally the health and care system continues to be under pressure from high demand which is exacerbated by workforce challenges. In January the Department for Health and Social Care set out next steps in its plans to develop the care workforce. These included the first phase of a new Care Workforce Pathway, intended to provide a national career structure for the adult social care workforce, new qualifications, subsidised training and additional apprenticeship opportunities. Further detail is awaited on how these will work in practice and associated funding. In November, the Care Quality Commission (CQC) announced the outcomes of its pilot new assessments of how local authorities deliver their adult social care duties. The new assessments are intended to support sharing of best practice and improving Government's data, intelligence and understanding of the system. CQC has also updated its assessment framework and guidance to local authorities in light of the pilots. ESCC can expect its assessment in the coming months and we will be undertaking a Local Government Association Adult Social Care peer challenge in February to support our preparations.

2.27 **Climate, environment and planning**: In December the Conference of Parties (COP) 28, the governing body of the United Nations (UN) Convention on Climate Change, took place. The summit's outcome included a 'global stocktake' intended to be used by countries to develop stronger climate action plans by 2025, with the ongoing overarching aim to keep the target of limiting global warming to 1.5°C within reach. Locally, an updated Corporate Environment Policy and new Carbon Offset Framework were agreed in December to help guide our future work. As part of ongoing planning reform, DLUHC has revised the National Planning Policy Framework which sets out the government's planning policies for England and how these are expected to be applied. The framework was revised following consultation on measures linked to the Levelling-up and Regeneration Act.

2.28 **Transport**: In November we received confirmation from Government of initial allocations of funding redirected from the HS2 high speed rail plan towards other transport schemes, including road maintenance. ESCC was allocated £1.6m in each of 2024/25 and 2025/26 which has been factored into the grant funding available to support our planned highways capital programme. Allocations beyond 2025/26, together with future funding conditions, are yet to be confirmed. Additional one-off investment in highways, agreed by Cabinet in November 2021 and June 2023, continues to be delivered with the majority to be completed by the end of March. The challenging revenue budget position, referenced throughout this report, has required the capital programme to be reviewed to minimise the borrowing costs of the overall programme within Treasury Management and the revenue budget. The level of investment in highways, whilst maintained above Department of Transport grant funding levels, will not, in the medium term, be able to be delivered to the level originally envisaged.

2.29 Consultation on the draft updated Local Transport Plan (LTP) for East Sussex began in November. When finalised later this year, the Plan (covering the period to 2050) will set out how we will connect people to places around and through the county over the next three decades – by walking, cycling, public transport, car or by using new forms of travel.

2.30 **Migration**: As part of the Autumn Budget Statement, Government announced that 'thank you' payments for Homes for Ukraine sponsors would be extended into a third year (2024/25). These will remain at £500 per month to reflect the ongoing generosity of hosts in supporting those who have fled the war. Earlier in January we responded, in liaison with our district and borough council, VCSE and health partners, to Government consultation on plans to determine an annual cap, to take effect from January 2025, on the number of refugees resettled in the UK each year via safe and legal routes; further details of these routes are expected to be set out imminently. The consultation sought to better understand local capacity to accommodate and support vulnerable and at-risk people. Our response highlighted the major constraints associated with the availability of affordable housing in the county, the significant and uncertain impact of national policy decisions, and the need for appropriate funding of local services. There continue to be multiple schemes in operation for asylum dispersal, refugee resettlement and migrant visa schemes. These are subject to ongoing change and review by Government and we continue to work closely with Government departments to ensure the local system is adequately resourced to support these populations.

2.31 A court judgement in relation to legal action brought by Kent County Council on use of the National Transfer Scheme (NTS) for unaccompanied asylum seeking children found that the NTS and the management of the scheme is inadequate and for periods of time was unlawful. The court directed that the Home Office must resolve the issues and ensure that it works fairly and sustainably in the future. ESCC supported the Kent action and continues to call on the Home Office to discharge its responsibility effectively; we also continue to play a full part in the NTS.

2.32 **Looking ahead**, the coming year will see the run up to the next general election and the subsequent formation of a new Government, with the potential for significant policy developments affecting ESCC services. Implications for the Council and new developments will continue to be factored into our ongoing planning through RPPR.

Council Plan

2.33 The draft Council Plan is attached at Appendix 2. 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 now and for the future. Making best use of resources now and for the future 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. The delivery outcomes have been updated to reflect the changes agreed by Cabinet in June.

2.34 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. We have reviewed and updated our targets where necessary, ensuring these reflect the best performance we can deliver with the resources available. Clearly defining 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.

2.35 The Council Plan is still a work in progress until final budget allocations are made and firm targets can be set. It will be published in March 2024 and refreshed in July when final performance outturn figures for 2023/24 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 and Budget 2023/24 since quarter 2

2.36 Overall, our services are continuing to perform well despite challenging circumstances. There are five performance measures where forecasted performance has changed since the quarter 2 monitoring report, that we need to consider as part of our business planning for future years, in advance of the quarter 3 monitoring report which will go to Cabinet on 5 March 2024.

2.37 **Looked After Children and Child Protection Plans** – On 28 November 2023 there were 707 children with a Child Protection Plan. This is a 5.4% increase since the end of quarter 2, when the figure was 671. Demand for services remains high, however the number of Looked After Children has not increased since the end of quarter 2 and remains at 686. This demonstrates that the focused work across locality teams to enable children to live safely at home and the work done by Looked After Children teams to support reunifications is having a positive impact. Despite this work, the cost of placements for children remains both of local and national concern.

2.38 **NHS Health Checks performance measure –** The quarter 2 outturn for the NHS Health Checks measure (reported a quarter in arrears) is now available and shows that 1,119 eligible people have received a health check, against a yearly target of 2,300. This measure was reported as amber in quarter 1 but as a result of the improved performance in quarter 2 we now expect to achieve the annual target.

2.39 **Support with Confidence** – A public consultation on the future of the Support with Confidence scheme ran from 27 September to 5 December 2023. In October 2023 the licence holders informed us that they are withdrawing the brand, so the scheme closed on 31 December 2023. Our future offer to personal assistants, businesses and residents will be agreed by Lead Member on 6 March 2024. This measure will be proposed for deletion as part of quarter 3 monitoring.

2.40 **Direct Payments performance measure** – The percentage of people receiving community based long term support who are in receipt of Direct Payments has fallen slightly. The number of people in receipt of Direct Payments has increased from 1,520 as at 31 March 2023 to 1,562 as at 30 November 2023. However, the denominator (number of people receiving community based long term support) has increased at a much greater rate, from 4,792 as at 31 March 2023 to 5,099 as at 30 November 2023, leading to a continued drop in performance. Despite this drop, we are still performing well compared to national benchmarks (based on current national data, this performance would fall within the upper-middle quartile). It is important to note that this measure is a snapshot at the end of each reporting period so performance can fluctuate.

2.41 **Carers supported through short-term crisis intervention** – Between 1 April and 13 December 2023, 229 carers have been supported (78% of the target for 2023/24 of 390). This is a significant improvement on the performance reported for quarter 2. The provider will continue to promote the service to other carer organisations to raise their profile, and further discussions in January are exploring additional ways to promote the service.

2.42 There is currently no significant change to the projected quarter 2 revenue budget forecast.

Revenue Budget 2024/25

2.43 The Medium Term Financial Plan (MTFP) is set out in Appendix 3, and detailed in the table in paragraph 2.45 below. It reflects the latest assessment across service departments and corporate budgets, including modelled demand, inflation, the impact of the overspending 2023/24 financial position and local and national policy objectives.

2.44 The council continues to make necessary investments in services to meet the needs of our residents, £51.1m in 2024/25, as set out in the table below. However, the funding made available to meet the required investment is not sufficient and reserves of £14.3m are required to be used in 2024/25 to set a balanced budget:

Summary of Budget Growth and Funding 2024/25	**(£m)**
Inflation: contractual	28.2
Pay Awards	7.9
Service Investment:	
Adult Social Care	3.9
Children's Services	19.1
Management of service pressures through other revenue budgets	(8.0)
Total Budget Growth	**51.1**
Council Tax	(21.7)

Business Rates	(7.5)
Government Grants	(7.6)
Total Additional Funding	**(36.8)**
Budget Deficit	**14.3**

2.45 The MTFP has been updated for regularly calculated adjustments and pressures since last reported at Cabinet in November 2023, including the impact of the Local Government Settlement announced on 18 December 2023. The full MTFP is provided at Appendix 3.

	Ref	Estimate (£m)			
		2024/25	**2025/26**	**2026/27**	**Total**
Cabinet 7 November 2023 DEFICIT/(SURPLUS)		***27.700***	***23.114***	***13.884***	***64.698***
Normal Updates:					
Council Tax Flexibility: Add a further 2.00% to our current 2.99% assumption (1.99% plus 1% ASC Precept) to get to 4.99% (2.99% plus 2.00% ASC Precept) in 2024/25	A	*(7.059)*	*(0.248)*	*(0.257)*	***(7.564)***
Council Tax (inflation, base growth and collection)	A	*(2.924)*	*3.529*	*0.021*	***0.626***
Council Tax (Rother Local Council Tax Reduction Scheme)	A	*0.988*	*0.035*	*0.037*	***1.060***
Business Rates Retention (inflation and growth)	B	*(0.960)*	*(1.039)*	*(1.530)*	***(3.529)***
Business Rates Reset (remove from MTFP)	C	*0.000*	*(2.255)*	*3.931*	***1.676***
Revenue Support Grant inflation update	D	*(0.049)*	*0.049*	*0.000*	***0.000***
Impact of Local Government Settlement:					
Adult Social Care Market Sustainability and Improvement Funding	E	*(2.240)*	*0.000*	*0.000*	***(2.240)***
Social Care Grant Funding	F	*(1.327)*	*0.000*	*0.000*	***(1.327)***
Continuation of Services Grant (but at a lower rate)	G	*(0.478)*	*0.000*	*0.000*	***(0.478)***
Continuation of New Homes Bonus	H	*(0.554)*	*0.554*	*0.000*	***0.000***
Confirmation of Business Rates Pool in 2024/25	I	*(2.194)*	*2.194*	*0.000*	***0.000***
Inflation for contracts (normal and contract specific)	J	*(0.138)*	*1.950*	*0.888*	***2.700***
Further Actions:					
Waste PFI Model – Additional Income	K	*(3.000)*	*3.000*	*0.000*	***0.000***
Impact of National Living Wage to £11.44 per hour	L	*6.850*	*0.000*	*0.000*	***6.850***
Further Looked After Children Investment	M	*4.414*	*1.293*	*2.570*	***8.277***
Reprofile of Public Health Investment	N	*(2.420)*	*0.459*	*(0.586)*	***(2.547)***
CET: Waste Housing Growth	O	*(0.002)*	*0.050*	*0.057*	***0.105***
Treasury Management - extension of IFRS9 override	P	*(0.500)*	*0.500*	*0.000*	***0.000***
Treasury Management - review of capital programme	P	*(1.200)*	*(1.300)*	*(1.500)*	***(4.000)***
Pay Award	Q	*(1.200)*	*(0.970)*	*(1.000)*	***(3.170)***
Levies Increase	R	*0.016*	*0.001*	*0.001*	***0.018***
General Contingency	S	*(0.044)*	*0.062*	*(0.013)*	***0.005***
Pressures added to / (removed from) the MTFP					
Pressures Protocol – bids approved by CMT	T	*0.665*	*0.000*	*0.000*	***0.665***
DEFICIT/(SURPLUS) AFTER UPDATES		***14.344***	***30.978***	***16.503***	***61.825***
One-off use of Financial Management Reserve	U	*(14.344)*	*14.344*	*0.000*	*0.000*
DEFICIT/(SURPLUS) AFTER DRAW FROM RESERVES		***0.000***	***45.322***	***16.503***	***61.825***

2.46 The Chancellor, Jeremy Hunt MP, delivered the Autumn Statement on 22 November. No funding was announced for upper tier local authorities beyond what had been previously announced. There was further reaffirmation about the grant increases for social care in 2024/25 announced in the 2022 Autumn Statement, which had already been factored into financial planning.

2.47 The provisional Local Government Finance Settlement was published on 18 December. As widely expected, there was nothing in the settlement that significantly improved the Council's financial position for 2024/25. Allocations of grants were confirmed and have been factored into the MTFP, leaving a deficit position of £14.3m in 2024/25.

2.48 In presenting a balanced position for 2024/25, the Council will instead be required to make a £14.3m draw from the Financial Management Reserve. As reserves can only be used once, the underlying deficit will be deferred into 2025/26, leaving a deficit of £45.3m. Even if it is assumed that Council Tax flexibility will continue into 2025/26, and that the maximum 4.99% is taken in 2025/26, the deficit would be £34.2m. Given the level of strategic reserves is projected to be £25.0m at 31 March 2028, this is a challenging position, and not sustainable.

2.49 In addition to strategic reserves, there is also a General Fund (unallocated reserve) balance of £10.0m, aligned to CIPFA best practice, plus a general contingency within the base revenue budget equal of £5.3m for 2024/25, to cushion the impact of unexpected events and emergencies in year. This general contingency is set at 1% of net revenue expenditure (NRE) less Treasury Management. For 2024/25, the General Fund and contingency total £15.3m, which represents 2.76% of NRE.

2.50 Having increased Council Tax by the maximum allowable amount, and the MTFP remaining in deficit, it would take an additional 4.10% in council tax to balance the budget for 2024/25. A total increase of 9.09% would require a referendum.

Normal Updates:

A Council Tax Inflation and Base

The Government has provided local authorities in England additional flexibility in setting Council Tax by increasing the referendum limit for increases in Council Tax to 3% in 2024/25 and the ability to increase the Adult Social Care Precept by up to 2%. The MTFP has been updated to make use of this flexibility in 2024/25, increasing council tax rates to 4.99% (2.99% plus 2% ASC Precept). Previously, the MTFP had assumed a 2.99% increase (1.99% plus 1% ASC Precept).

Council Tax base growth is being estimated at 1.31% in 2024/25 (previously assumed at 1.5%) based on latest forecast data from district and borough councils, and 1.5% in the years thereafter. In addition, early indications from district and borough councils suggest that forecasts for increased collection would result in a £4.0m surplus expected within the collection fund in 2024/25. The assumptions for collection fund deficit/surpluses will be reviewed once final estimates are made by district and borough councils and managed through the collection fund reserve.

Rother District Council (RDC) is currently consulting on changes to its Local Council Tax Reduction Scheme (LCTRS) for 2024/25 which will see a reduction on Council Tax income received by the County Council, estimated to be £988,000. The impact of this reduction is reflected in the MTFP for 2024/25. The Lead Member for Resources and Climate Change agreed the ESCC response to the RDC consultation on 12 December 2023 and RDC will make a final decision in due course.

B Business Rates Retention

Business rates have been updated following the Local Government Settlement. Growth is currently estimated at 0.4% in 2024/25 and recovering to 0.7% in 2025/26 and 2026/27 (noting that the average in a normal year is 0.7%). Business rates will continue to be monitored along with the collection fund and reviewed alongside with the district and borough councils' latest collection forecasts to understand any further impacts.

C Business Rates Reset / Reform

Although Government has previously given a commitment to reform the current local government funding regime, it is becoming increasingly likely that a post-election Government would struggle to implement any significant funding reforms within the current MTFP period. Given the uncertainty of timing and mechanism for a reform, the potential impact of funding reform has been removed from the MTFP.

D Revenue Support Grant (RSG)

The revenue support grant was confirmed in the provisional Local Government Finance Settlement. The government has compensated for the mechanism which creates negative RSG in some authorities.

Impact of Local Government Settlement:

E Adult Social Care Market Sustainability and Improvement Funding

New social care grants were announced on 28 July 2023 (nationally £365m in 2023-24 and £205m in 2024-25). These are the latest tranche of Market Sustainability and Improvement Fund (MSIF) grants, with these latest grants focussed on workforce support. They are additional to the grants announced in the 2023-24 settlement intended to "support more workforce and capacity within the adult social care sector". The ASC Workforce Fund will be rolled into the larger ASC MSIF grant for 2024/25. It is assumed for planning purposes that this grant will be used to fund fee increases to the sector.

F Social Care Grant

The total available grant has increased by £692m to £4,544m. ESCC's share is £45.4m, which represents an increase of £1.3m on previous updates to the 2024/25 budget, due to technical adjustments to the allocation.

G Services Grant

As part of the £1.6bn new Government Grant funding announced at Spending Review (SR) 21, the Council was allocated a one-year Services Grant of £5.175m. The 2023/24 allocation was reduced nationally to £464m, with ESCC share being reduced to £2.916m. The Local Government Settlement confirmed that a further allocation would be made in 2024/25, albeit at the much lower rate of £77m nationally, with £478,000 to ESCC.

H New Homes Bonus

The New Homes Bonus was confirmed in the Local Government Settlement and is £554,000 for ESCC in 2024/25.

I Confirmation of Business Rates Pool in 2024/25

It was confirmed at the provisional settlement that the business rates pooling arrangements will be allowable in 2024/25. Proceeds of pooling have been updated using published information from district and borough councils.

J Office for Budget Responsibility (OBR) Inflation for Contracts (normal and contract specific)

The OBR published its updated forecast inflation rates as part of its latest outlook for the economy and public finances on 22 November to coincide with the Autumn Statement. As is normal practice these figures have been used to inform the proposed budgets. The table below shows the changes in OBR inflation estimates from its previous publication in March 2023.

	2024/25		**2025/26**		**2026/27**	
	Mar 23	**Nov 23**	**Mar 23**	**Nov 23**	**Mar 23**	**Nov 23**
CPI	0.57%	**3.33%**	0.02%	**1.60%**	0.67%	**1.43%**
RPI	1.19%	**4.76%**	0.97%	**2.40%**	1.88%	**2.55%**
RPIX	0.59%	**3.65%**	0.81%	**2.10%**	1.75%	**2.30%**

Inflation estimates are as of September of each calendar year to provide the best mid-point within each financial year.

The normal update includes inflation increases from 2024/25 onwards. Normal practice is that, in year, services would be expected to manage movement in actual inflation through contract/budget management and the pressures protocol.

K Waste PFI Model: Additional Income
Updates to the Waste Private Finance Initiative (PFI) model have been reviewed and it is considered reasonable to release additional income from electricity generation and recycling to the MTFP for one year, rather than setting aside the Waste PFI reserve to mitigate service risks.

L Impact of National Living Wage
It was announced in the Autumn Statement that the National Living Wage will increase to £11.44 for workers 21 years and over (an increase of 9.8%). This will add significant financial costs to the wider social care provider market, increasing the financial pressure on Children’s Services and Adult Social Care via increased fees.

M Further investment in Looked After Children (LAC)
Further modelling has been undertaken to project the demand for LAC placements in 2024/25 and beyond following the latest position as set out in the Q2 monitoring.

N Reprofile of Public Health Investments
A review of Public Health investment has enabled the Public Health Grant to be reprofiled to supported Early Years Services, in line with the Public Health Outcomes Framework.

O CET: Waste Housing Growth
The Waste Model has been updated for the latest housing growth estimates.

P Treasury Management
The Treasury Management (TM) position has been reviewed taking a holistic approach to consider the impact of interest rates increasing returns on investments, and the impact of proposed capital programme updates to a more affordable level, allowing reduction in external borrowing over the MTFP period. More details are provided in the capital programme update at Appendix 9a. The update also includes the delay of the IFRS9 override – the point at which the Council will be required to realise losses on a specific class of investment.

Q Pay Award
This update includes the ongoing impact of the 2023/24 pay award, which was assumed at 5% in the MTFP, releasing an estimated at £1.2m. In addition, the pay award assumed has been maintained at 3% in 2024/25 but reduced to 2.5% thereafter (previously assumed at 3% in all years).

R Levies Increase
The figures are reflective of the latest estimates of the Flood and Coastal Protection Levy, Sussex Inshore Fisheries Levy and New Responsibilities Funding.

S General Contingency
This is calculated at an agreed formula of 1% of net budget less treasury management and reflects the impact of the updates above.

Pressures added to / (removed from) the MTFP:

T Pressures Protocol – approved by CMT
A number of pressures bids have been approved by Corporate Management Team (CMT) for inclusion in the MTFP as per the table below.

Ref	Description	2024/25	2025/26	2026/27	Total
BSD1	Digital Assistant licence	0.062			0.062
BSD2	Robotic Process Automation licence	0.077			0.077
BSD3	Tableau licences	0.063			0.063
GS1	Governance Services	0.117			0.117
GS2	Coroner's pathology fees	0.106			0.106
GS3	Coroner's Service pressure	0.240			0.240
Total Pressures Bids		**0.665**	**0.000**	**0.000**	**0.665**

U One-off use of Financial Management Reserve
The deficit position on the MTFP requires the use of £14.3m from the Financial Management Reserve for a balanced budget to be set.

2024/25 and beyond

2.51 In the Autumn Statement, no funding was announced for upper tier local authorities beyond the increases that were already expected. Rather than increasing funding to address national pressures in social care and the impact of the National Living Wage, the Government has given a steer to councils to draw upon reserves to set a balanced budget in 2024/25 and beyond. It is becoming increasingly likely that a post-election Government would struggle to implement any significant funding reforms within the current MTFP period.

2.52 The MTFP deficit by 2026/27 is estimated at £61.8m. This is not a sustainable position. In order to address the position, the Council will need to instigate work to identify a range of actions that it will need to take to set a balanced budget for 2025/26, without the need to draw on reserves.

Council Tax requirement

2.53 The provisional Local Government Finance Settlement 2024/25 provided the ability for an additional 1% Council Tax increase and an additional 1% Adult Social Care Precept in 2024/25 over and above the 1.99% Council Tax increase and 1% ASC Precept previously assumed in the MTFP. This makes a total maximum of 2.99% Council Tax and 2% ASC precept available in 2024/25 without a referendum. Considering the pressures in social care, and lack of government funding to address these, it is proposed that this additional flexibility be included.

2.54 It is therefore proposed that the County Council be asked to consider increasing Council Tax in 2024/25 by 4.99% (2.99% Council Tax plus 2.0% Adult Social Care Precept). If agreed, the proposed band D charge for 2024/25 would therefore be:

Changes in Council Tax	£ per house at Band D	
	Council Tax Annual	Council Tax Weekly
Band D 2023/24	£1,693.80	£32.57
Council Tax increase*	£50.67	£0.97
Adult Social Care Precept* 2.0%	£33.84	£0.65
Indicative Band D 2024/25*	£1,778.31	£34.20

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

2.55 The formal precept notices for issue to the borough and district councils will follow the formal recommendation by County Council. The final figures on council tax Collection Fund have been provided by Borough and District Councils by the end of January 2024. The updated precept calculation is set out at Appendix 6.

Capital Programme

2.56 Through the RPPR process the Capital Strategy and programme are reviewed annually to ensure that they support the Council's responsibilities and departmental service strategies. To manage investment to a sustainable level, the Capital Strategy focuses on the delivery of targeted basic need for the Council to continue to deliver services as efficiently as possible.

2.57 The current approved programme has now been updated to include normal updates in accordance with Capital Strategy principles and additional investment proposals considered by CMT. The planning horizon has also been extended to 2033/34 to maintain the 10 year programme.

2.58 The challenging revenue budget position, referenced throughout this report, has required the capital programme to be reviewed to minimise the borrowing costs of the overall capital programme within Treasury Management and the revenue budget. The review has reduced and re-profiled programmes and schemes over the 10 year programme.

2.59 As a result, the level of investment in assets that support the objectives of the Council Plan, whilst maintained above grant funding levels, will not be able to be delivered to the level originally envisaged between 2023/24 and 2026/27.

2.60 It is proposed that a capital programme of £301.0m be set over the MTFP period from 2023/24 to 2026/27 (current year plus three), requiring £70.2m of borrowing, with the remaining years to 2033/34 being indicative to represent longer term planning. The update to the capital programme can be found at Appendix 9a.

2.61 The Council's 20 year Capital Strategy recommended for approval can be found at Appendix 9c. The Capital Strategy covers the period 2024/25 to 2044/45 and has been updated to reflect emerging risks, principles and corporate priorities. The strategy has been revised to acknowledge that capital investment decisions have a direct impact on the Council's revenue budget, particularly relating to borrowing costs, and are therefore to be considered in the context of their impact on revenue budget and wider Council financial position.

Robustness and Reserves

2.62 At Full Council in February 2023 there was an estimated total reserves balance of £83.4m by March 2027. Following usual updates, the balance at 31 March 2028 is now estimated at £83.8m.

2.63 The projected balance of the Financial Management reserve also includes the planned draw of £14.3m to cover the budget deficit in 2024/25. The current reserves position is summarised in the table below. Total service and strategic reserves are projected to be £41.7m by 2028. This compares with a cumulative deficit of £61.8m by 2026/27, which underlines the need for actions to be taken if Government funding is not forthcoming:

	01.04.23 Actuals per Q2 Cabinet Report	Estimated Balance at 31.03.27 per Full Council Feb 23	Full Council February 2024 (£m)	
			01.04.24 Estimate	31.03.28 Estimate
Earmarked Reserves:				
Held on behalf of others or statutorily ringfenced	**34.9**	**33.9**	**32.3**	**32.1**
Named Service Reserves				
Waste Reserve	19.9	7.5	19.4	8.9
Capital Programme Reserve	13.4	0.3	9.4	0.5
Insurance Reserve	7.4	7.1	7.5	7.3
Adult Social Care Reform Reserve	3.1	0.0	3.1	0.0
Subtotal named service reserves	**43.8**	**14.9**	**39.4**	**16.7**
Strategic Reserves				
Priority Outcomes and Transformation	17.4	2.1	5.9	5.6
Financial Management	41.9	22.5	31.8	19.4
Subtotal strategic reserves	**59.3**	**24.6**	**37.7**	**25.0**
Total Earmarked Reserves	**138.0**	**73.4**	**109.4**	**73.8**
General Fund Balance	*10.0*	*10.0*	*10.0*	*10.0*
TOTAL RESERVES	**148.0**	**83.4**	**119.4**	**83.8**

2.64 A lack of Government funding to address pressures in social care, instead asking councils to use reserves to mitigate pressures, means that we are using significant reserves to balance the budget for 2024/25, which will constrain the Council's ability to use reserves to manage future financial risk. Furthermore, the Council has had to abandon its usual approach of maintaining reserves to help future proof Council services from unforeseen risks.

2.65 Details of the reserves held, and the Chief Finance Officer Statement on Reserves and Budget Robustness, are set out in Appendix 7.

Engagement Feedback

2.66 The views of the Scrutiny Committees are set out in Appendix 8. The views of partners, young people, Trades Unions and business ratepayers are also included in the appendix.

2.67 Cabinet agreed in September to undertake a public engagement exercise to seek additional feedback directly from local people on the Council's priorities and financial choices as part of planning for 2024/25 and beyond. This survey was open to everyone living, working or visiting in East Sussex to respond to for six weeks from 30 October to 10 December and received 2153 responses. A summary of the public survey feedback is also included in Appendix 8, to be considered alongside our RPPR engagement with key partners and groups representing local communities.

Equalities

2.68 An initial Equalities Impact Assessment (EqIA) of each of the revenue savings proposals has been undertaken and is set out in Appendix 5. Further EqIAs will be undertaken where appropriate when individual proposals are being considered.

2.69 All proposed capital spending has been subject to an initial equalities assessment to identify potential impacts on people sharing legally protected characteristics and to identify whether a detailed EqIA is required (including if one has already been completed or is planned). Where the need for further equality assessment has been identified, this will be undertaken when individual proposals are being planned in more detail, to enable accurate analysis. A summary of the equality consideration of proposed capital spending is set out in Appendix 9b and where a detailed EqIA has been completed it is available to Members.

2.70 In considering the proposals in this report, 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) as summarised in Appendix 9b. EqIAs are carried out to identify any adverse impacts that may arise as a result of proposals for people sharing legally protected characteristics and to identify appropriate mitigations. The full version of relevant completed EqIAs for capital projects are available on the Council 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.

2.71 Whilst the County Council is being 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 or spent under the service proposals. The recommendations in the report do not commit the Council to implement any specific saving or spending proposal. When the Executive come to make specific decisions on budget reductions or expenditure, 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.

Fees and Charges

2.72 The Chief Finance Officer is delegated to approve all fees and charges and to report to Cabinet and County Council those set at a level above inflation; a reasonable inflation level with regard to the Consumer Price Index (CPI), Retail Price Index (RPI) and pay inflation. CPI was measured at 3.9% in November 2023 and RPI at 5.3%. As such, it has been determined that fees increasing above 4.0% be reported. Appendix 10 is for noting and shows a schedule of the fees and charges approved at quarter 3 that have increased by more than 4.0%.

Conclusion

2.73 This Council has a firm foundation of sound and prudent financial management over many years, endorsed by external assessments. We have taken difficult decisions when we needed to in order to balance the books and make best use of stretched resources. Our robust RPPR process has enabled us to direct spending towards priorities and core services, in particular protecting services for the most vulnerable in our county.

2.74 The past year has seen a rapid escalation in costs and demand for services, due to factors beyond local control, which has not been matched with increased funding. Despite the action we have taken locally to address pressures wherever we can, the scale of these challenges leaves us facing a very significant deficit and substantial risk in the coming years. There also remains considerable uncertainty about the future funding regime for local government, particularly when overdue reform which will provide sustainable long-term financing for the sector will be delivered.

2.75 There is continued national reliance on raising funding for core pressures, particularly growing demand in social care, through local Council Tax which is unrelated to need and unsustainable. In this context we must again ask local people to contribute more to protect services for the most vulnerable for the future. This recommendation is not made lightly, given the ongoing pressures on household budgets, but it is essential if we are to protect services as far as possible. Support will continue to be available through local Council Tax Support Schemes for those residents eligible and we will continue to work with partners to signpost residents to sources of support with the cost of living, including access to benefits they may be entitled to.

2.76 Even after this contribution, the budget presented for the year ahead relies on using our reserves to balance the books, significantly depleting this safety net for the future. This is an unsustainable position. The reality is that there are not sufficient reserves available to meet the deferred deficit and we will need to consider what action it is possible to take in the coming year to address the significant financial gap between the funding we currently expect to have and the cost of providing our services in 2025/26 and beyond. Our ability to do so without a detrimental impact on the quality of life of our residents, communities and business is very limited.

2.77 In this context, and with future national policy being shaped ahead of a general election, our lobbying will also be vitally important and we will consider how this can be further intensified and broadened. We will need to ensure the hard choices we now face and the impacts these will have on local residents, business and communities are heard loud and clear. We will continue to work with our local, regional and national partners to highlight the specific needs of East Sussex. We will press for immediate short-term support and longer-term fair, sustainable and needs-based funding that enables us to continue to meet the needs of our residents. Until this is delivered our medium term financial position will remain extremely difficult and present significant risk to our ability to meet local needs in the future.

2.78 The Cabinet recommends the County Council to:

✡ (1) approve in principle the draft Council Plan 2024/25 at Appendix 2 and authorise the Chief Executive to finalise the Plan in consultation with the relevant Lead Members;

(2) approve the net Revenue Budget estimate of £538.1m for 2024/25 set out in Appendix 3 (Medium Term Financial Plan) and Appendix 4 (Budget Summary) and authorise the Chief Executive, 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 final budget decisions;

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

(i) the net budget requirement is £538.1m and the amount calculated by East Sussex County Council as its council tax requirement (see Appendix 6) for the year 2024/25 is £371m;
(ii) the amount calculated by East Sussex County Council as the basic amount of council tax (i.e. for a band D property) for the year 2024/25 is £1,778.31 and represents a 4.99% (2% of which relates to the Adult Social Care precept) increase on the previous year;

(4) advise the District and Borough Councils of the relevant amounts payable and council tax in other bands in line with the regulations and to issue precepts accordingly in accordance with an agreed schedule of instalments as set out at Appendix 6.

(5) agree the Reserves Policy set out in Appendix 7;

(6) approve the Capital Strategy and Programme at Appendix 9;

(7) note progress with the Council Plan and Budget 2023/24 since quarter 2 set out in paragraphs 2.36 to 2.42;

(8) note the Medium Term Financial Plan forecast for 2024/25 to 2026/27, set out in Appendix 3;

(9) note the comments of the Chief Finance Officer on budget risks and robustness, as set out in Appendix 7;

(10) note the comments from engagement exercises set out in Appendix 8; and

(11) note the schedule of fees and charges that have increased above 4% at Appendix 10.

3. Council Monitoring: Quarter 2 2023/24

3.1 This report sets out the Council's position and year-end projections for the Council Plan targets, Revenue Budget, Capital Programme, and Savings Plan, together with Risks at the end of September 2023.

3.2 Broad progress against the Council's four strategic priority outcomes is summarised in paragraphs 3.13 to 3.31 and an overview of finance and performance data is provided in the Corporate Summary at Appendix 12. Strategic risks are reported at Appendix 19.

Council Plan 2023/24 amendments and variations

3.3 The Council Plan 2023/24 and the Portfolio Plans 2023/24 – 2025/26 have been updated with available 2022/23 outturns and final performance measure targets. All plans are published on the Council's website. The Corporate Summary (Appendix 12) contains a forecast of performance against targets.

3.4 The Strategic Risk Register, Appendix 19, was reviewed and updated to reflect the Council's risk profile. Risk 1 (Roads), Risk 4 (Health), Risk 6 (Local Economic Growth), Risk 9 (Workforce), Risk 12 (Cyber Attack), Risk 15 (Climate), Risk 18 (Data Breach) and Risk 20 (Placements for Children and Young People in Our Care) have updated risk controls.

Budget Outturn

3.5 The details of revenue over and underspends in each department are set out in the relevant appendices, and show a total forecast overspend of £24.8m. This is an increase of £8.0m from quarter 1. The main headlines are:

- Children's Services (CSD) is forecast to be overspent by £23.0m (£15.2m at quarter 1). The main area of projected overspend is in Early Help and Social Care (EH&SC) of £23.3m, an increase from quarter 1 of £6.9m. The largest area of overspend within EH&SC is Looked After Children (LAC) at £21.1m, with the main LAC pressures being External Residential costs of £17.7m, due to growth in demand during quarter 1, plus a £2.5m pressure around additional staffing costs in our children's homes. Also, within EH&SC, the Localities budget is forecast to overspend by £2.5m, with £1.5m of this being on staffing including agency and additional social workers.

  The increase in projected overspend at quarter 2 compared to quarter 1 is mainly in looked after children's care costs, in particular in external residential costs and wrap around support for children with the most complex needs. June saw the numbers of children and young people requiring residential placements, which includes supported accommodation and secure accommodation, peak at 150 (excluding Unaccompanied Asylum-Seeking

Children (UASC)). The number of children and young people in these types of placements has plateaued in quarter 2, with September data showing a slight reduction to 144. However, the average cost of residential care packages has increased by 13% since quarter 1. The complex care needs of a relatively small number of children mean that there are further pressures on this budget area. Over the course of the year to date there have been 29 looked after children who have had at some time care packages between £10,000 - £20,000 per week; at the end of quarter 2 there were 12 children whose care costs fell in this bracket.

CSD is reviewing closely all expenditure plans to identify possible reductions of the projected overspend. Work with the consultancy Impower to identify ways of meeting the needs of looked after children better, more locally and at reduced cost continues. At present no formal service reductions/savings are being explored but all possible economies are being pursued including delayed recruitment to vacancies where manageable.

The CSD overspend will be funded Corporately for 2023/24 as follows:

Funding of CSD Pressures	**£m**
Forecast overspend	(23.0)
Funded by:	
General Contingency	4.9
Covid-19 General Funding (balance held Corporately)	5.6
Use of provision for budgetary risks	3.5
Part of Treasury Management underspend	5.7
Balance of Contain Outbreak Management Fund	1.6
Use of Financial Management Reserve	1.7
Total	23.0

- The projected outturn for Adult Social Care (ASC) is an overspend of £1.7m (£1.0m at quarter 1). This comprises an overspend of £2.4m in the Independent Sector, due to a combination of factors. These include increasing complexity of need, plus pressures arising from demand and demographic growth returning to pre-pandemic levels of modelling. This is offset by an underspend of £0.7m in Directly Provided Services, mainly being due to staffing vacancies which reflects difficulties in recruitment.
- Communities, Economy and Transport (CET) is forecast to underspend by £0.2m (£0.3m overspend at quarter 1). The largest underspend is in Transport and Operations where current market prices mean that electricity and recycling income is exceeding expectations in the Waste Service.
- The forecast overspend of £0.4m in Governance Services (GS) is mainly due to an increase in mortuary, pathology, histology, and toxicology costs, plus an increase in post mortem fees in-line with local market rates.

3.6 Within Treasury Management (TM), centrally held budgets (CHB) and corporate funding there is an underspend of £15.7m (including the general contingency):

- In CHB there is a forecast underspend of £0.5m for Pensions because of the actuarial revaluation. This is offset by an accounting adjustment estimated at £0.7m to reflect the potential risk that increasing outstanding debt levels will not be settled. The General Contingency of £4.9m will be required in full to offset part of the service overspend.
- There is currently an estimated £7.1m underspend on TM, based on a continued improvement in the current forecasts for our market investment returns and increased cash balances. The anticipated average investment return for the year has increased to 5.49% from the 4.45% assumed when the budget was set, based on the latest forecasts from our

external treasury management advisors. In addition, slippage on the capital programme and an increase in our cash balances has reduced the need to borrow externally in 2023/24.

- There is a planned £3.5m use of the in-year provision made for budgetary risks to cover part of the remaining overspend on service budgets.

3.7 The Council is still experiencing residual COVID-19 related costs and income losses which are being mitigated from general and specific COVID-19 grant funding. The balance of COVID-19 General Funding will be used to meet CSD cost pressures. The following table shows the use of this funding in 2023/24:

COVID-19 Grants 2023/24 (£m)	Carried forward	Estimated use in-year (including payback*)	Balance to offset CSD overspend	Specific set-aside for LAC in future years	Estimated balance remaining
COVID-19 General Funding	9.1	(1.7)	(5.6)	(1.8)	-
COVID-19 Specific Funding	4.3	(4.3)	-	-	-
Total funding	**13.4**	**(6.0)**	**(5.6)**	**(1.8)**	**-**

*To date the Council has repaid £2.1m of unused grant

3.8 The Contain Outbreak Management Fund (COMF) grant, via Public Health, has also been available through the pandemic to fund the impact of COVID-19. Services continue to feel the impact of the pandemic, particularly in CSD. With the grant funding ending, it is recommended that the remaining COMF grant be used to fund any residual pressures arising from COVID-19 in CSD, any decisions for its use will be taken in accordance with existing delegations or following consideration by members.

3.9 For the last three years the council has made 'Additional Measures' (AM) payments to Voluntary Community and Social Enterprise (VCSE) organisations towards activities that provide specialist advice and information that support residents' financial wellbeing during the current cost of living challenges. In 2023/24 year the AM3 scheme of £450,000 is funded from the COMF and is used to commission 11 organisations who are monitored against a number of performance and activity measures on a quarterly basis. In the first two quarters of 2023/24 AM3 direct delivery partners have collectively worked on 2,350 active cases and achieved a combined total income maximisation and debt write-off figure of £1,077,800, which has had a significant positive impact on residents' financial wellbeing. The monitoring returns also include case study examples which demonstrate the qualitative impact including the wider health and wellbeing benefits of financial wellbeing and stability.

3.10 VCSE partners continue to experience increased numbers of people presenting with money problems of significant complexity, since COVID-19 and due to ongoing cost-of-living pressures. The Additional Measures scheme supports the sector to meet this elevated demand for money advice and related support and, as such, needs to be extended for one further financial year (AM4) at a reduced level of £363,000. Cabinet is recommended to extend the Additional Measures scheme for another twelve months from 1st April 2024 to 31st March 2025, funded from existing COMF balances. Details of how the reduced level of AM4 funding would be allocated, together with the approach to demand mitigation and management are contained at Appendix 20.

3.11 Capital Programme expenditure for the year is projected to be £82.6m against a budget of £110.3m, a net variation of £27.7m. The main headlines are:

- Total slippage of £28.8m across a number of projects as the programme continues to experience extended lead-in times on some materials, and where inflation and material cost increases has resulted in the pause and reassessment of a number of projects to ensure delivery within budgets, as well as other project specific factors. The largest areas of slippage include the delivery of additional Special Educational Needs school places at Grove Park (£5.3m), Hastings and Bexhill Movement and Access Programme (£4.3m), Eastbourne

Town Centre phases A and B (combined £3.6m) and the Street Lighting Replacement Programme (£2.7m).

- A net overspend of £0.7m, mainly relating to the Bexhill and Hastings Link Road where project costs remain for post excavation archaeology, landscaping, and compensation.
- Minor spend in advance totalling £0.4m.

Whilst the implications of slippage in the capital programme are being managed in this financial year, work has commenced to reprofile the capital programme for 2024/25 onwards, as part of the Reconciling Policy, Performance and Resources process.

3.12 The Chartered Institute of Public Finance and Accountancy published the revised Treasury and Prudential codes in 2021. These require quarterly reporting of performance against forward looking prudential indicators. The performance of the Council's treasury management activity against benchmarks and the key indicators in the Council's Treasury Management Strategy, as approved by Full Council on 7 February 2023, are provided at Appendix 13.

Progress against Council Priorities

Driving sustainable economic growth

3.13 The Council has spent £309m with 876 local suppliers over the past 12 months. This is 65% of our total spend and exceeds our target of 60%. We continued throughout quarter 2 to work with suppliers to maximise the social value delivered by our contracts. In quarter 2 we achieved benefits that were equal to 37% of the contract value, against a target of 10% (Appendix 15).

3.14 Work on our highways continued in quarter 2 using the additional funding approved by Council in recognition of the deterioration of the network following the last prolonged, wet and cold winter. 36 patch works have been completed so far in 2023/24. A further 269 sites have been identified for patch works which should be completed by the end of 2023/24. Around 100 road signs are programmed to be replaced in 2023/24, with a further 600 signs which require replacement identified. These 600 signs will be scheduled into the work programme in the upcoming months. 100 minor drainage schemes have been completed so far in 2023/24, including replacing jammed gully covers and clearing significant blockages. The annual road surface dressing programme was completed in quarter 2. 17 sites were completed, extending the life of almost 30km of roads by up to 10 years. 32 road improvement schemes were completed in quarter 2, and 7,217 potholes were repaired (Appendix 17).

3.15 £10.5m of bus service improvements began in quarter 2 as part of the Council's Bus Service Improvement Plan. These improvements will result in more frequent services, including running later in the day, and improvements to some weekend services. Work has continued to improve bus stops around the county. Around 75% of all bus stops now have QR plates, which enable people to scan the plate and receive information about the next bus due at that stop (Appendix 17).

3.16 East Sussex Invest provides loans and grants to local businesses to help create local jobs and support businesses to become environmentally responsible. Applications for funding have been temporarily suspended while a full independent review of the fund used for these activities is completed. This review will help is to understand how we can best maximise the use of the fund whilst carefully balancing risk. This review has been commissioned and we expect to receive findings in quarter 3. We anticipate the fund will open again in quarter 4, which means it is unlikely that we will be able to support enough businesses to create jobs in 2023/24 to meet the target for this measure (Appendix 17).

3.17 Our restructured education division, Education East Sussex, was launched in quarter 2. The new division will help the Council to deliver its core roles more effectively in leading the local education system and championing vulnerable children including children with Special Educational Needs and Disabilities (Appendix 16).

3.18 7,198 children took part in the Summer Reading Challenge during quarter 2, the highest total since 2018. The challenge aims to encourage primary school children to read books during the summer holidays. 110 promotional assemblies were delivered to promote the challenge and advertisements ran throughout the summer on social media. 4,258 participants completed the challenge, a 23% increase compared to 2022 (Appendix 17).

Keeping vulnerable people safe

3.19 The demand for Children's Social Care services and the complexity of cases has continued to increase in quarter 2. The rate of children with a Child Protection plan increased from 62.1 per 10,000 at the end of quarter 1 to 63.0 at the end of quarter 2. The rate of Looked after Children has also increased from 63.5 per 10,000 children at the end of quarter 1 to 64.4 at the end of quarter 2. Child Protection plans remain under close scrutiny with a range of reviews and audits taking place to identify where it is possible to reduce the number of plans safely. Although the rate of Looked after Children has increased, the number of children in high-cost residential placements has remained stable and there have been higher numbers of children placed within their own family networks (Appendix 16).

3.20 We have published our new Adult Social Care strategy 'What Matters to You'. This was produced following engagement activities and reflects what our residents who need care and support, their carers, and their families told us was important to them in order to live well (Appendix 14).

3.21 The Council has continued to increase our collaborative working with our voluntary, community and social enterprise (VCSE) sector partners in quarter 2. This included work on financial inclusion, supporting Community Networks and supporting volunteering. The Community Network programme held a series of Strategic and Local partner group workshops in quarter 2, to identify potential areas of support the programme could develop based on the needs of the VCSE sector and public sector partners. The Tribe Project also launched during quarter 2. Tribe is an app and website that makes it easier to volunteer across the county. We've continued to work with partners to help them advertise opportunities on the platform, and to plan for the next phase of the project which will focus on Social Prescribing (Appendix 14).

Helping people help themselves

3.22 The Council's Family Hubs offer has continued to develop in quarter 2. We have launched the 'How Can I Help you?' service to provide direct face to face support to families and encourage them to become familiar with the Family Hubs provision. New parenting groups are also now available to support the transition to parenthood and help for parents with children who are neurodiverse (Appendix 16).

3.23 Three road safety infrastructure schemes were completed by Balfour Beatty Living Places in quarters 1 and 2. However, Balfour Beatty Living Places have provided assurances that the target of 24 high risk schemes will be completed by the end of 2023/24. We delivered 95 'Bikeability' courses to 712 individuals at participating schools and the Cycle Centre at Eastbourne Sports Park in quarter 2. We also delivered 74 'Wheels for All' sessions to 1,097 attendees at the Sports Park (Appendix 17).

3.24 A public consultation was launched on the future of the Support with Confidence scheme on 27 September which will run until 5 December 2023. As a result of the review we are not currently accepting new applications or progressing any renewals (Appendix 14).

3.25 The number of carers provided with a short-term crisis intervention in quarter 2 decreased slightly. This was due to a reduction in overall referrals for carer support. We are working with the provider to promote the service to other carer organisations (Appendix 14).

3.26 During quarter 1 (reported a quarter in arrears) 496 NHS Health Checks were delivered to those living in the most deprived areas of the county. This was slightly lower than expected as Hastings and St Leonards Primary Care Network had a slight pause on activity due to capacity in quarter 1. However, the Primary Care Network and Public Health have worked together to train vaccination staff to deliver Health Checks, with a particular focus on those living in the most deprived areas, to boost capacity (Appendix 14).

Making best use of resources now and for the future

3.27 The financial outlook for the Council continues to remain unclear. We are expecting a further one-year financial settlement for 2024/25, and it continues to be unlikely that there will be any significant national reform to local government funding before the next general election, which is expected in 2024. We continue to take action wherever we can to maximise our resilience as an organisation, to work effectively with our partners and to best manage the growing demand for our services. At the end of quarter 2 Cabinet considered the report of the Local Government Association Corporate Peer Challenge which underlined the Council's strong record of delivery, the value of our partnership working and our good foundations to plan for the longer-term future. Cabinet also agreed the Council's response to the recommendations, which lays out the actions we will take to respond to the suggested areas for development identified during the Peer Challenge (Appendix 18).

3.28 As part of our corporate lobbying work during quarter 2 the Leader took the opportunity to meet with local MPs and continued to raise the issues and priorities of the county with them. This included a specific update on the State of the County report and an update on the additional investment in highways agreed by the Council. The Leader highlighted the very challenging medium term financial outlook for the Council and sought MPs' support in lobbying for certainty of future funding for local government, that reflects local need, and to ensure that service reforms are sustainable and properly funded (Appendix 18).

3.29 Seven energy efficiency projects have been completed in quarter 1 and quarter 2, including two LED lighting projects and two Solar PV schemes. Triple glazing has been installed at one school and several building moves have also reduced emissions. A number of other schemes began in quarter 2. Ongoing supply chain and site issues have impacted performance and may affect our ability to deliver the target number of schemes for the year. The data on carbon emissions from Council buildings is available a quarter in arrears. Total energy consumption in quarter 1 (reported a quarter in arrears) was down 8% when compared with the same period last year and down 26% on the baseline year 2019/20. There is not yet enough data to accurately estimate the end of year outturn for 2023/24, however if consumption for the remainder of 2023/24 is the same as 2022/23 carbon emissions would increase by 1% this year. The main contributing factor to the increase in emissions projected for 2023/24 is the increase in the electricity emissions factor (the carbon intensity of the national grid) has risen 7% year on year. This is due to an increase in using natural gas for electricity generation and a decrease in renewable energy generation, which is out of the Council's control (Appendix 15).

3.30 The Council has continued to work with a range of partners to develop and deliver carbon reduction and climate change adaptation work in quarter 2. We submitted a £500k bid to the next round of the Government's Public Sector Decarbonisation Scheme. If successful, this will pay for part of the cost of decarbonising two schools. We also secured funding from the South East Net Zero Hub for a detailed feasibility study of ground-mounted solar PV at Pebsham landfill site (Appendix 17).

3.31 In September the Pensions Fund Team won the Governance Award at the Local Authority Pension Fund Investment Awards 2023 (Appendix 15).

4. Scrutiny Review of School Exclusions

4.1 The Cabinet has considered a report of the People Scrutiny Committee on its Review of School Exclusions. The report of the Scrutiny Committee is included elsewhere on the agenda (item 7).

4.2 In March 2023 the People Scrutiny Committee agreed to establish a Review Board to undertake a Scrutiny Review of School Exclusions in response to an increase in the number of school exclusions in recent years and the disproportionate numbers of vulnerable pupils who are subject to exclusion, including those in receipt of free school meals and those who have special educational needs (SEN).

4.3 The Review focussed on the Council's role in developing understanding amongst schools of appropriate responses to children at risk of permanent exclusion, including vulnerable pupils, as well as whole school approaches and targeted preventative measures.

4.4 The Review considered a range of preventative strategies, including inclusive behaviour policies, a focus on whole school relational approaches and support at transition. The Review also identified appropriate responses to children who are at risk of exclusion, including those who are identified as vulnerable, including the use of youth voice and the effective use of alternative provision. The Review also explored how the Council could further develop its training and support to schools, trusts and governors, as well as its messaging on the need to reduce, and benefits of reducing, school exclusions and the support available.

4.5 The Board found that the Department was progressing a number of projects and initiatives to reduce permanent exclusions and concluded that there was a strong commitment from most schools and trusts to achieve this. However, the Board learned that schools were dealing with increasing demands and complexity of needs of children and their families post pandemic, including mental health and SEN. The Board was concerned that some schools were using part-time timetables to manage behaviour and concluded that clearer guidance and support was needed to help ensure appropriate use of these was consistent across all schools and trusts. The Board also found that strong engagement with, and support for, families could also benefit pupils at risk and reduce the likelihood of exclusion.

4.6 The Board recognised the limitations of this Review; the decision to exclude is a school one and academies are wholly outside of the remit of the local authority. However, the Board, through exploring a range of evidence, including conversations with witnesses and on-site school visits, found that the Department could work with schools and trusts to develop strategies to reduce the number of suspensions and permanent exclusions and the report makes a number of recommendations to help build on existing work in this area.

4.7 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 21) on the specific recommendations and endorsed it as its response to the recommendations.

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

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

5. Scrutiny Review of Pothole Management

5.1 The Cabinet has considered a report of the Place Scrutiny Committee on its Review of Pothole Management. The report of the Scrutiny Committee is included elsewhere on the agenda (item 8).

5.2 In March 2023 the Place Scrutiny Committee established a Review Board to examine the Council's approach to the management of pothole repairs. This was in response to the level of concern that was being expressed by residents about the number of potholes and other defects in the County's roads.

5.3 The scope of the review included:

- Pothole repair techniques and costs;
- The quality of pothole repair works;
- Alternative pothole intervention levels and costs;
- Defect reporting and consideration of current policies to take into account vulnerable road users (e.g. those who walk, wheel, cycle, and motorcycle etc.)
- Consideration of budgets for pothole repairs and safety defects; and
- Consideration of the effectiveness of the Council's patching programme.

5.4 The Place Scrutiny Review addressed the following lines of enquiry:

- How can the Council improve the repair of potholes and tackle pothole clusters;
- What can we do to have a visibly better highway network; and
- How can we ensure the needs of vulnerable road users are taken into account in the defect reporting system and when carrying out repairs.

5.5 The Place Scrutiny Committee has completed its review of Pothole Management. The review makes thirteen recommendations which address the areas covered by the review. The Review Board were mindful of the Council's financial position when making recommendations and has therefore focussed on developing recommendations that are affordable, cost effective, and represent value for money.

5.6 Overall the Review Board found that good progress and plans are being made to reduce the number of potholes in the County's roads within the available resources. During the course of the review, it became evident that things were changing as a result a proactive 'right first time' approach to pothole repairs being taken by the highways maintenance contractor, changes that had been made to the contract specification and additional investment being made in highways maintenance. However, it will take time for the impact of the recent changes and additional investment to become apparent, as the planned repair programmes start to be delivered.

5.7 In welcoming the findings of the Scrutiny Committee, the Cabinet has considered a report by the Director of Communities, Economy and Transport (as set out in Appendix 22) on the specific recommendations and endorsed it as its response to the recommendations.

5.8 The Scrutiny Review has highlighted a number of areas for improvement in our approach to pothole management and the need to lobby Government for better long-term funding for local road maintenance and changes to the way utility company reinstatement works are regulated.

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

✡ approve the response of the Director of Communities, Economy and Transport on the implementation of the recommendations in the Scrutiny Committee's report.

6. Treasury Management Policy and Strategy 2024/25

6.1 The Cabinet considered a report proposing the Treasury Management Policy and Strategy Statement (TMSS) for 2024/25. The Council is also required to set Prudential Indicators as set out in the Prudential Code which are included in the strategy for approval. The Treasury Management Policy and Strategy Statement is attached as Appendix 23. This 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 (MRP) Policy Statement.

6.2 The 2024/25 TMSS has been prepared within the context the financial challenge being faced by the County Council over the Medium Term Financial Plan. The treasury management strategy for the year seeks to compliment the Council Plan by:

- maximising investment income by seeking ways to increase cash balances. The work being undertaken to review the profile of the Capital Programme will assist with this to reduce borrowing and delay expenditure;
- utilising cash balances to fund the Council's borrowing need in order to minimise borrowing costs as far as possible;
- ensuring the investment portfolio is working hard to maximise income by seeking appropriate investment opportunities that meet the Council's security requirements during 2024/25;
- 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.

6.3 The 2024/25 Investment Strategy has been set in the context of improved investment returns as a result of increases in the Bank of England (BofE) Base Rate. The Base Rate is expected to have peaked at its current rate of 5.25%, with markets and economists' current expectation that rates will start to fall as early as June 2024 as the BofE is expected to tighten monetary policy in order to contain the impact of a recession. At the time of writing, Link Asset Services are forecasting that Monetary Policy Committee will maintain Base Rate at 5.25% until September 2024. The investment performance for 2024/25 is therefore forecast at 5.00%. The average rate of return for 2022/23 was 1.89% and for the first six months of 2023/24 was 4.47%.

6.4 The Strategy is also being set in the context of the Council's deficit revenue budget forecast for 2023/24 and medium-term financial plan for 2024/25 to 2026/27. Annex F of Appendix 23 outlines the context for the outlook of Local Government finances in general. Additionally, Paragraph 6.2 outlines the principles that will be applied during the year to ensure the Investment Strategy appropriately contributes to mitigating the Council's deficit revenue position. Cash balances and therefore investment balances are expected to reduce to support the authority's borrowing need. However, in this context, the Council's risk appetite for investments will not be modified to increase income. The strategy will continue to prioritise security of the Council's funds. New investment options will be explored within the current risk appetite and strategy parameters.

6.5 There are no changes proposed in the Annual Investment Strategy for 2024/25.

6.6 Officers continue to seek out Environmental Social & Governance (ESG) investment opportunities with counterparties that meet the Council's investment parameters. The Council continues to invest in Standard Chartered's sustainable fixed deposits which aligns the Council's investments with the bank's ESG strategy. There are currently limited available products within the market that meet both the Council's security requirements and the Council's shortened investment time horizon due to the strategy to use cash to initially fund the Council's borrowing requirement. Nevertheless, appropriate ESG investment products will continue to be researched and considered into 2024/25.

6.7 The Borrowing Strategy and the Capital Programme identifies a borrowing need of £94m over the next 3 years (between 2024/25 and 2026/27). This level of borrowing is following a review and reprofiling of the Capital Programme. The objective of the review was to minimise the borrowing costs within the Treasury Management revenue budget. This review has reduced the borrowing requirement by £48m from £142m originally planned for the period between 2024/25 and 2026/27.

6.8 Officers will seek to use cash from the Council's own reserves to initially fund borrowing. This will decrease the Council's cash balances, reducing counterparty risk, and reduce borrowing costs. Modelling of the Council's capital plans and cashflows has identified an appropriate level of internal borrowing of around £50m in the longer term. This has been increased to £75m to 2024/25 on the basis that it is preferable to maximise internal borrowing as far as possible at a time where interest rates are higher. This strategy will be kept under constant review as there are risks that are required to be managed and balanced during the year. The Capital Programme will need to be funded in the most cost-effective way. Maximising internal borrowing will reduce investment balances and therefore investment income. Therefore officers will review the interest rate forecast, cashflow needs, the revenue deficit and the Capital Programme to ensure this remains the most appropriate strategy through the year.

6.9 The budget within the Medium Term Financial Plan (MTFP) is calculated using the Treasury Management Tool that reflects the costs of borrowing in support of the targeted basic need programme offset by returns on investment of the Council's balances. It is therefore reflective of a point in time. The treasury management tool, developed as part of the Capital Strategy, is reviewed regularly for reasonableness.

6.10 The liability benchmark in Section 2.3 of Appendix 23 demonstrates that if the Council were to internally borrow to utilise its cash-backed reserves and balances whilst maintaining a buffer for cash requirements, external borrowing could be avoided until 2027/28. This indicator will be used to assist with future borrowing decisions, in conjunction with the Treasury management Tool.

6.11 The Treasury Management budget within the Medium-Term Financial Plan (MTFP) supports the cost of borrowing which includes MRP provision and interest. The budget has been reviewed to take into account the impact of proposed updates to the Capital Strategy and programme. It is proposed that a reduction of £2.850m is made to the Treasury Management budget in 2024/25. With interest rates expected to normalise at a lower level in the medium term, alongside increasing costs of capital programme borrowing, it is modelled that increases to the budget will be required in future years. Due to the Council's challenging revenue budget position, the capital programme will continue to be reviewed to minimise the borrowing costs of the overall capital programme within Treasury Management and the revenue budget.

6.12 In addition to the annual strategy, the CIPFA Code requires the Council to report (as a minimum) a mid-year review and an annual report at the close of the year. The Council meets this requirement with the Treasury Management Annual Report 2022/23 and mid-year report 2023/24 presented to Cabinet on 12 December 2023. Additionally, the treasury management quarterly monitoring position is reported to Cabinet as part of the Reconciling, Policy, Performance and Resources quarterly monitoring.

6.13 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 23 (Annex B) to this report.

6.14 The Cabinet recommends the County Council to –

✡ (1) approve the Treasury Management Policy and Strategy Statement for 2024/25;
(2) approve the Annual Investment Strategy for 2024/25;
(3) approve the Prudential and Treasury Indicators 2024/25 to 2026/27; and
(4) approve the Minimum Revenue Provision (MRP) Policy Statement 2024/25 at section 3 of Appendix 23 of the report.

7. The Conservators of Ashdown Forest – 2023/24 forecast outturn position and updated medium term financial plan including the 2024/25 budget.

7.1 The Cabinet considered a report, at Appendix 24, which sets out the financial position of the Conservators of the Ashdown Forest (COAF) for 2023/24, against the approved budget agreed by the Board of Conservators at their meeting on 21 November 2022 and presented to Cabinet in December 2022. It also shows the COAF Medium Term Financial Plan (MTFP).

7.2 The 2022/23 original budget set out a deficit budget of £114,506, being a surplus on the Core Budget of £25,097, and a deficit on the Countryside Stewardship (CS) budget of £139,603. At the end of September there is a forecast surplus of £12,413 in the Core budget, a small decrease in planned surplus.

7.3 Core budget expenditure is higher than budgeted. Operational expenses have increased, mostly due to the inclusion of the new lead warden salary costs, car park expenses, and the need to undertake additional health and safety training. There was an unbudgeted capital purchase of a new vehicle. The cost of the vehicle was funded by grant income which along with additional funding from Wealden District Council for a new lead warden, and car parking income, has resulted in projected Core unrestricted funding being much higher than forecast.

7.4 The current 2023/24 Core budget projections indicate that no additional contribution from ESCC will be required.

7.5 The current Countryside Stewardship (CS) budget is forecast to overspend by £55,610 this year. This is less than the budgeted overspend of £139,603 and reflects the difficulties that have been had securing contractors to undertake works on the forest. The deficit will be funded from the CS reserve.

7.6 The COAF 2024/25 budget and MTFP is shown at Appendix 24. There is a small budgeted surplus in the Core budget. It is therefore unlikely that ESCC will need to make an additional financial contribution as it has been obliged to do for the last two years. CS has a budgeted deficit of £131,530 which reflect a large increase in planned works for 2024/25. The CS deficit will be funded from the CS reserve.

7.7 The CS programme ends at the end of 2025 and the high level of planned expenditure on the CS work programme in 2024/25 reflects the amount of CS work that will be undertaken next year in order to catch up on the backlog. There has been a lack of investment in asset replacement over the last few years and the increase in capital purchases budget is due to the restatement of an on-going asset replacement plan. The increase in CS Recharges income in 2025/26 results from the plan to increase the amount of ranger time spent on CS projects thus maximising the recharge into the Core budget. The CS expenditure and income streams included from 2026/27 are indicative as an application has been made to participate in the replacement landscape recovery project.

23 January 2024 KEITH GLAZIER
(Chair)