

Minutes of the meeting of the Corporate Policy and Scrutiny Committee, held online, on Tuesday 26 January 2021

In attendance:

Councillor M Mackrory (Chairman)
Councillor A Turrell
Councillor M Buckley
Councillor G Butland
Councillor M Garnett
Councillor J Young

Councillor V Metcalfe
Councillor J Aldridge (substitute)
Councillor M Platt
Councillor S Lissimore
Councillor M Maddocks

1. Membership, Apologies, Substitutions and Declarations of Interest

There were no changes to the membership of the committee since the last meeting.

Cllr Moran sent in his apologies for this meeting and was substituted by Cllr Aldridge.

Cllr J Abbott and D Louis were absent for this meeting.

2. Minutes

Members approved as a correct record Minutes of the meeting held on 24 November 2020

3. Questions from the Public

There were no requests to speak from members of the public.

4. Financial Overview as at the Third Quarter Stage

The panel for this item was:

- Cllr Chris Whitbread, Cabinet Member for Finance
- Nicole Wood, Executive Director of Finance and Technology
- Stephanie Mitchener, Director of Finance
- Adrian Osborne, Head of Strategic Finance and Insight
- Christine Golding, ECC Chief Accountant

The committee noted report CPSC/01/21 and received a presentation from the Cabinet Member and officers.

Key points raised during the presentation included:

Key messages

- Revenue over spend of **£607,000 (0.1%)** predominantly driven by COVID-19 pressures
- Continued uncertainty – impact of COVID-19 and new Tier restrictions on demand for services and future income means it continues to be challenging to provide a forecast for the year
- Previous £25m risk on Council Tax is now estimated at £8m for 2020/21 collection fund – Extension of the Coronavirus Job Retention Scheme means risks around increasing unemployment will now potentially impact the taxbase for 2022/23
- Emergency government funding of **£84.6m** has been received to date – recent funding announcements have been specific grants – largest of which is “Contain Outbreak Management Funding”. This is based on what Tier the county is in over each 28 day period. Up to the end of December ECC has been allocated **£16.1m**
- Capital under spend of **£17.6m (7.9%)** against the latest budget of £222m

Covid-19 impact

- Currently estimate spending pressures and income losses could be up to **£160m**. Some of the larger elements include:
 - **£19m** of adult social care pressures from hospital discharge
 - **£11m** for homecare related pressures, including increased demand, reduced income, increased staff overtime and PPE costs
 - **£31m** for the Adult Social Care Infection Control Fund
 - **£6m** Test and Trace
 - **£5m** for Waste pressures as a result of increased volumes
 - **£5m** for lost income in Country Parks and Essex Outdoors
- Total COVID grant funding is currently estimated at **£173m**, although new grants continue to be announced. This leaves us with an estimated **£13m** surplus from COVID funding at present, however given the level of uncertainty around ongoing restrictions and the unquantified risks we face, there will be further cost pressures and income losses that materialise in the remaining months of the year and we expect this funding to be fully committed
- Report recommended creation of new “COVID Equalisation Reserve” – will be used to set aside funding received from government and will aid consistency and transparency as it will all be in one place. Funding will be placed here until decisions are made on their utilisation. Report recommended **£16.4m** to be transferred in to this reserve from the remaining unallocated emergency grant funding
- Second claim made for Fees and Charges income loss compensation scheme – August – November claim totalled **£6.5m**, taking total claims to date to **£8.1m** – currently estimate full year claim could total **£15m**

- Proposals for Contain Outbreak Management Funding continue to be worked through and agreed. Up to end of December **£16.1m** allocated to ECC by government. Decisions taken to date include:
- **£2.3m** – Welfare
- **£2.2m** – Business Adaptation Grant scheme
- **£4m** – Additional financial support for residents asked to self-isolate and not eligible under Test & Trace support payments plus top up to districts who have exhausted funding allocations under Test & Trace support payments scheme
- **£1.1m** – District funding to extend compliance / COVID Marshalls initiative
- **£374,000** – Laptop scheme for schools

Following the presentation, members of the committee were invited to ask questions and provide scrutiny. Key points raised by members included:

- Frontloading of £13m surplus to Covid reserve – Members raised questions as to whether the overspend was due to future anticipated pandemic spending. ECC has to submit monthly forecasts of expected pandemic spending. Government are using these forecasts to allocate adequate funding. This will, in the long run, be audited.
- Director of Procurement role – Members raised questions around the role and remit of the director of procurement role. The Cabinet Member outlined a number of challenges facing ECC in the remit of procurement, not least of which relating to the changes resulting from Brexit. It was agreed by the Cabinet Member that more information would be provided to the committee outlining the purview and responsibility of the role. Members praised day to day procurement at ECC, but raised concerns around ‘big ticket’ procurement exercises and the unwillingness to take in outside support and consultancy.

ACTION: committee members to be provided with a full outline of the Director of Procurement role, along with a clearer picture on how success for this position might be measured.

5. ECC Budget and Organisational Plan 2021-22

The panel for this item was:

- Cllr Chris Whitbread, Cabinet Member for Finance
- Nicole Wood, Executive Director of Finance and Technology
- Stephanie Mitchener, Director of Finance
- Adrian Osborne, Head of Strategic Finance and Insight
- Christine Golding, ECC Chief Accountant

Members received paper CPSC/02/2021 and a presentation outlining a high level overview of the 2020-21 budget. The full details of the budget/organisational plan and papers can be found [here](#).

Following the presentation, Members of the committee were invited to ask questions and provide scrutiny.

The Chairman began the session by thanking The Cabinet Member and officers for attending scrutiny and congratulated them on behalf of the committee for putting together a comprehensive budget during such difficult and uncertain times.

Key points raised by members include:

- Frontloading of £13m surplus to Covid reserve – Members raised questions as to whether the overspend was due to future anticipated pandemic spending. ECC has to submit monthly forecasts of expected pandemic spending. Government are using these forecasts to allocate adequate funding. This will, in the long run, be audited.
- Insurance cost revenue - £7m gross, £3.8m net. The income is derived from maintained schools who purchase their insurance from ECC (£1.3m), £600,000 from internal recharge of motor premiums (covering Car Provision Scheme vehicles and ECC fleet vehicles). In 2021/22 there is an additional £1.2m of one-off income from Ringway Jacobs relating to Red Claims settlement that is being applied as a one-off saving.
- Self-insurance – members enquired as to what extent ECC self-insures, and the scope for further self-cover/how this might be balanced with risk – the Cabinet Member informed members that ECC does self-insure. ECCs deductible levels for its main policies are:
 - Officials Indemnity - £5m
 - Public Liability - £1.5m
 - Employers Liability - £1.2m
 - Property - £500,000
 - General Fleet Motor – £25,000

When ECC re-tenders a policy, officers look at internal claims experience and deductible levels and will occasionally request that the internal actuary completes a programme design review. Officers will then go out to the market and ask for quotes on alternative deductible options. This ensures that ECC gets the optimum balance between external insurance provision and self-insurance.

- The frequency with which external policies are retendered – Members were informed that ECC procures in accordance with the regulatory requirements applying at the time e.g. OJEU. All of the larger policies will have Long Term Agreements (LTA) of typically 3 or 5 years. Once the LTA expires, they are then re-tendered.
- Extent of coverage – members enquired as to whether ECC's policies cover only premises, or wider areas such as vehicles, public liability, employers liability etc. and how this cost is spread around service budgets. The Cabinet Member noted that ECC has separate policies for each class of business. ECC has a policy covering liability (including Employers Liability, Public Liability), a policy covering

Property (including buildings, contents, computers and business interruption) and two different motor policies for lease vehicles and general fleet vehicles. There are also a number of smaller more bespoke policies covering specific areas of the council. In terms of how this is paid for, the insurance budget is a Recharged Strategic Support Service (RSSS) and the net cost of the service is allocated across the organisation using a combination of claims data (so costs get allocated to those parts of the organisation that drive claims) and headcount information.

- The insurance reserve – Members enquired about the £7m insurance reserve - this is part of the overall £32.2m ECC holds on the balance sheet across provisions and reserves for the purposes of ECC's self-insurance scheme. The reserve (and provision) is set with reference to advice of the Council's retained insurance actuary to meet future insurance liabilities. ECC is obliged to set the insurance provision at the level set out by the actuary. However, the amount that the organisation reserve for is discretionary. The actuary typically presents three risk scenarios (low/medium/high) and as a matter of course ECC reserve based on the mid scenario. The current reserve holds £2.1m more than the mid scenario from the last actuarial valuation given emergent risks to the fund during 2020/21 including revaluation of existing claims. The 2020/21 revenue budget includes a one-off saving of £1.1m by reducing this reserve, which would see the closing balance for 2020/21 reduce to £6.3m.
- Key priorities – members noted that the key areas set out as priority in the budget are Family, Economy and environment and drew concerns around prior lack of investment in these areas. Members particularly raised the closure of children's centres as a high-profile example of poor investment. The Cabinet Member drew attention to budget growths in all of these areas in the 2021/22 budget and outlined positive benchmarking when compared to other authorities. The Cabinet Member also raised the Essex Climate Action Commission that had very recently completed its interim report – and noted other practical actions that ECC had taken to promote positive environmental action.
- Future budget scrutiny – Members noted that, in future, it would be preferable for the budget to come to scrutiny earlier in the process rather than it coming in after it has been essentially agreed. The Cabinet Member reminded members that nothing was final until the budget had been adopted by Full Council in February, but confirmed that conversations had already taken place around incorporating scrutiny into the budget process at an earlier stage.
- Central govt. changes to local govt. investment policy – The Cabinet Member noted that changes in the near future were likely, and that future budgets and investment strategies would have to take this into account.
- Locality fund – members of the committee noted the success of the locality fund in delivering local division goals and supporting constituents. There was concern raised over the fact that it was not included in the budget as it stands. Members were informed that this

was a decision for the leader of the council, and that should the leader decide to move forward with it, provision could, and would, be made available.

- Pay ratio between highest and lowest paid employees – Members raised questions around the pay rate and ratios of ECC employees. Officers agreed to provide further information in writing.

ACTION: Officers to provide information on the pay ration of ECC employees.

The Chairman thanked the Cabinet Member and officers for their attendance.

The Cabinet Member and Officers left the meeting

6. Essex Legal Services

The panel for this item was:

- Cllr Susan Barker, Cabinet Member for Customer, Communities, Culture and Corporate
- Paul Turner, Director of Legal and Assurance
- Katie Bray, Head of Legal

The Chairman welcomed the Cabinet Member and officers to the meeting. Members received report CPSC/03/21. Following a brief presentation highlighting the paper's key themes, members were invited to ask questions and provide scrutiny.

Key points raised by members included:

- Making use of effective external legal advice – Members were assured that ECC maintains significant legal expertise in a number of areas. ECC has one of the largest local authority legal departments in the country. Where this is not possible, however, external organisations and specialists are brought on board. This is particularly true when it comes to issues of commercial litigation.
- Court of protection fees – members raised questions around the cost to the resident of ECC services acting on their behalf. Members were particularly concerned about vulnerable or lower income residents and the impact this might have upon their estate and finances. Members were assured that ECC will always look to find a suitable friend or resident to act on behalf of the resident. ECC does not actively market the service as a commercial venture, it is used as a last resort if a suitable alternative is not able to be found. If the resident has an acting power of attorney then the service is also not applicable, unless there is a safeguarding concern, at which point ECC might be asked to provide an application to the court to seek an alternative model of support.
- Abandonment of previous trading model – Officers noted that the previous model created a number of complications and, on occasions

facilitated the potential for conflict of interest. The new model allows Essex Legal Services to focus on what is in the best interests of the authority as a whole, rather than what is in the best interests of the fee payer.

- Charging of portfolios for work carried out on their behalf – ELS receives a budget at the beginning of the year to provide a comprehensive internal service. This includes legal advice to cabinet members and senior leadership. ELS will only charge for capital projects.

7. Date of Next Meeting

The next full committee day was noted as the 2nd March. Here, members will be looking at results from the second internal ECC staff survey and an update from the Essex Records Office.

8. Urgent Business

None received

9. Urgent exempt Business

None received

Close of Meeting

The formal meeting was closed at 12.31