

Minutes of the meeting of the Corporate Policy and Scrutiny Committee, held online, on Tuesday 28 July 2020

Present

Councillor Mike Mackrory (Chairman)	Councillor Malcolm Maddocks
Councillor Anne Turrell	Councillor Valerie Metcalfe
Councillor Julie Young	Councillor John Moran
Councillor Malcolm Buckley	Councillor Ron Pratt
Councillor Graham Butland	Councillor Andrew Sheldon
Councillor Mike Garnett	Councillor Mark Platt

1. Membership, apologies and declarations

There were no formal apologies received

Cllr V. Metcalfe declared a code interest as a school for which she acts as governor is mentioned by name in report CPSC/06/20.

2. Minutes of previous meeting

The minutes of the meeting held on Tuesday 30 June 2020 were approved by the committee as an accurate record.

3. Questions from the public

No questions from members of the public were received.

4. 2020/21 Financial Overview as at the First Quarter Stage

The committee received report **CPSC/06/20**.

The Chairman welcomed to the meeting:

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

Councillor Whitbread introduced the item. In addition to the paper, officers talked members through a short presentation. Key points included:

- **Revenue over spend of £12.3m (1.2%)** predominantly driven by COVID-19 pressures.
- Lockdown has had a negative impact on income generating activities and ability to deliver savings plans.
- Uncertainty – impact of COVID-19 on demand for services and future income means it is challenging to provide a forecast for the year.
- Still some potentially significant unquantified COVID-19 commitments to come, including Home to School Transport and reopening of schools.
- Emergency government funding of £73m has been received to date – does not cover the value of COVID-19 commitments we currently have.
- **Capital under spend of £19.1m (7.8%)** against the current budget of £246m – driven by Reprioritisation exercise in May.
- There is £58m of planned savings accounted for in the budget for 2020/21. This will be generated through income from country parks, park and ride, registrars, libraries, home to school/passenger transport, ACL tuition fees and commercial income. A more detailed report on how this will be impacted by the pandemic will be available later in the year.
- To date, £74.5m has been spent in reaction to the covid-19 pandemic. This includes:
 - **£57m** in relation to Adult Social Care – Q1 report returns £14m of reserves provided as demand lower than anticipated
 - **£10m** for excess deaths – pressure now estimated at £3m
 - **£7.3m** of decisions for loss of income – estimated income losses now greater than original decisions – pressure reflected in Q1 over spend
 - Emergency funding to date is **£73m** – however estimated pressures currently **£12m** greater than emergency funding
 - Recommendations in the report return the Emergency reserve to **£10m**
- Loss of Council Tax base a significant concern – currently estimating a £25m loss on collection fund for 2020/21, which will create pressure in future years – recent government guidance enables the collection fund loss to be spread evenly over the next 3 years, however currently no guarantees have been given to support the loss of tax base.
- In terms of next steps, the first iteration of the 2021/2022 budget planning process begins in August.
- The Half year report will be made available to the committee in October.
- with regards to retrospective withdrawals. Members were assured that due process had been followed and that the report presented to the committee was incomplete.

- Parking partnerships – Members raised the issue of underspends with regards to parking partnerships. It was noted that this money was returned to ECC, but earmarked for Local Highways Panels.
- Council tax collection – Members were informed that it was still too early to tell the impact the pandemic has had upon collection rates. It's likely that this won't be known until the next financial year.
- Park and ride income – Members noted that, among other impacted areas, savings targets were due to be met through the Essex park and ride programme. It was noted that there would be some savings in terms of cost, but the loss of income would be significant. This would form the basis of a further session later in the year as outlined in the presentation. There would be some creative amelioration in terms of active travel infrastructure as well.
- Education and skills DSG – Members raised concerns regarding the large negative balance outlined in the report. Assurances were provided that this was simply a result of the calculation used to pull the report together. Normal reporting would resume once pupils returned to school in Autumn.
- Technology solutions reserve – members questions why there was £5m built up in reserves for technology solutions. It was noted that this was partly due to expenses incurred through the social care case management system. With regards to the new corporate systems contract, it was noted that the full impact of this would not be realised until a business case and drawdown was authorised by Cabinet.

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

A number of questions were raised by members at the meeting, with officers agreeing to provide written answers. These are detailed below:

- **5.9.ii – Transfer to the A130 PFI reserve – now saying we need to increase the PFI reserve with lower levels of traffic – is there ongoing cost and is that the end of it, given growing trend for WFH**

The payment ECC make under the contract is determined by a contractual payment mechanism a key driver of which is traffic volumes. The monthly unitary charge ECC pay is fixed but there is a reconciliation at the year end to adjust for movements in traffic volumes. We do not yet have certainty on what future traffic volumes will look like as a result of covid and potential changes to driver behaviours going forward. PPN 02/20 and 04/20 set out guidance for public sector bodies to consider when assessing whether to provide financial support to those critical suppliers they perceive to be 'at risk' suppliers. Therefore it is prudent to make the transfer to the PFI reserve which represents the impact of reduced traffic volumes to protect ECC from future liabilities which may yet crystallise under the contract.

- **7.7.i - Why has the Wickford Pupil Referral Unit not been able to reach full business case stage?**

The tender requests went out later than originally planned and the tender evaluation took longer, due to a contractors tender price being abnormally low compared to the other bidders, resulting in follow up questions and responses being required. We are expecting planning and final tender prices end of August'20.

Assuming no other problems, FBC is on the Capital Forward Plan for the 26 October meeting, start on site expected November'20 and Completion December'21.

- **7.7.ii – Harlow Primary – can more details be supplied on the £2.2m reprofile – is it a particular issue with the Harlowbury site?**

This does relate to the Harlowbury site, which ECC are waiting for planning approval to be given prior to submitting the FBC. The FBC is currently on the Capital Forward Plan for the 28 September meeting. However, the main issue is that there is soil that has been stored on site that needs to be relocated and ECC are being advised that this will be started in August and may not be completed until the end of October, which may mean that works on site can't start until December. The original project plan assumed the soil was to be relocated in April (Easter Holidays) but wasn't due to Covid-19. This delay has resulted in the reprofiling of the budget and could lead to further reprofiling if the soil issue isn't resolved. The soil relocation is subject to a business case being signed-off by the consortium which will approve expenditure to enable the works to take place.

- **7.10.i – M11 J7A – can more detail be provided on what makes up the estimated £4.8m additional costs to implement social distancing in cabins as felt this is a large figure**

An assessment between ECC, Jacobs and the contractor John Graham Construction was carried out to determine the impact of COVID on the project. The most likely scenario estimated additional costs of £4.85m.

The most significant cost increase was an assumed increase to subcontractor/supplier costs of 5%, the requirement for additional site accommodation and the reduced efficiency as a result of the social distancing. The calculations were carried out a point in time based on assumptions around the likely impact of COVID. So it is possible as time passes that the environment changes, for instance at the moment there is a considerable amount of accommodation which can be reviewed at a later date and reduced in line with latest government advice.

5. Future Of The Council's Corporate IT System

Members received report **CPSC/07/20**.

The panel for this item included:

- Councillor Chris Whitbread, Cabinet Member for Finance
- Councillor Susan Barker, Cabinet Member for Customer, Communities, Culture and Corporate
- Nicole Wood, Executive Director of Finance and Technology
- Amanda Moore, Programme Director – Corporate Systems

Cllr Barker introduced the item and officers provided a brief presentation outlining key points raised in the paper. These included:

- ECC currently use 'The Corporate System' (TCS), for the provision of core business processes e.g. paying suppliers, paying employees and general ledger. It is managed on our behalf by Fujitsu.
- Having been sourced in 2014, the system is now considered 'of its time' and does not support modern working practices such as access through mobile devices. It has also been brought home during the COVID response period of home working that a system hosted on ECC networks creates resilience issues.
- ECC currently spends c.£1.6m per year on base service charges under the TCS Agreement with Fujitsu. Development and Change work is in addition to the base service charge. Since 2014, ECC has spent c. £18.9m with Fujitsu under the current contract; this included £5.3m capital investment in licensing and implementation costs.
- TCS goes out of support at the end of 2021, therefore the Corporate Systems Programme was mobilised in June 2019 to undertake research and investigation into the options available to ECC for a new system.
- The conclusion of this discovery phase was a recommendation that ECC should migrate from TCS to Oracle Fusion Cloud. This recommendation was approved by Cabinet in March 2020, along with approval of drawdown of £5.1m from reserves to fund the resources required to implement the programme until September 2020, the systems implementor and the additional licencing costs to 2021/22. A further Cabinet decision will be required to secure the funding for the remainder of the programme which is currently estimated at £8.6m.
- The new system is not a bespoke product like TCS, it will not be able to be adapted to suit our needs as an organisation. Training will take place to work with employees to ensure that the transition is smooth and that officers know how to navigate new processes.
- As this is an 'out of the box' product, it will be more readily updated and maintained.

Following the presentation, members were invited to ask questions and provide comment. Key points raised included:

- Local government reform – members raised concerns with some of the uncertainty around reform proposals. Officers assured members that the new system contract would be an asset in any negotiations with district/unitary partners and could easily form part of any joint proposals for local reform. The risks involved in any transferral of contract would be included in the business case. Members noted that this contract was in the process of implementation, so there is no opportunity to delay until further clarity is provided from central government.
- Issues with previous Fujitsu contract procurement – Members raised concerns with the way in which the previous contract was procured and the issues in terms of how the contract was implemented. While a decision has already been made re. Oracle Fusion, members were assured that the committee would have a role moving forward as it is implemented.
- Potential fraud and web security – Members were assured that this formed part of discussions with Oracle Fusion. Assurances were provided around reliability and safety.

The Chairman thanked both Cabinet Members and officers for their attendance and evidence. It was agreed that a further session would be organised towards the end of the year to discuss implementation of the new system.

A question regarding IT understaffing was raised at the meeting and officers agreed to provide a written answer. The following table outlines current staffing levels within ECC technology services:

	Detail
No FTEs in technology	181 FTE posts
Number of vacancies not in active recruitment	Less than 5
Number of total vacancies	29 vacancies, of which 8 are “under offer”, yet to “accept/start with ECC” or “yet to be moved into post on TCS”. So a total of 21 vacancies of which only 5 are not presently in active recruitment.
Any key points on staffing and capacity	3 Graduates recruited starting in September, out to recruit 10 Technology Apprentices in a new initiative, campaign launching August 2020 for starters in October. Capacity will always remain a challenge as we look to secure skills to deliver change projects, we have some big projects (Cloud, O365, Social

	Care Case Management, Corporate Systems Programme, Next Generation Network Refresh, Contact Centre etc). There is a capacity challenge in the Technical Architecture space, and we are currently out to recruit additional capacity here (both Enterprise Architects and Solution Architects).
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6. Work Programme

The current work programme was noted by the committee.

The committee asked for the following item to added to the work programme:

- Commercial investment strategy
- Property investment update
- Covid-19 finance update
- Staff wellbeing and working from home arrangements
- Legal services
- Reserves
- Trading services
- Local government reorganisation

7. Date of next meeting

The date of the next meeting will be held on Tuesday 29 September 2020 at 10:30am.

8. Urgent business

No urgent business was received.

9. Urgent exempt business

No urgent exempt business was received.

The meeting closed at 12:15 pm.

Chairman