Minutes of the meeting of the Corporate Policy and Scrutiny Committee, held at 10.15am on Thursday, 26 January 2023 in Committee Room 1, County Hall, Chelmsford.

Present:

County Councillors:
Chris Pond (Chairman)
Tom Cunningham
Jane Fleming
Ivan Henderson
Sam Kane
Mike Mackrory (Vice Chairman)
Anthony McQuiggan
Chris Siddall
Wendy Stamp
Mike Steptoe (Vice Chairman)
Marshall Vance

Graham Hughes, Senior Democratic Services Officer, and Emma Hunter, Democratic Services Officer, were also present.

Councillor Sue Lissimore (Deputy Cabinet Member for Finance, Resources and Corporate Affairs) observed the meeting via Zoom.

1 Membership, Apologies, Substitutions and Declarations of Interest

The report on Membership, Apologies, Substitutions and Declarations was received and noted. Apologies for absence had been received from Councillors Mike Garnett, Daniel Land and Andrew Wiles.

2. Minutes

The draft minutes of the meeting held on 8 December 2022 were approved as a true record and signed by the Chairman of the meeting.

3. Questions from the public

There were no questions from the public.

4. 2022/23 Financial Overview as at the Third Quarter and 2023/24 Everyone's Essex Annual Plan and Budget

The Committee considered report CPSC/01/2023 comprising the 2022/23 Third Quarter Financial report and the 2023/24 Everyone’s Essex Annual Plan and Budget as presented to Cabinet on 17 January 2023.

The following joined the meeting to introduce the item:
Councillor Christopher Whitbread, Cabinet Member for Finance, Resources and Corporate Affairs
Stephanie Mitchener, Director of Finance
Christine Golding, Chief Accountant
Adrian Osborne - Head of Strategic Finance & Insight

During the opening presentation (which included picking up outstanding matters arising from the previous financial update discussion) and subsequent questioning and discussion, the following was acknowledged, highlighted and/or noted:

2023/24 Third Quarter Report

(i) There was a Revenue underspend of £4.4m (0.4%). However, before one-off use of reserves to support unbudgeted inflation pressure, there was an underlying overspend of £7.5m.

(ii) Within the forecast position, additional inflation pressures of £18.3m were identified, impacting transport providers and fuel costs, energy costs for street lighting and the ECC estate, and Adult Social Care in particular. The impact of inflation was reviewed monthly to support understanding its impact in-year and to inform building the budget.

(iii) Key drivers impacting the revenue budget were residential, nursing and Reablement, children's residential placements and packages, and Property Transformation.

(iv) There was a capital underspend of £26.2m (9.9%) against the latest budget of £266m. The Cabinet Member stressed that it was an ambitious capital programme.

(v) £36m of savings had been planned in 2022/23 with now £5.9m assessed as non-deliverable in the year and a further £1.3m at high risk of non-delivery.

(vi) Council Tax collection rates had been around 97.5% pre covid and they had held up better than had initially been expected during the pandemic and had now recovered to an overall rate of 97%.

- There were variations in collection rates between districts with the lowest collection rate of 93% in Tendring whilst the highest collection rate was 99% in Uttlesford.
- The impact in financial terms of a 1% fall in collection rates was approximately £8m. Estimates of the numbers of people exempt from Council Tax were built into modelling. The County Council were mindful of the cost-of-living pressures and were trying not to tax any more than they needed to.

- The tax base for 2023/24 was expected to increase by 1.1% driven by new housing. An average increase of 1% flat across all districts was then used for subsequent years.

Matters Arising from Half Year Report discussion

(vii) Five portfolio areas were reported as having staffing underspends at the Half Year stage with three of them experiencing some operational impact as a result. Vacancies being reported in Highways did not include vacancies within contractor operations such as Ringway Jacobs.

(viii) Approximately £61.3m (32%) of the £200m Climate Action plan was to be externally funded.

(ix) The 2022/23 Local Highways Panels Budget and Forecast spend by district as at the Half year report was outlined. Slippage of £2.4m was reported within Local Highways Panels into 2023/24 and this was due to resourcing issues meaning that works could not be delivered in the financial year as intended. The Forecast may further change before the end of the financial year.

2023/24 – 2026/27 Budget Planning

(x) The County Council was faced with many challenges including inflation being twice as high as expected at the time of setting the 2022/23 budget, immense pressure on social care, and the unknown impact of the recession on residents' ability to pay and on supply chains.

(xi) The draft Budget for 2023/24 assumed a total tax increase of 3.5% (lower than current inflation and 1.49% below the maximum increase allowable, of which 2% was the Adult Social Care precept and 1.5% was the core Council Tax increase.

(xii) Council Tax and national non-domestic rates made up approximately 84% of funding for the budget.

(xiii) The proposed Adults Social Care and Health budget was for £506m which was 43% of the overall draft Net Revenue Budget for 2023/24. Learning Disabilities comprised £240m of that figure and support for older people £121m.

(xiv) Children's Services and Early Years comprised £145m (12%), and Highways Maintenance and Sustainable Transport £121m (10%) of the Net Revenue Budget.

(xv) Key pressures totalling £116m which were driving the overall budget position were outlined which included inflation (£68m)

and changes in general need, demographic growth and increased complexity of adult social care packages (£19m). In Children's Services and Early Years' the main driver of growth was around placements and the increasing costs of them.

Capital Programme

(xvi) The draft 4-Year Capital Programme was proposed to be £1.284m. The annual gross revenue cost of financing the capital programme including the aspirational programme was £70m in 2023/24 rising to £101m by 2026/27.

(xvii) Any review of whether to proceed with a capital project had to take careful consideration of any already incurred costs. If such costs were incurred, then it would be written off to revenue account.

(xviii) The use of receipts from disposal of assets was defined and limited by statutory rules and usually could only be used to reduce debt or capital investments.

Risks and uncertainties

(xix) The Medium-Term Outlook forecast a shortfall building up to £75m by 2026/27 after delivering £84m in savings. Council Tax growth would offset some of it and further transformation work was also underway. The capital programme had also been reviewed to take away some revenue pressures from that. The Cabinet Member was confident that there would be sufficient plans put in place to address the shortfall.

(xx) The draft Budget set was based on assumptions and economic forecasts but there was an inherent risk and uncertainty. Key risks included the sustainability of collection of Council Tax at current levels, market failure in Adult Social Care, pent up demand post pandemic for children in care placements, continued uncertainty of government funding, workforce availability risk, inflation, and interest rates.

(xxi) Non-domestic (business) rates received from Government comprised around 20% of funding. Significant work was underway preparing for revaluations going live in April 2023, and the significant business rates reliefs that Districts were having to work through was creating some uncertainty. However, the risk and impact to the County Council of receiving reduced non-domestic rates funding was much smaller than the risk potentially posed by Council Tax with a 1% change in business rates equating to around £0.5m.

(xxii) Planned savings for next municipal year were £36m. A RAG deliverability assessment for delivering planned savings showed that £13m (37%) were cast as green with a low level of delivery risk, £14m 40% was amber and £9m (23%) was red. This was a very similar breakdown compared to the same point last year. The main savings for 2023/24 would substantially be delivered through five major schemes - £5m Staffing Review (which was 2% of the overall staffing budget), Meaningful Lives Matter programme, the Connect Programme, ASC inflation modelling, and a one-off use of reserves relating to Development Management Inspection Funds.

(xxiii) It was intended to continue to draw on reserves to develop strategic priorities. The strategy would be to plateau the level of debt from 2026/27 and mitigate the impact of rising interest rates.

Conclusion

The following actions arising were agreed:

(i) Further information on how much of the external funding for Climate Actions had been received and distinguish the portion that is guaranteed funding.

(ii) Further information on the impact of Education Health Care Plans on ECC and, in particular, the impact of the significant number of successful appeals at Tribunal.

(iii) That the Committee should be updated regularly on the impact of staffing vacancies and that more detail on the impact of staffing reviews be provided and an indication on what staffing levels would be needed in future and the types of posts that may be deleted with breakdown by department/division.

(iv) To provide a breakdown of the £9m savings at risk of non-delivery and provide further information and detail on the weaknesses of savings projections.

(v) Further information and a more detailed breakdown of the £63m deficit be provided.

(vi) That the Committee should be regularly updated on the amount of reserves being drawn down with cumulative total.

(vii) An update on Shire Hall to be included in the estate/property update agenda item scheduled for 23 March.

(viii) Further information on the cost of claims relating to vehicle damage due to highways defects and how this was tracked. The

information should also include any analysis and correlation identified between claims costs and the level of road maintenance and highways improvements. The extra information should include repudiation rates.

(ix) Information in the capital programme be further broken down to show developer contributions for each area and by type – for example, Education, Highways etc.

(x) A specific future update on procurement be scheduled to include analysis of cost pressures, procurement savings, and social value driving benefits.

(xi) That supporting power point presentations used on the day for financial updates to the Committee should be circulated to the Committee at least 24 hours ahead of the meeting.

5. Work Programme

The Committee received and noted report CPSC/02/23 comprising the current work programme. The Chairman would raise with the Leader the most timely scheduling of an update on devolution proposals.

6. Date of Next Meeting

It was advised that the date of the next meeting would need to be rescheduled to facilitate the Leader and Deputy Leader attending for an update on Everyone's Essex. [Clerks Note: subsequently re-scheduled to Monday 13 March 2023.]

There being no further business the meeting closed at 12.15pm

Chairman