
Minutes of the meeting of the Corporate Policy and Scrutiny Committee, held at 10am on Thursday, 14 December 2023 in Committee Room 1, County Hall, Chelmsford.

Present:

County Councillors:

Chris Pond (Chairman)
Mike Garnett
Ivan Henderson
Mike Mackrory (Vice Chairman)
Anthony McQuiggan
Clive Souter
Wendy Stamp
Mike Steptoe (Vice Chairman)

Members of the Committee joining remotely via Zoom:

Simon Crow
Lewis Barber
Sam Kane (from 10.55am – during item 4)

Councillors from other scrutiny committees also present:

Carlo Guglielmi, Vice Chairman - People and Families Policy and Scrutiny Committee

Councillor from another scrutiny committee joining remotely via Zoom:

Alan Goggin, Chairman - Place Services and Economic Growth Policy and Scrutiny Committee.

Graham Hughes, Senior Democratic Services Officer, and Lisa Siggins, Democratic Services Officer, were also present.

1 Membership, Apologies, Substitutions and Declarations of Interest

The report on Membership, Apologies, Substitutions and Declarations was received and it was noted. Apologies for absence had been received from Councillors Lewis Barber, Sam Kane and Marshall Vance (who all joined part of all of the meeting remotely via Zoom as indicated above).

2 Minutes and Matters Arising

The draft minutes of the meeting held on 7 November 2023 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.

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Failing Councils – What can we learn?

The Committee considered report CPSC/23/23 incorporating background information relating to lessons learned from local authorities that had experienced significant financial challenges and been subject to statutory intervention in recent years. It also summarised common themes identified and considered any associated risks for Essex County Council.

The following joined the meeting for the duration of the item:

- Councillor Chris Whitbread, Cabinet Member, Finance, Resources and Corporate Affairs.
- Stephanie Mitchener - Director, Finance
- Paul Turner, Director Legal and Assurance and Monitoring Officer
- Nicole Wood, Executive Director: Corporate Services

Key points raised during the introductory presentation and subsequent discussion included:

- (i) Some of the Councils may have 'lost oversight' of some of their services as they had been operated through smaller standalone companies.
- (ii) Some councils had made significant investments that, whilst in the short term may have been at least partly successful, had failed and/or incurred major overspends and, in some cases, were now having to be 'unpicked' at significant cost.
- (iii) Some councils were facing serious difficulties regarding indebtedness with investment returns not meeting expectations and/or on the timelines expected. Some councils had established separate property companies and lent them significant money.
- (iv) A common financial challenge being faced by many of the councils was erosion of reserves. As a result, they were no longer able to cope with one-off financial pressures and fluctuations in their budget compounded by insufficient medium and long-term financial planning. Some members suggested contributory factors for this could have been reduced levels of Government funding of local government, the capping or freezing of council tax, together with a previous encouragement by Government for Councils to borrow to fund investments, particularly in commercial property.
- (v) In many cases there had been insufficient oversight of gearing and risk. Debt exposure had been shown to be a significant issue and it was suggested that, whilst it was a complex subject, it often did not get sufficient and rigorous enough scrutiny. There needed to be regular 'reality checks'.

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- (vi) Common organisational challenges being identified included poor officer leadership culture, poor political leadership, difficulties with leadership interactions and the sharing of information and overall transparency.
 - (vii) There had been some criticism of governance and oversight processes including the role and performance of Scrutiny Committees and whether they had been looking at the right issues that could have highlighted concerns earlier. The Thurrock BVI report, in particular, had suggested senior officers had diverted scrutiny committees and members away from some of the key issues and risks. ECC was looking at providing further training for senior officers on decision-making.
 - (viii) At a national level various improvement and support processes were underway led by professional bodies such as the Local Government Association, CIPFA, SOLACE and the LLG.
 - (ix) Members opined that a common background thread seemed to be that councils were under pressure to find new innovative ways to raise funds. Some councils had set up specific investments held in standalone company structures but had not established robust control, oversight and reporting arrangements for them. A review of the operations of the ECC shareholder board which oversaw subsidiaries and company investments was underway. There was some acknowledgement that perhaps current informal controls for Essex Cares Limited, in particular, needed to be more formalised.
 - (x) Members queried the role of the statutory auditors in also identifying early warning signs and whether the current delay in finalising many local government statutory audits opened-up more risk.
 - (xi) Some members suggested that all Cabinet Reports first could be considered by the relevant Scrutiny committee ahead of decisions being made.
 - (xii) Some members referred to the ongoing significant cost pressures for ECC from home to school transport, children's services and SEND services, in particular, and questioned the plans to mitigate these pressures. A Financial Oversight board had been established to help provide a better understanding of these types of pressures.
 - (xiii) The timing of the issue of a s114 Notice by the Section 151 Officer could be quite nuanced as there needed to be consideration of various criteria and issues.

- (xiv) Proposed ECC projects should continue to need to demonstrate best value and scrutiny committees would be expected to have a role in holding decision-makers to account if projects were not achieving best value. It was highlighted by the Chancellor of Essex that he felt that business planning processes had been further strengthened to stress best value.

Conclusion

During the discussion it had been suggested that there could be more scrutiny of investment and risk in subsidiary companies. This could be considered further as part of work planning.

The contributors were thanked by the Chairman for their attendance and then left the meeting.

5. 2024/25 Budget Setting Process

The Committee considered report CPSC/24/23 which provided an overview of the budget process for 2024/25, including how the budget was built, key risks being considered, the uncertainty driving the medium term, and key dates in the lead-up to the February 2024 Council meeting.

The following remained from the previous agenda item to introduce the update and respond to questions:

- Councillor Chris Whitbread, Cabinet Member, Finance, Resources and Corporate Affairs.
- Stephanie Mitchener - Director, Finance
- Nicole Wood, Executive Director: Corporate Services

Key points raised, acknowledged and/or noted during the discussion included:

- (i) The process for setting the 2024/25 budget and the medium-term resource strategy had been underway since the beginning of the financial year. As set out in February 2023, the medium-term resource strategy had forecast a budget gap of £19m for 2024/25, rising to £75m by 2026/27.
- (ii) There were a number of risks and challenges that were being faced in setting the next year's budget including the ongoing uncertainty around forecast levels of inflation and how that would impact contractual expenditure as well as increases in the national living wage. It was reported that normally a 1% increase in the National Living Wage could result in approximately £4m of budgetary pressure. ECC had also seen significant in-year pressures across Children in Care and Home to School Transport, that would impact on the budget for 2024/25.

- (iii) Whilst there was confidence in MTRS assumptions being made, the factor where there was least confidence and most uncertainty was around future government funding. There was some frustration that there was still no multi-year settlement as it would help with planning a budget.
- (iv) Initial indications were that the Government provisional settlement for local government would align with ECC's current expectations and budget planning assumptions. Some members expressed frustration that the trend data on the levels of Revenue Support Grant received by the County Council which had been provided in response to a request at a previous meeting had only tracked back to 2015 and not further back.
- (v) Approximately 84% of budget funding was from tax with Council Tax contributing approximately 68%. There had been some expectation of a reduction in council tax collection rates in the current financial year due to the cost-of-living pressures being faced by businesses and residents but the collection rates had actually held-up well in the current year.
- (vi) The 4-year Capital Programme was weighted towards economic renewal and planning. The Programme had approximately a £1bn proposed spend with £400,000 of it financed from grant funding with the Housing Infrastructure Fund being a major contributor.
- (vii) Some members challenged whether the Council would be able to continue to meet all of its statutory responsibilities and also keep services at existing levels if budget savings were also being sought. The Chancellor of Essex stressed that ECC would always be looking at opportunities for efficiency savings and that the recently announced transformation programme and roadmap would be looking at how and if any services could be provided differently in future. Advances in technology had already, and would continue to, change the manner in which some services could be offered and delivered.
- (viii) Whilst delay in the implementation of proposals for social care reform meant that ECC had not received the scale of funding for implementation of all the proposed changes, some limited funding had been received to help prepare for implementation.

Conclusion

It was agreed to provide the following:

- (i) In relation to s106 and s278 Developer Contributions, further information on the tracker system used to maximise the use of

those contributions collected and manage the financial risks of having to return contributions due to non-delivery of projects.

- (ii) Analysis looking at the growth of Council Tax income from new housing against the increased costs of infrastructure and other support required for new developments.

It was also agreed to consider further, in consultation with the Scrutiny Board as necessary, whether some of the financial information that came to Corporate Policy and Scrutiny Committee should be passported out to relevant service-based scrutiny committees for them to scrutinise instead.

The contributors were thanked by the Chairman for their attendance and then left the meeting.

6. Devolution: Developing the Deal

The Committee noted report CPSC/25/23 providing an update on recent and current discussions on a possible Greater Essex devolution deal.

7. Work programme

The Committee considered and noted report CPSC/26/23 which comprised the current work programme for the Committee. The results from the current Member Enquiries Service survey would be added to the Work Programme

8. Urgent Business

No items were raised.

The Chairman then closed the meeting at 12.15pm

Chairman