



Corporate Policy and Scrutiny Committee

10:30	Tuesday, 30 October 2018	Committee Room 1 County Hall, Chelmsford, CM1 1QH
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For information about the meeting please ask for:

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Pages

Private Pre-Meeting: Corporate Policy and Scrutiny Committee Members Only

To be held at 9:30am in Committee Room 1, County Hall.

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|----------|---|----------------|
| 1 | Membership, Apologies and Declarations
To be reported by the Member Enquiries Manager. | 4 - 4 |
| 2 | Minutes of previous meeting
To note and approve the minutes of the meeting held on Tuesday 25 September 2018. | 5 - 7 |
| 3 | Questions from the Public

A period of up to 15 minutes will be allowed for members of the public to ask questions or make representations on any item on the agenda for this meeting.

On arrival, and before the start of the meeting, please register with the Committee Officer. | |
| 4 | 2018/19 Financial Overview as at the Half Year Stage
The committee will receive an update on ECC's financial position as at the half year stage. | 8 - 27 |
| 5 | Pre-Scrutiny Budget | 28 - 52 |

- 6 Task and Finish Group: ECC's Resourcing Contract**
The committee will receive a verbal response to the recommendations put forward by the committee's Task and Finish Group.
- 7 Your Voice Focus Groups 2018 Summary Report** **53 - 57**
The committee to receive the written report in follow-up to the verbal presentation given at the previous meeting.
- 8 Work Programme - October 2018** **58 - 60**
To note the current position as regards the committees work programme.
- 9 Date of Next Meeting**

To note that the next meeting of the Corporate Policy and Scrutiny Committee is scheduled for Tuesday 27 November 2018, commencing at 10:30am.

Please be aware that the meeting will be held in Committee Room 2.
- 10 Urgent Business**
To consider any matter which in the opinion of the Chairman should be considered in public by reason of special circumstances (to be specified) as a matter of urgency.
- 11 Urgent Exempt Business**
To consider in private any other matter which in the opinion of the Chairman should be considered by reason of special circumstances (to be specified) as a matter of urgency.

Exempt Items

(During consideration of these items the meeting is not likely to be open to the press and public)

To consider whether the press and public should be excluded from the meeting during consideration of an agenda item on the grounds that it involves the likely disclosure of exempt information as specified in Part I of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act.

In each case, Members are asked to decide whether, in all the circumstances, the public interest in maintaining the exemption (and discussing the matter in private) outweighs the public interest in disclosing the information.

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Committee: Corporate Policy and Scrutiny Committee

Enquiries to: Richard Buttress, Member Enquiries Manager

Membership, Apologies, Substitutions and Declarations of Interest

Recommendations:

To note

1. Membership as shown below
2. Apologies and substitutions
3. Declarations of interest to be made by Members in accordance with the Members' Code of Conduct

Membership

(Quorum 4)

Councillor M Mackrory (Chairman)
Councillor I Henderson (Vice-Chairman)
Councillor V Metcalfe (Vice-Chair)
Councillor J Abbott
Councillor J Beavis
Councillor M Buckley
Councillor M Garnett
Councillor M Hardware
Councillor J Moran
Councillor R Pratt
Councillor W Schmitt
Councillor A Sheldon
Councillor M Steptoe
Councillor A Turrell

Apologies

Councillor Hardware (substituted by Cllr J Aldridge)

Minutes of the meeting of the Corporate Policy and Scrutiny Committee, held in Committee Room 1 County Hall, Chelmsford, CM1 1QH on Tuesday 25 September 2018

Present

Cllr M Mackrory (Chairman)	Cllr M Hardware
Cllr V Metcalfe (Vice-Chair)	Cllr J Moran
Cllr J Abbott	Cllr R Pratt
Cllr J Beavis	Cllr A Sheldon
Cllr M Garnett	Cllr M Steptoe
Cllr I Grundy	

Apologies

Cllr I Henderson	Cllr A Turrell
Cllr W Schmitt	

Andy Gribben, Senior Democratic Services Officer was in support of the meeting.

1. Membership, apologies and declarations

Apologies were received from Cllr Henderson, Cllr Schmitt and Cllr Turrell.

Cllr Grundy acted as a substitute for Cllr Schmitt.

No declarations of interests were received.

2. Minutes of previous meeting

The minutes of the meeting held on Tuesday 31 July 2018 were agreed as an accurate record by the Chairman, pending one alteration which has now been amended.

3. Questions from the public

There were no public questions.

4. Your Voice Focus Groups – initial findings

Cllr Mackrory welcomed the following officers to the meeting:

- Pam Parkes, Director, Organisation Development and People
- Craig Tubbs, Employee Experience Lead

Cllr Mackrory began by providing the committee with the context around this item. This topic was originally brought to the attention of the Scrutiny Board by Gavin Jones, Chief Executive at its meeting in May 2018. Concerns were raised around some of the negative feedback received following the staff survey and suggested that the relevant scrutiny committee receive more detailed information around the results of the survey.

In introduction, Pam stated she appreciated the concerns raised by the Chief Executive around how staff were feeling and is aware that happy staff means productive staff.

Prior to this being raised at the Scrutiny Board, the Chief Executive had already commissioned Pam's team to undertake more detailed work to find out more about the results of the staff survey.

The staff survey was conducted in March 2018 and around 5000 employees completed it, which equates to around 58% of the total workforce and was felt to be a good response rate.

The survey was conducted by an independent, third party company – the reason being that it gave staff confidence that would be managed well, remain anonymous and response put forward would not be pre-vetted.

Up until 2016, previous staff surveys have been conducted yearly however following review this approach was changed and the surveys are now undertaken on a bi-annual basis. The reason for this was that it was felt that the annual surveys were not providing the right sort of trend data.

Overall, the employee engagement index went down by 2% compared to the survey completed in 2016. Pam felt this was not a dramatic reduction in engagement. Over the last two years, there has been significant change in how Essex County Council (ECC) conducts itself and its leadership. Employees have gone through the organisational redesign as well as changes to pay and contractual terms and conditions.

The two main issues that arose from the staff survey were around:

- Change is not managed well
- Didn't feel ECC had its customers at the heart of everything

The main positive from the survey was that employees felt the perception of leadership and management had improved significantly. The Chief Executive had one of the highest scores in terms of employee perception around his leadership. There were also indications of improvement around employee development, communication and collaboration.

During July and August, the Employee Experience team ran 12 Your Voice Focus Group sessions across the County, at all of ECC's main office building sites.

There were two ways employees could sign up to attend one of the groups. Firstly, there was a sign up option which could be accessed via ECC's Intranet and OneNews site. The second option used random sampling to generate a list of employees across different teams, job roles and length of service who received a personal invitation to attend one of the sessions.

In total, 80 employees attended across the 12 sessions, which were hosted by a member of the Employee Experience team.

Cllr Beavis left the meeting at 11:15am.

The committee were encouraged to hear about the work that has been undertaken and were pleased to hear that so many staff attended the staff roadshows.

Consideration is being given to holding meetings outside of County Hall, to increase engagement with those employees who are not based in Chelmsford, making management more visible.

There is no structural format around identifying hidden staff talents during these surveys. There is a desire to improve this however the system at the moment is not sophisticated at the moment. It is important to see staff as rounded individuals.

In summary, a report on the outcomes from the Your Voice Focus Groups will be written and presented to the committee at its October 2018 meeting.

5. Summary of committee activity since September 2017

This report was noted by the committee. Some of these items will fall into this year's works programme.

6. Work Programme – September 2018

The updated work programme was noted. A further planning session took place upon conclusion of the formal meeting.

7. Date of future meetings: 2018 – 2019

The dates of future meetings were noted by the committee. All meetings will commence at 10:30am, following a private pre-meeting at 9:30am.

Calendar invites for these meetings have been sent to all committee members.

8. Date of next meeting

To note that the next meeting of the Corporate Policy and Scrutiny Committee will be held on Tuesday 30 October 2018.

9. Urgent business

No urgent business was received.

10. Urgent exempt business

No urgent exempt business was received.

The meeting closed at 11:40am.

Chairman

Report title: 2018/19 Financial Overview as at the Half Year Stage	
Report to: Corporate Policy and Scrutiny Committee	
Report author: Margaret Lee, Executive Director for Corporate and Customer Services	
Date: 30 October 2018	For: Discussion
Enquiries to: Tina French, Head of Strategic Finance and Insight Telephone: 03330 138461 Email: tina.french@essex.gov.uk	
County Divisions affected: All Essex	

1. Purpose of report

- 1.1 The purpose of this report is to set out the forecast financial position of Essex County Council's (ECC) revenue and capital budgets as at the half year stage of the 2018/19 financial year. There is a forecast under spend of **£238,000 (0.03%)** against a net budget of **£915.9m**.
- 1.2 This is an improvement since the Quarter 1 report of **£7.4m**.
- 1.3 This assumes full commitment of the Emergency Contingency (**£4m**), which if not required would result in a full year forecast under spend of **£4.2m**.
- 1.4 The report also sets out an under spend of **£8.9m** on capital against the current budget of **£300.1m**. After taking account of budget change requests in this report there will be an under spend of **£198,000**.

2. Recommendations

Approval is sought for the following:

- 2.1 To draw down funds from reserves as follows:
 - i. **£150,000** from the Essex Education Service (EES) for Schools Reserve to the Education Traded portfolio for additional staff costs whilst a new team structure is put in place
 - ii. **£122,000** from the Local Projects Reserve to the Leader portfolio in order to cover costs incurred to date for the Essex Association of Local Councils
 - iii. **£103,000** from the Communities Initiative Fund Reserve to the Reserve for Future Capital Funding, via Culture and Communities portfolio to match expenditure incurred to date in relation to grants to third parties for community improvements (section 7.5)

- iv. **£97,000** from the Community Initiatives Fund Reserve to the Culture and Communities portfolio to support expenditure incurred to date, in relation to grants to third parties for community improvements
- v. **£92,000** from the Transformation Reserve to the Children and Families portfolio in relation to redundancies resulting from the Adoption Review
- vi. **£47,000** from Reserve for Future Capital Funding to Customer and Corporate portfolio to fund revenue costs associated with accessible rooms (see section 5.4)
- vii. **£30,000** from the Transformation Reserve to the Children and Families portfolio to provide one off funding for the Dad Factor project which is part of the sustainability programme within Children and Families
- viii. **£30,000** from the Transformation Reserve to the Environment and Waste portfolio in respect of the Green Assets Country Park project (previously approved FP/633/04/14 however requesting re-approval in line with financial regulations given time lapsed) to cover costs incurred in the resurfacing works on car parks
- ix. **£20,000** from the EES for Schools Reserve to the Education Traded portfolio to cover business improvement costs

2.2 To appropriate funds to reserves as follows:

- i. **£2.1m** to the Adult Digital Programme reserve from the Health and Adult Social Care portfolio due to the delayed implementation of the Digital Programme Project; to be utilised in 2019/20
- ii. **£128,000** to be returned to the A130 PFI Equalisation Reserve from the Infrastructure portfolio in respect to an over estimated accrual at the end of 2017/18
- iii. To transfer **£4.9m** to the carry forward reserve from the following portfolios, to bank under spends in the current year to support the delivery of next year's budget:
 - a. **£3.6m** from Finance, Commercial and Traded RSSS
 - b. **£736,000** from Leader RSSS
 - c. **£350,000** from Customer and Corporate RSSS
 - d. **£202,000** from Leader portfolio

2.3 To approve the following adjustments:

- i. To move School Advertising Scheme currently operating as a Traded Service within EES for Schools (Finance Commercial and Traded portfolio) to Education and Skills portfolio (see 6.3)

- ii. To amend the capital budget as shown in Appendices C (i) and C(ii) which allows for capital slippage of **£12.4m**, capital budget additions of **£7.4m**, capital budget reductions of **£10.9m** and advanced works of **£1.3m** (see section 7)
- iii. To transfer **£48,000** from the Carry Forward reserve to the General Balance. This is the remaining balance from 2017/18 which is no longer required
- iv. To vire **£198,000** to Customer and Corporate RSSS from Central and Other Operating Costs to offset non-delivery of savings
- v. To vire **£142,000** from Finance, Commercial and Traded Services RSSS to Customer and Corporate RSSS following a transfer of posts into the function
- vi. To vire **£42,000** from Health and Adult Social Care portfolio to Children and Families portfolio to part fund the Head of Essex Social Care Academy post
- vii. To vire **£26,000** from Customer and Corporate RSSS portfolio to Culture and Communities portfolio following the re-assignment of one member of staff back to Trading Standards.

3. Executive Summary: Revenue

- 3.1 Appendix A summarises the revenue budgets and forecast outturn for each portfolio (excluding further changes relating to Essex Pay – see 3.3 below). There is a full year forecast under spend of **£238,000**, driven by service expenditure. This under spend represents **0.03%** of net expenditure (**£915.9m**). It also assumes full commitment of the emergency contingency of **£4m**, which if not required would result in a full year forecast under spend of **£4.2m**. Further detail can be found in Section 5.
- 3.2 The under spend of **£238,000** is due to a number of offsetting variances. The most significant under spends relate to interest earned and income in excess of budget. This has been offset by pressures on Special Educational Needs (SEN) Home to School Transport (**£2m**). The overall position has improved by **£7.4m** since Quarter 1, primarily due to reductions in volume and price in Adult Social Care (**£2.8m**); an increase in income from residential placements in Adult Social Care; greater than expected income from bus lane enforcement activities (**£1.7m**); and the removal of Technology Services staffing savings following the increased staffing set out in the Organisation Design proposals, which is to be funded from a proposed reserve drawdown (subject to a separate Cabinet Member decision).
- 3.3 The forecast position reflects the partial implementation of Essex Pay, as services are transitioned to the new Pay and Grading system. Funding has been set aside for this purpose and is being draw down as and when

adjustments are effected. In addition, staff costs will increase due to the acceleration to rate for the job and pay increases for staff outside of Essex Pay. This is estimated to cost **£1.8m**, and not reflected in the position shown in Appendix A.

- 3.4 In the Provisional Outturn Report for 2017/18 (FP/088/02/18), approval was given to increase the withdrawal from the Transformation Reserve up to **£8m** for redundancy costs arising from the Organisation Design. To date, **£6.5m** has been withdrawn from the Transformation Reserve for this purpose. The Organisation Design programme is in the final stages and to date, annual savings of circa **£9m** have been agreed which more than pay back the one-off investment.
- 3.5 As always, the forecast is based on current intelligence and is a mid-range position. There are net opportunities of **£14.1m** not yet included within the current forecasts mainly due to savings that are not reflected in the forecast due to their risk profile, and budget set aside for projects that may not be used.
- 3.6 The position reported in section 5 is after proposed adjustments in this report, set out in recommendations 2.1 to 2.3.

4. Executive Summary: Capital

- 4.1 The original capital programme for 2018/19 as set by Full Council in February 2018 was **£298.6m** including property investment. The forecast outturn is **£291.2m**. Before adjustments proposed within this report this represents an under spend of **£8.9m** against latest budget of **£300.1m**. After taking account of budget changes requests in this report, there is a residual under spend of **£198,000**. This mainly relates to Customer and Corporate, and Education. More detail is set out in Section 7.
- 4.2 Appendix C (i) summarises current year forecasts along with changes in the Capital Programme for 2018/19 since approval of the original programme in the Budget Report to Council in February 2018. Appendix C (ii) contains the detail of the budget adjustments seeking approval.
- 4.3 **£107.5m** has been spent on capital works in the first half of the year, this represents **39%** of the programme's forecast spend for the year (excluding Property Investment).

5. Revenue Position

5.1 Health and Adult Social Care - £1m over spend (0.2%)

- i. The portfolio is forecasting an over spend of **£1m**, **0.2%** of net budget. The gross forecast reflects an over spend of **£2.5m** on expenditure offset by **£1.5m** income in excess of budget

- ii. The main drivers causing the forecast over spend of **£1m** are:
 - Increase required to the Bad Debt Provision of **£2m**, based on the latest debt profile
 - Non-delivery of the **£1.6m** digital programme savings due to delays in mobilisation, which has affected our ability to reduce Domiciliary Care costs
 - Non-delivery of savings in respect of Grants to Voluntary Organisations **£1m**, as ceasing these grants would be a reduction in care provision
 - Alternative placements required due to a provider failure - **£259,000**
- iii. However, these over spends are mitigated by the following under spends:
 - Across Care and Support there is an under spend of (**£3m**) due to lower than budgeted price and volume.
 - Safeguarding under spend (**£592,000**) due to lower than budgeted number of assessments.
- iv. There has been an improvement of **£2.8m** since the Quarter 1 report. This is due to reductions in the number of service users in receipt of domiciliary care or direct payments along with a reduction in the average size of the packages. There has also been an increase in income from residential placements as more Older People are being placed in residential and nursing care than budgeted.

5.2 Children and Families - £88,000 (0.1%) over spend

- i. The forecast over spend is **£88,000** against a budget of **£117.7m**.
- ii. The placing of children externally continues to be volatile and at high cost. Competition remains high to secure these placements with external providers, however whilst there is an increasing demand for higher cost care episodes these are being mitigated through fluctuations of demand for other types of care placements. The current Children in care (CIC) population is 1,063 compared to budgeted volume of 1,087. The variation between placement types means that the authority's CIC demand remains a risk. For example, the authority has external residential placements of 111 compared to 99 budgeted, this placement type has the highest unit cost per week.
- iii. In addition, the service continues to face other risks:
 - Potential increase in the use of Supported Living / Semi Independent Accommodation (**£0.7m**)
 - Increasing use of section 17 where the authority has a duty of care for children in need to safeguard and promote their welfare. A review is underway on this activity
 - Families moved to Essex from London boroughs without support or help with either housing or social needs. Ruled 'intentionally homeless' by the placing authority then evicted into local area.

5.3 Culture and Communities - £51,000 (1.6%) under spend

- i. The under spend is due to staffing vacancies as a result of the recently completed organisation re-design, and reflects the timing of when the posts are likely to be filled.

5.4 Customer and Corporate - £345,000 (2.4%) under spend

- i. The under spend is due to staff vacancies held within the Libraries Service (£186,000) and a reduction in 'as and when' staffing costs within Registrars (£122,000). The under spend is after a proposed draw down of £47,000 from the Reserve for Future Capital Funding to support revenue costs required as part of the Future Libraries Capital Programme.

5.5 Deputy Leader and Infrastructure - £2.3m (4.5%) under spend

- i. The under spend is mainly due to lower than anticipated traffic volumes on A130 PFI (£553,000), and higher than expected income from bus lane enforcement activities (£1.7m). The under spend reported within this portfolio provides the in year opportunity to offset the £2m pressure attributable to Special Educational Needs (SEN) Home to School Transport over spend, reported within the Education and Skills Portfolio.

5.6 Economic Development - £662,000 (8.5%) under spend

- i. The under spend is due to in-year staffing vacancies as a result of the recently completed organisation re-design. The under spend reflects the timing of when the posts are likely to be filled.

5.7 Education Non Dedicated Schools Grant - £2.5m (3.2%) over spend

- i. The over spend is due to Special Educational Needs (SEN) Home to School Transport (£2m) based increased service users numbers relating to the rise in SEND provision. A recovery plan is in place across the Highways and Transportation function which mostly sits within the Infrastructure portfolio.

5.8 Education Dedicated Schools Grant (DSG) - £1.3m over spend

- i. The over spend is due to Special Educational Needs and Disability (SEND) Strategy and Innovation where the introduction of matrix banding to how SEND pupils are assessed has increased the cost of Special School and Enhanced Provision pupil top up funding. A deep dive is currently under way to identify mitigation for this year. Any remaining over spend at the 31st March will be carried forward to 2019/20 for Schools Forum to determine a mitigation plan. There are no financial implications for the authority.

5.9 Environment and Waste - £115,000 (0.1%) over spend

- i. This is due to lower than expected income in Country Parks due to the planning delays for the Notley Zip Wire and delays in the go live of Belhus Woods play area which became operational in the summer. Visitor numbers accessing the Country Parks during the summer have remained high even though there has been competition from coastal attractions.

5.10 Finance, Commercial and Traded Services - £790,000 (4.9%) under spend

- i. The under spend is due to reduced share back from the Council Tax Sharing Scheme (**£943,000**), partly offset by the impact of changes in the likely collection rates since the budget was set (**£160,000**).

5.11 Leader - £101,000 (1.3%) under spend

- i. This is mainly due to a small number of vacancies pending recruitment across a number of service areas including the Chauffeuring Service (**£35,000**), Strategy, Insight and Engagement management (**£22,000**) and Hadleigh Country Park (**£54,000**).

5.12 Customer and Corporate Recharged Support Services - £26,000 (0.1%) under spend

- i. Technology Services has an over spend of **£393,000** where residual savings for the Digital Foundation Programme (**£436,000**) do not currently have a delivery plan. New business cases are expected during the next quarter setting out mitigations. The pressure is partly mitigated by a favourable income variance within Information Governance and vacancies across Customer Services (**£189,000**).
- ii. The position is presented after a pending Cabinet Member Action to support investment in the redesign of Technology Services (**£1.2m**). Should this not be agreed the position will worsen by **£1.2m**.
- iii. There is improvement of **£653,000** since Quarter 1 due to a reserve drawdown to offset non delivery of Technology Services savings as part of organisation redesign (**£1.1m**), offset by increases in third party contract commitments.

5.13 Finance, Commercial and Traded Services Recharged Support Services - £211,000 (0.7%) under spend

- i. The under spend is mainly attributable to vacancies across Business Support (**£97,000**) held in anticipation of Organisation Design changes, and Finance (**£83,000**) where there are still some vacancies pending recruitment following Organisation Design implementation.

5.14 Leader Recharged Support Services - £5,000 (0.1%) over spend

- i. No material variance to budget is anticipated.

5.15 Other Operating Costs - £1.1m (3.0%) under spend

- i. The under spend of **£1.1m** is due to a higher than budgeted return on cash balances due to favourable rates currently available in the market.

6. Trading Activities

6.1 Traded Services are forecasting a **£5.1m** surplus, which is a reduction of **£111,000** against target due to School Sickness Insurance scheme where the year end estimate of liabilities were understated.

6.2 This position does not reflect the planned sale of EES (FP/102/03/18). There is a **£200,000** net risk relating to loss of profit that could impact on the overall position.

6.3 As a result of the sale of EES, the School Advertising Scheme will transfer to the Education and Skills portfolio.

6.4 Appendix B shows the position by each Trading Activity.

7. Capital

7.1 The forecast on the total capital programme is an under spend of **£8.9m** against the latest capital budget of **£300.1m**. After taking account of budget change requests in this report there is a residual under spend of **£198,000**.

7.2 Approval is sought for:

- i. Slippage of **£12.4m**
- ii. Budget additions of **£7.4m**
- iii. Budget reductions of **£10.9m**
- iv. Advanced works of **£1.3m**

7.3 The key points to note are listed below, and the detailed requests are shown at Appendix C(ii).

7.4 Health and Adult Social Care - £1.2m under spend

- i. **Independent Living, Older People and Adults with Disabilities, Smiths Farm**; Approval is sought to re-profile **£1.1m** for Older People and **£175,000** for Adults with Disabilities into 2022/23 and 2020/21 respectively, so the projects will run over 2019/20 and 2020/21. This is as a result of delays in land purchase preventing progress in the project.

7.5 Culture and Communities - £103,000 over spend

- i. **Community Initiatives;** Approval is sought to draw down from the Community Initiatives Fund Reserve for expenditure incurred to date of **£103,000** in relation to grants to third parties for Community improvements.

7.6 Customer and Corporate - £501,000 under spend

- i. **IS delivery programme £454,000** under spend. Spending was held while the Digital Foundation Programme business case was reviewed and developed. This has now been approved and will be taken forward. **£400,000** of this funding will be removed from the capital programme pending a separate decision.

7.7 Deputy Leader and Infrastructure - £9.1m under spend

- i. **BDUK Superfast Broadband Programme;** The original funding sources assumed for the project have not come to fruition and at this stage it is not anticipated that any expenditure will take place in 2018/19. Approval is therefore sought for a **£5.4m** reduction to budget relating to Phase 4b. Approval is also sought to re profile **£748,000** for Phase 2a due to the confirmation of milestone payments being lower than anticipated due to a change in calculation method.
- ii. **Harlow Enterprise Zone and A414 Pinch Point Delivery Package;** This scheme comprises of two sites Edinburgh Way and Templefields. There have been land ownership issues at Templefields which may require a compulsory purchase order. Work cannot begin until the land issues are resolved; therefore, approval is sought to re-profile budget of **£1.8m** into 2019/20.
- iii. **Basildon Integrated Transport Package;** Part of this scheme, Endeavour Drive, is unlikely to be delivered due to route viability issues; therefore approval is sought to re-profile **£1.4m** into 2019/20 which may then be spent on other elements of the scheme.
- iv. **Colchester Integrated Transport Package;** Approval sought to advance **£1m**, as the scheme is going ahead more swiftly than expected due to previous issues with regards to a wall being resolved.
- v. **A120 Preferred Route;** Approval is sought to re-profile **£931,000** into 2019/20 for stage 3 of the project, as spend is expected to occur next year based on discussions with Highways England.
- vi. **A414 Harlow to Chelmsford Route Based Strategy;** Approval is sought to re-profile **£500,000** into 2020/21 due to on-going delays on multiple work packages.

7.8 Economic Development – £2.5m under spend

- i. **Maldon Friary;** Approval sought to re-profile **£2.4m** into 2019/20 in respect of Maldon Friary due to a delay in planning permission.
- ii. **Moulsham Lodge;** Approval sought to re-profile **£233,000** into 2019/20 as a result of lost development time owing to weather delays and badger investigations.

7.9 Education - £1.4 under spend

- i. **Colchester Basic Need;** There is an over spend of **£3.6m** which predominately relates to Paxman Avenue Secondary School. The contractor has been able to deliver a faster programme than originally expected enabling a greater proportion of the scheme to be built in 2018/19. By delivering this build faster the asset can be transferred to the Academy Trust earlier and reduce the security costs of owning the site until September 2019. The advanced budget will be funded by other basic needs schemes where expenditure has slipped into 2019/20.
- ii. **Special School Delivery Programme;** Approval is sought to advance **£1.6m**, due to finalising the programme for a number of schemes including Social, Emotional and Mental Health provision. This addition is funded from Schools Forum and has no revenue impact for the authority.
- iii. **Tendring Secondary Basic Need;** There is an under spend of **£1.9m** which relates to the scheme at Clacton County High School. There are land transfer issues which have left the scheme unable to proceed until they are resolved.
- iv. **Uttlesford Basic Need;** There is an under spend of **£1.8m** which mainly relates to schemes that had originally been identified and are now not required in 2018/19 and so it is requested for the budget to be re-profiled to fit in with the revised 10 Year Plan.

7.10 Controlled Elsewhere - £230,000 under spend

- i. Approval is sought for a reduction of **£230,000** in relation to the Schools Devolved Formula Capital grant, which ECC hold on behalf of Essex Schools and have no control over the spend, for transactions that do not meet the capitalisation criteria.

Appendix C provides a comparison of approved and forecast outturn capital payments by Portfolio and sets out the variance plan which summarise the proposals for addressing the forecast budget variances.

8. Policy context and Outcomes Framework

This report is an assessment of the financial position of the County Council, which itself is a representation of the corporate plan. The budget and corporate plan were approved in parallel in February 2018.

9. Reserves

A summary of the forecast balances on reserves is provided in **Appendix D**.

10. Treasury Management and Prudential Indicators

A summary of the investment and borrowing levels is provided in **Appendix E and F**.

11. Financial Implications

Finance and Resources Implications (Section 151 Officer)

- 10.1 The report is provided by the Section 151 Officer. There are no further comments.

11. Legal Implications

- 11.1 The Council is responsible for setting the budget each year. Once agreed the executive then have to implement the policy framework and keep within the budget, subject to the limits set by Financial Regulations.

12. Equality and Diversity implications

- 12.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when ECC makes decisions it must have regard to the need to:
- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act
 - (b) Advance equality of opportunity between people who share a protected characteristic and those who do not
 - (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.
- 12.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.
- 12.3 The equality implications are assessed as part of budget setting process and as part of individual schemes.

- 12.4 There are no equality and diversity or other resource implications associated with this report.

13. List of Appendices

Appendix A	Revenue Forecast Outturn
Appendix B	Trading Activities
Appendix C (i)	Capital Forecast Outturn
Appendix C (ii)	Capital Variance Plan
Appendix D	Balance Sheet - Earmarked Reserves
Appendix E	Treasury Management
Appendix F	Prudential Indicators

(Available at www.essex.gov.uk if not circulated with this report)

14. List of Background Papers

Budgetary control reports.

Appendix A

Revenue

	Year to Date			Full Year									
Portfolio	Latest Budget	Actual	Variance	Original Budget	Budget Movement	Latest Budget	Forecast Outturn	Half Year Variance	Quarter 1 Variance	Movement	Direction of Travel		
	£000	£000	£000	£000	£000	£000	£000	£000	£000				
Health and Adult Social Care	184,936	191,331	6,395	410,008	3,422	413,429	414,455	1,026	3,788	(2,762)	↑		
Children and Families	49,035	46,215	(2,819)	116,766	948	117,714	117,803	88	52	36	↓		
Culture and Communities	1,666	2,115	449	2,877	265	3,142	3,090	(51)	(90)	39	↓		
Customer and Corporate	7,046	6,116	(930)	14,706	(129)	14,577	14,232	(345)	(126)	(219)	↑		
Deputy Leader and Infrastructure	18,403	16,854	(1,549)	46,287	4,370	50,657	48,397	(2,261)	7	(2,268)	↑		
Economic Development	3,092	2,581	(510)	6,279	1,483	7,762	7,099	(662)	(264)	(399)	↑		
Education and Skills	7,827	107,115	99,288	76,318	2,536	78,855	82,621	3,766	3,991	(225)	↑		
Environment and Waste	34,956	34,792	(164)	81,193	259	81,452	81,567	115	102	13	↓		
Finance, Commercial and Traded Services	6,973	11,023	4,050	16,195	3	16,198	15,408	(790)	120	(909)	↑		
Leader	3,540	2,642	(898)	7,809	252	8,061	7,960	(101)	(327)	227	↓		
Other Operating Costs	21,038	6,927	(14,111)	62,228	(24,523)	37,705	36,566	(1,139)	(501)	(638)	↑		
Leader RSSS	3,523	3,069	(454)	9,706	(1,125)	8,581	8,587	5	(421)	426	↓		
Finance, Commercial and Traded Services RSSS	9,623	9,843	220	24,396	5,673	30,069	29,858	(211)	(327)	116	↓		
Customer and Corporate RSSS	20,258	21,164	906	40,644	6,563	47,207	47,181	(26)	1,016	(1,041)	↑		
Fire Reinstatement Works	(646)	253	898	(0)	-	(0) -	0	0	0	(0)	↑		
Total	371,269	462,039	90,770	915,413	(4)	915,410	914,824	(584)	7,020	(7,604)	↑		
DSG Offset	23,655	(77,197)	(100,852)	3,063	(2,552)	511	(796)	(1,307)	99	(1,406)	↑		
Total Excluding DSG	394,924	384,842	(10,082)	918,476	(2,556)	915,920	914,027	(1,891)	7,118	(9,010)	↑		
Funding								(146)	-	(146)	↑		
Overall Total Including Funding								(2,038)	7,118	(9,156)	↑		

Appendix B

Traded Services

	Revenue reserve 1 April 2018	Budget			Forecast			Final Outturn position	Appropriations		Variance Plan Proposals to/(from) reserves	Revenue reserve 31 March 2019
		Income	Expenditure	(Surplus) /Deficit	Income	Expenditure	(Surplus) /Deficit		To County Revenue Account	To Trading Activity reserve		
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
EDUCATION TRADED												
EES for Schools	(321)	(12,862)	7,958	(4,903)	(12,862)	7,958	(4,903)	(606)	(4,298)	(606)	(170)	(757)
FINANCE, COMMERCIAL & TRADED												
Schools Staff Insurance Scheme	(263)	(4,166)	4,166	-	(4,940)	5,139	198	198	-	-	-	(65)
Essex Legal Services	-	(0)	0	(0)	-	-	-	0	-	-	-	-
Information Services infrastructure	(538)	(6,500)	6,500	-	(6,500)	6,500	0	0	-	-	-	(538)
Place Services	(293)	(2,570)	2,390	(179)	(2,582)	2,346	(237)	(91)	(145)	(34)	-	(384)
Music Services Traded	-	(4,654)	4,541	(113)	(4,644)	4,500	(144)	(31)	(113)	-	-	(31)
Total	(1,416)	(30,751)	25,556	(5,196)	(31,528)	26,443	(5,085)	(530)	(4,556)	(640)	(170)	(1,775)

Capital

	Year to date			Budget Movement		Full Year		
	Budget	Actuals	Variance	Original Budget	In year approved	Revised Budget	Outturn	Variance
	£000	£000	£000	£000	£000	£000	£000	£000
Health and Adult Social Care	1,942	947	(995)	3,269	716	3,984	2,753	(1,231)
Children and Families	150	128	(23)	590	100	690	690	-
Culture and Communities	1,022	429	(593)	1,810	827	2,637	2,740	103
Customer and Corporate	2,118	831	(1,287)	6,304	502	6,806	6,306	(501)
Deputy Leader and Infrastructure	50,046	49,528	(518)	139,591	3,928	143,519	134,427	(9,092)
Economic Development	10,268	6,671	(3,598)	19,452	2,974	22,426	19,960	(2,466)
Education and Skills	50,898	45,613	(5,285)	103,651	2,357	106,009	104,586	(1,422)
Environment and Waste	2,226	2,340	114	4,950	293	5,243	5,242	(1)
Finance, Commercial and Traded Services	273	133	(139)	343	71	414	414	-
ECC Capital Programme	118,944	106,621	(12,324)	279,960	11,769	291,729	277,117	(14,611)
Schools Cash Balance	-	311	311	-	-	-	0	0
Devolved Formula Capital	745	568	(177)	1,600	-	1,600	1,370	(230)
Total School Balances	745	879	135	1,600	-	1,600	1,370	(230)
Capital Programme	119,689	107,500	(12,189)	281,560	11,769	293,329	278,488	(14,841)
Property Investment	5,067	6,559	1,492	17,035	(10,266)	6,769	12,670	5,901
Total Capital Programme	124,756	114,059	(10,697)	298,595	1,503	300,097	291,158	(8,940)

Financed by:

	Budget Movement		Full Year		
	Original Budget	In year approved	Revised Budget	Outturn	Variance
	£000	£000	£000	£000	£000
ECC Capital Programme					
Grants	87,937	2,780	90,717	91,625	908
Reserves	8,843	(145)	8,698	8,698	-
Developer & Other contributions	14,581	(2,676)	11,905	12,462	557
Capital receipts	10,000	(5,000)	5,000	5,000	-
Unsupported borrowing	175,634	6,544	182,177	172,003	(10,175)
ECC Capital Programme	296,995	1,503	298,497	289,788	(8,710)
Grants	1,600	-	1,600	1,370	(230)
School Balances	1,600	-	1,600	1,370	(230)
Total ECC & Schools Capital Funding	298,595	1,503	300,097	291,158	(8,940)

Capital Variance Plan

Portfolio	Approved changes					Variance Plan					
	Slippage	Additions	Reductions	Advanced Works	Approved changes	Slippage	Additions	Reductions	Advanced Works	Residual Variance	Total Variance
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Health and Adult Social Care	716	-	-	-	716	(1,231)	-	-	-	0	(1,231)
Children and Families	100	-	-	-	100	-	-	-	-	-	-
Culture and Communities	501	338	-	(11)	827	-	103	-	-	0	103
Customer and Corporate	502	-	-	-	502	-	-	(47)	-	(454)	(501)
Deputy Leader and Infrastructure	3,536	13,364	(12,384)	(588)	3,928	(5,439)	231	(5,365)	1,034	447	(9,092)
Economic Development	3,043	8,446	(8,421)	(94)	2,974	(2,671)	-	-	-	205	(2,466)
Education and Skills	3,408	49,501	(50,501)	(51)	2,357	(3,086)	7,051	(5,275)	282	(394)	(1,422)
Environment and Waste	608	245	(588)	28	293	-	-	-	-	(1)	(1)
Finance, Commercial and Traded Services	135	-	-	(63)	71	-	-	-	-	-	-
ECC Capital Programme	12,548	71,894	(71,894)	(779)	11,769	(12,427)	7,385	(10,687)	1,316	(198)	(14,611)
Devolved Formula Capital	-	658	(658)	-	-	-	-	(230)	-	0	(230)
Total School Balances	-	658	(658)	-	-	-	-	(230)	-	0	(230)
Capital Programme	12,548	72,551	(72,552)	(779)	11,769	(12,427)	7,385	(10,916)	1,316	(198)	(14,841)
Property Investment	224	-	-	(10,490)	(10,266)	-	-	-	5,901	(0)	5,901
Total Capital Programme	12,772	72,551	(72,552)	(11,268)	1,503	(12,427)	7,385	(10,916)	7,217	(198)	(8,940)

Appendix C(ii) cont'd

Portfolio & Scheme	Slippage £000	Additions £000	Reductions £000	Advanced Works £000	2018/19 Changes Requested
IL OP Coppins CRT Clacton	(6)	-	-	-	(6)
IL OP Smiths Farm	(1,050)	-	-	-	(1,050)
IL AWD Smiths Farm	(175)	-	-	-	(175)
Health and Adult Social Care	(1,231)	-	-	-	(1,231)
Community Initiatives	-	103	-	-	103
Culture and Communities	-	103	-	-	103
Libraries Community Hub	-	-	(47)	-	(47)
Customer and Corporate	-	-	(47)	-	(47)
Town Centre Improvements	(44)	-	-	-	(44)
Road Safety	(44)	-	-	-	(44)
A414 Harlow to Chelmsford RBS	(500)	-	-	-	(500)
HEZ & A414 Pinch Point Delivery Package two	(1,794)	-	-	-	(1,794)
A120 Preferred route	(931)	-	-	-	(931)
Basildon Integrated Transport Package	(1,378)	-	-	-	(1,378)
Colchester ITP (Borough Wide)	-	-	-	1,034	1,034
BDUK Essex Superfast Programme Phase 2	(748)	-	-	-	(748)
BDUK Essex Superfast Programme Phase 4	-	-	(5,365)	-	(5,365)
Section 106	-	231	-	-	231
Deputy Leader and Infrastructure	(5,439)	231	(5,365)	1,034	(9,539)
Maldon Friary	(2,438)	-	-	-	(2,438)
Moulsham Lodge	(233)	-	-	-	(233)
Economic Development	(2,671)	-	-	-	(2,671)
Basildon Primary Basic Need	(394)	-	(532)	-	(926)
Braintree Secondary Basic Need	-	-	-	72	72
Brentwood Primary Basic Need	(47)	256	-	-	209
Castle Point Basic Need	-	-	(244)	-	(244)
Chelmsford Primary Basic Need	-	3	(850)	-	(847)
Chelmsford Secondary Basic Need	-	28	-	-	28
Colchester Primary Basic Need	-	639	(224)	-	415
Colchester Secondary Basic Need	-	3,575	(10)	-	3,565
Epping Forest Secondary Basic Need	(249)	-	(563)	-	(812)
Harlow Primary Basic Need	-	-	(34)	-	(34)
Other School Schemes	(218)	55	-	-	(163)
Rochford Primary Basic Need	-	29	(100)	-	(71)
Rochford Secondary Basic Need	-	396	-	-	396
Special Schools	(202)	1,561	-	210	1,569
Temporary Accommodation	-	311	-	-	311
Tendring Primary Basic Need	(227)	137	-	-	(90)
Tendring Secondary Basic Need	(600)	-	(1,274)	-	(1,874)
Uttlesford Primary Basic Need	(65)	33	(28)	-	(60)
Uttlesford Secondary Basic Need	(1,084)	29	(707)	-	(1,762)
Capitalised Building Maint	-	-	(709)	-	(709)
Education and Skills	(3,086)	7,051	(5,275)	282	(1,028)
ECC Capital Programme	(12,427)	7,385	(10,687)	1,316	(14,413)
Schools Balances & DFC	-	-	(230)	-	(230)
Total (including School Balances)	(12,427)	7,385	(10,916)	1,316	(14,643)

Reserves

	2018/19 movements				
	Balance at 1	(Contributions)/	Adjustments	Future	Estimated
	April 2018	Withdrawals	proposed in	commitments	Closing
	£000	£000	quarterly report	£000	balance
			£000		£000
Long Term Contractual Commitment					
PFI Reserves					
A130 PFI	(45,247)	4,002	(128)	-	(41,373)
Building Schools for the Future PFI	(1,870)	(315)		-	(2,185)
Debden School PFI	(3,813)	502		-	(3,311)
Clacton Secondary Schools' PFI	(2,836)	340		-	(2,496)
Waste Reserve	(99,733)	(8,776)		2,044	(106,465)
Grant Equalisation Reserve	(10,787)	1,927		-	(8,860)
Trading Activities (not available for use)	(1,417)	4,556		(4,556)	(1,417)
Partnerships and Third Party (not available for use)	(1,964)	-		-	(1,964)
Schools (not available for use)	(41,649)	-		-	(41,649)
General Balance	(55,212)	-	(48)	-	(55,260)
Reserves earmarked for future use					
Adults Digital Programme	(6,900)	6,900		-	-
Capital Receipts Pump Priming	(2,325)	(1,000)		1,000	(2,325)
Carbon Reduction	(2,606)	-		-	(2,606)
Carry Forward	(16,395)	16,347	48	-	-
Collection Fund Risk	(1,412)	-		-	(1,412)
Community Initiatives Fund	(796)	(591)	200	1,187	-
Digital Infrastructure	-	(4,560)		1,500	(3,060)
Future Capital Funding	(10,061)	(8,606)	(56)	8,662	(10,061)
Health and Safety	(631)	-		-	(631)
Innovation	(1,795)	655		-	(1,140)
Insurance	(9,061)	1,000		-	(8,061)
Local Projects	(867)	-	122	745	-
Pension Fund Equalisation	(206)	206		-	-
Property Fund	-	(326)		(165)	(491)
Quadrennial Elections	(118)	(500)		-	(618)
Tendring PPP	(496)	-		-	(496)
Transformation	(22,015)	(1,996)	305	20,084	(3,622)

Appendix E

PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT

TREASURY MANAGEMENT - 2018/19

	Actual Balance 1 April	Movements			Balance at 31 March	Interest payable / (earned) to date
	£000	£000	£000	£000	£000	£000
Borrowing						
Long Term	515,487	1,917	(2,406)	(489)	514,998	16,057
Temporary	-	1,594	-	1,594	1,594	6
Total External Borrowing (A)	515,487	3,511	(2,406)	1,105	516,592	16,063
Investments						
Long Term	11,000	-	(1,000)	(1,000)	10,000	(199)
Temporary	245,480	-	(109,980)	(109,980)	135,500	(1,039)
Total External Investments (B)	256,480	-	(110,980)	(110,980)	145,500	(1,238)
Net indebtedness (A-B)	259,007	3,511	108,574	112,085	371,092	14,825

Borrowing

Average long term borrowing over period to date (£000)	506,454
Opening pool rate at 1 April 2018	3.74%
Weighted average rate of interest on new loans secured to date	N/A
Average pool rate for year	3.74%

Investments

Average daily cash balance over period to date (£000)	300,499
Average interest earned over period	0.86%
Benchmark rate - average 7 day LIBID rate	0.41%

Appendix F

PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT

PRUDENTIAL INDICATORS

		Approved Indicator	Provisional Outturn
1 Affordability			
Incremental impact on Council Tax of 2018/19 and earlier years' 'starts'	£	£92.68	£87.32
Ratio of financing costs to net revenue streams (excl. gen. govnt. grant)	%	7.3%	5.3%
Ratio of financing costs to net revenue streams (incl. gen. govnt. grants)	%	6.9%	5.0%
2 Prudence		<i>Net borrowing is well within the medium term forecast of the Capital Financing Requirement.</i>	
Net borrowing and Capital Financing Requirement			
3 Capital Expenditure			
Capital expenditure	£m	299	291
Capital Financing Requirement (<i>excluding credit arrangements</i>)	£m	990	993
4 External Debt			
Authorised limit (borrowing only)	£m	910	N/A
Operational boundary (borrowing only)	£m	800	N/A
Actual external borrowing (maximum level of debt during year)	£m	N/A	541
5 Treasury Management			
Interest rate exposures			
Upper limit for exposure to fixed rates			
Net exposure	£m	910	335
Debt		100.0%	100.0%
Investments		100.0%	100.0%
Upper limit for exposure to variable rates			
Net exposure	£m	273	-
Debt		30.0%	4.6%
Investments		100.0%	31.0%
Maturity structure of borrowing (upper limit)			
Under 12 months	%	40.0%	0.5%
12 months & within 24 months	%	40.0%	0.6%
24 months & within 5 years	%	40.0%	8.0%
5 years & within 10 years	%	40.0%	10.0%
10 years & within 25 years	%	60.0%	19.6%
25 years & within 40 years	%	40.0%	30.5%
40 years & within 50 years	%	20.0%	3.9%
50 years & above	%	20.0%	15.0%
Total sums invested for more than 364 days			
Authorised limit	£m	50	N/A
Actual sums invested (maximum position during year)	£m	N/A	11
6 Summary			
<i>All Treasury Management activities have been undertaken in accordance with approved policies and procedures.</i>			
<i>External debt is within prudent and sustainable limits.</i>			
<i>Credit arrangements have been undertaken within approved indicators</i>			
<i>Maturity Structure of borrowing: maturity dates for market loans are based on the next review date, not the final maturity date.</i>			

Report title: Pre-Scrutiny Budget	
Report to: Corporate Policy and Scrutiny Committee	
Report author: Nicole Wood, Director, Finance and Procurement	
Date: 30 October 2018	For: Discussion
Enquiries to: Nicole Wood Email: nicole.wood@essex.gov.uk	

Pre-Scrutiny Budget

Members to receive a presentation on the budget for 2019/20 and how the committee can be involved.

Scrutiny session

30th October

Nicole Wood

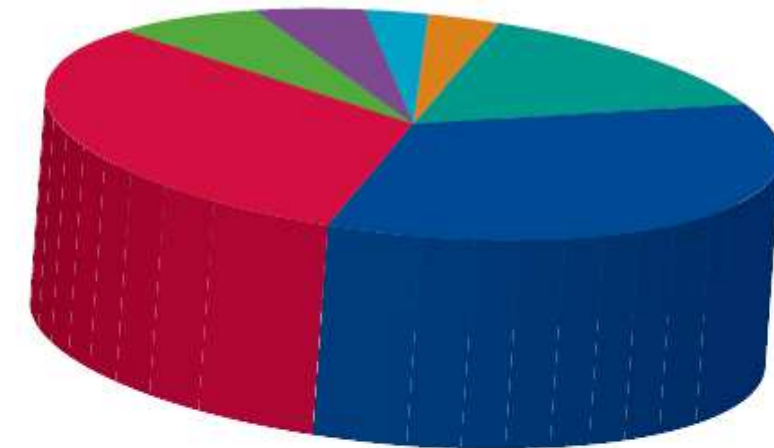
Agenda

1. Overview of revenue and capital budgets
2. Financial Outlook & Chancellors statement
3. National financial policy: BRR, fair funding & inequities
4. Savings & income generation
5. Overview of budget setting
6. Financial resilience

1) Overview of revenue and capital budgets

2018/19 Revenue budget

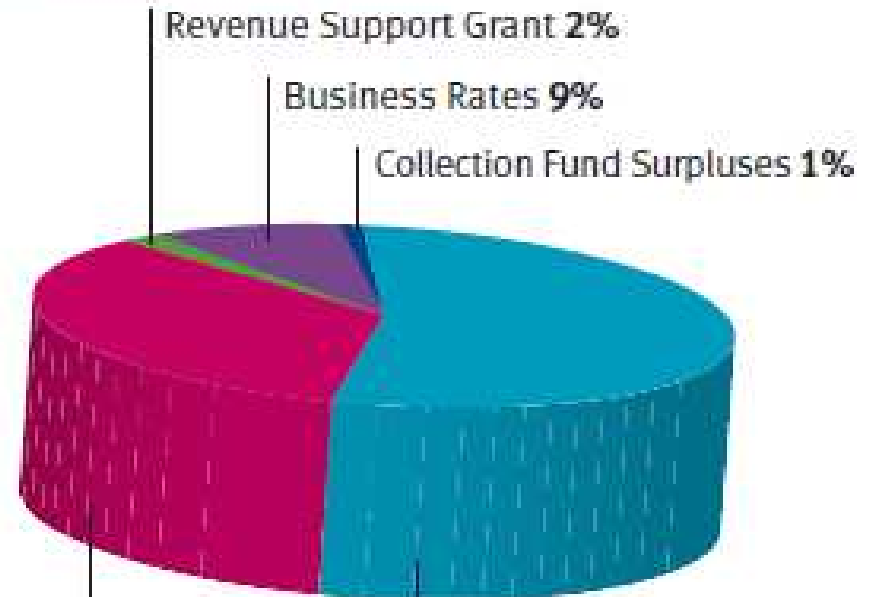
Gross Expenditure on Services



Education	669
Health and Adult Social Care	584
Children and Families	131
Environment and Waste	91
Highways	62
Public Health	64
Other	249

£m
669
584
131
91
62
64
249

Funding for Services



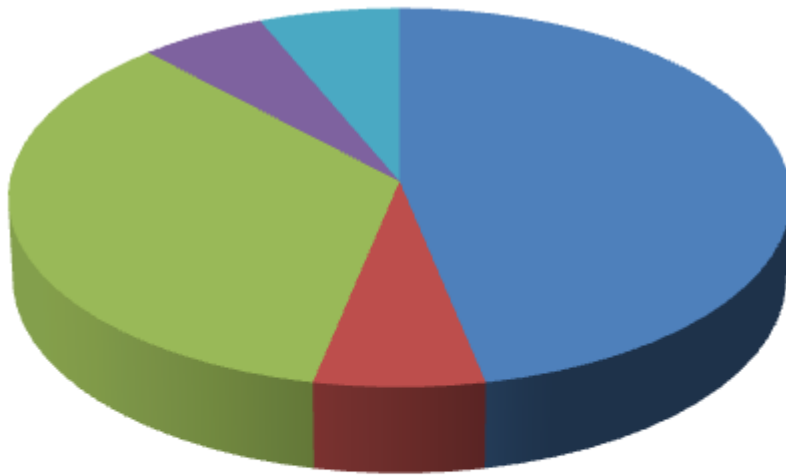
Income and Grants	985.4
Council Tax Requirement	635.6
Revenue Support Grant	45.7
Business Rates	174.5
Collection Fund Surpluses	9.4

£m
985.4
635.6
45.7
174.5
9.4

Current year forecast - £238,000 under spend (0.03%)

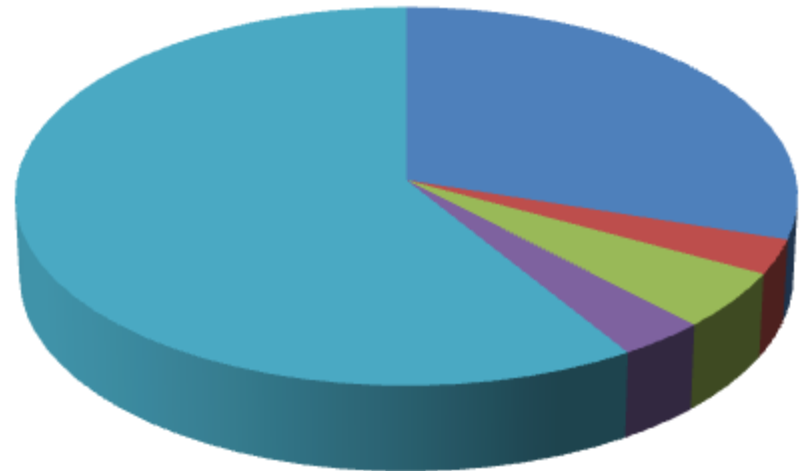
Capital Programme

2018/19 Capital Investment



- Deputy Leader and Infrastructure
- Economic Development
- Education and Skills
- Property Investment
- Other

Financing of the capital programme



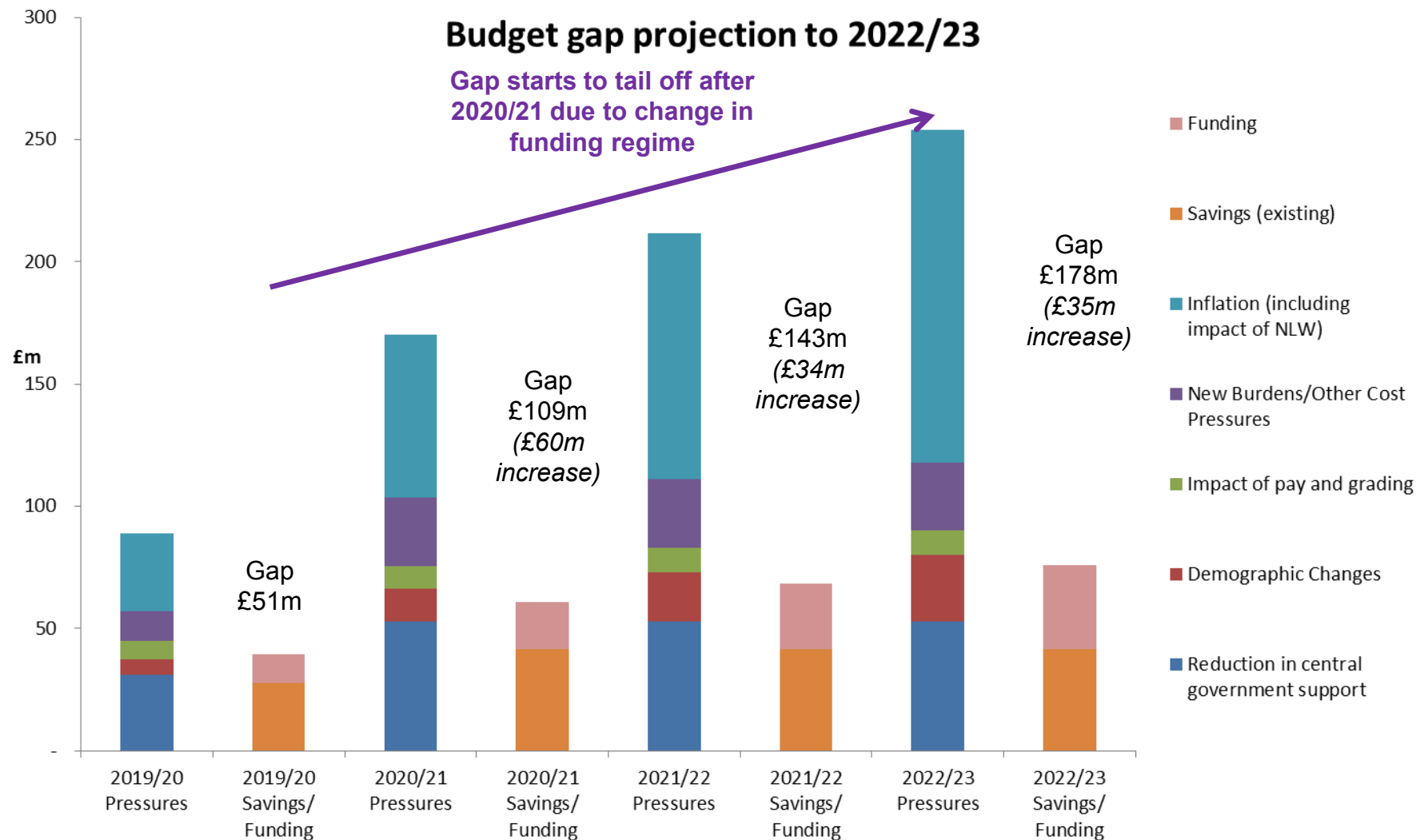
- Grants
- Reserves
- Developer & Other contributions
- Capital receipts
- Borrowing

The current cost of borrowing is £49m and is funded from the revenue budget

Current year forecast - £198,000 under spend

2) Financial Outlook & Chancellors Statement

Financial Outlook



Other cost pressures includes items such as additional cost of capital financing and non delivery of savings

Next steps in the budget

There are a series of key points before we can set a budget

1. Current: consideration of income and savings opportunities by administration
2. w/c 29 October: forecast of council tax and rates from Districts (final end January 2019)
3. Chancellors statement 29th October
4. Settlement 6th December (including BRR Pilot announcement)
5. 22nd January Cabinet
6. February Council

Chancellors statement

Headlines from Chancellors statement

TO FOLLOW

3) National financial policy: BRR, fair funding & inequities

Reform: Fair Funding & Business Rate Retention

1. Submitted a bid pan Essex (excluding Thurrock)
2. Will hear about success or otherwise in Settlement (6th December)
3. BRR reform planned from 2020/21: detail yet to be defined

All Essex	50 % BRR - Individually	50 % BRR - Pool	75 % BRR - Pilot
	£m	£m	£m
100% Business Rates Income for Essex	702	702	702
Business Rates Income Retained for Essex	351	351	527
Less Tariff	-24	-24	-143
Net	327	327	384
Baseline Needs Funding	294	294	334
Growth Income above baseline	33	33	50
Growth Income for Essex under each scheme	20	31	50

POTENTIAL OPTIONS FOR INVESTMENT



A fund to support the development of business cases for major infrastructure



A fund to unlock investment in new commercial space/ learning facilities



Self-sustaining inward investment campaign



Skills for Growth



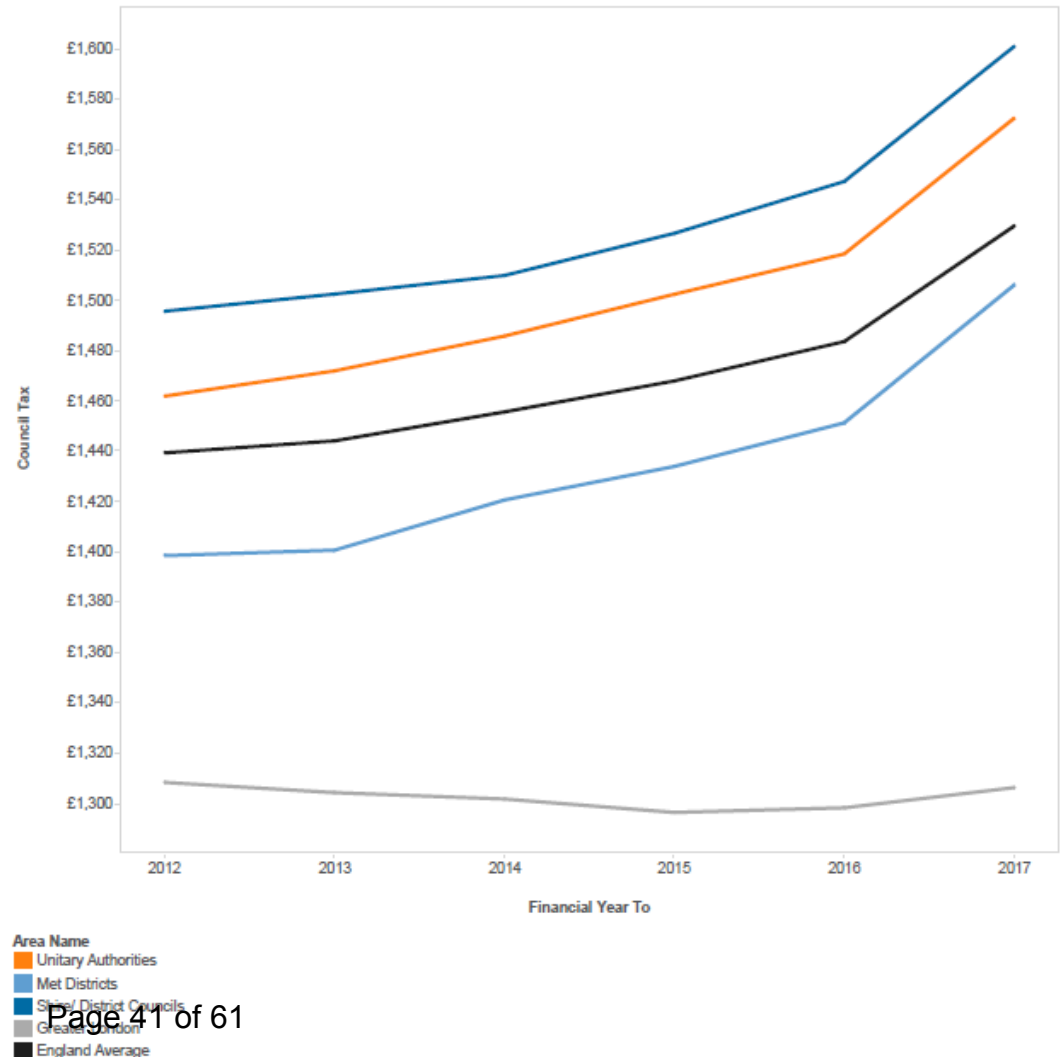
Reform: Fair Funding & Council Tax differentials

The burden on Essex tax payers is proportionately higher (as a % of household income)

Need to recognise the differential local capacity to raise income (including council tax) as part of **Fair Funding review**. For example:

- Residents in shire areas are paid, on average, 11% less than the national average. However, they tend to pay nearly 6% more in council tax
- When compared to London boroughs, shire residents earn 20% less but it is the residents in London that pay 4% less than shire residents.

Council Tax Change over Time, Band D (2011/12 to 2016/17)



4) Savings & income generation

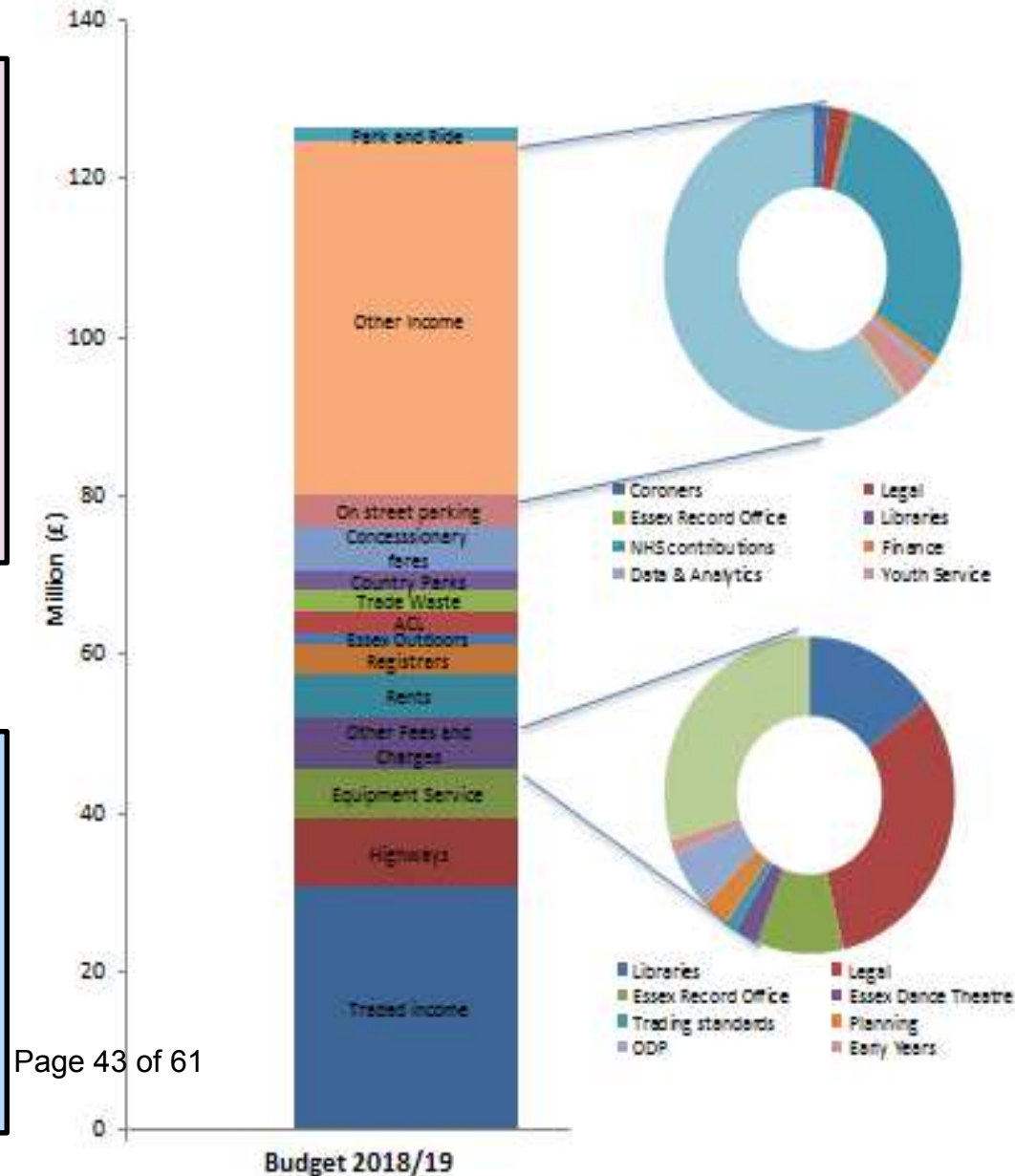
Income Generation

What we've done so far

- £50m on council tax deal since 2013 & better collection - national leader
- £4m on tax counter fraud
- Focus on fees and charges (total income is over £130m)
- New sources of income from the Commercial programme including commercial property fund

Where next:

- **Work underway on new commercial strategy**
- Plan of activity for 6/12/24 months focus 2019/20 beyond
- Process review opportunities on front to end processes (include means to pay)

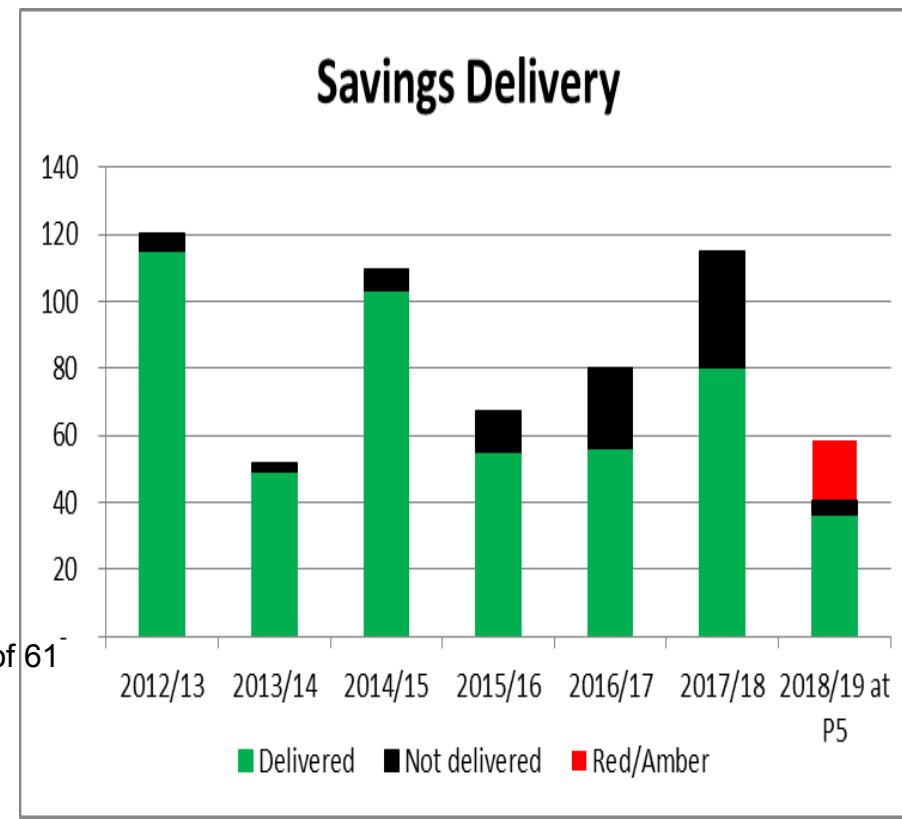


Savings

£700m saved since 2010 through efficiencies and income generation and a further **£59m** planned and in delivery for 2018/19

Our record on savings delivery is high, with initiatives put in place to mitigate against any non delivery plans

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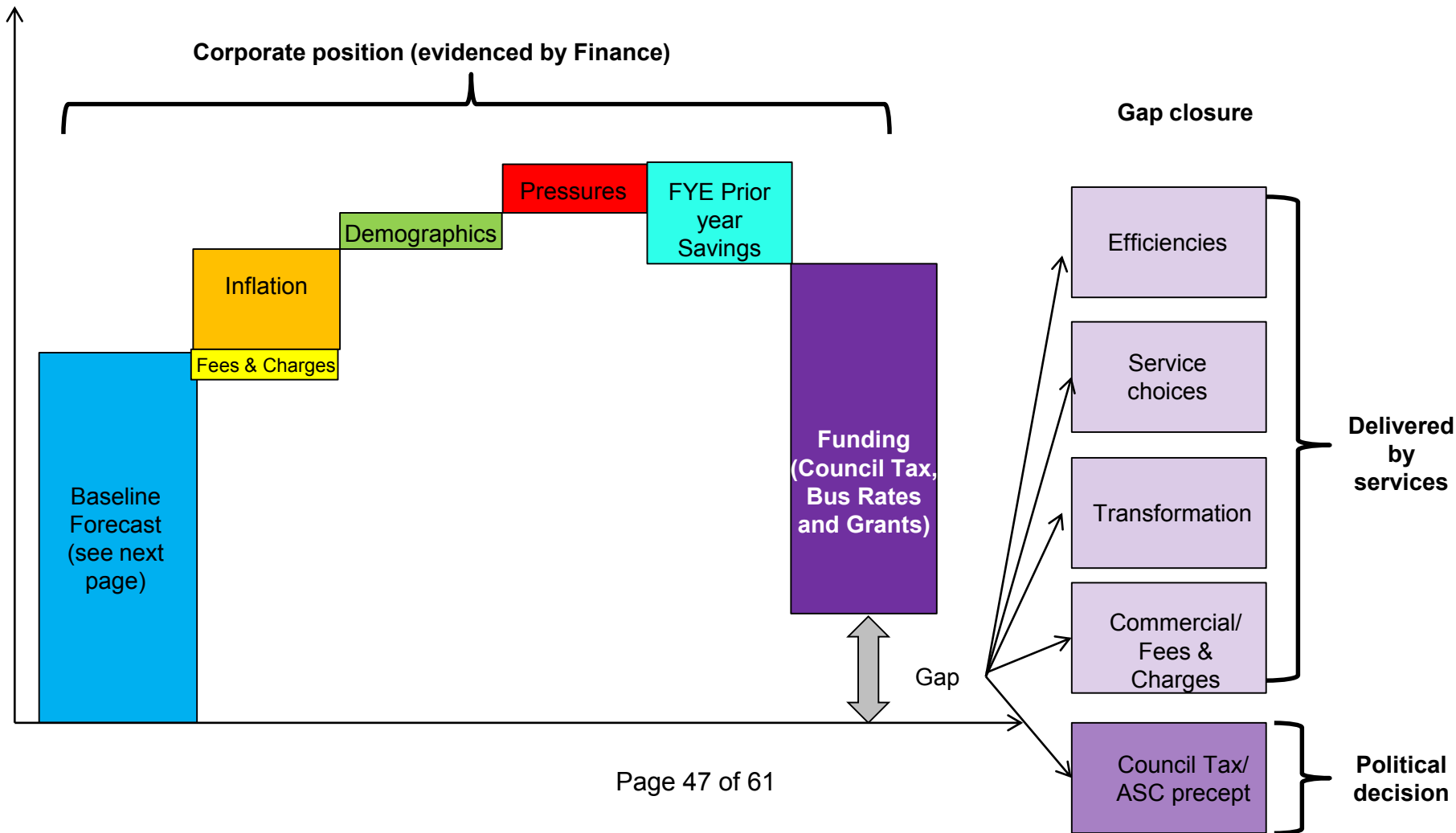
5) Overview of budget setting

Approach to budget setting

Our approach to budget setting focuses on the following areas

- Savings through smarter working to deliver cost reduction and efficiencies
- Review of service provision contracts and arrangements
- Review of services – underpinned by business delivery plans
- Income generation opportunities

How the budget is built



Budget assumptions

Baseline forecast

- Driven by adults and staffing cost drivers, plus current year forecast for remainder

Savings

- Savings are owned by Executive Directors
- Based on budget proposals put forward in planning stages
- May be at different stages of maturity (eg conceptual to underpinned by plans)

Fees and charges

- Fees and charges are inflated by RPI (in September) or per approved policy

Demographics/Volume

- Adult social care and childrens volumes are informed by demographic insight provided by Data & Analytics

Pressures

- Relate to non delivery of savings, childrens placements and capital financing
- Requests for growth are agreed by PLT
- Investment into reserves and other projects agreed by Cabinet

Inflation

- All Inflation based on contractual increases and market insight (ie contract specific)
- Pay inflation driven by Essex Pay
- All other areas are assumed flat
- Implications of National Living Wage follow through into contract increase

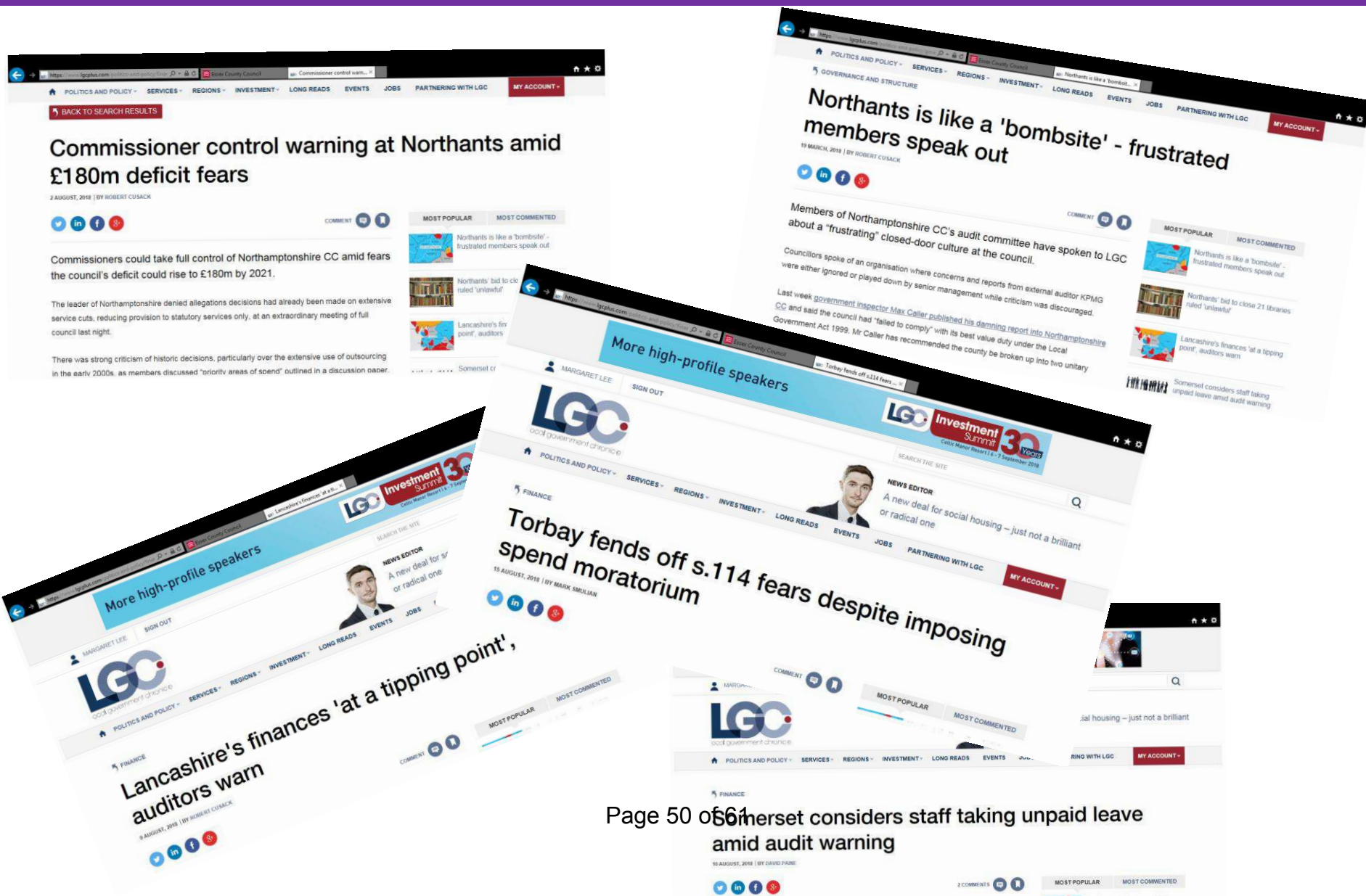
Funding Assumptions

- 1% growth in tax base, based on historic intelligence
- 1% Social Care precept levied in 2019/20, nothing thereafter as per govt policy
- Revenue Support Grant as per 4 year settlement (£0m in 2020/21)
- Business Rates – 1% growth based on historic intelligence, plus inflation uplift

All assumptions are based on evidence, validated and tested on a regular basis

6) Financial resilience

Financial Resilience – the headlines



Financial Resilience – the big topic

History of Northants

- LGA peer review in October
 - CEO resigns
 - New Interim S151 appointed
 - SoS MHCLG calls Inspectors
 - 1st S114 notice published
 - Interim CEO ‘resigns’
- On publication of the BV report:
 - Announcement that NCC will be broken up and 2 unitaries set up
- 2nd S114 notice served – projection is deficit of £70m rising to £160m
- Core service offer designed – statutory services under threat
- ▶ NCC relied on one off items to plug structural budget gaps.
- ▶ NCC was indifferent or hostile to external or internal criticism
- ▶ The Ombudsman noted a high level of complaints and little learning
- ▶ **Savings targets not owned in the services – “Living within budget constraints is not part of the culture of NCC”**



Our response

We have a number of embedded processes in place to avoid us being like Northants

- Savings are tracked
- Clear process for delivery and management of internal audit report
- Regular meetings with external audit
- Regular and accurate reporting of the authority's financial position
- Focus on budget sustainability.
- Reserves are not used for one-off costs, except the Transformation Reserve
- Projects are subject to review through Investment Board
- S151 independently comments on the robustness of the budget

However there is further action we are taking

- ***Understand reasons for savings attrition***
- ***Increase transparency on the outcome of internal audit reports, and outstanding recommendations.***
- ***Quarterly meetings between External Audit, the Leader, Cabinet Member for Resources and the Chief Executive.***
- ***Separate Cabinet report from S151 on robustness of the budget***
- ***Appropriate arrangements will be put in place should we use the capital receipts flexibility***

Questions?

Report title: Your Voice Focus Groups 2018 – Summary Report	
Report to: Corporate Policy and Scrutiny Committee	
Report author: Craig Tubbs, Employee Experience Lead	
Date: 30 October 2018	For: Discussion
Enquiries to: Craig Tubbs Email: craig.tubbs@essex.gov.uk	

Introduction

Employees undertook the biennial Your Voice engagement survey in March this year. This was completed by 4,099 employees – a response rate of 58%.

The headline Employee Engagement Index score from this survey was 60%. This score relates to the degree that employees feel proud to work for the Council; they are committed to its goals; and they feel motivated to do their very best. This score of 60% is 2% lower than our last survey in 2016.

Two areas of particular interest raised in the survey were:

- A perception that change could be managed more effectively at ECC.
- A perception that customers aren't at the heart of everything ECC does.

Following the survey, CLT have been met several times to review its findings and to plan action. As well as the top-down approach, each individual Function and the teams within them have been asked to review their own survey results, and to suggest and make changes in their local areas to improve employee engagement from the bottom-up.

Alongside this, Gavin tasked the Employee Experience team with running focus groups to delve deeper into the Your Voice survey findings – particularly in the areas of interest mentioned previously.

Approach for the focus groups

In July and August, a total of twelve sessions were held across the county, covering each of the six major office hubs: Chelmsford; Colchester; Harlow; Basildon;

Clacton; Brentwood. Each session was deliberately kept small, so that each participant would have plenty of opportunity to speak.

Individuals were able to book onto sessions through adverts placed on the intranet, One News and through Gavin's blog. The team also used random sampling to generate a list of employees across different geographies, teams, grades, and length of service. These employees received an invitation to a focus group as well. This combination of self-selection and random sampling was chosen to give everyone the opportunity to join a focus group who wanted to, as well as hearing from a range of individuals who might not normally sign up for a place by themselves.

80 employees in total attended the focus groups, with good representation from each Function at ECC. Each session was hosted by a member of the Employee Experience team. Several members of CLT also joined sessions as hosts.

Participants were encouraged to have an open conversation about their experiences at ECC. The host committed not to share anything from the sessions which would be personally attributable to anyone. No topic was off the table, but the host prompted them to consider in particular:

- The perception that change could be managed more effectively at ECC.
- The perception that customers aren't at the heart of everything ECC does.

Key themes

Seven key themes emerged from the focus groups, namely:

1. Managing change
2. Customer service and technology
3. Leadership and management
4. Innovation vs. bureaucracy
5. Mobile and flexible working
6. Communications
7. Environment

The following section summarises the employee feedback in the focus group sessions related to these themes and provides some examples of comments made in the focus group sessions which relate to them.

Focus group findings

Managing change

There was a general perception that this could be improved at the Council, but there were very few tangible suggestions shared. There was a strong sense that change was managed better in areas where employees felt more like they were listened to and able to influence the change. In some areas, structural change had felt secretive.

“We’ve got the expertise, but feel we’re not trusted or listened to.”

“OD has been secretive in my area, I haven’t felt able to influence it”

“I’ve had three careers – to me, change doesn’t matter”

“Everyone is very passionate about their jobs, and just want it to be as good as possible”

Customer service and technology

Technology was identified by employees as the biggest barrier to putting customers at the heart of everything ECC does. Employees expressed frustration at failings in internal systems which then have an impact on working with customers. As well as this, there was a belief that we don’t offer modern digital solutions which would benefit our customers.

“Technology is the most important factor in customer focus – we need to be able to operate remotely, but phones are out of date. Customers won’t believe in our technological and digital solutions if we don’t make it truly part of our culture from within”

“We’re not good at asking the customers what they want”

“We need to use plain English with our customers”

“Smart phones would make us more accessible to our clients, and also enable us to demonstrate apps to them”

Leadership and management

Senior leaders at ECC are well thought of by many but a desire was expressed to see more of them in local offices – particularly outside of Chelmsford. The employee roadshows hosted by Gavin and the Leader were praised and employees wanted instead to see more of their Heads of Service and Directors. There was a sentiment raised that employees don't always feel able to be honest with managers, who in turn shy away from difficult conversations.

“Capability means difficult conversations, and I think managers shy away from this”

“We don't feel able to be honest with our senior managers”

“We need to see Heads of Services – no-one ever comes to see us” (Stanwell House, Colchester)”

Innovation vs. bureaucracy

A feeling echoed in several focus groups was that there is too much governance at the Council which hinders innovation. Some employees feel that their decisions are questioned frequently and they consequently do not feel empowered to deliver for their customers.

“We're risk averse, there's too much governance”

“Habits and mindsets hold us back – we need to get out and be empowered”

“I'm a professional social worker, but my decisions are questioned all the time. Everything is down to finances.”

Mobile and flexible working

Employees have mixed experiences of mobile and flexible working. This is natural for different types of work, but in some cases the only variable seems to be the manager's own preferences. In the main, this is an area which has improved for employees, leading to greater feelings of job satisfaction and self-motivation.

“Flexible working gives me empowerment and self-motivation”

“Flexible working needs to be managed carefully within a social work setting, as sometimes people have a bad experience and need support of their manager and colleagues”

“I’ve been told I can’t work flexibly”

Communications

Two types of employee emerged – those who want communications as early as possible, even before there is clarity on the issue, and those who prefer to wait for communications which have the detail. It isn’t possible to completely please both types. However, there was a broad consensus that corporate communications could be less generic, clearer about the impact on individuals, and more transparent.

“Generic emails don’t have the impact intended/messages aren’t clear”

“Don’t send us anything until you have something substantial to tell us”

“I appreciate an early heads up, even if the details aren’t yet known”

“Communications don’t always feel honest”

Environment

Employees want to take pride in their surroundings, which is difficult in some of the Council’s offices. This is felt particularly by those working in premises visited by customers, outside of Chelmsford.

“Some of our buildings just aren’t fit for purpose”

“We need to be able to have personal pride in our surroundings. Customers can feel that”

“A building gives a sense of identity”

Next steps

Actions to improve employee engagement is continuing across all functions. The Employee Experience team is preparing an engagement plan for CLT which has been designed mindfully with the feedback from the focus groups. Both this report and the proposed engagement plan will be shared with CLT for their consideration and action.

Gavin has committed to sharing an update on the actions from Your Voice at the next round of roadshows in the new year.

CORPORATE POLICY AND SCRUTINY COMMITTEE

WORK PROGRAMME 2018/19 – (ADOPTED BY SEPTEMBER 2018 COMMITTEE MEETING)

Approach to topic selection – where can the committee conduct reviews quickly, influence change and make a difference to the residents of Essex

Date/Timing	Issue/Topics	Focus/other comments	Approach	RAG
October 2018	Pre-scrutiny on budget 2019/20	Committee to provide feedback on the proposed 2019/20 budget	i) Director and relevant officer(s) to present	
October 2018	Budget Out-turn	Regular half-yearly updates after Cabinet	i) To be half-yearly ii) Cabinet Member and/or relevant officer to present iii) To identify any particular issues for further 'dive' on an ongoing basis	
October 2018	Task and Finish Group – ECC Resourcing Contract	Response to recommendations to be presented to the committee	i) Director and relevant officer(s) to present	
October 2018	Your Voice Focus Groups	Written report detailing the findings from the focus group to be presented to the committee	i) Director and relevant officer(s) to present	
December 2019/January 2020	Procurement – renewal of Ringway Jacobs contract	Committee role will be to appraise the decision but not influence it	To be determined	
January/February 2020	Business Rates Retention	Learn more about Local Government funding distribution and any future piloting of national plans	Dependent on national plans and any local pilot areas.	
May/June 2019	Budget Out-turn	Regular half-yearly updates after Cabinet	i) To be half-yearly ii) Cabinet Member	

			iii) and/or relevant officer to present To identify any particular issues for further 'dive' on an ongoing basis	
October 2019	Budget Out-turn	Regular half-yearly updates after Cabinet	i) To be half-yearly ii) Cabinet Member and/or relevant officer to present iii) To identify any particular issues for further 'dive' on an ongoing basis	
Topics suggested to be pursued				
TBC	Essex Pay Implementation	To be determined	To be determined	
TBC	Property portfolio	Value of ECC Estate and disposal strategy	To be determined	
TBC	Customer Contact Centres	To be determined	To be determined	
TBC	Essex Legal Services – update on external service charging	To be determined	To be determined	
TBC	ECC Organisation Redesign/Transformation update	To be determined	To be determined	
TBC	Overall strategic direction	To be determined	To be determined	
TBC	I.T – update on 'Azure' system	To be determined	To be determined	
TBC	Emerging organisation strategies	To be determined	To be determined	
TBC	Delivery assurance of savings	To be determined	To be determined	

TBC	Emerging Savings	Opportunity for the committee to conduct proactive scrutiny work	To be determined	
TBC	Social Care Providers	Review ECC's process of dealing with providers who are in a difficult financial position – possible Task and Finish Group	To be determined	
TBC	Fair Funding Review	Three key areas: i) Tax burden in London and unitary authorities ii) Disposable income iii) Projectory	To be determined	