
Minutes of the meeting of the Corporate Policy and Scrutiny Committee, held at 10am on Thursday, 25 January 2024 in Committee Room 1, County Hall, Chelmsford.

Present:

County Councillors:

Mike Steptoe (Vice Chairman – Chairman of the meeting)

Lewis Barber

Susan Barker (substitute)

Ivan Henderson

Mike Mackrory (Vice Chairman)

Jaymey McIvor (from 11am)

Clive Souter

Wendy Stamp

Marshall Vance

Members of the Committee joining remotely via Zoom:

Simon Crow

Sam Kane

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 Maise Riley, 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 noted. Apologies for absence had been received from Councillors Simon Crow (who attended via Zoom), Mike Garnett, Sam Kane (who attended via Zoom), Anthony McQuiggan (for whom Councillor Susan Barker substituted), and Chris Pond.

2 Minutes and Matters Arising

The draft minutes of the meeting held on 14 December 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.

**4 2023/24 Financial Overview as at the Third Quarter and draft 2024/25
Everyone's Essex Annual Plan and Budget**

The Committee considered report CPSC/01/24 incorporating the 2023/24 Third Quarter Financial report, and the 2024/25 Everyone's Essex Annual Plan and Budget as presented to Cabinet on 16th January 2024.

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

Councillor Chris Whitbread, The Chancellor of Essex
Stephanie Mitchener - Director, Finance
Adrian Osborne - Head of Strategic Finance & Insight
Nicole Wood, Executive Director: Corporate Services

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

A. 2023/24 Third Quarter Financial Report

(i) At the Third Quarter stage of the year there was a forecast over spend of £4.5m (0.4%), against a net revenue budget of £1.1bn. For the Capital Programme there was an under spend of £16.5m (5.1%) against a budget of £324m.

(ii) £4.5m had been drawdown from reserves to support one-off expenditure relating to various projects and schemes. £2.7m had been appropriated to reserves, to help support anticipated future costs. ECC was continuing to hold reserves specifically for inflationary risk.

(iii) Key drivers on the revenue overspend were Children's Services with higher levels of case complexity and cost of placements; Adult Social Care which, again, was partly complexity of case load together with some delays in care packages and overall increased demand; the delay in the organisation wide staffing review and increasing cost pressures on Home to School Transport.

(iv) The escalating home to school transport costs was challenging for the Council. It was highlighted that whilst more school places had been created, further provision was needed in some areas. The Government had recognised the extra cost pressures being faced by Councils in Home to School Transport, Adult Social Care and Children's Services in particular, and some further limited one-off further funding had been announced the previous day. ECC had set up an internal working group to look at Home to School Transport costs, in particular, and what other local authorities were doing to mitigate some of the issues. The complexity of many of the cases was highlighted.

Conclusion:

The following was agreed:

- That councillors should be invited to join the Working Group looking at Home to School Transport issues.
- A private workshop be arranged to help further understand budgetary pressures, especially the component parts of the Home to School Transport budget and the specific pressures.
- More information be provided on footway maintenance and delays in the start of some projects which was contributing to the overall underspend in highways maintenance.

B. 2024/25 Everyone's Essex Annual Plan and Budget

(i) The proposed 2024/25 revenue budget was £1,148m, with a capital programme of £320.1m, and would be taken to Full Council in February for approval.

(ii) ECC were confident of £31m of additional Government funding announced for 2024/25 which excluded the Dedicated Schools Grant. However, to put that into context there was a budget pressure of over £100m in 2024/25 with over £80m of that pressure from Adult Social Care.

(iii) The high needs block and SEND provision costs were increasing annually on average by 7%. There was 3% additional funding for this area so the failure to keep pace with costs meant a deficit by the end of 2025/26 was forecast. Forecasts had taken account of the number of new places thought to be needed.

(iv) Opportunities to work with partners would be pursued as part of the future transformation of services.

(v) ECC had met all local MPs to discuss budgetary pressures being faced by the Council and believed that many of them had then raised these concerns at national level. The Leader had also been vocal about budgetary pressures through his roles at the Local Government Association.

(vi) The Chancellor of Essex stressed the importance of properly managing the balance sheet and highlighted that the erosion of the balance sheet was a common feature of struggling councils.

(vii) ECC had an ambitious capital programme although it had taken a more prudent approach to capital strategy in the last three years. It was intended that debt levels should soon plateau and there were regular quarterly reviews of the capital programme with a clear focus on managing risk.

(viii) Case complexity and demographics were driving the pressures on the Adult Social Care budget. There were some partial offsets from savings to be delivered during 2024/25. Provider failure and market sustainability were a key risk together with the market's expectations on moving to the Fair Cost of Care.

(ix) The proposed Children and Early Years Budget for 2024/25 was £145m net (£367m gross) which represented a 20% increase on 2023/24. In addition, £6.2m has been added to the Children's Risk Reserve and £4.6m in a Childrens Sustainability Reserve for potential further pressures across services supporting young people. The main drivers of growth were demographic pressures mainly across placements, inflation, and ECC pay inflation.

(x) The Highways Revenue Budget was £122m (£1.2m /1% increase) and the Highways Capital Budget was £134m (£485m over four years). Difficult decisions sometimes had to be made on highways maintenance. Some members cautioned that poor road surfaces could lead to increased claims for damages to vehicles and this in turn could prevent vehicles being used by businesses and for travel to work.

(xi) One of the main drivers of growth in the Revenue Budget was Home to School Transport demand and price. The proposed budget of £50m would transport students to mainstream, SEND and post-16 provision based on eligibility – this represented a £15m increase year on year and was calculated using a mid-range scenario. Cost calculations had been exacerbated this time round as some contract awards had or were due to come back to the market for renewal during the period.

(xii) £32m of savings were programmed for 2024/25. The carried over savings being sought from the Staffing Review would be additional to the £32m.

(xiii) Key risks were the sustainability of collecting taxes at current rates, delivering savings, market failure and sufficiency in social care, children in care placements, uncertainty of levels of future government funding, inflation and interest rates.

(xiv) Notwithstanding a planned 4.99% increase in Council Tax for 2024/25 (including a 2% Social Care Levy) there still remained a significant challenge in the medium term with a forecast budget gap of £51m by 2027/28 although no further Council Tax increases had been modelled as part of that forecast.

(xv) The presentation made at the meeting had not included the Government announcement of some extra local council funding the previous day, but it was thought likely to have tight criteria and restrictions attached to its use with further detail to follow. On the assumption that it was likely additional one-off funding then the settlement for ECC might be around £12m.

(xvi) There had been some indications that the Household Support Grant from government would likely continue in some form but there was uncertainty on any actual funding level.

(xvii) Members highlighted that cutting certain budgets, such as rural maintenance, could have an impact on health and wellbeing.

Conclusion

It was agreed to provide the following:

- To detail how the Local Highways Panels budget was split across the 12 areas and whether increases or decreases on previous year.
- Historical data to support the Draft Revenue Budget (Net) 2024/25 slide.
- A separate detailed session on the Capital Programme be added to the Committee's work programme.
- A link to a further breakdown of the categories used in the Revenue Budget and their respective key areas of pressure.
- More information and breakdown on Government grants received which were 'flow throughs' and passported onto service providers and to distinguish between ECC net and gross position, particularly to include (i) education and schools and the Dedicated Schools Grant and (ii) in relation to Passenger Transport and the Bus Service Operators Grant.
- Information on any offset from Insurance claims/receipts for highways damage.

The meeting adjourned at 11.45am and reconvened at 11.54am

5. Essex Renewal Fund update

The Committee considered report CPSC/02/24 which provided an update on progress with regard to the Essex Renewal Fund, together with the proposed next steps.

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

- Councillor Chris Whitbread, the Chancellor of Essex
- Stephanie Mitchener - Director, Finance

And they were joined by:

- Councillor Lee Scott, Cabinet Member for Planning a Growing Economy
- Tina French – Head of Finance Commercial Insight
- Ricky Thakrar – Economic Infrastructure Manager

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

(i) The Essex Renewal Fund supported land and property projects in Essex that the market would not deliver or may not deliver to such high standards. Projects would be prioritised based on their alignment to the Council's Everyone's Essex strategic aims.

(ii) Net income and capital receipts would be reinvested to deliver further projects. The Fund would also leverage central government grant funding and private sector funding into Essex to deliver projects. Peak long-term debt would be expected to be kept to around or below £30m. ECC would also need to ensure that it did not become overly reliant on grant funding.

(iii) The Fund may be able to empower other partners and facilitate de-risking a scheme for the private sector to participate in its further development. This could be how to recycle the ECC investment and make it go further. Examples of possible projects could be converting housing units to light industrial use or bringing a vacant retail unit back into use.

(iv) All new projects were expected to be delivered to net zero carbon in operation.

(v) The Fund had been paused during the last year as part of a review of the capital programme.

(vi) It was anticipated there would be a maximum 2-3 projects at any one-time.

(vii) Abortive costs would need to be covered by those projects proceeding.

Conclusion

It was agreed that Cabinet Members and officers:

(i) Should consult Essex Pension Fund officers to identify any investment opportunities and synergies.

(ii) Should circulate the criteria basis for funding projects for each area as there were some differences across the County.

(iii) Should prepare a further update with timing to be confirmed which should include evidence that the Fund had business and outside partner support.

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

6. Work programme

The Committee considered and noted report CPSC/03/24 which comprised the current work programme for the Committee. It was **agreed** to add the implications of the abolition of LEPs to the Work Programme whilst noting that this may need to be considered jointly with the Place Services and Economic Growth Policy and Scrutiny Committee.

7. Date of Next Meeting

The date of the next meeting was currently scheduled for 29 February 2024. However, a new date would need to be found to accommodate witness availability.

8. Urgent Business

No items were raised.

The Chairman then closed the meeting at 12.27pm

Chairman