



Essex County Council

Cabinet

10:15	Tuesday, 10 October 2023	Council Chamber County Hall, Chelmsford, CM1 1QH
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For information about the meeting please ask for:

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Pages

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Meeting Arrangements

In accordance with paragraph 14.7 of the Council's Constitution, the Leader has agreed that all members may take part in the meeting and vote if they are present via Zoom. The link to the Zoom meeting has been sent to members separately. Members of the public may watch on YouTube and there will of course be the normal public access to the meeting room in County Hall, from which any member of the public may observe the meeting and make representations.

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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. No statement or question shall be longer than three minutes and speakers will be timed.

On arrival, and before the start of the meeting, please register with the Democratic Services Officer.

4 New Countywide Independent Advocacy Service (FP/195/08/23) 10 - 22

The Equalities Comprehensive Impact Assessment (ECIA) is available [via this link](#) – please scroll to bottom of page

5 New Passenger Transport Services Dynamic Purchasing Framework Agreement (FP/170/06/23) 23 - 28

The Equalities Comprehensive Impact Assessment (ECIA) is available [via this link](#) – please scroll to bottom of page

6 Outsourcing of Corporate Payroll Service (FP/150/06/23) 29 - 47

The Equalities Comprehensive Impact Assessment (ECIA) is available [via this link](#) – please scroll to bottom of page

7 2023-24 Financial Overview as at the Half Year Stage (FP/036/02/23) 48 - 75

8 Award of Contracts for the provision of Microsoft Volume Licencing Agreements (FP/148/06/23) 76 - 86

The Equalities Comprehensive Impact Assessment (ECIA) is available [via this link](#) – please scroll to bottom of page

9 Decisions taken by or in consultation with Cabinet Members (FP/227/08/23) 87 - 88

10 Date of next meeting

To note that the next meeting of the Cabinet will take place at 10.15am on Tuesday 14 November 2023 in the Council Chamber at County Hall, Chelmsford, CM1 1QH.

11 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.

Exempt Items

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

The following items of business have not been published on the grounds that they involve the likely disclosure of exempt information falling within Part I of Schedule 12A of the Local Government Act 1972. Members are asked to consider whether or not the press and public should be excluded during the consideration of these items. If so it will be necessary for the meeting to pass a formal resolution:

That the press and public are excluded from the meeting during the consideration of the remaining items of business on the grounds that they involve the likely disclosure of exempt information falling within Schedule 12A to the Local Government Act 1972, the specific paragraph(s) of Schedule 12A engaged being set out in the report or appendix relating to that item of business.

12 Confidential Appendix: Award of Contracts for the provision of Microsoft Volume Licencing Agreements (FP/148/06/23)

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

13 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.

Committee: Cabinet

Enquiries to: Emma Tombs, Democratic Services Manager
Emma.tombs@essex.gov.uk

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

Member

Portfolio

(Quorum: 3)

Cllr Kevin Bentley	Leader of the Council (Chairman)
Cllr Louise McKinlay	Deputy Leader, Levelling Up and the Economy (Vice-Chairman)
Cllr Tony Ball	Education Excellence, Lifelong Learning and Employability
Cllr Tom Cunningham	Planning a Growing Economy
Cllr Mark Durham	The Arts, Heritage and Culture
Cllr Beverley Egan	Children's Services and Early Years
Cllr Peter Schwier	Climate Czar, Environment, Waste Reduction and Recycling
Cllr Lee Scott	Highways Maintenance and Sustainable Transport
Cllr John Spence	Health, Adult Social Care and ICS Integration
Cllr Chris Whitbread	The Chancellor of Essex

Minutes of a meeting of the Cabinet which took place in the Council Chamber at County Hall, Chelmsford at 10.15am on Tuesday 12 September 2023

Present:

Councillor	Cabinet Member Responsibility
Cllr Kevin Bentley	Leader of the Council
Cllr Tony Ball	Education Excellence, Lifelong Learning and Employability
Cllr Tom Cunningham	Planning a Growing Economy
Cllr Mark Durham	The Arts, Heritage and Culture
Cllr Beverley Egan	Children's Services and Early Years
Cllr Peter Schwier	Climate Czar, Environment, Waste Reduction and Recycling
Cllr Lee Scott	Highways Maintenance and Sustainable Transport
Cllr Chris Whitbread	The Chancellor of Essex

Cllrs Lynette Bowers-Flint, Malcolm Buckley, Alan Goggin, Carlo Guglielmi, Ivan Henderson, Mike Mackrory, Bob Massey, Richard Moore, Mark Platt, and Laureen Shaw were also present.

1. Membership, Apologies, Substitutions and Declarations of Interest

The report of Membership, Apologies and Declarations was received, and the following were noted:

1. Membership of the Cabinet was as set out in the report.
2. Apologies for absence had been received from Cllrs Louise McKinlay, Deputy Leader and Cabinet Member for Levelling up and the Economy and John Spence, Cabinet Member for Health and Adult Social Care, and also from Cllr David King, Deputy Leader of the Liberal Democrat Group.
3. There were no declarations of interest.

2. Minutes: 18 July 2023

The Minutes of the previous meeting, held on 18 July 2023, were approved as a correct record and signed by the Chairman.

3. Questions from the public

None.

The agenda items recorded at minutes 4 and 5 below were considered together, with the recommendations moved separately.

4. Procurement of Block Contract for Residential Places (FP/146/06/23)
(Considered in conjunction with the item recorded at minute 5 below.)

Cabinet's approval was sought for the procurement of up to nine block bookings of places in accommodation registered with Ofsted suitable for children and young people currently in unregistered placements, who may not be able to live in larger groups. The places would be for an initial period of one year, with the possibility of extension for a further two years and the Council and the provider able to terminate on six months' notice.

The Cabinet Member for Children's Services and Early Years responded to questions by Cllrs Mike Mackrory and Ivan Henderson concerning the use of unregulated placements and the reasons for the proposed application of a 70:30 price/quality ratio to the procurement.

Cllrs Henderson and Mackrory placed on record their thanks to the Cabinet Member, Executive Director and staff for their hard work leading to an 'Excellent' Ofsted rating for Children's Services in Essex.

Resolved:

1. Agreed to undertake a single stage open procurement to secure block contracts of up to nine places in Ofsted registered children's homes for those children and young people in unregistered placements, who may not be able to reside in multi-occupancy homes.
2. Agreed that each contract will be for an initial period of one year, but with the possibility of extension for up to three years in total with a potential cost of £20.6m.
3. Agreed that each contract will contain a clause entitling the Council and provider to terminate on 6 months' notice clause to reduce the financial liability and risk to the Council and to providers entering the arrangement.
4. Agreed that the Executive Director, Children and Families, in consultation with the Monitoring Officer, is authorised to:
 - (a) Determine the procurement procedure to be followed including lots, geography and ranges of needs; and
 - (b) Award the contracts to successful bidders.

5. Block Contracts for Mainstream Residential Placements for Children and Young People (FP/155/06/23)
(Considered in conjunction with the item recorded at minute 4 above.)

Cabinet's approval was sought to invite tenders for block contracts for provision of residential places. The purpose was to ensure availability of a range of accommodation which can meet different needs, and which is

located across the County so that young people can be accommodated as close as possible to home.

The Cabinet Member for Children's Services and Early Years responded to questions by Cllrs Mike Mackrory and Ivan Henderson concerning efforts being made within ECC to understand and respond to changes in the care market, including increased demand and a need for different types of placements. It was noted that the current challenges in the care market were being experienced nationally, and ECC senior members and staff took every opportunity to raise them during high-level forums and discussions.

Resolved:

1. Agreed to invite tenders for block contracts for service providers across Essex for purchasing between six and 18 residential places for children in care which:
 - Is procured using a competitive single stage process.
 - Is for an initial period of one year but is capable of being extended for a total period of three years (1+1+1).
 - Is procured using evaluation criteria based on a price: quality ratio of 70:30.
 - Seeks to book no more than five places in any setting.
 - Covers a range of needs.
2. Agreed to authorise the Cabinet Member for Children and Families to award the block contracts.

6. Launch of Public Consultation on Draft Waste Strategy for Essex (FP194/08/23)

Cabinet's approval was sought to undertake a public consultation on the draft joint Waste Strategy for Essex on behalf of the Essex Waste Partnership. The updated Strategy had been developed by Essex councils to reset and reinvigorate Essex's waste ambition, priorities and targets for the next 30 years.

The Climate Czar and Cabinet Member for Environment, Waste Reduction and Recycling responded to questions by Cllrs Malcolm Buckley, Ivan Henderson and Mike Mackrory. He referred to a likely future emphasis on reducing levels of recycling and explained the publicity arrangements for the public consultation.

The Cabinet Member also undertook to provide a written response to Cllr Henderson, with a copy to all members, concerning performance on the targets included within the current Waste Strategy (adopted in 2009) and clarifying statements in the report regarding future percentages of waste to be sent to landfill.

Finally, the Cabinet Member undertook to ensure that an error on page 47 of the Strategic Environmental Assessment (SEA) Scoping Report (page 150 of the Agenda Pack) was corrected.

Resolved:

1. Agreed to launch a 10-week public consultation commencing in September 2023 on the draft Waste Strategy for Essex on behalf of the Essex Waste Partnership. ECC will facilitate the consultation asking for views and feedback from Essex residents, communities, businesses and councils that use waste services or are affected by the proposals in the draft strategy.
2. Noted that an independent organisation will be appointed to collate and analyse consultation responses and produce a report for publication on Citizen space.
3. Noted that a revised version of the draft strategy will be prepared by the Essex Waste Partnership following the consultation process which will then be considered for adoption by ECC. The adoption of a Waste Strategy for Essex will be subject to a separate formal decision which will be taken independently by each Essex Waste Partnership member authority.

7. Decisions taken by or in consultation with Cabinet Members (FP/181/07/23)

The report was noted.

8. Date of next meeting

Noted that the next meeting of the Cabinet would take place at 10.15am on Tuesday 10 October 2023 in the Council Chamber at County Hall, Chelmsford, CM1 1QH.

9. Urgent business

There was no urgent business.

There being no further business, the meeting closed at 10.58am.

Chairman
10 October 2023

Forward Plan reference number: FP/195/08/23

Report title: New Countywide Independent Advocacy Service	
Report to: Cabinet	
Report author: Councillor John Spence, Cabinet Member for Adult Social Care, Health and NHS Integration	
Date: 10 October 2023	For: Decision
Enquiries to: Moira McGrath – Director for Adult Social Care Commissioning email moira.mcgrath@essex.gov.uk or Emily Oliver – Head of Strategic Commissioning and Policy email Emily.oliver@essex.gov.uk	
County Divisions affected: All Essex	

1. Everyone's Essex

- 1.1. Everyone's Essex sets out the strategic aim of health, wellbeing, and independence for all ages. Our ambition is that we help people to live healthy, happy and full lives with the ability to fulfil their potential irrespective of any vulnerability by being supported to actively take part in decision making and have their voices heard.
- 1.2. There will always be people who will find this difficult to do on their own. In such cases it is important that we are able to help ensure they get the support they need. Essex County Council's (ECC) advocacy service is there to provide this support. The current service commissions advocacy across all ages. At present it is due to end in June 2024. There is no provision for an extension within the current contract beyond this point.
- 1.3. The purpose of this paper is to seek agreement to go out to the market to procure a new countywide Independent Advocacy Service which will deliver both statutory and non-statutory advocacy.
- 1.4. As well as supporting the Everyone's Essex ambitions stated above, it will help level up the county by ensuring that those who struggle to get the support they need have access to someone to help on their behalf.
- 1.5 This decision will have a neutral impact on ECC's net-zero carbon ambitions.

2. Recommendations

- 2.1. Agree to undertake a competitive procurement process to procure contract for a lead provider of a countywide Independent Advocacy Service. The procurement will be a single stage tender process with a high-level evaluation of 70% quality (including 10% social value) and 30% price with a procurement ceiling price of £5.8m based on 100% of predicted demand over the 5-year

term of the contract. The contract length will be 5 years with an option to extend for a further two years.

- 2.2. Agree that the contract will be a block contract that will include 100% of overhead costs and marginal costs relating to 80% of predicted demand.
- 2.3. Agree that the Executive Director for Adult Social Care may award the contract following completion of the competitive procurement process.

3. Background and Proposal

- 3.1. Essex County Council has a statutory duty to provide an independently led Advocacy Service across adult, children, mental health and health services. This support is provided to some of the most vulnerable people in Essex.
- 3.2. Advocacy services enable individuals, usually a vulnerable child or adult, to understand and communicate their choices or express their views on issues and participate in making decisions which affect their life, care or treatment. This ensures that their rights are upheld.
- 3.3. The current advocacy service contract was issued in 2018 and was extended for one year until June 2024 in line with the original terms of the contract. This was so ECC could clarify the impacts and consequences of proposed National legislative change. These legislative changes have been postponed so ECC must now complete the procurement of a new service whilst there is still a level of uncertainty of legislative changes.
- 3.4. The current service is commissioned as an all-age and all advocacy type service and is delivered under a single contract by Rethink Mental Illness, a Registered Charity. The existing contract is made up of the following legally required services:
 - Independent Mental Capacity Advocacy (IMCA) – support whilst undergoing a mental capacity assessment, or best interest decision.
 - Paid Relevant Person Representative (RPR) – An advocate who maintains contact, represents and supports in all matters relating to the Deprivation of Liberty Safeguards (DoLS)
 - Independent Mental Health Advocacy (IMHA) – An advocate who supports an individual with mental health care and treatment issues, and understanding their rights (Mental Health Act).
 - Independent Care Act Advocacy (ICAA) – An advocate who will support people to understand their rights under the Care Act and to be fully involved in a local authority assessment, care review, care and support planning or safeguarding process.
 - Independent Health Complaints Advocacy (IHCA) – Provides support to people who want to complain about their NHS care or treatment.
 - Independent Advocacy for Children and Young People – support to an individual to express views, wishes and feelings and to make and influence decisions about their lives.

- 3.5. The contract also includes the following services which are required to be delivered to ensure the Council is meeting good practice as described within the wider Care Act and Children and Families Act requirements:
- General Advocacy
 - Peer and Citizen Advocacy
- 3.6. The original value of the current contract is £1.2m per year. The five-year contract has been extended for a further year in line with the original terms of the contract and now expires at the end of June 2024.

Potential Legislative Changes

- 3.7. Significant legislative and policy changes are likely to come, with the implementation of change under the Health and Care Act 2022, following the independent review of Children's Social Care. The final legislation and any implementations dates are still being considered by Government.
- 3.8. While the exact detail of the legislative changes is not yet clear the contract will be written so it can be adjusted if these are implemented. If additional capacity and funding are required, this will be subject to separate governance.

The Model

- 3.9. Based on the findings from the engagement sessions (see appendix 2 engagement) and benchmarking with other local authorities, the proposal is that new service will continue to deliver the same service elements listed above in 3.4 and 3.5 with the following amendments, to improve and in some cases increase current provision
- Forensic Mental Health Services¹ – The new service will include provision for providing IMHA services in Forensic settings. This provision is not included within the current contract as it was commissioned through a separate contract.
 - Providing advocacy support for parents whose children are having an assessment for, or are subject to, a Child in Need or Child Protection Plan. This provision is not included within the current contract but a need for this provision has been identified.
 - An increase in the uptake of IMHA to support our most vulnerable people who are detained or sectioned in mental health wards across Essex. This will be achieved through a greater presence of advocates within mental health settings to increase awareness and understanding of the advocacy offer.

¹ Forensic mental health services specialise in the assessment, treatment and risk management of people with a mental disorder who are currently undergoing, or have previously undergone, legal or court proceedings.

- 3.10. The model will have a lead provider which has access to other specialist advocacy providers thus maximising our opportunity to achieve good outcomes for all. This model will centralise the management of advocacy referrals, deliver a consistent triage service with clear pathways, and have flexibility to adapt to needs of the population.
- 3.11. Commissioning the service in this way will continue to ensure that it reflects the views of people with lived experience who have called for a better understanding of advocacy, greater accessibility, a more visible service and access to specialist advocates.
- 3.12. The impacts and outcomes that people of Essex will see from the new service include:
- Continuation of an equitable offer across Essex as a result of the single point of access and a countywide service. Residents will also have access to specialist advocates regardless of location or type of advocacy required through the subcontracting model
 - Some people will feel more empowered and able to self-advocate through more support and training being made available for self-advocates.
 - An increased and improved peer support offer leading to more opportunities for local and group support.
 - More access to specialist children's advocacy through a requirement to provide additional capacity in the specification.

The Procurement Approach

- 3.13. It is proposed to undertake an open single stage procurement for both statutory and non-statutory services, in compliance with the light touch regime of the Public Contracts Regulations 2015 for the procurement of a countywide Independent Advocacy Service for five years for the option to extend for another two years.
- 3.14. It is proposed that this service utilises a block arrangement, consisting of the winning providers' overheads and 80% of the predicted demand based on the tendered marginal price per hour of advocacy support delivered. Any referrals received beyond this 80% demand figure will be paid at the tendered marginal hourly rate for each additional hour of support delivered. The block approach will protect ECC from up to 20% lower levels of demand and allows ECC to flexibly deal with any demand increase.
- 3.15. In order to enable ECC to review the service and ensure that the provisions are able to meet the needs of residents, the contract will contain a break clause at the end of years 2 and 3, as well as a rolling break clause operable on six months' notice in the final two years of the contract.
- 3.16. The price / quality split is proposed to be 30% price, 70% quality of which 10% will include social value commitments made by bidders, this is to identify best value for the delivery model and achieve best possible outcomes. A ceiling price has been determined (£5.8m) and this will be set in our procurement documents to protect against any bids exceeding this and becoming unaffordable. It is expected that bids received will be in the same region in terms of price based on

the previous procurement process which was carried out in 2018 with an identical commercial model and there is more limited benefit to a larger price split than if we expected a wide array of costs.

- 3.17. Due to the risks associated with this service, a high-quality bias is required to mitigate these risks, this will require bidders to have a large number of staff with specialist qualifications, which in the current market there is a demand for. Bidders will be required to evidence that they have sufficient, good quality, qualified staff in place as this is essential for good performance delivery.
- 3.18. Due to the uncertainty surrounding the future changes in legislation it has been deemed vital that providers are able to respond and react to changes which may affect demand and cost, and this has been built in as a quality question which requires a higher weighting. The model itself will rely on providers managing a wide range of referrals for differing types of advocacy, and potentially managing other providers as a lead provider and an enhanced quality allowance is deemed important to assess this and identify the provider best placed to deliver against the model.
- 3.19. The proposed timeline will ensure the new service is ready to commence in June 2024.

Risks

- 3.20. As the new provider increases visibility of the service, the numbers of referrals may exceed the volumes set out in the contract. This will be mitigated through close monitoring of referrals and use of the peer and citizen advocacy to empower individuals or groups to speak on behalf of themselves.
- 3.21. The council has undertaken market engagement and identified that there are organisations that would be interested in bidding to deliver the service in Essex. Nonetheless, there is a risk that the procurement will be unsuccessful due to insufficient engagement from the market.
- 3.22. Although unlikely, if the procurement was unsuccessful, we would look to direct award the contract under regulation 32 of the Public Contract Regulations and follow any governance required to support this.

4. Links to our Strategic Ambitions

- 4.1. The new service aligns with Essex County Councils organisational strategy in that it:
- Helps people prosper by increasing their skills
 - Helps keep vulnerable children safer and enable them to fulfil their potential
 - Enable more vulnerable adults to live independent of social care
 - Improve the health of people in Essex County Council
- 4.2. This report links to the following aims in the Essex Vision

- Enjoy life into old age
- Provide an equal foundation for every child
- Strengthen communities through participation
- Connect us to each other and the world

4.3. Approving the recommendations in this report will have a neutral impact on the Council's ambition to be net carbon neutral by 2030.

5. Options

5.1. The Council considered a number of different options for delivery of the new service.

5.2 Option 1: Replicate the current delivery model – One provider delivering all types of advocacy across Essex

- **Benefits**

- This option is simple and familiar, offering the desired countywide single point of access
- Efficient model with economies of scale and low overheads
- Easier transition to the new service
- This would be the option that offers the lowest cost

- **Challenges**

- A single provider may not have the specialist skills to support the needs of all people who require advocacy
- Individuals may find it difficult to obtain specialist support
- Reduced resilience if the single provider is struggling with recruitment or retention of staff
- likely to offer the lowest cost but does not offer best value for money as it doesn't offer the best outcomes for all.

5.3 Option 2 - Multiple contracts delivering advocacy by geography, type or cohort – contracting with numerous different organisations to deliver specialist advocacy. Complex multi-point referral route.

- **Benefits**

- Greater choice for individuals and more locally driven
- Access to specialist advocates

- **Challenges**

- Many different referral routes could cause confusion and inefficiency.
- Difficult for individuals to navigate and self-refer
- Contingency planning should volumes change would be difficult to manage
- Would require significant ECC officer time to monitor the contract
- Not cost effective with high overheads.

5.4 Option 3 - lead provider model - delivering all types of advocacy with a single point of access and subcontracting to specialist organisations (recommended option)

- **Benefits**
- Single point of access and access to specialist advocacy providers
- The lead provider will be able to subcontract
- A simple single reporting stream providing ability to monitor and respond to any difficulties in delivering good outcomes for people.
- Enables mitigation against any future legislative changes and increases in demand.
- **Challenges**
- Potential disruption to delivery as subcontracting arrangements are established

5.5 Option 4 – Adults’ and children and young people’s advocacy services commissioned separately.

- **Advocacy for Adults – Commissioned as described in option 3**
- **Advocacy for Childrens and young people – Commissioned with a lead specialist provider, separately delivering all types of children’s advocacy**
- **Benefits**
 - Children and Young People would have a specialist service
- **Challenges**
 - Difficult for young adults to navigate, particularly those in transition,
 - Less flexibility to mitigate increased demand
 - More costly due to two sets of overheads.

6. Issues for consideration

6.1. Financial implications

6.1.1 The Medium-Term Resource Strategy (MTRS) assumes £6.5m for advocacy services across the life of the proposed contract. The council spent £1.2m for Advocacy services in 2022/23 and are forecast to spend £1.3m for 2023/24. Based on modelled assumptions, the expected costs of the service are likely containable within the MTRS. The below table shows a range of cost estimates based on possible variations in demand.

Table 1

£000s	Part year					Part year	
	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	Total
Lower cost estimate	731	1,025	1,086	1,148	1,213	307	5,510
Higher cost estimate	885	1,240	1,315	1,390	1,468	372	6,670
 MTRS	 938	 1,276	 1,302	 1,328	 1,354	 345	 6,544
Lower variance	(207)	(252)	(215)	(180)	(142)	(38)	(1,034)
Higher variance	(53)	(36)	13	62	113	27	126

6.1.2 The lower cost of the proposed service has been modelled on the average demand across 2021/22 and 2022/23 for the services countywide. It is anticipated that demand for all services except Independent Mental Health Advocacy (IMHA) will rise over the new contract proportionately to population growth for the cohorts of people accessing the service. More specific insight has been used to model the increase for the IMHA service.

6.1.3 There is a risk that demand for advocacy may increase above modelled assumptions and this is reflected in the higher cost estimate set out in Table 1. A sensitivity analysis has been undertaken utilising commissioning insight regarding fluctuation in demand ranging from -5% to +15%. The higher cost estimate is marginally above the current MTRS value. In the event of escalating demand leading to cost pressures, further funding and relevant governance to address this will be required. There are currently no savings proposed from this tender due to the uncertainty regarding level of demand for the service. This will be kept under review as the contract goes live in July 2024 and demand data is monitored through contract management. The contract cost and performance will be closely monitored in order to identify any pressures or savings arising.

6.1.4 The contract will be paid via a block payment and a marginal rate for additional demand as detailed in 3.14. The smaller block payment with the addition of a marginal rate provides flexibility that protects the Council from a level of demand lower than 80% of the predicted demand whilst enabling ECC to provide an effective service if demand increases. The ceiling price for the tender has been agreed at £5.8m as detailed in 3.16 and shown as part of Table 2.

Table 2

£000s	Total contract
Block cost	5,002
Marginal cost	798
Ceiling price	5,800

6.1.5 The breakdown of funding for this contract is set out in Table 3 below. The contract is part-funded by the Local Reform and Community Voices grant received from Department for Health and Social Care (DHSC) to the value of £470,000 per annum. The value of this grant has remained static for the past three years and is expected to continue at this rate for future years. There is also a contribution of £109,000 per annum from the Memorandum of

Understanding between Essex County Council and Suffolk and North-East Essex Integrated Commissioning Board (ICB), Hertfordshire and West Essex ICB and Mid and South Essex ICB.

Table 3

£000s	Part year					Part year	
Breakdown of funding	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	Total
ECC	504	697	723	749	775	201	3,649
ICB MOU	82	109	109	109	109	27	545
DHSC Grant	353	470	470	470	470	118	2,350
Total	938	1,276	1,302	1,328	1,354	345	6,544

6.1.6 The new contract could be subject to TUPE arrangements which would be a matter for the incumbent and new provider should the successful bidder not be the incumbent.

6.2. Legal implications

6.2.1 This proposal represents a lawful way to procure this diverse range of advocacy services, some of which we are required by law to provide and some of which are services which we are not required to provide.

6.2.2 The use of a block contract creates the risk that ECC won't use as many services as it is committed to pay for. The fact that the block is set at 80% of current usage appears to mean that this risk is unlikely to occur.

7. Equality and Diversity Considerations

7.1. The Public Sector Equality Duty applies to the Council when it makes decisions. The duty requires us to have regard to the need to:

- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act. In summary, the Act makes discrimination etc. on the grounds of a protected characteristic unlawful
- (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.

7.2. The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership, race, religion or belief, sex, and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).

7.3. The Equalities Comprehensive Impact Assessment indicates that the proposals in this report will not have a disproportionately adverse impact on any people with a particular characteristic.

8. List of Appendices

Appendix 1 Equalities Impact Assessment

Appendix 2 Feedback from engagement with people with lived experience, the market and Stakeholders

9. List of Background papers

None

Appendix 2

Recommissioning the Countywide Independent Advocacy Service

Feedback from Engagement Sessions

Views of People with lived experience and stakeholders

The council engaged with a broad range of people with Lived Experience of using or requiring advocacy services, as well as other key stakeholders including social care operational colleagues and advocacy providers to better understand what worked well, areas for improvement and what was required within any new service.

One of the key issues that arose from this engagement was that Advocacy was poorly defined and understood. Therefore, an agreed definition of advocacy was developed:

‘An advocate is an appropriately qualified and independent person who works in a confidential manner with, or on behalf of, an individual who may require unbiased representation.

The activities of an advocate may include (but are not limited to): understanding and engendering expression of the individual’s views, supporting effective communication of wishes and preferences; ensuring the individual is heard; empowering the individual; maintaining the individual’s legal rights.’

Advocacy is not:

- Someone giving you their opinion
- Someone solving your problems and making decisions for you
- Someone making decisions or choices on your behalf without permission
- Withholding or presenting information about you without your permission/knowledge

Key themes which came from the engagement are included in the tables below.

Table 1: summary of feedback from individuals with lived experience of accessing social care or mental health services.

Current Service Feedback from People with Lived Experience	Key Messages for the Future Service
<ul style="list-style-type: none">• A significant number of people did not know what advocacy was• Many individuals had never heard of the service or how to access it• Those that had used it found the referral process confusing	<ul style="list-style-type: none">• There needs to be consistency in support• Referral route needs to be simple• Access to specialist advocates is essential• It must be more visible and accessible for when people need it

<ul style="list-style-type: none"> • Many who had used the service found they were not supported by advocates with specialist knowledge of the type they needed • Accessibility is a huge barrier to using the service • There needs to be better understanding of the role of advocate • The criteria to access statutory advocacy is too high 	<ul style="list-style-type: none"> • Social workers need better training regarding at which stages of assessment advocacy should be offered • People with Lived Experience make great advocates for others • There needs to be more advocacy support at a peer, citizen and general level to prevent people only being able to access support when they reach crisis
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Table 2: Summary of feedback from stakeholders including social care operational colleagues

Current Service Feedback from Key Stakeholders	Key Messages for the Future Service
<ul style="list-style-type: none"> • There are concerns about the accessibility and suitability of the referral pathway and referral method • There is a generally poor awareness across all of the Independent Advocacy provision • There is a lack of understanding about the eligibility criteria • Some concerns from CYP team about suitability of CYP advocacy provider(s) • There is a gap in advocacy support for the parents of children who are subject to a Child in Need or Child Protection assessment or plan. 	<ul style="list-style-type: none"> • Accessible information and appropriate language usage • Communication suitable for differing groups • Cultural/disability awareness • Simple referral process/form • Building trust between individuals and advocates/organisation is crucial • Better visibility of the service required

Table 3: Summary of feedback from market engagement sessions

Current Market Feedback from Market Engagement	Key Messages for the Future Service
<ul style="list-style-type: none"> • Single Point of Access (SPA) is a good model for delivery • The workforce is a challenging place currently, with not enough qualified advocates • The unknowns in the market and legislation is making it difficult • Lead provider model appears to be a sensible approach for the model • A large single provider can lack specialism 	<ul style="list-style-type: none"> • Financial contingency built into contract • Flexible contract • Work together to address workforce challenges • Good communication • ECC need to support with development of services

<ul style="list-style-type: none"> • Market positive about amount of engagement from ECC 	
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Forward Plan reference number: FP/170/06/23

Report title: New Passenger Transport Services Dynamic Purchasing Framework Agreement	
Report to: Cabinet	
Report author: Councillor Lee Scott – Cabinet Member for Highways Maintenance and Sustainable Transport	
Date: 10 October 2023	For: Decision
Enquiries to: Paul Crick, Director, Highways and Transportation paul.crick@essex.gov.uk or Georgia Dedman Georgia.Dedman@essex.gov.uk – Procurement Specialist	
County Divisions affected: All Essex	

1. Everyone's Essex

- 1.1 Everyone's Essex sets out our strategy for a strong, inclusive and sustainable economy; a high-quality environment; health, wellbeing and independence for all; and for making Essex a good place for children and families to grow.
- 1.2 A strong bus network is central to all these aims. It helps people access education, jobs, services and shops, supporting our schools, colleges, high streets and local employment. It gives people an alternative to car travel, helping to reduce congestion and carbon emissions, and so contributing to our net zero carbon goals. It enables people to live independently and to access friends and family, supporting their health and wellbeing.
- 1.3 Getting that strong bus network becomes much easier when we have a simple, efficient and cost-effective way of contracting the right bus service providers at the right time. The purpose of this paper is to procure what's called a 'Dynamic Purchasing System (DPS)' - an electronic procurement system for the supply of goods, works or services which suppliers can join at any time. It gives buyers, like Essex County Council (ECC) speedy access to a pool of pre-qualified suppliers, with the confidence that they meet our prescribed minimum standards.
- 1.4 The report seeks to agree the re-procurement of a Passenger Transport Services (DPS) for a period of five years with the ability to extend for up to 24 months in single or multiple extensions.
- 1.5 There is ambition for Thurrock Council to join this scheme as well. This reports also seeks to agree the Delegated Authority to the Director of Procurement to agree the mechanism to enable Thurrock Council to source Education Transport services via the DPS when this is determined. The mechanism and any associated costs will be subject to a separate governance process.

The benefits of collaborating with Thurrock Council are:

- Suppliers of the service will only need to tender to join one DPS and will have access to a wider market of both Authorities This reduces duplication as

suppliers do not need to complete a similar process twice.

- Reduces duplication of effort with resources and time efficiencies gained across both Authorities
- Both Authorities can work together to schedule calling off the DPS to avoid and reduce both Authorities competing against each other in the same market to facilitate achieving the best value from the supply market.
- ECC can share best practice with Thurrock having had a successful transport DPS in place for a number of years.

2. Recommendations

- 2.1 Agree to procure a Dynamic Purchasing System (DPS) for Passenger Transport which is used to source Passenger Transport services from 1 January 2024 for a period of up to five years with the ability to extend for up to 24 months in single or multiple extensions. This is subject to change over the period of five years to align with the strategic aims of each of the sub-categories.
- 2.2 Agree that the Director, Procurement in consultation with the Monitoring Officer may approve the mechanism in which Thurrock Council can source Education Transport using the ECC Passenger Transport DPS and that this and any associated costs will be subject to a separate decision.

3. Background and Proposal

- 3.1 Essex County Council has a statutory duty to:
 - Provide home to school transport for those children and young people who meet the eligibility criteria
 - To review the provision of local bus services to decide on whether to make a provision for bus services not met by the commercial bus network.
 - To provide transport for adults attending social care settings who meet the eligibility criteria.
- 3.2 The Council currently has a dynamic procurement system (DPS) which enables us to seek prices from bus operators quickly and simply in a way that complies with procurement law. The current DPS will expire on 1 January 2024 following the maximum extension period. The Council therefore needs to decide how to procure its future needs for transport.
- 3.3 It is proposed that we therefore procure a new DPS to take effect when the current one expires. A DPS is a system with its own rules under which eligible suppliers can register with the system and bid for contracts in accordance with the rules of the system. The rules about awarding contracts are set out when the system is set up.
- 3.4 A DPS is a system which the law allows us to use to award contracts quickly and

simply. Procuring a DPS does not guarantee that any contracts will be awarded or require us to use the system to award contracts. The Council will need to decide to use the DPS and decide what it should buy on each occasion. The DPS will provide a catalogue of potential providers who are able to deliver transport that meet the requirements of the specification for the category they apply to join. There is no limit on the number of providers that can join the DPS.

- 3.5 The opportunity to join the DPS will be advertised and suppliers will need to apply to take part and provide information about themselves before they can be put on to the DPS.
- 3.6 Providers may select the category of service they wish to deliver, and they will be accepted if they meet the minimum standards for that category and none of the grounds for exclusion apply. Where a Service Provider's circumstances change and they wish to provide services under another category they will be required to re-submit to the DPS to amend their original submission.
- 3.7 When the Council wishes to award a contract we will operate competitions under the DPS where providers will submit a bid based on the service specification. Contracts can be awarded at any time, though the majority of these call offs will be on an annual basis.
- 3.8 The Price, Quality, Social Value and Climate / Environment award criteria will be determined within the annual tender round governance paper and will vary across the categories and service specifications but will always fall within the ranges below:
 - Price: 30-100%
 - Quality : 10-50%
 - Social value: 5-20%
 - Climate/ Environment: 5-40%
- 3.9 It is proposed that the DPS will have multiple categories. The proposed categories are:
 - Home to School – Mainstream
 - Home to School – Special Educational Needs
 - Adult Social Care
 - Local Bus services
 - Ad hoc transport
- 3.10 Ticket agreements are an arrangement between ECC and a provider of commercial bus or other transport services. ECC will always maximise use of the existing transport network in the first instance and this arrangement allows ECC to purchase 'bulk' tickets on existing commercial services. The agreements will usually include a number of services operated by the same provider. They cannot normally be procured' via the DPS as there is no competition for these services and ECC are not permitted to arrange a service in competition. The DPS can be used by a provider to submit a ticket agreement price as well as a daily rate price for a service to be provided, if this meets the specification of the tender.
- 3.11 We have spoken to Thurrock Council, who have expressed an interest to join

the ECC Passenger Transport DPS to source elements of their statutory Education Transport for the 2024/25 academic year and are awaiting Cabinet approval in November to proceed. They anticipate that joining the ECC DPS will give them better value and greater flexibility as a wider pool of transport providers would be able to bid for contracts. Thurrock's current contract value for Education Transport services is currently approximately £6.1m per annum.

- 3.12 If Thurrock take part it will help increase the value of contracts awarded via the DPS thus maintain and increase market input. We will ensure that Essex is not worse off and will expect Thurrock to pay a fair contribution to the costs of the system. The Director of Procurement will agree that they can take part once Thurrock's cabinet have agreed and we have agreed terms.

4. Links to our Strategic Ambitions

- 4.1 This report links to the following aims in the Essex Vision:

Enjoy life into old age.
Provide an equal foundation for every child.
Develop our County sustainably.
Connect us to each other and the world.
Share prosperity with everyone

- 4.2 Approving the recommendations in this report will have the following impact on the Council's ambition to be net carbon neutral by 2030: the extension will allow ECC to continue provide sustainable transport and the resultant reduction in carbon emissions produced by car journeys.

This report links to the following strategic priorities in the emerging Organisational Strategy 'Everyone's Essex':

- A strong, inclusive and sustainable economy
- A high-quality environment
- Health wellbeing and independence for all ages
- A good place for children and families to grow.

5. Options

5.1 Option 1 Procure a DPS (recommended option)

This option will enable the sourcing of Passenger Transport services in a legally compliant way via a pool of transport providers that have met ECCs minimum standards. It also has the benefits of:

- Simpler procurement process
- Ease of use for suppliers
- Less resource-intensive for ECC
- Shorter procurement timescales

- Less time to procure ad-hoc transport.
- Cheaper process than a full open tender for annual tender round
- Increased market engagement, participation and competitive tension to achieve best value.
- New suppliers can be onboarded throughout the life of the DPS.
- Alignment to ECC procurement policies and strategic aims of ECC

5.2 Option 2 Procure a Framework (not recommended)

This option is not recommended as it is harder to join and leave a framework meaning that the providers on the framework may not always represent a good selection of operators across Essex.

5.3 Option 3 - Do nothing (not recommended): This option is not recommended as it would mean that ECC does not have a simple way of procuring bus services after 1 January 2024. All contracts would need to be procured individually and advertise. This would be an inefficient use of resources.

- More time needed to enable suppliers to submit tenders.
- Longer procurement timescales
- More time needed to procure ad hoc transport.
- More resource-intensive process leading to increased cost.
- Reduced market engagement and participation.

6. Financial implications

The decisions to procure passenger transport contracts are subject to a separate process. However, the decision to award a new DPS enables the procurement of these contracts to be undertaken and awarded without going to individual tender. The annual, budgeted value of passenger transport contracts in 2023/24 is approximately £49.9m and future years' Medium Term Resource Strategy (MTRS) draft budgets are set out below.

	2023/24 budget £000	2024/25 MTRS £000	2025/26 MTRS £000	2026/27 MTRS £000
H2S Hired Transport	33,974	36,201	38,570	41,034
Local Bus	12,325	13,782	14,058	14,339
Park & Ride	1,782	1,782	1,782	1,827
ASC	1,866	1,866	1,566	1,566
Total	49,947	53,632	55,977	58,766

The ECC procurement service uses Proactis ProContract as their current eSourcing platform, which enables ECC to run all regulation-compliant (and below threshold) procurement activities. There are no separate costs attributed to DPS, or any other sourcing activity other than the annual fee. An annual cost of £40,000 is paid for the existing platform and is budgeted within the Medium-Term Resource

Strategy, it is assumed that cost level will continue. If no DPS Procurements were run, the same annual cost for the Proactis Procontract system would be paid.

7. Legal implications

- 7.1 Contracts on the existing DPS must be awarded in accordance with the existing DPS arrangements.
- 7.2 Procurement of a new DPS must be undertaken in accordance with the Public Contracts Regulations 2015.

8. Equality and Diversity Considerations

- 8.1 The Public Sector Equality Duty applies to the Council when it makes decisions. The duty requires us to have regard to the need to:
 - (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act. In summary, the Act makes discrimination etc on the grounds of a protected characteristic unlawful.
 - (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.
- 8.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership, race, religion or belief, gender, and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).
- 8.3 The Equalities Comprehensive Impact Assessment indicates that the proposals in this report will not have a disproportionately adverse impact on any people with a particular characteristic.

9. List of Appendices

Appendix 1 – Equalities Comprehensive Impact Assessment.

10. List of Background papers

None

Forward Plan reference number: FP/150/06/23

Report title: Outsourcing of Corporate Payroll Service	
Report to: Cabinet	
Report author: Councillor Christopher Whitbread, the Chancellor of Essex and Cabinet Member with responsibility for Finance	
Date: 10 October 2023	For: Decision
Enquiries to: Pam Parkes, Executive Director People and Transformation, email Pam.Parkes@essex.gov.uk or Graeme Lennon, People Operations, email Graeme.Lennon@essex.gov.uk	
County Divisions affected: All Essex	

1. Everyone's Essex

- 1.1 Everyone's Essex sets out our plan for a strong, inclusive, and sustainable economy; a high-quality environment; health, wellbeing and independence for all; and for making Essex a good place for children and families to grow. Crucially, these ambitions need to be underpinned by the delivery of excellent services and value for money for residents.
- 1.2 To enable our front-line services to deliver against this vision, particularly in the face of challenges around increasing demand for services, high inflation and the cost-of-living crisis, Essex County Council (ECC) requires efficient and effective back-office support services.
- 1.3 The in-house Corporate Payroll Service primarily manages payment of salaries to Council employees and allowances to Members, while administering pension contributions and pensions statutory reporting. By seeking an external provider for this service, it will be possible to benefit from reduced costs and innovative approaches while retaining a high level of service.
- 1.4 The purpose of this paper is therefore to seek agreement to procure a contract for the provision of a corporate payroll service. Doing this will bring us into line with a range of other councils and other public sector organisations, who have successfully outsourced their payroll function - details are included in the appendix. To ensure continuity, any solution will include the transfer of our existing staff and continued use of the existing payroll system, which has successfully paid all staff since its introduction in 2021.
- 1.5 These proposals will have a neutral impact on ECC's net-zero plans.

2. Recommendations

- 2.1. Agree to procure a contract for the provision of a corporate payroll service for the Council for a three-year term commencing in June 2024, with an option to extend for up to a further two years using a single stage open process.
- 2.2. Agree that the anticipated maximum value of the contract to be paid out to the contractor for the original term of the contract (three years) is £2.610m, which includes implementation and transition costs of £375,000 as outlined in the financial implications section and referred to in recommendation 2.4 below.
- 2.3. Agree that the procurement will use an evaluation model based on 35% price and 65% quality to be agreed by the Executive Director for People and Transformation in consultation with the Executive Director Corporate Services.
- 2.4. Agree drawdown of £437,000 from the Transformation Reserve to be used strictly as follows: £62,000 initially to support the procurement, mobilisation and delivery of the new contract and services in 2023/24; and up to a maximum of £300,000 as a contribution to the supplier's transition costs associated with outsourcing along with an anticipated £75,000 for contractor implementation costs. The details of both being determined following receipt of tenders. It is envisaged that this cost of up to £375,000 would fall in 2024/25.
- 2.5. Agree that the Chancellor of Essex and Cabinet Member with Responsibility for Finance is authorised to award the contract to the successful bidder following completion of the procurement process and that no contract will be awarded unless he is satisfied that the benefits outweigh the risks.

3. Background and Proposal

- 3.1. The Corporate Payroll Service is a support service which pays workers and Members and administers pension contributions – its tasks are set out in more detail in paragraph 3.4. The Council does not have to provide these services in-house but does retain overall responsibility for payment and accurate record keeping. That said, the council sold its schools payroll service in 2021 and no longer provides payroll services for schools.
- 3.2. We are seeking to test the market to determine if a quality service can be delivered at a lower cost on a like for like basis.
- 3.3. Any award to an alternative supplier will be subject to robust contract management arrangements to ensure the council continues to receive a payroll service to meet its needs.

Current arrangements

- 3.4. The service currently undertakes the following key activities:

- processing monthly payroll including payment, costing, statutory deductions, and reporting, third party payments and reconciliation for circa 8,000 directly employed Council staff
 - implementing pay changes because of Essex Pay.
 - managing the payment of allowances to circa 75 Members and other Office Holders per month
 - administering pension contributions and other pension scheme administration for Council staff only
 - undertaking pensions statutory reporting for Council staff and maintained school employees – this will not be outsourced/
 - system administration tasks on the current IT system including and managing system upgrades
 - managing the organisation structure within the system
 - updating changes to the workforce including starters, leavers, and changes
 - managing absence including leave, sickness, and statutory leave
 - correcting errors such as over and underpayments
 - Payroll information for the Council's in-year forecasting of its financial position and in developing future years' budget models
 - undertaking financial end of year activity
 - managing employee queries relating to the above
- 3.5. The current team (including the HR Service Centre element) consists of 29.68 FTE with direct staffing costs of £1.206m per annum. The service was previously responsible providing payroll for schools who chose to buy our services – regardless of whether or not ECC employed the staff, but this was sold to an alternative supplier in 2021 which led to a reduction in staffing.
- 3.6. The Corporate Payroll Service adopted the Oracle Fusion HCM/payroll system in October 2021. It was anticipated that this would enable staffing costs to be reduced but this has not proved to be the case. We have undertaken a significant review of processes, functionality, and benefits. Process review has identified some improvements, but this would only achieve a reduction of 1 FTE over several posts. These small process savings would, if implemented, enable the payroll service to improve but not gain any significant benefits or savings to offset the costs. Any changes to the system are more costly if only ECC is commissioning them.
- 3.7. In the face of challenges around increasing demand for services, high inflation and the cost-of-living crisis, the Council needs to make savings against the current costs of providing the required services whilst still ensuring that an efficient and effective payroll service continues to be delivered. This report seeks approval to outsource the corporate payroll services in anticipation that we will be able to realise significant cost savings within the service.

Future Arrangements

- 3.8. As part of our research, we have investigated the possibility of sharing services with other authorities, as a first choice option. We will continue to actively pursue HR shared services including payroll in the short, medium and long term

future. Other Essex Authorities are all currently contracted to other systems (not Oracle) and these are not up for renewal within the next 2 years.

- 3.9. A detailed options appraisal of entering a partnership arrangement with another local authority using Oracle payroll platform has been undertaken which did not identify a suitable authority. A Prior Information Notice (PIN) was issued in March 2023 but no suitable authorities using Oracle Fusion responded. Suffolk County Council, Norfolk County Council, and the East Midlands Shared Service (Leicester County Council and Nottingham City Council) were approached but none of these were able to make an offer to work with the Council.
- 3.10. The external payroll management/business process outsourcing market is mature in their service offering and there are many examples in the public sector of successful outsourcings. Early market engagement indicated that suppliers using the Council's current technology [Oracle Cloud] are well established in the market. The Council may benefit from improvements and changes implemented by the supplier across all their contracts and specific configurations of Oracle fusion which they would share with all their Oracle fusion customers. However, ECC would retain the right to reject any proposed changes. It is proposed to require the provider to use our current IT system. Outsourced providers constantly strive to improve their processes by adopting the most recent practices and may be able to justify commissioning a reconfiguration of Oracle which they can roll out across their suppliers. We would require the permission to continue to use any reconfiguration after the end of the contract. Their economies of scale across several contracts provides expertise and flexible resources to manage demand more easily.
- 3.11. A Prior Information Notice (PIN) was issued in March 2023 to identify the appetite in the market for provision of a supplier that also used Oracle Cloud Payroll to deliver a service. Five suppliers were identified through that process. Further discussions outlined the possibility of using our IT system or a supplier's system. They all recommended using our IT system to reduce costs for development and data migration. They were all successfully using this model with their other customers.
- 3.12. Oracle Fusion is a cloud based system which is configurable but not customisable i.e., it is possible to change the appearance and the way some elements are built but the underlying infrastructure or coding in the system cannot be changed. Once a configuration has been deployed it can easily be copied and replicated into other instances of Oracle Fusion. These reconfigurations can be costly to design and commission as a one-off exercise but if an external supplier has made changes to Oracle Fusion, such changes can then also be applied to all its other contracts for other clients at no additional cost to the supplier. ECC would require the right to continue to use any intellectual property in any reconfiguration after the expiry of the contract. Before any change could be implemented, we would wish to ensure that a thorough review and quality assurance process is undertaken involving internal audit and technology services. Sign off by the S151 Officer would then be required.

- 3.13. In 2019 an early benchmarking exercise was undertaken which determined that the costs of the payroll service could be delivered with a saving of between £350,000 and £500,000 per annum. In January 2023 Officers refreshed this exercise using the ESPO Framework. (Reference 3S_18 – Strategic HR Services Lot 7c – payroll management). Together with the market intelligence offered by the PIN it is proposed that we procure based on a contract cap of £760,000 per annum. This would enable the retention of an in house ‘client’ at around £111,000 per annum and still deliver at least £350,000 savings per annum, which is included in the Medium Term Resource Strategy.
- 3.14. The Council is contracted and licensed to use the current Oracle system until June 2025 with an option of an additional 5-year extension. A review of the terms and condition and conversations with suppliers have indicated that outsourcing staff using our Oracle system would be feasible and, indeed, the preferred option.
- 3.15. It is proposed that the successful bidder would be required to use the Council’s systems. No efficiencies will be achieved on the Oracle software costs outlined above for licensing or support costs as these are already the subject of the current contract.
- 3.16. The Council will have to allow the supplier to access the Council’s systems directly to administer the payroll service. Technology Services has confirmed that a route for this is available through our existing infrastructure and would not require any additional development or cost. Procurement have also confirmed that this will not incur any additional licencing costs based on the current contract with Oracle. Any solution would need to be compliant with the Council’s cyber security and data protection protocols.
- 3.17. Information Governance have also reviewed the proposal and additional clauses can be included in the contract to ensure our data is secure and protected in line with the Council’s protocols. The Council remains the data controller for the relevant personal data with the contractor being a data processor.
- 3.18. The Council does not use a national payroll framework for most employees, it utilises its own ‘Essex Pay’ and performs an annual benchmark to inform annual pay uplifts, any solution would need to account for the added complexity of administering Essex Pay.

Current Employees

- 3.19. The current employees would transfer to the new provider. The Transfer of Undertakings (Protection of Employment) Regulations 2006 would apply this transfer all current employees undertaking the service will transfer to the new supplier on their current terms and conditions. ECC will need to secure that the contractor provides continuing access to the Local Government Pension Scheme or a broadly equivalent pension scheme – probably by acquiring ‘admitted body status’. This will need to be made available when the contract is re-tendered.

Proposed Procurement Approach

- 3.20. It is proposed that the new service is procured using a single stage open procedure in accordance with the Public Contracts Regulations 2015.
- 3.21. A contract duration of three years is proposed with an option to extend for up to a further two years.
- 3.22. The proposed evaluation weighting is based on 35% price and 65% quality. Based on market engagement, the costs may not be significantly different between bidders, so the focus will be on quality leading to cost savings.
- 3.23. The number of key priorities associated with this requirement will be reduced as the service is virtual in nature and providers are unlikely to be Essex based, although they will need to provide some means of the transferring employees to meet and work in person. The bid evaluation process will assess mandatory requirements and evaluate minimum scoring and weighting criteria with a split in favour of quality.
- 3.24. The key quality questions will include:
- Quality of the bidder's experience in delivering these services.
 - Quality of Implementation plans – how the bidder will implement the service including high level plans, communications, resourcing, project management and risks and issues.
 - Quality of helpdesk and customer query management – proposal for support services including reporting, escalation processes, response standards and operating hours.
 - Quality of arrangements for Continuous Improvement – including a development roadmap, advice and support, knowledge, and insight.
 - Quality of business continuity and disaster recovery – assumptions made, approach to both and mitigations.
 - Quality of data management – audit and record keeping, retention policies, security and how data can be extracted and stored.
 - Quality of managing the contract– how the bidder proposes to work alongside the Council in managing the day to day services, review, and management of standards.
 - Quality of any guaranteed improvements that the provider will give us, including improvements to Oracle, including whether these can be retained when the contract with the provider ends.
- 3.25. Minimum individual and overall quality scores will be considered and applied where considered appropriate and will be specified in the tender documents.
- 3.26. The tender Pricing Schedule will consist of the bidders submitting:
- Set up costs for implementation and transition.

- Unit costs for a payroll of circa 8,000 people. There have been minimal changes to staff volumes over the last 3 years therefore a block sum will be calculated based on the submitted unit costs. Final employee numbers will be confirmed prior to publication of the tender. The proposed approach is for the block sum to remain the same for the initial three-year period regardless of any change in actual employee numbers. The extension period will have to be reviewed circa 18 months prior to the end of the initial three year period.
- Annual costs.
- How any one off changes will be costed if any (any such costs will reduce the savings achieved).

Subject to set up costs and one-off costs of change, a cap of £760,000 per annum on price will be imposed in the contract. Detailed modelling will be required to allow for any one-off costs to be accounted for in the model.

- 3.27. The Council is not proposing to identify any mandatory key roles in the current internal team. All staff will transfer, and employees will have the statutory protections in TUPE there will be no other protections other than continued access to pension for as long as they deliver ECC payroll services.
- 3.28. The Council are required to give access to a comparable scheme to the Local Government Pension Scheme or admitted body status to the Essex Pension Fund. It is likely that the supplier will wish to negotiate on risk sharing for costs for providing continued membership to the Local Government Pension Scheme to transferring staff. The Council has obtained a calculation from the Local Government Pension Scheme actuary as to the employer's contribution rate and level of risk to be covered by a bond or indemnity. The supplier would be likely to have to pay for a bond covering the indemnity valued at around £1.04m, although this will need to be recalculated closer to the time of transfer
- 3.29. The Council will make the sum of £300,000 available to meet certain transition costs incurred in the first year of the contract. Other than this it is proposed that all costs for providing continued membership to the Local Government Pension Scheme to retained transferring staff will be the supplier's risk including any the cost of contributions, regardless of the rate, the cost of the bond, any pension strain costs incurred if dismissed employees get early access to their pensions and the cost of restoring the pension fund with respect to the transferred to the same level of funding when they leave. Similarly, the supplier will have to pay any redundancy payments, although employees will be protected by TUPE. Consequently, the tender price will factor in these costs, and as a result the Council will pay over the life of the contract.
- 3.30. Price evaluation will be based on assumed volumes over the life of the contract to ensure evaluation of all bidders on a like for like basis.
- 3.31. There are significant risks associated with the proposed procurement approach in addition to those identified in section 5.
- The requirement to take on pension fund membership is likely to deter some providers as this is perceived to be a significant and unknown cost risk.

- the supplier may wish to negotiate on risk sharing for costs for providing continued membership to the Local Government Pension Scheme to transferring staff including any change in the contribution rate, the bond, pension strain and exit liability. It is proposed that we maintain a firm position on refusing this and this will be set out in the tender documents.
 - high cost if the supplier does take on pension risks – there may be costs which the supplier has to pay in the first instance, but it will pass on to the Council which will lead to bids which are more expensive than the price cap imposed. The price cap means that won't be able to accept bids which are more expensive than the cap.
 - Risk of suppliers requiring an indemnity or pass through arrangements from the Council to mitigate or remove pension risks for them – which means that ECC would bear those risks instead.
 - redundancy costs in excess of those modelled by the Council if the successful tenderer is outside Essex and staff are required to relocate. We are not proposing to allow employees to remain based at County Hall.
 - risk of increased costs as the service is less flexible – if the supplier charges us for any change, no matter how minor then this will eat into any savings that the contract delivers.
 - Risk of loss of key staff who may not wish to work for an external payroll provider.
- 3.32. It will therefore be important to balance these risks against the potential financial benefits. It is proposed that the contract award decision is taken by the Cabinet Member so that the final financial position and risks can be assessed by the Cabinet.
- 3.33. The proposed timeline to procure these services is anticipated to be publication of the tender in October 2023; award in December 2023 aiming to complete the contract in January 2024. Transition, and mobilisation will be managed between February 2024 and May 2024, with the service commencing on 1 June 2024. There is a planned mobilisation period of four months to ensure sufficient time for compliance with the TUPE regulation, to allow time to arrange for the transfer to take place. and to ensure robust technology and data protection measures are in place.

4. Links to our Strategic Ambitions

4.1. This report links to the following aims in the Essex Vision:

- Develop our County sustainably

4.2. Approving the recommendations in this report will have the following impact on the Council's ambition to be net carbon neutral by 2030:

Neutral impact. The service specification will encourage providers to consider energy efficiency and sustainability measures in the delivery of the services.

- 4.3. This report links to the following strategic priorities in the emerging Organisational Strategy 'Everyone's Essex':

- A strong, inclusive and sustainable economy

5. Options

- 5.1. **Option 1 – Do nothing:** Maintain the current in-house service with some minimal process improvements

This option ensures that we maintain full control of the process but does not offer any savings.

The staffing costs to the Council of the current model are likely to escalate year on year. Maintaining the system would require investment for system changes with no guarantee on the return on that investment.

The cost of employees is high and unlikely to reduce without significant investment in additional technology. It is unlikely further efficiencies can be achieved and will not offer any significant savings.

- 5.2. **Option 2 – Enter into a partnership with a local authority Oracle payroll platform provider for the provision of Corporate Payroll services (not recommended)**

No suitable local authority providers that are established and offering a consistent and efficient service operating on the Oracle platform have been identified through early market engagement. Three other local councils using Oracle Fusion were contacted (Norfolk County Council, Suffolk County Council, and the East Midlands Shared Services) but none expressed any interest in entering a partnership.

This option would provide continuity in terms of both the system functionality and provide the additional specific knowledge of local government terms and conditions. The finance module is already configured to match HCM/Payroll elements and would provide a smooth transition to any new provider in the same sector. This would allow the easy upload into the general ledger of payroll data for monitoring, audit, and reconciliation purposes.

The Oracle Local Government network is well established and would give access to LG specific functionality and knowledge. Quarterly updates and future developments to the system would be line with LG requirements.

In addition, it will also remove the need for maintaining the system in-house in terms of quarterly upgrades and testing that requires significant resource, particularly the end of year/start of year activity, as well as removing the need for training of the team in a rapidly changing legislative framework and the need to manage defects and incidents.

5.3. Option 3 – Procure a contract for the provision of corporate payroll service for the Council for a three-year term commencing in June 2024, with an option to extend for up to a further two years using a single stage open process. (recommended)

The outsourcing of the corporate provision should provide the Council with a modern, comprehensive Payroll Service that can adapt to the organisation's changing needs at a competitive price. The service can be delivered by any number of alternative suppliers, and it would be in the Council's interests to go to market to identify the best value supplier. The option to call down from an existing external framework has been considered and is not recommended on the basis that such frameworks are not designed for an outsourcing involving TUPE and LGPS pensions.

In addition, it will also remove the need for maintaining the system in-house in terms of quarterly upgrades and testing that requires significant resource, particularly the end of year/start of year activity, as well as removing the need for training of the team in a rapidly changing legislative framework and the need to manage defects and incidents.

In this option, the supplier will be required to use the Council's existing software and licences to manage the service which has several benefits:

- This solution provides minimal disruption to services as they will see no immediate change in services
- There is no additional cost to use the supplier's technology or for additional licences as ECC are already contracted with Oracle, although there may be an implementation cost which we expect to be included in the suppliers bid.
- The benefits of an Enterprise Resource Planning (ERP) integrated system across all the Council are maintained, data still flows between modules (HR and finance) and interfaces remain as designed.
- No need for mass data migration or data transfer back to ECC meaning less risk of data breaches
- No requirements to test a new payroll system build or payroll parallel testing, although there will be a need to test any enhancement the provider gives us.
- All employees will be paid using the same processes and reduced risk of failure on implementation, nothing will change at the outset of the contract.
- No additional build or development requirements for implementation at the point of transfer
- Existing integrations with other modules and systems (such as Cornerstone) remain intact.
- ECC benefit from improvements and changes developed by the supplier across all their contracts and expertise in the system and economies of scale.

The counterpoint to this is that the Council will no longer have direct control of a key service – there are risks compared to the potential savings and benefits. However, the service believe that all these risks can be mitigated to an acceptable level through proactive contract management.

- As the supplier will be using the Council platforms there will need to be co-ordination across the whole system for any changes to avoid impacting other modules in the system from changes or upgrades applied by the supplier.
- Any major system changes, such as a move away from Oracle may require a change to the supplier relationship. It is not likely that this will be seen in the duration of this contract, but it will happen at some point and will make any transition more complex.
- Efficiencies may be required by the supplier which could lead to redundancies in the workforce post transfer. The Council is to make transition costs of up to £300,000 available to support this.
- Loss of internal expertise in payroll and ECC's pension administration
- External control of the payroll by a third party may reduce the capability to make agile changes and decisions although the system continues to be owned and managed by ECC.
- Changes to process or services required by ECC are not within specification resulting in the supplier wishing to increase charges
- Reputation of ECC could be harmed because of any poor performance of the third party.

Contract management will need to be set up internally to manage the service quality and delivery This will require a role to be created as nothing similar exists in the current structure. It is estimated that the cost would be in the region of £111,000 per annum, to manage the contract, reconcile the payroll with the general ledger and make pension payments to the appropriate funds. This role would also manage the risk profile outlined above other than points 2 & 3.

6. Issues for consideration

6.1. Financial implications

- 6.1.1 The 2023/24 Payroll Service Staffing Budget is £1.206m. It consists of 29.68 FTE Payroll Service employees who are solely dedicated to supporting the service.
- 6.1.2 Payroll Services also includes a small non-staffing budget of circa £11,000.
- 6.1.3 The recommended option requires a solution which is compatible with the Oracle HCM/Payroll system and no efficiencies are expected to be achieved on licences. There could be future opportunities if the number of user licenses required reduced. The annual cost of licenses is approximately £373,000. In addition, Payroll incurs a proportionate share of the systems support costs equating to a total of circa £500,000 per annum. These costs are fixed as part of a contractual agreement with Oracle and Mastek.
- 6.1.4 The corporate payroll service has a 2023/24 part year savings target of £175,000, this rises to £350,000 in 2024/25. Whilst option 3, as set out in section 5 above, may deliver these savings in 2024/25, the £175,000 2023/24 savings target will not be achieved, the shortfall is being covered by a one-off in-year mitigation plan.

- 6.1.5 The recommended Option 3 is to outsource the Service to generate efficiencies and potential service improvements. A proposal to tender would lead to implementation costs for the supplier (estimated at £75,000), as well as lead to the possibility of some redundancies (see below), and additional project management costs within ECC are expected at £62,000. The proposal to draw down from the Transformation Reserve to fund such one-off costs is outlined below. The recommended option would require a small Client function (costing around £111,000 per year). There are no envisaged additional licensing costs as confirmed by Technology Services.
- 6.1.6 There are risks associated with a service failure from a strategic finance perspective. The payroll system and its data play a critical role in the monthly outturn forecasting and budget setting processes. The recommended option therefore utilises the Council's own systems, requires a sign off for changes, and employs a client unit. Moreover, the tender process will have a focus on quality (65%) and pertinent questions to ensure a significant threshold for suppliers to meet.
- 6.1.7 Taking account of the costs borne by ECC over a five-year period to the end of the 2028/29 financial year, overall savings of £1.255m are indicated. These are the cumulative savings at 2023/24 prices reflecting the savings on the contract net of estimated costs of implementing the solution and transitional costs such as redundancy. There is currently no annual inflation uplift assumed in the contract.
- 6.1.8 The Transfer of Undertakings (Protection of Employment) Regulations 2006 (as amended) apply to staff delivering the service, who would transfer from the Council to the supplier. Any costs where the supplier seeks to make efficiencies following the transition are proposed to be met by the Council up to a ceiling of £300,000. The Service has proposed a maximum figure based on the potential for some redundancy and pension strain costs following outsourcing. Whilst these cannot be determined at this stage, it provides any potential bidders with some certainty of the maximum amount the Council is willing to pay. The estimated cost and saving based on the recommended option (Outsourcing the Contract with a Client Unit) is presented in the table below.

6.1.9 Profile of Costs to 2028/29

	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Service Staffing Budget	1,206	1,206	1,206	1,206	1,206	1,206
Recommended Option (Based on Budget Ceiling)		914	856	856	856	856
Contract cost – full year of £745,000						
Client Unit – full year of £111,000						

(Savings) Excluding Implementation Costs	N/A	(292)	(350)	(350)	(350)	(350)
One-Off Costs (Implementation Costs)	62	375				
(Savings)/Costs after One-off Costs	62	83	(350)	(350)	(350)	(350)
Cumulative Net Cost/ (Saving) - Council	62	145	(20)	(555)	(905)	(1,255)

Included in the table above is the annual estimated contract and client unity costs from the recommended option. This consists of the annual contract value and a client unit provided. In 2024/25, with the contract starting in June 2024, the costs are as follows, which leaves a shortfall of £58,000

	2024/25 £'000
Service Delivery: maximum annual contract price	621
Client Unit: in-house team	92
Existing Staffing Budget (cost for 2 months)	201
Total Annual Running costs 2024/25	914

6.1.10 It is proposed to fund £437,000 of one-off implementation and project costs from the Transformation Reserve, the breakdown is provided below.

Description	2023/24 £'000	2024/25 £'000	Total £'000
Project Management for the Council to manage and support option 3. These are the initial costs.	62		62
Subject to a successful tendering exercise, there would be estimated implementation costs for the Supplier, and included in their bid		75	75
Transition costs (such as redundancy and pension strain to be incurred by the supplier)		300	300
Total One-Off Costs	62	375	437

6.2. Legal implications

6.2.1 The proposals in this report comply with the Public Contracts Regulations 2015.

- 6.2.2 There are significant risks in outsourcing a key service such as payroll and the Service will need to ensure that all key areas such as data and cyber security are fully tested during the tender process.
- 6.2.3 The complexities of outsourcing and in house service given the requirements provide a broadly equivalent pension scheme and to ensure that terms and conditions are maintained will involve suppliers in cost and risk.
- 6.2.4 When in-house services are externalised, it is important to ensure that the contract is flexible. The council's requirements for these services are certain to change over the life of the contract and the cost of paying the provider for reconfiguration to deal with significant changes to our pay structure could be substantial.
- 6.2.5 The Cabinet Member will make the final decision on whether to go ahead with the outsourcing once the bids are received so that the final balancing exercise between cost and risk can be identified.
- 6.2.6 If a contract is awarded it will not be possible to have a shared payroll service until after the expiry of the contract without buying out of the contract.

7. Equality and Diversity Considerations

- 7.1. The Public Sector Equality Duty applies to the Council when it makes decisions. The duty requires us to have regard to the need to:
 - (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act. In summary, the Act makes discrimination etc. on the grounds of a protected characteristic unlawful.
 - (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.
- 7.2. The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership, race, religion or belief, sex, and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).
- 7.3. The Equalities Comprehensive Impact Assessment indicates that the proposals in this report will not have a disproportionately adverse impact on any people with a particular characteristic.

8. List of Appendices

- 8.1. Appendix A – Equalities Comprehensive Impact Assessment

8.2. Appendix B – Research Paper

9. List of Background papers

None declared.

Payroll outsourcing

Research Paper

September 2023

Contents:

1. Summary of key findings
2. Research options
3. Analysis
4. Methodology
5. Examples of organisations with outsourced payroll

1. Summary of key findings

The use of outsourcing to reduce costs in the public sector is well documented using several models of either specialist providers of payroll or more general back-office support services.

As part of this research, we have identified:

- 36 Local Authorities currently outsource their payroll
- 16 Central Government or NHS examples of outsourcing
- Various models include outsourcing full back-office functions and others specifically HR or payroll

2. Research options

- a. Retain in house**
- b. Work collaboratively with another authority via a shared agreement**
- c. Outsource payroll to a third-party supplier**

3. Methodology

A range of tools were used as part of the research including:

- Discussions with other comparable authorities, Kent CC, Norfolk CC, Suffolk CC, East Midlands Shared Services, Kent NHS Trust to understand their models and experiences
- Prior Interest Notification (PIN) issued to gauge market interest
- Meetings with suppliers noting an interest to discuss their service offer, five in total
- Internet research and relevant articles
- Reviewing framework service offers through Crown Commercial Services and ESPO
- Gathering indicative pricing and pricing models from potential suppliers
- Internal stakeholder engagement to understand requirements

4. Analysis

All data gathered indicated the following:

- Mature specialist suppliers were available in the market using our high-level requirements (continued use of Oracle Fusion (My Oracle))
- Pricing within expected ranges that would achieve the identified savings through outsourcing
- Clear comparators with other organisations such as Kent CC who had positive experiences of outsourcing payroll
- A preferred model identified of using our current My Oracle system to maintain the service
- Currently limited opportunity for a shared service opportunity with Essex CC as detailed in the Cabinet Paper paragraph 3.8
- Only small improvements/savings could be achieved in-house

5. Examples of outsourced payroll provision

Local Government

Sefton Metropolitan Borough Council	Chesterfield Borough Council,
Lincolnshire County Council	Northamptonshire council
Devon County Council	Watford Borough Council
Lincolnshire County Council (SS with below in LATC)	Elmbridge Borough Council
Herefordshire County Council	South Cambs, Huntingdonshire DC, Fenland DC, East Cambs DC – Shared services project
Hertfordshire County Council has signed a £200 million outsourcing deal with Serco.	Kent County Council
Barnet Council	Mid Sussex Council
Milton Keynes Council	Cambridgeshire CC
West Northamptonshire Council	North Northamptonshire Council
South Holland DC, Boston BC & East Lindsey DC - outsource to LATC	East Midland Shared services (Nottingham City Council and Leicestershire County Council)
Buckinghamshire County Council, London Borough of Harrow	Gloucestershire County Council, Gloucester City Council,
Royal Borough of Kingston Upon Thames, Merton Council, London Borough of Richmond upon Thames, London Borough of Sutton, Agilisys (service provider)	Doncaster Metropolitan Borough Council, Rotherham Metropolitan Borough Council

Central Government examples

National Highways	Environment Agency
Cabinet Office	Home Office
Dept of Transport	Food Standards Agency
Ministry of Justice	DWP
MOD	HM Land Registry

Other examples

Kent NHS Trust	Metropolitan Police
Disclosure and Barring Service	Northumbria NHS Trust
Countess of Chester NHS Trust	Health and Safety Executive

Forward Plan Reference Number: FP/036/02/23

Report title: 2023/24 Financial Overview as at the Half Year Stage	
Report to: Cabinet	
Report author: Councillor Christopher Whitbread, Chancellor of Essex (Cabinet Member with responsibility for Finance)	
Date: 10 October 2023	For: Decision
Enquiries to: Nicole Wood, Executive Director, Corporate Services, email Nicole.wood@essex.gov.uk or Adrian Osborne, Head of Strategic Finance and Insight, email Adrian.osborne2@essex.gov.uk	
County Divisions affected: All Essex	

1 Everyone's Essex

- 1.1 The Annual Plan and Budget was set for 2023/24 at Council in February 2023. The plan set out the Everyone's Essex strategic aims and commitments, alongside a budget to enable delivery of our aims, while also maintaining the financial sustainability of the Council.
- 1.2 The purpose of this report is to set out the current forecast financial position of Essex County Council's (ECC) revenue and capital budgets as at the half year stage of the 2023/24 financial year. The report highlights that, while there is a small forecast over spend of 1.2% against a net revenue budget of £1.1bn, the short to medium term outlook remains incredibly challenging, with demand uncertainty, market pressures, high inflation and interest rates, and cost of living impacts.
- 1.3 The **£12.7m** over spend is a **£1.6m** favourable movement since the Quarter 1 report of **£14.3m**. This is mostly driven by favourable movements of **£7m** in Other Operating Costs and **£4.3m** in Highways Maintenance and Sustainable Transport, offset by an adverse movement of **£8.6m** in Children's Services and Early Years. **Further details on movements are set out in section 5.**
- 1.4 We are still facing unprecedented circumstances – after reaching a 40 year high back in winter, inflation is now falling but remains high at 6.7%, still almost double the council tax rise applied this year. In the current economic climate forecasts for future inflation remain uncertain. There is a risk to the financial position if inflation does not reduce at the speed forecast by the Bank of England, however with the actual rate now tracking quite closely to the forecast, this risk is beginning to ease. There are other unknowns that risk the position too, including ongoing demand for services, increasing complexity of need, as well as rising interest rates. These will be carefully monitored and are likely to result in ongoing volatility of expenditure for the remainder of the year, making it difficult to produce an accurate forecast.

- 1.5 Despite these challenges, our focus remains on prioritising our resources to achieve the strategic aims outlined in Everyone's Essex. Since Quarter 1 there has been **£1.3m** of funding approved towards Levelling Up and the Economy.

2. Recommendations

Approval is sought for the following:

- 2.1 To draw down funds from reserves as follows:

- i. **£1.8m** from the Adults Risk Reserve to the Health, Adult Social Care and ICS Integration portfolio relating to certain disability related expenses being an allowable expense when calculating client contribution (section 5.5.viii)
- ii. **£1.3m** from the Adults Investment Reserve to the Health, Adult Social Care and ICS Integration portfolio relating to various project expenditure which can be found in more detail in section 5 (section 5.5.viii)
- iii. **£564,000** from the Covid Equalisation Reserve to the Chancellor of Essex RSSS portfolio for staffing pressures on fixed term contracts still being felt within Business Support as a result of the pandemic (section 5.16.ii)
- iv. **£462,000** from the Childrens Transformation Reserve to the Children's Services and Early Years portfolio relating to fund the Tendring Multi Disciplinary Team (MDT) (section 5.1.iii)
- v. **£418,000** from the Covid Equalisation Reserve to the Arts, Heritage & Culture portfolio relating to temporary staffing for Registrars (section 5.10.iii)
- vi. **£228,000** from the Private Finance Initiatives (PFI) Equalisation Reserves to the Education Excellence, Life Long Learning and Employability portfolio in relation to Debden Park PFI (section 5.4.iii)
- vii. **£186,000** from the Covid Equalisation Reserve to the Education Excellence, Life Long Learning and Employability portfolio due to the loss of tuition fee income caused by Covid resulting in a lower number of enrolments within Adult Community Learning (section 5.4.iii)
- viii. **£157,000** from the Adults Risk Reserve to the Health, Adult Social Care and ICS Integration portfolio to fund costs associated with the increased payments to providers in respect of the subsidy for fuel price increase inflation (section 5.5.viii)
- ix. **£96,000** from the Waste Reserve to the Climate Czar, Environment, Waste Reduction and Recycling portfolio towards the Mechanical and Biological

Treatment facility (MBT) ongoing legal costs and other associated costs (section 5.2.iv)

- x. **£74,000** from the Transformation Reserve to the Planning a Growing Economy portfolio relating to the Cabinet Member Action FP/945/01/21 Digital Accessibility Compliance Project – Policy and Funding, previously approved, but has now time lapsed (section 5.9.ii)
- xi. **£55,000** from the Technology and Digitisation Reserve to the Chancellor of Essex RSSS portfolio for audit costs relating to the Corporate Systems Project (section 5.16.ii).

2.2 To appropriate funds to reserves as follows:

- i. **£7.9m** to the Waste Reserve from the Climate Czar, Environment, Waste Reduction and Recycling portfolio to appropriate unused funds to the reserve for future use (section 5.2.iv)
- ii. **£502,000** to the Waste Reserve from the Climate Czar, Environment, Waste Reduction and Recycling portfolio relating to various Waste projects and for use in 2024/25 (section 5.2.iv)

2.3 To approve the following adjustments:

- i. Vire **£134,000** within the Climate Czar, Environment, Waste Reduction and Recycling portfolio to repurpose funds from the Residual Waste project (FP/066/05/21) for use on the Waste Strategy project (FP/537/10/22) (section 5.2.iv)
- ii. Vire **£4,000** from the General Balance to Other Operating Costs to remove the planned appropriation from Music Services relating to ECC pension fund deficit (section 9.4 and 5.12.iii)
- iii. Transfer **£9m** from the Ambition Fund Reserve to the Reserve for Future Capital Funding to address priority highways issues. This funding was allocated via the Executive statement at Full council in February 2023 (FP/134/05/23) (section 7.8 and 9.2)
- iv. Transfer **£112,000** from the Transformation Reserve to the Reserve for Future Capital Funding towards the refurbishment of Colchester Library (section 9.3)
- v. Transfer **£5.8m** from the Covid Equalisation Reserve to the Waste Reserve to replenish the waste reserve with Covid funding for additional waste tonnages experienced during the pandemic that were originally funded through the Waste reserve (section 9.3).
- vi. **£6.8m** relating to the Care Workforce Retention Claims Fund, currently approved for draw down via Cabinet Member Action FP/112/05/23, now to be

funded from the Market Sustainability and Improvement Fund (new funding announced in July 2023) (section 5.5.vii)

- vii. Amend the capital budget as shown in Appendices C (i) and C (ii) which allows for capital slippage of **£11.7m** from 2023/24 and **£1.8m** from 2026/27, into 2024/25 **£6.1m**, 2025/26 **£405,000** and 2027/28 **£7.1m**. Capital budget additions of **£25.4m**, capital budget reductions of **£7.8m** and advanced works of **£3.3m**, **£1.1m** from 2024/25, **£2.1m** from 2025/26 and **£87,000** from 2027/18 (see section 7.2).
- 2.4 Agree that the Director, Highways and Transportation may issue new task orders or amend current task orders to Ringway Jacobs for the work outlined in section 7.8 to a value of £9m.

3. Executive Summary: Revenue

- 3.1 Appendix A summarises the revenue budgets and forecast outturn for each portfolio. There is a full year forecast over spend of **£12.7m (1.2%** against a net budget of **£1.1bn)**. The overall over spend position is driven by Children's Services and Early Years, Health and Adult Social Care and ICS Integration and The Chancellor of Essex portfolios:
- i. Children's Services and Early Years, **£16.6m**, where a higher proportion of children in care are now placed in more expensive types of care than assumed when the budget was set, due to greater levels of complexity and risk. These issues are being seen nationally across the country.
 - ii. Health and Adult Social Care and ICS Integration, **£4.8m**, predominantly due to capacity pressures within Reablement support, requiring additional spot purchasing.
 - iii. The Chancellor of Essex, **£4.4m** pressure in relation to delivery of an ECC wide staffing review saving for 2023/24. An assessment of in-year delivery options is in progress, and full delivery of the saving is now expected from 1 April 2024 onwards.

Partially offset by under spends in:

- iv. Other Operating Costs, **£7m** driven by higher levels of income on interest earned from treasury management activity due to rising interest rates, plus reduced expectations on capital financing costs following re-profiling in the capital programme.
- v. Highways Maintenance and Sustainable Transport (**£4.4m**) and Chancellor of Essex RSSS (**£1.8m**) in relation to energy costs –

following a stabilisation of the energy market since the budget was set, unit rates are now nearly half that assumed.

- 3.2 The Council continues to find itself in an extremely uncertain economic environment. CPI inflation is continuing to decline but at 6.7% is still far in excess of what we have come to consider the norm. The Bank of England's most recent forecast (August Monetary Policy Committee (MPC) Report) continued to forecast an ongoing reduction in inflation, down to around 4% by the end of this financial year, averaging over 6% for the year. Whilst this broadly matches assumptions built into the budget for 2023/24, a slower decline than predicted will potentially create pressure against 2023/24 budgets, and impact our medium term plans. Alongside this, interest rates continue to rise, and the expectation is they will rise further, which will impact on the capital cost of borrowing in the medium term.
- 3.3 At this time, pressure of over £14m relating to inflation is being reported. We continue to hold reserves specifically set aside for inflationary risk, which can mitigate any emergent pressure if necessary in the short term. The position will require careful monitoring and is likely to result in ongoing volatility of forecasting in the remaining months of the year, which makes it difficult to produce an accurate forecast.
- 3.4 The position reported in section 5 assumes the approval of the proposed adjustments in this report as set out in the recommendations in paragraphs 2.1 to 2.3.

4. Executive Summary: Capital

- 4.1 The original capital programme for 2023/24 as set by Full Council in February 2023 was **£274.9m**. The forecast outturn is **£331.3m**, before adjustments proposed within this report. This represents an over spend of **£12.2m** (3.8%) against the latest approved budget of **£319.1m**. After taking account of budget change requests in this report there is a residual over spend of **£3.2m**, mainly in relation to Schools cash balances. More detail is set out in Section 7.
- 4.2 The **£12.2m** over spend in the 2023/24 Capital Programme position relates to the following requests in this report:
- 2023/24 Slippage: **£11.7m** (£6.1m into 2024/25, £405,000 into 2025/26, £1.8m from 2026/27 and £7.1m into 2027/28)
 - 2023/24 Additions: **£25.4m**
 - 2023/24 Reductions: **£7.8m**
 - 2023/24 Advanced Works: **£3.3m** (£1.1m from 2024/25, £2.1m from 2025/26 and £87,000 from 2027/28)
- 4.3 Appendix C (i) summarises current year forecasts and changes to the Capital Programme for 2023/24 since approval of the original programme in the

Budget Report to Council in February 2023. Appendix C (ii) contains the detail of the budget adjustments seeking approval.

- 4.4 The Council has an ambitious four-year capital programme totalling over £1.2bn. In the current economic climate of high general inflation, specific materials inflation and market instability, we face some significant risks, particularly on our large major schemes. These risks are being seen nationally on major building schemes, and while the risks do not impact on the current year capital programme, the Council is working to resolve these risks as far as possible with partners, to ensure any impact on the aspirational capital programme is minimised.
- 4.5 The Council has been working over a number of years to understand the extent of reinforced autoclaved aerated concrete (RAAC) across the maintained school estate and has been proactive in identifying and putting in place mitigation measures complying with all the guidance available at the time. On 30 August 2023, the DfE changed its policy and that required immediate action to be taken where RAAC was identified in schools.
- 4.6 As at 19 September ECC had identified 60 schools as having RAAC in all, or some, of their buildings. 15 are local authority maintained schools, with the remaining 43 being academies. ECC are required to take immediate action for the maintained Schools, and are also working to support Academy Trusts where this is needed. Of those 60 schools, 44 have structural mitigations in place or identified with no impact on face to face learning, 5 are utilising alternative accommodation and the remaining 11 have some hybrid learning in place and either have temporary accommodation plans urgently being drawn up or already being implemented. At present all necessary expenditure is being drawn down from the Health and Safety reserve and the DfE has confirmed that it will reimburse Local Authorities for expenditure incurred. However, it should be noted that at present full details on what costs can be recovered from the DfE have yet to be received. Therefore, there is a risk that ECC may not recover all of the expenditure and it is uncertain how long it will take to recover this.

5. Revenue Position

5.1 Children's Services and Early Years:

- **Non DSG - £16.6m (13.5%) over spend**
 - **DSG – £3.8m under spend**
- i. The forecast over spend in Non DSG is predominantly as a result of a change in the placement mix where more children are being placed in mainstream residential care, external fostering, and unregistered provision. In addition, the average weekly cost per residential placement is 31% higher than budgeted. Greater complexity of needs, increased risk and very limited sufficiency in the market has seen price inflation far in excess of forecast levels. In addition,

there is a forecast £2.2m over spend on staffing, which is under review and is as a result of some social workers remaining in post longer than anticipated.

- ii. There has been an adverse movement since Quarter 1 of **£8.6m**:
 - **£7m** placement costs:
 - **£2.7m** residential costs due to 12% rise in average weekly rate
 - **£2m** unregistered placements
 - **£2m** supported living
 - **£1.1m** direct payments and home care support; both services pay for personal assistants and other support to prevent families falling into crisis and allow the child to remain within the family home. Families can choose to receive cash payments to employ personal assistants or allow the Council to manage this support on their behalf.
- iii. Approval is sought in this report for the following:
 - **£462,000** from the Childrens Transformation Reserve relating to fund the Tendring Multi Disciplinary Team (MDT)

5.2 **Climate Czar, Environment, Waste Reduction and Recycling - £64,000 (0.1%) under spend**

- i. The portfolio reports a small forecast under spend of **£64,000** and favourable movement of **£59,000** from Quarter 1.
- ii. The unadjusted position is an under spend of **£8.485m** which related to Waste Management.
- iii. The following should be noted for 2023/24 in relation to Waste Management:
 - Actual tonnages remain outstanding for a limited number of waste streams and so the forecast outturn may be adjusted upon receipt.
 - Tonnage variances will be carefully monitored and reviewed throughout the year to assess impact on the full year forecast outturn position specifically when actuals to date are received.
- iv. Approval is sought in this report for the following:
 - **£96,000** from the Waste Reserve towards the Mechanical and Biological Treatment facility (MBT) ongoing legal costs and other associated costs
 - **£7.9m** to the Waste Reserve to appropriate unused funds to the reserve for future use
 - **£502,000** to the Waste Reserve for use in 2024/25 and relating to various Waste projects as follows:
 - **£229,000** for the Residual Waste Project (FP/066/05/21)
 - **£209,000** for the Waste Portfolio Project (FP/927/12/20)
 - **£33,000** for Senior resources (FP/086/03/23)
 - **£31,000** for Recycling Centre and Household Waste options (FP/324/03/22)

- Vire **£134,000** within the portfolio to repurpose funds from the Residual Waste project (FP/066/05/21) for use on the Waste Strategy project (FP/537/10/22)

5.3 Education Excellence, Lifelong Learning and Employability (DSG) - **£6.7m under spend**

- An in year **£6.7m** under spend is reported which results from the increase in funding for 2023/24.
- This is an adverse movement of **£4.5m** since Quarter 1 mainly attributable to:
 - £1.6m in the High Needs Block now that funding has been committed
 - £1.1m for Individual Packages of Education Support (IPES) due to an increase in the volume of pupils placed through the framework
 - £1m for Independent Schools due to an increase in volume and cost of placements
 - £799,000 for Alternative Provision largely due to an increase in the cost of personal budgets and suppliers not covered by the IPES contract
 - £437,000 for SEN Therapies largely due to the increase in costs of Independent Therapists
 - £278,000 for Other LA SEN top ups due to an increase in the volume of mainstream places and the cost of special school places.
- The High Needs Block (HNB) funding was increased by the Government by **£21.6m** (post recoupment) for 2023/2024. The HNB is expected to remain in surplus this financial year and early intervention projects are being developed to try to suppress demand in future years.
 - However significant pressures exist within the forecast, in particular, Independent Schools are forecasting a £4.7m over spend, a 24.7% increase in expenditure compared to 2022/23. The 2023/24 budget is £31.3m, an increase of 11.7% from 2022/23.

5.4 Education Excellence, Lifelong Learning and Employability (Non DSG) - **£410,000 (1.6%) over spend**

- A forecast over spend of **£410,000** is largely due to:
 - **£605,000** which reflects the latest pay position for Educational Psychologists of £270,000, and the use of associate Education Psychologists of £618,000, these variances are only partially offset by staffing vacancies.

Offset by:
 - **£317,000** vacancies in the SEND Operations teams where recruitment is ongoing for the new posts created through the SEND restructure.
- This is an adverse movement of **£277,000** since Quarter 1 mainly attributable to the Education Psychologists latest pay position.

- iii. Approval is sought in this report for
- **£228,000** from the Private Finance Initiatives (PFI) Equalisation Reserves in relation to Debden Park PFI
 - **£186,000** from the Covid Equalisation Reserve due to the loss of tuition fee income caused by Covid resulting in a lower number of enrolments within Adult Community Learning

5.5 Health, Adults Social Care and ICS Integration - £4.8m (1.1%) over spend

- i. As we approach the half year stage Adult Social Care system continues to experience increased volumes. There has been a 1.1% increase in the number people entering a reablement service and a 16.5% increase in the average number of hours of support per week being provided to those in reablement, driven by an increase in people's needs compared to those supported in the services in the first half of last financial year. In addition there has been a 1% increase in people requiring support in a residential or nursing setting compared to the budgeted level.
- ii. These increased volumes are driving the over spend, the most significant being the purchase of spot reablement which continues to create an unbudgeted pressure, as it was expected that the contracted capacity via block contract arrangements would be sufficient to meet demand. The pressure arising from the increased demand over and above the budgeted expectation for people needing to be supported in a residential or nursing setting is in part dampened by the increased contribution from them towards their care costs.
- iii. Decisions taken to increase funding to the market have started to result in improvements in the supply and demand mismatches that were experienced at the end of last financial year, but staff recruitment and retention for the sector remains an issue.
- iv. The Adult Social Care forecast to the end of the year is based on volume growth being in line with latest assumptions and price uplifts as per Cabinet Decision papers. The forecast makes no prediction about further savings delivery over and above that already validated. The service is actively pursuing the delivery of savings not reflected in the forecast (£4.6m), and as these savings come to fruition, and if all other assumptions remain in line with budget, the outturn position should move favourably.
- v. The adverse movement of £900,000 since Quarter 1 is driven by increased residential and nursing care demand, however some of this demand is offset by over recovery of residential income and non residential income where we have an increased number of clients paying a higher contribution towards their care. In addition, there has been a £320,000 favourable movement on the Social Fund as the expenditure will be fully covered by utilisation of the Household Support Fund Grant from the Department for Work and Pensions.

This grant is to support families post Covid and with cost of living pressures. It has been used to support ECC with the statutory delivery of this welfare provision via the Social Fund since October 2020. £7.6m of Household Support Fund Grant is now forecast to be spent via the Social Fund this year.

- vi. The Public Health forecast outturn is an online position. The Public Health grant received by ECC for 2023/24 totals £67.7m. In line with the approved Wellbeing, Public Health and Communities business plan (2022-25), a number of workstreams have been identified and programmes are currently being developed to address gaps in service delivery and allocate ongoing expenditure within the grant. Areas of focus include obesity and healthy weight, mental health, marginalised groups and risk factor work. The estimated remainder of the grant unallocated for 2023/24 after these project allocations is approximately £900,000 and the funds remain subject to the normal Public Health grant conditions. Of the £2.5m of Central Government Contain Management Outbreak funding (COMF) carried forward from 2022/23, £2.3m is allocated to the Essex Wellbeing Service which has a major focus on enabling communities to become more confident post Covid and the remainder allocated to Digital Inclusion. There will be no carry forward of COMF monies into 2024/25.
- vii. At the end of July the Department of Health and Social Care announced additional grant, Market Sustainability and Improvement Fund (Workforce Fund), of £9m for Essex, it is proposed via this report that £6.8m of this fund is utilised to fund the Care Workforce Retention Claims Fund for ECC contracted care providers that was approved in Cabinet Decision Care Market New Funding Allocations 2023/24 (FP/112/05/23) and that the £6.8m approved to be drawn down from the Adult Investment Reserve remains in the reserve.
- viii. Approval is sought in this report for the following:
 - **£1.8m** from the Adults Risk Reserve relating to certain disability related expenses being an allowable expense when calculating client contributions
 - **£1.3m** from the Adults Investment Reserve relating to various project expenditure as follows:
 - **£300,000** for backfilling Apprenticeships
 - **£274,000** in relation to Systems Development Team
 - **£253,000** in relation to Mental Health Social Work Review
 - **£245,000** in relation to Information, Advice and Guidance
 - **£90,000** in relation to Advocacy Commissioning posts
 - **£69,000** to support continued delivery of advocacy in Essex
 - **£39,000** in relation to the Shared Care Record resource
 - **£33,000** in relation to the sensory contract uplift
 - **£157,000** from the Adults Risk Reserve to fund costs associated with the increased payments to providers in respect of the subsidy for fuel price increase inflation.

5.6 Highways Maintenance and Sustainable Transport - £4.4m (3.6%) under spend

- i. The forecast under spend of **£4.4m** predominantly relates to energy under spends across policy lines.
- ii. There is a favourable movement from Quarter 1 of **£4.3m**, of which the largest variances are:
 - **£6.9m** under spend in relation to energy across policy lines as energy prices are nearly half the unit price expected when the budget was set
 - **£353,000** under spend across a number of policy lines. These predominantly relate to staffing and higher income than budgeted.

Offset by:

- **£2.4m** over spend within Home to School Transport policy lines; £1.7m resulting from an unfunded pressure within Hired Transport due to a number of factors which include more complex passenger needs and further mileage travelled, and also an estimated £600,000 transporting 176 Asylum students from hotels to 20 mainstream schools across the county. Work is underway, which includes detailed data analysis, to fully understand what is driving the additional costs, building on learning from previous reviews, to develop a plan to manage the escalating costs.
- **£750,000** over spend in relation to non-delivery of the Parking Partnerships on street parking saving initiative which requires development of a permanent solution.

5.7 Leader – £41,000 (1.9%) under spend

- i. The £41,000 forecast under spend is due to lag in recruitment across Democratic Core and Corporate Policy.

5.8 Levelling Up and the Economy – £20,000 (0.3%) under spend

- i. The portfolio reports a nominal under spend and movement from Quarter 1.

5.9 Planning a Growing Economy – £32,000 (0.3%) over spend

- i. The portfolio reports a forecast over spend of **£32,000** which is an adverse movement of **£53,000** from Quarter 1. This is mainly attributable to the following:
 - **£46,000** over spend within Developer Management & Staffing due to lower than budgeted staffing recharges
 - **£19,000** over spend within Economic Renewal relating to staffing due to maternity cover.

Offset by:

- **£34,000** under spend within Housing Growth & Strategic Sites due to staffing vacancies.

- ii. Approval is sought in this report for the following:
 - **£74,000** from the Transformation Reserve relating to the Cabinet Member Action FP/945/01/21 Digital Accessibility Compliance Project – Policy and Funding, previously approved, but has now time lapsed.

5.10 The Arts, Heritage and Culture – **£185,000 (0.7%) under spend**

- i. The portfolio reports a forecast under spend of **£185,000** mainly attributable to the following:
 - **£321,000** under spend within Youth Services largely due to income exceeding budget (£209,000) and staff vacancies (£66,000).

Offset by

- **£66,000** over spend in the Libraries Service attributable to ongoing work to refine delivery plans in relation to the libraries saving
 - **£44,000** over spend in Outdoor Education due to staffing costs
 - **£32,000** over spend in Trading Standards due to the New Burdens grant not being received directly to the service as it has been included in the overall government funding to ECC.
- ii. This is an adverse movement of **£94,000** from Quarter 1 largely attributable to Youth Services due to vacant posts being filled.
 - iii. Approval is sought in this report for the following:
 - **£418,000** from the Covid Equalisation Reserve relating to temporary staffing for Registrars.

5.11 The Chancellor of Essex – **£4.4m (62.3%) over spend**

- i. The **£4.4m** forecast over spend and the adverse movement of **£1.9m** from Quarter 1 is driven by an organisation wide saving budgeted within the portfolio relating to staff resource levels. A full assessment of in-year delivery options is in progress, and full delivery of the saving is now expected from 1 April 2024 onwards.

5.12 Other Operating Costs – **£7m (6.7%) under spend**

- i. The **£7m** forecast under spend is the total movement from Quarter 1. This is driven by higher levels of income on interest earned from treasury management activity due to higher than anticipated interest rates (**£5m**), plus reduced expectations on capital financing costs following re-profiling in the capital programme (**£2m**).
- ii. Work will continue on reviewing the impact of any further capital programme slippage and opportunities for further income on our cash balances.
- iii. Approval is sought in this report for the following:

- Vire **£4,000** from the General Balance to remove the planned appropriation from Music Services relating to ECC pension fund deficit.

5.13 Leader Recharged Strategic Support Services - £14,000 (0.7%) over spend

- i. The portfolio reports a nominal over spend position.

5.14 Levelling Up and the Economy Recharged Strategic Support Services – £18,000 (0.3%) under spend

- i. The portfolio forecasts a nominal under spend position.

5.15 Planning a Growing Economy Recharged Support Services - £19,000 (1.7%) under spend

- i. This forecast under spend and favourable movement from Quarter 1 of **£19,000** is due to revised staffing forecasts.

5.16 The Chancellor of Essex Recharged Support Services - £1.8m (1.7%) under spend

- i. This **£1.8m** forecast under spend position is an adverse movement of £2m since Quarter 1 and is driven by:
 - **£2.2m** under spend within Property Utilities & Energy due to the 2023/24 unit rate for electricity being significantly lower than the unit rate assumed in the current year budget. The market price is now relatively stable and the energy requirement for the current year has mostly been purchased.
 - **£50,000** under spend within Property Landlord which is due to staffing vacancies within the Core Management Team; the staffing structure is currently under review.

Offset by:

- **£466,000** over spend within Property Contracts of which £240,000 relates to estate transformation savings not being achievable and £208,000 relates to Iron Mountain storage costs.

- ii. Approval is sought in this report for the following:

- **£564,000** from the Covid Equalisation Reserve for staffing pressures on fixed term contracts still being felt within Business Support as a result of the pandemic
- **£55,000** from the Technology and Digitisation Reserve for audit costs relating to the Corporate Systems Project.

6. Trading Activities

- 6.1 Trading activities as a whole are reporting a **£10,000** surplus against the budgeted surplus of **£300,000**. The budgeted surplus figure has been reduced by **£4,000**, relating to Music Services, due to the ECC pension fund deficit payments which have now been repaid.
- 6.2 Place Services is forecasting an achievement of the planned target of **£300,000** which will be appropriated to County Reserves
- 6.3 Music Services is forecasting a surplus of **£10,000**.
- 6.4 These forecast positions will leave a net residual surplus in reserves of **£1.7m**, of which **£1.4m** relates to Place Services
- 6.5 Appendix B shows the position by each Trading Activity.

7. Capital

- 7.1 An over spend of **£12.2m** (3.8%) is forecast against the latest capital budget of **£319.1m**. After taking account of budget change requests in this report there is a residual over spend of **£3.2m**.
- 7.2 Approval is sought for:
 - i. 2023/24 Slippage: **£11.7m** (£6.1m into 2024/25, £405,000 into 2025/26, £1.8m from 2026/27 and £7.1m into 2027/28)
 - ii. 2023/24 Additions: **£25.4m**
 - iii. 2023/24 Reductions: **£7.8m**
 - iv. 2023/24 Advanced Works: **£3.3m** (£1.1m from 2024/25, £2.1m from 2025/26 and £87,000 from 2027/28)
- 7.3 The key points to note are listed below, and the detailed requests are shown at Appendix C(ii).
- 7.4 **Children's Service and Early Years – £936,000 (16%) under spend**
 - i. An under spend of **£736,000** is forecast on the New Farm Road Children's Residential project. In order to ensure placement continuity for young people, the profile of works now needs to be extended, in addition Reinforced autoclaved aerated concrete (RAAC) issues within Essex have also increased pressure on contractor capacity. Discussions for rescheduling the works are currently ongoing. Approval is sought to re-profile £736,000 into 2024/25.
 - ii. An under spend of **£200,000** is forecast on the Solo Placements project related to the works that are required to the Roach Vale school, in exchange for the appropriation of the vacant caretaker's property to deliver registered emergency care and accommodation. The works were due to take place over

the summer holidays to minimise disruption but have been delayed due to a change in Headteacher. Approval is therefore sought to slip £200,000 into 2024/25

7.5 Climate Czar, Environment, Waste Reduction and Recycling – on line

- i. The forecast is currently on line with the latest approved budget of **£886,000**.

7.6 Education Excellence, Lifelong Learning and Employability - £309,000 (0.6%) under spend

- i. Overall, approval is sought to;
- Re-profile **£2.6m** from 2023/24, **£3.3m** from 2025/26 and **£1.8m** from 2026/27 (£748,000 into 2024/25 and £7.1m into 2027/28);
 - To advance **£227,000** into 2023/24 and **£1.8m** into 2024/25 from 2025/26;
 - For capital programme additions of **£1.7m**;
 - Partially offset by capital programme reductions of **£2.8m**.

The most material adjustments relate to the following:

- ii. An under spend of **£1.5m** relates to the Temporary Accommodation programme and approval is sought to re-profile £1m into 2024/25, as the planned programme for the replacement of relocatable units is affected by the Reinforced autoclaved aerated concrete (RAAC) situation as the focus is on emergency work rather than planned work.
- iii. An under spend of **£1.2m** is forecast on Schools Capitalised Building Maintenance; approval is sought for a reduction of £1m to contribute towards the additional cost of works associated with the Public Sector Decarbonisation Scheme (PSDS) 3 and PSDS4 projects at Essex Schools, within The Chancellor of Essex Portfolio, and a reduction of £205,000 to support roof maintenance costs on the Harlow Fields Special School project.
- iv. Schools Cash Balances is reporting a non-controllable over spend of **£3.4m** in relation to grants to Schools. This will be fully funded by the Devolved Formula Capital grant.

7.7 Health, Adult Social Care and ICS Integration – £1.9m (77%) under spend

- i. The business case for the Independent Living Older People Investment project has been delayed and the start on site payment is now expected in quarter 1 of 2024/25 and practical completion payment in quarter 3 of 2025/26. Approval is sought to re-profile **£500,000** into 2024/25 and **£500,000** into 2025/26.
- ii. The Independent Living Adults with Complex Needs project aims to develop up to 4 schemes to provide in-county placements for adults with complex

needs, promoting independent living. To date, one site has been identified relating to the Lexden Ambulance Station site in Colchester, therefore the remaining budget is currently uncommitted and as a result approval is sought for slippage of **£912,000** into 2024/25.

7.8 Highways Maintenance and Sustainable Transport - £107.7m forecast, £17.7m (19.6%) over the current approved budget

- i. An addition of **£10.5m** is sought to the Roads Maintenance programme and **£4m** to the Footway Maintenance programme; £5.5m in relation to the additional DfT Pothole grant awarded in the 2023 Budget which will enable additional carriageway maintenance to take place and £9m from the Ambition Fund Reserve via the Reserve for Future Capital Funding (£5m for Roads Maintenance and £4m for Footways Maintenance) relating to the funding allocated via the Executive statement at Full council in February 2023 (FP/134/05/23). The task order allocations for the £9m draw down is as follows:

Capital:
Carriageways – Task Order 17b Value £3m This relates to the delivery of additional machine surfacing work within high priority carriageway schemes to address the current backlog of work.
Carriageways – Task Order 17b Value £0.46m This relates to the delivery of additional micro surfacing work within high priority carriageway schemes to address current backlog of work.
Carriageways – Task Order 18 Value £1.54m This relates to the delivery of permanent defect repair treatments for Carriageways (including Jet Patcher, Machine Patching and Hand Patching treatments).
Footways – Task Order 81 Value £4m This relates to surfacing and defect repairs for Footways, with c.£2m being used for Large Footway Repairs and c£2m for Small Footway Repairs.

- ii. Approval is sought for advanced works of **£1.6m** in relation to the LED rollout programme and **£1.3m** on Active Travel 2. Following several delays as a result of global supply shortages after the Covid pandemic, it is now anticipated that the LED rollout programme can be bought forward and will complete by early 2024 as the service have been able to bulk purchase stock now that it is available; Active Travel 2 previously saw delays due to objections raised in relation to the Traffic Regulation Orders (TROs) required for the schemes to progress, however these issues have now been resolved which has allowed project delivery to accelerate and completion is now expected ahead of schedule.

7.9 Leader – on line

- i. The forecast is currently on line with the latest approved budget of **£66m**

7.10 Levelling up and the Economy – £16,000 (16%) over spend

- i. Approval is sought for an addition of **£16,000**, in relation to the implementation of a cooling system for the community supermarket being set up in Colchester. The addition is funded by a grant to be received from Colchester City Council.

7.11 Planning a Growing Economy - £4.3m (4.7%) under spend

- i. Approval is sought for slippage of **£2.3m** into 2025/26 in relation to the A133-A120 Link Road due to delays caused by changing the procurement strategy from a single stage tender, where only one tender return was received, to a two stage tender which is more attractive to bidders due to the ability to design out risk.
- ii. The Harlow Town Centre Regeneration project is in its early stages, with planning and enabling works expected to be carried out this financial year and the majority of construction works to be carried out in future years. Therefore approval is sought to re-profile **£915,000** into 2025/26.
- iii. An under spend of **£725,000** is forecast on the Cycling Infrastructure programme for which approval is sought for a reduction and corresponding addition to Active Travel 3, within the Highways Maintenance and Sustainable Transport Portfolio. This is required to enhance the cycle route being delivered in Colchester under the Active Travel 3 programme.

7.12 The Arts, Heritage and Culture – £405,000 (100%) over spend

- i. Approval is sought for an addition of **£515,000** and to re-profile **£110,000** into 2024/25 in relation to a new project to refurbish Colchester Library, creating a new Children's Imagination and Literacy Centre on the ground floor of the library and relocating the registrars office to the first floor. The addition is to be funded by a grant from the Arts Council and a transfer to the Reserve for Future Capital Funding from the Transformation Reserve for the allocation earmarked for the Future Libraries Strategy.

7.13 The Chancellor of Essex – £1.7m (20.8%) over spend

- i. An over spend of **£1.7m** is forecast in relation to the Salix Public Sector Decarbonisation scheme (PSDS) property projects. Approval is sought for an addition of **£1m** to be funded by a reduction to the schools capitalised building maintenance budget, within the Education Excellence, Lifelong Learning and Employability Portfolio, to contribute towards the additional cost of works associated with the PSDS3 and PSDS4 projects at Essex Schools. Approval is also sought for an addition of **£650,000** for a new PSDS project at Tollesbury Primary School to be funded by a contribution from the school.

- 7.14 **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

- 8.1 This report is an assessment of the financial position of the County Council, which itself is a representation of the Annual plan. The budget and Annual plan were approved in parallel in February 2023.

9. Reserves

- 9.1 A summary of the forecast balances on reserves is provided in **Appendix D**.
- 9.2 Of the recommendations requested in this report the most significant are to approve **£9m** from the Ambition Fund Reserve to the Reserve for Future Capital Funding to address priority highways issues as previously allocated in the Executive statement to Full Council in February 2023, and also to appropriate **£7.9m** to the Waste Reserve to appropriate unused funds mainly relating to lower than expected tonnage levels, recycling credits and removal of a structural budget deficit.
- 9.3 Approval is also sought in this report to transfer **£5.8m** from the Covid Equalisation reserve to the Waste reserve to replenish the Waste reserve with Covid funding for usage in respect of additional waste tonnages experienced during the pandemic. In addition approval is sought to transfer **£112,000** from the Transformation Reserve to the Reserve for Future Capital Funding towards the refurbishment of Colchester Library.
- 9.4 To remove the planned contribution relating to Music Traded Service which has now been fully repaid relating its pension fund contribution to ECC, **£4,000** is sought in this report from the General Balance to Other Operating Costs.

10. 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 Forecast Outturn

Portfolio	Latest Budget £000	Half Year Forecast Variance £000	% of Latest Budget	Quarter 1 Forecast Variance £000	Movement £000	Direction of Travel
Children's Services and Early Years DSG	(401)	(3,812)	950.2%	8	(3,820)	↑
Children's Services and Early Years Non DSG	122,735	16,608	13.5%	8,004	8,604	↓
Climate Czar, Environment, Waste Reduction and Recycling	101,738	(64)	(0.1%)	(5)	(59)	↑
Education Excellence, Life Long Learning and Employability DSG	(2,662)	(6,712)	252.2%	(11,253)	4,541	↓
Education Excellence, Life Long Learning and Employability Non DSG	25,376	410	1.6%	133	277	↓
Health, Adult Social Care and ICS Integration	446,168	4,795	1.1%	3,884	911	↓
Highways Maintenance and Sustainable Transport	123,792	(4,413)	(3.6%)	(156)	(4,257)	↑
Leader	2,126	(41)	(1.9%)	-	(41)	↑
Levelling Up and the Economy	5,936	(20)	(0.3%)	(0)	(19)	↑
Planning a Growing Economy	9,837	32	0.3%	(21)	53	↓
The Arts, Heritage and Culture	25,379	(185)	(0.7%)	(279)	94	↓
The Chancellor of Essex	7,093	4,416	62.3%	2,509	1,907	↓
Other Operating Costs	105,022	(6,997)	(6.7%)	6	(7,003)	↑
Leader RSSS	1,961	14	0.7%	-	14	↓
Levelling Up and the Economy RSSS	6,524	(18)	(0.3%)	-	(18)	↑
Planning a Growing Economy RSSS	1,122	(19)	(1.7%)	-	(19)	↑
The Chancellor of Essex RSSS	105,288	(1,791)	(1.7%)	267	(2,058)	↑
Total	1,087,035	2,204	0.2%	3,097	(893)	
DSG Offset	3,063	10,524	343.6%	11,245	(721)	
Total Excluding DSG	1,090,098	12,727	1.2%	14,342	(1,614)	
Funding					-	
Revised Total	1,090,098	12,727	1.2%	14,342	(1,614)	

Appendix B

Trading Activities

	Revenue reserve 1 April 2023	Income	Budget Expenditure (Surplus) /Deficit		Income	Forecast Expenditure	Forecast (Surplus) / deficit	Final Outturn position	To County Revenue Account	To Trading Activity reserve	Final Outturn position	Variance Plan Proposals to/(from) reserves	Revenue reserve 31 March 2024
Traded Services	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Place Services	(1,443)	(3,968)	3,668	(300)	(4,098)	3,798	(300)	-	(300)	-	-	-	(1,443)
Music Services	(285)	(4,338)	4,338	-	(4,689)	4,679	(10)	(10)	-	-	(10)	-	(285)
Total	(1,729)	(8,306)	8,006	(300)	(8,787)	8,477	(310)	(10)	(300)	-	(10)	-	(1,729)

Appendix C (i)

Capital Forecast Outturn

	Year to date			Budget Movement		Full Year		
	Budget	Actuals	Variance	Original Budget	In year approved changes	Revised Budget	Outturn	Variance
	£000	£000	£000	£000	£000	£000	£000	£000
Children's Services and Early Years	1,365	356	(1,009)	3,010	2,838	5,849	4,912	(936)
Climate Czar, Environment, Waste Reduction and Recycling	369	885	516	-	886	886	885	(0)
Education Excellence, Life Long Learning and Employability	19,258	21,767	2,510	55,201	(2,233)	52,969	52,660	(309)
Health, Adult Social Care and ICS Integration	118	21	(97)	2,277	206	2,483	571	(1,912)
Highways Maintenance and Sustainable Transport	40,849	43,983	3,134	85,963	4,017	89,980	107,656	17,676
Leader	18,436	23,946	5,510	42,527	23,450	65,977	65,977	(0)
Levelling Up, and the Economy	50	67	17	100	-	100	116	16
Planning a Growing Economy	26,253	13,723	(12,530)	78,953	13,911	92,863	88,522	(4,341)
The Arts, Heritage and Culture	(25)	-	25	61	(61)	-	405	405
The Chancellor of Essex	2,838	2,972	134	6,768	1,182	7,950	9,600	1,650
ECC Capital Programme	109,511	107,721	(1,789)	274,859	44,197	319,056	331,305	12,249

Financed by:

	Budget Movement		Full Year		
	Original Budget	In year approved changes	Revised Budget	Outturn	Variance
	£000	£000	£000	£000	£000
ECC Capital Programme	£000	£000	£000	£000	£000
Grants	137,479	33,046	170,525	183,718	13,193
Reserves	7,300	-	7,300	16,367	9,067
Developer & Other contributions	23,627	3,547	27,174	23,472	(3,702)
Capital receipts	5,000	(1,422)	3,578	3,578	-
Unsupported borrowing	101,454	9,025	110,479	104,170	(6,309)
ECC Capital Programme	274,859	44,197	319,056	331,305	12,249

Appendix C(ii)

Capital Variance Plan

Portfolio	Approved changes					Variance Plan (2023/24)					
	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
Children's Services and Early Years	1,082	1,530	-	227	2,839	(936)	-	-	-	(0)	(936)
Climate Czar, Environment, Waste Reduction and Recycling	886	-	-	-	886	-	-	-	-	(0)	(0)
Education Excellence, Life Long Learning and Employability	(4,395)	5,507	(3,265)	(79)	(2,232)	(2,635)	1,744	(2,833)	227	3,188	(309)
Health, Adult Social Care and ICS Integration	206	-	-	-	206	(1,912)	-	-	-	0	(1,912)
Highways Maintenance and Sustainable Transport	(1,681)	64,936	(59,217)	(21)	4,017	(1,118)	16,033	(167)	2,927	0	17,676
Leader	(608)	-	-	24,058	23,450	-	-	-	-	(0)	(0)
Levelling Up, and the Economy	-	-	-	-	-	-	16	-	-	-	16
Planning a Growing Economy	(11,004)	18,550	(6,027)	12,391	13,910	(5,035)	1,478	(896)	112	(0)	(4,341)
The Arts, Heritage and Culture	-	-	(61)	-	(61)	(110)	515	-	-	-	405
The Chancellor of Essex	317	865	-	-	1,182	-	5,603	(3,953)	-	(0)	1,650
ECC Capital Programme	(15,197)	91,388	(68,570)	36,576	44,197	(11,746)	25,389	(7,849)	3,266	3,187	12,249

Variance plan - Future years

Variance Plan - Future Years											
Portfolio	2024/25		2025/26		2026/27		2027/28		2028/29		Total Variance
	Slippage	Advanced Works	Slippage	Advanced Works	Slippage	Advanced Works	Slippage	Advanced Works	Slippage	Advanced Works	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Children's Services and Early Years	936	-	-	-	-	-	-	-	-	-	936
Education Excellence, Life Long Learning and Employability	748	1,802	(3,319)	(2,029)	(1,846)	-	7,052	-	-	-	2,408
Health, Adult Social Care and ICS Integration	1,412	-	500	-	-	-	-	-	-	-	1,912
Highways Maintenance and Sustainable Transport	1,118	(2,927)	-	-	-	-	-	-	-	-	(1,809)
Planning a Growing Economy	1,811	-	3,224	(25)	-	-	-	(87)	-	-	4,923
The Arts, Heritage and Culture	110	-	-	-	-	-	-	-	-	-	110
ECC Capital Programme	6,135	(1,125)	405	(2,054)	(1,846)	-	7,052	(87)	-	-	8,480

Portfolio & Scheme	Slippage	Additions	Reductions	Advanced Works	2023/24 Changes
	£000	£000	£000	£000	Requested
INDEPENDENT LIVING ADULTS WITH COMPLEX NEEDS	(912)	-	-	-	(912)
IL OP INVESTMENT	(1,000)	-	-	-	(1,000)
Health, Adult Social Care and ICS Integration	(1,912)	-	-	-	(1,912)
CHILDRENS RESIDENTIAL	(736)	-	-	-	(736)
SOLO PLACEMENTS	(200)	-	-	-	(200)
Children's Services and Early Years	(936)	-	-	-	(936)
COMMUNITY SUPERMARKET COOLING SYSTEM	-	16	-	-	16
Levelling Up, and the Economy	-	16	-	-	16
COLCHESTER LIBRARY REFURBISHMENT	(110)	515	-	-	405
The Arts, Heritage and Culture	(110)	515	-	-	405
A133-A120 LINK HIF	(2,309)	-	-	-	(2,309)
HARLOW STC NTH/STH (Ph1:GILSTON TO TC) (HIF)	-	75	-	-	75
COLCHESTER ITP (BOROUGH WIDE)	-	43	-	-	43
SAFER ROADS A104 ESSEX	(1,304)	1,360	-	-	56
CYCLING INFRASTRUCTURE	-	-	(725)	-	(725)
SOUTH MALDON RELIEF ROAD	-	-	-	87	87
ADVANCED SCHEME DESIGN	-	-	(43)	-	(43)
ADVANCED SCHEME DESIGN - ECONOMIC GROWTH	-	-	(128)	-	(128)
HARWICH LEVELLING UP	(507)	-	-	-	(507)
Harlow Town Centre Regeneration	(915)	-	-	-	(915)
PRIMROSE MEADOW ILOP	-	-	-	25	25
Planning a Growing Economy	(5,035)	1,478	(896)	112	(4,341)
SCHOOLS CAPITALISED BUILDING MAINTENANCE	-	-	(1,205)	-	(1,205)
BASILDON PRIMARY BASIC NEED	-	175	-	-	175
EPPING FOREST PRIMARY BASIC NEED	-	-	(558)	-	(558)
BRAINTREE PRIMARY BASIC NEED	-	-	-	227	227
MALDON SECONDARY BASIC NEED	(260)	-	-	-	(260)
TENDRING PRIMARY BASIC NEED	(622)	-	-	-	(622)
TENDRING SECONDARY BASIC NEED	-	5	-	-	5
UTTLESFORD PRIMARY BASIC NEED	(84)	70	-	-	(14)
CHELMSFORD PRIMARY BASIC NEED	-	553	-	-	553
SPECIAL SCHOOLS	(669)	667	(462)	-	(464)
TEMPORARY ACCOMMODATION	(1,000)	50	(590)	-	(1,540)
Education Excellence, Life Long Learning and Employability	(2,635)	1,520	(2,815)	227	(3,703)
Core Estate Carbon Reduction Fund	-	-	(500)	-	(500)
TOLLESBURY TCP PSDS PROJECT	-	650	-	-	650
SALIX PSDS3B	-	2,509	-	-	2,509
SALIX PSDS3A	-	2,445	-	-	2,445
CAPITALISED BUILDING MAINTENANCE	-	-	(3,453)	-	(3,453)
The Chancellor of Essex	-	5,604	(3,953)	-	1,651
BRIDGES	-	594	-	-	594
ACTIVE TRAVEL	-	-	-	1,327	1,327
ACTIVE TRAVEL 3 & COL TWN FD LCWIP4	(902)	650	-	-	(252)
EV CHARGEPOINTS	-	236	(167)	-	69
FOOTWAY MAINTENANCE	-	4,000	-	-	4,000
LED ROLLOUT	-	-	-	1,600	1,600
ROAD MAINTENANCE	-	10,455	-	-	10,455
SECTION 106	-	98	-	-	98
FLOOD MANAGEMENT	(216)	-	-	-	(216)
Highways Maintenance and Sustainable Transport	(1,118)	16,033	(167)	2,927	17,675
ECC Capital Programme	(11,747)	25,164	(7,831)	3,266	8,852
Devolved Formula Capital	-	224	(17)	-	207
Total Capital Programme	(11,746)	25,389	(7,849)	3,266	9,058

2023/24 Financial Overview as at the Half Year Stage

Portfolio & Scheme	2024/25		2025/26		2026/27		2027/28	
	Slippage £000	Advanced Works £000	Slippage £000	Advanced Works £000	Slippage £000	Advanced Works £000	Slippage £000	Advanced Works £000
INDEPENDENT LIVING ADULTS WITH COMPLEX NEEDS	912	-	-	-	-	-	-	-
IL OP INVESTMENT	500	-	500	-	-	-	-	-
Health, Adult Social Care and ICS Integration	1,412	-	500	-	-	-	-	-
CHILDRENS RESIDENTIAL	736	-	-	-	-	-	-	-
SOLO PLACEMENTS	200	-	-	-	-	-	-	-
Children's Services and Early Years	936	-	-	-	-	-	-	-
COMMUNITY SUPERMARKET COOLING SYSTEM	-	-	-	-	-	-	-	-
Levelling Up, and the Economy	-	-	-	-	-	-	-	-
COLCHESTER LIBRARY REFURBISHMENT	110	-	-	-	-	-	-	-
The Arts, Heritage and Culture	110	-	-	-	-	-	-	-
A133-A120 LINK HIF	-	-	2,309	-	-	-	-	-
HARLOW STC NTH/STH (Ph1:GILSTON TO TC) (HIF)	-	-	-	-	-	-	-	-
COLCHESTER ITP (BOROUGH WIDE)	-	-	-	-	-	-	-	-
SAFER ROADS A104 ESSEX	1,304	-	-	-	-	-	-	-
CYCLING INFRASTRUCTURE	-	-	-	-	-	-	-	-
SOUTH MALDON RELIEF ROAD	-	-	-	-	-	-	-	(87)
ADVANCED SCHEME DESIGN	-	-	-	-	-	-	-	-
ADVANCED SCHEME DESIGN - ECONOMIC GROWTH	-	-	-	-	-	-	-	-
HARWICH LEVELLING UP	507	-	-	-	-	-	-	-
Harlow Town Centre Regeneration	-	-	915	-	-	-	-	-
PRIMROSE MEADOW ILOP	-	-	-	(25)	-	-	-	-
Planning a Growing Economy	1,811	-	3,224	(25)	-	-	-	(87)
SCHOOLS CAPITALISED BUILDING MAINTENANCE	-	-	-	-	-	-	-	-
BASILDON PRIMARY BASIC NEED	-	-	-	-	-	-	-	-
EPPING FOREST PRIMARY BASIC NEED	-	-	-	-	-	-	-	-
BRAINTREE PRIMARY BASIC NEED	-	1,802	-	(2,029)	-	-	-	-
MALDON SECONDARY BASIC NEED	(1,000)	-	(691)	-	1,951	-	-	-
TENDRING PRIMARY BASIC NEED	622	-	-	-	-	-	-	-
TENDRING SECONDARY BASIC NEED	-	-	-	-	-	-	-	-
UTTLESFORD PRIMARY BASIC NEED	-	-	84	-	-	-	-	-
CHELMSFORD PRIMARY BASIC NEED	(542)	-	(2,712)	-	(3,797)	-	7,052	-
SPECIAL SCHOOLS	669	-	-	-	-	-	-	-
TEMPORARY ACCOMMODATION	1,000	-	-	-	-	-	-	-
Education Excellence, Life Long Learning and Employability	749	1,802	(3,319)	(2,029)	(1,846)	-	7,052	-
Core Estate Carbon Reduction Fund	-	-	-	-	-	-	-	-
TOLLESBURY TCP PSDS PROJECT	-	-	-	-	-	-	-	-
SALIX PSDS3B	-	-	-	-	-	-	-	-
SALIX PSDS3A	-	-	-	-	-	-	-	-
CAPITALISED BUILDING MAINTENANCE	-	-	-	-	-	-	-	-
The Chancellor of Essex	-	-	-	-	-	-	-	-
BRIDGES	-	-	-	-	-	-	-	-
ACTIVE TRAVEL	-	(1,327)	-	-	-	-	-	-
ACTIVE TRAVEL 3 & COL TWN FD LCWIP4	902	-	-	-	-	-	-	-
EV CHARGEPOINTS	-	-	-	-	-	-	-	-
LED ROLLOUT	-	(1,600)	-	-	-	-	-	-
ROAD MAINTENANCE	-	-	-	-	-	-	-	-
SECTION 106	-	-	-	-	-	-	-	-
FLOOD MANAGEMENT	216	-	-	-	-	-	-	-
Highways Maintenance and Sustainable Transport	1,118	(2,927)	-	-	-	-	-	-
ECC Capital Programme	6,136	(1,125)	405	(2,054)	(1,846)	-	7,052	(87)
Devolved Formula Capital	-	-	-	-	-	-	-	-
Total Capital Programme	6,135	(1,125)	405	(2,054)	(1,846)	-	7,052	(87)

Appendix D

Balance Sheet – Earmarked Reserves

	2023/24 movements				Adjustments proposed in quarterly report included within this position £000
	Balance at 1 April 2023 £000	(Contributions)/ Withdrawals agreed £000	Future commitments £000	Estimated Closing balance £000	
Long Term Contractual Commitment					
PFI Reserves					
A130 PFI	(17,324)	10,052	695	(6,577)	
Building Schools for the Future PFI	(2,122)	-	(861)	(2,983)	
Debden School PFI	(1,154)	-	524	(630)	228
Clacton Secondary Schools' PFI	(1,409)	-	609	(800)	
Waste Reserve	(114,589)	9,884	(8,627)	(113,332)	(14,110)
Grant Equalisation Reserve	(43,933)	-	5,037	(38,896)	
Trading Activities (not available for use)	(1,729)	304	(304)	(1,728)	
Partnerships and Third Party (not available for use)	(2,267)	-	-	(2,267)	
Schools (not available for use)	(43,704)	-	-	(43,704)	
General Balance	(68,096)	-	4	(68,092)	4
Reserves earmarked for future use					
Adults Digital Programme	(28)	-	28	0	
Adults Risk	(12,561)	-	2,837	(9,724)	1,907
Adults Investment	(9,802)	(21,567)	21,567	(9,802)	1,303
Ambition Fund	(10,551)	(9,925)	15,890	(4,586)	9,000
Bursary for Trainee Carers	(263)	-	263	-	
Capital Receipts Pump Priming	(10,034)	(1,000)	500	(10,534)	
Carbon Reduction	(711)	152	-	(559)	
Carry Forward	(15,039)	-	15,039	(0)	-
Childrens Risk	-	(5,000)	-	(5,000)	
Childrens Transformation	(6,010)	-	2,949	(3,061)	462
Collection Fund Risk	(17,084)	(9,114)	-	(26,198)	
Commercial Investment in Essex Places	(15,469)	650	14,296	(523)	
Community Initiatives Fund	(277)	(350)	350	(277)	-
Covid Equalisation Reserve	(26,273)	-	23,698	(2,575)	6,968
EES Pension Risk	(4,000)	-	-	(4,000)	
Emergency	(23,227)	(4,000)	4,009	(23,218)	
Emergency Planning	(300)	-	-	(300)	
Equalities Fund Reserve	(261)	-	-	(261)	
Essex Climate Change Commission	(3,067)	-	2,218	(849)	
Essex Crime and Police	(73)	-	-	(73)	
Everyones Essex	(44,987)	(2,000)	23,344	(23,643)	
Future Capital Funding	(36,295)	(7,463)	16,877	(26,880)	(9,112)
General Risk	(14,841)	(10,338)	500	(24,679)	-
Health and Safety	(4,649)	-	1,205	(3,443)	
Highways	(3,000)	-	-	(3,000)	
Insurance	(11,125)	-	600	(10,525)	
Newton	(151)	-	-	(151)	
Property Fund	(962)	-	28	(934)	
Quadrennial Elections	(1,491)	(500)	-	(1,991)	
Renewal Fund	(2,427)	-	181	(2,246)	
Social Distancing & Hygiene	(900)	-	-	(900)	
Technology and Digitisation	(20,119)	(5,000)	12,052	(13,067)	55
Transformation	(58,880)	(11,820)	17,189	(53,511)	186

Appendix E

Treasury Management

	Actual Balance 1 April 2022 £000	Movements			Estimated Balance at 31 March 2023 £000
		Raised	Repaid	Net movement	
	£000	£000	£000	£000	£000
Borrowing					
Long Term	583,831	-	(12,044)	(12,044)	571,787
Temporary	12,150	1,125	-	1,125	13,275
Total External Borrowing (A)	595,981	1,125	(12,044)	(10,919)	585,062
Investments					
Long Term	4,853	4,178	(2,921)	1,257	6,110
Temporary	635,558	437	(428,100)	(427,663)	207,895
Total External Investments (B)	640,411	4,615	(431,021)	(426,406)	214,005
Net indebtedness (A-B)	(44,430)	(3,490)	418,977	415,487	371,057
Borrowing					
Average balance of long term borrowing during the year over the period to date (£000)					
Opening pool rate at 1 April 2023 (%)					
Weighted average rate of interest on new loans secured to date					
Average pool rate for year (%)					
Investments					
Average daily cash balance over period to date (£000)					
Average interest earned over period					
Benchmark rate - average 1 month SONIA rate					

Appendix F

Prudential Indicators - Summary

		Approved Indicator	Current Forecast
Affordability			
Incremental impact on Council Tax of 2023/24 and earlier years 'starts'	£	£123.99	£112.99
Ratio of financing costs to net revenue streams	%	9.7%	9.4%
Prudence			
Net borrowing and Capital Financing Requirement		Net borrowing is below the medium term forecast of the CFR	
Capital Expenditure			
Capital expenditure	£m	275	331
Capital Financing Requirement (excluding credit arrangements)	£m	1,324	1,123
External Debt			
Authorised limit (borrowing only)	£m	1,080	N/A
Operational boundary (borrowing only)	£m	900	N/A
Actual external borrowing (maximum level of debt during year)	£m	N/A	596
Treasury Management			
Interest rate exposures			
Upper limit for exposure to fixed rates			
Net exposure	£m	1,080	548
Debt		100.0%	98.7%
Investments		100.0%	74.7%
Upper limit for exposure to variable rates			
Net exposure	£m	380	202
Debt		35.0%	2.3%
Investments		100.0%	85.6%
Maturity structure of borrowing (upper limit)			
Under 12 months	%	30.0%	2.1%
12 months and within 24 months	%	30.0%	3.0%
24 months and within 5 years	%	30.0%	10.3%
5 years and within 10 years	%	40.0%	17.1%
10 years and within 25 years	%	85.0%	24.1%
25 years and within 40 years	%	40.0%	30.3%
40 years and within 50 years	%	20.0%	0.0%
50 years and above	%	20.0%	13.2%
Total sums invested for more than 364 days			
Authorised limit	£m	30	N/A
Actual sums invested (maximum position during year)	£m	N/A	-
Summary			
All Treasury Management activities have been undertaken in accordance with approved policies and procedures.			
External debt is within prudent and sustainable limits.			
Credit arrangements have been undertaken within approved indicators			
Maturity Structure of borrowing: maturity dates for market loans are based on the next review date, not the final maturity date.			

Forward Plan reference number: FP/148/06/23

Report title: Award of Contracts for the Provision of Microsoft Volume Licensing Agreements	
Report to: Cabinet	
Report Author: Councillor Christopher Whitbread, the Chancellor of Essex and Cabinet Member with responsibility for Finance	
Date: 10 October 2023	For: Decision
Enquiries to: Pam Parkes, Executive Director, People and Transformation email pam.parkes@essex.gov.uk	
County Divisions affected: All Essex	
Confidential Appendix This report has a confidential appendix which is not for publication as it includes exempt information falling within paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended.	

1. Everyone's Essex

- 1.1 Whenever someone comes into contact with Essex County Council (ECC), whether to raise an issue, seek information, or, as is often the case, because they or a loved one need our help, it is essential that we are able to respond as efficiently and effectively as possible.
- 1.2 To enable that effective response, it is essential that ECC employees are equipped with a modern, high-quality IT system: designed to ensure that those who work out in communities can share information, ideas and advice instantaneously with colleagues miles away; that our workers, from Colchester to Brentwood, Saffron Walden to Rochford, can work closely and seamlessly with colleagues round the county without always having to travel long distances; sharing information and ideas in seconds, developing better services, finding innovative solutions, and ensuring value for money in today's demanding, fast-moving world.
- 1.3 The modern Microsoft 365 toolset is a system which does just that. It runs from a cloud-hosted platform, meaning no more large air conditioned IT rooms taking up office space and using electricity. It enables employees and partners to work together on projects without the constraint of being in the same physical location; seamlessly sharing ideas, communicating and collaborating in real-time, enabling them to be more productive, work remotely, save energy and reduce our carbon footprint.
- 1.4 To use this suite of products across the council, we need to have a licence, and this is acquired via a licensing solution provider, or LSP. The purpose of this paper is to award a contract to Phoenix Software to provide that licence.

- 1.5 By enabling better, more efficient, localised working, this decision helps improve the performance of ECC across the full spectrum of aims within Everyone's Essex, most notably our net-zero ambitions. Crucially it delivers better value for money for Essex residents with more efficient service delivery.

2. Recommendations

- 2.1 Agree to award a call-off contract to Phoenix Software, with an estimated value of £11.083m (based on current usage), under the Crown Commercial Services (CCS) Technology Products and Associated Services Framework Agreement (RM6068) Lot 3: Software and Associated Services for the Provision of Microsoft Volume Licensing agreements to cover our current and future Microsoft estate for a period of three years, commencing on 1 January 2024 following the group purchasing arrangement run by CCS.
- 2.2 Agree to include the award of Unified Support Services from Microsoft in the contract at a total cost of £279,310 with Phoenix Software for a period of 12 months, commencing on 1 January 2024.

3 Background and Proposal

- 3.1 Microsoft 365 offers a productivity suite that is cloud-based which can be accessed from anywhere, on any device with an internet connection. All the essential applications such as Word, Excel and Outlook are included and can be accessed online without the need to install any software. Upgrades are performed automatically at predetermined intervals as part of the annual licence fees. If these applications were not available, ECC's business operation would be more manual and labour intensive.
- 3.2 Microsoft volume licensing is predominantly sold via a Licensing Solution Provider ('LSP'). LSPs are service providers who are authorised to license eligible Microsoft products. ECC has previously entered into a number of subscription agreements for Microsoft Products with an LSP, Phoenix Software, as detailed below.
- 3.3 ECC currently have the following contracts in place with Phoenix Software:
 - 3.3.1 An Enterprise Agreement (being a volume licensing agreement) for Microsoft 365 subscriptions. This is the licence assigned to the majority of ECC Officers and Members network login accounts to provide access to a suite of products including:
 - Office 365, the traditional Microsoft applications, such as Word, Excel and PowerPoint;
 - Collaboration tools, such as Teams, SharePoint and Yammer;
 - Day to day tools for business administration and productivity, such as Planner, To Do, and Power BI;

- Security and compliance software to help protect ECC's data, devices and cloud infrastructure; and
 - Azure cloud consumption spend.
- 3.3.2A Master Products and Services Agreement (MPSA) for a similar suite of products as above but for employees who meet the eligibility criteria for academic licensing, which is provided at a lower cost per licence;
- 3.3.3A Schools Agreement for the subscription of Windows and Office Pro licensing for public desktop devices in Essex Libraries and Youth Centres;
- 3.3.4A Cloud Solution Programme (CSP) Agreement for the subscription of Microsoft 365 academic licenses for all ACL tutors which also enable ACL to licence up to 20,000 students at no additional cost.
- 3.4 In addition to the above contracts, ECC have entered into a separate contract directly with Microsoft for Unified Support Services. This contract expires on 31 December 2023. The Unified Support Services Contract is a technical support contract for Microsoft Cloud platforms used by ECC's Technology Service to help get the best value and technical support from our Microsoft Technology.
- 3.5 Unified Support is a modern support solution offering reactive and proactive support services designed to match business needs by covering the Microsoft Cloud platforms in a single, comprehensive support contract to gain the most value from investment in Microsoft technology. It includes:
- 3.5.1 Technical support at all times (24/7) – this provides access to Microsoft Specialist engineers for both on-premises and Cloud technologies with allocated incident managers handling escalations and supported by a named Customer Success Account Manager;
 - 3.5.2 IT health – this provides unlimited access to 30+ on-demand assessments and operational surveys;
 - 3.5.3 Account Management – designated Customer Success Account Manager;
 - 3.5.4 Advisory support – unlimited advisory phone support;
 - 3.5.5 Technical training – this provides access to on-demand learning videos, hands-on labs, learning paths and expert-led webcasts; and
 - 3.5.6 Proactive services – 20% of the contract value is provided as a flex allowance, equivalent to the value of £55k, which can be utilised for expert-led, solution-specific engagements designed to help its customers onboard and optimize their key solutions with services for well-architected, server migration, security, Teams, Power Apps, Analytics, etc.
- 3.6 If new agreements are not put in place, ECC would need to cease using the Microsoft products and services and would need to find alternatives to replace those no longer available.
- 3.7 These contracts underpin ECC's ambition to have technology infrastructure delivering faster, more flexible and highly available applications and where possible, to make the technology available at any time and from anywhere. This ambition supports ECC's "Cloud Services first" technology strategy which means

the solutions employees all depend on to carry out their job roles will be stable, always available and will offer an overall consistent experience to the end user.

3.8 The current Microsoft Agreements are due to expire within the next 12 months:

Agreement	Expiry Date
Enterprise Agreement	31/12/2023
Unified Support Services Contract	31/12/2023
Master Products and Services Agreement (MPSA)	31/01/2024
Schools Agreement	31/03/2024
Cloud Solution Programme (CSP) Agreement	30/06/2024

3.9 In March 2023, it was agreed that ECC would participate in a collective buying procurement conducted by CCS rather than run its own procurement process to bring these agreements together and ensure we are appropriately licenced when the existing contracts expire.

3.10 CCS uses collective buying, otherwise known as aggregation, to bring together customers with similar needs to attract savings and favourable terms through their increased buying power. Aggregated procurements save time and money for contracting authorities because CCS runs the procurement, so there is very little administration for buyers to deal with. As this process did not commit ECC to award a contract at the end of the process, it was agreed that ECC could join the aggregation tender process with six other buyers and would report back to Cabinet following the outcome of the process.

3.11 The Invitation to Tender was issued on 4 April 2023 to all 27 suppliers on Lot 3: Software and Associated Services of the CCS Technology Products and Associated Services framework agreement (RM6068) with a tender deadline of 27 April 2023. The evaluation criteria used was 90% price and 10% social value. The quality evaluation was pass/fail.

3.12 On 28 April 2023, ECC were notified by CCS that they had received 3 bids and would let us know the outcome of the evaluation on 18 May 2023. On the 18 May 2023, ECC were notified by CCS that the winning supplier was Phoenix Software.

3.13 The three suppliers were evaluated based on the estimated licence numbers required at the point of launching the procurement. The number of licences required by ECC varies over time but the price per licence will be fixed at the point of contract award. ECC paid £3.810m for Microsoft licences for 2023. Phoenix Software Limited have been able to substantially reduce this cost by offering a competitive mark up, in some cases applying a negative markup, which

has led to an anticipated new cost of £3.694m per annum, representing an expected saving of £116,000 per annum against the previous contract price. Further details are set out in section 6 below.

3.14 Following the outcome of this procurement process, ECC recommend the award of the following contracts to Phoenix Software for a period of 3 years for the following services and solutions:

- An Enterprise Agreement for Microsoft 365 subscriptions
- A Server and Cloud Enrolment Agreement for Azure cloud consumption spend;
- A Master Products and Services Agreement (MPSA) for Microsoft 365 subscriptions for those employees who meet the eligibility criteria for academic licensing.
- A Schools Agreement for the subscription Windows and Office Pro licensing of desktop devices in Youth Centres;
- An Enterprise Subscription Agreement – Not For Profit for Libraries Agreement for Microsoft 365 subscriptions for Essex library employees and Windows and Office Pro licensing of desktop services in Essex Libraries; and
- A Cloud Solution Programme (CSP) Agreement for the subscription of Microsoft 365 academic licenses for all ACL tutors which in turn enable ACL to licence up to 20,000 students at no additional cost.

3.15 In addition to these services, ECC recommend the award of Unified Support Services with Microsoft to via Phoenix Software for a period of 1 year. Unified Support Services are calculated as a percentage of ECC's overall product spend with Microsoft. ECC paid £223,726 for Unified Support Services directly through Microsoft for 2023. The ability to include Unified Support Services within the new Contract attracts a 1% markup by Phoenix Software. The cost for 1 year is £279,310 inclusive of the markup from Phoenix Software. The increase in cost is attributed to an increase in ECC's overall product spend with Microsoft, in the main as a result of the Cloud Programme which moved data from ECC's premises to the Azure Cloud Platform.

4 Links to our Strategic Ambitions

4.1 The deployment of Microsoft 365 is a key enabler in collaborative working and alignment to maximise the value with our employees, partners and communities and supports the 20 commitments outlined in Everyone's Essex.

ECCs Strategic objective – Everyone's Essex	Outcome
Economy	<ul style="list-style-type: none"> • By leveraging the capabilities of Microsoft 365, ECC can enhance business operations, resulting in better support for the local economy's growth. The software offers powerful tools for collaboration, communication, and project

	<p>management, enabling teams to work more efficiently and effectively. Its cloud-based platform also gives council employees the flexibility to work from anywhere, driving productivity and saving time. Ultimately, Microsoft 365 can help streamline processes, reduce costs, and increase capacity to deliver essential services to the community.</p> <ul style="list-style-type: none"> • Supports flexible and modern working practices and contributes to the attraction of high calibre recruits into our organisation who value work life balance. • Cloud services and infrastructure will provide resiliency and high availability to our critical applications and services, allowing us to respond to situations quickly and effectively, all while driving better outcomes. • This comprehensive tool set will help shape and deliver many of the organisation strategic aims as well as being a modern digital organisation. • Microsoft Teams' collaboration feature enables seamless collaboration with partners outside of ECC, resulting in more efficient operations. This allows teams to work together without being in the same physical location, making it easier to share files and have discussions. With Teams, partners can communicate easily as the platform supports messaging, audio and video calls, and screen sharing. • Supports a productive workforce allowing the automation of straight forward tasks, releasing time to focus on higher value tasks, and streamlining of processes.
Environment	<ul style="list-style-type: none"> • Digital by default will help improve Carbon emissions releasing the need for printing. • Cloud tools aid in maximising the continuous effectiveness of applications while protecting the environment and promoting sustainable development. These tools enable businesses to reduce their carbon footprint by reducing the need for hardware and lowering energy consumption. Additionally, they provide scalability, automation, and real-time monitoring, allowing applications to run efficiently. • Collaborative tools such as Microsoft 365 are beneficial for workers as they offer accessible data, networks, and applications. These tools provide ease in working together on projects and tasks without the constraint of being in the same physical location. Workers can seamlessly share

	<p>ideas, communicate, and collaborate on documents in a real-time environment. Enabling people to work remotely reduces carbon footprint of workers needing to travel to a work office.</p> <ul style="list-style-type: none"> • Cloud datacentres can reduce energy consumption due to their efficient virtualisation ratios and the use of newer and more efficient equipment compared to on-premise setups. This allows for more efficient use of resources and can contribute to lower carbon emissions.
Health	<ul style="list-style-type: none"> • Microsoft 365 Dynamics is a key example of working collaboratively to setup Test and Trace to support the people of Essex during covid, working with public health England, Southend Borough Council and other local authorities and other organisations.
Family	<ul style="list-style-type: none"> • Utilise modern technology and digital trends to increase engagement within education settings, to help children's learning through innovative use of new technology and social media platforms. • Using the tools to work collaboratively across the council allows all colleagues to drive better outcomes and taking collective action towards common goals.

5 Options

5.1 Option 1 – Do nothing.

If an Agreement is not put in place for Microsoft Licences, ECC will need to cease using the Microsoft products and services and find alternative solutions. This would cause significant disruption across ECC and is considered a very high-risk option. It is not recommended.

5.2 Option 2 – Award contracts to Phoenix Software for the Provision of the Microsoft Licensing Services and Solutions set out in this report – recommended option

This will ensure that ECC are correctly licensed for the use of the Microsoft products under the Microsoft Terms and Conditions at the most competitive price with an appropriate support package. The advantages of this approach are:

- combined buying power to get the best prices
- simple tender procedure using standard processes and documents that comply with public procurement regulations
- CCS managed the process free of charge
- reduced bidder costs

Option 2 is the recommended option.

5.3 Option 3 – Run our own mini-competition using the CCS Framework

This option would ensure that ECC are correctly licensed for the use of the Microsoft products under the Microsoft Terms and Conditions however it is unlikely to achieve the most competitive price as ECC would not benefit from the aggregated spend from the seven other organisations who also took part in the CCS central aggregation procurement.

6 Issues for consideration

6.1 Financial implications

6.1.1 This report seeks approval to award a contract to Phoenix Software under the CCS Technology Products and Associated Services framework agreement for the Provision of Microsoft Volume Licensing agreements. The contract period covers the current and future Microsoft estate for a period of 3 years, commencing on 1 January 2024.

6.1.2 The report also includes a recommendation to award Unified Support Services to Microsoft as part of the call-off contract with Phoenix Software for a period of 12 months, commencing on 1 January 2024.

Provision of Microsoft Volume Licensing agreements contract

6.1.3 The full gross value of the Provision of Microsoft Volume Licensing agreements decision over the 3-year contract period is estimated to be £11.083m, which equates to an annual contract value of £3.694m. A number of licenses are charged externally to Essex Cares Ltd (ECL) and Adult Community Learning (ACL); therefore, the net cost of the contract to Essex County Council (ECC) is **£3.563m** annually.

6.1.4 The annual gross value of the contract (£3.694m) represents a saving against the previous contract value (£3.810m) of £116,000. The confidential Appendix A contains pricing and volume details of each license type as well as the driver for change (volume or price).

6.1.5 The unit price for the majority of licenses is fixed over the 3-year contract (two types of licenses increase in price on the anniversary), however, user numbers may fluctuate as a result of organisational and service requirement need or changes to staffing levels due to post pandemic shift to more flexible /part-time working patterns. The final costs incurred per year are therefore subject to change. License numbers are reviewed with the licensing partner annually ahead of the anniversary of the contract to ensure the price and volume remains fit for purpose. Costs and usage will be monitored to ensure it remains at optimal levels. Technology Services will proactively seek mitigation to ensure no overspend occurs but ultimately cost drivers are largely out of Technology Services control. Should an unavoidable situation occur where licence costs exceed available budget in future years due to wider incremental organisational

changes and mitigation cannot be found then Technology Services should consider requesting a growth item as part of the relevant budget setting process at the time. It is to be noted that licensing costs in relation to a project with significant staffing level impact (e.g. insourcing of a service) should be factored into the related business case for the project and funding considered as part of that decision. This will require early engagement with Technology Services to ensure that services are properly understood to ensure that costs are optimised.

Unified Support Services

6.1.6 The cost of the 12 month Unified support contract is £276,545. Awarding the contract via Phoenix Software attracts a 1% mark up of £2,765 taking the total cost to £279,310.

6.1.7 The award of the new contract represents an increase cost of £55,584 against the previous contract.

Funding

6.1.8 The draft Technology Services budget within the Medium Term Resource Strategy (MTRS) for the Microsoft Volume Licensing agreements contract in 2024/25 is **£3.763m**. This is currently profiled to increase by an inflationary rate of 2.0% in subsequent years.

6.1.9 The draft Technology Services budget within the Medium Term Resource Strategy (MTRS) for Unified Support service in 2024/25 is **£223,726**.

6.1.10 Table 1 below details the annual profiled costs against existing MTRS budget provision.

Table 1: Summary of the anticipated contract costs compared to the planned MTRS budget provision

MTRS impact	2024/25	2025/26	2026/27
	£m	£m	£m
Microsoft Volume Licensing agreements contract costs*	3.563	3.563	3.563
Unified Support Services to Microsoft contract costs**	0.279	0.279	0.279
Available MTRS	3.987	4.053	4.120
Pressure/(saving)	(0.145)	(0.211)	(0.278)

*net of licenses charged to Essex Cares Ltd (ECL) and Adult Community Learning (ACL)

** 12 month contract award only. Years 2 and 3 for illustration only assuming cost remain the same however value unknown at present. New contract will be needed from January 2025

6.1.11 As set out in Table 1, the award of the new contracts results in an estimated financial saving of c.£145,000 against the draft budget in 2024/25, increasing in subsequent years due to the budgeted inflationary rate assumed within the MTRS for the Microsoft licensing budget (total saving over the 3-year period therefore equates to £634,000). Analysis of the saving in 2024/25 identifies that £116,000 is due to a lower contract price and focussed activity to manage licence volumes down where possible within Technology Services and £84,000 due to the inflation assumption already built into the MTRS that is not now needed for the licensing contract. £55,584 of the saving is being utilised to fund the increased cost of the Unified support contract giving a total net saving of £145,000 in 2024/25. The £145,000 saving plus future year increases is planned to be released on a permanent basis to partially offset the Technology Services savings target for the 2024/25 budget setting process.

6.2 Legal implications

6.2.1 ECC must comply with the Public Contracts Regulations 2015 when procuring goods and services, including Microsoft products. ECC is entitled to use a framework set up by a different organisation, such as CCS, provided that ECC is clearly identified in the procurement documents as a contracting authority permitted to use it.

6.2.2 If a mini-competition is used, the call-off contract must be awarded to the supplier that submits the best tender on the basis of the award criteria specified in the contract documents based on the framework agreement.

6.2.3 The Public Services (Social Value) Act 2012 replaces a requirement on contracting authorities to consider, when procuring services, how the economic, environmental and social wellbeing of the local area may be improved and how this can be delivered through the procurement.

6.2.4 Contracts should be awarded on the basis of the most economically advantageous tender and qualitative, environmental and/or social aspects should be linked to the subject matter of the contract.

7 Equality and Diversity Considerations

7.1 The Public Sector Equality Duty applies to the Council when it makes decisions. The duty requires us to have regard to the need to:

- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act. In summary, the Act makes discrimination etc. on the grounds of a protected characteristic unlawful.
- (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.

- 7.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership, race, religion or belief, sex, and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).
- 7.3 The Equalities Comprehensive Impact Assessment indicates that the proposals in this report will not have a disproportionately adverse impact on any people with a particular characteristic.
- 7.4 The Microsoft 2022 Global Diversity & Inclusion report provides details of their workforce demographic.

8 List of Appendices

- 8.1 Equality Comprehensive Impact Assessment
- 8.2 Confidential Appendix

9 List of Background papers

None

Report title: Decisions taken by or in consultation with Cabinet Members	
Report author: Secretary to the Cabinet	
Date: 10 October 2023	For: Information
Enquiries to: Emma Tombs, Democratic Services Manager, 03330 322709	
County Divisions affected: All Essex	

The following decisions have been taken by or in consultation with Cabinet Members since the last meeting of the Cabinet:

Deputy Leader & Cabinet Member for Levelling Up and the Economy

FP/252/09/23 Local Community Fund: First round of funding proposals

Cabinet Member for Education Excellence, Life Long Learning and Employability

FP/233/09/23 Appointment and Re-Appointment of School Governors by Essex LA - Schedule 437

FP/234/09/23 Appointment and Re-Appointment of School Governors by Essex LA - Schedule 438

FP/249/09/23 Appointment and Re-Appointment of School Governors by Essex LA - Schedule 439

Cabinet Member for Health, Adult Social Care and ICS Integration

FP/236/09/23 Drawdown of additional funding to meet increased demand for Deprivation of Liberty Safeguard assessments

Cabinet Member for Highways Maintenance and Sustainable Transport

FP/253/09/23 Proposed implementation of No Waiting at Any Time restrictions on Great Berry Lane, Little Berry Lane, Langdon Hills, Basildon

FP/255/09/23 Alteration to the Selection Criteria for Casualty Reduction Sites

The Chancellor of Essex

FP/235/09/23	Drawdown from Reserves for a staff recruitment campaign and training for New Farm Road and The Maples Children's Homes
FP/236/09/23	Drawdown of additional funding to meet increased demand for Deprivation of Liberty Safeguard assessments
FP/237/09/23	Support Services Programme: Drawdown from Transformation Reserve for Process Simplification Project
FP/238/09/23	RAAC response – pupil mitigations
*FP/166/06/23	Donation to Essex Community Foundation to establish a Music Fund
FP/247/09/23	Draw Down from the Health and Safety Reserve to cover the cost of Temporary accommodation at the Bromfords Secondary School.
*FP/202/08/23	Extension of contact centre and telephony services under the NGN contract
FP/256/09/23	Procurement of Property and Facilities Management Services

*** Key Decisions**

Exempt from 28-day period and call in: