
Minutes of the meeting of the Corporate Policy and Scrutiny Committee, held at 10.15am on Thursday, 27 January 2022 in the Council Chamber, County Hall, Chelmsford.

Present:

County Councillors:

C Pond (Chairman)
T Cunningham
P Gadd
I Henderson
D Land
M Mackrory (Vice Chairman)
B Massey (substitute)
A McQuiggan
C Siddall
M Vance
A Wiles

Richard Buttress, Democratic Services Manager, and Graham Hughes, Senior Democratic Services Officer, were also present.

1 Membership, Apologies, Substitutions and Declarations of Interest

The report on Membership, Apologies, Substitutions and Declarations was received and noted.

Apologies for absence had been received from Councillors Fleming, Kane, Steptoe (for whom Councillor Massey substituted) and Wiles.

2. Minutes

The notes of the meeting held on 7 December 2021 were approved as a true record and signed by the Chairman of the meeting.

4. Questions from the public

There were no questions from the public.

5. 2022/23 Annual Plan and Budget and 2021/22 Third Quarter update

The Committee considered report CPSC/01/2022 comprising the Essex County Council (ECC) 2022/23 Annual Plan and Budget presented to Cabinet on 18 January 2022, which would be presented to Full Council on 10 February 2022, and the 2021/22 Third Quarter financials.

The following people from ECC joined the meeting to introduce the item and respond to questions:

Councillor Christopher Whitbread, Cabinet Member for Finance, Resources and Corporate Affairs;
Stephanie Mitchener – Director of Finance
Nicole Wood, Executive Director, Finance and Technology
Adrian Osborne - Head of Strategic Finance and Insight

At the invitation of the Chairman, Councillor Whitbread opened the item highlighting that ECC faced many challenges to its financial sustainability with the national review of funding for local government still outstanding, the permanent impact of the pandemic still not yet fully known nor the full impact of the pandemic and EU exit on supply chains. The draft budget proposed a total tax increase of 4.49% of which:

- 1.5% was Adult Social Care precept deferred from 2021/22
- 1% was the Adult Social Care precept for 2022/23.
- 1.99% was the core Council Tax increase

Officers then detailed the draft Revenue Budget and particular drivers for the significant parts of it. In particular, the Adult Social Care and Health budget comprised approximately 43% of the overall revenue budget. The next nearest cost components were Children's Services and Early Years which comprised 13% of the revenue budget and Highways Maintenance and Sustainable Transport at 11%. Thereafter, the committee were briefed on the capital programme, savings targets and cost pressures, risks and uncertainty, reserves, and the medium-term outlook.

During questioning and discussion, the following was acknowledged, highlighted and/or noted:

- (i) There had been approximately a 5% reduction in the numbers eligible for Council Tax support. There had been a marginal decrease in business rate income;
- (ii) Not all families would pay the full increase in Council Tax with approximately 1 in 9 getting some form of help. There was also a Council Tax Hardship Fund.
- (iii) In terms of business rate funding, there was a guaranteed proportion expected each year and another element, possibly up to £40 million, that might fluctuate from year to year. Essex was also seeing a benefit in participating in a business rates local pooling arrangement with Southend and Thurrock Councils.
- (iv) Government funding reliefs provided during the pandemic had meant that it was more difficult to assess at the moment the ongoing ability of local businesses to continue to pay business rates.

- (v) ECC had been hoping for a three-year settlement from Central Government but this had not happened. Lobbying continued for changes that would give greater long-term certainty on funding, future taxation policy and distribution of the health and social care levy.
- (vi) Some assumptions had been made on future interest rates and some increase to them had been factored into the proposed budget.
- (vii) No detailed analysis had been undertaken on the impact of current speculation that the proposed increase in national insurance contributions may be deferred. The budget was based on what was currently known.
- (viii) Finance officers confirmed that the County Council worked jointly with other councils from time to time but also learnt from best practice elsewhere.

Revenue Budget

- (ix) The main drivers of growth in the adult social care budget were inflation, demographic and complexity growth and increased cost of carer and demand risks in the market. These had been partially offset by £22 million of savings to be delivered in 2022/23 in the Adult Social Care portfolio;
- (x) Members queried whether there would be sufficient budget for the implementation of the Bus Back Better improvement plan if the anticipated government contribution to it was reduced;
- (xi) A significant item in operating costs was servicing debt. An ambitious capital programme was not all funded by government grants and so that drove up some borrowing costs.

Capital Budget

- (xii) The proposed Capital programme for 2022/23 was £283 million, as part of a £1,315 million 4-Year Capital programme between 2022/23 and 2025/26.
- (xiii) Over half of the four-year programme would contribute to Economic Renewal, Infrastructure and Planning and a quarter of it to Highways Maintenance and Sustainable Transport. £164 million was specifically allocated to road maintenance. 19% of the four-year capital programme was allocated to the Education Excellence, Life-Long Learning and Employability portfolio predominantly for school new builds, or repairs and maintenance.

Savings

- (xiv) £36 million of savings were planned for 2022/23. 35% of planned savings for 2022/23 were currently judged to have a low level of delivery risk. In 2021/22, £4m of the planned savings had proved to be undeliverable but they had been mitigated with alternative proposals. Only around £300,000 currently had a high level of delivery risk.
- (xv) Two thirds of the £36m savings targeted for 2022/23 would be delivered through five major schemes (the Connect Programme optimising services supporting adults, using care technology to minimise escalation of needs, developing independence through the Meaningful Lives Matter Programme, further benefits being derived from the Ringway Jacobs contract extension, and the more efficient use of buildings).
- (xvi) The Cabinet Member was proud of savings delivered so far but acknowledged that it remained an ongoing challenge to continue to make savings but was confident that those challenges could be met.
- (xvii) Some members challenged whether savings or underspends from the current year were re-invested into their respective budgets or placed into reserves.
- (xviii) Further rationalisation of the estate would contribute to the savings and efficiencies being sought but it was not on its own a solution.

Risks and uncertainty

- (xix) Key risks identified in preparing the budget included the sustainability of collection of taxes, provider failure in Adult Social Care, the ongoing impact of Covid and demand volatility, uncertainty of Government Funding, the delivery risk of savings and capital investment plans, inflation, and interest rates.

Reserves

- (xx) ECC expected to start the new financial year with £200 million of restricted funds and £226 million of unrestricted. By 2024/25 it was anticipated that the balance of unrestricted reserves would have reduced to £138m. For 2022/23 the County Council was expecting £107m of planned withdrawals which included £44m expected to be utilised from the Everyone's Essex Reserve to fund strategic priorities and £24million from the Covid Equalisation Reserve where it was assumed that all remaining government funding would have been utilised.

- (xxi) Whilst there was no national guidance on setting a minimum level of reserves for a local authority, there were tools to use to help benchmark against other local authorities although ECC had a number of technical reserves which sometimes made that more challenging.

Medium Term outlook

- (xxii) Whilst a balanced budget for 2022/23 was proposed, there remained a significant challenge over the medium term with a forecast gap of £24 million in 2023/24 after delivering £43 million savings.
- (xxiii) Some members suggested more clarity was needed in the budget on financing climate commission aspirations and targets. The Cabinet Member responded by indicating that across the whole budget that there was such provision and cited the Everyone's Essex Reserve as an example where within it there was provision for funding some climate commission actions. Some procurement processes were also being amended to reflect climate considerations.

2021/22 Third Quarter update

- (xxiv) There had been a revenue underspend of £5.8 million (0.6%) driven by underspends across portfolios and an improved funding position.
- (xxv) The overall outlook remained very challenging and volatile, notably with demand pressures across social care, market volatility and rising inflation.
- (xxvi) There had been a capital underspend of £58.9 million (20%) against the latest budget of £295m. This had been driven by a relatively small number of schemes, predominantly for reasons outside of the Council's control

Conclusion:

It was **agreed** that further information be provided on:

- (i) The reprofiling of funding of Local Highways Panels and clarification about the component parts of the next year's budget and particularly whether it included prior year underspend.
- (ii) The funding of financial commitments in relation to climate change and the Climate Commission.

- (iii) Further information be provided on the budget slippage for Active Travel and what it would have been spent on.
- (iv) Clarifying levels and component parts of reserves. It was noted that reserves and provisioning was already an item on the Committee's work programme so this could be picked up when that formal agenda item was scheduled.

The witnesses were thanked for their attendance and left the meeting.

**6. Everyone's Essex Strategy – strategic performance measures
Proposal for future reporting and scrutiny**

The following joined the meeting:

Councillor Louise McKinlay, Deputy Leader & Community, Equality, Partnerships and Performance.

Richard Puleston, Director, Policy.

Suzanne Barcz - Head of Performance and Business Intelligence.

The Committee received report CPSC/02/22 which outlined the proposed approach to ensuring that the Committee had suitable oversight of the Everyone's Essex performance framework. It was anticipated that reporting would be focussed on the existing framework with summary data provided based on the Strategic and Contextual measures.

The proposed approach and reporting format as presented in the agenda paper was **agreed** and it was further agreed that the reporting timetable be aligned to the quarterly financial reporting to be received by the committee commencing from the Quarter 3 outturn.

7. Work Programme

The Committee received report CPSC/16/21 comprising the current work programme of the Committee which was noted.

8. Date of Next Meeting

It was noted that the next meeting was scheduled to be held on Thursday 24 February 2022.

There being no further business the meeting closed at 12.25am

Chairman