
Minutes of the meeting of the Corporate Policy and Scrutiny Committee, held at 10am on Wednesday, 8 December 2021 in the Council Chamber, County Hall, Chelmsford.

Present:

County Councillors:

M Mackrory (Vice Chairman - in the Chair)

T Cunningham

P Gadd

I Henderson

S Kane

D Land

A McQuiggan

M Steptoe (Vice Chairman)

M Vance

A Wiles

Richard Buttress, Democratic Services Manager, and Graham Hughes, Senior Democratic Services Officer, were also present. Councillor Pond also participated in the meeting via Zoom until 11.05am.

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, Garnett and Siddall. Councillor Pond was unable to attend in-person and joined the meeting remotely.

2. Minutes

The notes of the meeting held on 30 September 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. 2021/22 Financial Overview as at the Half year Stage and Budget Setting Process

The Committee considered report CPSC/15/2021 comprising the 2021/22 Half Year Financial report presented to Cabinet on 15 October 2021, an overview of the budget process for 2022/23, including how the budget was

built, the Comprehensive Spending Review headlines, and outlining the uncertainty driving the medium term.

The following people from Essex County Council 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

The process for setting the 2022/23 budget and the medium-term resource strategy had been underway since the beginning of the financial year. The final budget for 2022/23 would be presented to Cabinet in January, followed by Full Council in February 2022.

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

- (i) Currently, the provisional settlement from Government was outstanding which prevented the budget being finalised. The Council was required to set a balanced budget. Once the council were able to fully understand the budget cost drivers and compare them to expected income then a political discussion would finalise approach, review efficiencies needed, consider different choices, encourage innovation and then determine the level of council tax.
- (ii) The budget and Medium-Term Resource Strategy (MTRS) was based on the current year forecast and identified expenditure and income cost drivers. In terms of gap modelling for the MTRS, the scenarios and processes identified at the time of the current year budget approval in February 2021 remained appropriate.
- (iii) £46 million of savings had been identified in 2021/22 with £6.8 million at risk of non-delivery. It was stressed that this was not an uncommon position to be in at a half year stage of a budget process and that it was expected to be able to report further progress against that gap at the time of the third quarter financial outturn.
- (iv) There was a full year forecast revenue under spend of £3.9m (0.4% against a net budget of £1bn). The overall under spend position was predominantly driven by Adult Social Care and Health, where there were lower volumes compared to budget assumptions for both cash payments and nursing placements, partially offset by increasing volumes of residential and domiciliary care packages.
- (v) ECC had received windfall funding, which had been unbudgeted, of £3.1 million from Health to support hospital discharge.

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- (vi) There was a capital underspend of £4.6million (1.5%) against the latest budget of £300 million.
 - (vii) The current financial impact of the pandemic was estimated to be in the region of £100 million of spending pressures and income losses.
 - (viii) Total COVID grant funding available from 2021/22 grants and 2020/21 carry forwards was currently around **£120m**, although new grants continued to be announced. However, given the level of uncertainty around ongoing restrictions and the unquantified risks faced, there could be further cost pressures and income losses that materialise in the remaining months of the year or carry on into future financial years.
 - (ix) Under the current budget planning scenarios, the highest risk was government funding. The provisional government settlement for 2022/23 was due in December. The settlement would confirm referendum principles and social care precept for the forthcoming year as well as also confirming grant levels. ECC had been hoping for a three-year Government funding settlement but were not now expecting the provisional Government settlement to include this and that there were some indications that would be a one-year settlement. It was expected that the referendum threshold would be 2% and the social care levy of 1%.
 - (x) The Comprehensive Spending Review had not changed any current grant assumptions.
 - (xi) It was expected that ECC's increased national insurance employer contributions would be funded by Government grant and that assumption had been included in budget modelling. There was no indication that there would be financial support from Government for service providers to local government and it was expected that those costs would eventually be passported to ECC. The increase in National Living Wage would also have an impact.
 - (xii) 70% of ECC's total funding came from Council Tax (over £700 million a year). The remainder came from redistributed business rates and a small amount of approximately £100m came from fees and charges with approximately £90million in relation to Adult Social Care.
 - (xiii) The impact of inflation on the budget was primarily contract driven and increased costs for providers could be passported to ECC. For example, increased provider costs were part driven by positive changes in the level of national living wage.

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- (xiv) The Government Public Health grant was to be maintained in real terms. There was no top-up from ECC.
 - (xv) The impact of the ending of Government furlough support/rates support scheme and any potential unemployment impact on tax base was uncertain.
 - (xvi) Adult Social Care was the largest cost component of the budget. The potential escalation of the cost of care was probably one of most significant risks to the budget although, in the short term, there was some resilience and mitigation available through the Adults Risk Reserve but this was very limited. There were also some significant demand pressures.
 - (xvii) The publication of the White Paper on social care was awaited and although some headline numbers had been announced there was no insight on detailed expectations or local allocations.
 - (xviii) ECC continued to evaluate the impact of the increasing cost of borrowing. If interest rates changed significantly then that could have a material impact.
 - (xix) There was a property investment portfolio which had been frozen over the last couple of years to ascertain the impact of the pandemic and proposals for changes to government regulation in the area. There had been a positive internal audit opinion on the current ECC approach. The Cabinet Member offered to bring a more detailed report on commercial investments to a future meeting of the Committee.
 - (xx) A reserve had been established in connection with meeting the actions arising from the recent Climate Commission report and recommendations.
 - (xxi) An Everyone's Essex reserve had been created by consolidating three different reserves. Some members queried whether this impacted on being able to meet the original purposes of those three separate reserves.

Conclusion:

It was **agreed** that:

- (i) To bring more finalised 2022/23 budget proposals to the scheduled Thursday 27th January 2022 meeting of the Committee (ahead of February Full Council).

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- (ii) Provide a further progress update on savings being delivered against the targets set in the MTRS. This would be included as part of the third quarter outturn update at the next meeting.
 - (iii) Whilst acknowledging that some detail on concurrent savings and one-off savings had been included in the Budget setting agenda papers, this would be further broken-down for the Committee.
 - (iv) Further detail to be provided on the reprofiling of expenditure and over-spend in the Highways Maintenance and Sustainable Transport account relating to 3-year delivery programme for Local Highways Panels.
 - (v) That a future more detailed agenda item on reserves and provisioning be scheduled.
 - (vi) Further detail to be provided about the impact of the proposed CIPFA / Government restrictions on property investments, the level of provisioning required and its impact on the 2022/23 budget.

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

6. Work Programme

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

It was agreed:

- (i) that the following items would be added to the work programme:
 - financing the delivery of the Climate Commission report recommendations.
 - information on the section 106 process and why some monies were not used or reallocated - particularly in relation to Health schemes.
- (ii) That a Matters Arising report proforma be developed to assist the tracking of actions agreed at meetings.

7. Date of Next Meeting

It was noted that the next meeting was scheduled to be held on Thursday 27 January 2022.

There being no further business the meeting closed at 11.25am

Chairman