
Minutes of the meeting of the Corporate Policy and Scrutiny Committee, held at 10.15am on Thursday, 23 June 2022 in the Council Chamber, County Hall, Chelmsford.

Present:

County Councillors:

T Cunningham

J Fleming

S Kane

A McQuiggan

C Siddall

W Stamp

M Steptoe (from item 2 - Vice Chairman and Chair of the meeting)

M Vance

The following joined the meeting virtually via Zoom: Councillors I Henderson, D King (substitute), B Massey (substitute) and C Pond.

Graham Hughes, Senior Democratic Services Officer, and Gemma Bint, Democratic Services Officer, were also present.

In the absence of the Chairman or any duly appointed Vice Chairman, the Senior Democratic Services Officer took the chair and opened the meeting.

1 Membership, Apologies, Substitutions and Declarations of Interest

The report on Membership, Apologies, Substitutions and Declarations was received and noted. Councillor Stamp had replaced Councillor Gadd as a member of the Committee.

Apologies for absence had been received from Councillors Garnett, Mackrory (for whom Councillor King substituted via Zoom), and Land (for whom Councillor Massey substituted via Zoom).

2. Appointment of Vice Chairmen

The Senior Democratic Services Officer invited nominations for Vice Chairmen to serve for the 2022/23 municipal year.

- Councillor Fleming nominated Councillor Steptoe to be a Vice Chairman of the Committee, which was seconded by Councillor McQuiggan.
- Councillor Steptoe nominated Councillor Mackrory for the second Vice Chairman post, and this was seconded by Councillor Stamp.

There being no further nominations and by general consent, it was agreed that Councillors Steptoe and Mackrory were each elected as a Vice-Chairman of the Committee for the 2022/23 municipal year.

Councillor Steptoe was invited to take the chair for the remainder of the meeting.

3. Minutes

The draft minutes of the meeting held on 28 April 2022 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 Provisional Outturn Report and Reserves Update

The Committee considered report CPSC/12/2022 comprising the 2021/22 Provisional Outturn report, as presented to Cabinet on 21 June 2022 (Part 1), and an update on Reserves following Provisional Outturn (Part 2).

The following joined the meeting to introduce the item:

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

During the opening presentation from Councillor Whitbread and supporting officers the following was highlighted:

A. Provisional Outturn

- (i) For 2021/22 there had been a net underspend of £15.6m (1.7%) against a revenue budget of £894m predominantly driven by the impacts of lower demand in Adult Social Care service user numbers and Home to School Transport where the cost escalation had not been realised at the rate budgeted.
- (ii) Further contributor factors to the underspend were outlined including that ECC had been operating with a number of staffing vacancies during the reporting period.
- (iii) Savings had been higher than expected with £40.3m savings delivered rather than the £36.1m expected.

- (iv) For the capital programme there had also been a £14.5m underspend (6%) against the budget of £235.8m. 94% of capital programme had been delivered.
- (v) With unprecedented levels of inflation, growing interest rates, and that GDP growth was expected to slow sharply, the financial position would continue to be volatile in 2022/23.
- (vi) The financial impact of Covid was outlined including specific Government grant funding and spending and income pressures.

Reserves

- (vii) £54m was to be transferred to earmarked reserves mainly relating to setting aside resources to help manage the growing pressure from the current high levels of inflation, together with utilising under spends from 2021/22 to support delivery of activities in 2022/23.

Outlook

- (viii) ECC was now facing challenges that it had not envisaged at the beginning of the year when budget setting. The medium term would be a significant challenge with a forecast funding gap of £119m by 2025/26. There were also now further pressures to be faced due to escalating inflation and continued uncertainty about future funding streams from Government.

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

- (ix) The underspend due to staff vacancies, where they were within ECC and the impact they had on ongoing operations.
- (x) Proposed savings actions for the next budget would be brought forward during the autumn.
- (xi) A report on the impact of the social care cap was likely to be considered by the Cabinet in early autumn.
- (xii) The General Economic Risk Reserve had been created primarily for future inflation risk.
- (xiii) Interest rates had been creeping up although ECC's borrowing generally was at a fixed rate through the Public Works Loan Scheme which was more impacted by bond rates and not changes to short term interest rates.
- (xiv) Members questioned if there was an intention for a separate reserve for borrowing risk.

- (xv) The usage levels of the Park and Ride Scheme would continue to be monitored and how it had settled down after the pandemic lock-downs.
- (xvi) More school places had been created through investment within the capital programme. To date, demand for home to school transport had not been at the level that had been expected.

B. Reserves

Members were briefed and updated on the County Council's reserves. During the discussion the following was highlighted:

- (i) There was a statutory duty to hold adequate levels of reserves.
- (ii) Three types of reserves were outlined:
 - Restricted Use (provided for specific purpose or holding on behalf of others); Other Revenue (earmarked to change the way ECC provided services and achieve future savings; and General Balance (set at 6-7% of annual budget and allowed approximately 22 days of payments on average approach).
- (iii) It was anticipated that the General Balance Reserve would stay constant around £68m through to 2024/25. There had been slight increases in the other two types of reserves as various risk reserves were set up in the midst of the pandemic and continued uncertainty on the longer-term impact of the pandemic.
- (iv) The current planned trajectory for reserves showed a future dip in their overall level. However, exacerbation of the current cost of living pressures could change that. Quarterly updates on the level of reserves would continue to be made to Cabinet.
- (v) Whilst interest may be earned on reserves being held it was not at the level one might expect as reserves would be used to minimise borrowing requirements and reduce borrowing costs where possible.
- (vi) Reference was made to CIPFAs Financial Resilience Index which had judged ECC as being relatively high resilience in comparison to its peers due to the level of reserves maintained.
- (vii) The level of overall reserves had been further bolstered with the creation of a new General Risk Reserve primarily to mitigate price pressures due to soaring inflation.
- (viii) There was minimal Government guidelines and statutory advice on the level of reserves that an organisation like ECC should set. The Government were consulting on the role that they may have

in future on advising on the level of reserves to be held. Officers confirmed that they continued to review very closely the lessons learnt from other local authorities' financial challenges.

- (ix) The November 2021 Cabinet Report had put in place a strategy and programme running through to 2025/26 to support funding Climate Commission actions and £193m had been particularly earmarked for this, drawn from four pre-existing reserves.
- (x) In terms of s106 developer contributions, monies that were allocated to ECC would be held in certain specific accounts and applied and drawn down as schemes progressed. Members queried whether further granularity was possible to identify and access data, for instance, by district and identify the commuted sums received towards education and highways schemes.
- (xi) Members queried the non-delivery of infrastructure projects. In terms of the overall capital programme each project was reviewed in detail and relevant funding streams made available for each. Officers would make every effort to maximise any possible developer contributions (such as under section 106) and also target other grant funding and other external funding streams. Any borrowing identified for a project would have a cost and revenue savings might be required elsewhere.
- (xii) Dedicated schools grant funding was passported out to schools that had not converted to academy status and were still under ECC control. Part of ECC's education service offer was to also sell support services to academies. Where the school site was still an ECC asset (which might include some academies) then ECC would still have some commitment to the site.

Conclusion:

It was agreed that the following further information would be provided:

- (i) A breakdown of the higher-than-expected savings made indicating whether they were additional to those planned or whether they had just been achieved earlier.
- (ii) Further breakdown of staff vacancies indicating where they were within the organisation and any impact on operations.
- (iii) The November 2021 Cabinet Report would be re-circulated to members and the section(s) relating to funding Climate Commission actions would be flagged.
- (iv) Reserves for safeguarding PFI risk had been set up in line with the individual terms of the original funding schemes and officers

would provide further information and clarification in a written report incorporating individual target end dates.

- (v) Information would be provided on whether ECC earned income from academies where they were occupying ECC owned estate.
- (vi) Whether s106 developer contribution monies received and being held can be identified by district. Members would also support a process for a periodic statement to be made outlining what is outstanding. The Committee also would consider any follow-up to the developer contributions briefing held in March 2022.

The Cabinet Member and supporting officers were thanked for their attendance and then left the meeting.

6. Call-in of FP/419/05/22 ECC Levelling Up funding of Active Essex healthy and active lifestyle projects in Tendring and Basildon

The Committee received report CPSC/13/22 which reported on a call-in of the Cabinet Member Decision FP/419/05/22 (ECC Levelling Up funding of Active Essex healthy and active lifestyle projects in Tendring and Basildon). An informal meeting had been held between cabinet Member and the councillor calling-in the decision and, as a result of discussion at the informal meeting, the call-in was withdrawn. The Committee noted the process that had been followed.

7. Visit to Essex Records Office

The Committee received and noted report CPSC/14/22 which reported on a site visit to Essex Records Office on 24 May 2022. Member attendance on the day had been poor and further discussions would need to be held to decide whether to arrange a further visit to the ERO.

8. Work Programme

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

9. Date of Next Meeting

The next meeting was scheduled to be held on Thursday 28 July 2022.

There being no further business the meeting closed at 11.47am

Chairman