

Report of	Chief Executive	Author	Richard Block Richard.block@colchester.gov.uk
Title	2023 End of Year Update and Forward Look to Reset the Council		
Wards affected	All wards		

1. Executive Summary

- 1.1 This meeting is the final Cabinet meeting of 2023 which has been a year of significant organisational challenge and change, in response to unprecedented financial difficulties, LGA Peer Review and budget gap.
- 1.2 Significant progress has been made, the key findings of the LGA Peer Review have been addressed and the foundations laid for the transformational changes and cost reduction needed to ensure the Council is living within its means.
- 1.3 This paper captures progress made and the next steps for 2024 for Cabinet's endorsement, oversight and direction.

2. Recommended Decision

- 2.1 To note significant progress in preparing the Council for the transformation and cost reduction changes required in 2024.
- 2.2 To note the proposed next steps and to confirm Cabinet's commitment to ensuring the Council is fit for the future, living within its means.

3. Reason for Recommended Decision

- 3.1 To ensure the Council is ready for the significant structural changes, staff and service changes required in 2024 and that the public and partners have confidence the Council will be able to close the budget gap, unlike others.

4. Alternative Options

- 4.1 There are no appropriate alternative options.

5. Background Information

- 5.1 2023 has been a volatile year for Councils across the country, with further significant pressures on finances and increased demands on many key services because of the cost-of-living crisis. This has resulted in fourteen councils now being unable to set a legally balanced budget and issuing a statutory S114 notice. And many others reportedly nearing that position.
- 5.2 Colchester City Council is not one of these Councils and the Local Government Peer Challenge conducted in September 2022 described the Councils financial position as follows:
- “Although the Council has significant savings to identify (£1.5m in 22/23 and £5m in 23/24), it has a good record of delivering agreed savings and councillors and officers fully understand the budget gaps and challenges ahead to close them. Colchester has a positive approach to financial management and has effective governance and controls in place, nevertheless the financial challenges ahead will be difficult. “
- 5.3 The financial challenges in 2023 have proved to be very difficult, as is the environment the Council is operating in with rising demand and unfunded cost pressures, such as homelessness and pay. It is therefore vital that a fundamental reset of the Council and the services it delivers is undertaken to avoid being a failing council like many others.
- 5.4 2023 has been a year in which the foundations for the reset have been laid to enable the significant changes required for the future to commence in 2024. Details of these preparatory steps are provided below with information on the next steps; the approach the Council will take to ensure its long-term financial viability.

Strategic Plan

- 5.5 A new “City fit for the Future” Strategic Plan was launched in April 2023. This recognised the significant transformation of Council services required to respond to future challenges and to provide high quality essential services.
- 5.6 The Strategic Plan sets the framework for the Council's 3-year Medium Term Financial Forecast. The plan also recognises that in the future it is even more important that the Council works with and enables other organisations to support delivery of key priorities for the city.
- 5.7 A delivery plan for 2023/2024 based on capacity and resources was also developed and approved by Cabinet in March 2023. This will be revised for the new municipal year 2024/25 to reflect the more limited resources and capacity available.

Local Government Association Peer Challenge

- 5.8 The Local Government Association peer challenge process provides independent and external improvement support and challenge through a peer review, conducted by a team of councillors and senior officers from other local authorities.
- 5.9 Colchester invited a peer challenge team to conduct a peer challenge during the week starting 26 September 2022 and for a follow up visit in July 2023. The outcomes of the follow up visit are reported separately in this meeting but the following quote from the report following the visit provides a useful summary:

“It is clear to the peer team that in terms of the recommendations made in 2022, a comprehensive response has been seen. Significant progress has been made across all recommendations.”

Due to the significant progress since, including the reset of the commercial companies, the Council will close the work in response to the LGA recommendations. Any residual issues and related improvement activity and progress will be monitored and reported as business as usual.

Council Organisation Health and Leadership

- 5.10 In 2023, the reset of Senior Leadership arrangements for the City Council commenced in 2022 has been completed. This means a Senior Leadership Team is in place that is fit for the future and poised to deliver the significant change required in 2024.
- 5.11 Phase 1 of this work involved the establishment of the Senior Leadership Board delivering a £200k saving and ensuring that the strategic capacity and skills of the team are maximised and aligned with the delivery of the Council's strategic plan.
- 5.12 Phase 2 is also complete and involved extending the Senior Leadership Board arrangements to create an extended Senior Leadership Team (SLT) with Heads of Service having full autonomy for the direct management of services. These new arrangements ensure they:
- play to our strengths as a team,
 - reflect the priorities of Colchester City Council as a key system player and the partnership working environment in which we operate
 - can respond to the opportunities created by collaborative working arrangement across Essex and North Essex
 - serve the transformation and cost reduction priorities of the Council
- 5.13 In parallel the three organisations that make up the family of Colchester City Council (CCC) organisations, so CCC, the Amphora Commercial Companies and Colchester Borough Homes are working in a more joined up, supportive and connected way, under the overall oversight and direction of the Chief Executive. Their Managing Directors will help shape the overall strategic future for the collective organisation and leadership team, with a shared focus on efficiency, effectiveness, cost and service sharing and cost reduction.

Budget and Medium-Term Financial Forecast

- 5.14 In June 2023 Andrew Small was appointed as the Council's new S151 officer as a shared role with Epping Forest District Council. With his deputy Chris Hartgrove he has almost concluded a fundamental review of all aspects of the Council's finances resulting in a revised Medium Term Financial Forecast which will be presented to Cabinet in January 2024. This will also be shared informally with other elected members in advance. Areas such as capital expenditure, available reserves and future government funding have been tested and challenged resulting in a robust revised assessment of the Council's financial position. This will demand significant change at pace, to reduce cost, using reserves to smooth and enable change, to include investment in modernisation.
- 5.15 In 2022/23 multi-million pound in-year pressures were mitigated by a programme of in year savings and increased interest earnings that resulted in the 22/23 final outturn position being on budget.

- 5.16 The period since April 2023 has continued to see significant in year financial pressures because of service pressures, the continuing impact of the cost-of-living crisis, inflationary pressures and increase to the pay award of £600K over budget to match the national pay award agreed by other councils. As a result, a £1.4M overspend is forecast by the end of 2023/24, that can only be met from reserves, making an expected total call on reserves of £3.6M during 2023/24.
- 5.17 This budget shortfall reflects the continuing post pandemic impacts on cost and income and the limited scope for further efficiencies and cost reduction after many years of squeezing out better performance, to deliver an unchanged range of services. Progress has been made but savings have been more challenging to secure than expected, including salary savings associated with a recruitment freeze.
- 5.18 In parallel, demand and related costs have risen. The largest single service budget pressure impacting on the Council's finances being homelessness with a forecast £860K overspend by the close of 2023/2024. As a statutory obligation we must provide this service, but how we do so will be an important part of the reset needed in future years to ensure the Council can live within its means.
- 5.19 The ambitious capital programme has also come under exceptional pressure from construction difficulties, delays and inflation. With a consequent hold and review of key projects and strengthened project management and oversight. This includes a full review of the Northern Gateway Regeneration Programme. These controls have contributed to a positive position on capital financing costs with a forecast gain of £1.8M in 2023/2024.

Next Steps

- 5.20 In January 2024 the revised budget, Medium Term Financial Forecast and associated proposed savings will be considered by Cabinet. However, some of the most significant transformation and cost reduction workstreams to reset the Council are underway. Progress made in 2023 means in 2024 they will move into a delivery phase. A summary of some of these is shown in the table below:

Workstream	Progress in 2023	Next steps in 2024
Asset and investment strategy	CIPFA review complete and decision made to move to corporate landlord model. Interim lead appointed.	Develop asset strategy and plan and make changes to staffing structure to create Corporate Landlord Team, enabling yet better use, maintenance and or disposal.
Review of Council Companies	External CIPFA review completed, and Interim MD appointed to implement action plan. Future strategy for CCHL developed and agreed.	Implement strategy that will ensure a tight focused on risk and return and commercial income. Including transfer of Estates Team back to the Council to form part of the Corporate Landlord Team.
Shared Services	Strengthened capacity and better management, sharing of senior roles and strategic partnership with Epping Forest D.C and Braintree D.C created for shared corporate Services. Discovery process to inform	Full business case for a shared back office to be developed and considered by Cabinet that will help Colchester modernise some services and make more

	business case for a shared back office at an advanced stage.	resilient and cost-effective others
Waste Strategy	Garden Waste Charging launched and Environment and Sustainability Panel consideration of principles to underpin new strategy.	Development and approval of strategy and preparation for changes to service delivery to simplify service delivery and reduce delivery costs.

- 5.21 To conclude, 2023 has been a year in which the foundations have been put in place to commence the reset of the Council in 2024 so it is fit for the future. Further details of the action needed to achieve this will accompany the budget and Medium-Term Financial Forecast papers in January. With informal consultation with members continuing through to budget setting, in a spirit of transparency and welcome for alternatives and/or support. Mindful of the significant reductions needed to spend, that will impact on services, staff, and the communities they serve.

6. Equality, Diversity and Human Rights implications

- 6.1 Consideration has been given to equality and diversity issues in respect of any decisions to implement the priorities set out in this report in line with agreed policies and procedures including production of Equality Impact Assessments where appropriate.

7. Strategic Plan References

- 7.1 The progress in this report supports all the core themes of the “City Fit for the Future” Strategic Plan.

8. Consultation

- 8.1 There are no specific additional consultation considerations arising from this report.

9. Publicity Considerations

- 9.1 There are no specific additional consultation considerations arising from this report.

10. Financial implications

- 10.1 There are no new financial implications associated with this report other than those referred to in section 5 above.

11. Health, Wellbeing and Community Safety Implications

- 11.1 Much of the delivery detailed in this report will have a positive direct and indirect impact on, health, wellbeing and community safety.

12. Environmental and Sustainability Implications

- 12.1 Delivery against several of the priorities detailed in this report will also have a positive impact on environmental sustainability of both the Council and the Borough.

13. Health and Safety Implications

- 13.1 There are no direct health and safety implications associated with this report.

. 13. Risk Management Implications

13.1 The progress reported in this report will help to mitigate the risks facing the Council in delivering its strategic priorities for the borough.

Appendices

None

Background Papers

None