

SCRUTINY PANEL

13 October 2020

Present: -

Councillor Bentley, Councillor Bourne, Councillor Dundas, Councillor Hayter, Councillor Hogg, Councillor McCarthy, Councillor Whitehead

Substitutions: -

Councillor Jackie Maclean for Councillor Barber.

Also present: -

Councillor Cory, Councillor Fox, Councillor Higgins, Councillor King, Councillor Lilley, Councillor J Young.

277. Budget 2021/22 and Medium-Term Financial Forecast.

Councillor King, Portfolio Holder for Business and Resources, introduced the report and outlined the ever-changing financial situation facing the Council. The macroeconomic picture remained challenging, with a slow climb back forecast and expected future outbreaks further retarding recovery. Income from commercial operations, council tax and central government had been factored into the plans and expectations shown in the report. The situation remained under constant monitoring, and the approach to budgeting continued to be adapted to changes in forecasts. A Government comprehensive spending review was expected.

Paul Cook, Head of Finance, highlighted the second recommendation in the Cabinet report, regarding the Essex Business Rates Pool. Because of forecast losses by many local authorities, the Council was working to estimate whether it would be worth continuing in the Pool scheme for the following year. This will be considered before the next budget is set in February 2021.

The Portfolio Holder and the Head of Finance were asked when they foresaw an increase in the detail and certainty of projections being possible. The Portfolio Holder explained that this would not be possible until next year. Assumptions had been made in line with national expectations and these would be refined closer to budget setting for 2021-22. Expectations were sound enough to make the assumptions necessary at the current time.

Regarding comparisons, the Council was looking at other Essex local authorities and could examine their Covid-19 returns to the Ministry of Housing, Communities and Local Government [MHCLG]. It was suggested that the Council could partner with other local authorities to help address budgetary pressures.

The Panel asked if financial help for local authorities, promised by the Secretary of State for Housing, Communities and Local Government, had been provided. The Portfolio Holder confirmed that a promise had been made by the Government to meet all extra costs caused by Covid-19. The expected loss for the current year was

£11.5m for the Council, with a net loss (after funding assistance) of £4.3m for the year.

The Panel asked whether the second wave was making the situation even more difficult, whether the Medium-Term Financial Forecast [MTFF] would be adjusted to reflect the effects of new waves and how the Council would cope if no additional funding was provided by Government. The Portfolio Holder pointed out that 12.2 of the report was a reminder that future shocks were possible and that the Council had looked at high-, medium- and lower-risk scenarios for the future. A prudent approach, allowing for future possible problems, would be used. The Head of Finance noted that the MHCLG loss grant was expected for 2020-21, but that nothing was confirmed for after that.

Concern was expressed by one member at the use of Council reserves to cover some of the loss in income, questioning the extent to which reserves could be used, whilst maintaining a prudent level of reserves. The Portfolio Holder gave assurance that confidence was held that reserves were sufficient for the next three years, given plans laid out and assumptions given regarding future expectations. The Head of Finance detailed the reserves of the Council and the potential implications to them caused by Covid-19. The use of certain reserves could have budgetary implications, such as if reserves for renewal and repairs of buildings were used, requiring lengthier waits for repairs to then be carried out. The current plans, as shown, maintained a sustainable level of reserves.

In answers to questions regarding the financial implications of the three different tiers of Covid-19 restrictions, the Portfolio Holder confirmed that the implications for each had been assessed and that the assessments would be refined as more data and information is obtained. The tier for Essex was expected from Government later in the week.

A Panel member asked whether present projects within the Council would be kept in readiness and restarted once it became possible. The Portfolio Holder verified that this was the case and that the situation for all capital projects and the capital programme was being monitored. Restarting projects would be considered whenever this became possible. Councillor Julie Young, Portfolio Holder for Culture and Performance and Deputy Leader of the Council, explained that Museum staff continued to introduce innovative ways to bring in visitors and to continue projects to increase use of the Castle and bring in income.

A Panel member asked whether the expected £1m per month in additional costs from a second wave was a worst-case scenario and whether more detail on this estimate could be given. The Head of Finance explained that expected car parking income was around £4m per year, which would mean a heavy loss if this were not obtained. Commercial rents were estimated to bring in around £3m per year, which would suffer if an economic downturn led to business closures. Sport and leisure facilities were also estimated to earn £3m per year and this would suffer further reductions in income if new restrictions were imposed. An economic downturn would also harm income from business rates and council tax. In further questioning, the Portfolio Holder for Business and Resources gave assurance that council tax collection levels were down but still performing well and were being monitored. This

year's performance was currently only 1.5% down on the previous year, however it was understood that there would be increasing difficulties in affording payment of tax and rates, both for individuals and firms. This was expected to become more visible next year, and the Council would be considerate of the circumstances.

The Head of Finance assured the Panel that more detail could be given in January, once a clearer assessment of the situation was possible. Once support schemes for residents and employers had tapered off, income and collection rates would need to be monitored. A view was given that it would help the Panel to see comparisons in collection rates with other local authorities.

Regarding the risk of additional borrowing being needed, mentioned at 14.4, further detail was requested on this and on the potential capital receipt losses to which it referred. The Head of Finance outlined the funding of the capital programme with capital receipts, such as via the Housing Revenue Account [e.g. from 'Right to Buy' receipts] and from land sales. Borrowing may need to be used to cover any delays in receiving these receipts. Additional details on this would be brought to the Panel in the future once they were known.

The Panel considered one member's recommendation to ask other Essex local authorities to compare Local Government Income Compensation Scheme data submitted to MHCLG, as this would help the Council to improve its assumptions and expectations.

RESOLVED that the Scrutiny Panel have: -

- (a) Reviewed progress to date on the 2021/22 Budget and Medium-Term Financial Forecast
- (b) Commented on the report to the 14 October 2020 Cabinet meeting.

RECOMMENDED to Cabinet that Essex authorities be called upon to compare Local Government Income Compensation Scheme data submitted to MHCLG, thereby enriching benchmarking and other data used for budgeting and improving our assumptions.

278. Covid-19 Recovery – Business Case for Council Efficiency and Transformation Programme

Councillor Bentley (by reason of being Deputy Leader of Essex County Council) declared a non-pecuniary interest in the following item pursuant to the provisions of Meetings General Procedure Rule 7 (5).

Councillor Cory, Leader of the Council, introduced the report, which detailed the transforming of the Council in light of the Covid-19 crisis and reduction in support from Government. This had been a necessary process and the Leader thanked the staff, Cabinet and members working on the plans, which were based on the

Council's key priorities. These were designed to optimise innovation, efficiency and use of digital options to deliver savings on service delivery and maximise income so as to allow investment and change to reduce service costs. New ways of working would be explored, including partnership working, such as with Community 360 and others, to meet demands and challenges and deliver recovery plans. The decisions needed were difficult but would have been even harder if the Council had not been so successful in gaining commercial income. There would, regrettably, need to be some redundancies.

The Portfolio Holder for Business and Resources expounded on this, describing the Council's plans as a cross-cutting strategy across the five themes of the Strategic Plan, in line with what was set out in June. 20% of the impact was on front line service provision, with the rest found by commercial income generation and from back-office savings. The Council would provide support to those facing redundancy, such as in finding new employment.

Richard Block, Assistant Director for Corporate and Improvement, underlined this as the greatest budget challenge that the Council had ever faced, and that the cross-cutting approach was a hard task. The formal consultation would be started as early as possible so as to ensure that staff could help shape the plans in the run-up to January 2021. An example of this was given by Leonie Rathbone, Assistant Director (Customer), who explained that vacancies were being carried so as to avoid redundancies, where possible.

The Panel requested details about any alternative ways of saving which had been considered but rejected, and more clarity about how many of the 20 'at risk' posts were likely to be lost and how increased workloads for the remaining staff could be minimised. The Portfolio Holder for Business and Resources assured the Panel that the situation was being constantly monitored, but that unless circumstances changed or Government support increased, the financial outlook would be very difficult after 2020-21. Savings decisions had been taken on a 'least harm' to services approach. Alternative possibilities had included cuts to the large expenditure on front-line neighbourhood services, however this had been rejected, given the importance of the service. One individual in an 'at risk' post had already found alternative employment elsewhere and the Senior Management Team met weekly to discuss empty posts, recruitment and identifying where at-risk staff can move to vacancies. Regarding minimisation of increases to workloads, these were being mitigated by the ongoing digital transformation work.

Officers were asked whether the noted drop in demand for the licensing and building control teams was cyclical and whether the impact on the housing team would have a knock-on effect on service users. Lucie Breadman, Assistant Director (Environment) explained that vacancies were being held in building control. The team generated income, so recruitment can be carried out if work and income increased. Teams dealing with housing and noise nuisance issues had been working remotely and, although complaint numbers had increased, no issues had been reported regarding the new remote service provision.

The Panel discussed what the public would notice of changes to service provision, should these plans go ahead. The Portfolio Holder emphasised the minimal effect on

front-line services but cautioned that the 2021-22 financial year would see even harder decisions having to be made.

The Panel questioned why improvements to make recruitment more robust had not been in place already. It was explained that there was now a greater emphasis on assessing whether the Council could cope without filling each individual vacancy as they arose. Posts were still filled where necessary, but extra control was being exercised by the Senior Management Team to assess each vacancy.

It was asked whether conversations had been held with other Essex local authorities regarding ways to cut costs whilst maintaining services. Examples raised included whether price elasticity of car parking charges had been examined to see if changes to this would be likely to increase revenue and whether there was any way to expand Colchester's market.

Councillor Mike Lilley, Portfolio Holder for Communities, Wellbeing and Public Safety, agreed that it was difficult to project parking incomes, but noted that parking prices and strategies from across the UK were assessed by the Council and Parking Partnership. Colchester had been found to give best value for money in parking in the North Essex/South Suffolk area. The new Parking Strategy and tariffs were expected to be completed soon, but it was cautioned that a large drop in income had been experienced due to Covid-19. There remained a balance to strike between protecting the environment, by raising parking charges, and supporting local businesses, by lowering charges.

The MiPermit scheme was being used even more effectively, lowering the cost of collections and cash transactions. Cost increases were likely, which could move people towards using buses and 'Park and Ride', with car parks outside Colchester centre dropping prices to persuade more people to walk into Town. A scheme was being discussed with the Business Improvement District to give parking discounts to those who shop in Town and the aim was to achieve this by December 2020. The Panel agreed the need to balance commitments to reduce causes of climate change with the Council's duty to support local businesses, build community wealth and encourage visitors. The Portfolio Holder for Business and Resources noted that community wealth building was possible but that there were limited opportunities for savings.

The £150k saving on procurement was highlighted and queried as to why this had not been found previously. The Assistant Director (Corporate and Improvement) explained that a more corporate approach was being taken. A Senior Management Board would review all significant procurements and seek better value for money. Shared procurement opportunities, to include other local authorities, were being examined.

The Panel was informed that proposals had been put in place to increase the number of back-office shared services with other local authorities. Payroll services were already provided in this way and other services would be examined.

Panel members praised the report content and format and requested that these be emulated in future.

It was noted that the Council's grounds maintenance contract was due to end in 2023 and a Panel member suggested that the Council should look at ways to provide this contract work, either by insourcing or through cooperation with local communities and groups. The Panel asked whether alternative ways of providing services were under consideration and whether Cabinet were examining ways of minimising the cost of maintaining the Council's estate. The Portfolio Holder for Business and Resources confirmed that the Council had an asset register which was under review and that questions were being asked to ensure that the most efficient and cost-effective use was made of Council properties. Some properties were being looked at for greater use, some land for re-wilding and the use of Rowan House was under consideration. The Assistant Director (Corporate and Improvement) explained that Rowan House was currently very lightly used, although provision had been made for people needed to use the office. Examples of partnership working were given, including on pooling estate assets, sharing back-office functions and locations for front-line service provision.

The Chairman emphasised the wish for the Panel to scrutinise any plans for alternative ways of working and providing services and directed the Assistant Director and Democratic Services Officer to discuss how best to bring alternative ways of working to the Panel for consideration.

Dan Gascoyne, Chief Operating Officer, detailed the broader budget strategy and explained it was designed to deliver savings whilst sustaining front-line services. A number of opportunities and income generation ideas were under consideration and would be able to be examined by the Panel once they were ready.

RESOLVED that the Scrutiny Panel: -

- (a) Has noted the proposals to Cabinet set out in the business cases at Appendix A and all actions necessary to prepare to implement them prior to final approval by Cabinet in January 2021, and considered whether to make recommendations related to these
- (b) Will scrutinise and consider, at a future date and following officer advice: -
 - (i) Alternative ways of working and service provision involving partners and communities
 - (ii) A review of the Council's use of its property estate
- (c) Has noted the excellence and clarity of the reports to Cabinet on the Budget 2021/22 and the Business Case for Council Efficiency and Transformation Programme

279. Local Council Tax Support scheme 2021 – 2022

The Portfolio Holder for Business and Resources introduced the setting of the scheme, which was set annually. The scheme maintained the administration's generous approach to council tax support. Jason Granger, Group Manager

(Customer) explained that there had been no changes, excepting those made to incorporate national uprating changes.

The Panel noted the scheme details and expressed approbation for it and the support it gave local residents.

RESOLVED that the Panel have reviewed and commented on the proposed Local Council Tax Support scheme commencing 1 April 2021, finding it an excellent scheme and one of which the Council should be proud

RECOMMENDED that this review and comment be considered ahead of the Cabinet meeting of 23 November 2020 and the Full Council meeting of 3 December 2020 where approval of the scheme will be requested.

280. Work Programme 2020-21

It was requested that officers examined the work programme to ascertain whether any further items would be more appropriately examined by the Governance and Audit Committee instead.

RESOLVED that the Work Programme for 2020/21 be noted and approved.