Minutes of the Meeting of the Corporate Overview and Scrutiny Committee held on 21 January 2021 at 7.00 pm

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Present:	Councillors Oliver Gerrish (Chair), Jack Duffin (Vice-Chair), Garry Hague, Shane Ralph, Gerard Rice, and Elizabeth Rigby *(substitute)*
Apologies:	Councillor Colin Churchman
In attendance:	Sean Clark, Corporate Director of Finance, Governance and Property Karen Wheeler, Director of Strategy, Communications and Customer Service Lucy Tricker, Democratic Services Officer

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Before the start of the meeting, all present were advised that the meeting was being recorded, and was being live-streamed onto the Council's webcast channel.

24. Minutes

The Senior Democratic Services Office updated the Committee regarding the recent scrutiny review. She stated that the report had been approved by Cabinet in December 2020, and since then officers had been working to begin the review's implementation. She stated that the team were working to outline how to progress the recommendations, with the majority being implemented at the beginning of the 2021/22 municipal year. She summarised and stated that regular update reports would be brought before the Committee.

The minutes of the Corporate Overview and Scrutiny Committee held on 10 November 2020 were approved as a true and correct record.

25. Items of Urgent Business

There were no items of urgent business.

26. Declaration of Interests

There were no interests declared.

27. Communications Strategy (Verbal Update)

The Director of Strategy, Communications and Customer Services began the update by stating that the Local Government Association had been invited to peer review the Council's communications and perform a 'health check' of the communications functions. She outlined that this peer review had been completed in October 2020, and the feedback report had been received in mid-December 2020. She explained that as part of the review the LGA team had interviewed local media representatives, officers, partners and Councillors, and the feedback report had included some recommendations. The Director of Strategy, Communications and Customer Services outlined some of the recommendations, which included a 'who reads what' survey to look into how residents accessed information, such as via social media, local media, or the Council's newsletter website. She stated that the LGA report would be used to inform the Communications Strategy, as well as to develop an action plan, both of which would be brought before the Committee. She summarised and explained that the Committee would have the chance to look over the peer review and action plan in March 2021, before the final Communications Strategy would be brought to Committee in June 2021.

Councillor Hague questioned how the Council utilised social media platforms such as Facebook. The Director of Strategy, Communications and Customer Service replied that Thurrock Council had their own social media channels on platforms such as Facebook and Twitter, but also utilised community forums to share Thurrock Council information. She stated that Thurrock could also comment directly on some open social media pages or groups. She added that social media would form a big part of the Communications Strategy. Councillor Rice questioned whether the local elections due to take place in May 2021 would still be going ahead, due to the increasing numbers of COVID deaths. The Corporate Director of Finance, Governance and Property replied that current information indicated that the local elections would still be going ahead, and the Council were working with the Electoral Commission to ensure the elections could safely be delivered, particularly at polling stations and counting centres. He stated that the elections team would continue to organise the elections, until instructed otherwise by central government. Councillor Hague stated if there would be a communications campaign to highlight the postal vote system, as this would reduce the level of contact. The Corporate Director of Finance, Governance and Property responded that the elections team were currently undertaking the registry elections process, which reminded all local residents of the postal vote option.

28. Draft General Fund Budget & Medium Term Financial Strategy Update

The Corporate Director Finance, Governance and Property introduced the report and stated that in the current 2020/21 financial year, a six month forecast Cabinet report had outlined a deficit of £2.7million. He stated that at the beginning of the financial year, the Council had been reporting a surplus of £4.7million, which indicated a £7million in-year change due to the COVID pandemic. He explained that additional funding had now been received which would ensure the budget was balanced at the end of the 2020/21 financial year, but the budgeted surplus had been lost and this would affect future budgets. He outlined that there was currently a £34million funding gap over the next three years, with a £19million deficit in 2021/22 and a £25million deficit split between 2022/23 and 2023/24. He explained that the lost surplus this year would be compounded by an increased collection fund deficit from decreased business rates and council tax collection, which would impact on potential expenditure in the next few years. He added that this would also be affected by increased costs in adult and children's social care. He described how Thurrock were in the lowest quartile for adults social care expenditure, but this meant there were still pressures in the system and the pandemic would have a greater impact on the service. He stated that the reasons for the pressures in the service were due to demographic changes, an increased number of resilience payments, increased inflation, increased staff pay, increased treasury budgets and interest costs.

The Corporate Director of Finance, Governance and Property stated that the Council were currently undertaking a number of one-off approaches to buy some time, due to the size of the deficit. He stated that the government had undertaken a spending review in November 2020 and the Chancellor had agreed on a one year settlement, but this only informed resources for 2021/22. He added that government grants and council tax income had been built into the budget, which ensured it would be balanced.

The Corporate Director of Finance, Governance and Property then explained that the team had been working on ways to reduce expenditure and increase income, which included the freezing of non-essential vacant post recruitment. He explained that this would reduce the number of employees over the Medium Term Financial Strategy (MTFS), and would save approximately £4million. He stated that this would have an impact on services as it would reduce the number of the staff, but directorates would try to mitigate this as much as possible. He stated that the Council would also be stopping some allowances such as overtime, car allowances, and shift work. He explained that over the past two years the Council had undertaken a review and restructure of staff pay grades, which had been affordable but had led to increased funding. He stated that he understood that this was a sensitive issue, but outlined that it would save the Council approximately £800,000. The Corporate Director of Finance, Governance and Property then outlined the proposed rise in council tax. He explained that central government had set the maximum council tax rise at 2%, and Thurrock were proposing a 1.99% increase. He stated that central government had also agreed a maximum adult social care precept of 3%, which Thurrock were also recommending. He stated that this was a total rise of 4.99%, which had also been built into future budgets. He then described how central government had announced a £4.8million COVID grant for Thurrock to support them in the next financial year, but highlighted that this was a one-off grant that may not occur again in future budgets. The Corporate Director of Finance, Governance and Property then explained that the Council would also be using capital receipts, which had originally been for Minimum Revenue Provision (MRP), but would now be used for Council transformation due to government relaxation of rules. He added that these capital receipts had originally been £5million, but were now £3million. He commented that the Council would also be using £3.3million of reserves as a one-off way to close the deficit.

The Corporate Director of Finance, Governance and Property stated that the deficit gap in 2022/23 and 2023/24 had originally been £15million, but this had now increased to £25million. He stated that this was due to the one-off approaches that the Council had undertaken this year, which increased the deficit in future years. He explained that departmental savings had already been built into these budgets, such as the move to fortnightly collections and more staffing savings. He explained that the Council would need to make £4million staff savings in 2022/23 and £2million staff savings in 2023/24. He added that the Council were also looking at increasing commercial income, and continuing to increase council tax by 2% every financial year. He described how central government would be undertaking another spending review in November 2021, which would be outlined to Thurrock in December 2021, but the budget would need to be balanced before this point. He explained that this was due to the time it would take to make savings such as consultation and notice periods. The Corporate Director of Finance, Governance and Property summarised and stated that scrutiny committees would have the opportunity to look at individual departmental savings at the beginning of the 2021/22 financial year.

The Chair began debate and stated that this was a sobering financial report that would present many challenges. He highlighted appendix 1 and stated that before intervention there would be a £42million deficit over three years, of which only £6.4million was due to COVID impacts. He questioned if this figure was correct and only 15% of the deficit was due to COVID. The Chair also queried other, non-COVID related pressures. He stated that there would be £3million corporate growth in 2021/22, 2022/23, and 2023/24, and asked what this increase would mean for council activity. The Corporate Director of Finance, Governance and Property replied that the corporate growth figures were a normal level of growth, and had been seen in previous years. He stated that this year though, the corporate growth figures were only linked to adults and children's social care, which paid for new fees being paid out. He explained that Thurrock were in the lowest quartile for adults social care expenditure in the country, but payments still had to be paid to ensure vulnerable residents could be supported.

The Chair queried if council tax would continue to rise by 1.99% in future years. He stated that these increases would equate to at 10% rise over three years and this could have an impact on residents. The Chair also questioned if the level of council tax collection would decrease over the period of the MTFS. The Corporate Director of Finance, Governance and Property replied that the Council would be assuming a 1.99% rise again in 2022/23 if there were continued financial difficulties in 2021/22. The Chair then questioned if the Council could be more ambitious regarding commercial income. The Corporate Director of Finance, Governance and Property replied that the Council would be as ambitious as possible, but the commercial income outlined in the MTFS was not a target. He stated that the figure of £1,089,000 came from a reduction in the collection of fees and charges which had occurred this year, and might continue to occur as it could take a while for the country to get back to normal after COVID. He outlined that any departmental savings had been put forward by the department who were working to increase income and decrease expenditure. He stated that the Council had not yet decided how to split savings into increase income and decrease expenditure, and no directorates had yet been given savings targets from corporate.

The Chair stated that Thurrock had currently received £6.4million from central government in COVID funding. He queried if Thurrock were making additional representations for more funding. The Corporate Director of Finance, Governance and Property replied that the government had given Thurrock a general grant of £4.8million this year, and had also agreed to pay for 75% of lost fees and charges revenue until June 2021. He stated that Thurrock were reporting monthly to the MHCLG and were pointing out areas that required additional funding. The Chair highlighted page 19 of the agenda, and drew the Committee's attention to the bar chart. He explained that when the bar chart was above the red line, the council were in surplus; and when the bar chart was below the red line, the council were in deficit. He stated that the challenge would come in 2021/22 when the council would need to both increase income and reduce expenditure. He stated that since 2015/16 expenditure had been increasing every year, and asked if the Council should have reined in and challenged spending during this period. The Corporate Director of Finance, Governance and Property replied that in hindsight the Council should had challenged expenditure, but felt that the council should also have continued to raise council tax. He stated that Thurrock had very low council tax levels compared to other unitary authorities around the country, and if council tax had been raised, then the Council would now have an additional £13million. He stated that the team had reviewed services over this time period, but would now be increasing the pace of this review.

Councillor Rice questioned the £30million overspend on the A13 widening scheme, and asked what the revenue consequences of this would be. He also questioned the policy surrounding brown bins, including if there was a charge and when this would begin. The Corporate Director of Finance, Governance and Policy replied that a charge on brown bins had not been agreed, no timescales were in place to begin one, and so therefore this had not been included in the budget figures. He stated that the team were still reviewing the A13 scheme and looking into other potential finance streams. He explained that infrastructure projects such as the A13 had a forty year life span, so would be repaid through the MRP at approximately 1/40th of the cost every year. He added that the scheme also had low interest rates of 0.7/0.8%.

Councillor Ralph highlighted page 19 and the drop in interest receivable in 2023/34. The Corporate Director of Finance, Governance and Property replied that this was due to the pause in the investment strategy, during which no further investment would be taking place. He stated that the team had therefore removed the targets for future investments, as investments that matured in this period would not be replaces which would decrease the levels of growth. He explained that the pause in investment strategy was due to recent publicity surrounding investments at Thurrock, as well as a government change in policy. He explained that previously the government had encouraged council's to be entrepreneurial and undertake investments, but recent policy had stated that local authorities should not invest. He added that the Public Works Loans Board (PWLB) had also introduced a new policy in November 2020 of not lending to Councils who undertook investments, and the majority of the Council's borrowing came from the PWLB.

Councillor Rigby questioned if the Council would also be undertaking pay freezes. The Corporate Director of Finance, Governance and Property replied that he was currently in discussion with the unions surrounding pay freezes for staff. He explained that in November 2020, the Chancellor had announced a public sector pay freeze, and although local authorities did not fall into this criteria, council's should have mind to this advice. He added that he was also looking at the affordability of pay increases, and this was being independently reviewed.

Councillor Duffin thanked the finance team for their hard work and questioned if commercialisation would increase, despite the pause in the investment strategy. He felt it would be good to see an increase in commercial revenue, and would also benefit local residents. The Chair highlighted point 3.8 of the report and asked if specific savings proposals would be given to individual directorates. He stated that the report only included one directorate saving as well as council-wide proposals. He asked if the Director was happy with the speed savings were being made at. The Chair also asked if more reserves should be used. The Corporate Director of Finance, Governance and Property replied that the Council had made a conscious decision to take time when making savings. He felt that nobody knew how COVID would progress back in March 2020, or the affect it would have, and stated that the savings from the environmental directorate had not been forced. He explained that other directorate level savings had been made, but the environmental directorate's savings had been most notable.

The Chair then asked what strategic options were available to the Council now the investment strategy had been stopped. He asked if it would lead to a reduction in services or continued increase of council tax. The Corporate Director of Finance, Governance and Property replied that the Council were already undertaking the majority of strategic options, and were trying to achieve change through transformation to reduce the impact on residents and the community. He explained that as Thurrock had one of the lowest council tax rates in Essex and other unitary authorities across the UK, the council fell into the low-cost service category, which it made it difficult to make service savings. He then stated that although the Council was working to raise commercial income, fees and charges could only make approximately £8million in come, compared to the £25million deficit that the Council faced. He stated that the Council were also continuing to pursue the policy of 'fewer buildings, better services', but stated that the biggest budget was staffing. He explained that only 12 budgets in the council were in excess of £1million, the first being staffing, then adults social care, and thirdly children's social care budget. He described how interest debt remained high, but if the Council chose to decrease debt interest, this would also decrease the level of income received too. He felt that it would be a significant challenge to balance the budget, which would utilise multiple methods such as increasing commercial income and council tax, whilst decreasing staffing and service budgets.

The Chair questioned if the Council should have diversified its income streams, rather than focussing on investments. The Corporate Director of Finance, Governance and Property replied that investment income had helped to maintain services, brought additional funding to the borough, and reduced financial pressures, whilst also decreasing council tax for a number of years. He described how before the investment strategy had been undertaken, the council had been in contact deficit and would have meant that staff and services would have been decreased before the pandemic began, and would still have needed to be cut post-COVID. He felt that the investment strategy had deferred making difficult decisions and reduced the impact on residents, whilst also ensuring that reserves had increased every year since 2016.

Councillor Rice questioned the impact that COVID was having on Impulse Leisure, and what council support was being offered to them whilst they were non-operative. The Corporate Director of Finance, Governance and Property replied that Impulse Leisure did not have any call on the budget, as they did not have a Service Level Agreement with the Council. He explained that a different government grant had recently been introduced which met the criteria of the relationship between the Council and Impulse Leisure, and Thurrock had already bid for a portion of this grant. He explained that Impulse Leisure were a tenant of Thurrock Council's due to the nature of their lease, but this position had been acknowledged by the government, who would hopefully give Impulse Leisure a portion of the grant.

Councillor Ralph stated that he felt investments had helped Thurrock and its residents. He felt it was a shame the government directive had been changed surrounding investments, but felt lucky that Thurrock had invested in green energy, rather than shopping centres, and had continued to see investment income during the pandemic. He stated that increased council tax would affect residents, and felt it was important that the Council continued to seek alternative funding streams such as capital and commercial funds. Councillor Hague commented that investments had been supported by both the Committee and wider Council since its inception, and felt that government policy had been influenced by some councils making poor investment choices. He added that the current deficit projections would cause huge challenges for the Council, and queried whether working remotely had had an impact on the level of staffing, and if shared service agreements with other councils could now be pursued. Councillor Duffin highlighted the graph on page 19 and felt that investments had brought in over £100million of income, which had benefitted residents. The Corporate Director of Finance, Governance and Property replied that the team were currently looking into shared service agreements and automation as ways of reducing expenditure. He stated that the team were also looking at services which could potentially be delivered by the community. He added that the Council had also received an £80,000 revenue support grant (RSG) from the government, and were making the case for more government support. He explained that the RSG usually decreased year-on-year and felt it was good to see an increase in levels of support through this mechanism.

Councillor Rice asked if the council were considering the sale of assets to increase council income. The Corporate Director of Finance, Governance and Property replied that there were two financial aspects to consider when looking at the disposal of assets, which were: the use of capital receipts to pay for activity, as the sale of assets created capital receipts, which increased the capital strategy; and the 12 budget categories which were in excess of £1million and included the cost and maintenance of buildings. He stated that the team we looking at asset disposals and a paper would be submitted to February Cabinet that would describe this in more detail. The Chair then questioned the Local Council Tax Scheme (LCTS), and asked if future consultation would be taking place. The Corporate Director of Finance, Governance and Property replied that LCTS consultation would be considered in the future, but the team had felt there was currently lots of council tax uncertainty and had felt it was not appropriate to undergo consultation at this time. He added that it would also be difficult for the team to carry out a meaningful consultation because of the pandemic. He stated that officers and the Portfolio Holder had agreed to maintain the LCTS for the time being, but would try to go to consultation in summer 2021. He mentioned that that January Full Council report would show an increase of £700,000 in the LCTS budget to support claimants.

The Chair summarised and stated that the main comments from the discussion had been: requests for additional government support; concern surrounding a 10% council tax increase over three years; an increase in the commercial approach; the team to consider other income approaches, such as shared services or remote working savings; asset disposal; and reassurance surrounding future LCTS consultation.

RESOLVED: That the Committee:

1. Commented on the proposed council tax level with mind to the comments set out in the report.

2. Commented on the draft budget as set out within the report to inform the final budget proposals at Cabinet on 10 February 2021.

29. Capital Strategy 2021/22

The Corporate Director Finance, Governance and Property introduced the report and stated that the report set out the approach to capital borrowing over the coming years, as well as outlining prudential indicators. He stated that the report also contained the capital and treasury management strategy, and in previous years would have outlined the targets for investment and the investment approach. He explained that as the council were no longer pursuing new investment opportunities, the report was now based on existing capital investments, which meant that future borrowing requirements had decreased. The Corporate Director of Finance, Governance and Property highlighted point 3.3 of the report and stated that this was the same as previous years, and included temporary borrowing which had been undertaken since 2010. He explained that this also outlined changes to interest and the ability of the Council to borrow, including the Council's move to PWLB borrowing. He commented that the MRP had not changed, but was an annual requirement to be included in the report. He summarised and stated that current levels of net borrowing were between £300 and £400million.

The Chair highlighted table 4 on page 39 of the agenda, and questioned why the total future debt appeared to increase. The Corporate Director of Finance, Governance and Property replied that this was due to the decreasing number of investments which would not be replaced once they matured. He added that this also reflected the capital programme, for example the A13 project and ongoing HRA development, as this borrowing equated to funding the capital programme. The Chair then questioned the process for the sale of assets. The Corporate Director of Finance, Governance and Property replied that the asset team were currently reviewing and classifying all government assets. He stated that these had been classified into approximately 60-70 operational assets; 50-60 community assets; and 200 assets that did not fall into either of these categories. He explained that the assets team were liaising with all directorates to ascertain service needs, for example housebuilding or local plan development potential, and then deciding if the assets needed to be disposed or could be utilised. He explained that all asset disposals over £250,000 now needed to go through Cabinet for approval, and felt that asset disposal was not just about increasing capital receipts, but also about decreasing exposure and liability. The Chair queried what level of democratic oversight occurred for asset disposals. The Corporate Director of Finance, Governance and Property replied that the asset disposal would be brought before the relevant overview and scrutiny committee. He explained that the assets due to be brought forward to Cabinet in February were not controversial, for example some tenants wished to purchase the assets. He stated that the team were developing a flowchart process for housing sites, which would go before the Housing Overview and Scrutiny Committee.

Councillor Ralph sought reassurance that all assets would be properly valued before they were sold. The Corporate Director of Finance, Governance and Property replied that since 2019 all disposals over £250,000 needed to be agreed by Cabinet, and even disposals under £250,000 needed the agreement of the Leader. He stated that the Council had a legal duty to get best value for the disposal, whether that be monetary value or social value.

The Chair then questioned the Investments Committee, and if this was still continuing now the investment strategy had been paused. The Corporate Director of Finance, Governance and Property explained that the Shadow Investment Committee had had two meetings in 2020, which had included the Portfolio Holder for Finance and Transformation and all Group Leaders. He described how at the first meeting, a report had been provided by Candle Global who provided the Council with investment advice, and had brought forward a number of governance suggestions and KPI ideas, as well as the wider borrowing portfolios and ongoing investment. He stated that the

Committee had not decided whether they would be a formal Committee, and therefore follow Constitutional rules such as democratic proportionality, or would be a Shadow Committee. The Corporate Director of Finance, Governance and Property then explained that the Committee had met in December 2020 where they had been provided updates regarding the investment strategy pause. He added that the Committee had another meeting in a few weeks' time where they would be monitoring ongoing investments. He added that due to the pause in the investment strategy, the Committee would also be deciding if there was a need for the Committee or if it could be reabsorbed back into Corporate Overview and Scrutiny Committee or the Standards and Audit Committee.

RESOLVED: That the Committee:

1. Commented on the 2021/22 Capital Strategy for consideration by Cabinet at their meeting on 10 February 2021.

30. Draft Capital Programme

The Corporate Director Finance, Governance and Property introduced the report and stated that this report was brought before the Committee every year and outlined the new schemes that would be included in the capital programme, and formed part of the budget setting in February. He stated that due to the Council's financial position the capital programme did not include as many schemes as in previous years, as the majority of capital schemes required lots of staff and resources to deliver, which would be reduced due to a reduction in capacity and vacant post staff freezes. The Corporate Director of Finance, Governance and Property outlined the two aspects of the capital programme which were: smaller schemes outlined in 4.2 of the report which were divided into the digital, operational, and property pots; and larger schemes which were included at appendix 2.

The Chair questioned the affordability of some of the projects, and asked how budgets were going to be managed. The Corporate Director of Finance, Governance and Property replied that over the past year the Council had worked hard to improve its project management capabilities, including increased senior management involvement, and new team members who had project management experience. He explained that the Project Board met monthly and was chaired by the Chief Executive to monitor delivery, timescales, and budgets of ongoing projects. He explained that there were always challenges on public sector budgets due to project cost overruns and delays, but controls were now in place to improve project management.

Councillor Ralph questioned the Stanford-le-Hope Interchange project, and asked if the Council had claimed back funds from DP World. He felt it was good to see third party investment in these schemes, and urged the Council to claim back any necessary monies. The Corporate Director of Finance, Governance and Property replied that the Council claimed as much back as possible on these schemes, and would confirm in writing if DP World funds had been claimed. Councillor Rice then queried the spend of £9million on consultants for the Stanford-le-Hope Interchange project. He also questioned overspend on the A13 widening project, and potential funding for the A13 East Facing Access scheme. The Corporate Director of Finance, Governance and Property stated that he did not recognise the figure of £9million spent on consultants, but would come back to the Committee with a written reply and brief update on the position. He stated that the Council were contractually obliged to pay for the A13 widening scheme, and the team were working hard to mitigate the £30million overspend, including through monthly claims to Kier. He added that the team were also working to increase the contributions from third parties, including SELEP and the Highways Agency. He stated that as a last resort the Council could use prudential borrowing, but would use capital receipts before then. He explained that the Council were currently undertaking feasibility studies regarding the A13 East Facing Access Scheme, but explained that government grants could be used to cover this cost. He explained that as it was a large scheme, there was a risk of costs overrunning, which the Council would analyse before any decision was made.

The Chair questioned the impact that COVID had had on the current capital programme. The Corporate Director of Finance, Governance and Property replied that COVID had not yet impacted the capital programme, other than the A13. He added that COVID had actually improved some aspects, such as the M25 junctions 31 improvements, which had been undertaken more quickly than expected due to the decreased levels of traffic.

RESOLVED: That the Committee:

1. Commented on the specific proposals set out in the report.

31. Work Programme

The Chair stated that the Communications Strategy report would be brought before the Committee in June 2021. The Corporate Director of Finance, Governance and Property requested an additional finance update in March 2021. Councillor Duffin requested a paper on commercialisation, and the Corporate Director of Finance, Governance and Property replied that he would look into this to ensure it fell within the remit of Corporate Overview and Scrutiny, particularly surrounding asset disposal.

The meeting finished at 8.55 pm

Approved as a true and correct record

CHAIR

DATE

Any queries regarding these Minutes, please contact Democratic Services at Direct.Democracy@thurrock.gov.uk