

Report to: Cabinet

Date: 13 July 2022

Title: Recovery and Stabilisation Programme

Report of: Robert Cottrill, Chief Executive

Cabinet member: Councillor David Tutt, Leader of the Council

Ward(s): All

Purpose of report: To update on progress of the Recovery and Stabilisation Programme

Decision type: Non key

Officer recommendation(s):

- 1) Note the progress made with the Recovery and Stabilisation Programme
- 2) Note the Recovery and Stabilisation savings set out in Appendix A
- 3) Note and endorse the assurance review update set out in Appendix B

Reasons for recommendations: The Recovery and Stabilisation programme provides a structured and accountable approach for delivering the level of significant organisational change needed to respond to current and future challenges.

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1. Recovery and Stabilisation Programme Achievements

- 1.1 Since the Recovery and Stabilisation (R&S) programme commenced in 2020, considerable outcomes and benefits have been delivered in pursuit of the overall aims. In addition to those previously reported to Cabinet, the benefits delivered include:
- Work to implement new technology to automate a range of transactional processes within Customer First went live in early March 2022. A new generation chat bot was implemented on the council's website and, in its first three months of operation, has performed well:
 - The bot has responded to over 20,000 queries from residents, with 21% of the responses being provided out of hours.
 - The system is currently operating at a 93% accuracy rate when compared with a fully-trained member of staff – this is above average performance at this stage of the bot's development and will continue to improve as lessons are learned.

- Livechat (real time, web-enabled staff discussions with customers) volumes have reduced by approximately 75% as a result of the bot answering customer enquiries.

The next phase of the project is to implement the chat bot on the contact centre phone line, and the goal is that, over time, it will reduce the volumes of queries into the contact centre, enabling the team to provide more in-depth support to those customers in the greatest need and to focus on more value-adding activity.

- The project to implement a new revenues and benefits system continues to progress well beyond the decision, last year, to purchase the NPS system from NEC. Significant work is underway to implement the system next year (working around the peak period of year-end related activity).
- The project to explore options for the identification of a single system to manage environmental health and licensing activity recently reached a key milestone. A preferred supplier of the new system has been identified, and the project will move into its implementation phase once the commercial discussions to finalise the terms of the contract are completed.
- The Digital Democracy project has supported the livestreaming of a number of council meetings, starting with February's Cabinet meeting. The project team is working to refine the technology and kit to better support public meetings – this will progress as soon as the necessary kit can be procured.
- As the council's website was launched over 4 years ago, a project is launching to explore the latest technology to support better online delivery of services to and engagement with customers. The timeline to replace the website will be confirmed once resources to lead the activity are appointed.
- The previously reported review of internal communications is progressing well, and a survey seeking the views and opinions of all staff recently closed. Analysis of the results will feed into a number of workshops with staff prior to drafting an Internal Communications Strategy.
- The capital programme has been reviewed and income targets relating to the property portfolio (non-residential) were previously reported to Cabinet.
- Through the Strategic Property Board, assets/properties are being reviewed to identify a priority list for further consideration as to how they can best support the council to meet its current and long-term financial challenges.
- The Covid-19 community hub helpline, which has been operating since March 2020, continues to operate and be available to customers, however, in recent months, levels of contact have been consistently very low.

- 1.2 As part of the conditions placed upon the council by government for exceptional financial support (capitalisation) to be provided, an external assurance review was required. This was produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Department of Levelling Up, Housing and Communities during the summer of 2021. A copy of the report, together with a number of recommendations, was published in December 2021, and Cabinet noted and endorsed the report and its recommendations in February 2022.

The report set out a number of actions that the council was expected to undertake in order to ensure an improved and sustainable financial position for the future. A summary of what CIPFA and government expected and how the council has responded is set out in Appendix B. The summary paints a positive

picture, with a good proportion of the actions already completed, and the rest on track for delivery in the near future. Appendix B was submitted to government last month as the council's update and latest response to the assurance review.

Government has confirmed that the council will be subject to a follow up assurance review to assess progress over the summer. At the point of writing this report, no exact date has been confirmed for the follow up review.

2. Overview

- 2.1 Since 2020, the R&S programme has been the vehicle through which the council has co-ordinated its response to the Covid-19 pandemic and the subsequent impact on the economy (both for the council and the borough). R&S oversees and guides the priority activity to address the challenges of the council's new operational context in a sustainable way, and to respond to the changing needs and demands of residents. As set out in Appendix B, R&S was renamed from "Recovery and Reset" earlier this year to better reflect the longer-term changes being implemented through this activity.
- 2.2 Over the last 2 years, the R&S programme has made strong progress in leading and delivering the changes required in support of the council's response to the Covid-19 pandemic and the work to manage the budget shortfall over the life of the Medium-Term Financial Strategy (MTFS) period.
- 2.3 Following the capitalisation direction from central government in early 2021 in response to the extreme financial pressures being experienced, and the subsequent external assurance review being undertaken in the summer of 2021 and the resulting report being published in December, Cabinet agreed in February 2022 that the process of monitoring progress of the external assurance review will be undertaken as part of the R&S activity. Since that time, CMT has regularly considered the assurance review and progress against the associated recommendations at its twice-weekly Recovery and Stabilisation Oversight meetings.
- 2.4 This report provides an update on R&S activity since the last report was considered by Cabinet in February 2022.

3. Financial Context

- 3.1 The table below sets out the R&S savings plan which was revised to £2.258m and identified within the 2021/22 budgets alongside the actual delivery against those targets of £1.902m. Full details are shown in Appendix A.

R&S Programme 2021/22	2021/22 Planned £000	2021/22 Delivered £000	Additional Savings £000
Total savings	2,258.25	2,467.05	208.8
Revised Budget Target	850.00	850.00	-
Over/(Underachieved)	1,408.25	1,617.05	208.8

3.2 The original target of £850,000 was increased to £2.258m, and the relevant budgets adjusted to be delivered in 2021/22. The actual delivery against these specific targets is £2.467m, which has been delivered recurrently. Additional and one-off savings have been achieved within 2021/22, and the allocation of these savings and the ability for these to be on-going will be reviewed. Cabinet is recommended to agree the allocation of one-off savings elsewhere on this agenda. Savings targets for 2022/23 will continue to be monitored in line with the economic recovery. Additional pressure, due to the increased inflation and increased fuel prices, will increase the funding gap, and opportunities to deliver further efficiencies will be explored.

3.3 The final detailed budget information is being considered in a separate item on this agenda.

4. Priority Based Budgeting

4.1 Cabinet previously received a report which explained the Priority Based Budgeting work being undertaken to reduce the need for borrowing and to address the projected budget shortfall in 2022/23. Cabinet approved a number of service and organisational changes. It was noted that a further report would present what further changes would need to be made to address the financial situation in future years.

4.2 Through the Priority Based Budgeting approach, each area of the council's expenditure has been scrutinised, and a range of budget reduction options prepared for members' consideration. For each service area, three levels of reduction were tested, with weight being given to:

- where efficiencies could be achieved without reduction in service levels
- minimising the potential impact on residents
- whether the service was statutory or discretionary
- managing and mitigating any risks associated with the service change
- whether the change could be short-term and reversible

4.3 The table at Appendix A sets out the latest position as a result of these considerations. Some of the proposals will deliver a level of budget reduction in the current financial year, whilst others will yield savings, or increased income generation, from 2022/23. Savings of £2.258m are now incorporated into the 2021/22 revised budget with further savings being identified and embedded in the 2022/23 budget.

4.4 The savings set out in Appendix A are critical to supporting the delivery of a balanced budget for 2021/22 and beyond, and one-off savings have allowed for the reduction of borrowing from the capitalisation directive requirement. The savings identified contribute significantly to the further reductions needed for 2022/23.

5. Consultation

5.1 No further consultation/consideration of consultation is required for the content of this report.

6. Corporate Plan and Council Policies

- 6.1 This report does not significantly adversely impact on the council's long-term strategic aims as set out in the refreshed Corporate Plan and associated policies.

7. Business Case and Alternative Option(s) Considered

- 7.1 As set out in the report.

8. Financial Appraisal

- 8.1 As set out in the report.

9. Legal Implications

- 9.1 Legal advice has been taken, and will continue to be taken, in respect of specific actions arising from the assurance review.

Lawyer consulted 21.06.22

Legal ref: 010741-EBC-KS

10. Risk Management Implications

- 10.1 The risks within R&S are regularly assessed and managed as part of the programme/project management activities. The identification and management of any significant risks in relation to the programme will be reported, along with mitigation plans to address them. With regard to the Priority Based Budgeting proposals specifically, all have been subject to project management discipline including appropriate risk and impact assessment processes.

11. Equality Analysis

- 11.1 An Equality & Fairness Analysis has been undertaken on the R&S proposals. The outcome of this was reported to Cabinet in 2021. Screening of the additional proposals did not find any further risk of adverse impact on groups with protected characteristics.

12. Environmental Sustainability Implications

- 12.1 The proposals in this report do not adversely impact on the council's long-term carbon reduction aims, as set out in the EBC Climate Emergency Strategy.

13. Appendices

- Appendix A – Recovery and Stabilisation Programme Savings
- Appendix B – Assurance Review Summary

14. Background Papers

The background papers used in compiling this report were as follows:

- None

Appendix A

Recovery and Stabilisation 2021/22

	2021/22 Planned £000	2021/22 Delivered £000
<u>Reshaping Services</u>		
HR reshaping	13.75	13.80
Homes First reshaping	936.80	936.90
Environment First reshaping	5.55	5.60
Neighbourhood first reshaping	108.10	108.10
CMT reshaping	192.90	192.90
Heritage service reshaping	19.10	19.10
Voluntary & Community Grants incl Ward Budgets	85.25	85.25
Contract cleaning	50.00	50.00
Refuse - Alternate Weekly Collections	217.85	208.20
Weed control	14.00	14.00
Street cleansing	38.75	38.80
Public conveniences	47.50	47.50
Events programme - Airbourne	141.70	141.70
Bulky waste - cease free collections	20.00	20.00
Garden waste	50.00	50.00
CFRT reshaping	(42.60)	(42.60)
Functional Leads	(47.30)	(47.30)
Bereavement services	(110.00)	(102.00)
SEESL salaries and fuel	(13.10)	(121.90)
<u>Best Use of Assets</u>		
Congress	60.00	60.00
Devonshire Park Theatre	280.00	224.00
Close 1 Grove Road	130.00	130.00
Rental income recovery	60.00	60.00
Interest charge for capital programme		375.00
Total Savings	2,258.25	2,467.05
Over /(underachieved)	2,258.25	2,467.05

Local Government Finance Review – Eastbourne Borough Council**Context**

Similar to the majority of local authorities, Eastbourne Borough Council (EBC) experienced significant financial challenges caused by the Covid-19 pandemic and, in light of Eastbourne's economic profile, its drastic impact on the authority's income from tourism, culture and leisure.

EBC was one of a number of local authorities to request exceptional financial support (EFS) from the government. Government agreed to £12.8m of financial support (£6.8m in 2020/21 and £6m in 2021/22) by allowing the authority to capitalise its revenue shortfalls (capitalisation) during this time. The government agreement was subject to an external assurance review.

Alongside its request for EFS, the council took early steps to mitigate the financial impacts of the pandemic. Central to these steps was the development and implementation of the council's Recovery and Stabilisation Programme (originally named the Recovery and Reset programme). This resulted in over £2.2m of reduction in EFS requirements for 2020/21 (reduced from £6.8m to £4.6m) and an estimated further reduction of £3.5m for 2021/22 (expected reduction from £6m to £2.5m).

Recognising the additional cost of capitalisation (ie. Public Works Loan Board repayment rate for 20 years plus 1%), EBC has developed an asset disposal strategy which would allow it to generate the required capital receipts in a measured and controlled way while avoiding a "fire-sale" of taxpayers' assets.

EBC has, to date, delivered over £4.2m of capital receipts to repay the capitalisation amount and is working towards generating over £4m of additional receipts in 2022/23.

This report provides an update on the steps and action taken by the council in response to the recommendations made by the Chartered Institute of Public Finance and Accountancy (CIPFA) who carried out the external review.

Actions taken in response to the Assurance Review recommendations

1. In December 2021, the council received a report setting out the recommendations made by CIPFA as part of the external assurance review.
2. An implementation plan was formally put in place to ensure visibility and timely delivery of the recommendations, and actions taken to address all areas of concern set out in the report.
3. This document provides a summary of the progress made and the actions taken to date.

Overarching recommendations

4. Reducing reliance on tourism income – whilst EBC recognises the significance of tourism economy for the borough and its role in supporting the economy, the refreshed Corporate Plan (which was adopted by full council in May 2022) provides a more

modest outlook for the council going forward. The council is fully aware of the need for ongoing financial stability and longer-term financial resilience.

5. The Medium-Term Financial Strategy (MTFS) has been reformulated to incorporate the changed financial circumstances and, in particular, the need to replenish the council's reserves.
6. The final, overarching recommendation related to strategic risk management in relation to commercial transactions. In line with this recommendation, the council's strategic risk register was updated by the Audit and Governance Committee in March 2022 and now makes explicit reference to this, and the role of the Strategic Property Board in ensuring these risks are well managed.

Recommendations relating to Assets

7. The report made a number of recommendations relating to the council's assets and the approach to asset management. Central to the response has been the preparation of a document setting out the council's "Assets for Disposal Consideration". This document was submitted to government for consideration on 10 January 2022. The council's Strategic Property Board oversees the implementation of the disposals work and reviews the disposal consideration paper on a bi-monthly basis. The paper provides individual valuations and market appraisals of all assets, including the rural estate.
8. Alongside this, the council has reviewed its capital financing requirements and will continue to do this as part of budget setting processes each year. The capital programme has been reduced and now only includes items focused on health and safety and/or urgent works. The council's non-HRA capital programme is expected to decrease from £28.4m in 2021/22 to £2.3m in 2024/25, while the non-HRA (ie. general funding) borrowing projections are expected to reduce from £18.9m in 2021/22 to £0.5m in 2024/25. With regard to the housing investment, a report is due to be considered by Cabinet elsewhere on this agenda which will set out an affordable, consolidated programme in line with the HRA business plan.
9. In order to ensure the Minimum Revenue Provision (MRP) Policy is fit for both current and future spending plans, an independent review has been undertaken (by Links). The outcomes of this report will be reported to the Audit and Governance Committee in July and is being considered by Cabinet elsewhere on this agenda.
10. As was recommended, further work has been undertaken to recoup arrears from commercial tenants. Repayment plans and/or recovery action is taking place on all accounts. Between March and May 2022, this activity reduced the debt of £790,000 by £120,000. The Strategic Property Board receives a bi-monthly update on progress made to recover these debts.
11. A phased process has been developed for the future of the key strategic seafront sites. The first phase has been to initiate an expression of interest process for the "fort fun" site (recently surrendered by the previous tenant). This work remains on-going.

Discussions with the Environment Agency regarding forthcoming sea defence works may have an impact on this.

Recommendations relating to capitalisation

12. The council was recommended to monitor its in-year requirement for capitalisation of revenue expenditure to ensure it stays within the EFS limit. This has been a key consideration in preparations of budgets and in the development of both the Treasury Management Strategy and the Capital Strategy. The outturn report to Cabinet elsewhere on the agenda provides assurance to members that the EFS limits have not been exceeded. The interim outturn report is indicative of a reduction of £1.9m in the revised capitalisation amount for 2021/22 (reduced from £4.4m to just over £2.5m).

Recommendations relating to commercial/borrowing

13. The council's trading companies have been subject to a thorough internal review, which included a challenge of their benefit to the council. A report of this work, including a detailed SWOT-style analysis of each company, was considered by the Corporate Management Team (CMT) in April 2021. Following this review, the recommendations were revisited and reaffirmed. In addition, Links have since been commissioned to undertake an external review of the asset management plan.
14. With regard to Investment Company Eastbourne Ltd (ICE), independent reviews have been carried out by Grant Thornton and the council's external auditors (Deloitte). In light of this, EBC is satisfied that value for money has been achieved.
15. As was recommended, the Audit and Governance Committee has been augmented to include an independent, non-political member. The appointment was agreed by the Committee at its meeting in March 2022. The first meeting to be attended by the new member, Stephen Gilbert, will be in July 2022.
16. It is agreed by the council that a commercial framework is needed against which to assess future investment based or traded activities. A suitable scope for this is now under development but, in the meantime, the council can provide assurance that, in the current, post-Covid-19 financial landscape there are no significant investments being considered.
17. The council's housing investment company (EHICL) has undertaken multiple valuations with a view to taking decisions about the future of its investments. Valuations based on balance sheets and on open market values have been completed. A final valuation based on annual rent roles is currently in progress. All three valuations will be presented to the EHICL Board in July 2022, at which point, decisions will be taken on the future of the assets.
18. Arrangements have been made for existing audit contracts to be extended to include all relevant companies in which the council has a stake.

Recommendations relating to governance/oversight

19. Additional external assistance has been sought by the council to support the implementation of the assurance review recommendations. This support has been

invaluable in enabling the recommendations set out in this report to be actioned in a timely manner. Alongside this, the CMT has acted on the recommendation to include the Chief Legal Officer as a full member of CMT.

20. The Priority Based Budget approach instigated as part of the Recovery and Reset process will continue, as that process is now reframed as the Recovery and Stabilisation programme.
21. Treasury management and related training, with a particular emphasis on the impact of the capitalisation directions and the risks associated with commercial investment, has continued to be a central part of training for members over the past year. The same focus on this training will continue in the coming year and beyond.
22. As was specifically recommended, the restructure of the council's finance section has been completed.
23. It was also recommended that financial issues relating to the ICE transaction be regularly reviewed by Cabinet and the Audit and Governance Committee. This has been agreed and will be actioned elsewhere on the agenda.
24. A full post-review audit of the 2018/19 accounts was carried out with the council's external auditors. A disclosure checklist has been completed for the subsequent years, but these sets of accounts are still to be audited.

Reserves

25. A new Reserves Policy was implemented from September 2021. This policy sets out clearly how the council will take a risk managed approach to future assessment of need. The Section 25 report considered by Full Council in February 2022 contained a review of reserves to ensure their adequacy, along with the application and purpose of each.

Savings/efficiencies

26. An assessment of expenditure per head in relevant areas (housing, culture and highways) is being undertaken. The council will look to bring spending into line with other comparator authorities.
27. The Recovery and Reset programme has been reframed as the Recovery and Stabilisation (R&S) programme. This change will be formalised by the Cabinet in July 2022. As part of the programme, capital financing for the EFS is being identified.
28. The strategic risk register now contains reference to the R&S programme and the risk of its non-delivery. This change was agreed by the Audit and Governance Committee in March 2022.
29. The R&S programme, including the savings plan which is central to it, is reported to CMT at its twice weekly dedicated R&S meetings. With some savings having been delivered ahead of schedule and other saving targets broadly on track, EBC has been

able to reduce its requirements for the full approved amount of £12.8m; see the table below:

	2020/21	2021/22	Total
Approved 2020	6.8	6	12.8
Approved 2021	4.6	4.4	9
Actual	4.6	2.5	7.1
Total reduction			£5.7m

30. A new Capital Strategy Board has been developed to oversee the delivery of the capital programme. This is led by the Deputy Chief Executive and Deputy Chief Finance Officer and ensures robust projects and programme management arrangements are in place across the council.

Conclusion

The council's June 2022 update on the response to the assurance review recommendations highlights significant positive progress has been achieved over recent months. A good proportion of the actions to address the recommendations have already been completed and the remaining recommendations are on track for delivery in the near future.

EBC is satisfied with the progress made to date against the recommendations as set out by CIPFA and is confident that the planned activity will deliver the required outcomes.

Future progress updates will be provided to government over the coming months, and it is anticipated that activity against all recommendations will shortly be showing as completed.