

Forward Plan Reference Number: CPSC/01/24

Report title: 2023/24 Financial Overview as at the Third Quarter and 2024/25 Everyone's Essex Annual Plan and Budget	
Report to: Corporate Policy and Scrutiny Committee	
Report author: Cllr Christopher Whitbread, Chancellor of Essex and Cabinet Member with responsibility for Finance	
Date: 25 January 2024	For: Consideration
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County Divisions affected: All Essex	

1. Purpose of report

- 1.1 This item is to consider the 2023/24 Third Quarter Financial report, and the 2024/25 Everyone's Essex Annual Plan and Budget as presented to Cabinet on 16th January 2024.

2 Background

- 2.1 The Council presented its Third Quarter Financial position for 2023/24 to January Cabinet. At this stage of the year there is a forecast over spend of £4.5m (0.4%), against a net revenue budget of £1.1bn. For the Capital Programme there is an under spend of £16.5m (5.1%) against a budget of £324m.
- 2.2 The recommended budget for 2024/25 was also presented to January Cabinet. It proposes a 2024/25 revenue budget of £1,148m, and a capital programme of £320.1m, and will be taken to Full Council in February.

3 2023/24 Third Quarter Report

- 3.1 The Council continues to find itself in an extremely uncertain economic environment. CPI inflation is continuing to decline, but at 3.9% is still nearly double the Bank of England target rate. At this time, pressure of over £16m relating to inflation is being reported. We continue to hold reserves specifically set aside for inflationary risk, which can mitigate any emergent pressure if necessary in the short term. Alongside this, interest rates are now at their highest levels since 2008, and the expectation is this will continue in the short to medium term, which will impact on the revenue cost of borrowing to support the capital programme in the medium term.

3.2 There is a full year forecast over spend of **£4.5m** (0.4% against a net budget of £1.1bn). The overall over spend position is driven by pressures across:

- Children's Services and Early Years, **£20.6m**, mainly relates to placement pressure due to a combination of increased package costs and increases in demand. This is reflective of a national picture.
- Health and Adult Social Care and ICS Integration, **£3.5m**, predominantly due to Older People Residential and Nursing Care with increased volumes and price, and capacity pressures within Reablement support, requiring additional spot purchasing.
- The Chancellor of Essex, **£3.7m**, pressure in relation to delayed delivery of an ECC wide staffing review saving for 2023/24. Plans are in development to ensure full delivery in 2024/25.

These pressures are offset by:

- Other Operating Costs, **£18m** driven by higher levels of income on interest earned from treasury management activity due to rising interest rates and larger cash balances than forecast, plus reduced expectations on capital financing costs following re-profiling in the capital programme.
- Highways Maintenance and Sustainable Transport **£2.6m** and Chancellor of Essex RSSS **£1.7m** in relation to energy costs – following a stabilisation of the energy market since the budget was set, unit rates are now nearly half that assumed.

3.3 The Capital Programme has a forecast over spend of **£16.5m** against the latest budget of **£323.8m**. After taking account of the budget change adjustments set out in the Third Quarter report, there is a residual over spend of **£3.2m**, mainly in relation to Schools cash balances which is controlled by Essex schools and any balance at Provisional outturn will be funded from Devolved Formula capital grant. The budget change adjustments are summarised as follows:

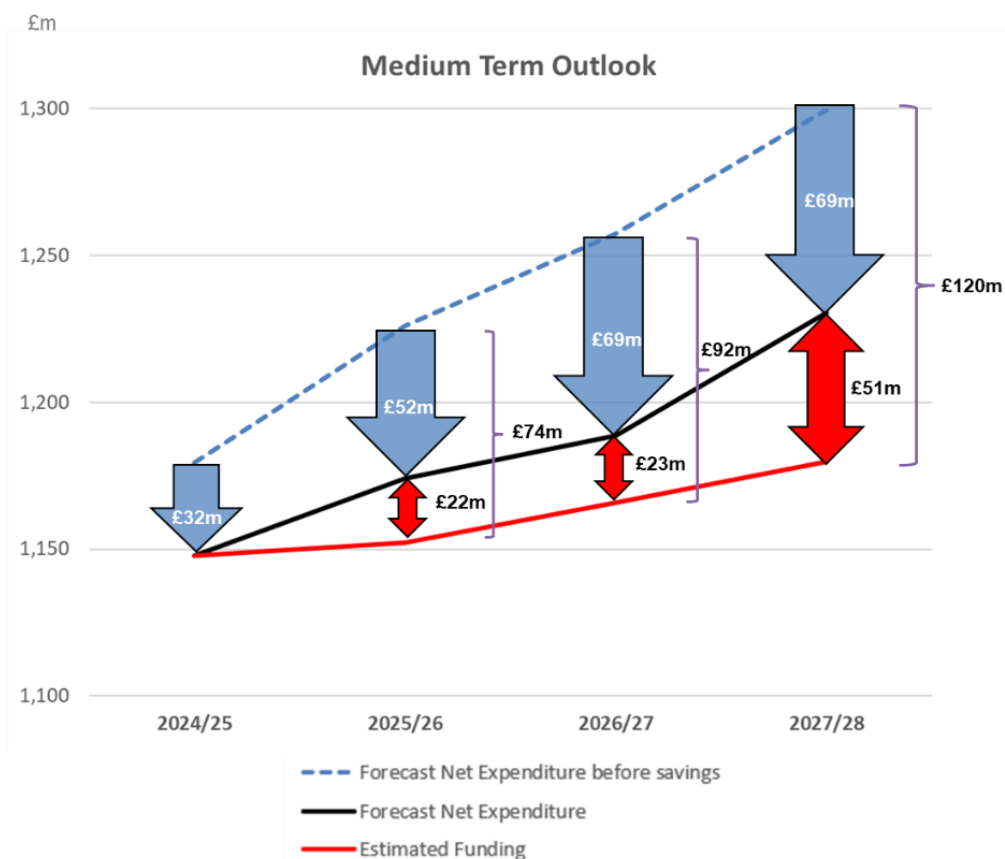
- 2023/24 Slippage: **£33.5m** (plus £22.8m from 2024/25, with £14.5m into 2025/26, £21.4m into 2026/27, £5m into 2027/28 and £15.4m into 2028/29)
- 2023/24 Additions: **£4m**
- 2023/24 Reductions: **£4.7m**
- 2023/24 Advanced Works: **£14.6m** (plus further advance works of £3.9m into 2025/26 and £4.8m into 2026/27. With £13.7m from 2024/25 and £9.6m from 2027/28)

4 2023/24 Everyone's Essex Annual Plan and Budget

4.1 The recommended budget for 2024/25 and a refreshed medium term resource strategy were presented to Cabinet in January. This proposed the revenue budget for 2024/25 at £1,148m, an increase of £61m (5.6%) from the 2023/24 original budget. This will enable delivery of the Council's statutory

requirements, political priorities and Annual Plan and therefore achieve the Everyone's Essex Strategic Aims.

- 4.2 The 2024/25 capital programme has been recommended at £320.1m, and the current 4-year view of the programme to 2026/27 totals £1,070m. The longer-term capital programme aspirations remain significant, and it is recognised that investments are essential to meet future needs, generate additional income, including capital receipts, and deliver revenue savings and reductions in costs, while also being affordable.
- 4.3 The budget assumes £32m of savings to arrive at balance for 2024/25. Of these £27m are recurrent and £5m are one off savings. These include continuation of the Meaningful Lives Matter Programme supporting adults with learning difficulties, which is now in its fourth year; the ongoing Connect Programme that will continue to ensure the most appropriate support is offered to older people going into and leaving hospital, making better use of technology solutions in provision of care; making more efficient use of our buildings; making better use of technology and digital across the Council and reviewing staffing costs, including management cost and layers.
- 4.4 The budget for 2024/25 has proposed a total council tax increase of 4.99%. This is made up of a 2.99% general council tax uplift, and 2% adult social care precept as set out by Government for 2024/25. The precept is being used to insulate Adult Social Care from higher savings, and support growth in demographics, inflation, and growing complexity. Taking these increases into account, the council tax for a band D property will be £1,522.53; this is an increase of £72.36 per year or £1.39 per household per week.
- 4.5 The medium range scenario for future years indicates a gap between the Council's expected funding streams and the Council's expenditure. After delivering 100% of all existing planned savings, the gap is expected to be £22m in 2025/26, rising to £51m by 2027/28, before further tax rises. The outlook for the authority is set out below, however this mid-range scenario will change given the context of no government funding certainty post 2024/25, uncertainty around cost of care reforms, a volatile macroeconomic environment and unforeseen events notably demand and price pressures.



- 4.6 As part of the presentation to the Committee further detail on changes to Portfolio budgets will be set out, as well as the pressures driving the budget, the current risk environment, and the options and choices faced to close the medium-term budget gap.

5 List of Appendices

- 2023/24 Financial Overview as at the Third Quarter Stage (FP/037/02/22)
- Everyone's Essex Annual Plan and Budget 2024/25 - Part 1 Section 151 Officer Report (FP/038/02/23)
- Everyone's Essex Annual Plan and Budget 2024/25 - Part 2 Budget and Plan (FP/038/02/23)
 - Appendix A – Everyone's Essex Annual Plan and Budget 2024/25
 - Appendix B – Equality Comprehensive Impact Assessment 2024/25
 - Appendix C – Pay Policy Statement 2024/25
 - Appendix D – Budget Consultation Report