

Report title: 2023/24 Financial Overview as at the Half Year	
Report to: Corporate Policy and Scrutiny Committee	
Report author: Cllr Christopher Whitbread, Chancellor of Essex (Cabinet Member with responsibility for Finance)	
Date: 7 th November 2023	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 Half Year Financial report presented to Cabinet on 10th October 2023.

2 Background

- 2.1 The Council presented its Half Year Financial position for 2023/24 to October Cabinet. At this stage there is a forecast over spend of **£12.7m** (1.2%), against a net revenue budget of **£1.1bn**.
- 2.2 For the Capital Programme there is a forecast over spend of **£12.2m** (3.8%) against a budget of **£319.1m**.

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- 3.1 The Council continues to find itself in an extremely uncertain economic environment. Inflation is continuing to decline but at 6.7% is still far in excess of what we have come to consider the norm. There is a risk that if inflation does not reduce at the speed forecasted by the Bank of England, this could potentially create further pressure against 2023/24 budgets, and impact our medium term plans. At this time, pressure of over £14m 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 continue to rise, and the expectation is they will rise further, which will impact on the revenue cost of borrowing in the medium term.
- 3.2 There is a full year forecast over spend of **£12.7m** (1.2% against a net budget of £1.1bn). The overall over spend position is driven by pressures across:
- Children's Services and Early Years portfolio (**£16.6m**), where a higher proportion of children in care are now placed in more expensive types of care than assumed when the budget was set, due to greater levels of

complexity and risk. These issues are being seen nationally and are not just arising locally.

- Health and Adult Social Care and ICS Integration (**£4.8m**) where there are capacity pressures within Reablement support, requiring additional spot purchasing.
- The Chancellor of Essex portfolio (**£4.4m**), where there is pressure relating to the delay in delivery of the organisation wide staffing review saving.

These pressures are offset by:

- Other Operating Costs, **£7m** under spend driven by higher levels of income on interest earned from treasury management activity due to rising interest rates, plus reduced expectations on capital financing costs following re-profiling in the capital programme.
- Under spends within Highways Maintenance and Sustainable Transport (**£4.4m**) and Chancellor of Essex RSSS (**£1.8m**) 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 **£12.2m** against the latest budget of **£319.1m**. After taking account of the budget change adjustments set out in the Half Year report, there is a residual over spend of **£3.2m**, mainly in relation to Schools cash balances. The budget change adjustments are summarised as follows:

- 2023/24 Slippage: **£11.7m** (£6.1m into 2024/25, £405,000 into 2025/26, £1.8m from 2026/27 and £7.1m into 2027/28)
- Additions: **£25.4m**
- Reductions: **£7.8m**
- 2023/24 Advanced Works: **£3.3m** (£1.1m from 2024/25, £2.1m from 2025/26 and £87,000 from 2027/28)

3.4 Responses to questions raised at Corporate Policy and Scrutiny Committee in July 2023 will be included in the presentation to the Committee at the meeting.

4 List of Appendices

2023/24 Half Year Cabinet Report (FP/036/02/23) – [2023/24 Half Year Cabinet Report](#)