

<b>Report title:</b> 2022/23 Provisional Outturn Report	
<b>Report to:</b> Corporate Policy and Scrutiny Committee	
<b>Report author:</b> Cllr Christopher Whitbread, Cabinet Member for Finance, Resources and Corporate Affairs	
<b>Date:</b> 25 May 2023	<b>For:</b> Consideration
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<b>County Divisions affected:</b> All Essex	

## 1. Purpose of report

- 1.1 This item is to consider the 2022/23 Provisional Outturn report, as presented to Cabinet on 23<sup>rd</sup> May 2023.

## 2 Background

- 2.1 The Council presented its 2022/23 Provisional Outturn report to May Cabinet. There was a net under spend of £11.7m (1.2%), against a revenue budget of £958m. Approval was sought from Cabinet to appropriate this to earmarked revenue reserves, predominantly to provide some financial risk mitigation against escalating costs in the short to medium term, as well as further support to deliver Everyone's Essex strategic aims.
- 2.2 For the Capital Programme there was an under spend £15.2m (6.3%) against a budget of £240.1m.

## 3 2022/23 Provisional Outturn Report

- 3.1 This has been another exceptional and peculiar year, with underlying volatility in expenditure and uncertainty in forecasting prevailing throughout 2022/23 due to an inflation rate over double that forecast when the budget was set in February 2022, rising interest rates, and the impact of the realisation of pent-up demand from the pandemic. Therefore, not unexpectedly, we have seen movements across portfolios in the provisional outturn figures when compared to our Quarter 3 forecasts. This has resulted in a better year end position than expected, mainly impacting Other Operating Costs, Adult Social Care and Children's Services.
- 3.2 We continue to face an extremely challenging period across the medium term, with inflation continuing to hover close to the 40-year high seen a few months ago. Whilst the Bank of England maintains its assumption that inflation is due to fall dramatically during 2023 (albeit at a slower rate than it previously

assumed) we have yet to see any meaningful decline to date. We also face growing demand pressures, particularly in social care services, and have no clarity on funding beyond the 2023/24 financial year. Robust financial management over the last year, despite the exceptional circumstances the Council has faced, has enabled recommendations in this report that will offer some financial risk mitigation in the short term to the impact of escalating costs, alongside some opportunities for one-off investment in our key priorities.

- 3.3 The Provisional Outturn Cabinet report sets out an under spend on revenue of £11.742m (1.2%) against a budget of £957.983m. This position is after adjusting for proposals to carry forward under spends for use in 2023/24 and reserve movements. £12.830m of the under spend is driven by reduced capital financing costs, due to lower than anticipated borrowing for the capital programme because of delivery slippage, and additional income from interest receivable due to higher than budgeted interest rates. This is partially offset by an adverse position on Funding of £1.437m, where the Business Rate Compensation grant was less than budgeted. This leaves £349,000 due to net under spends on services.
- 3.4 It was proposed the net under spend of £11.742m be appropriated into earmarked revenue reserves as follows:
- **£8m** to the Reserve for Future Capital Funding to provide some level of resilience to the growing cost escalation risk across the £1.2bn capital programme
  - **£3m** to a new Highways reserve to support one-off investment in Highways
  - **£742,000** to the Technology and Digitisation reserve to support ongoing digital transformation, including any emergent pressure coming from 2030 work
- 3.5 £6.5m of approvals were sought in the Provisional Outturn report to appropriate under spends to the Carry Forward Reserve to support the 2023/24 budget and specific risks.
- 3.6 The economic outlook for the Council remains uncertain. Bank of England projections show an expected sharp decline in inflation during 2023 but there is currently little evidence of this decline commencing and an increasing risk that continued high prices may impact 2023/24 spending. We also face increasing demand for our services, particularly in Social Care and have the inherent risk of the continued absence of a multi-year funding settlement from central government threatening our financial stability. However, we will continue to plan moving forwards to ensure we spend within our means.
- 3.7 The Capital Programme had an under spend of £15.2m against the latest budget of £240.1m. This has been driven across a number of schemes, predominantly for reasons outside of the Councils control. The budget change adjustments are summarised as follows:

- Slippage of £31.4m (£25.3m into 2023/24, £5.7m into 2024/25, £180,000 into 2025/26 and £262,000 into 2027/28)
- Budget additions of £36.2m
- Budget reductions of £33.4m
- Advanced works of £13.3m (£12.9m into 2023/24 and £387,000 into 2024/25)

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

#### **4 List of Appendices**

2022/23 Provisional Outturn Cabinet Report – [2022/23 Provisional Outturn Cabinet Report](#)