

2023/24 Third Quarter Report

Corporate Policy and Scrutiny Committee

25th January 2024

Purpose and key messages

Purpose

1. To provide an overview of the 2023/24 Third Quarter position
2. To respond to the Committee on questions around the 2023/24 financial position

Key messages

- Inflation is now falling but remains double the Bank of England target at 4%. Furthermore, there is continuing volatility that risks the position - including ongoing demand for services, particularly across Children's Social Care and Home to School Transport – such pressures are being seen nationally due to increasing complexity of need, as well as escalating supplier costs.
- **Revenue over spend of £4.5m (0.5%) forecast** at the third quarter stage
- **£16m** of pressure 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.
- Still focussing on prioritising our resources to achieve the strategic aims outlined in Everyone's Essex. Since start of the year there has been **£1.6m** of funding approved towards our key strategic priorities.
- **Capital under spend of £16.5m (5.1%)** against the latest budget of £323.8m. After proposed adjustments there is a residual over spend of **£3.2m**

Third Quarter 2023/24

Revenue



£4.5m over spend (**0.4%**)

Key Drivers

Children's **£20.6m** - higher levels of complexity and cost of placements

Adult Social Care **£3.5m** - Older People Residential and Nursing Care and Reablement Capacity Issues

Delay in delivery of the organisation wide Staffing Review saving **£5m**

Home to School **£4.9m** - complex passenger needs pushing up the contractual price

Over spends

Savings



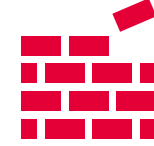
£35.5m planned in 2023/24.
£3.1m at risk of non-delivery

Under spends

Other Operating Costs **£18m**
- rising interest rates and larger cash balances plus reduced expectations on capital financing costs

Energy costs **£9.1m** – unit rates are now nearly half that assumed in budget

Capital



£16.5m under spend (**5.1%**)

Slippage /
Reductions

Economic Investment **£8.9m**

A1331 Link **£2.8m**

Colchester Rapid Transit **£4.7m**

Chelmsford NE Bypass **£2.8m**

Highways Maintenance **£2.9m**

Major Schemes **£2.5m**

Additions /
Advance

Beaulieu Park Station **£11.7m**

Reserves – Summary of Proposals at Third Quarter

Proposals within the report are classified as follows:

- **£3.3m** relating to funds being drawdown from reserves to support one-off expenditure relating to various projects and schemes.
- **£2.7m** relating to funds being appropriated to reserves, to help support anticipated future costs
- **£1.1m** relating to funds being drawn down from reserves that require reapproval as previous decisions have now time lapsed.

Essex County Council 2024/25 – 2027/28 Budget Planning

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Key Messages



We are an excellent authority: one of the most efficient Councils in the country



We **benchmark** as a **low tax** authority



Judged **Outstanding** for Children's Services



Secured huge sums for **major infrastructure projects**



But we face many challenges to our financial sustainability:



Government funding - £31m of additional funding announced for 2024/25 (excl Dedicated Schools Grant)

HOWEVER, pressure of over **£100m** will be seen in 2024/25, and no certainty beyond 2024/25



Ongoing impact of high inflation and interest rates and low growth – increasing demand for services and creating potential taxbase resilience issues (tax income c.£1bn)

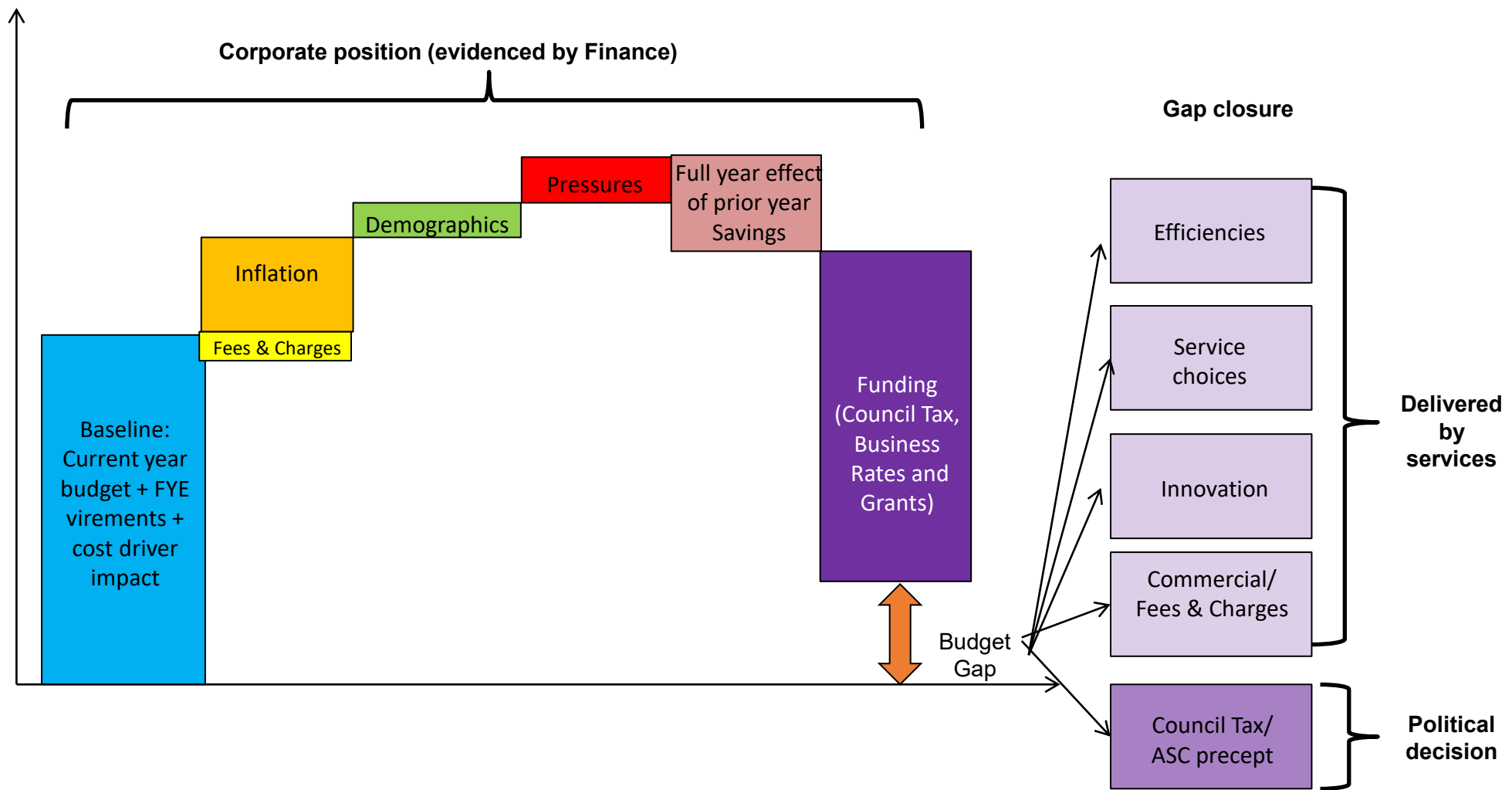


Over **£80m of the pressure is in social care** – increasing demand, complexity, inflation driven by NLW and market sufficiency issues



High Needs Block and SEN – annual cost increase of **7% (c. £15m)** vs **3%** additional funding. This failure to keep pace means we forecast to be in **deficit by end of 2025/26**

Reminder - how the budget is built



ECC Budget

2022/23	2023/24	2023/24			2024/25	
Actuals	Original Budget	Latest Budget		Gross	Income	Total Net
£000	£000	£000	Portfolio	Expenditure	£000	Specific Grants
				£000		£000
149,788	119,617	122,749	Children's Services and Early Years	367,101	(11,292)	(211,296)
84,031	94,467	93,427	Climate Czar, Environment, Waste Reduction and Recycling	94,032	(4,905)	(98)
26,372	19,050	27,272	Education Excellence, Life Long Learning and Employability	625,701	(29,178)	(577,123)
479,355	441,992	450,898	Health, Adult Social Care and ICS Integration	881,395	(180,833)	(231,734)
117,027	120,829	123,811	Highways, Infrastructure and Sustainable Transport	148,970	(20,668)	(6,236)
2,070	2,136	2,227	Leader	2,050		
6,355	5,147	6,400	Levelling Up, Communities and Business Engagement	7,864	(2,432)	(92)
9,220	6,184	10,745	Planning a Growing Economy	13,599	(5,219)	(31)
26,450	23,825	27,587	The Arts, Heritage and Culture	42,930	(14,089)	(2,068)
11,046	8,974	7,248	The Chancellor of Essex	16,824	(1,948)	
76,306	134,507	88,352	Other Operating Costs	161,027	(24,686)	
1,948	1,970	2,046	Leader RSSS	1,900		
6,716	6,558	6,859	Levelling Up, Communities and Business Engagement RSSS	7,229	(559)	
998	1,140	1,122	Planning a Growing Economy RSSS	1,155		
96,901	100,638	114,837	The Chancellor of Essex RSSS	123,291	(22,709)	
1,094,582	1,087,035	1,085,581		2,495,068	(318,517)	(1,028,677)
						1,147,874

Make up of Funding:

	2024/25
	£m
Council Tax	855.5
Revenue Support Grant	22.7
Non-Domestic Rates	194.6
General Government Grant	75.1
Total Funding	1,147.9

The draft budget for 2024/25 assumes a total tax increase of 4.99% of which:


- 2% is Adult Social Care precept
- 2.99% is core Council Tax increase

This equates to a Council Tax of £1,522.53 for a Band D property, an increase of £72.36 a year (or £1.39 per week)

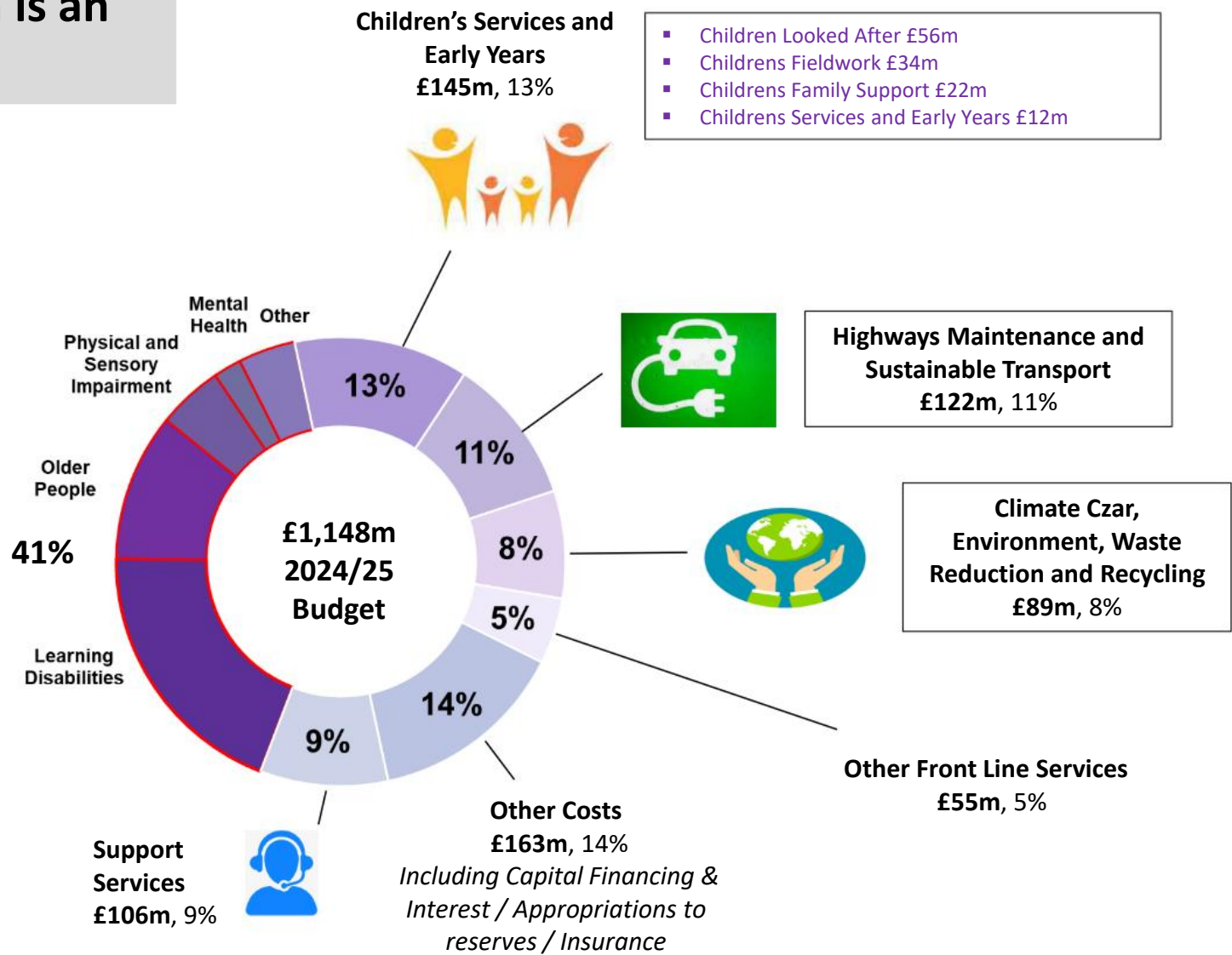
Draft Revenue Budget (Net) 2024/25

The overall cash position is an increase of 6%

Health, Adult Social Care and ICS Integration
£469m, 41%



- Learning Disabilities £222m
- Older People £122m
- Physical and Sensory Impairment £54m
- Mental Health £23m



What pressures are driving the budget position?

Total pressures of **£100m**, the most significant for 2024/25 are:

Pressure	2023/24 Value £
Social care inflation, including the impact of increases to National Living Wage	42
Demographic pressure, most significantly impacting service demand across Children’s Services £18m and Home to School Transport £11m	31
Pay Inflation	17
Impact of “adult client activity” where packages of care end and may be replaced with more costly packages due to changes in need.	11

What drives the Adult Social Care budget?



2024/25 £469m net budget
(£881m gross)

↑ £27m (6%) from 2023/24

- £11m above the additional tax income generated by the 2% ASC precept uplift
- In addition, £23.3m has been added to the ASC Investment reserve to support work on business plan delivery and market strategy development and implementation.

Main drivers of growth

- **£36m** inflation (inc National Living Wage, excl ECC pay)
- **£11m** client activity (price and complexity impact of current client group)
- **£5m** further demographic and complexity growth
- **£3m** ECC pay inflation

Partially offset by

- **£18m** savings to be delivered in 2024/25
- **£10m** additional Social Care grant

What we spend the money on

- 5,100 residential placements
- 232,000 domiciliary care hours per week

Main risks on the horizon

- Provider failure and market stability – availability of workforce, and the market's expectation about fee levels moving to the Fair Cost of Care median rate
- Increased reliance of Government Grants that fund the Adult Social Care budget

Main Expenditure Drivers



What drives the Children and Early Years budget?



2024/25 £145m net budget
(£367m gross)

↑£25m (20%) from 2023/24

In addition, **£6.2m** has been added to the Children's Risk Reserve and **£4.6m** in a Childrens Sustainability Reserve for potential further pressures across services supporting young people

Main drivers of growth

- **£18m** of demographic pressure – mainly across placements
- **£6m** inflation (excl ECC pay)
- **£2m** ECC pay inflation

Partially offset by

- **£3m** savings to be delivered in 2024/25

What we spend the money on

- **£77m** - Staffing **1,473 FTE**
- **£78m** - Placements (1,184 young people), **28%** is fostering, **38%** high-cost residential, **14%** on Semi Independent Living
- **£12m** - Supporting other placements to prevent children entering care and direct payments to service users

The main risks on the horizon

- Placement Sufficiency – usage of unregistered placements
- Delivery of savings in fostering
- Possible ending of Family Solutions funding
- Increasing remand costs
- Recruitment to internal residential provision

What drives the Highways, Infrastructure & Sustainable Transport budget? (Part 1)



2024/25 Revenue: £122m budget **↑ £1.2m (1%)**

2024/25 Capital: £134m (£485m over the 4-year programme)

Main drivers of growth

- **£15m** Home to School Transport demand and price

Partially offset by

- **£8m** reduction in energy unit prices
- **£6m** savings

What is the Revenue budget spent on?

Highways



5,100 miles of roads	4,000 miles of footways	131,000 lighting columns
4,000 miles of public rights of way	1,600 structures	300,000 gullies

- **£15m** - roads and footways maintenance including:
 - ☐ Winter gritting over 2,000 miles of roads, and filling salt bins
 - ☐ Emergency response, making safe damaged assets, dangerous defects, or clearing up after traffic accidents
 - ☐ Repairing pot holes, cycleways, footways, kerbs, drainage pipes, manhole covers, street furniture
 - ☐ Responding to and clearing flooded roads
 - ☐ Cutting grass verges and maintaining Special Verges for biodiversity, treating weeds
 - ☐ Cleaning out gullies, Repairing or replacing traffic signs and bollards
 - ☐ Dealing with trees to keep the public safe
- **£14m** - the A130 PFI contract until 2030
- **£8m** - street lighting energy and maintenance

What drives the Highways, Infrastructure & Sustainable Transport budget? (Part 2)



2024/25 Revenue: £122m budget ↑ £1.2m (1%)

2024/25 Capital: £134m (£485m over the 4-year programme)

What is the Revenue budget spent on?

Transport



- **£50m** - Home to School Transport - Over **13,000 students** access to attend education settings across mainstream, SEN and post 16 provisions, based on eligibility. £15m increase year-on-year
- **£28m** - Passenger Transport - concessionary fares (bus pass funding, £16.5m) and supported local bus services (£11.3m). **175 local bus routes** supported.

What is the Capital budget spent on?

- **£39.3m** - carriageway resurfacing
- **£14.1m** - Colchester Rapid Transit system (HIF)
- **£11.4m** - Harlow Sustainable Transport Corridor
- **£10m** - inspecting, repairing, replacing the 1,600 highway bridges and structures
- **£9m** - footway resurfacing and repairs
- **£3.4m** - Local Highways Panels
- **£3m** - Street Lighting replacement

Capital Programme

2022/23	2023/24		2024/25	2025/26	2026/27	2027/28	Four Year Total
Actuals £000	Latest Budget £000		Budget £000	Aspirational £000	Aspirational £000	Aspirational £000	£000
1,478	4,913	Children's Services and Early Years	8,965	1,463	485	505	11,418
735	886	Climate Czar, Environment, Waste Reduction and Recycling	1,000	1,000	1,000	1,000	4,000
44,482	49,472	Education Excellence, Life long Learning and Employability	66,578	51,659	26,723	50,523	195,483
144	571	Health, Adult Social Care and ICS Integration	1,811	6,081	3,840	-	11,731
114,030	155,817	Highways, Infrastructure and Sustainable Transport	134,372	174,857	98,714	76,549	484,491
26,359	65,977	Leader	71,473	93,688	23,729	24,098	212,988
143	116	Levelling Up, Communities and Business Engagement	133	100	100	100	433
26,043	34,799	Planning a Growing Economy	25,245	57,557	31,449	2,564	116,815
31	1,695	The Arts, Heritage and Culture	1,753	1,750	1,400	-	4,903
11,436	9,600	The Chancellor of Essex	8,732	6,500	6,500	6,200	27,932
224,881	323,845	Total Capital Programme	320,063	394,654	193,940	161,538	1,070,196

Financed By:

2022/23	2023/24		2024/25	2025/26	2026/27	2027/28	Four Year Total
Actuals £000	Latest Budget £000		Budget £000	Aspirational £000	Aspirational £000	Aspirational £000	£000
6,422	3,578	Capital Receipts	5,100	2,700	4,300	10,200	22,300
16,022	34,122	Contributions	34,837	26,182	18,274	33,633	112,926
110,521	164,936	Grants	178,351	209,991	94,666	70,739	553,746
6,000	16,368	Reserves	8,410	4,500	4,500	4,500	21,910
85,916	104,841	Unsupported Borrowing	93,365	151,281	72,200	42,467	359,313
224,881	323,845		320,063	394,654	193,940	161,538	1,070,196

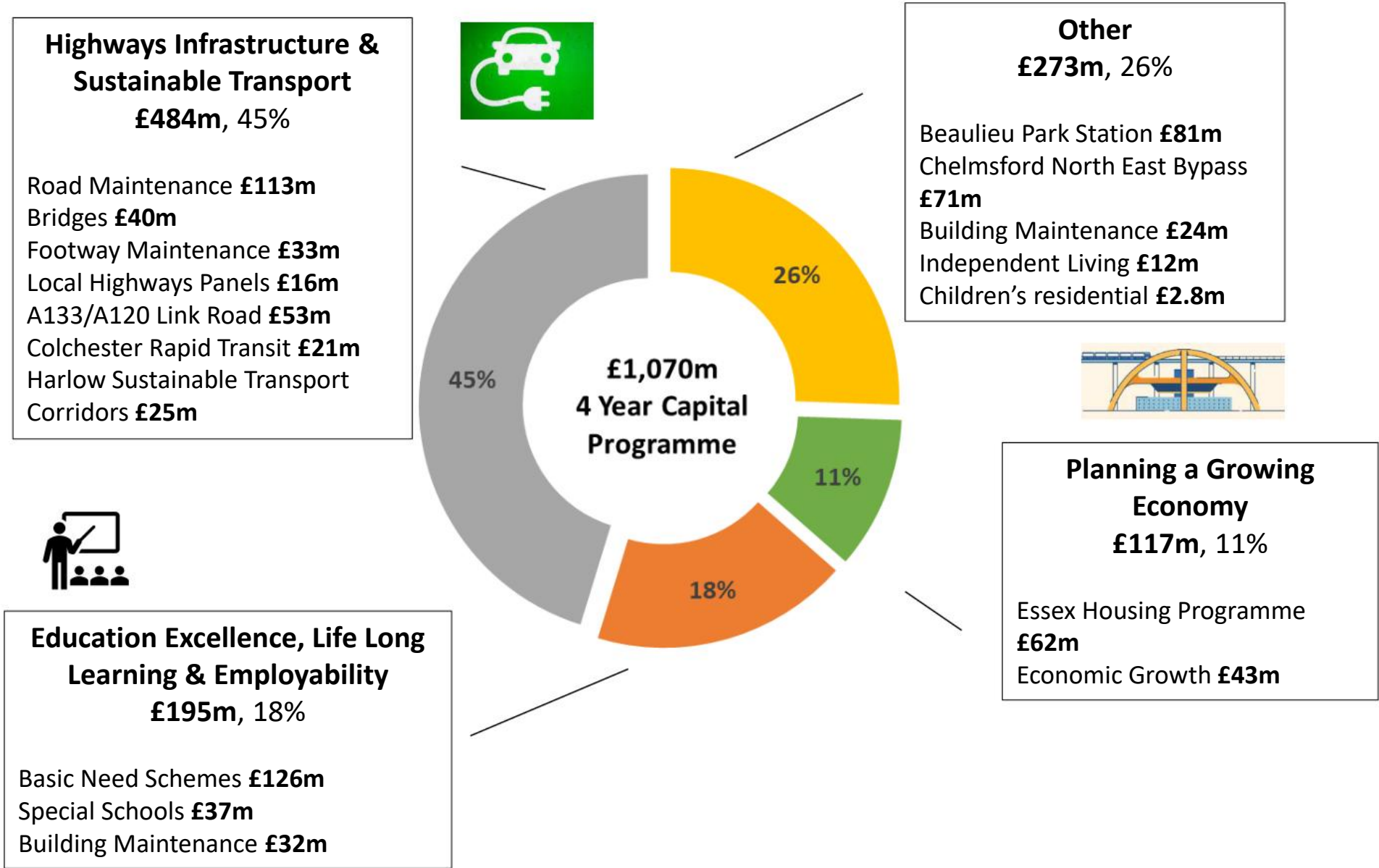


The annual gross revenue cost of financing the capital programme including the aspirational programme is **£69m** in 2024/25, rising to **£89m** by 2027/28

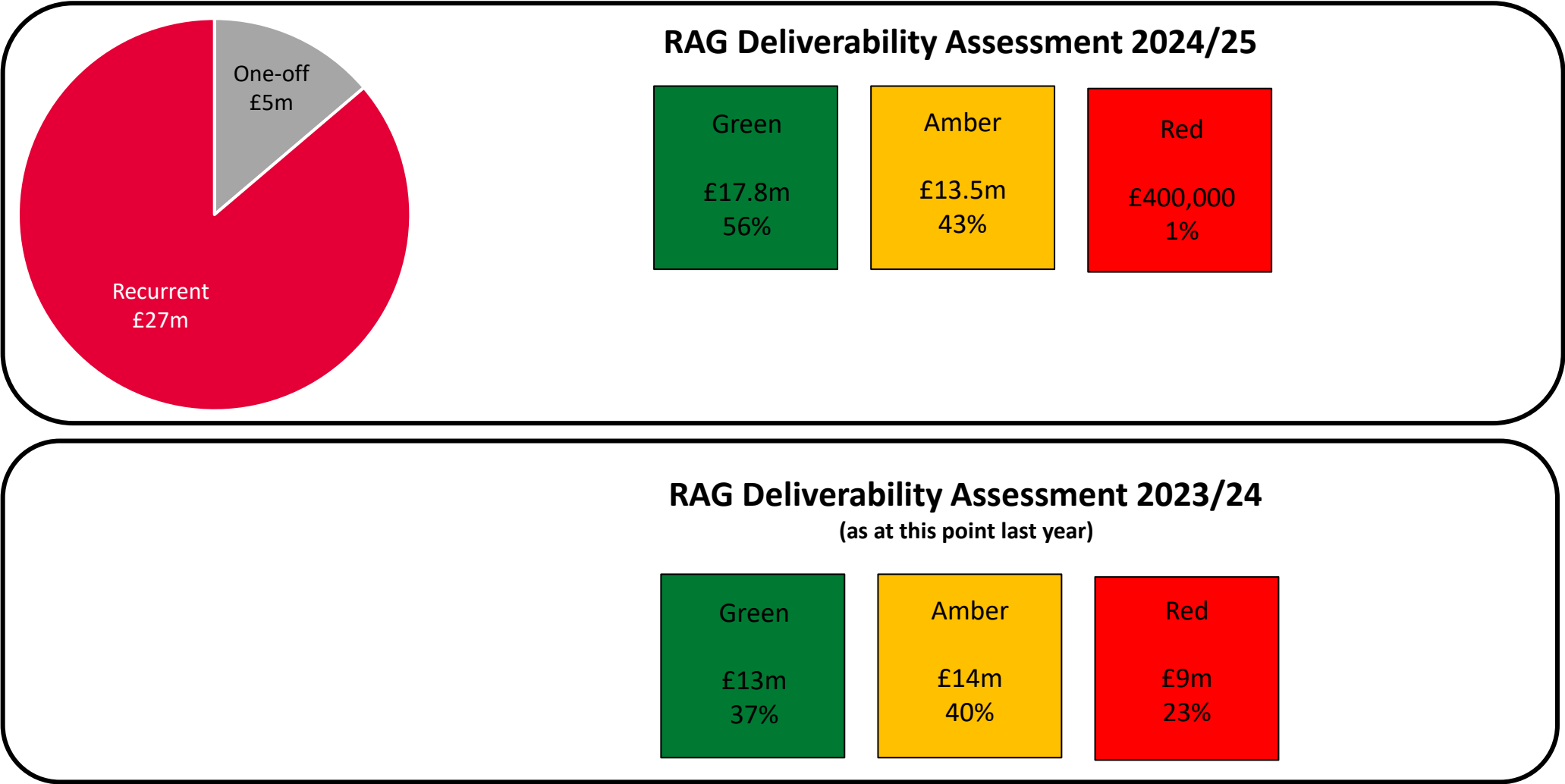


£25m (8%) of the 2024/25 programme is invest to save or deliver a return – this rises to £55m in 2025/26

Draft 4 Year Capital Programme (2024/25 – 2027/28)



£32m Savings for 2024/25



We have a proven track record of delivering savings, with over £1bn delivered since 2008. The early assessment of 2024/25 savings is improvement to the assessment of the 2023/24 savings at the same point in time. With less high-risk savings being assessed in 2024/25

£32m Savings for 2024/25

Over 60% of £32m delivered through 8 major schemes

Saving	£m	Description
Adult Social Care - Meaningful Lives Matter Programme	5.0	(a) Develop individual potential and independence by providing the infrastructure, opportunities and support people need to flourish (b) To make this happen by working with the market to ensure there are appropriate alternatives to traditional care models that support this approach, including reducing reliance on residential care.
Passenger Transport - Local Transport Fund grant - one off saving	3.6	One-off use of local Transport Fund grant - no impact on existing services
Adult Social Care - Connect Programme	3.5	Ensure that the adult is offered the most appropriate support for them by optimising services around what adults need, and by working to improve the volume of adults who can be supported, with an emphasis on people being enabled to return home where this is possible, with support to regain as much independence as possible.
Adult Social Care - Care Technology	2.5	Ensure that people have a better technology support offer from the Council to enable them to live independently and to prevent the escalation of needs
Adult Social Care - ECL Opportunities	1.5	Contractual efficiencies with Essex Cares Ltd
Adult Social Care - Supporting Independence Reviews	1.5	Review adults with learning disabilities who are not currently getting the best outcomes to identify the most appropriate option with the objective of maximising their independence and quality of life. The savings will be realised from more efficient and higher quality service delivery made possible through appropriate housing options and increasing use of community assets
Adult Social Care - Inflation Modelling	1.4	More targeted inflation offer
Passenger Transport - Reduction to the concessionary fares budget	1.0	Trends in lower passenger numbers should secure lower operators costs
Other Savings	11.7	
Total	31.7	

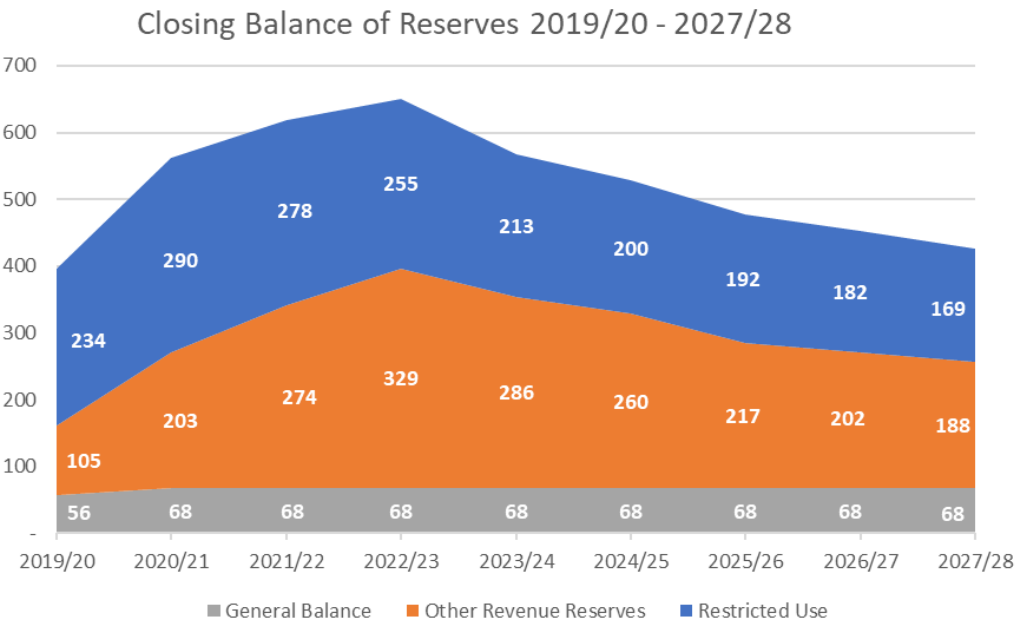
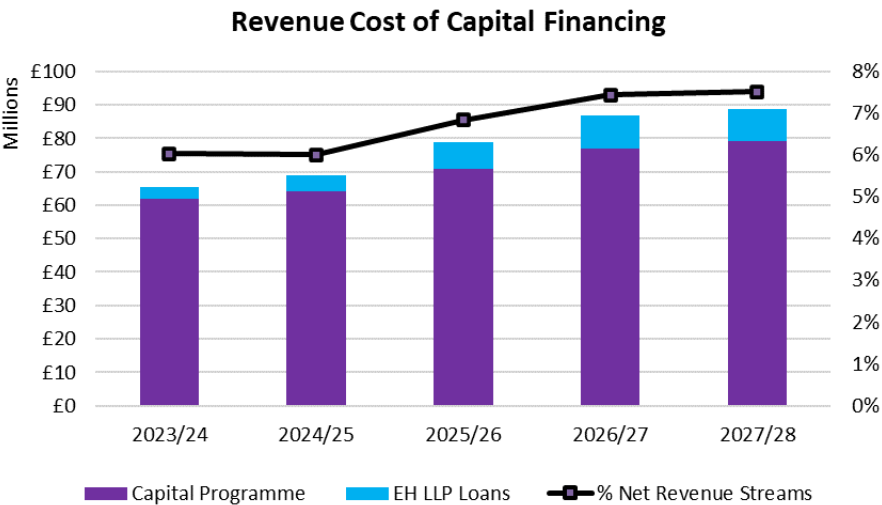
Risk and uncertainty

The budget is set on assumptions and economic forecasts, but there is inherent risk and uncertainty: **Key risks that lie ahead include:**

1. **Sustainability of collection of taxes** £1.1bn of our funding is from local rates or tax. The impact of the current economic climate on our tax base to date has been lower than anticipated, but still a risk this could change in the near future
2. **Saving delivery** Inflation risk and new burdens may impact savings delivery in 2024/25 and knock on effect into future years. There is also the risk that plans cannot be developed in-time to fully offset or mitigate these challenges.
3. **Market failure and sufficiency in Social Care** Pressures have increased steadily over the past 2 years and are now challenging the capacity and sufficiency of markets to meet demand, creating a knock-on price impact.
4. **Children in Care placements** The mix of pent up demand post pandemic and the cost of living crisis are driving national increases in complexity and numbers.
5. **Uncertainty of Government Funding** Still no multi-year settlement; particular concern from 2025/26 linked to social care reform, and concern around further reductions to funding, as seen for 2024/25.
6. **Inflation and interest rates** Any volatility in expected falls in both measures will impact in the short and medium term

Diligent management of debt and reserves

Our strategy will **plateau** the level of **debt from 2027/28** and mitigate the impact of high interest rates – this still leaves an aspirational **4-year capital programme of £1.070bn**



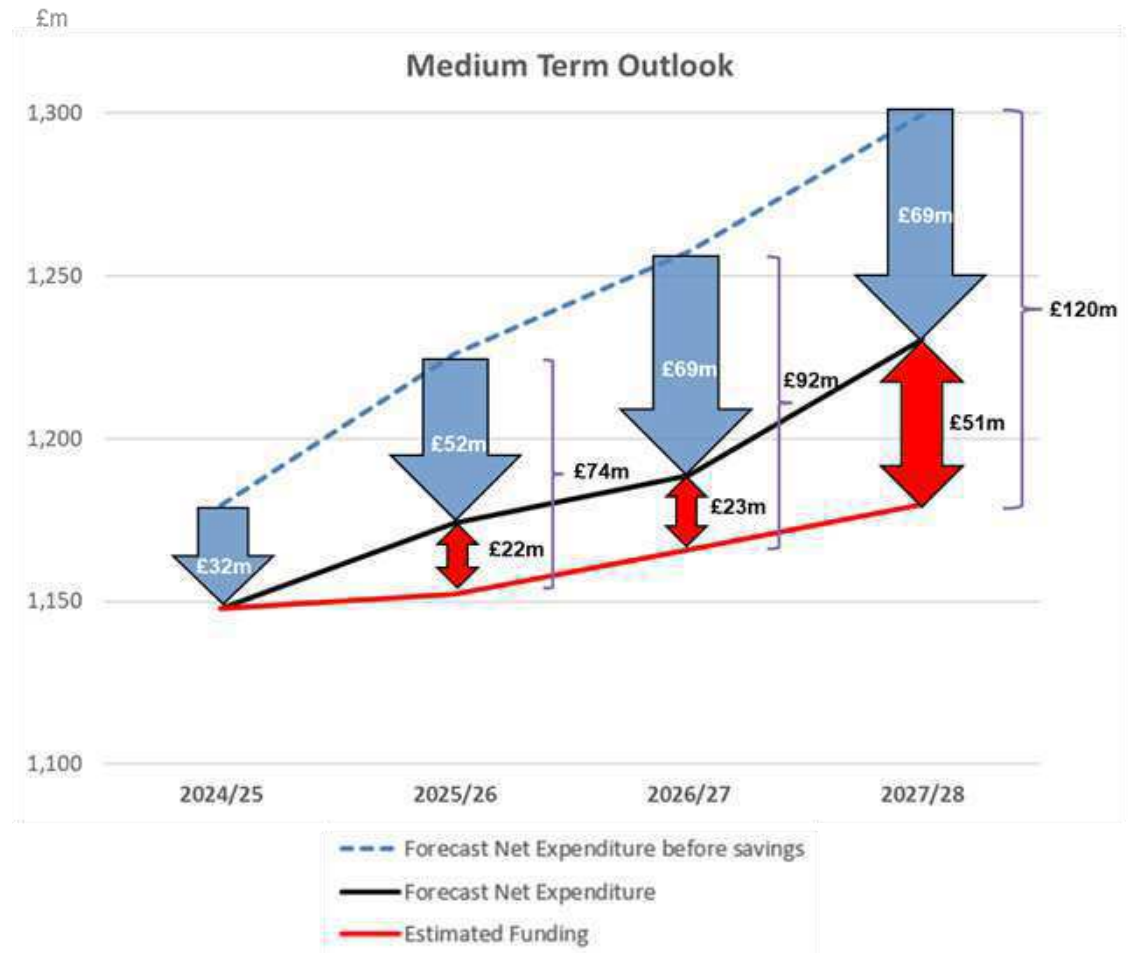
Reserves play an essential part in the financial strategy, **cushioning against significant risks** and providing a source of one-off funding to **transform services and achieve future savings.**

Over the next four years we **plan to draw on reserves** to develop strategic priorities in line with the Everyone’s Essex plan and deliver significant Whole Council transformation activity

Medium Term

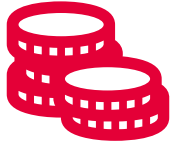
Whilst we propose a balanced budget for 2024/25, there remains significant challenge over the medium term with a forecast gap of:

- **£51m by 2027/28**
- **After** delivering £69m of planned savings
- Will need to **continue to make difficult choices to maintain financial balance** whilst focusing on our strategic aims
- Position reflects the **4.99%** total Council Tax increase in 2024/25, no further tax increases modelled



Excellent financial management and diligent management of reserves remains critical in ensuring resilience through these times

Budget – Next Steps



Districts can amend their tax bases (Council Tax and Business Rates) until end of January
Local Government Financial Settlement – expected early February



Council – 13th February



Continue to lobby government on:

- Future of local government funding and medium term certainty
- Specific funding and flexibilities for key pressure areas including Children’s Social Care, SEN and Home to School Transport

Work continues on re shaping and transforming ECC to **achieve financial sustainability in the medium term** while **safeguarding outcomes for our residents**, and achieving the “Everyone’s Essex” **ambitions**