

Forward Plan Reference Number: FP/303/02/22

Report title: 2022/23 Financial Overview as at the First Quarter Stage	
Report to: Cabinet	
Report author: Cllr Christopher Whitbread, Cabinet Member for Finance, Resources and Corporate Affairs	
Date: 19 July 2022	For: Decision
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County Divisions affected: All Essex	

1 Everyone's Essex

- 1.1 The Everyone's Essex Annual Plan and Budget was set for 2022/23 at Council in February 2022. The plan set out the Everyone's Essex strategic aims and commitments, alongside a budget to enable delivery of our aims, while also maintaining the financial sustainability of the Council.
- 1.2 The purpose of this report is to set out the current forecast financial position of Essex County Council's (ECC) revenue and capital budgets as at the first quarter stage of the 2022/23 financial year. The report highlights that, while there is a small forecast over spend of 0.5% against a net revenue budget of **£1.1bn**, the short to medium term outlook remains incredibly challenging, with demand uncertainty, market volatility and rising inflation alongside cost of living impacts.
- 1.3 The financial year has started in unprecedented circumstances. Inflation is now at 9.1%, with the expectation it will pass 10% by the end of the year, over double the council tax rise applied this year, and the potential for a longer peak than previously anticipated. The forecast currently reflects additional inflation pressures of circa £6.4m, crossing a number of areas, with £2.5m proposed to be funded from reserves through recommendations in this report. It is likely further inflation pressures will arise as we progress through the year, as well as other unknowns, including any further impacts of the Covid-19 pandemic and ongoing demand for services. These will be carefully monitored, and are likely to result in ongoing volatility of expenditure as we move through the year, making it difficult to produce an accurate forecast.
- 1.4 Despite these challenges, our focus remains on prioritising our resources to achieve the strategic aims outlined in Everyone's Essex. £1.3m was recently prioritised to support Levelling Up in Essex through extending the Essex ActivAte programme to 2025, and commitment to delivering new physical activity projects in Tendring and Basildon.

2. Recommendations

Approval is sought for the following:

2.1 To draw down funds from reserves as follows:

- i. **£2.2m** from the Adults Transformation Reserve to the Adult Social Care and Health portfolio for the following Programme costs: Meaningful Lives Matter **£1.3m**, Newton Connects **£367,000**, Choice & Control **£330,000**, Physical and Sensory Impairment **£170,000** and Transforming Community Care & Dementia **£102,000** (section 5.1.v)
- ii. **£1.5m** from the General Risk Reserve to the Highways Maintenance and Sustainable Transport portfolio to cover increased energy prices from September 2022 (section 5.9.iii)
- iii. **£1.2m** from the Essex Climate Change Commission Reserve to the Leader portfolio towards the costs of implementing a programme to respond to the recommendations in the Essex Climate Action Commission Interim Report and to deliver the Essex Green Infrastructure Strategy. This is as per the previously approved CMA FP/898/11/20 which has now time lapsed (section 5.10.ii)
- iv. **£999,000** from the General Risk Reserve to the Finance, Resources and Corporate Affairs RSSS portfolio to fund increased energy costs in 2022/23 owing to current energy price rises, inflation and new contract rates (section 5.15.iii)
- v. **£964,000** from the Adults Transformation Reserve to the Adult Social Care and Health portfolio relating to investment in Business Support staff in the Countywide Duty Team, Welfare Independent Practitioners social work posts to support the tackling of the backlogs and increased volumes in activity (section 5.1.v)
- vi. **£940,000** from the Covid Equalisation Reserve to the Economic Renewal, Infrastructure and Planning portfolio (**£571,000**) and the Education Excellence, Life Long Learning and Employability portfolio (**£369,000**). This relates to the Economic Recovery Programme, previously approved in Cabinet Member Action (CMA) FP/844/10/20 but has since time lapsed, as follows: Economic Growth **£468,000**, Employability and Skills **£369,000** and Sector Development **£103,000** (section 5.5.ii and 5.7.ii)
- vii. **£818,000** from the Covid Equalisation Reserve to the Highways Maintenance and Sustainable Transport portfolio to cover the income shortfall as a result of the pandemic on the Park and Ride service (section 5.9.iii)

- viii. **£665,000** from the Private Finance Initiatives (PFI) Equalisation Reserves to the Education Excellence, Life Long Learning and Employability portfolio in relation to Debden PFI (**£495,000**) and Clacton secondary schools PFI (**£170,000**) (section 5.7.ii)
- ix. **£583,000** from the Covid Equalisation Reserve to the Finance, Resources and Corporate Affairs RSSS portfolio in relation to Covid pressures on: Transformation and Delivery service **£218,000** originally approved via CMA FP/856/10/20 but has since time lapsed, People and Transformation service centre **£143,000**, Business Support **£131,000** and Resource Strategy staffing **£91,000** (section 5.15.iii)
- x. **£562,000** from the Everyone's Essex Reserve to the Devolution, the Arts, Heritage and Culture portfolio for payments due to successful bidders who have been awarded funding from the Arts and Culture Grant Fund. This relates to CMA FP/250/12/21 Arts and Cultural Fund which was previously approved but has since time lapsed (section 5.4.ii)
- xi. **£439,000** from the Adults Transformation Reserve to the Adult Social Care and Health portfolio relating to the following projects; expenditure for Bedfinder **£199,000**, Mental Health staffing **£86,000**, Mental Health accommodation resource **£80,000** and My Care Record **£74,000** (section 5.1.v)
- xii. **£324,000** from the Technology and Digitisation Reserve to Finance, Resources and Corporate Affairs RSSS portfolio for the Azure Technology **£300,000** and for project staffing **£24,000** (section 5.15.iii)
- xiii. **£99,000** from the Community Initiatives Fund Reserve to the Community, Equality, Partnerships and Performance RSSS portfolio to fund payments to community groups that have been awarded small grants (section 5.13.ii)
- xiv. **£85,000** from the Adults Transformation Reserve to the Adult Social Care and Health portfolio relating to the resourcing of the Adults Digital Programme (section 5.1.v)
- xv. **£76,000** from the Children's Transformation Reserve to the Children's Services and Early Years portfolio in order to fund an Anti-Racism Service Manager (section 5.2.ii)
- xvi. **£70,000** from the Covid Equalisation Reserve to the Leader RSSS portfolio relating to the Communications and Marketing team for pandemic related activity (section 5.16.ii)
- xvii. **£40,000** from the Covid Equalisation Reserve to the Adult Social Care and Health portfolio for additional resources relating to the Specialist

Sensory Support Services contract with Essex Cares Limited (ECL)
(section 5.1.v)

- xviii. **£22,000** from the Adults Risk Reserve to the Adult Social Care and Health portfolio for Market Support expenditure (section 5.1.v)
- xix. **£22,000** from the Quadrennial Election Reserve to the Community, Equality, Partnerships and Performance RSSS portfolio relating to costs of the May 2021 elections (section 5.13.ii)

2.2 To appropriate funds to reserves as follows:

- i. **£3.8m** to the Transformation Reserve from the Highways Maintenance and Sustainable Transport portfolio to support future work in the Passenger Transport service (section 5.9.iii)
- ii. **£151,000** to the Private Finance Initiatives (PFI) Equalisation Reserves from the Education Excellence, Lifelong Learning and Employability portfolio in relation to Building Schools for the Future (section 5.7.ii)
- iii. **£114,000** to the Commercial Investment in Essex Places Reserve from the Finance, Resources and Corporate Affairs portfolio to protect against tenancy voids (section 5.8.ii)

2.3 To approve the following adjustments:

- i. Vire **£465,000** from within the Highways Maintenance and Sustainable Transport portfolio from Essex Highways Operations to Essex Highways Commissioning, following the Essex Highways re-organisation (sections 5.9.iii)
- ii. Adjust the profile of spend of the Children and Families Covid-19 Response as originally set out and approved in CMA FP/072/05/20 to **£1.9m** in 2022/23 and **£132,000** in 2023/24 in order to reflect the current anticipated spend.
- iii. Adjust the profile of spend of the Impacts of Covid ASC as originally set out and approved in CMA FP/886/11/20 to **£1m** in 2022/23 in order to reflect the current anticipated spend.
- iv. To amend the capital budget as shown in Appendices C (i) and C (ii) which allows for capital slippage of **£4m**, with £3.7m slipped into 2023/24 and £324,000 into 2024/25. Capital budget additions of **£10.9m**, capital budget reductions of **£17m** and advanced works of **£663,000** (£4.8m to be advanced from 2024/25, £663,000 into 2022/23 and £4.1m into 2023/24 (see section 7.2).

3. Executive Summary: Revenue

- 3.1 Appendix A summarises the revenue budgets and forecast outturn for each portfolio. There is a full year forecast over spend of **£5.1m (0.5%** against a net budget of **£1.1bn**). The overall over spend position is driven by pressures within the Adult Social Care and Health, and the Finance, Resources and Corporate Affairs RSSS portfolios and specifically:
- i. Adult Social Care and Health **£3.4m** - There are significant over spends in Residential Care, Nursing Care and Reablement driven by demand, which continues to be difficult to accurately predict, market capacity issues and potential non-delivery of savings.
 - ii. Finance, Resources and Corporate Affairs RSSS **£2.6m** mainly due to the saving within Property for the exit of County Hall, which is unachievable as this will not be completed by 2022/23, plus pressure on utilities budgets, given forecast market rates.
- 3.2 The Council finds itself in an economic environment of inflation quickly rising to a 40 year high, with an expectation this will increase to over 10%, a level which will be potentially sustained for an extended period of time. For context, when the budget for 2022/23 was set, inflation predictions were for a peak of 5.5%. Alongside this, we continue to face uncertain levels of demand for many of the services we deliver, in what are difficult circumstances. All of these factors will require careful monitoring and are likely to result in ongoing volatility of forecasting as we move through year, which makes it difficult to produce an accurate forecast.
- 3.3 Within the forecast position, inflation pressures of £6.4m have been identified, impacting Transport providers and fuel costs, energy costs for street lighting and the ECC estate, and Adult Social Care. As we progress through the year these pressures will likely increase, as we gain better insight on actual and potential inflation impacts through procurement activity and supplier interactions. The report includes recommendations to draw down £2.5m from the General Risk Reserve to fund pressures seen to date, which leaves capacity to fund further pressures as they develop through the remainder of the year.
- 3.4 We continue to face the impact of Covid, on demand for our broad range of services, as well as with capacity of providers to deliver our requirements. We still face pressures, and continue to provide support to markets, particularly in Adult Social Care with staffing recruitment and retention. Within this report recommendations are included for £2.7m of drawdowns from the Covid Equalisation Reserve, and further drawdowns will occur throughout the year as further pressures develop, or we see new waves of the pandemic that impact on the financial position.
- 3.5 The position reported in section 5 is after proposed adjustments in this report, set out in sections 2.1 to 2.3.

4. Executive Summary: Capital

- 4.1 The original capital programme for 2022/23 as set by Full Council in February 2022 was **£283.6m**. The forecast outturn is **£286.1m**, before adjustments proposed within this report. This represents an under spend of **£7.9m** against latest budget of **£294m**. After taking account of budget change requests in this report, there is a residual under spend of **£1.7m**. More detail is set out in Section 7.
- 4.2 The **£7.9m** under spend in the 2022/23 Capital Programme position relates to the following requests in this report:
- 2022/23 Slippage: £4m (£3.7m into 2023/24 and £324,000 into 2023/25)
 - Additions: £10.9m
 - Reductions: £17m
 - 2022/23 Advanced Works: £663,000 (£4.8m to be advanced from 2024/25, £663,000 into 2022/23 and £4.1m into 2023/24)
- 4.3 Appendix C (i) summarises current year forecasts and changes to the Capital Programme for 2022/23 since approval of the original programme in the Budget Report to Council in February 2022. Appendix C (ii) contains the detail of the budget adjustments seeking approval.

5. Revenue Position

5.1 Adult Social Care and Health – £3.4m (0.7%) over spend

- i. Adult Social Care continues to feel the consequences of paused work and backlog on teams, and of reviews and assessments, changing demographics projections and the demand for services. The care market also manages the impact with both resident population and staff recruitment and retention a factor. These elements continue to create a challenge in being able to accurately predict future demand. The Hospital Discharge Pathway funding ceased at the end of 2021/22 and there remain significant risks around the cost and demand for Adult Social Care (particularly in Nursing Care) at the point of discharge from hospital.
- ii. The Adult Social Care forecast is based on volume growth being in line with budgeted assumptions and price uplifts continuing for the remainder of the year in line with trend. The forecast makes no prediction about further savings delivery over and above that already validated. The service is actively pursuing the delivery of savings not reflected in the forecast (£4.8m Red and £8.1m Amber), and as these savings come to fruition, and if all other assumptions remain in line with budget, the over spend could turn into an under spend or be used to help offset further emerging inflationary pressures.

- iii. Public Health shows a forecast on-line position. Within this position, there is a balance of £2.8m of Contain Outbreak Management funding (COMF) that has been carried forward from 2021/22. Half of the COMF carry forward amount is earmarked to the continuation of existing projects while decisions over the remaining unallocated funds will be taken in line with the existing grant terms and conditions. There is no further expectation of Track and Trace funding in 2022/23. Of the £2.9m self-isolation grant funding awarded to ECC, £1m was unspent as at the end of 2021/22. This grant has been used to support various activities such as Citizens Advice Bureau, food banks and bereavement support, but there is no further scope for expenditure of this grant due to there being no further requirement to self-isolate.
- iv. There are a number of under and over spends across the different types of care provision where the actual current demand for services is either greater or less than the predictions made when setting the budget
- v. Approval is sought in this report for the following:
 - **£2.2m** from the Adults Transformation Reserve for the following Programme costs: Meaningful Lives Matter **£1.3m**, Newton Connects **£367,000**, Choice & Control **£330,000** and Physical Sensory Impairment **£170,000**, Transforming Community Care & Dementia **£102,000**
 - **£964,000** from the Adults Transformation Reserve relating to Business Support staff in the Countywide Duty Team, Welfare Independent Practitioners social workers posts
 - **£439,000** from the Adults Transformation Reserve relating to; expenditure for Bedfinder **£199,000**, Mental Health staffing **£86,000**, Mental Health accommodation resource **£80,000** and My Care Record **£74,000**
 - **£85,000** from the Adults Transformation Reserve to the Adult Social Care and Health portfolio relating to a fixed term post to lead the Digital Programme
 - **£40,000** from the Covid Equalisation Reserve for additional resources relating to the Specialist Sensory Support Services contract with Essex Cares Limited (ECL)
 - **£22,000** from the Adults Risk Reserve to the Adult Social Care and Health portfolio for Market Support expenditure

5.2 Children's Services and Early Years:

- **Non DSG - £927,000 (0.7%) under spend**
 - **DSG – on line**
- i. The Non DSG position is as a result of lower numbers of children in care, mainly within Internal Fostering, Children with Disabilities in residential care, the use of secure placements and respite care. This is partially offset through higher numbers in semi-independent living and with independent foster carers, as a result of the slowdown in the progress of the Essex Fostering

business case due to Covid restrictions. In addition, there has been increased expenditure to support Separated Migrant Children, which has not been covered by the grant available, together with rising travel costs, plus the staffing vacancy factor saving has yet to be fully delivered

- ii. Approval is sought in this report for the following:
 - **£76,000** from the Children's Transformation Reserve in order to fund an Anti-Racism Service Manager.

5.3 Community, Equality, Partnerships and Performance - £492,000 (2.1%) over spend

- i. The portfolio reports an over spend of **£492,000** which is mainly attributable to an under recovery of income of **£543,000** in libraries, offset by small under spends across the portfolio within staffing.

5.4 Devolution, Art, Heritage and Culture - £60,000 (1.5%) over spend

- i. This adjusted forecast over spend of **£60,000** is attributable to the Gypsy and Travellers service in relation to security costs being incurred at the Severalls site. The full year cost of **£220,000** is reflected, and the costs may reduce when the court case is finalised, however at the current time it is felt the level of security needs to be maintained for the safety of everybody on site. The court case was originally due to be held in October 2021, but it is now unknown when the criminal case will be brought to court. The service is looking at ways to reduce the level of costs and the level of security being provided.
- ii. Approval is sought in this report for the following:
 - **£562,000** from the Everyone's Essex Reserve for payments due to successful bidders who have been awarded funding from the Arts & Culture Grant Fund. This was previously approved (FP/250/12/21 Arts and Cultural Fund) but has time lapsed

5.5 Economic Renewal, Infrastructure and Planning - £53,000 (0.5%) under spend

- i. The forecast under spend within this portfolio is mainly due to recharged strategic support services late adjustment to Essex Housing LLP of **£145,000** for 2021/22 activity, and staffing vacancies within Development Management of **£25,000** which are offset by an over spend within Environmental Planning of **£128,000**, where the forecast income is insufficient to cover the forecast costs. The service is actively looking at ways to contain this pressure
- ii. Approval is sought in this report for the following:
 - **£571,000** from the Covid Equalisation Reserve relating to the Economic Recovery Programme as follows: Economic Growth project costs **£468,000** and Sector Development staffing costs **£103,000**. This was previously approved in FP/844/10/20 but has since time lapsed.

5.6 Education Excellence, Lifelong Learning and Employability (DSG) - £11.2m under spend

- i. An in year **£11.2m** under spend is reported which results from the increase in funding for 2022/23.
- ii. The High Needs Block (HNB) funding was increased by the Government by **£20.8m** (post recoupment) for 2022/23. The HNB is expected to remain in surplus this financial year, and plans to utilise this are being developed.
- iii. However significant pressures exist within the forecast as follows:
 - **£1.8m** over spend for Education Health and Care Plans (EHCPs) where the volume and cost exceed what was included in the budget
 - Independent Schools are forecasting a **£971,000** over spend, a 9.0% increase in expenditure compared to 2021/22. The 2022/23 budget is **£28m**, an increase of 8.9% from 2021/22, following expenditure of **£26m** resulting in a **£1m** over spend last year
 - **£588,000** for the Inclusion Framework due to greater take up from schools than anticipated
 - **£421,000** over spend for Individual Pupil Resource Allocations (IPRA) where costs are increasing
 - **£249,000** increase in the cost of SEN top ups due to the number of school days being under estimated in the budget

5.7 Education Excellence, Lifelong Learning and Employability (Non DSG) - £15,000 (0.1%) over spend

- i. A small forecast over spend of **£15,000** is reported.
- ii. Approval is sought in this report for:
 - **£665,000** from the PFI Equalisation Reserves for Debden (£495,000) and Clacton (£170,000) PFI schemes
 - **£369,000** from the Covid Equalisation Reserve relating to the Economic Recovery Programme - this was previously approved in FP/844/10/20 but has since time lapsed
 - **£151,000** returned to the PFI Equalisation reserves for Building Schools for the Future

5.8 Finance, Resources and Corporate Affairs - £285,000 (2.3%) under spend

- i. The forecast under spend reported is due to vacancy factor already materialising across customer services, together with less assessment activity than expected for Blue Badges
- ii. Approval is sought in this report for:
 - **£114,000** to the Commercial Investment in Essex Places Reserve to protect against tenancy voids.

5.9 Highways Maintenance and Sustainable Transport - £157,000 (0.1%) under spend

- i. The forecast under spend predominantly relates to in-year staffing vacancies
- ii. There is a net unadjusted over spend of **£3.9m**, of which **£2.5m** relates to a number of 2021/22 carry forward requests (yet to be formally approved). The remaining **£1.4m** is largely made up as follows which are planned to be funded from reserves:
 - A net under recovery of income within the Park & Ride service of **£818,000**
 - An over spend of **£2m** in Roads & Footways to support investment in Highways Infrastructure through the creation of a new Pothole fund
 - An over spend of **£1.5m** in Street Lighting relating to energy price increases to 40p per kw/h from October 2022 specifically in relation to street lighting energy bills
 - An over spend of **£850,000** within Local Highways Panel in relation to savings in the budget, for which a permanent delivery solution is to be found.

These pressures are offset by an under spend of **£3.8m** within Passenger Transport from a scaled reduction in the 'fixed pot' due to lower concessionary passengers following the pandemic. but which will be transferred to the Transformation Reserve for future risks associated with this area.
- iii. Approval is sought in this report for the following:
 - **£3.8m** to the Transformation Reserve from Passenger Transport Concessionary Fares, for supporting future work in the service
 - **£1.5m** from the General Risk Reserve to fund increased energy price from September 2022
 - **£818,000** from the Covid Equalisation Reserve in support of continued under recovery of income within the Park and Ride service
 - Vire **£465,000** from Essex Highways Operations to Essex Highways Commissioning following the Essex Highways re-organisation.

5.10 Leader - £74,000 (2.2%) under spend

- i. The under spend is attributable to the Corporate Management and Leadership policy line relating to additional (non-budgeted) income being forecast in relation to the Chief Executive's work with Slough. This income is offset within the Chief Executive's Office function.
- ii. Approval is sought in this report for the following:
 - **£1.2m** from the Essex Climate Change Commission Reserve for the costs of implementing a programme to respond to the recommendations in the Essex Climate Action Commission Interim

Report and to deliver the Essex Green Infrastructure Strategy. This was originally approved in the FP/898/11/20 Environment and Climate Action Programme CMA but this has time lapsed

5.11 Waste Reduction and Recycling – on line

The Waste Reduction and Recycling portfolio is reporting an online position to budget. Within this position, the following should be noted:

- i. As we de-mobilised the Integrated Waste Handling Contract (IWHC) and designed a new internal service to haul waste and manage the recycling centres, we built a cost base that was heavily reliant on assumptions, many of which were reflective of the cost base established by Veolia under their contractual arrangements. There is a risk that these assumptions are out of date and not reflective of the actual service now being delivered, especially in light of the current macroeconomic environment.
- ii. The actual costs being incurred are being monitored closely and any variation to the original financial model that underpinned the budget will be swiftly investigated and the impact assessed for materiality.
- iii. Tonnage information is yet to be reflected in the forecast as this data is two months behind, except for Dry Recycling and Trade waste which is usually four months behind. This is normal practice and not reflective of any specific issues. It is anticipated the 2022/23 budget is overstated as it includes additional tonnage for the impact of covid; however, in 2021/22 additional tonnage was seen, but not at the increased volumes anticipated. This lower trend is anticipated to continue throughout 2022/23 and will be closely monitored going forward.

5.12 Other Operating Costs – £2,000 (0.0%) over spend

- i. It is currently too early in the year to assess the impact that changes to the external financial environment will have on interest rates. Therefore Other Operating Costs is held as broadly on line. It is expected that this will change during the year as the economic outlook continues to develop.

5.13 Community, Equality, Partnerships and Performance Recharged Strategic Support Services - £60,000 (0.3%) over spend

- i. The over spend of **£60,000** is reported after proposed adjustments. This is attributable to unbudgeted staffing costs in Equality and Diversity of **£45,000** and Performance, Business Intelligence, Planning and Partnerships of **£15,000**.
- ii. Approval is sought in this report for the following:

- **£99,000** from the Community Initiatives Fund Reserve for payments to Community groups to undertake various community projects following successful bids
- **£22,000** from the Quadrennial Elections Reserve in relation to elections spend

5.14 **Economic Renewal, Infrastructure and Planning Recharged Strategic Support Services – on line**

- The reported on line position includes an assumed on line position against the staffing budget as the service is currently reviewing the percentage recharges to ensure they are appropriate for 2022/23. The revised staffing forecast will be reflected at the Half Year stage.
- Income is also forecast as on line but there is a risk that there will be an under recovery. The income is due to be generated via commercial income through selling services to third parties. However, due to the service no longer delivering projects for the Department for Education and the impact of Covid on the construction industry, there is a risk that the full target will not be achievable. It is anticipated that any shortfall in income will be mitigated by in-year staffing vacancies, recharges to capital projects, and lower than anticipated activity spend. This will be closely monitored through the year.

5.15 **Finance, Resources and Corporate Affairs Recharged Strategic Support Services - £2.6m (3.3%) over spend**

- The forecast over spend is almost wholly in relation to pressures within Facilities Management, as follows:
 - **£1.7m** pressure relating to the saving for the exit of County Hall which is unachievable as the building has not been exited as originally planned. The saving target is **£2.3m** but **£500,000** was built back into the budget as a pressure in respect of rising utility costs. The service is reviewing the property strategy to identify what can be delivered in 2022/23 and identify mitigations for the remaining value.
 - **£480,000** pressure relating to the CPI increase of 8.15% for the Mitie contract; 2.8% had been applied to the budget.
 - **£560,000** pressure relating to the utility budget where there is a gross forecast pressure of **£1.5m** based on worst case scenario using the last 12 months actual consumption and forecast market rates (from Mitie). **£999,000** was contributed to the General Risk Reserve as part of the 2021/22 Provisional Outturn to mitigate expected increases in cost in 2022/23. Drawdown of this will leave a residual net pressure of **£472,000**. Also included in the position is a pressure of **£140,000** in respect of the agreed settlement for legacy issues.
- These are slightly offset by favourable forecasts in relation to staffing across the remainder of the portfolio.

- iii. Approval is sought in this report for the following:
- **£999,000** from the General Risk Reserve to the Finance, Resources and Corporate Affairs RSSS portfolio to fund increased energy costs in 2022/23 owing to current energy price rises, ongoing high inflation and new contract rates
 - **£583,000** from the Covid Equalisation Reserve in relation to Covid pressures on: Transformation and Delivery service **£218,000**, originally approved via FP/856/10/20 Impacts of Covid CMA now time lapsed, People and Transformation service centre **£143,000**, Business Support **£131,000** and Resource Strategy staffing **£91,000**
 - **£324,000** from the Technology and Digitisation Reserve relating to the Azure Programme **£300,000** and project staffing **£24,000**.

5.16 Leader Recharged Support Services – on line

- i. This position is reported as on line.
- ii. Approval is sought in this report for the following:
- **£70,000** from the Covid Equalisation Reserve relating to the Communications and Marketing team for pandemic related activity.

6. Trading Activities

- 6.1 Trading activities as a whole are reporting a surplus of **£408,000** against the budgeted surplus of **£304,000**.
- 6.2 Place Services is reporting an expected surplus of **£404,000**; **£300,000** of this was planned and will be appropriated to County Reserves. The **£104,000** forecast over-achievement is predominantly due to an over recovery of income and an under spend relating to staff due to in year vacancies
- 6.3 Music Services is reporting an on line position after the **£4,000** appropriation to County Reserves to repay the remaining Music Pension deficit.
- 6.4 These forecast positions will leave a net residual surplus in reserves of **£1.6m**, of which **£1.4m** relates to Place Services
- 6.5 Appendix B shows the position by each Trading Activity.

7. Capital

- 7.1 An under spend of **£7.9m** (2.7%) is forecast against the latest capital budget of **£294m**. After taking account of budget change requests in this report there is a residual under spend of **£1.7m**
- 7.2 Approval is sought for:
- i. Slippage of **£4m** (£3.7m into 2023/24 and £324,000 into 2024/25)

- ii. Budget additions of **£10.9m**
- iii. Budget reductions of **£17m**
- iv. Advanced works of **£663,000** (£4.8m to be advanced from 2024/25, £663,000 into 2022/23 and £4.1m into 2023/24)

7.3 The key points to note are listed below, and the detailed requests are shown at Appendix C(ii).

7.4 Adult Social Care and Health – £4,000 over spend

- i. Approval is sought to add £4,000 into the programme in relation to the Independent Living Ninefields scheme

7.5 Children’s Service and Early Years – £2m over spend

- i. Approval is sought to add £2m into the programme, mainly in relation to Solo Placements (with the corresponding reduction from Temporary Accommodation, see 7.9.ii). The Addition is earmarked to purchase up to 4 properties to ensure ECC complies with recent changes to Government regulations, which ban the use of unregulated properties for placements for Children in Care under the age of 16. £650,000 of this addition is subject to a key decision to purchase the first two properties.

7.6 Community, Equity, Partnerships and Performance – on line

- i. There is no variance to budget

7.7 Devolution, Art, Heritage and Culture – on line

- i. There is no variance to budget

7.8 Economic Renewal, Infrastructure and Planning - £6m under spend

- i. Approval is sought to reduce the programme by **£12.4m**. This largely relates to a change in the method for accounting for ECC loans to Essex Housing LLP. A new revised method of reporting has been confirmed, and loans will now be reflected in the capital programme for live schemes only, therefore a reduction is sought for the pipeline schemes, which will be added back into the programme when they move to live status.
- ii. Approval is sought for additions of **£4.8m** into the programme, which largely relates to additional works relating to M11 Junction 7A (£1.4m) funded by National Highways, and additional works for Army & Navy Roundabout (£1.4m) and Active Travel (£1.3m), which will both be funded by the Department for Transport.

7.9 Education Excellence, Lifelong Learning and Employability - £4.4m under spend

- i. Approval is sought to re-profile **£4m** into future years due to slippage, which is mainly attributed to Harlow Primary Basic Need (£2.4m), where there are delays to the Harlowbury scheme due to ongoing land negotiations. Start on site is now not expected until early in the new year and approval is therefore sought to re-profile £2.4m into 2023/24. There is also £1.6m of slippage across 7 schemes, which is driven by delays due to a combination of construction issues, land negotiations and planning agreements yet to be finalised.
- ii. Approval is sought to add **£2.8m** into the programme, with £1.1m relating to Special Schools, specifically Moulsham Junior school for the construction of a new secondary provision and Abbotsweld, to increase the overall school capacity for up to 50 pupils. This has a corresponding reduction within the Special Schools block code (see 7.9.iii). Furthermore, there is a £1m addition on Temporary Accommodation relating to new Section 106 works for St Mary's schemes and a single relocatable unit to increase capacity for Wentworth Primary. This has a corresponding reduction in the Temporary Accommodation block code.
- iii. Approval is sought to reduce the programme by **£4m**. **£1.1m** of this is in relation to Special Schools and **£1m** for Temporary Accommodation, where block codes have been reduced to offset the corresponding additions set out in section 7.9.ii. A further reduction from the programme of **£1.9m** relates to Temporary Accommodation with a corresponding addition to the Solo Placements project, which will support the work required to ensure ECC complies with the recent changes to Government regulations (see 7.5i).
- iv. Approval is sought to advance £663,000 into 2022/23 and £4.3m in to 2023/24 from 2024/25 due to a change in the timeline for works relating to Tendring Primary, Special Schools and Basildon Primary

7.10 Finance, Resources and Corporate Affairs – £65,000 over spend

- i. Approval is sought to add **£65,000** into the programme due to new Salix funded works for Essex Records Office

7.11 Highways Maintenance and Sustainable Transport - £584,000 over spend

- i. Approval is sought to add £1.2m of which £600,000 in Local Highway Panels relates to a technical adjustment moving district specific budget to a new project for casualty reduction initiatives across the county (there is a corresponding reduction - see 7.11.ii). A £450,000 revenue under spend was appropriated to the Reserve for Future Capital Funding in the 2021/22 Provisional Outturn Report to contribute to the Highways Fleet purchase. Approval is now sought to add this contribution to the capital programme. Finally, an addition of £120,000 is requested for various highways minor schemes in relation to Section 106 agreements.

- ii. Approval is sought to reduce the programme by £600,000. This is the corresponding reduction in Local Highways Panels in regard to a technical adjustment moving district specific budget to casualty reduction initiatives

7.12 **Leader - £65,000 under spend**

- i. Approval is sought to reduce £65,000 relating to Energy Efficiency Light works no longer necessary, as this work has been superseded by Decarbonisation work.

7.13 **Controlled Elsewhere – £196,000**

- i. Approval is sought to add £93,000 into Devolved Formula Capital

7.14 **Appendix C** provides a comparison of approved and forecast outturn capital payments by Portfolio and sets out the variance plan which summarise the proposals for addressing the forecast budget variances.

8. **Policy context and Outcomes Framework**

This report is an assessment of the financial position of the County Council, which itself is a representation of the corporate plan. The budget and Annual plan were approved in parallel in February 2022.

9. **Reserves**

9.1 A summary of the forecast balances on reserves is provided in **Appendix D**.

9.2 Of the recommendations requested in this report the most significant are to appropriate **£3.8m** to the Transformation Reserve to support future work in the Passenger Transport service, **£3.7m** from the Adults Transformation Reserve mainly relating to costs for several projects and **£2.5m** from the General Risk Reserve for inflationary pressures now being faced over and above the assumed level of inflation budgeted for.

9.3 There are recommendations to reprofile two previously approved CMAs in order to reflect the current anticipated spend profile. These are the Children and Families Covid-19 Response (CMA FP/072/05/20) and the Impacts of Covid ASC CMA (FP/886/11/20). (section 2.3.ii & iii)

10. **Financial Implications**

Finance and Resources Implications (Section 151 Officer)

10.1 The report is provided by the Section 151 Officer. There are no further comments.

11. Legal Implications

- 11.1 The Council is responsible for setting the budget each year. Once agreed the executive then have to implement the policy framework and keep within the budget, subject to the limits set by Financial Regulations.

12. Equality and Diversity implications

- 12.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when ECC makes decisions it must have regard to the need to:
- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act
 - (b) Advance equality of opportunity between people who share a protected characteristic and those who do not
 - (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.
- 12.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.
- 12.3 The equality implications are assessed as part of budget setting process and as part of individual schemes.
- 12.4 There are no equality and diversity or other resource implications associated with this report.

13. List of Appendices

Appendix A	Revenue Forecast Outturn
Appendix B	Trading Activities
Appendix C (i)	Capital Forecast Outturn
Appendix C (ii)	Capital Variance Plan
Appendix D	Balance Sheet - Earmarked Reserves

(Available at www.essex.gov.uk if not circulated with this report)

14. List of Background Papers

Budgetary control reports.

Revenue

Portfolio	Latest Budget £000	First Quarter Variance £000	% of Latest Budget
Adult Social Care and Health	471,495	3,369	0.7%
Children's Services and Early Years DSG	(401)	0	(0.1%)
Children's Services and Early Years Non DSG	137,465	(927)	(0.7%)
Community, Equality, Partnerships and Performance	23,748	492	2.1%
Devolution, the Arts, Heritage and Culture	4,131	60	1.5%
Economic Renewal, Infrastructure and Planning	10,312	(53)	(0.5%)
Education Excellence, Life Long Learning and Employability DSG	(2,609)	(11,200)	429.2%
Education Excellence, Life Long Learning and Employability Non DSG	21,529	15	0.1%
Finance, Resources and Corporate Affairs	12,377	(285)	(2.3%)
Highways Maintenance and Sustainable Transport	113,080	(157)	(0.1%)
Leader	3,358	(74)	(2.2%)
Waste Reduction and Recycling	86,727	-	0.0%
Other Operating Costs	109,204	2	0.0%
Community, Equality, Partnerships and Performance RSSS	18,093	60	0.3%
Economic Renewal, Infrastructure and Planning RSSS	1,097	-	0.0%
Finance, Resources and Corporate Affairs RSSS	78,417	2,572	3.3%
Leader RSSS	1,863	-	0.0%
Total	1,089,884	(6,123)	(0.6%)
DSG Offset	(3,011)	(11,199)	372.0%
Total Excluding DSG	1,092,895	5,076	0.5%
Funding		-	
Revised Total	1,092,895	5,076	0.5%

Appendix B

Traded Services

	Revenue reserve 1 April 2022	Income	Budget Expenditure	(Surplus) /Deficit	Income	Expenditure	Forecast (Surplus) / deficit	Final Outturn position	To County Revenue Account	To Trading Activity reserve	Final Outturn position	Variance Plan Proposals to/(from) reserves	Revenue reserve 31 March 2023
Traded Services	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Place Services	(1,252)	(3,459)	3,159	(300)	(3,521)	3,117	(404)	(104)	(300)	(104)	-	-	(1,356)
Music Services	(261)	(4,025)	4,021	(4)	(4,025)	4,021	(4)	-	(4)	-	-	-	(261)
Total	(1,513)	(7,484)	7,180	(304)	(7,546)	7,138	(408)	(104)	(304)	(104)	-	-	(1,617)

Appendix C (i)

Capital

	Year to date			Budget Movement		Full Year		
	Budget	Actuals	Variance	Original Budget	In year approved changes	Revised Budget	Outturn	Variance
	£000	£000	£000	£000	£000	£000	£000	£000
Adult Social Care and Health	247	6	(241)	910	250	1,160	1,164	4
Children's Services and Early Years	441	220	(221)	2,014	315	2,329	4,318	1,989
Community, Equality, Partnerships and Performance	21	(12)	(33)	100	125	225	225	-
Devolution, the Arts, Heritage and Culture	18	7	(11)	121	18	139	139	-
Economic Renewal, Infrastructure and Planning	13,723	1,976	(11,747)	124,523	6,348	130,871	124,857	(6,014)
Education Excellence, Lifelong Learning and Employability	7,548	7,555	7	59,832	1,883	61,715	57,269	(4,446)
Finance, Resources and Corporate Affairs	575	629	53	5,845	1,801	7,646	7,711	65
Highways Maintenance and Sustainable Transport	13,329	19,239	5,909	89,998	(378)	89,620	90,204	584
Leader	-	(0)	(0)	280	-	280	215	(65)
ECC Capital Programme	35,902	29,620	(6,283)	283,623	10,363	293,986	286,103	(7,883)

Financed by:

	Budget Movement		Full Year		
	Original Budget	In year approved changes	Revised Budget	Outturn	Variance
	£000	£000	£000	£000	£000
ECC Capital Programme					
Grants	123,776	7,270	131,046	132,328	1,282
Reserves	6,000	-	6,000	6,000	-
Developer & Other contributions	17,484	(609)	16,875	15,991	(884)
Capital receipts	5,000	-	5,000	5,000	-
Unsupported borrowing	131,363	3,702	135,065	126,691	(8,374)
ECC Capital Programme	283,623	10,363	293,986	286,010	(7,976)
Grants	-	-	-	93	93
Unsupported borrowing	-	-	-	-	-
School Balances	-	-	-	93	93
Total ECC & Schools Capital Funding	283,623	10,363	293,986	286,103	(7,883)

Appendix C(ii)

Capital Variance Plan

Variance plan - current year

Portfolio	Approved changes					Variance Plan (2022/23)					
	Slippage	Additions	Reductions	Advanced Works	Approved changes	Slippage	Additions	Reductions	Advanced Works	Residual Variance	Total Variance
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Adult Social Care and Health	254	-	-	(4)	250	-	4	-	-	0	4
Children's Services and Early Years	221	94	-	-	315	-	1,989	-	-	(0)	1,989
Community, Equality, Partnerships and Performance	125	-	-	-	125	-	-	-	-	-	-
Devolution, the Arts, Heritage and Culture	18	-	-	-	18	-	-	-	-	-	-
Economic Renewal, Infrastructure and Planning	8,153	118	(118)	(1,805)	6,348	-	4,826	(12,401)	-	1,561	(6,014)
Education Excellence, Lifelong Learning and Employability	2,870	7,556	(7,556)	(987)	1,883	(4,018)	2,779	(3,973)	663	103	(4,446)
Finance, Resources and Corporate Affairs	1,929	-	-	(128)	1,801	-	65	-	-	0	65
Highways Maintenance and Sustainable Transport	1,343	75,213	(75,213)	(1,721)	(378)	-	1,184	(600)	-	0	584
Leader	-	-	-	-	-	-	-	(65)	-	(0)	(65)
ECC Capital Programme	14,913	82,981	(82,887)	(4,645)	10,362	(4,018)	10,847	(17,039)	663	1,664	(7,883)

Variance plan - Future years

Portfolio	Variance Plan - Future Years			
	2023/24		2024/25	
	Slippage	Advanced Works	Slippage	Advanced Works
	£000	£000	£000	£000
Education Excellence, Lifelong Learning and Employability	3,694	4,099	324	(4,762)
ECC Capital Programme	3,694	4,099	324	(4,762)

Portfolio & Scheme	Slippage	Additions	Reductions	Advanced Works	2022/23 Changes
	£000	£000	£000	£000	Requested
INDEPENDENT LIVING OLDER PEOPLE NINEFIELDS WALTHAM	-	4	-	-	4
Adult Social Care and Health	-	4	-	-	4
EARLY YEARS	-	139	-	-	139
SOLO PLACEMENTS	-	1,850	-	-	1,850
Children's Services and Early Years	-	1,989	-	-	1,989
COLCHESTER A134 ST BOTOLPHS	-	14	-	-	14
ADVANCED SCHEME DESIGN	-	455	(282)	-	173
M11 JUNCTION 7A AND GILDEN WAY UPGRADING	-	1,400	-	-	1,400
ACTIVE TRAVEL	-	1,317	-	-	1,317
ARMY AND NAVY RAB, CHELMSFORD	-	1,381	-	-	1,381
OTHER HIGHWAYS MAJOR SCHEMES	-	39	-	-	39
ESSEX PEDAL POWER (TENDRING)	-	-	(227)	-	(227)
LABWORTH CAR PARK, CANVEY	-	2	-	-	2
EH LLP LOAN FRIARY	-	-	(3,766)	-	(3,766)
EH LLP LOAN ECH	-	-	(2,296)	-	(2,296)
EH LLP LOAN SHERNBROKE	-	37	-	-	37
EH LLP LOAN ST PETERS	-	-	(2,320)	-	(2,320)
EH LLP LOAN PURFORD	-	134	-	-	134
EH LLP LOAN HARLOWBURY	-	-	(250)	-	(250)
EH LLP LOAN PRIMROSE MEADOW	-	-	(3,060)	-	(3,060)
EH LLP LOAN HARGRAVE	-	47	-	-	47
ADVANCED SCHEME DESIGN - ECONOMIC GROWTH	-	-	(200)	-	(200)
Economic Renewal, Infrastructure and Planning	-	4,826	(12,401)	-	(7,575)
BASILDON PRIMARY BASIC NEED	-	-	(70)	269	199
HARLOW PRIMARY BASIC NEED	(2,379)	-	-	-	(2,379)
EPPING FOREST PRIMARY BASIC NEED	(90)	180	-	-	90
EPPING FOREST SECONDARY BASIC NEED	(400)	-	-	-	(400)
ROCHFORD PRIMARY BASIC NEED	-	101	-	-	101
BRAINTREE PRIMARY BASIC NEED	-	1	-	-	1
MALDON PRIMARY BASIC NEED	-	-	(70)	-	(70)
TENDRING PRIMARY BASIC NEED	(256)	-	-	225	(31)
UTTLESFORD PRIMARY BASIC NEED	(324)	350	-	-	26
SPECIAL SCHOOLS	(231)	1,081	(1,161)	169	(142)
TEMPORARY ACCOMMODATION	(338)	973	(2,673)	-	(2,038)
Education Excellence, Lifelong Learning and Employability	(4,018)	2,686	(3,974)	663	(4,643)
SALIX GRANT ERO	-	65	-	-	65
Finance, Resources and Corporate Affairs	-	65	-	-	65
LOCAL HIGHWAYS PANELS	-	600	(600)	-	-
ROAD MAINTENANCE	-	450	-	-	450
SECTION 106	-	120	-	-	120
RFM VEHICLE PURCHASE	-	14	-	-	14
Highways Maintenance and Sustainable Transport	-	1,184	(600)	-	584
ENERGY EFFICIENCY LIGHTING PH3	-	-	(65)	-	(65)
Leader	-	-	(65)	-	(65)
ECC Capital Programme	(4,019)	10,752	(17,040)	663	(9,644)
Devolved Formula Capital	-	93	-	-	93
Total Capital Programme	(4,018)	10,847	(17,039)	663	(9,547)

Appendix D

Reserves

	2022/23 movements				Adjustments proposed in quarterly report included within this £000
	Balance at 1	(Contributions)/	Future	Estimated	
	April 2022	Withdrawals	commitments	Closing	
	£000	£000	£000	balance	£000
				£000	
Long Term Contractual Commitment					
PFI Reserves					
A130 PFI	(28,181)	10,308	-	(17,873)	
Building Schools for the Future PFI	(1,237)	-	(798)	(2,035)	(151)
Debden School PFI	(1,743)	-	173	(1,570)	491
Clacton Secondary Schools' PFI	(960)	-	312	(647)	170
Waste Reserve	(114,870)	6,209	3,728	(104,933)	
Grant Equalisation Reserve	(36,839)	-	2,422	(34,417)	
Trading Activities (not available for use)	(1,514)	304	(408)	(1,618)	
Partnerships and Third Party (not available for use)	(2,376)	-	-	(2,376)	
Schools (not available for use)	(49,212)	-	-	(49,212)	
General Balance	(68,096)	-	-	(68,096)	
Reserves earmarked for future use					
Adults Digital Programme	(275)	-	247	(28)	
Adults Risk	(14,221)	-	6,736	(7,485)	22
Adults Transformation	(12,718)	-	7,911	(4,807)	3,723
Ambition Fund	(6,523)	(8,800)	9,552	(5,771)	
Bursary for Trainee Carers	(338)	-	338	-	
Capital Receipts Pump Priming	(4,034)	(6,000)	2,500	(7,534)	
Carbon Reduction	(982)	114	192	(676)	
Carry Forward	(24,742)	-	24,742	(0)	
Childrens Risk	-	(2,500)	625	(1,875)	
Childrens Transformation	(7,188)	-	1,859	(5,328)	76
Collection Fund Risk	(7,587)	(9,497)	-	(17,084)	
Commercial Investment in Essex Places	(15,658)	170	800	(14,688)	(114)
Community Initiatives Fund	(376)	(350)	350	(376)	99
Covid Equalisation Reserve	(40,769)	1,831	20,305	(18,634)	2,450
EES Pension Risk	(4,000)	-	-	(4,000)	
Emergency	(17,564)	(9,094)	10,087	(16,571)	
Emergency Planning	(300)	-	-	(300)	
Equalities Fund Reserve	(261)	-	-	(261)	
Essex Climate Change Commission	(4,331)	-	2,730	(1,601)	1,241
Essex Crime and Police	(73)	-	-	(73)	
Everyones Essex	(47,273)	(1,000)	15,333	(32,940)	562
Future Capital Funding	(14,437)	(14,674)	16,483	(12,628)	
General Risk	(13,858)	-	-	(13,858)	2,486
Health and Safety	(4,657)	-	103	(4,554)	
Insurance	(6,260)	-	-	(6,260)	
Newton	(149)	-	-	(149)	
Property Fund	(1,303)	-	-	(1,303)	
Quadrennial Elections	(999)	(500)	22	(1,477)	22
Renewal Fund	(2,523)	-	273	(2,250)	
Social Distancing & Hygiene	(900)	-	-	(900)	
Technology and Digitisation	(11,640)	(10,000)	13,033	(8,608)	324
Transformation	(48,506)	(11,823)	12,500	(47,829)	(3,812)