

Third Quarter Report Key Messages

Corporate and Policy Scrutiny Committee
26th January 2023

Purpose and key messages

Purpose

1. To provide an overview of the 2022/23 position at the Quarter 3 stage
2. To respond to the Committee on questions around the 2022/23 financial position

Key messages

- Revenue under spend of £4.4m (0.4%). However before one-off use of reserves to support unbudgeted inflation pressure, there is an **underlying over spend of £7.5m**
- Unprecedented circumstances as **inflation** has hit 40-year high, and continues at over 10%. Expectation this may continue for an extended period of time, along with interest rate rises and potential recession.
- Within the forecast position, additional inflation pressures of **£18.3m** are identified, impacting Transport providers and fuel costs, energy costs for street lighting and the ECC estate, and Adult Social Care.
- The Council continues to focus on prioritising resources to achieve the strategic aims outlined in Everyone's Essex, with **£1.9m** recently prioritised to deliver the Maintenance of Green Streets Initiative, along with £551,000 to focus on levelling up work in Tendring
- **Capital under spend of £26.2m (9.9%)** against the latest budget of £266m

Third Quarter 2022/23

Revenue



Forecast under spend
£4.4m / (0.4%)

Savings



£36m planned in 2022/23 -
£5.9m non-deliverable this
year, and £1.3m at high risk
of non-delivery

Capital



£26.2m under spend vs
budget **(9.9%)**

Key Drivers

Over spends

Residential, Nursing and
Reablement

Children residential
placements and packages

Property transformation

Under spends

Reduced capital
borrowing requirements

Interest receivable due to
rising interest rates

Home to School Transport

Local Bus

Slippage / Reductions

Additions /
Advance

Active Travel £5.7m

Housing Infrastructure Fund £5.7m

Education Basic Need £1.5m

Superfast Broadband £3.3m

Fleet replacement £2.7m

Financial Impact of Inflation

- Currently within the reported position, **£18.3m** of inflation costs above that budgeted for is identified, with the most significant elements set out below:
 - ❑ **£10.1m increased gas and electricity prices across the Council estate and street lighting**
 - ❑ **£6.8m due to inflationary impact on Domiciliary Care, Older People Residential & Nursing packages**
 - ❑ **£682,000 due to higher CPI on contractual agreements related to property maintenance contract**
 - ❑ **£522,000 due to contract uplifts for ECL Reablement and equipment**
- The impact of inflation is reviewed monthly, to support understanding of the impact of inflation in-year. This has also been used to support the budget build for 2023/24, to ensure future budgets reflect the most up to date assumptions.

Responses to Half Year Report Questions (i)

1. Breakdown of Council Tax collection rates by district

District	Council Tax Collection Rate %			
	2018/19	2019/20	2020/21	2021/22
Basildon	96.37%	96.71%	95.75%	96.27%
Braintree	98.22%	98.00%	96.65%	97.39%
Brentwood	97.70%	97.83%	96.97%	97.59%
Castle Point	98.18%	97.95%	96.20%	97.98%
Chelmsford	97.47%	97.26%	96.60%	96.89%
Colchester	97.91%	97.80%	97.82%	97.92%
Epping Forest	97.81%	97.62%	95.40%	96.50%
Harlow	95.87%	95.52%	92.72%	94.15%
Maldon	98.60%	98.60%	96.56%	97.60%
Rochford	98.60%	98.70%	98.30%	98.60%
Tendring	96.96%	96.09%	92.66%	92.81%
Uttlesford	99.14%	98.80%	97.91%	98.70%
Average	97.74%	97.57%	96.13%	96.87%

2. Proportion of the £200m Climate Action plan that was to be externally funded

As per the Climate Action paper presented to Cabinet in November 2021, £61.3m of the plan was to be externally funded (extract from paper below). This is 32% of total planned expenditure

EXTERNAL FUNDING - MTRS / PIPELINE	£000's Total ECC	FTE	£000's 2021/22	DRAFT MTRS				
				£000's 2022/23	£000's 2023/24	£000's 2024/25	£000's 2025/26	£000's
Capital Externally Funded								
MTRS	6,547	-	1,147	1,750	1,700	1,950	-	-
Pipeline	48,012	-	23,112	22,400	500	1,000	1,000	-
Total External Capital	54,558	-	24,258	24,150	2,200	2,950	1,000	-
Revenue Externally Funded								
MTRS	-	-	-	-	-	-	-	-
New Inv	6,736	-	6,736	-	-	-	-	-
Total External Revenue	6,736	-	6,736	-	-	-	-	-
	-	-	-	-	-	-	-	-
Total External Funding	61,294	-	30,994	24,150	2,200	2,950	1,000	-

Responses to Half Year Report Questions (ii)

3. 2022/23 Local Highways Panels Budget and Forecast spend by district as at the Half Year report

2022/23 (Half Year)			
	Latest Budget	Forecast Outturn	Variance Reason for slippage
Basildon Local Highways Panel	562,980	300,000	(262,980)
Braintree Local Highways Panel	524,456	350,000	(174,456)
Brentwood Local Highways Panel	316,695	250,000	(66,695)
Castle Point Local Highways Panel	360,343	250,000	(110,343)
Chelmsford Local Highways Panel	516,402	300,000	(216,402)
Colchester Local Highways Panel	632,318	300,000	(332,318)
Eping Forest Local Highways Panel	546,332	326,620	(219,712)
Harlow Local Highways Panel	430,325	250,000	(180,325)
Maldon Local Highways Panel	386,668	250,000	(136,668)
Rochford Local Highways Panel	376,572	250,000	(126,572)
Tendring Local Highways Panel	559,689	300,000	(259,689)
Uttlesford Local Highways Panel	402,688	250,000	(152,688)
Direct Delivery Local Highways Panel	411,152	250,000	(161,152)
Casulty Reduction Local Highways Panel	599,751	599,751	-
Total	6,626,371	4,226,371	(2,400,000)

4. Total amount of funds drawn down from reserves during the current financial year

As at Quarter 3, net drawdowns from reserves in 2022/23 totals £58.9m. The reserves with the largest net drawdowns are: Carry Forward £18.5m; Covid Equalisation reserve £9.3m; General Risk reserve £6.3m and Ambition Fund reserve £4.6m. Full details setting out all draw downs and returns to reserves that make up the £58.9m, along with the decision references to support the drawdowns are in the attached file.



Responses to Half Year Report Questions (iii)

5. Staffing under spends as at the Half Year, with impact on delivery of services

The table below sets out the Portfolios where staffing under spends were reported at the Half Year stage, and any impact on delivery of services.

Portfolio	Service	Half Year Staffing variance £000	Value driven by vacancies £000	Any impact on operations?
Adult Social Care and Health	Across Quadrants	2,400	2,400	There is an impact on Adult Social Care as the Service has seen significant increases in numbers of safeguards, demand for assessments, pressure from acute hospitals to support effective discharges, along with backlogs in reviews as a result of the covid pandemic. Risk is being managed within the Function. In response to the pressures on the service and vacancies in the Function, pilot roles are being tested, to safely respond to demand that is exploring options around the mix of staffing and the future structure for Operational Teams.
Communities, Equalities, Partner & Performance	Across the portfolio	627	429	Vacancies are not impacting on delivery of current programmes of work, however they are impacting on the ability to develop new programmes of works
Highways Maintenance and Sustainable Transport	Across the portfolio	167	167	No impact on delivery of service, managing within existing staffing cohort although posts are under recruitment (difficult to fill posts)
Economic Renewal, Infrastructure and Planning RSSS	Across the portfolio	3	289	Small impact on service delivery, but this is in the main being mitigated by staff working additional hours and project management support.
Finance, Resources and Corporate Affairs	Across the portfolio	75	75	No impact on operations - service managing within existing staffing cohort

Essex County Council 2023/24 – 2026/27 Budget Planning

Corporate and Policy Scrutiny Committee

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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



Secured huge sums for **major infrastructure projects**

Continue to fund the cost of **National Living Wage** to suppliers in social care



Containing £18m of **inflationary pressures** in 2022/23 by using reserves

Judged **Outstanding** for Children's Services



But we face many challenges to our financial sustainability:



1. **Inflation** levels are **twice as high** as expected at the time of setting the 2022/23 budget



2. There is **immense pressure** on Social Care



3. The full **impact of the recession** on residents' ability to pay & on supply chains remains an unknown

Proposals drive us forward via our "Everyone's Essex areas of focus:



1. **Economy**

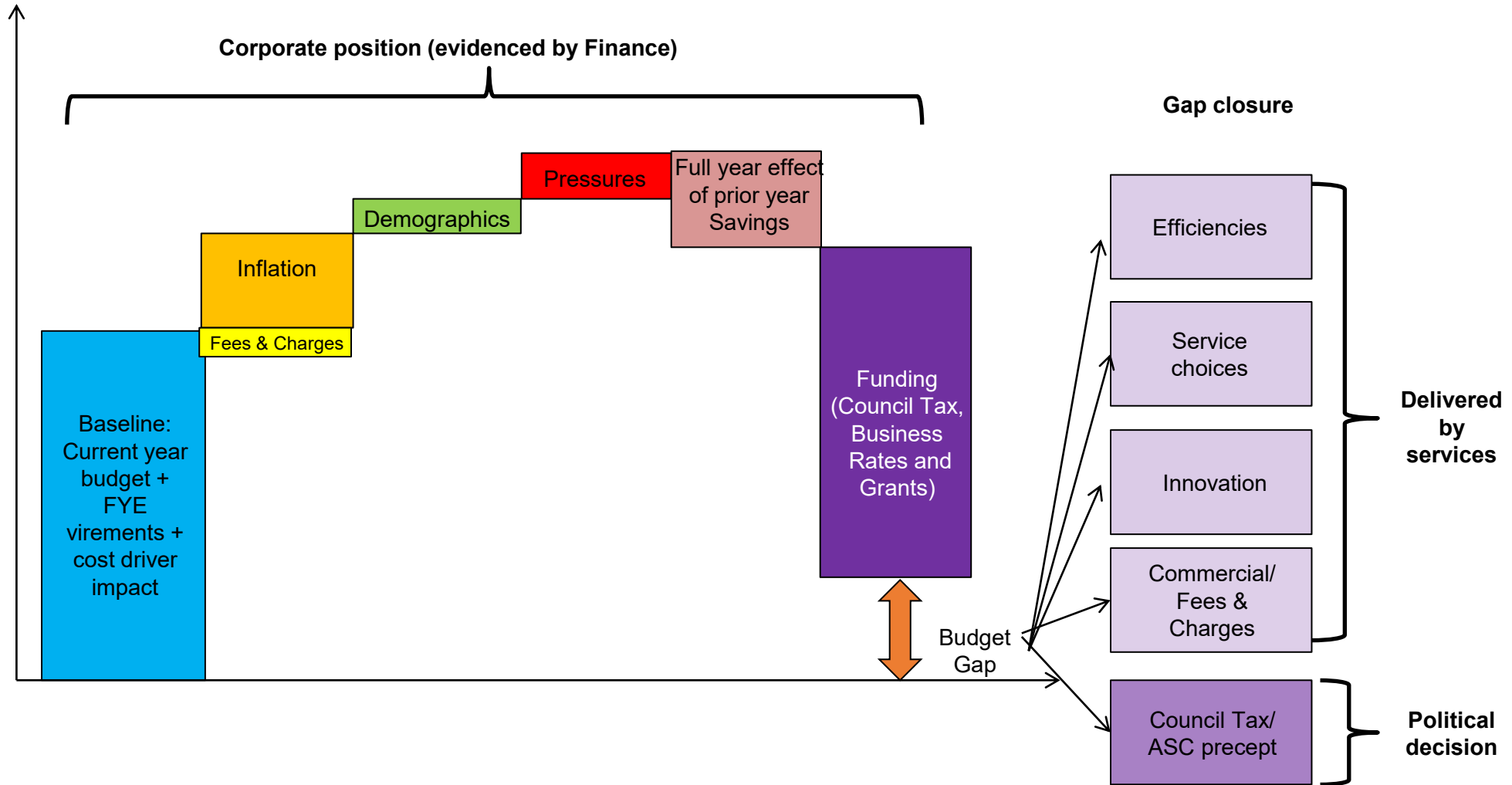
2. **Environment**

3. **Children and Families**

4. **Health & Wellbeing**



How the budget is built



ECC Budget

2021/22	2022/23	2022/23			2023/24		
Actuals	Original Budget	Latest Budget			Gross		Total Net
£000	£000	£000			Expenditure	Income	Specific Grants
					£000	£000	£000
440,295	470,230	484,534	Adult Social Care and Health		809,782	(164,878)	(138,488)
135,170	136,436	140,982	Children's Services and Early Years		283,403	(10,764)	(127,553)
22,703	23,283	25,985	Community, Equality, Partnerships and Performance		34,062	(7,515)	(2,056)
4,700	4,174	5,896	Devolution, the Arts, Heritage and Culture		12,657	(7,997)	0
19,824	5,202	11,404	Economic Renewal, Infrastructure and Planning		13,607	(6,970)	
11,337	17,525	22,613	Education Excellence, Life Long Learning and Employability		595,242	(26,788)	(550,036)
5,770	14,327	14,650	Finance, Resources and Corporate Affairs		11,142	(2,168)	
102,128	114,397	119,875	Highways Maintenance and Sustainable Transport		143,119	(20,401)	(1,889)
2,736	2,397	5,484	Leader		2,359		
81,802	88,107	87,296	Waste Reduction and Recycling		96,682	(2,437)	
107,603	115,652	56,708	Other Operating Costs		146,549	(24,756)	
12,593	12,762	13,673	Community, Equality, Partnerships and Performance RSSS		14,040	(1,025)	
1,125	1,102	1,097	Economic Renewal, Infrastructure and Planning RSSS		1,256	(116)	
89,479	82,431	97,586	Finance, Resources and Corporate Affairs RSSS		115,339	(21,157)	
2,606	1,860	2,103	Leader RSSS		1,970		
1,039,870	1,089,884	1,089,884			2,281,207	(296,972)	(820,022)
							1,164,213

Make up of Funding:

	2023/24
	£m
Council Tax	804.4
Revenue Support Grant	21.3
Non-Domestic Rates	179.4
General Government Grant	159.1
Total Funding	1,164.2

So **84%** of our
funding is from
local taxes

The draft budget for 2023/24 assumes a total tax increase of 3.5% (lower than current inflation and 1.49% below the maximum increase allowable) of which:

- 2% is Adult Social Care precept
- 1.5% is core Council Tax increase

This equates to a Council Tax of £1,450.17 for a Band D property, an increase of £49.05 a year (or 94p per week)

The 2023/24 Draft Net Revenue Budget

Adults Social Care and Health £506m, 43%



- Learning Disabilities £240m
- Older People £121m
- Physical and Sensory Impairment £53m
- Mental Health £24m

A total of **42,054 requests** for support were received in 2021-22

Children's Services & Early Years £145m, 12%



- Children Looked After £64m
- Children's Fieldwork £31m
- Children's Family Support £18m
- Children's Services and Early Years £13m

1,406 children in need
687 children on a protection plan
1,163 children in care
825 care leavers

Highways Maintenance and Sustainable Transport £121m, 10%



5,200 miles of road to manage and maintain

Environment and Climate Change Action £94m, 8%



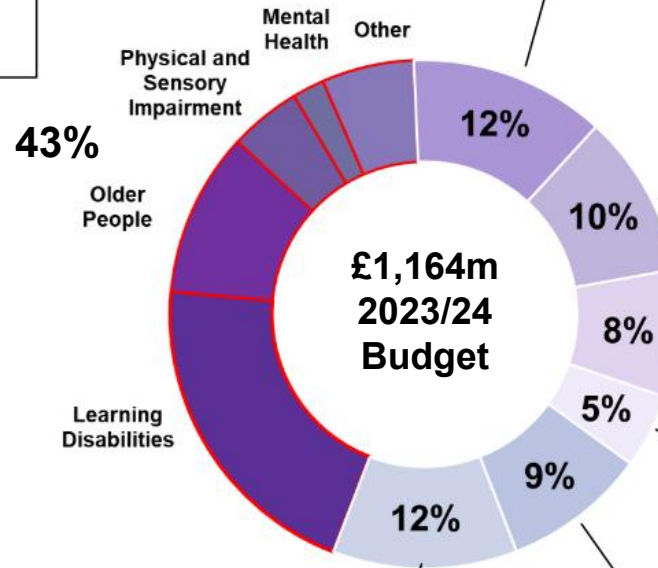
343,000 tonnes household residual waste

Other Front Line Services £55m, 5%



Support Services £106m, 9%

Other Costs
£137m, 12%
Including Capital Financing & Interest / Appropriations to reserves / Insurance



How will the 3.5% council tax rise be used (£49.05 increase)?

- **£27.99** for adult social care – where we continue to support over 16,000 adults in long term care a year, as well as many others on a short term or regular basis
- **£9.08** for investing in infrastructure
- **£11.98** rising costs due to inflation

What pressures are driving the budget position?

Total pressures of £116m, the most significant for 2023/24 are:

Pressure	2023/24 Value £
Inflation (including National Living Wage – predominantly Adult Social Care, Pay, Energy, CPI)	68
Adult Client Activity – changes in general need and complexity of packages	19
Pressures in Children’s Services, mainly relating to placements	7
Pressure in the Waste Service, linked to demand and disposal costs	6
Increasing cost of financing the capital programme (total £70m per annum rising to £101m by 2026/27)	5

What drives the Adult Social Care budget?



2023/24 £506m net budget
(£810m gross)

↑ £36.2m (8%) from 2022/23

- £21m above the additional tax income generated by the 2% ASC precept uplift
- In addition, £21.6m has been added to the ASC Transformation reserve to support work to prepare for fair cost of care reform

Main drivers of growth

- **£31m** - inflation (includes National Living Wage)
- **£20m** – demographic and complexity growth

Partially offset by

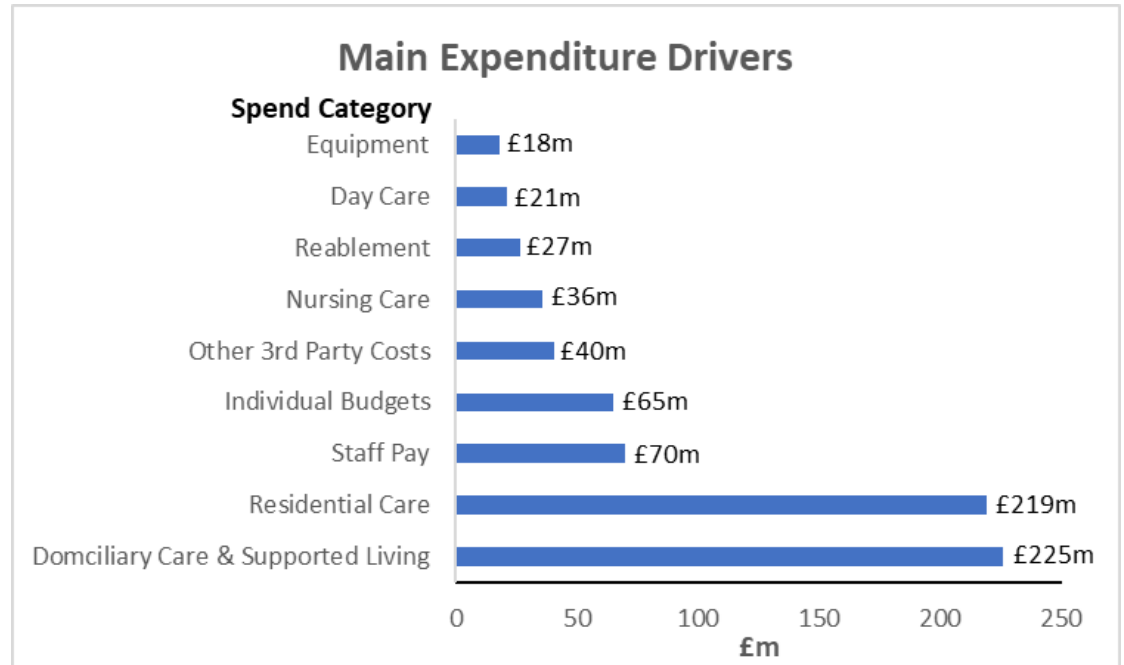
- **£16m** savings to be delivered in 2023/24

What we spend the money on

- 4,400 residential placements
- 220,000 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
- Social Care reforms – remains uncertainty on the level of funding and costs associated with the revised implementation dates



What drives the Children and Early Years budget?



2023/24 £145m net budget
(£278m gross)

↑ £8.6m (6%) from 2022/23

In addition £5m has been added to the Children's Risk reserve for potential further pressures on the service

Main drivers of growth

- **£7m** of pressures including placements (£4.6m), asylum seekers (£795,000), section 17 and 20 budgets (£550,000), social care framework assessments (£500,000) and direct provisions (£480,000)

What we spend the money on

- **£68m** - Staffing **1,411 FTE**
- **£56m** - Placements (1,163 young people), **40%** is fostering, **36%** high-cost residential, **17%** on Semi Independent Living
- **£8m** - Supporting other placements to prevent children entering care and direct payments to service users

The main risks on the horizon

- Supplier pressure – rising costs & staff recruitment
- Placement Sufficiency – usage of unregistered placements
- Regulation of Independent Living (over-16's)
- Increase in Separated Migrant Children and associated placement and staffing costs

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



2023/24 Revenue: £121m budget

↑ £6.4m (6%)

2023/24 Capital: £86m (£283m over the 4-year programme)

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

1,500 structures

300,000 gullies

- **£19m** - the A130 PFI contract until 2030
- **£14m** - street lighting energy and maintenance
- **£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
 - ☐ Repainting white lines, junctions and roundabouts
 - ☐ 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

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



2023/24 Revenue: £121m budget

↑ £6.4m (6%)

2023/24 Capital: £86m (£283m over the 4-year prog)

What is the Revenue budget spent on?



Transport

- **£35m** - Home to School Transport - Over **12,000 students** access to attend education settings across mainstream, SEN and post 16 provisions, based on eligibility.
- **£30m** - Passenger Transport - concessionary fares (bus pass funding, £16m) and supported local bus services (£10m). **161 local bus routes** supported

What is the Capital budget spent on?

- **£35m** - carriageway resurfacing
- **£9m** - inspecting, repairing, replacing the 1,600 highway bridges and structures
- **£8m** - footway resurfacing and repairs
- **£7m** - converting approx. 27,500 streetlights to LED

Capital Programme

2021/22 Actuals £000	2022/23 Latest Budget £000		2023/24 Budget £000	2024/25 Aspirational £000	2025/26 Aspirational £000	2026/27 Aspirational £000	Four Year Total £000
653	1,164	Adult Social Care and Health	2,277	3,765	5,254	-	11,295
3,110	4,291	Children's Services and Early Years	3,010	3,758	1,235	485	8,488
224	3,863	Community, Equality, Partnerships and Performance	1,727	11,092	3,114	100	16,033
423	188	Devolution, Art, Heritage and Culture	61	61	-	-	122
78,862	100,185	Economic Renewal, Infrastructure and Planning	119,974	242,339	273,648	96,267	732,228
44,462	47,627	Education Excellence, Lifelong Learning and Employability	55,201	63,184	56,682	36,475	211,542
7,628	12,060	Finance, Resources and Corporate Affairs	6,768	5,000	4,700	4,450	20,918
84,796	94,806	Highways Maintenance and Sustainable Transport	85,842	80,702	58,449	58,437	283,430
936	1,836	Leader	-	-	-	-	-
124	-	Waste Reduction and Recycling	-	-	-	-	-
221,218	266,021	Total Capital Programme	274,859	409,902	403,081	196,214	1,284,056

Financed By:							
2021/22 Actuals £000	2022/23 Latest Budget £000		2023/24 Budget £000	2024/25 Aspirational £000	2025/26 Aspirational £000	2026/27 Aspirational £000	Four Year Total £000
1,300	5,000	Capital Receipts	5,000	-	-	-	5,000
19,737	11,942	Contributions	23,627	28,633	36,493	18,987	107,740
130,969	127,500	Grants	137,479	233,891	246,436	109,134	726,939
7,000	6,000	Reserves	7,300	7,300	3,500	3,500	21,600
62,212	115,578	Unsupported Borrowing	101,454	140,078	116,652	64,593	422,777
221,218	266,021		274,859	409,902	403,081	196,214	1,284,056

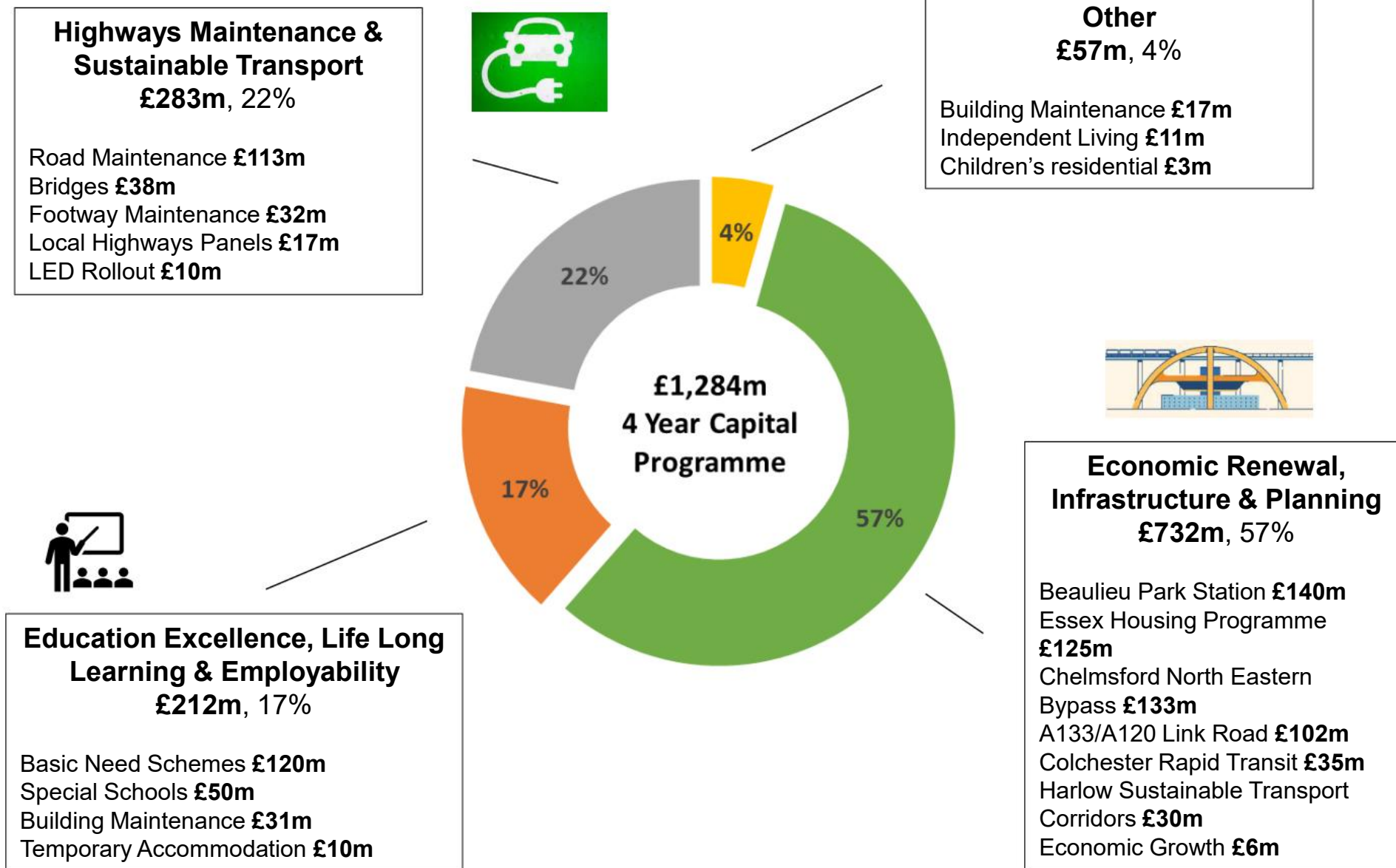


The annual gross revenue cost of financing the capital programme including the aspirational programme is £70m in 2023/24, rising to £101m by 2026/27



£49m (18%) of the 2023/24 programme is invest to save or deliver a return – this rises to £57m in 2024/25

Draft 4 Year Capital Programme (2023/24 – 2026/27)



£36m Savings for 2023/24



RAG Deliverability Assessment 2023/24

Green	Amber	Red
£13m 37%	£14m 40%	£9m 23%

£13m (37%) of planned savings for 2023/24 are judged to have a low level of delivery risk.

How does this compare to 2022/23?

Green	Amber	Red
£12m 35%	£17m 46%	£7m 19%

We have a proven track record of delivering savings, with over £1bn delivered since 2008. The early assessment of 2023/24 savings is similar to the assessment of the 2022/23 savings at the same point in time.

£36m Savings for 2023/24

Over 50% of £36m delivered through 5 major schemes

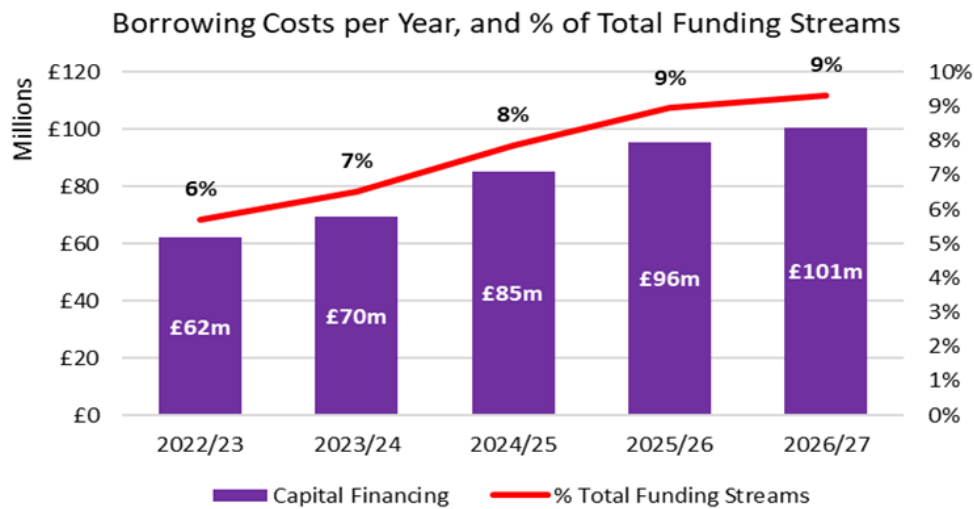
Saving	£m	Description
Staffing Review	5.0	Staffing review that will be undertaken across the organisation. Once the review is completed, the saving will be allocated across portfolios in-line with the decisions that will be taken to how the saving will be delivered. For context this is around 2% of the total staffing budget
Meaningful Lives Matter Programme (LD)	4.5	Develop individual potential and independence by providing the infrastructure, opportunities and support people need to flourish and 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.
Connect Programme (Older People)	4.3	Ensure that adults are offered the most appropriate support by optimising services around what they need, with an emphasis on people being enabled to return home where possible, with support to regain as much independence as possible.
ASC Inflation Modelling	2.9	A substantial amount of investment within the ASC budget is set for inflation requirements in the market. Some changes to the modelling of this were made which released £2.9m of budget when compared to prior modelling. There is still commitment to support inflation pressures across the market within the affordability of this budget.
Development Management Reserve Application (one-off)	2.0	One off application of Reserves relating to Development Management Inspection funds.
Support Services (back office)	4.0	33 proposals across support services including more efficient use of property, review of service offers and staffing reviews.
Other savings	12.8	Balance of remaining savings spread across 48 smaller proposals
Total	35.5	

Risks 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** £984m of our funding is from local rates or tax. The impact of the recession on our tax base to date has been less than anticipated, but still a risk that unemployment will rise in the new year.
2. **Market failure in Adult Social Care** Pressures have increased steadily over the past 2 years and are now challenging the capacity of the market to meet demand with raised expectations around Fair Cost of Care pricing.
3. **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.
4. **Uncertainty of Government Funding** Still no multi-year settlement; particular concern from 2025/26 linked to social care reform, and if fair funding review redistributes government funding to areas of need, could result in the Council receiving a reduced level of funding.
5. **Workforce availability risk** Specific concerns related to social care and other professions.
6. **Inflation** The current 40 year high level and the uncertainty around recession impacts over the medium term.
7. **Interest rates** Further potential increases to the Bank of England interest rate may create cost pressures, particularly in relation to borrowing for the capital programme.

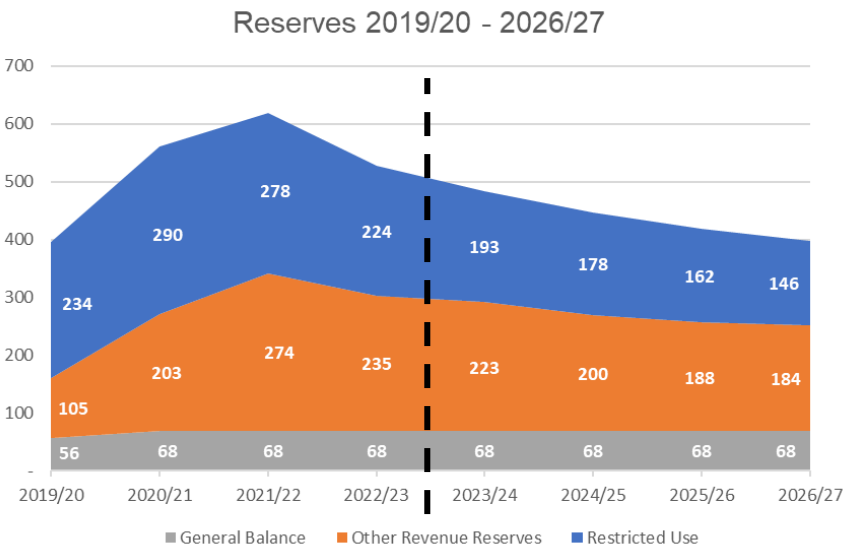
Diligent Management of Debt & Reserves



Our strategy will **plateau** the level of **debt from 2026/27** and mitigate the impact of rising interest rates – this still leaves an aspirational **4-year capital programme of £1.284bn**

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**.

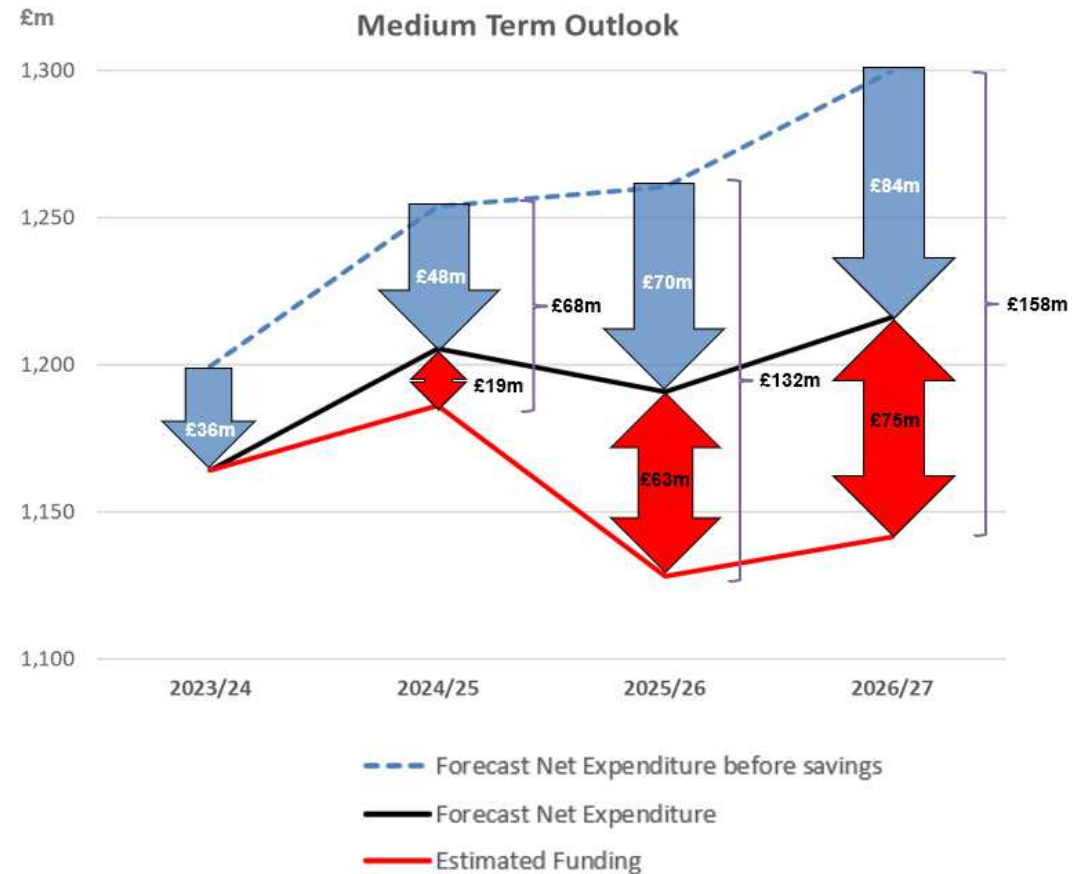
Over the next four years we **plan to draw on reserves** to develop strategic priorities in line with the Everyone’s Essex plan.



Medium term

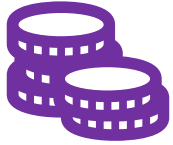
Whilst we propose a balanced budget for 2023/24, there remains significant challenge over the medium term with a forecast gap of:

- **£75m by 2026/27**
- After delivering £84m Savings
- Will need to **continue to make difficult choices to maintain financial balance** whilst focusing on our strategic aims
- Position reflects the **3.5%** total Council Tax increase in 2023/24, 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 – 9th February



Continue to lobby government on:

- Future of local government funding
- Fair funding
 - Funding certainty
 - Fair cost of care reform

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