

Report title: 2022/23 Financial Overview as at the Half Year stage	
Report to: Corporate Policy and Scrutiny Committee	
Report author: Cllr Christopher Whitbread, Cabinet Member for Finance, Resources and Corporate Affairs	
Date: 24 November 2022	For: Consideration
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County Divisions affected: All Essex	

1. Purpose of report

- 1.1 This item is to consider the 2022/23 Half Year Financial report presented to Cabinet on 18th October.

2 Background

- 2.1 The Council presented its Half Year Financial position for 2022/23 to October Cabinet. At this stage of the year there is a forecast over spend of £2.9m (0.3%), against a net revenue budget of £1.1bn. However, the underlying over spend before one-off funding from reserves is closer to £14m.
- 2.2 For the Capital Programme there is an under spend £22.2m (7.7%) on the capital programme against a budget of £287.7m.

3 2022/23 Half Year Report

- 3.1 The Council finds itself in an economic environment of inflation at a 40 year high, with an expectation this will increase further in the short term, 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%. Recent interest rate rises, and the expectation they will rise further will impact on capital borrowing in the medium term, as the cost of borrowing increases. Alongside this, we continue to face uncertain levels of demand for many of the services we deliver, in what are difficult circumstances. The recent government announcement to cap energy prices for the public sector for 6 months from October is welcome, and work is underway to assess the impact. 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.
- 3.2 There is a full year forecast over spend of £2.9m (0.3% against a net budget of £1.1bn). The overall over spend position is driven by pressures within (i) the Adult Social Care and Health portfolio, where there are significant over

spends in Residential Care, Nursing Care and Reablement driven by demand and cost pressures, market capacity issues and potential non delivery of savings, (ii) Children's Services and Early Years portfolio due to increased placement costs because of increased numbers of children being supported, and (iii) the Finance, Resources and Corporate Affairs RSSS portfolio predominantly due to delays in achieving property rationalisation savings. This is partially offset by Other Operating Costs due to the positive impact of increasing interest rates on interest receivable and the impact of capital slippage on borrowing and interest payable.

- 3.3 Within the forecast position, inflation pressures of £17.4m 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. In the second quarter a decision was taken to use a further £4.5m of the General Risk reserve to support the increasing cost of electricity, bringing total support from reserves for electricity to £9.5m in the current year in addition to the budget originally set. This leaves capacity to fund further pressures as they develop through the remainder of the year, although this only provides one-off support – higher prices will impact our medium term plans.
- 3.4 The impact of Covid is still being felt 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, predominantly to support the sustainability of the care provider market as it faces demand issues, staffing challenges and increased financial pressures, through the Covid Resilience Fund. 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 Capital Programme has a forecast under spend of £22.2m against a latest budget of £287.7m. After taking account of budget change requests in the Half Year report, there is a residual over spend of £105,000. The budget change adjustments are summarised as follows:
 - 2022/23 Slippage: £33m (£27.1m into 2023/24, £4.7m into 2024/25 and £1.2m 2025/26)
 - Additions of £20.4m
 - Reductions of £14.9m
 - 2022/23 Advanced Works: £5.2m (£13.4m to be advanced from 2026/27, £904,000 from 2023/24, £5.2m into 2022/23, £5.6m into 2024/25 and £3.5m into 2025/26)

4 List of Appendices

Appendix A – 2022/23 Financial Overview as at the Half Year stage (FP/304/02/22)