

<b>Report title:</b> 2023/24 Provisional Outturn Report	
<b>Report to:</b> Corporate Policy and Scrutiny Committee	
<b>Report author:</b> Cllr Christopher Whitbread, Chancellor of Essex and Cabinet Member with responsibility for Finance	
<b>Date:</b> 27 <sup>th</sup> June 2024	<b>For:</b> Consideration
<b>Enquiries to:</b> Nicole Wood, Executive Director, Corporate Services <a href="mailto:nicole.wood@essex.gov.uk">nicole.wood@essex.gov.uk</a> , Stephanie Mitchener, Director of Finance <a href="mailto:stephanie.mitchener@essex.gov.uk">stephanie.mitchener@essex.gov.uk</a> or Adrian Osborne, Head of Strategic Finance and Insight email <a href="mailto:adrian.osborne2@essex.gov.uk">adrian.osborne2@essex.gov.uk</a>	
<b>County Divisions affected:</b> All Essex	

## 1. Purpose of report

- 1.1 This item is to consider the 2023/24 Provisional Outturn report, as presented to Cabinet on 28<sup>th</sup> May 2024.

## 2 Background

- 2.1 The Council presented its Provisional Outturn position for 2023/24 to May Cabinet. There was a net under spend of **£13.5m** (1.1%), against a revenue budget of £1.1bn. Approval was sought from Cabinet to appropriate this to earmarked revenue reserves, predominantly to provide some resilience against the potential risks we face with forecast deficits on the Dedicated Schools Grant, as well as further support to deliver political priorities around Highways.
- 2.2 For the Capital programme there was an under spend of **£15m** (4.9%) against the latest budget of £306.7m

## 3 2023/24 Provisional Outturn Report

- 3.1 The Council faced another year of unprecedented circumstances, with themes of underlying volatility in expenditure and uncertainty in forecasting prevailing throughout 2023/24, due to ongoing high inflation, increasing interest rates and exceptional demand. Interest rates remain at their highest levels since 2008, while inflation, although very recently returning to normal levels, throughout the year was substantially higher than the Bank of England's target of 2%, peaking at nearly 9% at the beginning of the year, creating inflationary pressure of £18.2m in excess of the level budgeted for.
- 3.2 The rises in demand, increasing complexity of need, as well as escalating supplier costs, created a substantial financial pressure for our organisation.

Excluding energy costs, portfolio budgets over spent by £30.5m, with the largest pressures being driven by Children's Social Care and Home to School Transport. Such pressures are being experienced nationally and create a tremendous challenge ahead for all local authorities.

3.3 The Provisional Outturn Cabinet report sets out an under spend of **£13.5m** (1.1% against a net budget of £1.1bn). The overall position is driven by pressures across:

- Children's Services and Early Years, **£22.4m**, mainly relating to placement pressure due to a combination of increased package costs and increases in demand. This is reflective of the national picture.
- Within Highways, Infrastructure and Sustainable Transport, **£7.4m** pressure on Home to School Transport driven primarily from price changes as the population profile adjusts, and to a lesser extent new demand.
- The Chancellor of Essex, **£4.1m** net pressure predominantly in relation to delayed delivery of the ECC wide staffing review saving for 2023/24. Plans are in development to ensure full delivery in 2024/25.

These pressures are offset by:

- Other Operating Costs, **£29.5m** driven by higher investment income due to increasing interest rates and greater cash balances (due in part to lower than expected usage of reserves), plus lower interest payments due to reduced in-year borrowing requirements to support the capital programme compared to the level originally anticipated.
- An **£11.2m** under spend on energy across the organisation, where unit prices were nearly half the rate assumed when the budget was set
- A **£3.3m** over recovery on funding due to an increase in the benefit of business rate pooling based on latest district returns

3.4 It was proposed the net under spend of **£13.5m** be appropriated into earmarked revenue reserves as follows:

- **£5.8m** to the Everyone's Essex Reserve to support political priorities around highways
- Create a new earmarked reserve to be known as the Dedicated Schools Grant (DSG) General Risk Reserve and transfer **£5m** to provide resilience to the potential risks we face with deficits on the Dedicated Schools Grant, that are being experienced nationally
- **£2.7m** to the Reserve for Future Capital Funding to replenish usage to fund the cost of writing off capital expenditure to date on Millenium Way slips in line with the decisions taken when setting the 2024/25 capital programme.

- 3.5 **£6.7m** of approvals were sought in the Provisional Outturn report to appropriate under spends to the Carry Forward Reserve to support the 2024/25 budget and specific risks.
- 3.6 The economic outlook for ECC remains complex and uncertain. The decline in inflation is tracking Bank of England projections and the sustained period of high inflation appears to have come to an end. However, recent events (Covid; Russia's war with Ukraine) have demonstrated the impact that unexpected events can have on both the global and national economy. Alongside this we await the outcome of the general election, and the impact this will have on local government. We also face increasing demand for our services, particularly in social care, and have the inherent risk of the continued absence of a multi-year funding settlement threatening our financial stability. However, we will continue to refine our plans moving forward to ensure we spend within our means, not least through delivery of our Whole Council Transformation ambition.
- 3.7 The Capital Programme has a forecast under spend of **£15m** against the latest budget of **£306.7m**. The budget change adjustments are summarised as follows:
- 2023/24 Slippage: **£21.4m** (£21m into 2024/25 and £401,000 into 2026/27)
  - 2023/24 Additions: **£13.2m**
  - 2023/24 Reductions: **£21.4m**
  - 2023/24 Advanced Works: **£14.5m** from 2024/25
- 3.8 Responses to questions raised at Corporate Policy and Scrutiny Committee in January 2024 will be included in the presentation to the Committee at the meeting.

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

2023/24 Provisional Outturn Cabinet Report – [2023/24 Provisional Outturn Cabinet Report](#)