

<b>Report title:</b> 2020/21 Financial Overview as at the First Quarter Stage	
<b>Report to:</b> Cabinet	
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<b>Date:</b> 21 July 2020	<b>For:</b> Decision
<b>Enquiries to:</b> Adrian Osborne, Head of Strategic Finance and Insight	
<b>County Divisions affected:</b> All Essex	

## 1. Purpose of report

- 1.1 The purpose of this report is to set out the forecast financial position of Essex County Council's (ECC) revenue and capital budgets as at the first quarter stage of the 2020/21 financial year. There is a forecast over spend of **£12.3m** (1.2%) against a net revenue budget of **£1bn**. The over spend is directly driven by the additional costs and lost income or savings, as a result of the COVID-19 pandemic.
- 1.2 In these unprecedented times, the impact of COVID-19 and the uncertain impact on both demand for services and future income, means it is difficult to provide a certain forecast for the year. The position is volatile, with significant risks given the nature of the pandemic. For example, it is not clear how long social distancing restrictions will be in place for all areas; there is the inherent uncertainty around future potential waves or local lockdowns; there is funding from Government to meet substantial COVID-19 emergency costs but this falls short of the full costs and liabilities arising from COVID-19. There are potentially further costs arising from COVID-19 from September, including higher home to school transport costs, potential pent up demand in social care as easing continues and Personal Protective Equipment (PPE). At this stage it is unclear as to whether there will be any further additional funding from Central Government. It is inevitable that there will be volatility in the position as the year progresses.
- 1.3 There was an announcement of further emergency Government funding on the 2nd July, for which ECC has not yet received precise confirmation of our allocation. This is not expected to meet the full costs of our current over spend or future risks.
- 1.4 Subject to confirmation from Government of the emergency funding package, ECC will look to put in place a recovery strategy to ensure we achieve financial balance. This recovery planning process will look at both opportunities to manage net expenditure and, where appropriate, access to emergency reserves to meet exceptional costs.

1.5 There is an under spend of **£19.1m** (7.8%) on capital against the current budget of **£246m**. After taking account of budget change requests in this report there will be a residual under spend of **£570,000**.

## 2. Recommendations

Approval is sought for the following:

2.1 To draw down funds from reserves as follows:

- i. **£5m** from the Reserve for Future Capital Funding to the Deputy Leader and Infrastructure portfolio to cover revenue expenditure on rectifying carriageway defects, environmental works and safety measures (section 5.9.ii). Whilst the Council has received grant funding towards this expenditure, the grant can only be applied to finance capital expenditure.
- ii. **£2.6m** from the Emergency Reserve to the Health and Adult Social Care portfolio relating to the loss of Residential income as a result of the impact of COVID-19 (section 5.8.iii).
- iii. **£828,000** from the Private Finance Initiatives (PFI) Equalisation Reserves to the Education and Skills portfolio in relation to Debden School PFI (£501,000) and Clacton Secondary schools' PFI (£497,000) (section 5.5.ii).
- iv. **£320,000** from the Adults Digital Programme Reserve to the Health and Adult Social Care portfolio to fund projects such as bed finder, electronic home care and shared care records (section 5.8.iii).
- v. **£186,000** from the Transformation Reserve to the Education and Skills portfolio to cover costs incurred on the Demand Responsive Transport project (section 5.5.ii)
- vi. **£175,000** from the Transformation Reserve to the Children and Families portfolio to support Divisional Based Intervention Team staffing (section 5.1.iii).
- vii. **£156,000** from the Community Initiatives Fund Reserve to the Customer, Communities, Culture and Corporate portfolio to cover expenditure that was incurred in Quarter 1 (section 5.2.ii)
- viii. **£247,000** from the Transformation Reserve to the Children Families portfolio to introduce a Multi-Disciplinary team in Tendring (section 5.1.iii).

2.2 To appropriate funds to reserves as follows:

- i. **£15.5m** to the Emergency Reserve and **£1.2m** to the General Balance from Health and Adult Social Care portfolio due to lower demand levels than originally anticipated for COVID-19 funding approved in relation to hospital discharge beds, staffing and special equipment. (section 5.8.iii)
- ii. **£843,000** to the Private Finance Initiatives (PFI) Equalisation Reserves from Infrastructure portfolio in relation to A130 PFI due to lower in year predicted costs (section 5.9.ii).
- iii. **£234,000** to the Private Finance Initiatives (PFI) Equalisation Reserves from Education and Skills portfolio in relation to Building schools for the future and Woodlands PFI (section 5.5.ii).

2.3 To approve the following adjustments:

- i. Retrospectively approve the draw down of **£650,000** from the Insurance Reserve to the Finance portfolio as part of the 2019/20 Provisional Outturn. A late insurance provision was charged against the Insurance Cost Recovery Account (ICRA) at Outturn due to a new claim being identified.
- ii. Vire **£113,000** from the Economic Development portfolio to the Finance RSSS portfolio following the Place and Public Health management restructure (sections 5.3.ii & 5.14.ii)
- iii. Vire **£29,000** from the Children and Families portfolio to the Customer, Communities, Culture and Corporate RSS portfolio relating to support arrangements for a Technical Services contract (sections 5.1.iii & 5.13.ii)
- iv. To amend the capital budget as shown in Appendices C (i) and C (ii) which allows for capital slippage of **£24.1m**, capital budget additions of **£15.4m**, capital budget reductions of **£15.3m** and advanced works of **£5.5m** (see section 7.2).

2.4 Note that a Capital Receipts Strategy is being developed to enable a broader use of capital receipts in-line with the flexibility currently permitted by the Ministry of Housing, Communities and Local Government; this strategy will be brought to Cabinet and then to Full Council for approval. If approved, the Council will then potentially be able to return £5m to the Reserve for Future Capital Funding (see section 2.1.i).

### 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 **£12.3m (1.2%** against a net budget of **£1bn)**. The overspend is directly driven by the additional costs

and lost income or savings, as a result of the COVID-19 pandemic and specifically:

- i. Environment and Climate Change Action **£4.7m** due to under recovery of income in closed Country Parks and the non-delivery of savings due to the impact of COVID-19.
  - ii. Deputy Leader and Infrastructure **£3.6m** due to shortfall in Park and Ride income as a result of COVID-19 and undeliverable savings for Parking Partnerships.
  - iii. Customer, Communities, Culture and Corporate **£2.6m** due to income shortfalls on Registrations and Libraries Services because of the COVID-19 lockdown restrictions put in place.
  - iv. Education and Skills Non DSG **£1.7m** with over spends in Home to School, Passenger Transport and Adult Community Learning (ACL), as a result of COVID-19 causing reductions in Parental contribution and a loss of Tuition Fees income.
  - v. Finance **£1.3m** over spend where the budgeted increase in Commercial income in this current economic climate, notably through reviews of fees and charges, is now very unlikely to be achieved.
- 3.2 There are further potential cost pressures related to COVID-19 that may occur from August. These include the reopening of services, social distancing measures on Local Bus and Home to School Transport, and the impact on waste tonnages from lockdown, which could be significant but, as yet, cannot be quantified. If these risks come to fruition, further pressure will be placed on the Council's financial position without additional government funding. There are also risks around future Adult Social Care demand and when access to the Department for Health and Social Care COVID-19 funding will cease, though government has indicated that through the settlement process there will be further consideration of sustainable funding for social care.
- 3.3 The Council has been proactive around its response to COVID-19, with **£74.5m** of approved decisions enabling drawdown from reserves to meet the cost of COVID-19 related actions. Emergency funding from central government to date has totalled **£63.6m** and has been welcomed by the council, however despite this allocation there is an estimated residual COVID-19 specific pressure of **£13.8m**. It is also anticipated £12m will be received from the Clinical Commissioning Groups (CCGs) for supporting hospital discharge. The Council has also where relevant used the Coronavirus Job Retention Scheme and claims for April and May totalled £202,000. Further funding from central government was announced on the 2<sup>nd</sup> July in the form of additional emergency funding, partial income guarantees for losses on fees and charges and treatment of tax deficits. Actual distributions per local authority have not yet been advised.

- 3.4 The latest estimated reduction in council tax collection fund income for 2020/21 is **£25m**, although there is a high level of uncertainty with this given the level of deferrals in place and the impact of the tapering of the Coronavirus Job Retention Scheme. The cash impact of this loss has to be reflected in the following financial year, however the government announcement on 2 July advised these losses can be spread over the next 3 financial years, creating a cash pressure of approximately £8m per annum between 2021/22 and 2023/24. If the £25m collection fund loss results in a permanent reduction to the tax base, that will also create a further £25m pressure on the 2021/22 budget, which will be a significant funding reduction for the Council.
- 3.5 Of the **£56.5m** of urgent COVID-19 decisions that were taken for Adult Social Care, **£16.7m** of anticipated costs are no longer expected to materialise as; the demand for hospital discharge beds has been lower than originally predicted, the introduction of 7 day working rota was for a shorter period than originally planned and there has not been an increased demand for special equipment as expected. This means that **£16.7m** can be returned to reserves. However, the impact of loss of residential income in the first 10 weeks of the COVID-19 period has been more significant than originally forecast and therefore there is a request to repurpose **£2.6m** of reserves funding to offset the increased loss of income. This will result in net **£14.1m** being returned to reserves.
- 3.6 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 2020/21 as set by Full Council in February 2020 was **£234.8m**. The forecast outturn is **£227m**, before adjustments proposed within this report. This represents an under spend of **£19.1m** against latest budget of **£246m**. After taking account of budget change requests in this report, there is a residual under spend of **£568,000**. More detail is set out in Section 7.
- 4.2 The **£19.1m** under spend in the Capital Programme position relates to the following requests in this report:
- Slippage: £24.1m
  - Additions: £15.4m
  - Reductions: £15.3m
  - Advanced Works: £5.5m

With the COVID-19 pandemic a Capital Programme Prioritisation exercise was undertaken in May with a view to ease pressures on the council borrowing position by focussing on investments that have less of a reliance on borrowing. The result of the exercise identified a reduction of **£21.8m** in

2020/21 (pre-Provisional Outturn adjustments) which is driving the majority of the reported Q1 slippage. Further details of significant movements are provided in section 7.

- 4.3 Appendix C (i) summarises current year forecasts and changes to the Capital Programme for 2020/21 since approval of the original programme in the Budget Report to Council in February 2020. Appendix C (ii) contains the detail of the budget adjustments seeking approval.

## 5. Revenue Position

### 5.1 Children and Families - £636,000 (0.5%) under spend

- i. The forecast under spend mainly relates to an increase in the daily rate claimable via the Home Office for Unaccompanied Asylum Seeking Children. This will entitle Essex to claim an estimated additional **£820,000** to fund the support provided in 2020/21 (and ongoing).
- ii. This position includes pressure built into the forecast for a possible 10% rise in Children in Care (CIC) costs for a period of five months (£3.1m) and an increase in unregistered placements due to delays in sourcing placements (£749,000).
- iii. Approval is sought in this report for the following:
  - **£175,000** from the Transformation Reserve to support the staffing costs agreed through the Children's Sustainability Board for the Divisional Based Intervention Team
  - Vire **£29,000** to Customer, Communities, Culture and Corporate RSSS portfolio relating to support arrangements for Servelec, a Technical Services contract for the provision of social care case management.
  - **£247,000** from the Transformation Reserve to introduce a Multi-Disciplinary team in Tendring to support existing frontline teams working with multiple and complex needs.

### 5.2 Customer, Communities, Culture and Corporate - £2.6m (14.2%) over spend

- i. The over spend is primarily due to Registrations Service (**£1.4m**) and Libraries Service (**£1.1m**) both attributable to income shortfalls because of the restrictions put in place in response to the COVID-19 pandemic.
- ii. Approval is sought in this report for the following:
  - **£156,000** to be drawn down from the Community Initiatives Fund reserve in relation to expenditure incurred in Quarter 1.

### 5.3 Economic Development - £320,000 (1.5%) over spend

- i. The over spend is mainly due to partial non-delivery of Essex Housing saving target of **£218,000**. Initially it was expected that Essex Housing LLP would be incorporated for April and that no further ECC revenue funding would be required, generating a saving. It is now assumed that following a recommended decision going before Cabinet in July that this saving will be delivered from the 1st of September. This forecast assumes that no further costs will be incurred under this budget from that date. In addition, there is a forecast under recovery of subscription income for Visit Essex **£21,000**.
- ii. Approval is sought in this report for the following:
  - **£113,000** to be vired to the Finance RSSS portfolio in relation to the Place and Public Health management restructure.

#### **5.4 Education and Skills Dedicated Schools Grant (DSG) - £7m under spend**

- i. There is an in year under spend in the High Needs Block of **£7.6m** owing to additional funding, although the forecast closing block balance remains in deficit at **£2.5m**. The Schools and Central School Services Block is over spent by **£600,000** which will be funded through both the surplus balance brought forward on this block and the School Improvement and Brokerage Grant.

#### **5.5 Education and Skills Non Dedicated Schools Grant - £1.7m (2%) over spend**

- i. The over spend is caused by Home to School Transport which is reporting a **£461,000** over spend mainly due to lost parent contributions for post 16 transport following the COVID-19 pandemic.

Further over spend is reported in Passenger Transport of **£363,000**. This results from Transport Information (£200,000), where the bus shelter advertising procurement exercise has been halted owing to the economic downturn in the advertising market, plus pressures within UgoBus after losing the South Essex College contract, and Concessionary Fares' fixed administration fee being higher than budgeted.

Adult Community Learning (ACL) is reporting an over spend of **£253,000** due to an anticipated decrease in the amount of tuition fee income expected in 2020/21 as a result of COVID-19.

- ii. Approval is sought in this report for:
  - **£828,000** to be drawn down from the PFI reserves for Debden and Clacton PFI schemes
  - **£234,000** to be returned to the PFI reserves for Better Schools for the Future and Woodlands PFI schemes
  - **£186,000** from the Transformation Reserve relating to costs incurred on the Demand Responsive Transport project.

## 5.6 Environment and Climate Change Action - £4.7m (5.8%) over spend

- i. The over spend position relates to **£2.3m** anticipated under recovery of income in leisure as a result of social distancing measures that will need to remain in place within Country Parks, coupled with the additional cost incurred in reopening the sites. Since the parks have reopened, it is only car parking that is currently providing an income source, with cafes and activities such as Sky Ropes, remaining closed under current Central Government guidance. Further over spends relate to Waste Management (**£1.6m**) due to the partial non-delivery of savings of the Blue and Green environment programme due to the impact of COVID-19. Outdoor Education is reporting a **£940,000** over spend due to the risk regarding further income loss as a result of lockdown crystallising.

## 5.7 Finance - £1.3m (8%) over spend

- i. The over spend relates mainly to **£1.3m** in Traded Strategy where the current economic climate has made the increased income target for this year very unlikely to be achieved. Potential options are being investigated to partially mitigate this pressure.

## 5.8 Health and Adult Social Care – £139,000 (0%) under spend

- i. The Quarter 1 forecast is based on budgeted demographic growth and price uplifts continuing for the remainder of the year and the impact of COVID-19 related decisions. The forecast makes no prediction about further savings delivery. The impact of COVID-19 on the demand for Adult Social Care services for the remainder of this financial year and future years cannot be quantified at this stage. Any placements made on the Hospital Discharge pathway over and above the normal placement trend for this time of year are claimable from Health funding while the “emergency period” is still on going. The date on which this period will come to an end and service users will be assessed and financially assessed for their ongoing needs is still not known.
- ii. Drivers of the underlying position:
  - Cash Payments, driven by lower volume and a lower average price than budgeted for, some of this impact was seen in 2019/20 after the budget was set, together with greater levels of surplus fund reclaims for dormant accounts (**£6.4m**). This under spend is more than offset by an over spend on Domiciliary Care, largely due to the non-delivery of the Meaningful Lives Matter savings programme, **£8.1m**
  - An under spend in Nursing (**£1.6m**), driven by lower than budgeted volumes and price together with Respite, (**£975,000**) due to the impact of COVID-19.



- Increase to the Bad Debt Provision, largely driven by Unsecured Residential Debt less than 1 year old and over 540 days old, **£1.1m**
- iii. Approval is sought in this report for the following:
- **£320,000** drawdown from the Adults Digital Reserve to fund projects such as bed finder, electronic home care and shared care records
  - A technical adjustment returning originally agreed COVID-19 funds of **£15.5m** to the Emergency Reserve and **£1.2m** to the General Balance in relation to demand being lower than originally predicted for hospital discharge beds, staffing and special equipment.
  - **£2.6m** drawdown from the Emergency Reserve of COVID-19 funding for increased loss of residential income

### **5.9 Deputy Leader and Infrastructure - £3.6m (7.4%) over spend**

- i. The over spend is attributable to **£1.5m** under recovery of Park and Ride income based on the assumption of nine months of lost income at **£177,000** per month following the temporary closure of all sites due to the lockdown measures currently in place due to COVID-19. The sites are re-opening but with reduced capacity and demand. Further over spend of **£752,000** within Local Highways Panels relating to undeliverable savings for Parking Partnerships. Finally over spend within Partnership Overheads **£574,000** linked to Ringway Jacobs savings target that were due to be delivered from the Lean review which has been delayed due to COVID-19.
- ii. Approval is sought in this report for the following:
- **£843,000** return to the A130 PFI reserve following lower traffic volumes than predicted and therefore lower costs in year.
  - **£5m** withdrawal from the Future Capital Funding Reserve to cover expenditure relating to member led carriageway defects, environmental works maintenance to help prevent flooding and vital safety improvements to pedestrian barriers, road embankments and vehicle restraint systems. Whilst the Council has received grant funding towards this expenditure, the grant can only be applied to finance capital expenditure. Note that a Capital Receipts Strategy is being developed to enable a broader use of capital receipts in-line with the flexibility currently permitted by the Ministry of Housing, Communities and Local Government; this strategy will be brought to Cabinet and then to Full Council for approval. If approved, the Council will then potentially be able to return £5m to the Reserve for Future Capital Funding.

### **5.10 Leader - £57,000 (0.7%) under spend**

- i. The position is driven by under spends in Democratic Core (**£22,000**) relating to staffing, Corporate Subscriptions (**£21,000**) and Corporate

Policy (**£15,000**) based on the trend established by 2019/20 under spend and run rates.

#### **5.11 Other Operating Costs – on-line**

- i. This on-line position is reported after an over spend of **£1.3m** on Interest receivable which includes a loss of **£170,000** income from Schools PFI dividends after the sale of our interest, reduced income assumptions from Essex Housing (**£286,000**) and a reduction of **£844,000** on interest earned on cash balance following reduced interest rates achievable during the current economic environment. These over spends are offset by **£800,000** reduced interest paid by the authority on reserves held for other entities and the application of **£500,000** of funding carried forward from 2019/20 in anticipation of these pressures materialising to bring the position on-line.

#### **5.12 Performance, Business Planning and Partnerships – £198,000 under spend (10.1%)**

- i. This under spend reflects staffing vacancies whilst the service undertake recruitment to the new structure.

#### **5.13 Customer, Communities, Culture and Corporate Recharged Strategic Support Services - £1m (1.6%) under spend**

- i. The under spend is attributable to uncommitted carry forwards from 2019/20 of **£1.9m** in the Customer Service position. However Business Support partially offsets the under spend by **£483,000** due to planned recruitment and reduced vacancy factor (lowered due to COVID-19).
- ii. Approval is sought in this report for the following:
  - Vire **£29,000** from the Children and Families portfolio relating to support arrangements for Servalac, a Technical Services contract.

#### **5.14 Finance Recharged Strategic Support Services - £48,000 over spend**

- i. The over spend is driven by an under recovery of income due to lost commercial opportunities within the construction industry following the economic downturn resulting from COVID-19 lockdown measures meaning that the saving target for 2020/21 will not be delivered in full.
- ii. Approval is sought in this report for the following:
  - **£113,000** from the Economic Development portfolio relating to costs associated with the Place and Public Health management restructure.

#### **5.15 Leader Recharged Support Services - £87,000 (3.2%) over spend**

- i. This position is driven by a staffing pressure in Equality and Diversity **£59,000** which is currently being mitigated by under spends elsewhere in

the Strategy Insight and Engagement service (that fall outside this portfolio) and agency staff pressures in Communications and Customer Relations **£27,000**.

#### **5.16 Performance, Business Planning and Partnerships Recharged Support Services - £212,000 (2%) under spend**

- i. This position includes an under spend of **£145,000** relating to delays in recruitment across Data & Analytics and Performance & Business Intelligence as a result of the creation of a new team. This is combined with a **£67,000** under spend attributable to delays in recruitment in Transformation Support Unit.

### **6. Trading Activities**

- 6.1 Trading activities as a whole are reporting a shortfall of **£110,000** against the budgeted surplus of **£497,000**.
- 6.2 Place Services is reporting a net surplus of **£383,000**, which represents achievement of their target. Success in recruiting to vacant positions is expected to help delivery of stretch income targets in future financial years.
- 6.3 Music Services is reporting a net surplus of **£4,000**, which represents an under achievement of **£109,000** to target. The target for 2020/21 is under review as the terms and conditions of the Music Hub Grant have been amended and expenditure that was previously chargeable to the grant is no longer eligible.

The service is expecting to fully mitigate the impact of COVID-19, although are flagging a risk as the majority of the income budgeted for the summer term will not be received as lessons could not be provided, although the service has moved to online tuition where this is possible. In addition, the furlough scheme has been used to partially mitigate the lost income from schools, with tutors being paid in full in line with ECC policy.

- 6.4 These forecast positions will leave a net residual surplus in reserves of **£801,000** of which **£796,000** relates to Place Services.
- 6.5 Appendix B shows the position by each Trading Activity.

### **7. Capital**

- 7.1 An under spend of **£19.1m** (7.8%) is forecast against the latest capital budget of **£246m**. After taking account of budget change requests in this report there is a residual under spend of **£568,000**.
- 7.2 Approval is sought for:
  - i. Slippage of **£24.1m**

- ii. Budget additions of **£15.4m**
- iii. Budget reductions of **£15.3m**
- iv. Advanced works of **£5.5m**

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

7.4 **Children and Families- £325,000 under spend**

- i. **Fostering and Adaptation**; Approval is sought for a net reduction of **£250,000** following completion of the Capital Programme Prioritisation review

7.5 **Customer, Communities, Culture and Corporate - £129,000 under spend**

- i. **Changing Place**; Approval is sought to reprofile £100,000 of spend into future years following the Capital Programme Prioritisation exercise in light of COVID-19.

7.6 **Economic Development – on line**

- i. There is no variance to budget

7.7 **Education and Skills - £10.8m under spend**

- i. **Special Schools**; Approval is sought to reprofile **£2.2m** into future years as the Wickford Pupil Referral Unit has not been able to reach Full Business Case stage, which is now expected in September with works beginning in November. Approval is also sought for a net reduction of **£5.1m** with schemes that are no longer going to be delivered by ECC being removed from the Capital Programme as part of the Capital Programme Prioritisation exercise.
- ii. **Harlow Primary**; Approval is sought to reprofile **£2.5m** into future years owing to the Harlowbury site, as lockdown restrictions are impacting the ability to remove materials as planned. The project is now an estimated 12-14 weeks behind schedule.
- iii. **Tendring**; Approval is sought to reduce the scheme by **£1m** as a result of lower pupil places in the area than expected. A resulting change in scope at Clacton County High School and Colne Community Secondary School is driving a reduction of **£500,000** each from the Capital Programme.

7.8 **Environment and Climate Change Action - £3.5m under spend**

- i. **Flood Management**; Approval is sought to reprofile **£3.5m** into future years due to rephasing of the scheme following the Capital Programme Prioritisation exercise.

## 7.9 Health and Adult Social Care – on line

- i. There is no variance to budget.

## 7.10 Deputy Leader and Infrastructure - £4.3m under spend

- i. **Named Highway Schemes**; Approval is sought to reprofile **£4.1m** into future years in relation to M11 Junction 8, Advanced Scheme Designs and A130 Millennium Way resulting from the capital programme re-prioritisation of works.

Approval is sought to add **£4.8m** to M11 Junction 7A to accommodate estimated additional costs required to implement measures in light of COVID-19 to allow for social distancing within cabins.

Approval is sought to advance **£3.5m** from future years in relation A127 Fairglen Interchange resulting from the latest cashflow forecast which suggests £7.4m will be delivered this financial year.

- ii. **Highways maintenance**; Approval is sought to reprofile **£7.3m** to future years with delays in the LED Phase 4. The LED street lighting has commenced with procurement of required stock to convert the remaining circa 80,000 street lights. However, projected slippage of (£7.3m) when compared to previous profiles in now forecast relating to extended lead-in times for the units as a result of disruption to supply chains caused by COVID-19. While installation of units will commence this calendar year, it is most likely that the installation of larger volumes of lanterns will not really pick up until early 2021, therefore the new spend forecast has been adjusted to reflect this.

Approval is sought to reduce **£5.9m** from the capital programme in relation to Essex Highways schemes, which saw a 10% reduction as part of the capital programme re-prioritisation of works due to the levels of ECC borrowing initially required.

Approval is sought to add **£7.1m** across various schemes following Department of Transport grant funding allocation of **£17.9m**, which is mainly being used to restore the budgets of Highways schemes to the levels before the 10% reduction was applied. The remaining addition is due to the Braintree High Street scheme (£1.8m) following receipt of the Challenge Fund Tranche 1 during 2019/20.

- iii. **BDUK**; Approval is sought for the following:

To slip **£805,000** with the under spend to be reinvested into an existing Phase 4 contract for delivery in 2021/22.

To reduce **£684,000** from phase 3 and add **£684,000** to phase 4.. Addition in Phase 4 is due to a Phase 3.3 (reduction) update to existing coverage data by

BT Openreach which means premises in the intervention area are no longer eligible for investment.

To reduce **£434,000** with the Ultrafast GPs project has progressed and the costs have been refined and are now confirmed at £1.7m.

#### 7.11 **Controlled Elsewhere - £35,000 under spend**

- i. Residual variance of **£35,000** under spend in relation to the Schools Devolved Formula Capital grant, which the Council hold on behalf of Essex Schools and have no control over the spend, for transactions that do not meet the capitalisation criteria.

7.12 **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 organisation plan were approved in parallel in February 2020.

### 9. **Reserves**

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

9.2 There has been a significant amount of movement on reserves as part of the COVID-19 response. Approval is sought in this report that **£14.1m** of decisions taken on anticipated expenditure relating to COVID-19 in Adult Social Care which are not now required, are returned to reserves: (i) **£12.9m** to replenish the Emergency reserve and (ii) **£1.2m** to the General Balance.

### 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](http://www.essex.gov.uk) if not circulated with this report)**

## **14. List of Background Papers**

Budgetary control reports.

## Revenue

Portfolio	Latest Budget £000	Quarter 1 Variance £000	% of Latest Budget
Children and Families	128,985	(636)	(0.5%)
Customer, Communities, Culture and Corporate	18,657	2,646	14.2%
Deputy Leader and Infrastructure	47,976	3,568	7.4%
Economic Development	20,755	320	1.5%
Education and Skills DSG	(3,048)	(6,995)	(229.5%)
Education and Skills Non DSG	82,114	1,682	2.0%
Environment and Climate Change Action	80,775	4,720	5.8%
Finance	16,089	1,284	8.0%
Health and Adult Social Care	480,991	(139)	(0.0%)
Leader	7,776	(57)	(0.7%)
Other Operating Costs	74,174	1	0.0%
Performance, Business Planning and Partnerships	1,952	(198)	(10.1%)
Customer, Communities, Culture and Corporate RSSS	65,001	(1,038)	(1.6%)
Finance RSSS	21,025	48	0.2%
Leader RSSS	2,717	87	3.2%
Performance, Business Planning and Partnerships RSSS	10,436	(212)	(2.0%)
<b>Total</b>	<b>1,056,373</b>	<b>5,082</b>	<b>0.5%</b>
DSG Offset	(3,048)	(6,995)	
<b>Total Excluding DSG</b>	<b>1,059,421</b>	<b>12,077</b>	<b>1.1%</b>
Funding		192	
<b>Revised Total</b>	<b>1,059,421</b>	<b>12,270</b>	<b>1.2%</b>



## Traded Services

## Appendix B

	Revenue reserve 1 April 2020	Income	Budget Expenditure	(Surplus)/ Deficit	Income	Forecast Expenditure	Forecast (Surplus) / deficit	Final Outturn position	Appropriations To County Revenue Account	To Trading Activity reserve	Variance Plan Proposals to/(from) reserves	Revenue reserve 31 March 2021
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>FINANCE, COMMERCIAL &amp; TRADED</b>												
Place Services	(713)	(2,774)	2,391	(383)	(2,588)	2,205	(383)	(83)	(300)	(83)	-	(796)
Music Services Traded	(115)	(4,744)	4,631	(113)	(3,227)	3,222	(4)	109	(113)	-	-	(6)
<b>Total</b>	<b>(828)</b>	<b>(7,518)</b>	<b>7,022</b>	<b>(496)</b>	<b>(5,815)</b>	<b>5,428</b>	<b>(387)</b>	<b>26</b>	<b>(413)</b>	<b>(83)</b>	<b>-</b>	<b>(802)</b>

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
Children and Families	112	28	(84)	1,040	159	1,199	874	(325)
Customer, Communities, Culture and Corporate	1,054	177	(877)	5,564	1,081	6,645	6,516	(129)
Deputy Leader and Infrastructure	34,672	12,937	(21,735)	143,098	3,373	146,471	142,143	(4,328)
Economic Development	2,382	154	(2,228)	20,960	1,674	22,634	22,636	2
Education and Skills	10,917	2,974	(7,943)	58,163	2,836	60,999	50,242	(10,757)
Environment and Climate Change	916	325	(591)	4,479	1,103	5,582	2,098	(3,484)
Health and Adult Social Care	68	(492)	(560)	421	195	616	616	-
<b>ECC Capital Programme</b>	<b>50,121</b>	<b>16,103</b>	<b>(34,018)</b>	<b>233,725</b>	<b>10,421</b>	<b>244,146</b>	<b>225,125</b>	<b>(19,021)</b>
Schools Cash Balance	140	987	847	-	840	840	840	-
Devolved Formula Capital	15	49	34	1,061	-	1,061	1,026	(35)
<b>Total School Balances</b>	<b>155</b>	<b>1,036</b>	<b>881</b>	<b>1,061</b>	<b>840</b>	<b>1,901</b>	<b>1,866</b>	<b>(35)</b>
<b>Total Capital Programme</b>	<b>50,276</b>	<b>17,139</b>	<b>(33,137)</b>	<b>234,786</b>	<b>11,261</b>	<b>246,047</b>	<b>226,991</b>	<b>(19,056)</b>

Financed by:

	Budget Movement			Full Year	
	Original Budget	In year approved changes	Revised Budget	Outturn	Variance
	£000	£000	£000	£000	£000
<b>ECC Capital Programme</b>					
Grants	100,214	1,630	101,844	96,055	(5,789)
Reserves	6,242	(6,242)	-	-	-
Developer & Other contributions	10,219	(3,284)	6,935	8,228	1,293
Capital receipts	14,580	762	15,342	15,342	-
Unsupported borrowing	102,557	18,395	120,952	106,405	(14,547)
<b>ECC Capital Programme</b>	<b>233,812</b>	<b>11,261</b>	<b>245,073</b>	<b>226,030</b>	<b>(19,043)</b>
Grants	974	-	974	961	(13)
Unsupported borrowing	-	-	-	-	-
<b>School Balances</b>	<b>974</b>	<b>-</b>	<b>974</b>	<b>961</b>	<b>(13)</b>
<b>Total ECC &amp; Schools Capital Funding</b>	<b>234,786</b>	<b>11,261</b>	<b>246,047</b>	<b>226,991</b>	<b>(19,056)</b>

## Capital Variance Plan

## Variance plan

Portfolio	Approved changes					Variance Plan					
	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
Children and Families	159	-	-	-	159	-	200	(525)	-	-	(325)
Customer, Communities, Culture and Corporate	1,081	5,000	(5,000)	-	1,081	(100)	-	-	-	(29)	(129)
Deputy Leader and Infrastructure	4,393	171	(171)	(1,020)	3,373	(13,806)	12,698	(7,063)	3,534	309	(4,328)
Economic Development	1,674	-	-	-	1,674	-	-	-	-	2	2
Education and Skills	4,196	11,081	(11,081)	(1,360)	2,836	(6,696)	2,519	(7,688)	1,939	(831)	(10,757)
Environment and Climate Change	1,103	-	-	-	1,103	(3,500)	-	-	-	16	(3,484)
Health and Adult Social Care	202	-	-	(7)	195	-	-	-	-	-	-
<b>ECC Capital Programme</b>	<b>12,808</b>	<b>16,252</b>	<b>(16,252)</b>	<b>(2,387)</b>	<b>10,421</b>	<b>(24,102)</b>	<b>15,417</b>	<b>(15,276)</b>	<b>5,473</b>	<b>(533)</b>	<b>(19,021)</b>
Schools Cash Balance	840	-	-	-	840	-	-	-	-	-	-
Devolved Formula Capital	-	-	-	-	-	-	-	-	-	(35)	(35)
<b>Total Capital Programme</b>	<b>13,648</b>	<b>16,252</b>	<b>(16,252)</b>	<b>(2,387)</b>	<b>11,261</b>	<b>(24,102)</b>	<b>15,417</b>	<b>(15,276)</b>	<b>5,473</b>	<b>(568)</b>	<b>(19,056)</b>

## Appendix C(ii) cont'd

Portfolio & Scheme	Slippage	Additions	Reductions	Advanced Works	2020/21 Changes
	£000	£000	£000	£000	Requested
ADAPTATIONS	-	200	-	-	200
Children with disabilities	-	-	(75)	-	(75)
Expansion of Fostering Service	-	-	(450)	-	(450)
<b>Children and Families</b>	<b>-</b>	<b>200</b>	<b>(525)</b>	<b>-</b>	<b>(325)</b>
CHANGING PLACES	(100)	-	-	-	(100)
<b>Customer, Communities, Culture and Corporate</b>	<b>(100)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(100)</b>
A120 Millennium Way Slips	(275)	-	-	-	(275)
A127 FAIRGLEN INTERCHANGE	-	-	-	3,534	3,534
ADVANCED SCHEME DESIGN	(1,000)	-	-	-	(1,000)
BDUK ESSEX SUPERFAST PROGRAMME PHASE 3	-	-	(684)	-	(684)
BDUK ESSEX SUPERFAST PROGRAMME PHASE 4	(805)	684	-	-	(121)
BDUK ULTRAFast GPS LFFN	-	-	(434)	-	(434)
BRAINTREE HIGH STREET BRIDGES	-	1,750	-	-	1,750
Bus & Passenger Transport Infrastructure	(500)	-	(750)	-	(500)
CHELMSFORD GROWTH AREA	-	13	-	-	13
Cycling Infrastructure	-	45	-	-	45
FOOTWAY MAINTENANCE	-	830	(830)	-	-
LED ROLLOUT	(7,300)	-	-	-	(7,300)
M11 JUNCTION 7A AND GILDEN WAY UPGRADING	-	4,850	-	-	4,850
M11 JUNCTION 8	(2,874)	-	-	-	(2,874)
PT Transport Advertising	(1,053)	-	-	-	(1,053)
PUBLIC RIGHTS OF WAY	-	40	(40)	-	-
ROAD MAINTENANCE	-	4,075	(4,075)	-	-
SECTION 106	-	162	-	-	162
SURFACE WATER ALLEVIATION	-	250	(250)	-	-
<b>Deputy Leader and Infrastructure</b>	<b>(13,807)</b>	<b>12,699</b>	<b>(7,063)</b>	<b>3,534</b>	<b>(4,637)</b>
BASILDON PRIMARY BASIC NEED	-	62	-	-	62
BASILDON SECONDARY BASIC NEED	-	-	(51)	-	(51)
BRAINTREE PRIMARY BASIC NEED	(425)	15	-	-	(410)
BRAINTREE SECONDARY BASIC NEED	-	-	(16)	-	(16)
BRENTWOOD PRIMARY BASIC NEED	(300)	-	-	-	(300)
CASTLE POINT BASIC NEED	-	-	(266)	-	(266)
CHELMSFORD PRIMARY BASIC NEED	-	30	-	-	30
COLCHESTER PRIMARY BASIC NEED	-	799	(177)	-	622
COLCHESTER SECONDARY BASIC NEED	-	2	-	-	2
EARLY YEARS	-	192	-	-	192
EPPING FOREST PRIMARY BASIC NEED	-	79	(81)	-	(2)
HARLOW PRIMARY BASIC NEED	(2,450)	50	-	-	(2,400)
ROCHFORD PRIMARY BASIC NEED	(75)	-	-	-	(75)
SPECIAL SCHOOLS	(2,195)	983	(6,047)	-	(7,259)
TENDRING PRIMARY BASIC NEED	(600)	-	(50)	-	(650)
TENDRING SECONDARY BASIC NEED	(600)	-	(1,000)	-	(1,600)
UTTLESFORD PRIMARY BASIC NEED	(50)	305	-	1,939	2,194
<b>Education and Skills</b>	<b>(6,695)</b>	<b>2,517</b>	<b>(7,688)</b>	<b>1,939</b>	<b>(9,927)</b>
FLOOD MANAGEMENT	(3,500)	-	-	-	(3,500)
<b>Environment and Climate Change</b>	<b>(3,500)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,500)</b>
<b>Total Capital Programme</b>	<b>(24,100)</b>	<b>15,417</b>	<b>(15,275)</b>	<b>5,473</b>	<b>(18,489)</b>

## Appendix D

### Reserves

	2020/21 movements				
	Balance at 1 April 2020 £000	(Contributions)/ Withdrawals agreed £000	Adjustments proposed in quarterly report £000	Future commitments £000	Estimated Closing balance £000
Long Term Contractual Commitment					
PFI Reserves					
A130 PFI	(39,278)	4,652	(843)	(258)	(35,727)
Building Schools for the Future PFI	(233)	-	(234)	79	(388)
Debden School PFI	(630)	-	501	(864)	(993)
Clacton Secondary Schools' PFI	(532)	-	497	(592)	(627)
Waste Reserve	(112,276)	-	-	-	(112,276)
Grant Equalisation Reserve	(49,853)	1,548	-	37,400	(10,905)
Trading Activities (not available for use)	(828)	413	-	(387)	(802)
Partnerships and Third Party (not available for use)	(1,653)	-	-	-	(1,653)
Schools (not available for use)	(29,283)	-	-	-	(29,283)
General Balance	(56,439)	49,444	(1,154)	(53,600)	(61,749)
Reserves earmarked for future use					
Adults Digital Programme	(2,869)	-	320	2,549	-
Bursary for Trainee Carers	(500)	-	-	500	-
Capital Receipts Pump Priming	(3,204)	(1,000)	-	-	(4,204)
Carbon Reduction	(622)	76	-	-	(546)
Carry Forward	(14,803)	10,618	-	4,185	-
Collection Fund Risk	(1,412)	-	-	-	(1,412)
Commercial Investment in Essex Places	(12,583)	-	-	-	(12,583)
Community Initiatives Fund	(487)	(350)	156	681	-
EES Pension Risk	(4,000)	-	-	-	(4,000)
Emergency	-	2,900	(12,900)	-	(10,000)
Emergency Planning	(300)	-	-	-	(300)
Essex Climate Change Commission	(250)	(4,750)	-	1,250	(3,750)
Future Capital Funding	(1,905)	(4,074)	5,000	-	(979)
Health and Safety	(3,100)	-	-	-	(3,100)
Highways	-	(5,000)	-	-	(5,000)
Insurance	(7,411)	1,151	-	-	(6,260)
Property Fund	(651)	(326)	-	-	(977)
Quadrennial Elections	(1,093)	(500)	-	-	(1,593)
Recovery	(2,900)	-	-	-	(2,900)
Service Improvement	(3,971)	(2,600)	-	180	(6,391)
Social Distancing & Hygiene	(900)	-	-	900	-
Technology Solutions	(3,785)	(2,745)	-	1,666	(4,864)
Tendring PPP	(303)	-	-	-	(303)
Transformation	(37,401)	(19,835)	608	14,714	(41,914)