

Report title: 2021/22 Financial Overview as at the Half Year Stage and Budget Setting Process	
Report to: Corporate Policy and Scrutiny Committee	
Report author: Cllr Christopher Whitbread, Cabinet Member for Finance, Resources and Corporate Affairs	
Date: 8 December 2021	For: Consideration
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County Divisions affected: All Essex	

1. Purpose of report

- 1.1 This item is to consider the 2021/22 Half Year Financial report presented to Cabinet on 15th October, and an overview of the budget process for 2022/23, including how the budget is built, the Comprehensive Spending Review headlines, and the uncertainty driving the medium term.

2 Background

- 2.1 The Council presented its Half Year Financial position for 2021/22 to October Cabinet. At this stage of the year there is a forecast under spend of £3.9m (0.4%), against a net revenue budget of £1bn. For the Capital Programme there is an under spend £4.6m (1.5%) on the capital programme against a budget of £300.2m.
- 2.2 The process for setting the 2022/23 budget and the medium term resource strategy has been underway since the beginning of the financial year. The final budget for 2022/23 will be presented to Cabinet in January, followed by Full Council in February.

3 2021/22 Half Year Report

- 3.1 The continuing impact of Covid-19 and demand for services, plus the upcoming winter period managing both the pandemic and a possible resurgence of flu, are all factors that influence the underlying patterns of demand and require careful monitoring. These are likely to result in ongoing volatility of forecasting as we move through the year
- 3.2 There is a full year forecast revenue under spend of £3.9m (0.4% against a net budget of £1bn). The overall under spend position is driven by Adult Social Care and Health, where there are lower volumes compared to budget assumptions for both cash payments and nursing placements, partially offset by increasing volumes of residential and domiciliary care packages. In

addition, we have received windfall funding, which is unbudgeted, of £3.1m from Health to support hospital discharge, as the decision from government to continue this funding for 2021/22 was not taken until after the Council set its budget for 2021/22.

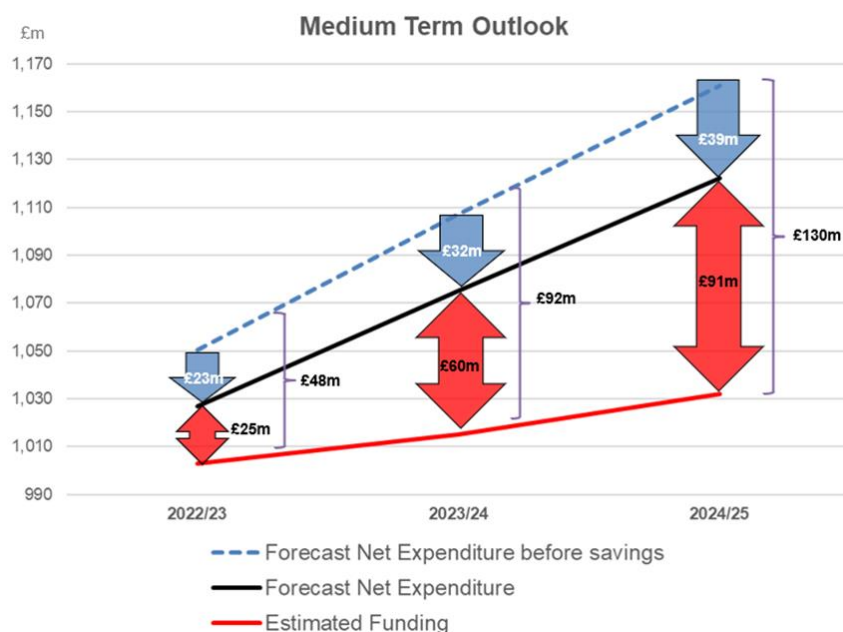
- 3.3 The Council has continued to be proactive in its response to COVID-19. Known costs are in the region of £100m for 2021/22, and we have sufficient funding for this. Should the current situation surrounding COVID deteriorate further, this funding position will be re-evaluated.
- 3.4 A further £1.4m of approvals were sought in the Half Year report from the COVID Equalisation Reserve to support COVID pressures and income losses. This brings total drawdowns for the year to £11.2m. This position continues to be monitored.
- 3.5 The 2021/22 savings programme is currently reported as 75% delivered, with £6.8m of the remaining savings plans considered at risk of non-delivery. Work continues to deliver plans, or where necessary identify mitigations where original plans cannot be delivered.
- 3.6 £4.1m of approvals were sought in the Half Year report to appropriate under spends to the Carry Forward Reserve to support the 2022/23 budget and specific risks. The opportunity to utilise under spends in the current financial year to support specific purposes in future years will continue to be investigated for the remainder of the financial year.
- 3.7 The report set out a request to create an “Everyone’s Essex” Reserve with £45m of funds to support delivery of the Everyone’s Essex strategy. This was created using £25m of the Renewal Fund Reserve and £10m of the Ambition Fund Reserve (both established in the 2020/21 Provisional Outturn report to Cabinet), and £10m from the Equalities Reserve (established in the First Quarter report to Cabinet). These reserves had been created previously to support delivery of the new strategic priorities of the organisation, so this new reserve now consolidates these.
- 3.8 The Capital Programme has a forecast under spend of £4.6m against a latest budget of £300.2m. After taking account of the budget change adjustments set out in the Half Year report, there is a residual variance of £315,000. The budget change adjustments are summarised as follows:
 - Slippage of £10.7m
 - Budget additions of £6.3m
 - Budget reductions of £5.7m
 - Advanced works of £5.3m

4 2022/23 Budget Setting and the Medium Term Resource Strategy

- 4.1 Budget setting for 2022/23 and a refresh of the medium term resource strategy is currently underway. Scenario planning has been undertaken

looking at the key assumptions that drive the budget, including Council Tax and Business Rates variables. These have been reviewed and assessed based on our confidence and latest information available.

- 4.2 Based on the mid-range scenario produced, it confirmed our approach that the focus should continue on the £25m gap published in February 2021 for 2022/23



- 4.3 As part of the presentation to the Committee we will set out the process of how we build the budget and the key elements that make up the budget.
- 4.4 The Comprehensive Spending Review was announced on 27th October. For local government there were a number of announcements, although it did not provide any assurance on the continuation of certain grants from government that we are currently in receipt of. A new £4.8bn local government grant was announced over the 3 years of the Spending Review, although no details on allocations and terms and conditions were included. The Review also contained expectations on tax flexibilities, with a 2% basic precept limit, and an additional 1% adult social care precept, plus multiple changes to Business Rates. For all of these announcements we await full details in the Local Government Provisional Finance Settlement later in December.
- 4.5 There are a number of risks and challenges that we face in setting next year's budget. The increasing rate of inflation will impact contractual expenditure, including the latest surge in energy costs and food prices. Alongside this the recently announced reforms to Adult Social Care by government were welcomed, however there is still significant uncertainty on how these will be fully funded. The increase in national insurance announced as part of the reforms will have a direct impact on our workforce and supply chain. Based on the government announcements we expect the ECC direct employer NI increase to be funded by government, however the impact on the supply chain may have a potential knock-on impact of raising the cost of provision for all local authority services.

5 Next Steps

- 5.1 The budget setting process continues, with further refinement of budget assumptions and development of delivery plans to create a balanced budget. We await details of the Provisional Finance Settlement later in December. This will be followed by publication of budget papers for Cabinet in January.

6 List of Appendices

Appendix A – 2021/22 Financial Overview as at the Half Year Stage (FP/012/03/21)