

Forward Plan Reference Number: FP/011/03/21

Report title: 2021/22 Financial Overview as at the First Quarter Stage	
Report to: Cabinet	
Report author: Cllr Christopher Whitbread, Cabinet Member for Finance, Resources and Corporate Affairs	
Date: 29 July 2021	For: Decision
Enquiries to: Nicole Wood, Executive Director, Corporate Services and Adrian Osborne, Head of Strategic Finance and Insight email Adrian.osborne2@essex.gov.uk	
County Divisions affected: All Essex	

1. Purpose of report

- 1.1 The purpose of this report is to set out the current forecast financial position of Essex County Council's (ECC) revenue and capital budgets as at the first quarter stage of the 2021/22 financial year. There is a forecast over spend of **£5.3m** (0.5%) against a net revenue budget of **£1bn**. The overall over spend position is driven largely by a heightened level of risk within Adult Social Care and pressures within Waste Reduction and Recycling.
- 1.2 At this early stage of the financial year there is a significant level of uncertainty and risk around the forecast for 2021/22. In the coming months ECC will continue to face considerable turbulence regarding the real impact of easing of pandemic restrictions, of entering the start of a third wave and of an upcoming winter period managing both COVID-19 and a possible resurgence of flu. All of these factors influence underlying patterns of demand, require careful monitoring and are likely to result in ongoing volatility of forecasting as we move through the year, making it difficult to produce an accurate forecast.
- 1.3 Adult Social Care continues to feel and respond to the significant impact of the COVID 19 pandemic, in particular the consequences of paused work and backlog on teams of reviews and assessments, changing demographics projections and the demand for services. The care market also manages the impact with both resident population plus staff recruitment and retention being key factors. These elements have created a challenge to manage within the service budget, together with uncertainty in the accuracy of future demand predictions.
- 1.4 We have continued to receive funding from Government to meet the substantial COVID-19 costs we are facing, and we currently estimate the funding will cover in full the known direct costs and liabilities we are experiencing from the pandemic.
- 1.5 There is an under spend of **£6.3m** (2%) on capital against the current budget of **£309.1m**. After taking account of budget change requests in this report there will be a residual under spend of **£167,000** (0.05%).

2. Recommendations

Approval is sought for the following:

2.1 To draw down funds from reserves as follows:

- i. **£1.3m** from the Adults Digital Programme Reserve to the Adult Social Care and Health portfolio to fund projects within the digital programme (section 5.1.iv)
- ii. **£1.2m** from the Insurance Reserve to the Finance, Resources and Corporate Affairs RSSS portfolio in respect of recovery of income relating to Highways claims, to meet ECC budget pressures in 2021/22 as planned in February budget setting (section 5.15.iii)
- iii. **£3.7m** from the Covid Equalisation Reserve to the Adult Social Care and Health portfolio to support the COVID Resilience Fund (section 5.1.iv)
- iv. **£2.5m** from the Covid Equalisation Reserve to the Community, Equality, Partnerships and Performance portfolio relating to: Essex Outdoors loss of income (**£2.4m**), additional staff required in Registrations (**£105,000**) and Coroner's inquest backlog (**£35,000**) (section 5.3.ii)
- v. **£1.6m** from the Covid Equalisation Reserve to the Finance, Resources and Corporate Affairs RSSS relating to Delivery and Assurance (**£1.3m**), Transactional services staffing (**£150,000**), staffing re Entry Level Employment (**£149,000**), and People Operations (**£65,000**) (section 5.15.iii)
- vi. **£1.4m** from the Covid Equalisation Reserve to the Community, Equality, Partnerships and Performance RSSS (**£1.3m**) and to the Finance, Resources and Corporate Affairs RSSS portfolio (**£87,000**) relating to Business Support (sections 5.13.iii & 5.15.iii)
- vii. **£441,000** from the Covid Equalisation Reserve to the Highways Maintenance and Sustainable Transport portfolio to cover lost income within Park & Ride services due to the impact of COVID (section 5.9.iv)
- viii. **£1.7m** from the Technology Solutions Reserve to the Finance, Resources and Corporate Affairs RSSS portfolio relating to the Social Care Platform Programme (section 5.15.iii)
- ix. **£1.6m** from the Transformation Reserve to Children's Services and Early Years portfolio to support the 2021/22 budget (section 5.2.ii)

- x. **£903,000** from the Transformation Reserve to the Adult Social Care and Health portfolio; to support the savings programme (**£843,000**) and for the Independent Living Programme (**£60,000**) (section 5.1.iv)
- xi. **£654,000** from the Private Finance Initiatives (PFI) Equalisation Reserves to the Education Excellence, Skills and Training portfolio in relation to Debden PFI (**£389,000**) and Clacton secondary schools PFI (**£265,000**) (section 5.7.iii)
- xii. **£584,000** from the Ambition Fund Reserve to the Community, Equality, Partnerships and Performance RSSS portfolio relating to the Just About Managing project to cover the costs associated with the Working Families Initiative (section 5.13.iii)
- xiii. **£220,000** from the Ambition Fund Reserve to the Adult Social Care and Health portfolio towards funding for Mental Health (section 5.1.iv)
- xiv. **£187,000** from the Covid Equalisation Reserve to the Community, Equality, Partnerships and Performance RSSS (**£44,000**) and Leader RSSS portfolio (**£143,000**) to the Communications and Marketing team for pandemic related media campaigns (sections 5.13.iii & 5.16.ii).
- xv. **£383,000** from the Transformation reserve to the Children's Services and Early Years portfolio to support the Divisional Based Intervention Team within the Children's Sustainability Programme (section 5.2.ii)
- xvi. **£33,000** from the Transformation Reserve to the Finance, Resources and Corporate Affairs RSSS portfolio relating to Technology Services Portfolio project. This was previously approved (FP/387/03/19) but has time lapsed (section 5.15.iii)
- xvii. **£28,000** from the Quadrennial Election Reserve to the Community, Equality, Partnerships and Performance portfolio relating to costs of the May 2021 elections (section 5.3.ii)
- xviii. **£25,000** from the Collection Fund Risk Reserve to the Finance, Resources and Corporate Affairs RSSS portfolio to support analysis of the pandemic impact (section 5.15.iii).
- xix. **£125,000** from the Covid Equalisation Reserve to the Children's Services and Early Years portfolio for the Family Innovation Fund Extra (section 5.2.ii)

2.2 To appropriate funds to reserves as follows:

- i. **£2.5m** to the Children's Transformation Reserve from the Children's Services and Early Years portfolio appropriating the Social Care Grant settlement to the reserve until it is required (section 5.2.ii)

- ii. **£2.3m** to the Waste Reserve from the Waste Reduction and Recycling portfolio due to a lower inflationary increase than budgeted (section 5.11.iii)
- iii. **£1.1m** to the Commercial Investment in Essex Places Reserve from the Finance, Resources and Corporate Affairs RSSS portfolio due to the receipt following the sale of Schools payroll (section 5.15.iii)
- iv. **£6,000** to the Community Initiatives Fund Reserve from Community, Equality, Partnerships and Performance portfolio following receipt of grant, which will be utilised before planned use of reserves (section 5.3.ii).
- v. **£314,000** to the Private Finance Initiatives (PFI) Equalisation Reserves from the Education Excellence, Skills and Training portfolio in relation to Building Schools for the Future (section 5.7.iii)
- vi. **£150,000** to the Technology Solutions Reserve from the Finance, Resources and Corporate Affairs RSSS portfolio to support future years Technology programmes (section 5.15.iii)

2.3 To approve the following adjustments:

- i. Transfer the balance of funds relating to the Children's Sustainability programme, which are currently ringfenced in the Transformation reserve, to the Children's Transformation Reserve. The balance to be moved, after requests in this report, is **£3m**.
- ii. Agree to fund all future requests to withdraw money from reserves against decisions previously taken with respect to providing additional funding to services for COVID related reasons from the COVID Equalisation reserve, rather than the reserve(s) originally agreed.
- iii. Agreement is therefore sought that up to **£16.8m** which has not been drawn down but which was previously authorised to be drawn down from various sources (as set out in **Appendix E**) will now, if required, be drawn down from Covid Equalisation Reserve.
- iv. Vire **£33,000** from the Community, Equality, Partnerships and Performance portfolio to Devolution, Art, Heritage and Culture portfolio to fund an additional post in relation to Brexit within Trading Standards (sections 5.3.ii & 5.4.ii)
- v. Vire **£40,000** from Community, Equality, Partnerships and Performance portfolio to Community, Equality, Partnerships and Performance RSSS portfolio to align delivery of a saving from Strategic Partnerships to Equalities and Diversity (sections 5.3.ii & 5.13.iii)

- vi. Agree that authority is given to draw down up to **£13m** from the Waste Reserve on an incremental basis but that the money may be drawn down in phases as determined by the Executive Director, Corporate Services in consultation with the Cabinet Member for Finance, Resources and Corporate Affairs to resource the resolution of a dispute (including the referring of the dispute to litigation). This reflects the change in post title and structure of the original authorisation FP/655/11/16.
- vii. To create a new Equalities Fund Reserve to set aside resources to support the focus on the people and places where the council can make the biggest difference to improve lives, and to transfer **£10.3m** from the Collection Fund Risk Reserve to this reserve.
- viii. To amend the capital budget as shown in Appendices C (i) and C (ii) which allows for capital slippage of **£21.7m**, capital budget additions of **£15.1m**, capital budget reductions of **£1.5m** and advanced works of **£2m** (see section 7.2).

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 **£5.3m (0.5%** against a net budget of **£1bn)**. The overall over spend position is driven by uncertainty and pressure within Adult Social Care and Health, and Waste Reduction and Recycling and specifically:
 - i. Adult Social Care and Health **£4.2m** - There are currently increasing volumes of domiciliary care, increasing levels of referrals to Occupational Therapists and for equipment and reductions in people self-caring following reablement. Face to face assessments are beginning to restart, and we expect to gain more clarity in the upcoming months on the sustained level of demand and the impact this has on financial delivery.
 - ii. Waste Reduction and Recycling **£1.5m** relating to over spends in Integrated Waste Management with non-delivery of 2020/21 savings that have yet to be mitigated.
- 3.2 We continue to face cost pressures and income losses related to COVID-19. There is still considerable uncertainty regarding the real impact of easing of restrictions, of entering the start of a third wave, and of an upcoming winter period managing both COVID-19 and a possible resurgence of flu. All of these factors influence underlying patterns of demand, require careful monitoring and are likely to result in ongoing volatility of forecasting as we move through the year, making it difficult to produce an accurate forecast.
- 3.3 The Council has continued to be proactive in its response to COVID-19 and has been allocated in the region of £50m of funding from Government to support with general and specific COVID-19 pressures in 2021/22. Including

the funds applied to the COVID Equalisation reserve and specific grants carried forward at Provisional Outturn we have circa £110m available. It is currently anticipated that most of this funding will be fully utilised in 2021/22, based on the known knowns at present. Should the current situation surrounding COVID deteriorate, this funding position will be re-evaluated.

- 3.4 Requests to withdraw £10m to support COVID pressures and income losses are proposed in this report. This is the first tranche of known pressures in 2021/22, and includes £3.7m for the continuation of the COVID Resilience Fund, which reimburses some of the additional costs due to COVID incurred by Adult Social Care providers, and £2.4m for income losses experienced by Essex Outdoors sites due to COVID.
- 3.5 With the Coronavirus Job Retention Scheme extended until 30 September 2021, as set out last year there is still a risk that the 2022/23 Council Tax base will be negatively impacted, which could result in a significant funding reduction for the Council. Unemployment rates of up to 6.5% are forecast for the end of this year and will be monitored closely throughout the year.
- 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 2021/22 as set by Full Council in February 2021 was **£290.3m**. The forecast outturn is **£302.8m**, before adjustments proposed within this report. This represents an under spend of **£6.3m** against latest budget of **£309.1m**. After taking account of budget change requests in this report, there is a residual under spend of **£167,000**. More detail is set out in Section 7.
- 4.2 The **£6.3m** under spend in the Capital Programme position relates to the following requests in this report:
- Slippage: £21.7m
 - Additions: £15.1m
 - Reductions: £1.5m
 - Advanced Works: £2m
- 4.3 Appendix C (i) summarises current year forecasts and changes to the Capital Programme for 2021/22 since approval of the original programme in the Budget Report to Council in February 2021. Appendix C (ii) contains the detail of the budget adjustments seeking approval.

5. Revenue Position

5.1 Adult Social Care and Health – £4.2m (1.0%) over spend

- i. Adult Social Care continues to feel and respond to the significant impact of the COVID-19 pandemic. In particular, the consequences of paused work and backlog on teams, of reviews and assessments, changing demographics projections and the demand for services. The care market also manages the impact with both resident population and staff recruitment and retention a factor. These elements have all created both a challenge to manage within the budget set, together with the levels of historical data and intelligence, to enable future forecasting to accurately predict demand.
- ii. Public Health is forecast to spend in line with budget. Within the online position, there are a number of decisions that are expected to be funded by additional 'Contain Management Outbreak' funding ECC has received. At this early stage it is anticipated that all funding will be fully spent, this will continue to be monitored throughout the course of the year.
- iii. Within the overall forecast position reported for Adult Social Care, there are **£1.8m** of savings reflected as not deliverable, due to slippage in the Connect Programme resulting from COVID related delays. There are a number of demand pressures including mental health wellbeing and assessment which have increased over and above the assumptions made when setting the budget. Some of the demand pressures are as a result of placements made on the Hospital Discharge pathway, those over and above the normal placement trend are claimable from Health funding, the current guidance states that any cost associated with placements is capped at 6 weeks for placements made from 1st April to 30th June reducing to 4 weeks for placements made from 1st July to 30th September. At this stage Discharge to Assess processes are expected to continue beyond the end of September but there is no funding associated with this.
- iv. Approval is sought in this report for the following:
 - **£3.7m** from the Covid Equalisation Reserve to support the COVID Resilience Fund with funds contributed to the reserve as per the Provisional Outturn report
 - **£1.3m** draw down from the Adults Digital Programme Reserve to fund projects within the digital programme
 - **£220,000** from the Ambition Fund Reserve towards funding for Mental Health
 - **£843,000** from the Transformation reserve to support the following; **£537,000** MLM savings programme, **£237,000** Choice & Control savings programme and **£69,000** PSI savings programme
 - **£60,000** from the Transformation Reserve for the Independent Living programme

5.2 Children's Services and Early Years:

- **Non DSG - £31,000 (>0.05%) under spend**
- **DSG - £30,000 (7.6%) under spend**

- i. This position reflects budgeted expenditure through the year of potential children in care placements, which may be required due to the pent up demand arising from lockdowns, as evidenced through increased contacts and caseload within the children's social care system. Given the volatility of this spend, should the demand not materialise and there are fewer placements into care, then an opportunity may be realised. The position will be kept under review.
- ii. Approval is sought in this report for the following:
 - **£2.5m** to the Children's Transformation Reserve appropriating the Social Care Grant settlement to the reserve until it is required
 - **£1.6m** from the Transformation Reserve to support the 2021/22 budget
 - **£383,000** from the Transformation reserve to support the Divisional Based Intervention Team within the Children's Sustainability Programme
 - **£125,000** from the Covid Equalisation Reserve earmarked for Family Innovation Fund Extra.

5.3 Community, Equality, Partnerships and Performance - £28,000 (0.1%) under spend

- i. The portfolio reports an under spend of **£28,000** which is attributable to Emergency Planning expecting additional income from Districts. Income relates to support provided by an Emergency Planning and Business Continuity Officer. The remainder of the portfolio is broadly online
- ii. Approval is sought in this report for the following:
 - **£2.5m** from the Covid Equalisation Reserve relating to; Essex Outdoors loss of income (**£2.4m**), additional staff required in Registrations (**£105,000**) and Coroner's inquest backlog (**£35,000**)
 - **£44,000** to be vired to Community, Equality, Partnerships and Performance RSSS to align delivery of a saving from Strategic Partnerships to Equalities and Diversity
 - **£33,000** to be vired to Devolution, Art, Heritage and Culture to fund an additional post in relation to Brexit within Trading Standards
 - **£28,000** from the Quadrennial Election Reserve relating to costs of the May 2021 elections
 - **£6,000** to the Community Initiatives Fund Reserves appropriated to the reserve until expenditure is incurred

5.4 Devolution, Art, Heritage and Culture - £26,000 (0.7%) over spend

- i. There is a small over spend forecast within this portfolio.
- ii. Approval is sought in this report for the following:
 - **£33,000** to be vired from the Community, Equality, Partnerships and Performance portfolio to fund an additional post in relation to Brexit within Trading Standards

5.5 Economic Renewal, Infrastructure and Planning - £16,000 (0.2%) over spend

- i. There is a small over spend forecast within this portfolio.

5.6 Education Excellence, Skills and Training (DSG) - £2.1m under spend

- i. The High Needs Block (HNB) funding was increased by the Government by **£18.2m** (post recoupment) for 2021/22. The HNB was expected to return to a surplus by the end of this financial year, however, after two months, it is forecasting to remain **£1.0m in deficit**.
- ii. The main pressures are:
 - Independent Schools are forecasting a **£2.6m** over spend, a 16.5% increase in expenditure compared to 2020/21. The 2021/22 budget is **£25.0m**, an increase of 23.5% from 2020/21, following expenditure of **£23.7m** resulting in a **£3.4m** over spend last year. Further work is underway within the Children and Families service to review this forecast.
 - Number of Education, Health and Care Plans (EHCP) have risen by 9.5% since January 2020. Although this is less than the national average of 10.4%, this growth is greater than anticipated in the budget
 - Funding for banding changes and new starters in special schools
 - Interim funding solution for Social, Emotional & Mental Health (SEMH) provisions, potential minimum cost **£135,000**
- iii. The Central School Services Block is forecasting an in year **£2.7m** over spend, which is mostly due to **£2.1m** carry forward being transferred to the SEND and PRU capital project as this funding is received for this purpose as part of the historic commitment allocation.

5.7 Education Excellence, Skills and Training - £25,000 (0.1%) over spend

- i. A small forecast over spend of **£25,000** is reported. However Special Educational Needs and Disabilities (SEND) Operations continue to face significant pressures with rising numbers of applications for EHCP. COVID-19 has delayed the assessment process resulting in a backlog, with new cases adding to the pressures, and the potential for an increase in tribunals. This is reported as an unquantified risk.
- ii. The inaugural meeting of the Education Recovery Task Force has taken place, with terms of reference being agreed. The Leader's Budget announcement included **£1.5m** to support this task force's work, including up to **£500,000** to expand the summer holiday scheme to a wider group than just those in receipt of free school meals and to support formal learning catch up. An additional **£500,000** was committed to support children's emotional wellbeing and mental health, with the Task Force being required to assess the impact of the pandemic on children's emotional wellbeing and mental health and determine where best to allocate this funding.

- iii. Approval is sought in this report for:
 - **£654,000** from the PFI Equalisation Reserves for Debden (£389,000) and Clacton (£265,000) PFI schemes
 - **£314,000** returned to the PFI Equalisation reserves for Building Schools for the Future

5.8 Finance, Resources and Corporate Affairs - £3,000 (>0.05%) over spend

- i. The portfolio is reported as broadly online, with a small **£3,000** forecast over spend.

5.9 Highways Maintenance and Sustainable Transport - £11,000 (>0.05%) under spend

- i. The small forecast over spend is attributable to in-year staffing vacancies across policy lines forecast to be filled later in the financial year
- ii. Within the position there are income losses of **£748,000** within Park and Ride as a result of low patronage, due to low consumer confidence as a result of the pandemic. A draw down of **£441,000** will be sought from the Covid Equalisation Reserve to mitigate these losses. Should income levels start to improve as passenger numbers increase following lifting of lockdown restrictions then this will be returned to reserves.
- iii. There have been savings within Passenger Transport of **£700,000** which is mainly due to reaching an agreement with bus operators for Concessionary Fares at a lower cost than anticipated. This is partially offset with pressures of non-delivery of savings of **£334,000**.
- iv. Approval is sought in this report for the following:
 - **£441,000** from the Covid Equalisation Reserve to cover Park & Ride income losses due to the continued impact of restrictions associated with the government roadmap which cannot be recovered from CBSSG (Covid-19 Bus Services Support Grant).

5.10 Leader - £7,000 (0.3%) under spend

- i. The under spend is wholly attributable to Democratic Core, where there are small Chief Executive and Strategy, Insight and Engagement management team staffing under spends. Budgets for people in post were set marginally higher than the costs that are being incurred.

5.11 Waste Reduction and Recycling - £1.5m (1.8%) over spend

- i. The forecast over spend position is due to; **£927,000** pressure as a result of the non-delivery of savings that are in the baseline budget for 2021/22 which have yet to find a mitigation, **£352,000** additional costs of waste transfer stations in the south of county to help support District partners to dispose at a local site, and **£140,000** additional green waste disposal contractual commitments that have arisen as a result of the pandemic.

- ii. As a result of the anticipated inflation and market price increases not materialising following the procurement exercise, **£2.3m** will be returned to reserves.
- iii. Approval is sought in this report for:
 - **£2.3m** to the Waste Reserve as the inflationary increase built in at budget setting in relation to the procurement is not needed as the tender came in lower than had been anticipated.

5.12 Other Operating Costs – on line

- i. It is currently too early to forecast a different economic impact than budgeted on interest rates and capital borrowing, therefore Other Operating Costs is currently forecast as online. However, there is an unquantified opportunity within interest payable/receivable should interest rates and the level of balances held be favourable against budget due to improvements in the economic environment

5.13 Community, Equality, Partnerships and Performance Recharged Strategic Support Services - £111,000 (0.7%) under spend

- i. The under spend of **£111,000** is reported after proposed adjustments. This is attributable to staffing under spends in Democratic Services **£44,000**, Equality and Diversity **£13,000** and Performance, Business Intelligence, Planning and Partnerships **£70,000** driven by vacancies, although recruitment is underway.
- ii. These under spends are partly offset by a **£23,000** under achievement reported in Internal Audit income as the service are awaiting confirmation that some of the external audit work that has previously been undertaken will continue. There is an opportunity that the consultancy budget can under spend to offset this, but this is uncertain at the moment.
- iii. Approval is sought in this report for the following:
 - **£1.3m** from the Covid Equalisation Reserve relating to Business Support
 - **£584,000** from the Ambition Fund Reserve relating to the Just About Managing project to cover the costs associated with the Working Families Initiative
 - **£44,000** from the Covid Equalisation Reserve relating to pandemic related media campaigns
 - **£44,000** to be vired from Community, Equality, Partnerships to align delivery of a saving from Strategic Partnerships to Equalities and Diversity

5.14 Economic Renewal, Infrastructure and Planning Recharged Strategic Support Services - £6,000 (0.5%) under spend

- i. The small forecast under spend is due to a small staffing under spend.

5.15 Finance, Resources and Corporate Affairs Recharged Strategic Support Services - £159,000 (0.2%) under spend

- i. The forecast under spend is due to the forecast vacancy factor across Information Services - **£82,000**. Should the pace of recruitment increase, this favourable variance will be negated. There is a further under spend within Information Services under Information Governance of **£24,000** where recruitment has also been delayed to Information Governance Officer and Apprentice posts. Within Customer Services there is a **£35,000** under spend in this portfolio – however; this is due to an adjustment across cost centres in another portfolio; from a Functional perspective however, Contact Centres position is online.
- ii. There are also a number of smaller favourable variances on staffing across the portfolio.
- iii. Approval is sought in this report for the following:
 - **£1.7m** from the Technology Solutions Reserve relating to the Social Care Platform Programme
 - **£1.6m** from the Covid Equalisation Reserve to the Finance, Resources and Corporate Affairs RSSS relating to the Delivery and Assurance team (**£1.3m**), Transactional services staffing (**£150,000**), staffing re Entry Level Employment (**£149,000**), and the People Operations team (**£65,000**)
 - **£1.2m** from the Insurance Reserve in respect of recovery of income relating to Highways claims, to meet ECC budget pressures in 2021/22, as planned in February budget setting
 - **£1.1m** to the Commercial Investment in Essex Places Reserve due to the Sale of Schools payroll receipt
 - **£150,000** to the Technology Solutions Reserve to support future years Technology programmes
 - **£87,000** from the Covid Equalisation Reserve relating to Business Support
 - **£33,000** from the Transformation Reserve relating to Technology Services Portfolio Project. This was previously approved (FP/387/03/19) but has time lapsed
 - **£25,000** from the Collection Fund Risk Reserve to support the data and analytics team to analyse the impact of the COVID-19 pandemic.

5.16 Leader Recharged Support Services - £71,000 (4.0%) over spend

- i. This position is attributable to a Communications and Customer Relations staffing pressure. There are currently two additional posts in the service, contracted for a period of 6 months; a Communications and Marketing Manager and a Fellow. This over spend is fully offset with under spends in the wider Strategy, Insight and Engagement service. The Fellow position is delivering a key communications workstream focusing on community cohesion and faith.

- ii. Approval is sought in this report for the following:
 - **£143,000** from the Covid Equalisation Reserve relating to the Communications and Marketing team for pandemic related media campaigns

6. Trading Activities

- 6.1 Trading activities as a whole are reporting a surplus of **£304,000** against the budgeted surplus of **£300,000**.
- 6.2 Place Services is reporting achievement of target and therefore a **£300,000** appropriation to reserves.
- 6.3 Music Services is reporting a small over-achievement of target of **£4,000**; this amount is planned to be appropriated to reserves and therefore the service forecasts an online outturn position.
- 6.4 These forecast positions will leave a net residual surplus in reserves of **£1.3m**, of which **£1.1m** relates to Place Services.
- 6.5 Appendix B shows the position by each Trading Activity.

7. Capital

- 7.1 An under spend of **£6.3m** (2%) is forecast against the latest capital budget of **£309.1m**. After taking account of budget change requests in this report there is a residual under spend of **£167,000**.
- 7.2 Approval is sought for:
 - i. Slippage of **£21.7m**
 - ii. Budget additions of **£15.1m**
 - iii. Budget reductions of **£1.5m**
 - iv. Advanced works of **£2m**
- 7.3 The key points to note are listed below, and the detailed requests are shown at Appendix C(ii).
- 7.4 **Children's Service and Early Years – on line**
 - i. There is no variance to budget
- 7.5 **Deputy Leader & Community, Equity, Partnerships and Performance – on line**
 - i. There is no variance to budget
- 7.6 **Devolution, Art, Heritage and Culture – £6,000 under spend**

- i. There is an immaterial £6,000 variance to budget

7.7 Economic Renewal, Infrastructure and Planning - £14.7m under spend

- i. Approval is sought to reprofile **£17.4m** into future years - this largely relates to two areas, Essex Housing LLP Loans and Major Schemes. Essex Housing LLP Loans (£7.5m) is a result of programme delays relating to updated planning determination and preconstruction commencement activity (contractor tender and site mobilisation) timelines across various schemes. Major Schemes relates to the Colchester Rapid Transit System scheme (£6.4m) where the original spending profile provided by Homes England has been revised to an anticipated spend of only £5m for 2021/22.
- ii. Approval is sought for net additions of **£2.7m** into the programme, which largely relates to additional works and an adjustment for land purchase at Essex County Hospital and additions to Jaywick Market and Commercial Space programme which will be offset by a reduction in the 2022/23 Capital Programme for the Clacton Future High Street Fund (FHSF project)

7.8 Education Excellence, Skills and Training- £1.1m over spend

- i. Approval is sought to reprofile **£3m** into future years due to slippage, including Harlow Primary (£1.4m) as this project is not yet progressing due to land transfer issues, Temporary Accommodation (£634,000) due to delays in St Marys PS Burnham and Maldon PS, and Braintree Primary Basic Need (£562,000) relating to Lodge Farm, a new primary school, with ECC's S106 contribution not expected to be made until 2024/25.
- ii. Approval is sought to add **£4.0m** to the programme relating to Schools Capitalised Building Maintenance, with the School Condition Allocation (SCA) grant being £1.2m (20%) higher than assumed in the MTRS, and Salix Grant Funding which has been awarded for Schools Solar PV £589,000 and Schools Window replacement £1.8m also being an addition request to the programme for this year.

7.9 Finance, Resources and Corporate Affairs – £4.5m over spend

- i. Approval is sought to add **£4.6m** into the programme due to various decarbonisation schemes which are funded by Salix grant for energy saving related projects to be completed on the ECC estate.

7.10 Adult Social Care and Health- £5,000 under spend

- i. There is an immaterial £5,000 variance to budget

7.11 Highways Maintenance and Sustainable Transport - £3.1m over spend

- ii. Approval is sought to reprofile £1.3m into 2024/25 as additional funding relating to Local Highway Panels is to be realigned across the three year programme of delivery as per the current expected programme of works.
- iii. Approval is sought to add £2.4m into the programme within Road Maintenance relating to DfT Pothole Funding for the road surfacing programme
- iv. Approval is sought to advance £1.9m from 2022/23 into 2021/22 for the LED Rollout scheme to align with the ramp up of project spending.

7.12 **Leader - £178,000 under spend**

- i. Approval is sought to reduce £187,000 from the programme relating to Locase II public estate

7.13 **Controlled Elsewhere – on line**

- i. There is no variance to budget

7.14 **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 2021.

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. Significant approvals from the COVID Equalisation Reserve sought in this report include £3.7m withdrawal for the COVID Resilience Fund that supports Adult Social Care providers with additional COVID-19 related costs, £2.4m withdrawal for income losses currently being experienced by Essex Outdoors, and £2.7m withdrawal for additional costs in the Council's Business Support and Delivery and Assurance services where extra capacity has been required to support the response to the pandemic.

9.3 Approval is sought to create a new Equalities Reserve. **Purpose:** To set aside funding to support the focus on the people and places where we can make the biggest difference to improve lives. £10.3m of the balance within the Collection Fund Risk Reserve will be transferred to the Equalities Reserve (section 2.3.vi).

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
Appendix E	Decisions to be funded from COVID Equalisation Reserve

(Available at www.essex.gov.uk if not circulated with this report)

14. List of Background Papers

Budgetary control reports.

Appendix A

Revenue

Portfolio	Latest Budget £000	Q1 Forecast Variance £000	% of Latest Budget
Adult Social Care and Health	442,265	4,246	1.0%
Children's Services and Early Years	134,005	(31)	(0.0%)
Children's Services and Early Years DSG	(401)	(30)	(7.6%)
Community, Equality, Partnerships and Performance	23,003	(28)	(0.1%)
Devolution, Art, Heritage and Culture	3,563	26	0.7%
Economic Renewal, Infrastructure and Planning	6,539	16	0.2%
Education Excellence, Skills and Training DSG	(2,638)	(2,107)	(79.9%)
Education Excellence, Skills and Training NON DSG	19,590	25	0.1%
Finance, Resources and Corporate Affairs	10,396	3	0.0%
Highways Maintenance and Sustainable Transport	112,475	(11)	(0.0%)
Leader	2,246	(7)	(0.3%)
Waste Reduction and Recycling	82,219	1,457	1.8%
Other Operating Costs	113,630	0	0.0%
Community, Equality, Partnerships and Performance RSSS	16,568	(111)	(0.7%)
Economic Renewal, Infrastructure and Planning RSSS	1,067	(6)	(0.5%)
Finance, Resources and Corporate Affairs RSSS	71,591	(159)	(0.2%)
Leader RSSS	1,804	71	4.0%
Total	1,037,921	3,354	0.3%
DSG Offset	(3,039)	(2,137)	
Total Excluding DSG	1,040,960	5,491	0.5%
Funding		(209)	
Revised Total	1,040,960	5,283	0.5%

Appendix B

Traded Services

	Revenue reserve 1 April 2021	Income	Budget Expenditure	(Surplus)/ Deficit	Income	Forecast Expenditure	Forecast (Surplus) / deficit	Appropriations To County Revenue Account	To Trading Activity reserve	Final Outturn position	Revenue reserve 31 March 2022
Traded Services	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Place Services	(1,113)	(3,192)	2,892	(300)	(3,261)	2,961	(300)	(300)	-	0	(1,113)
Music Services Traded	(228)	(3,889)	3,889	-	(3,889)	3,885	(4)	(4)	-	0	(228)
Total	(1,341)	(7,081)	6,781	(300)	(7,150)	6,846	(304)	(304)	-	0	(1,341)

Appendix C (i)

Capital

	Year to date			Budget Movement		Revised Budget	Full Year	
	Budget	Actuals	Variance	Original Budget	In year approved changes		Outturn	Variance
	£000	£000	£000	£000	£000		£000	£000
Children's Services and Early Years	577	313	(264)	2,235	468	2,703	2,703	0
Deputy Leader & Community, Equality, Partnerships	240	115	(125)	500	54	554	554	0
Devolution, Art, Heritage and Culture	89	68	(21)	70	177	247	241	(6)
Economic Renewal, Infrastructure and Planning	17,583	7,710	(9,873)	136,622	12,945	149,567	134,818	(14,749)
Education Excellence, Skills and Training	8,435	6,418	(2,017)	62,374	807	63,182	64,322	1,140
Finance, Resources and Corporate Affairs	595	88	(507)	5,290	470	5,760	10,209	4,450
Health and Adult Social Care	35	(5)	(39)	1,160	208	1,368	1,363	(5)
Highways Maintenance and Sustainable Transport	13,068	11,297	(1,771)	80,903	3,112	84,015	87,066	3,051
Leader	463	8	(455)	1,185	474	1,659	1,481	(178)
ECC Capital Programme	41,085	26,006	(15,080)	290,341	18,713	309,054	302,753	(6,300)
Schools Cash Balance	-	-	-	-	-	-	-	-
Devolved Formula Capital	10	61	51	-	61	61	61	(0)
Total School Balances	10	61	51	-	61	61	61	(0)
Total Capital Programme	41,095	26,067	(15,029)	290,341	18,774	309,115	302,815	(6,300)

Financed by:

	Budget Movement		Revised Budget	Full Year	
	Original Budget	In year approved changes		Outturn	Variance
	£000	£000		£000	£000
ECC Capital Programme					
Grants	151,504	12,353	163,857	163,355	(502)
Reserves	2,900	(2,900)	-	-	-
Developer & Other contributions	16,028	1,532	17,560	17,477	(83)
Capital receipts	5,000	(3,700)	1,300	1,300	-
Unsupported borrowing	114,543	11,145	125,688	119,973	(5,715)
ECC Capital Programme	289,975	18,430	308,405	302,105	(6,300)
Grants	366	344	710	710	-
Unsupported borrowing	-	-	-	-	-
School Balances	366	344	710	710	-
Total ECC & Schools Capital Funding	290,341	18,774	309,115	302,815	(6,300)

Appendix C(ii)

Capital 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's Services and Early Years	501	191	(191)	(33)	468	-	-	-	-	0	0
Deputy Leader & Community, Equality, Partnerships	54	-	-	-	54	-	-	-	-	0	0
Devolution, Art, Heritage and Culture	177	-	-	-	177	-	-	-	-	(6)	(6)
Economic Renewal, Infrastructure and Planning	8,811	7,740	(1,702)	(1,904)	12,945	(17,436)	4,059	(1,315)	(0)	(56)	(14,749)
Education Excellence, Skills and Training	2,763	8,869	(8,930)	(1,894)	807	(3,003)	4,030	-	58	55	1,140
Finance, Resources and Corporate Affairs	44	620	-	(194)	470	-	4,605	-	-	(155)	4,450
Health and Adult Social Care	8	200	-	-	208	-	-	-	-	(5)	(5)
Highways Maintenance and Sustainable Transport	1,104	75,808	(73,408)	(392)	3,112	(1,250)	2,409	-	1,898	(6)	3,051
Leader	997	-	(523)	-	474	-	-	(187)	-	9	(178)
ECC Capital Programme	14,457	93,428	(84,755)	(4,417)	18,713	(21,690)	15,103	(1,502)	1,956	(167)	(6,300)
Schools Cash Balance	-	-	-	-	-	-	-	-	-	-	-
Devolved Formula Capital	-	61	-	-	61	-	-	-	-	(0)	(0)
Total Capital Programme	14,457	93,489	(84,755)	(4,417)	18,774	(21,690)	15,103	(1,502)	1,956	(167)	(6,300)

Appendix C(ii) cont'd

Portfolio & Scheme	Slippage £000	Additions £000	Reductions £000	Advanced Works £000	2021/22 Changes Requested
COLCHESTER RAPID TRANSIT SYSTEM (HIF)	(6,402)	-	-	-	(6,402)
ADVANCED SCHEME DESIGN	-	-	(64)	-	(64)
A120 PREFERRED ROUTE	-	64	-	-	64
A127 AIR QUALITY (AQMP)	-	43	-	-	43
CHELMSFORD GROWTH AREA	-	159	-	-	159
COLCHESTER GROW ON SPACE	(918)	-	-	-	(918)
Jaywick Market & Commercial	-	300	-	-	300
ESSEX COUNTY HOSPITAL	(1,979)	3,492	-	-	1,513
ECH LAND PURCHASE	-	-	(1,251)	-	(1,251)
LOUGHTON LIBRARY	(226)	-	-	-	(226)
SHENFIELD LIBRARY	(402)	-	-	-	(402)
EH LLP LOAN FRIARY	(341)	-	-	-	(341)
EH LLP LOAN ROCHEWAY	1,268	-	-	-	1,268
EH LLP LOAN SHERNBROKE	(1,670)	-	-	-	(1,670)
EH LLP LOAN ST PETERS	(1,070)	-	-	-	(1,070)
EH LLP LOAN PURFORD	(2,544)	-	-	-	(2,544)
EH LLP LOAN HARLOWBURY	(6)	-	-	-	(6)
EH LLP LOAN PRIMROSE MEADOW	(2,866)	-	-	-	(2,866)
EH LLP LOAN HARGRAVE	(280)	-	-	-	(280)
Economic Renewal, Infrastructure and Planning	(17,436)	4,058	(1,315)	-	(14,693)
SCHOOLS CAPITALISED BUILDING MAINTENANCE	-	3,712	-	-	3,712
BASILDON PRIMARY BASIC NEED	(148)	-	-	-	(148)
HARLOW PRIMARY BASIC NEED	(1,363)	-	-	-	(1,363)
COLCHESTER SECONDARY BASIC NEED	-	266	-	-	266
BRAINTREE PRIMARY BASIC NEED	(562)	-	-	-	(562)
MALDON PRIMARY BASIC NEED	(760)	-	-	-	(760)
TENDRING PRIMARY BASIC NEED	-	-	-	58	58
SPECIAL SCHOOLS	(170)	41	-	-	(129)
TEMPORARY ACCOMMODATION	-	11	-	-	11
Education Excellence, Skills and Training	(3,003)	4,030	-	58	1,085
SALIX GRANT GOODMAN HOUSE	-	1,056	-	-	1,056
SALIX GRANT ERO	-	804	-	-	804
SALIX GRANT CORE ESTATE SOLAR	-	478	-	-	478
SALIX GRANT CORE ESTATE WINDOW	-	2,113	-	-	2,113
SALIX GRANT GREAT NOTLEY CP	-	154	-	-	154
Finance, Resources and Corporate Affairs	-	4,605	-	-	4,605
LED ROLLOUT	-	-	-	1,898	1,898
LOCAL HIGHWAYS PANELS	(1,250)	-	-	-	(1,250)
ROAD MAINTENANCE	-	2,400	-	-	2,400
SECTION 106	-	9	-	-	9
Highway and Sustainable Transport	(1,250)	2,409	-	1,898	3,057
LOCASE II (PUBLIC ESTATE)	-	-	(187)	-	(187)
Leader	-	-	(187)	-	(187)
ECC Capital Programme	(21,689)	15,102	(1,502)	1,956	(6,133)
Total Capital Programme	(21,689)	15,102	(1,502)	1,956	(6,133)

Appendix D

Reserves

	2021/22 movements				
	Balance at 1 April 2021 £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	(36,448)	9,255		-	(27,193)
Building Schools for the Future PFI	(823)	-	(314)	(159)	(1,296)
Debden School PFI	(964)	-	389	(513)	(1,088)
Clacton Secondary Schools' PFI	(740)	-	265	(104)	(579)
Waste Reserve	(116,850)	6,857	(2,284)	1,279	(110,998)
Grant Equalisation Reserve	(50,409)	-		31,011	(19,398)
Trading Activities (not available for use)	(1,341)	304		(304)	(1,341)
Partnerships and Third Party (not available for use)	(1,764)	-		-	(1,764)
Schools (not available for use)	(43,601)	-		-	(43,601)
General Balance	(68,096)	-		-	(68,096)
Reserves earmarked for future use					
Adults Digital Programme	(1,288)	-	1,260	28	-
Adults Risk	-	(10,089)		-	(10,089)
Adults Transformation	(3,500)	-		-	(3,500)
Ambition Fund	(16,578)	(2,200)	804	7,896	(10,078)
Bursary for Trainee Carers	(500)	-		-	(500)
Capital Receipts Pump Priming	(4,204)	-		500	(3,704)
Carbon Reduction	(1,096)	114		-	(982)
Carry Forward	(21,273)	3,260		18,013	-
Childrens Transformation	(1,314)	-	(5,474)	-	(6,788)
Collection Fund Risk	(4,029)	(12,418)	10,286	-	(6,161)
Commercial Investment in Essex Places	(12,583)	-	(1,094)	-	(13,677)
Community Initiatives Fund	(401)	(350)	(6)	350	(407)
COVID Equalisation	(37,496)	(28,808)	10,028	49,972	(6,304)
EES Pension Risk	(4,000)	-		-	(4,000)
Emergency	(12,564)	(4,000)		4,000	(12,564)
Emergency Planning	(300)	-		-	(300)
Equalities (NEW)	-	-	(10,261)	-	(10,261)
Essex Climate Change Commission	(5,000)	-		2,500	(2,500)
Essex Crime and Police	(73)	-		-	(73)
Future Capital Funding	(9,847)	(3,074)		3,074	(9,847)
Health and Safety	(2,812)	(2,038)		459	(4,391)
Insurance	(7,498)	-	1,238	-	(6,260)
Newton	(122)	-		-	(122)
Property Fund	(977)	(326)		-	(1,303)
Quadrennial Elections	(925)	(500)	28	1,397	-
Renewal Fund	(27,900)	-		-	(27,900)
Social Distancing & Hygiene	(900)	-		-	(900)
Technology Solutions	(8,749)	(10,000)	1,546	12,244	(4,959)
Transformation	(54,686)	(5,066)	5,832	11,754	(42,166)

Appendix E

Decisions now proposed be funded from the COVID Equalisation Reserve

Any future requests for withdrawals relating to these decisions will be funded from the COVID Equalisation Reserve, rather than the reserve set out in the original decision.

Reserve as per CMA	CMA Reference	Title of CMA	Amount not yet drawn down £000
Emergency	FP/659/03/20	COVID 19 Response: Temporary Closure of Essex Outdoors and Cancellation of Bookings	696
Emergency			696
General Balance	FP/665/03/20	Coronavirus Outbreak – Temporary Highways and Transportation Service Changes	2,727
General Balance	FP/664/03/20	Coronavirus Outbreak – Temporary closure of Essex Records Office and suspension of certificates service	173
General Balance	FP/801/09/20	Funding for Children and Families: COVID 19 Response	410
General Balance	FP/878/11/20	Drawdown from the General Balance for the provision of emergency hubs to respond to the COVID pandemic (Shield)	340
General Balance	FP/885/11/20	Provision of Designated Isolation Settings for COVID-19	3,927
General Balance			7,577
Health and Safety	FP/740/06/20	Drawdown from Health and Safety Reserve: Implementing measures to reduce the risks of COVID-19 transmission in ECC core office estate	249
Health and Safety	FP/769/07/20	Funding for Personal Protective Equipment resources	160
Health and Safety	FP/854/10/20	Proposal to provide emergency temporary accommodation to King Edmund School, Rochford, November 2020	248
Health and Safety	FP/951/01/21	Drawdown from Health and Safety Reserve: works at Essex Country Parks	184
Health and Safety			842
Renewal Fund	FP/844/10/20	Drawdown from Recovery Reserve: Economic Recovery Programme	2,804
Renewal Fund	FP/833/10/20	Drawdown from the Recovery Reserve: Initiatives to support Essex residents aged 16-24	315
Renewal Fund	FP/872/11/20	Allocation of Contain Outbreak Management Fund	192
Renewal Fund	FP/886/11/20	Impacts of COVID ASC - Recovery funding request	1,300
Renewal Fund			4,611
Transformation	FP/856/10/20	Impacts of COVID - purposes of developing and implementing a project to support the exceptional pressures	1,298
Transformation	FP/880/11/20	Transformation Delivery Resourcing	1,750
Transformation			3,048
Grand Total			16,773