

**Forward Plan Reference Number: CPSC/01/22**

<b>Report title:</b> 2021/22 Financial Overview as at the Third Quarter and 2022/23 Everyone's Essex Annual Plan and Budget 2022/23	
<b>Report to:</b> Corporate Policy and Scrutiny Committee	
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<b>Date:</b> 27 January 2022	<b>For:</b> Consideration
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<b>County Divisions affected:</b> All Essex	

## **1. Purpose of report**

- 1.1 This item is to consider the 2021/22 Third Quarter Financial report, and the 2022/23 Everyone's Essex Annual Plan and Budget as presented to Cabinet on 18<sup>th</sup> January 2022.

## **2 Background**

- 2.1 The Council presented its Third Quarter Financial position for 2021/22 to January Cabinet. At this stage of the year there is a forecast under spend of £5.8m (0.6%), against a net revenue budget of £1bn. For the Capital Programme there is an under spend £58.9m (20%) on the capital programme against a budget of £295.4m.
- 2.2 The final budget for 2022/23 was presented to January Cabinet. It proposes a 2022/23 revenue budget of £1,083m, and a capital programme of £283.6m, and will be taken to Full Council in February.

## **3 2021/22 Third Quarter Report**

- 3.1 As we move towards the final quarter of the financial year the Council faces increasing risks and challenges. The rate of inflation continues to rise, and is predicted to increase further. This will have a much greater impact from 2022/23 as we renew contracts notably across care and energy. Alongside this the December interest rate rise by the Bank of England and potential further rate rises in the future could put pressure on the revenue cost of borrowing for the capital programme.
- 3.2 There is a full year forecast under spend of £5.8m (0.6% against a net budget of £1bn). The overall under spend position is driven by under spends across portfolios and an improved Funding position, as a result of greater certainty in the level of grant to be received from government for the Tax Income Guarantee scheme

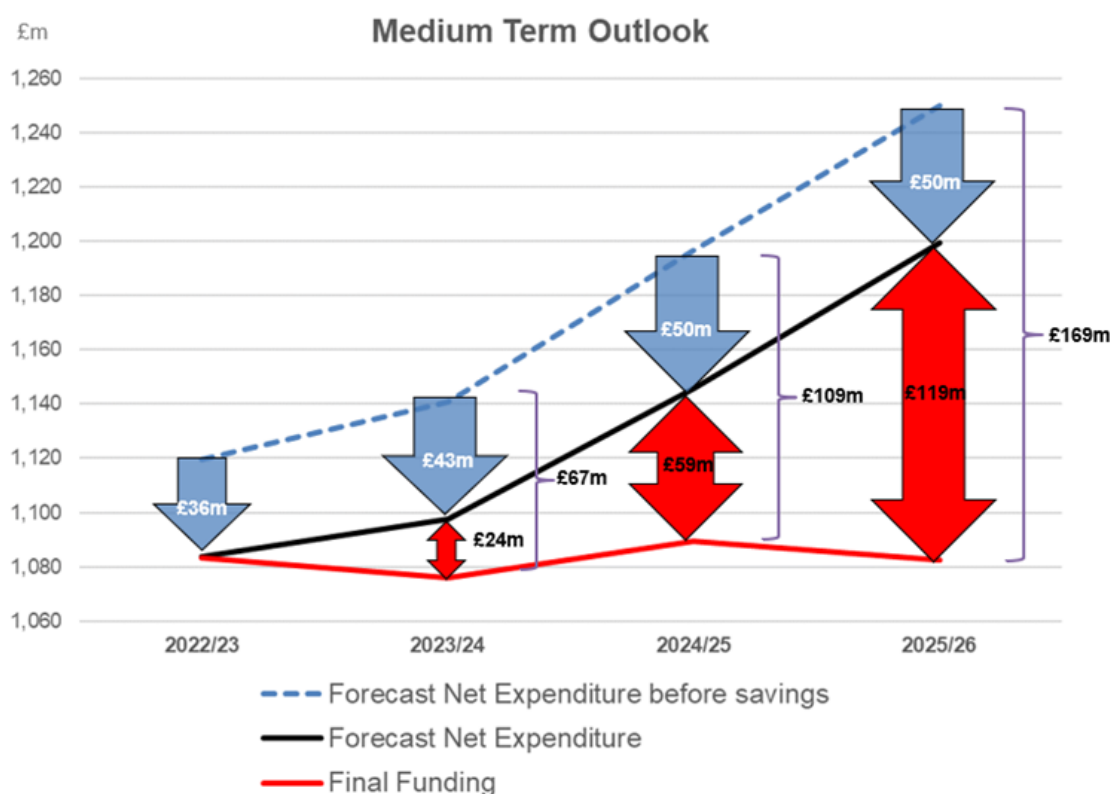
- 3.3 The Council has continued to be proactive in its response to Covid-19. Known costs are in the region of £120m for 2021/22 or an additional 6% of planned expenditure, and we have sufficient funding for this. Should the current situation surrounding the pandemic deteriorate further, this funding position will be re-evaluated.
- 3.4 Over 60% of our Covid-19 costs have been met through the use of specific government grants. The remainder will continue to be funded via the balance sheet and the Covid Equalisation reserve, which is retained to meet the higher costs we face. To date in 2021/22 £11.1m has been drawn down from the Covid Equalisation Reserve to support Covid-19 pressures and income losses. There are a further £1.2m of approvals sought in this report from the reserve.
- 3.5 It is currently forecast that the full 2021/22 savings programme of £46m will be fully delivered by year end.
- 3.6 £10.3m of approvals were sought in the Third Quarter 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 considered for the remainder of the financial year.
- 3.7 The Capital Programme has a forecast under spend of £58.9m against the latest budget of £295.4m. This has been driven by a relatively small number of schemes, predominantly for reasons outside of the Councils control. After taking account of the budget change adjustments set out in the Half Year report, there is a small residual over spend of £205,000. The budget change adjustments are summarised as follows:
- Slippage of £56.8m
  - Budget additions of £7.6m
  - Budget reductions of £10.1m
  - Advanced works of £226,000

## **4 2022/23 Everyone's Essex Annual Plan and Budget**

- 4.1 The final budget for 2022/23 and a refreshed medium term resource strategy were presented to Cabinet in January. This recommended the revenue budget for 2022/23 at £1,083m, an increase of £45m (4%) from the 2021/22 original budget. This will enable delivery of the Council's statutory requirements, political priorities and Annual Plan and therefore achieve the Everyone's Essex Strategic Aims.
- 4.2 The 2022/23 capital programme has been set at £283.6m, and the current 4-year view of the programme to 2025/26 totals £1,315m. The longer-term capital programme aspirations remain significant, and it is recognised that investments are essential to meet future needs, generate additional income,

including capital receipts, and deliver revenue savings and reductions in costs.

- 4.3 The budget assumes £36m of savings to arrive at balance for 2022/23. Of these £32m are recurrent and £4m are one off savings. These include continuation of the Meaningful Lives Matter Programme supporting adults with learning difficulties, which is now in its second year, the ongoing Connect Programme that will continue to ensure the most appropriate support is offered to older people going into and leaving hospital, making better use of technology solutions in provision of care, improvements and efficiencies within the Essex Highways partnership, and more efficient use of our buildings.
- 4.4 The budget for 2022/23 has proposed a total council tax increase of 4.49%. This is made up of a 1.99% general council tax uplift, and 1% adult social care precept as set out by Government for 2022/23, plus an additional 1.5% adult social care precept, deferred from 2021/22 using the flexibility set out by Government for 2021/22. The precept is being used to insulate Adult Social Care from higher savings, and support growth in demographics and inflation. Taking these increases into account, the council tax for a band D property will be £1,401.12; this is an increase of £60.21 per year or £1.16 per household per week.
- 4.5 The medium range scenario for future years indicates a gap between the Council's expected funding streams and the Council's expenditure. After delivering 100% of all existing planned savings, the gap is expected to be £24m in 2023/24, rising to £119m by 2025/26, before further tax rises. The outlook for the authority is set out below, however this mid-range scenario is likely to change given the context of Fair Funding Reform for local government from 2023/24



- 4.6 As part of the presentation to the Committee further detail on changes to Portfolio budgets will be set out, as well as the pressures driving the budget, the current risk environment, and the options and choices we face to close the medium-term budget gap.

## 5 List of Appendices

- 2021-22 Financial Overview as at the Third Quarter Stage (FP/013/03/21)
- Everyone's Essex Annual Plan and Budget 2022-23 - Part 1 S151 Officer Report (FP/015/03/21)
- Everyone's Essex Annual Plan and Budget 2022-23 - Part 2 Budget and Plan (FP/015/03/21)
  - Appendix A – Everyone's Essex Annual Plan and Budget 2022/23
  - Appendix B – Equality Impact Assessment 2022-23
  - Appendix C – Pay Policy Statement
  - Appendix D – Budget Consultation Report
  - Appendix E – Flexible Use of Capital Receipts Strategy Update