



CABINET

Tuesday, 02 November 2021

Subject	East Suffolk Council – Half Year Financial Performance 2021/22
Report by	Councillor Maurice Cook Cabinet Member with responsibility for Resources
Supporting Officer	Brian Mew Chief Finance Officer and Section 151 Officer Brian.Mew@eastsoffolk.gov.uk 01394 444571

Is the report Open or Exempt?	OPEN
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Category of Exempt Information and reason why it is NOT in the public interest to disclose the exempt information.	Not applicable.
Wards Affected:	All Wards

Purpose and high-level overview

Purpose of Report:

This report provides Cabinet with an overview of the Council's projected financial performance for the financial year 2021/22 in respect of the General Fund, Reserves, Housing Revenue Account (HRA), the Capital Programme, and the Collection Fund.

Specific coverage of the financial implications of the Covid-19 pandemic during 2021/22 is also included in the report.

Options:

Not applicable.

Recommendation/s:

That Cabinet is recommended to:

1. Note the Council's financial position for the first half of 2021/22 together with projections of the full year outturn, reserve balances, and capital spend.
2. Note the areas of financial risk identified, the impact of which will be reflected in the Medium-Term Financial Strategy due to be considered by Cabinet in December.
3. Note the additional financial commitments approved in the first half of the year and their impact on the General Fund and reserve levels.

Corporate Impact Assessment

Governance:

As set out in the Council's Finance Procedure Rules, the Chief Finance Officer is responsible for preparing and submitting reports on revenue budget forecasts to Cabinet. This report to Cabinet is intended to facilitate monitoring of the council's financial performance.

ESC policies and strategies that directly apply to the proposal:

- East Suffolk Strategic Plan
- East Suffolk Medium Term Financial Strategy
- Capital Programme
- Housing Revenue Account
- East Suffolk Treasury Management Strategy and Treasury Management Policy
- Annual Governance Statement
- Finance Procedure Rules
- Financial Management Code

Environmental:

There are no environmental implications identified.

Equalities and Diversity:

An Equality Impact Assessment is not required as the recommendations of this report do not require changes in policy and service delivery.

Financial:

Detailed financial analysis and our commentary is included in Appendix A.

Human Resources:

There are no HR implications directly arising from this report.

ICT:

There are no ICT implications identified.

Legal:

There are no legal implications identified.

Risk:

There are no risks identified.

External Consultees: None.

Strategic Plan Priorities

Select the priorities of the Strategic Plan which are supported by this proposal: <i>(Select only one primary and as many secondary as appropriate)</i>		Primary priority	Secondary priorities
T01	Growing our Economy		
P01	Build the right environment for East Suffolk	<input type="checkbox"/>	<input type="checkbox"/>
P02	Attract and stimulate inward investment	<input type="checkbox"/>	<input type="checkbox"/>
P03	Maximise and grow the unique selling points of East Suffolk	<input type="checkbox"/>	<input type="checkbox"/>
P04	Business partnerships	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P05	Support and deliver infrastructure	<input type="checkbox"/>	<input type="checkbox"/>
T02	Enabling our Communities		
P06	Community Partnerships	<input type="checkbox"/>	<input type="checkbox"/>
P07	Taking positive action on what matters most	<input type="checkbox"/>	<input type="checkbox"/>
P08	Maximising health, well-being, and safety in our District	<input type="checkbox"/>	<input type="checkbox"/>
P09	Community Pride	<input type="checkbox"/>	<input type="checkbox"/>
T03	Maintaining Financial Sustainability		
P10	Organisational design and streamlining services	<input type="checkbox"/>	<input type="checkbox"/>
P11	Making best use of and investing in our assets	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P12	Being commercially astute	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P13	Optimising our financial investments and grant opportunities	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P14	Review service delivery with partners	<input type="checkbox"/>	<input type="checkbox"/>
T04	Delivering Digital Transformation		
P15	Digital by default	<input type="checkbox"/>	<input type="checkbox"/>
P16	Lean and efficient streamlined services	<input type="checkbox"/>	<input type="checkbox"/>
P17	Effective use of data	<input type="checkbox"/>	<input type="checkbox"/>

P18	Skills and training	<input type="checkbox"/>	<input type="checkbox"/>
P19	District-wide digital infrastructure	<input type="checkbox"/>	<input type="checkbox"/>
T05	Caring for our Environment		
P20	Lead by example	<input type="checkbox"/>	<input type="checkbox"/>
P21	Minimise waste, reuse materials, increase recycling	<input type="checkbox"/>	<input type="checkbox"/>
P22	Renewable energy	<input type="checkbox"/>	<input type="checkbox"/>
P23	Protection, education, and influence	<input type="checkbox"/>	<input type="checkbox"/>
XXX	Governance		
XXX	How ESC governs itself as an authority	<input checked="" type="checkbox"/>	<input type="checkbox"/>

How does this proposal support the priorities selected?

The report recognises the efforts service leaders have put in during the first half year to deliver a near balanced financial performance compared to budget, forming an important element of good governance, and putting our assets to good use. It highlights areas of financial risk which will impact on the Council's Medium Term Financial Strategy (MTFS).

Background and Justification for Recommendation

1 Background facts	
1.1	In February 2021, the Council approved a balanced budget for the 2021/22 financial year and set the Band D rate of Council Tax.
1.2	During the last six months, to enable the Council respond to changing circumstances, some variations to the approved General Fund budget, expenditure from earmarked reserves, and commitments to growth have been made by Cabinet. These are detailed in Appendix A.
1.3	As Covid-19 restrictions eased, and economic recovery began, we have also experienced higher inflation, labour, and material shortages as businesses struggled to meet increased demand. The impacts of these macro factors are outlined in 2.4 below.

2 Current position																							
2.1	<p>The chart below categorises known and estimated COVID-19 cost pressures for the current financial year. This currently totals £3.84m, as of September 2021. It is currently estimated that the net impact of Covid cost pressures (after funding) could be in the region of £0.200m to £0.300m less than budgeted. As the cost pressure is fully funding from various Covid funding streams this will not translate to a benefit to the General Fund bottom-line, instead it will mean more Covid Core funding remaining in the Covid Reserve at the end of the year.</p> <div data-bbox="300 1131 1364 1691" data-label="Figure"> <p style="text-align: center;">Covid Cost Pressures 2021/22, £3.84m (September 2021)</p> <table border="1"> <caption>Covid Cost Pressures 2021/22, £3.84m (September 2021)</caption> <thead> <tr> <th>Category</th> <th>Amount (£m)</th> </tr> </thead> <tbody> <tr> <td>Cultural & Leisure</td> <td>1.275</td> </tr> <tr> <td>Communities</td> <td>1.203</td> </tr> <tr> <td>Public Health</td> <td>0.788</td> </tr> <tr> <td>Highways and Transport</td> <td>0.193</td> </tr> <tr> <td>Compliance and Enforcement</td> <td>0.130</td> </tr> <tr> <td>Environment & Regulatory</td> <td>0.087</td> </tr> <tr> <td>Other</td> <td>0.025</td> </tr> <tr> <td>Housing (excluding HRA)</td> <td>0.073</td> </tr> <tr> <td>Finance & Corporate</td> <td>0.062</td> </tr> <tr> <td>Total</td> <td>3.84</td> </tr> </tbody> </table> </div>	Category	Amount (£m)	Cultural & Leisure	1.275	Communities	1.203	Public Health	0.788	Highways and Transport	0.193	Compliance and Enforcement	0.130	Environment & Regulatory	0.087	Other	0.025	Housing (excluding HRA)	0.073	Finance & Corporate	0.062	Total	3.84
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2.2	Although our fees and charges are continuing to recover from the impact of Covid-19 as the economy gradually reopens, some income sources still show signs of an overall shortfall this financial year. This includes Parking Services and the Camping site, but which is offset by Planning Application income which has performed much better than expected during the Covid pandemic.																						
2.3	As of September, the projection for year end is a saving against the Original Budget of £0.060m which will continue to be monitored in the second half of the year.																						
2.4	There are items which have been identified as having potential revenue budget implications for this financial year and over the MTFS period but cannot yet be																						

quantified or quantified with a degree of certainty but are important to be highlighted.

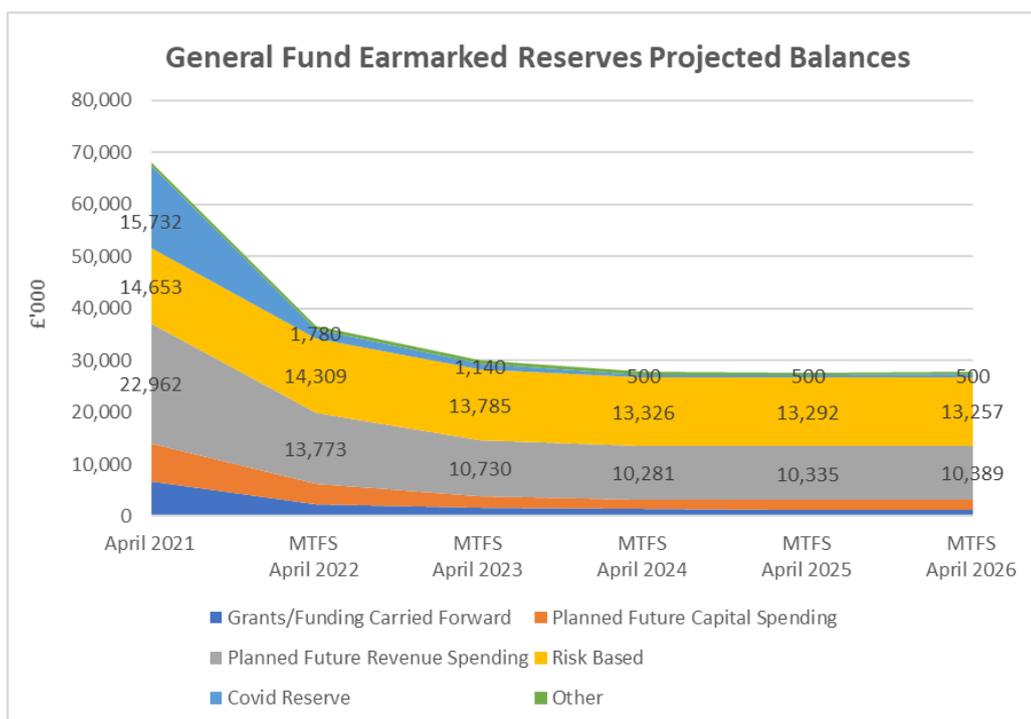
Budget Area to be Monitored	Areas Impact	Nature of Impact	Timing of Impact
NI increase 21/22 and introduction of the Health & Social Care Levy.	Council staffing costs and its Partners.	Increased cost, but potential for funding is to be confirmed. Estimated cost to the General Fund is £230k per annum from 2022/23. This excludes any potential funding and impact on partners.	Impacts from 2022/23 onwards.
Partnership fee to be agreed for 2021/22.	Operations - partnership fee.	Increased partnership fee.	Impacts 2021/22 and ongoing budgets.
Fuel price increase.	Operations and HRA - partnership fee.	Increased partnership fee.	Impact in second half of 2021/22 and potentially into 2022/23.
Energy price increase.	Council Admin and HRA sheltered accommodation and Partners.	Increased partnership costs and increased running costs of Council property.	Impact in second half of 2021/22 and potentially into 2022/23.
National pay award for 2021/22 is not yet agreed.	Council staffing costs and its partners.	Current budget assumption is for a 2% increase for Council staffing. The impact will therefore depend on whether the agreed pay award is more or less than this assumption.	Impact in 2021/22 and future years.
General inflation increased, material shortages.	Partnership – Operations and Council contracts.	Increased contract cost and supplies and services across the Council.	Impact from 2022.
Workforces pay pressure/grade inflation.	Council staffing costs and	Increased staffing costs. Annual	Impact being seen

		partnership costs.	staffing vacancy allowance in the budget is at risk.	in the current year.
	Review of Essential Car User Allowance.	Council staffing costs.	Staff cost saving which will be included in the budget update for Quarter 3 once the formal processed is completed.	From January 2022.

2.5 Some capital projects have faced delays resulting from complexity and Covid-19 pressures. Delays pose some risk to the delivery of projects within budget, and we are starting to see material cost pressures reflect in supplier tenders.

2.6 The HRA continues to operate at a balanced level in delivering social housing. Some HRA development projects have experienced delays resulting from the nationwide materials shortage and will be delivered later than planned.

2.7 The graph below shows a noticeable decline in reserve balances until 2023/24 and then levelling off for the remainder of the MTFS period.



The Planned Revenue Spending group of reserves contains some key individual reserves which are used to fund future budget gap pressures and projects and initiatives to support the delivery of the Strategic Plan. There are currently no planned further contributions to the Business Rates Pilot reserve, Transformation Reserves and In-Year-Savings reserves.

2.8 A projected increase in ESC council tax base for next year (around 2900 more properties) could result in additional income of around £0.500m at current council tax rates.

3 How to address current situation

3.1	Earmarked reserves intended to balance year-to-year fluctuations such as the In Year Savings Reserve and the Business Rates Equalisation Reserve will be utilised if necessary to mitigate any further financial risks arising in the second half of 2021/22 and ensure that the outturn position is balanced.
3.2	The annual review of fees and charges setting exercise could also entail increased charges where feasible allowing the council to cover the increased costs of delivering services.

4 Reason/s for recommendation

4.1	The key focus of the Financial Sustainability theme is the development, monitoring and achievement of the savings and income increases required to ultimately close the Council's projected budget gaps.
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Appendices

Appendices:

Appendix A	Financial Performance Monitoring Review (For the period 1 April 2021 - 30 September 2021)
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Background reference papers:

Date	Type	Available From
August 2021	Bank of England – Monetary Policy Report	Bank of England Monetary Policy Report August 2021