

# Local Government Finance and the ECC Budget

Induction Presentation to Members

19<sup>th</sup> May 2026

**Stephanie Mitchener**, Director of Finance

**Adrian Osborne**, Head of Strategic Finance & Insight

**Christine Golding**, Chief Accountant

# Agenda



- Overview of Local Government Finance
- Constitutional framework for Financial Management in Essex County Council
- Key financial tasks and responsibilities
- External Audit
- Our budget, and where the money comes from
- What does the future look like

# Overview of Local Government Finance

**Section 151 (S151) Local Government Act 1972** – every local authority must ‘**make arrangements for the proper administration of financial affairs**’

At ECC, the Section 151 role is held by **Stephanie Mitchener**, Director, Finance.  
Heads of Finance Deputise on a weekly rota basis.



CIPFA, is the professional body for finance experts in the public sector, is a UK-based international accountancy membership and standard-setting body. The only such body globally dedicated to public financial management. It sets out 5 principles that define the core activities and behaviours for the S151 / Chief Finance Officer:

1. is a key member of the leadership team
2. must be actively involved in, and able to bring influence to bear on, all material business decisions
3. must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times
4. must lead and direct a finance function that is resourced to be fit for purpose
5. must be professionally qualified and suitably experienced.

# Overview of Local Government Finance

## Ensuring strong financial management at Essex County Council (ECC)?

CIPFA Financial Management Code (CIPFA FM Code) is the gold standard, and is designed to support good practice in financial management & sustainability

**ECC undertakes an annual self-assessment against the Code, this informs the Annual Governance Statement – we comply with the Code in full.**



## The Code aims to provide a strong foundation to:

- financially manage the Council's short, medium and long-term finances
- manage financial resilience to meet unforeseen demands on services
- manage unexpected shocks in financial circumstances

**The Code emphasises that financial sustainability is the responsibility of all senior leaders, not just finance.**

## Other tools used to provide support towards strong financial management include:

- CIPFA Resilience Index,
- Benchmarking tools to compare to other organisations,
- Best practice learning from reviews to continuously learn



# Financial Governance

## ECC's Financial Regulations

Are there to make sure that the Council conducts its affairs in a way that complies with specific statutory provisions, generally accepted accounting principles and professional good practice.

Officers and Members are authorised to make decisions in accordance with the Financial Regulations. They sit alongside the Council's Constitution, setting out the main types of finance decisions and are underpinned by a Scheme of Delegation defining financial limits.

### Financial Limits:

**Executive Directors**  
(in consultation with Cabinet Member and S151)

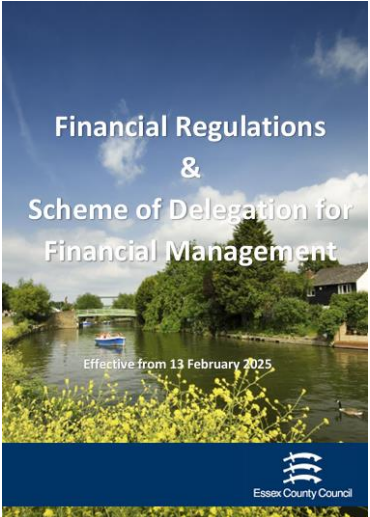
Up to **£2m**

**Cabinet Member with responsibility for Finance**  
(in consultation with Services Cabinet Member, Executive Director and S151).

Up to **£5m**

**Cabinet**

Over **£5m**



Majority of the finance related decisions are proposed in the quarterly finance reports to Cabinet

# Key financial tasks and responsibilities

**Financial year covers the period 1<sup>st</sup> April to 31<sup>st</sup> March**



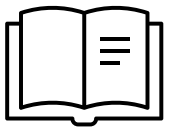
**Council must consider and approve a balanced budget (planned spend equals funding available) for the year ahead at Full Council by 11<sup>th</sup> March (usually February).** The budget includes the Council's capital spending plans, a capital strategy, and a treasury management strategy.



**A medium term financial strategy (MTRS) will also be approved covering a 4-year period,** supporting the plan for financial sustainability.



**The budget is monitored on a monthly basis throughout the year,** and presented formally to Cabinet on a quarterly basis. This formal report includes forecast spend for the year versus budgeted spend and, where required, recommend mitigating actions for any variations.



**At the end of the financial year a set of financial statements are produced** and published using international financial reporting standards, alongside a narrative statement describing the year.

During the year these reports will also be considered by Scrutiny committee

# External Audit – national issues

The **Local Audit and Accountability Act 2014** sets out the framework for the audit of local authorities. There are two aspects to the external audit of each local authority:

- Audit of the **financial statements**.
- Commentary on the arrangements to secure **value for money** in the use of resources.

External audits of local government are highly specialised, with only a small number of audit firms able to conduct them.

In recent years, significant backlogs have arisen nationally in relation to completion of local audits, with over **1,000** local audits outstanding at the peak. The government has now introduced a range of measures intended to reset and recover local audits. One of the key measures was a series of **statutory backstop dates** by when local audits must be completed, based on the work auditors have been able to complete.

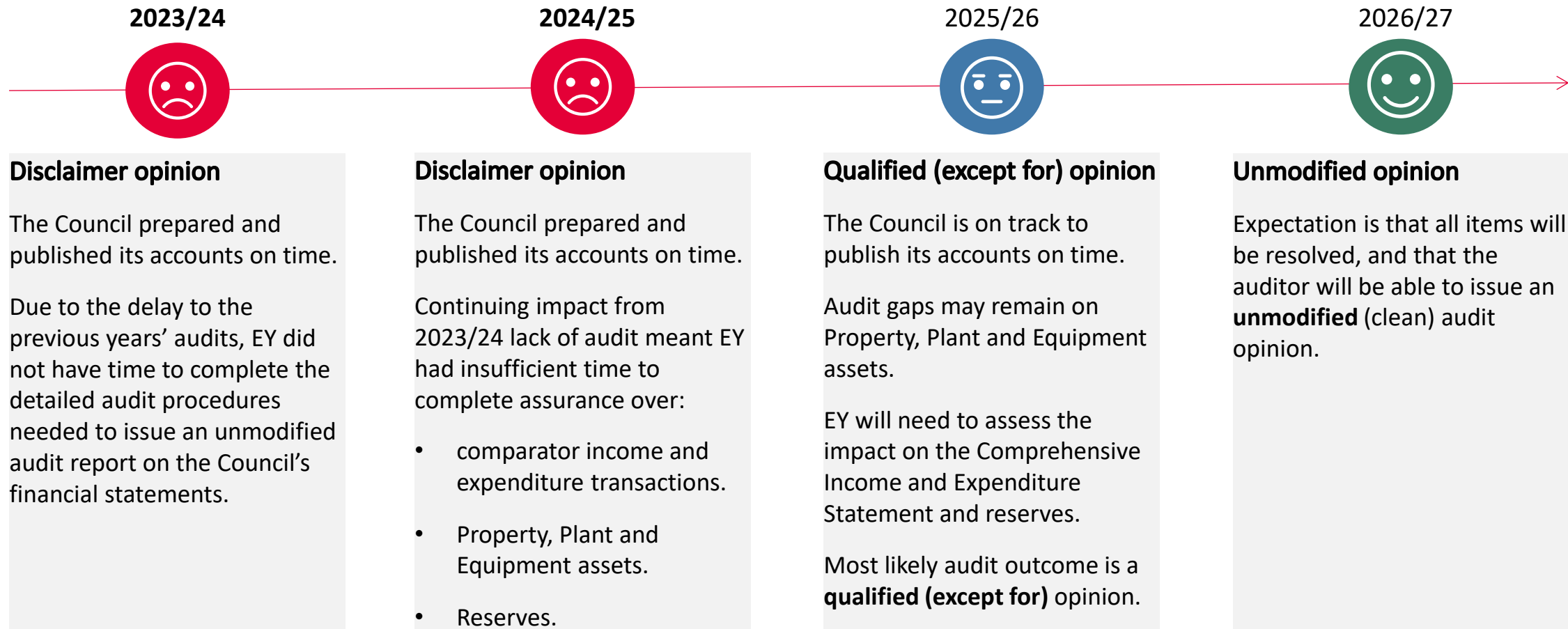
<u>Financial Years</u>		<u>Backstop Dates</u>
2022/23 & earlier years	→	13 Dec 2024
2023/24	→	28 Feb 2025
2024/25	→	27 Feb 2026
2025/26	→	29 Jan 2027
2026/27	→	31 Jan 2028
2027/28	→	30 Nov 2028

Auditors must issue their commentary on an authority's arrangements to secure **value for money** in the use of resources ahead of the applicable backstop date, by **30 November** each year.

# ECC Progress to full assurance of External Audit

ECC consistently received unmodified (**clean**) audit opinions prior to 2023/24, although the audits for 2020/21 to 2022/23 (conducted by **BDO LLP**) were delayed, due to auditor capacity issues.

**Ernst and Young (EY)** took over as our auditor from 2023/24. The position since then has been as follows:



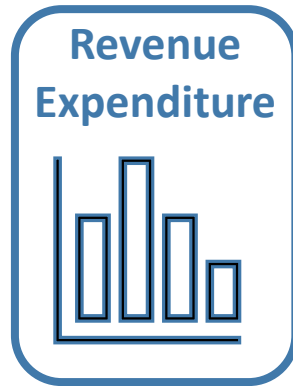
# Our Budget.....the scale and where the money comes from

# Definition of Revenue and Capital

**Legislation requires us to distinguish expenditure between revenue and capital**

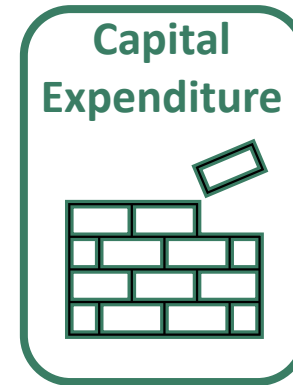
Rules are different to those experienced in the private sector

Particularly strong rules around borrowing



Day to day running costs of the authority, including:

- Salaries
- Energy
- Contracted supplies and services for delivery
- Office expenses etc.



Relates to the acquisition, creation and enhancement of an asset where the cost is in excess of £10,000

# Essex System Spend Highlights



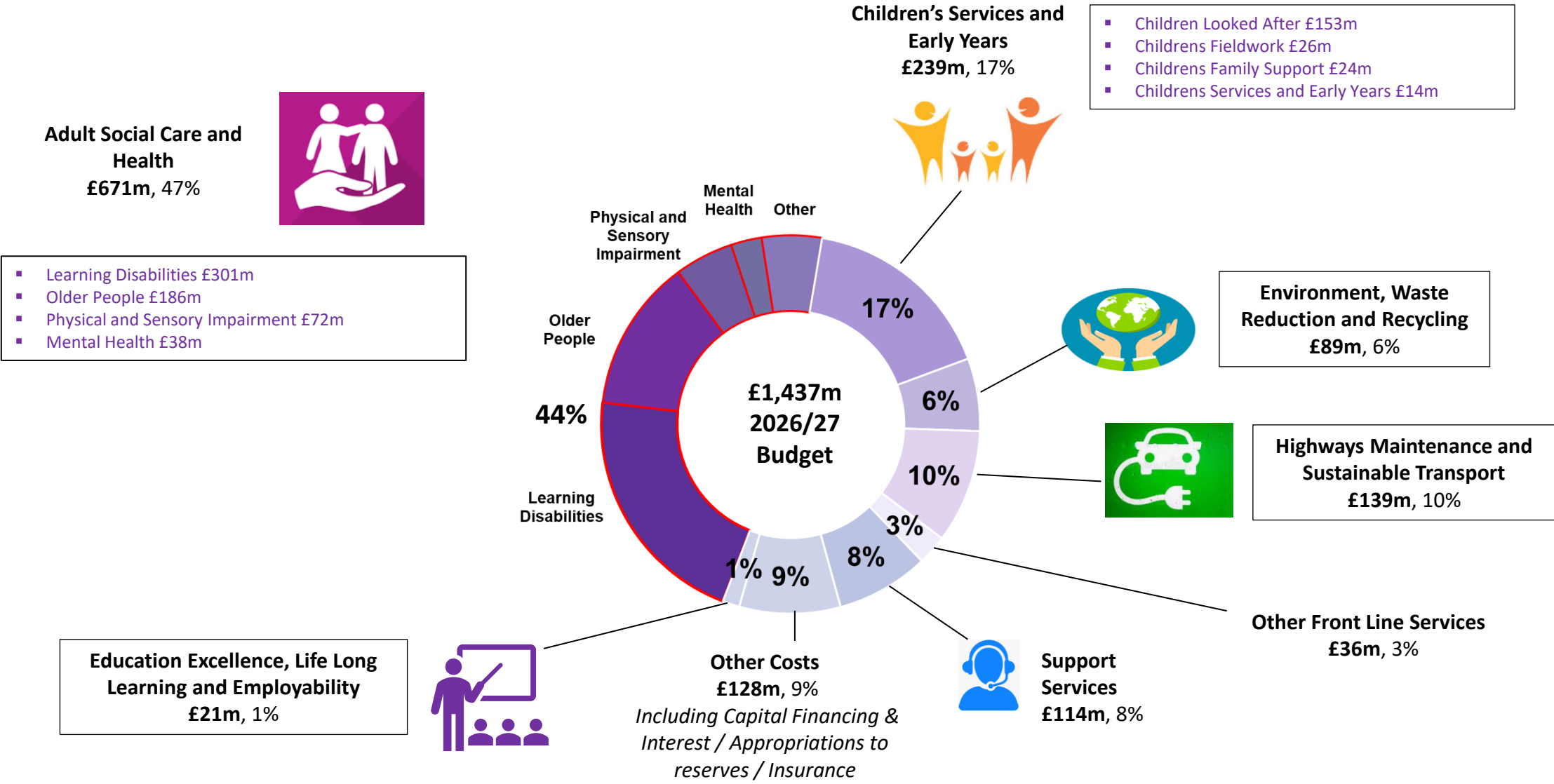
**£2.1bn** net revenue budget (c£5bn gross) across County, Unitaries and Districts in Essex (over **£7bn** including Health)

Main funding that supports local authority spending is **Council Tax and Business Rates**

Circa **70% of the spend is with ECC** as the upper tier county

Areas of spend with commonality, include Waste (collection and disposal), support services and property

# The 2026/27 ECC Revenue Budget (Net)

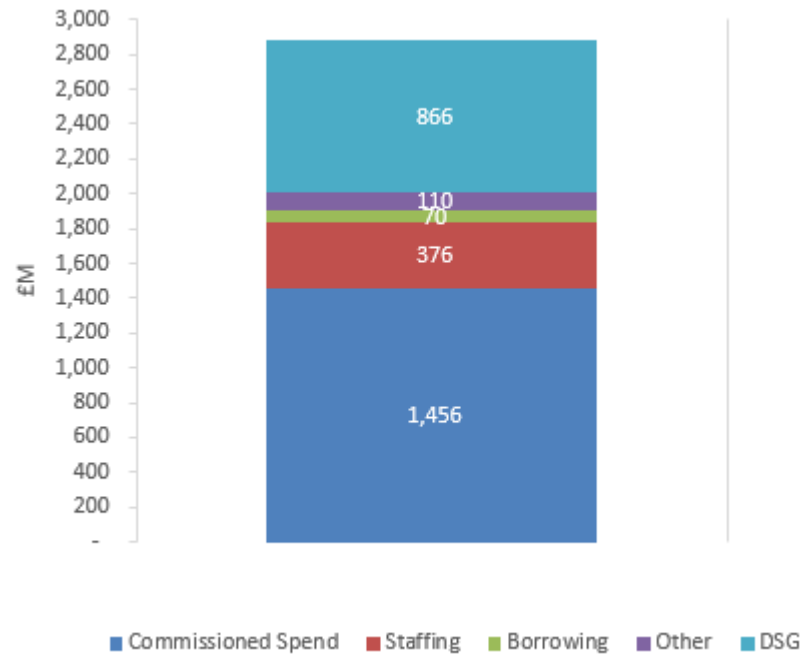


# The story – the scale of spend to deliver services

We spend **£2.9bn gross annually** including schools and after income/specific grants leaves **£1.4bn net** expenditure budget.

This amounts to spending **£8m per day**.

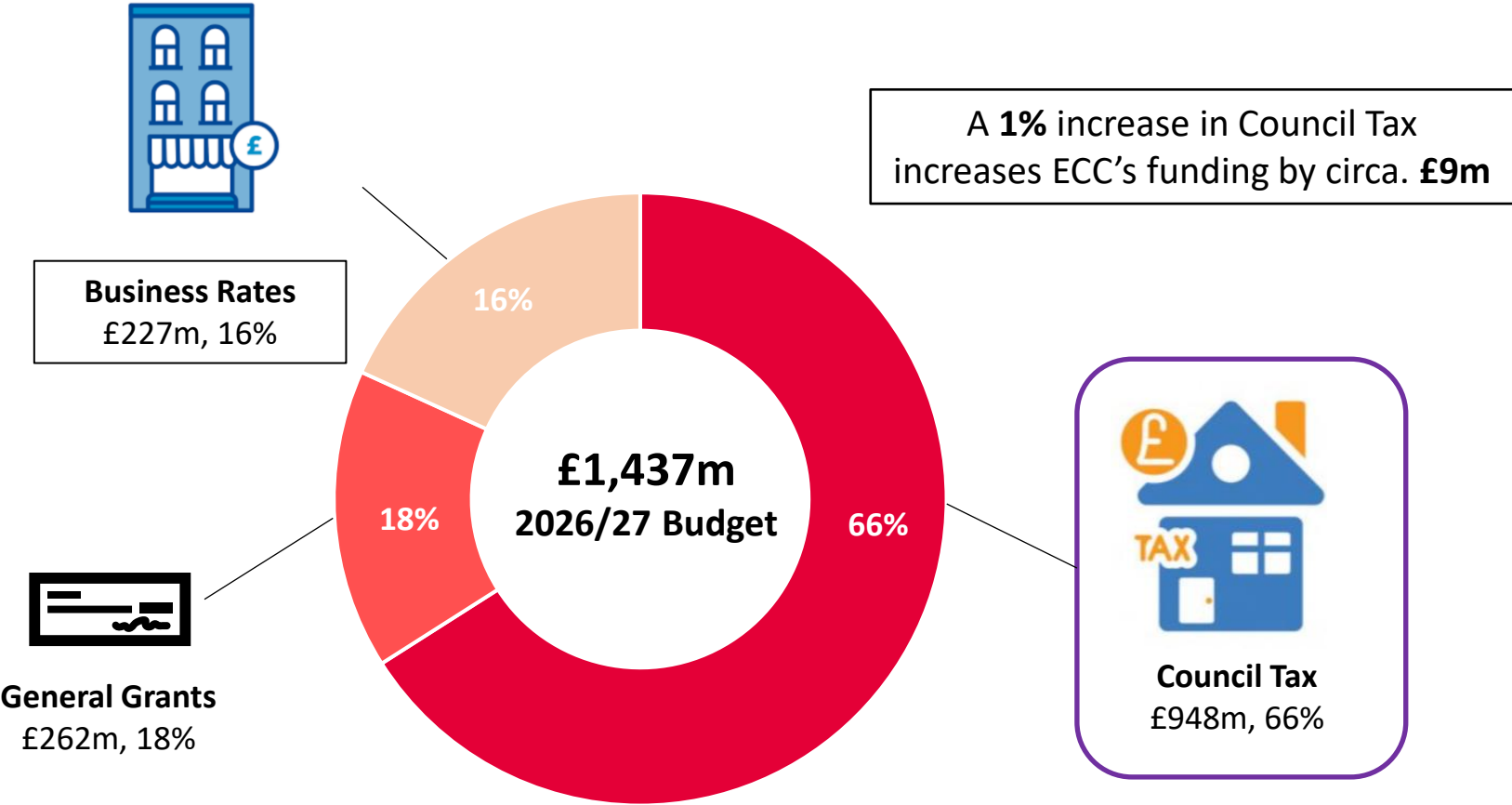
The mix of spend is as follows:



**THIS IS HOW MUCH WE SPEND PER DAY ON SOME OF THE SERVICES WE PROVIDE TO THE GENERAL PUBLIC.**

<b>Adult Social Care</b>  <b>£2,583,398</b> per day (2025/26 <b>£2,456,606</b> )	<b>Schools</b>  <b>£1,636,696</b> per day (2025/26 <b>£1,564,594</b> )
<b>Early Years and Child Care</b>  <b>£775,691</b> per day (2025/26 <b>£664,499</b> )	<b>Children's Services</b>  <b>£727,651</b> per day (2025/26 <b>£668,914</b> )
<b>Public Health</b>  <b>£264,043</b> per day (2025/26 <b>£207,175</b> )	<b>Environment and Waste</b>  <b>£250,499</b> per day (2025/26 <b>£249,520</b> )
<b>Home to School Transport</b>  <b>£190,821</b> per day (2025/26 <b>£150,767</b> )	<b>Highways and Infrastructure</b>  <b>£144,185</b> per day (2025/26 <b>£135,153</b> )
<b>Library Services</b>  <b>£46,369</b> per day (2025/26 <b>£44,558</b> )	<b>Concessionary Fares</b>  <b>£44,039</b> per day (2025/26 <b>£42,431</b> )
<b>Street Lighting</b>  <b>£21,906</b> per day (2025/26 <b>£18,425</b> )	<b>Coroner's Services</b>  <b>£17,182</b> per day (2025/26 <b>£17,044</b> )
<b>Country Parks</b>  <b>£11,096</b> per day (2025/26 <b>£10,617</b> )	<b>Registrar Services</b>  <b>£10,536</b> per day (2025/26 <b>£10,543</b> )

# Revenue budget – sources of general funding



A 1% increase in Council Tax increases ECC's funding by circa. £9m

**Business Rates**  
£227m, 16%

**General Grants**  
£262m, 18%

**Council Tax**  
£948m, 66%

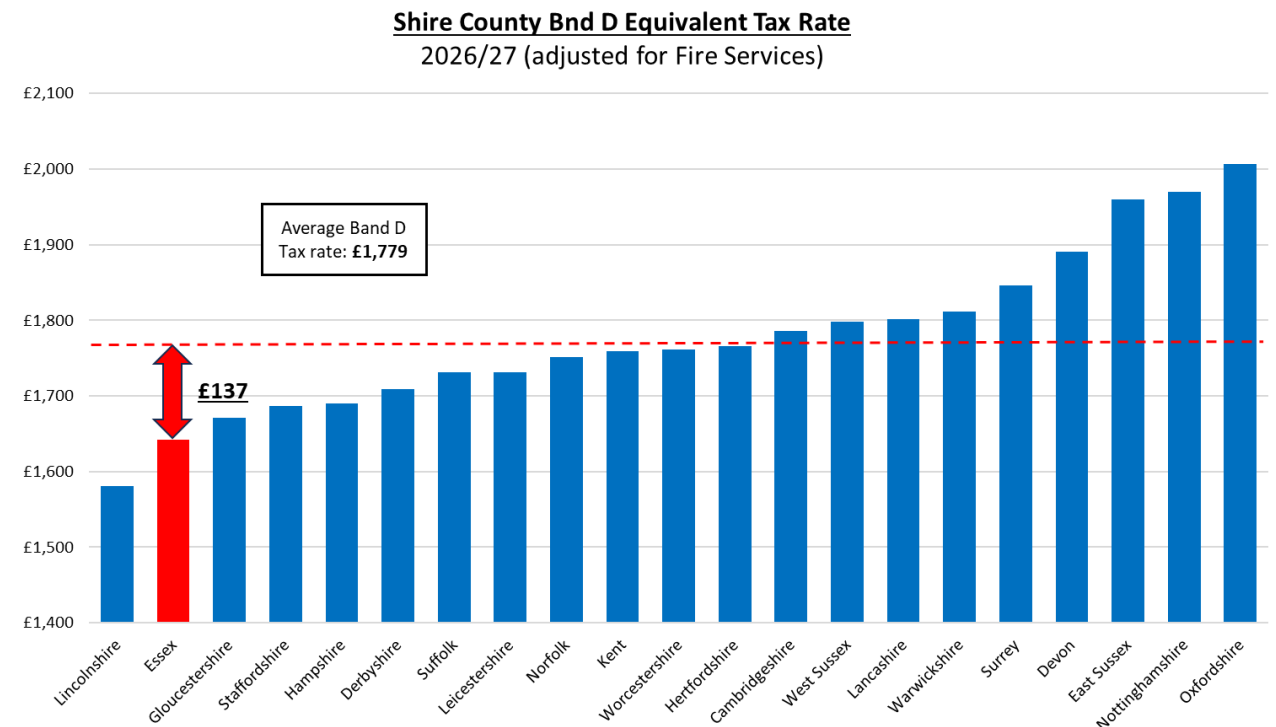
Central government's fair funding review has resulted in **standstill grant funding** for ECC over the next three years – this is a significant shift from historic annual increases of circa £50m, leaving a growing dependence on local funding

# Council Tax

**We benchmark as a low tax authority compared to other English County Councils**

- Council tax is a **locally collected** tax based on property valuation (1991) and number of houses (i.e. Taxbase)
- **ECC is a precepting authority** – the district councils (billing authorities) collect council tax on behalf of the precepting authorities
- Year on year increases are capped by Central Government – **Referendum limits: 3% General; 2% Social Care Precept**
- **98% collection rate** (budgeted) – Resilient despite cost-of-living crisis

Council Tax Band	2025/26 £	2026/27 £
Band A	1,053.06	1,094.64
Band B	1,228.57	1,277.08
Band C	1,404.08	1,459.52
<b>Band D</b>	<b>1,579.59</b>	<b>1,641.96</b>
Band E	1,930.61	2,006.84
Band F	2,281.63	2,371.72
Band G	2,632.65	2,736.60
Band H	3,159.18	3,283.92



# Who pays Council tax? – £948m from 681,000 households



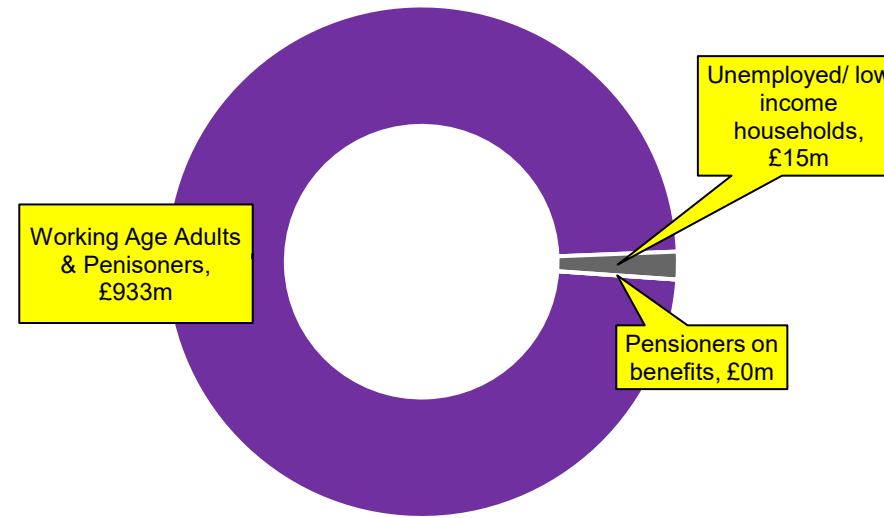
**92% (625,000)** households pay the full bill - equivalent to 98% tax

**1 in 4** properties (Band E+) pay **2/5** of all council tax ECC receives

of those, **1 in 3** properties are in receipt of a Single Persons Discount (25% reduced bill)

- of which, 86% of households are Band A-C

## Council Tax Income by Household Type



**\*4%** of working-age households receive ~75% discount

**85%** of all recipients of Local Council Tax Support (LCTS) live in Band A to C properties



In 2026/27, ECC will contribute **£268,000** to an Essex Council Tax Hardship fund (total value £374,000)

**\*4%** of households pay nothing: care leavers & low-income pensioners

# National Non-Domestic Rates (Business Rates)

## Over £750m of rates forecast to be collected across Essex in 2026/27

Contributions paid by businesses and occupants of non-domestic properties

- **ECC retains only 9% of business rates collected: £67m**
- **50% of business rates income collected is not retained in Essex** – transferred to central government
- Essex County Council is a '**top-up authority**' – reliant on a central government top-up each year worth **£160m** in 2026/27
- **2026 revaluation resulted in changes in reliefs to businesses. Big ones included:**

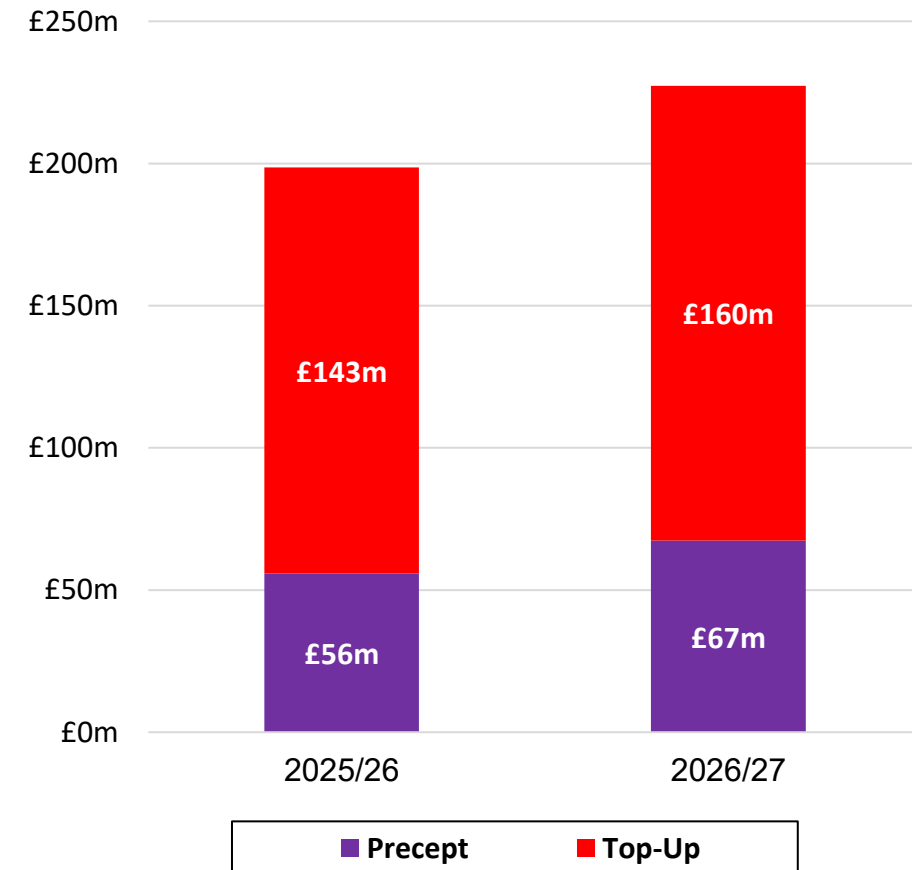


21% increase in rateable values for Industrial Sector properties



Retail, Hospitality, and Leisure properties lost their 40% relief

**Business Rates Funding Budgets**

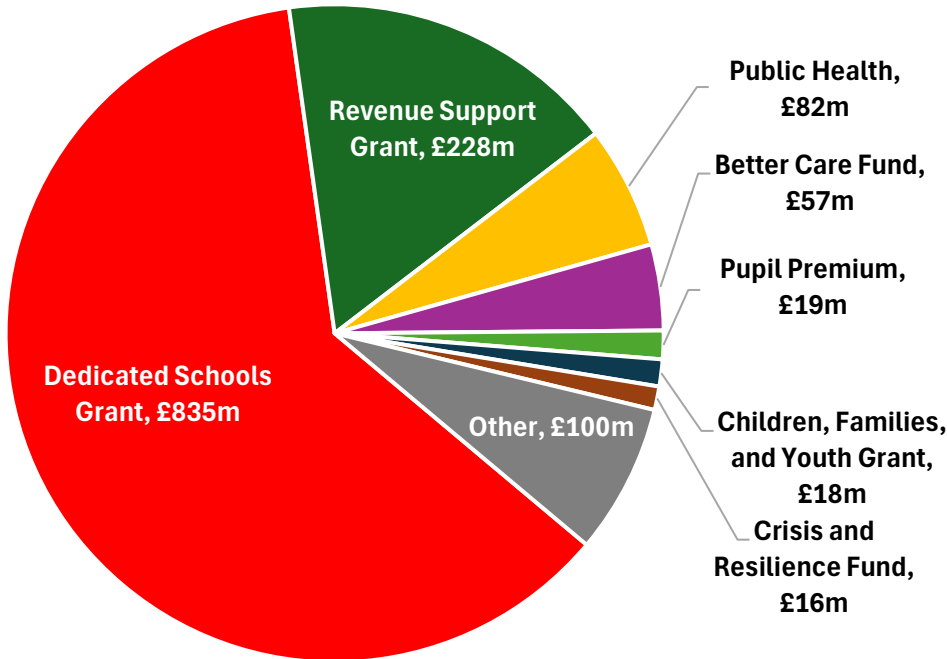


# Revenue Grants

Essex County Council receives **over 60 revenue grants** totalling over **£1.35 billion**

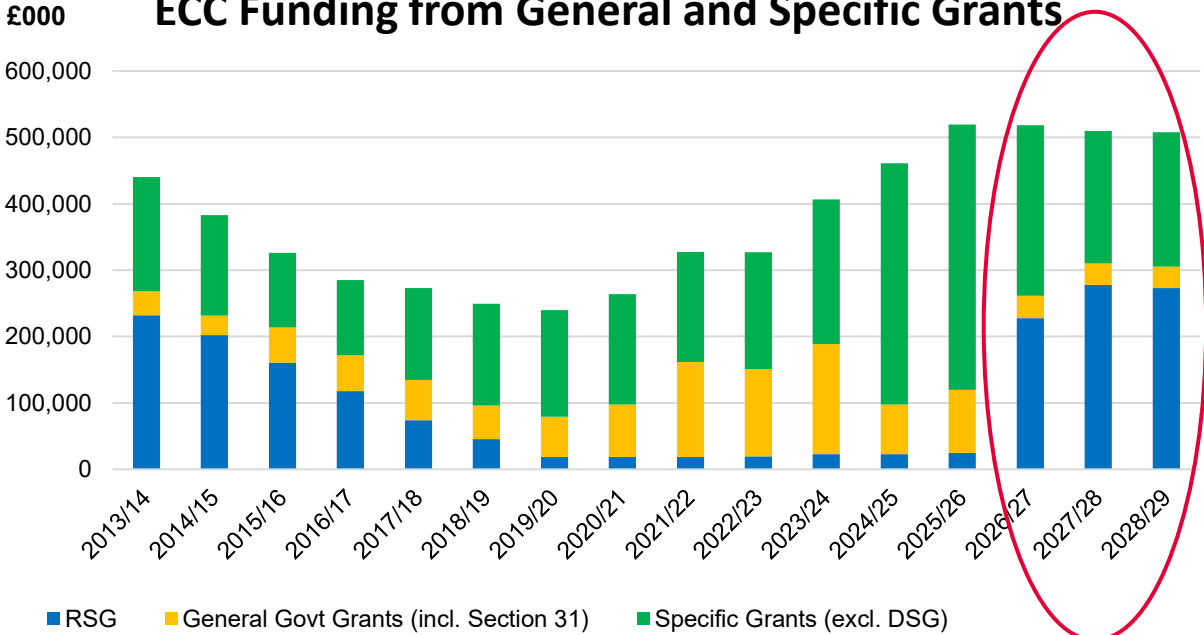
A large majority of grants are ringfenced (**£1.1bn**), meaning the purpose for which they can be used is restricted, while general grants (**£262m**) are unrestricted

**Revenue Grants 2026/27 Budget**



The 2026/27 local government finance settlement indicates **ECC’s grant funding allocation is due to decrease over the next three years** – funding redistributed to metropolitan and London authorities

**ECC Funding from General and Specific Grants**



# Schools funding and the High Needs Block (SEND) issue

ECC receives a ringfenced grant from central government called the “Dedicated Schools Grant” (DSG) which is used to fund schools, early years and high needs education. For 2026/27 this totals **£1.856bn**, broken down in the following blocks:



- Mainstream schools (reception to year 11): **£1.3bn**
- High Needs education (support for children and young people with complex special educational needs and disabilities (SEND)): **£277m**
- Early Years: **£269m**

Mainstreams school funding covers both 199 maintained schools (which are controlled by ECC) and 357 academies (which are independent of ECC).

**The High Needs block is where there are significant national issues.** Currently funding from government is not sufficient to cover the growing demand from an increasing number of education and health care plans (EHCPs).

At ECC we are forecasting a deficit on our high needs block (i.e. over spend) of **£59m in 2026/27**. Government announced a new grant for 2025/26 to cover 90% of all authorities’ overall DSG deficit at 31 March 2026, however it is not certain what proportion of 2026/27 deficits will be covered by this grant.

# The ECC Capital Programme

Capital investment is a critical enabler of the Council's long-term outcomes for residents, it underpins the Council's ability to deliver statutory services, maintain essential infrastructure, and support economic growth and regeneration across Essex

4-year aspirational programme totals over **£1bn**

Spend primarily across:



**Major Infrastructure**



**Asset Maintenance**



**Education**

Funding of the programme mainly from external sources:

**£532m** (51%) **External grants**, primarily from central government, with strict conditions on how they are spent

**£95m** (9%) **Developer contributions** (such as section 106)

**£16m** (2%) **Capital receipts**, which is income generated by the sale of assets owned by ECC

**£408m** (39%) **ECC resources**, mainly borrowing with a small amount drawn from reserves

The cost of borrowing is budgeted for in the revenue budget – for 2026/27 the cost of this is **c£70m**

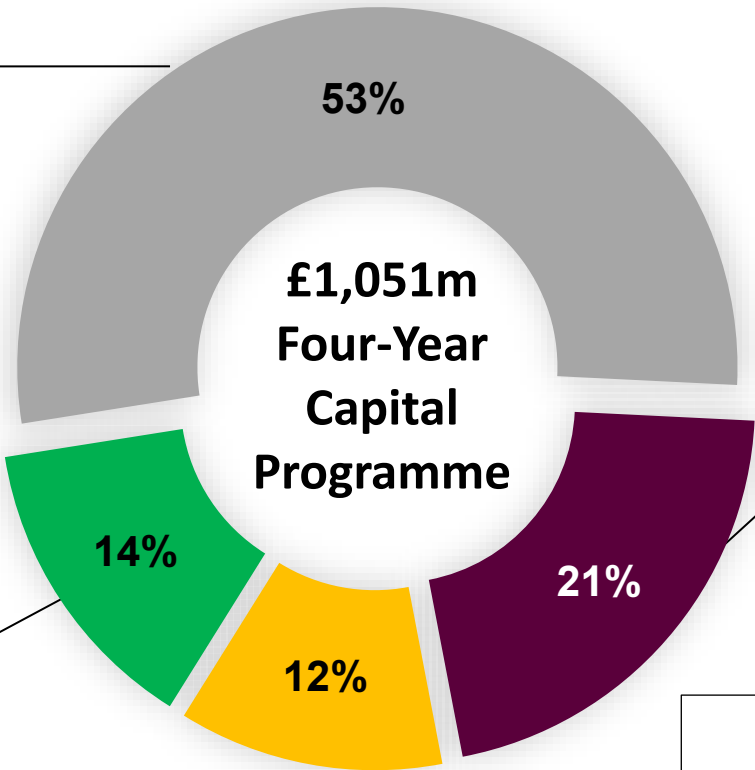
Borrowing is entered into only where necessary and within the limitations of a self-imposed annual borrowing cap.

# Four Year Capital Programme



**Highways Infrastructure & Sustainable Transport**  
**£560m, 53%**

Road Maintenance **£241m**  
Bridges **£57m**  
Footways **£34m**  
Other Highways Maintenance **£89m**  
Flood Management **£10m**  
EV Chargepoints **£8m**



**Education Excellence, Life-Long Learning & Employability**  
**£223m, 21%**

Basic Need Schemes **£112m**  
Special Schools **£70m**  
School Building Maintenance **£37m**

**Other**  
**£143m, 14%**

Army and Navy **£57m**  
Remaining HiF Project Spend **£20m**  
Building Maintenance **£22m**  
Independent Living OP **£11m**

**Housing, Planning and Regeneration**  
**£125m, 12%**

Essex Housing LLP **£84m**  
Town Centre Regeneration **£30m**  
Other Housing Investment **£12m**

# Debt and Treasury Management

We set a treasury management strategy each year which includes:



where cash balances arising from day-to-day activities will be invested



the forecast level of debt, and the level of external borrowing likely needed

**Capital Financing Requirement** – measure of our indebtedness

Level of indebtedness expected to **plateau from 2028**

**£1.2bn**

as at March 2026  
Less than annual net revenue budget



Approx average for county councils

## External Borrowing

**Significantly below** our capital financing requirement because we hold cash (such as in reserves) that we use to prudently defer external borrowing

**£0.5bn**

current level of borrowing

**c.40%**

of total indebtedness

**£0.6bn**

Funds held for investment

**£27m**

Earned income in 2025/26 from investing funds temporarily

Income supports delivery of wider council services

# Background to reserves

- Reserves are held by local authorities for a range of specific purposes to manage long term financial planning, commitments and risks – similar to a household savings account.
- **Reserves position for future years is recommended by the s151 officer**, who is obligated under statute to comment on the adequacy and appropriateness of reserves (through a ‘s25 statement’ as part of annual budget papers to Cabinet and Council
- s151 officer advises on the long-term sustainability of the organisation. **ECC’s prudent long-term approach to reserves has been the cornerstone of our stability as an organisation.**
- Reserves have:



**supported us in exceptional times** to be resilient to shocks and risk that have been destabilising to the wider sector (for example Covid, high inflation, rising services demand).



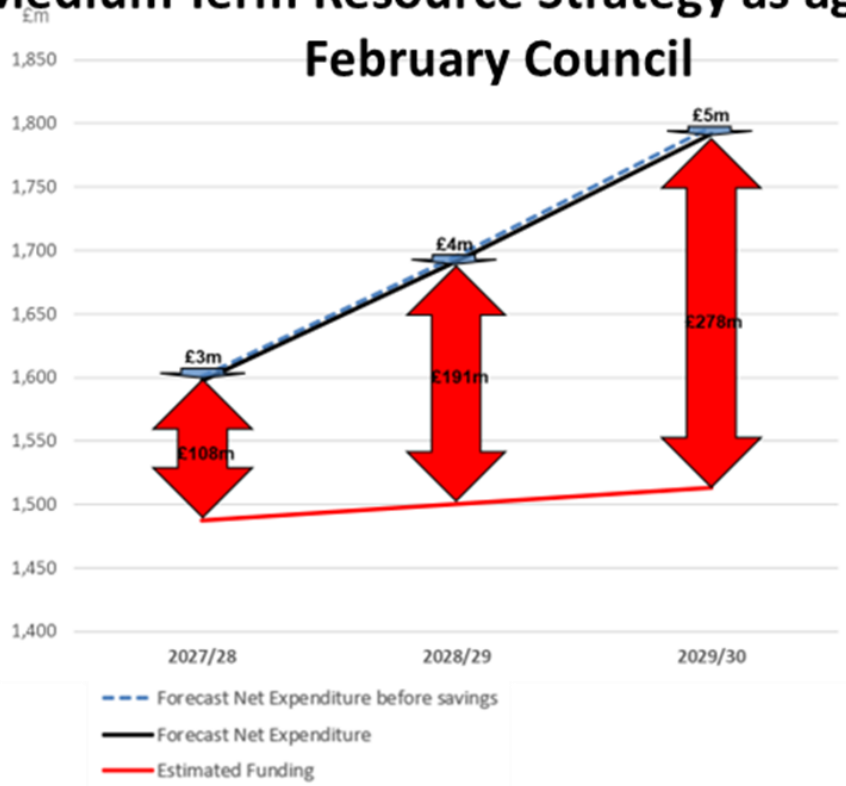
remained a component of our cash balances to **generate investment income and offset expenditure pressures** – particularly prominent with higher interest rates.

- **Large proportion of reserves are heavily restricted, contractually or technically. Unrestricted reserves are themselves all retained for specific purposes** (of the £544m estimated closing balance for 2025/26 (excluding general fund), £218m is restricted)

# What does the future look like?

A balanced budget was set in February for 2026/27 with expectation (as always) that the organisation will effectively set out a sustainable medium term financial plan to address future projected budget gaps.

Medium Term Resource Strategy as agreed at February Council



4 primary drivers of the £108 of pressure forecast in 2027/28:

1. The outcome of Fair Funding and confirmation we will see no growth in central government grants for the next 2 years. In previous years this has been increases of up to £50m annually
2. Growing demand for our services, primarily across adult social care, children’s services, and home to school transport. Accounts for £47m of new pressure
3. Increasing prices for the cost of the services we purchase and deliver, driven by inflation and increases to national living wage. This accounts for £38m of new pressure
4. Growing cost of financing the capital programme, particularly for our return on investment schemes. This accounts for £13m of growth

It is important to note this position will change as we move through the year - an uncertain macroeconomic environment, and continuing growing trends in children’s services and uncertainty around adults since the budget was set

# Further support – LGA Finance Unpacked

LGA have created ten short 2-minute videos on the key concepts of local government finance and audit which we would recommend watching. The topics they cover include:

- What are the differences between revenue and capital expenditure and income?
- Local funding: Understanding council tax and business rates
- How do government grants work?
- How are local government budgets set and monitored?
- Why are reserves and balances in local government important?
- Understanding the legal framework for local government finances
- What does 'financial sustainability' mean in local government?
- What does 'value for money' mean in local government?
- What are the roles and responsibilities of internal and external audit?
- What are the roles and responsibilities of the Audit Committee?

Videos can be found at the following link: [Finance Unpacked | Local Government Association](#)

# In closing



- Appreciate that a lot of information has been covered today
- Here are some links to further useful information that you may wish to go through at your own pace
  - [ECC Financial Regulations](#)
  - [Annual Plan and budget 2026 to 2027](#)
  - [Finance Unpacked | Local Government Association](#)
- Offer to your group & quarterly briefings
- If you would prefer to target some direct questions please ask

# Questions.....