

Cabinet	FP/694/11/11
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2011/12 PROVISIONAL OUTTURN REPORT

Report by Deputy Leader and Cabinet Member with responsibility for Finance & Transformation

Enquiries to:

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Purpose and recommendations

The purpose of this report is to present and provide commentary on the provisional outturn position for 2011/12 prior to formal closure of the accounts.

The Audit Commission, the Council's external auditor, will carry out the annual audit of the accounts during the summer, and it is possible that changes may be made to the accounts during this period. The results of the external audit review will be reported to the Audit Committee in September 2012, at which stage the Committee will also approve and authorise the Accounts for issue.

Recommendations

- (i) That Cabinet notes the provisional outturn positions for revenue and capital which are for:

- an underlying net under spend for the year of **£7.179m** on the Revenue Budget (*i.e. after taking account of the proposals within this report for appropriating funds into, and from, earmarked revenue reserves and for carrying unspent budget forwards for use in 2012/13*);and
- an underlying under spend of **£3.861m** against approved capital payment guidelines (*i.e. after taking account of proposals for re-profiling and revising capital payment approvals*)

Also, that Cabinet notes the explanatory comments that are provided in the Executive Summary (starting on page 23) and the subsequent sections and appendices of the Report.

- (ii) That approval is given to allocate under spends between portfolios (as summarised within the 'reallocation of under spends' column of **Appendix B**).

- (iii) That the following amounts are appropriated into earmarked revenue reserves:
- Schools Reserve – **£2.940m**;
 - Building Schools for the Future PFI equalisation reserve - **£2.185m**;
 - Reserve for Future Capital Funding - **£2.231m**; and
 - Waste Reserve - **£60,000**.
- (iv) That the following amounts are appropriated from earmarked revenue reserves:
- Debden PFI reserve - **£645,000**;
 - Clacton Secondary Schools PFI reserve - **£865,000**.
- (v) That **£17.342m** is returned to the General Balance, of which **£10.163m** relates to revenue 'carry forward requests';
- (vi) That the release of funds from the General Balance in 2012/13, in respect of the 'carry forward' requests referred to in paragraph (v) above, will be determined by the Deputy Leader and Cabinet Member for Finance and Transformation in discussion with other Cabinet Members.
- (vii) That capital payments guideline, and associated capital financing, of **£19.694m** is re-profiled into subsequent financial years, in respect of slippage in schemes.
- (viii) That capital payments guideline, and associated capital financing, of **£1.997m** is brought forward from 2012/13 in respect of schemes that have progressed ahead of schedule.
- (ix) That Portfolios' 2011/12 capital payment guidelines are reduced by **£10.778m** in respect of schemes that have been completed for less than the budgeted amount, and that part of this under spend (**£6.917m**) is applied to retrospectively increase payment guidelines for other projects.
- (x) That the financing of capital payments in 2011/12 is approved on the basis set out within **Appendix D** to this report.
- (xi) That supplementary funding is allocated in 2012/13 as follows:
- **£2.850m** to support ongoing programmes of work, such as community budgets and the systematic review, to be financed by a withdrawal from the General Balance.
 - **£3m** for highways maintenance, to be financed by a withdrawal of **£2m** from the Highways Maintenance Reserve and a withdrawal of **£1m** from the General Balance.
- (xii) That the Capital Programme starts approval and payment guideline for highways maintenance is increased by **£8m** in 2012/13, to be financed from unsupported borrowing.

1. Executive summary

1.1 Overview

Through careful financial planning and control, at the end of 2011/12 Essex County Council's finances remain robust. The budget for 2011/12 was set against a backdrop of austerity for the public sector introduced by the new Coalition Government during 2010. This meant that the Council needed to make savings of **£100m** to live within its net revenue budget of **£864.245m**.

A significant contribution to these savings was made by the ongoing Transformation Programme, which started in 2009/10, with a target of reducing the budget by **£300m** over 4 years. Further programmes of efficiencies were developed in 2011/12 to ensure that the budget was not overspent. Indeed, the target was slightly over-achieved, partly due to early delivery of some efficiencies and because the Emergency Contingency was not fully drawn down. This under spend has allowed some funding to be put into reserves in order to ease the pressure on future budgets and to support further, innovative programmes of work that will enable services to be sustained as more funding reductions bite.

The capital programme was also under spent, primarily as a result of slippage, meaning that the schemes for which the funding was allocated will be delivered slightly later than planned. Consequently the funding will still be used for the purpose for which it was intended.

The budget for 2012/13 requires savings of a further **£123m**. However, the carefully executed efficiency programmes through 2011/12 and into 2012/13, combined with the robust reserves, will make this target more achievable without service reductions.

1.2 Revenue

The provisional outturn position on the Revenue Budget shows an underlying net under spend for the year of **£7.179m** (*i.e. after taking account of proposals to appropriate funds to, or from, earmarked reserves and requests to carry unspent budget forward into 2012/13*). This position compares with the position forecast at the Third Quarter Stage, which was for an under spend for the year of **£6.931m**.

The provisional outturn position reflects:

- A net under spend by Portfolios (*excluding an under spend against the Individual Schools Budgets*) of **£15.548m**, of which Services have requested that **£10.163m** is carried forward for use in 2012/13; business cases will only be considered for carry forward requests in support of existing actions and business plans.
- An under spend of **£2.940m** against the Individual Schools Budgets that will be retained by schools for use in a subsequent financial year.
- The receipt of additional general government grants of **£1.032m**, mainly related to the New Homes Bonus payable by Communities and Local Government.
- A small under spend of **£213,000** on interest, capital financing and dividends.
- A balance on the Emergency Contingency (**£3.515m**) which was not needed to support services' expenditure in 2011/12.
- Proposals to appropriate **£7.416m** into various earmarked revenue reserves, partially offset by proposals to withdraw **£1.510m** from reserves (*see paragraph 1.5 for further detail*).

Appendix A provides a summary, by portfolio, of the provisional outturn on the Revenue Budget, and **Appendix B** summarises the mitigations proposed. Commentary on the provisional outturn position for each portfolio is provided in Section 2, which commences on page 27 of the report.

1.3 Trading activities

Trading activities' revenue reserves have increased from **£1.736m** at 1st April 2011 to **£3.381m** at 31st March 2012, as summarised in **Appendix C**. The net increase of **£1.645m** is **£1.118m** higher than budgeted, and results from the achievement of surpluses by all trading activities during 2011/12, most notably by the School Improvement and Advisory Service.

1.4 Capital

The finally approved capital payments guideline amounted to **£216.102m**. Actual capital expenditure was **£21.558m** below this guideline, primarily as a consequence of slippage in schemes.

In relation to this under spend, approval is sought to:

- Re-profile capital payment guidelines of **£19.694m** from 2011/12 and into 2012/13, as a consequence of slippage in schemes;
- Bring capital payments guideline of **£1.997m** forward in respect of schemes that have progressed ahead of schedule.
- Reduce capital payment guidelines by **£10.778m** in respect of schemes that have been completed for less than the budgeted amount, and to utilise **£6.917m** of this under spend to retrospectively increase scheme and payment approvals for other projects;

The underlying position, after taking account of these requests, is an under spend of **£3.861m**.

Appendix D provides a comparison of approved and forecast outturn capital payments by portfolio. Commentary on the provisional outturn position for each portfolio is provided in Section 3, which commences on page 38 of the report.

1.5 Reserves and balances

Proposals are set out elsewhere within this report that impact on the Council's reserves and balances. These proposals are summarised as follows:

- **Schools**

The under spend against the Individual Schools' Budget, which amounts to **£2.940m**, has been appropriated into schools' reserves.

- **Reserve for Future Capital Funding**

It is proposed that **£2.231m** is appropriated into the Reserve for Future Capital Funding to provide capital financing for the following purposes:

- **£1.2m** for financing of the ICT modernisation programme;
- **£1.010m** for the Integrated County Strategy;
- **£21,000** to provide additional capital financing for capital projects that were over spent in 2011/12.

- **PFI Reserves**

It is proposed that **£675,000** (net) is appropriated into the PFI reserves, as follows:

- **£2.185m** contribution to a new Building Schools for the Future PFI reserve, to equalise the impact of timing differences between payments to the PFI provider and the receipt of government grant for this scheme; this equalisation is consistent with the approach adopted for the other PFI schemes;
- **£645,000** withdrawal from the Debden PFI reserve and a further **£865,000** withdrawal from the Clacton PFI reserve, to mitigate the impact of a change in the methodology applied by the Government for contributing to these schemes.

- **Waste Reserve**

It is proposed that an under spend of **£60,000** by the Economic Growth and Waste and Recycling portfolio related to development of the Council's waste strategy is appropriated into the Waste Reserve.

Appendix F (which commences on page 51) sets the position on the General Balance, the Emergency Contingency and earmarked revenue reserves as at 31st March 2011, after incorporating the above proposals.

1.6 Prudential indicators and Treasury Management

Activities remained within the boundaries established by the approved prudential indicators and treasury management strategy during the year.

A return of **1.06%** was achieved on sums invested during the year. This compares favourably with the benchmark Local Authority Seven Day rate, which has averaged at **0.38%** over the same period.

The long term borrowing requirement for 2011/12 was originally assessed at **£32m**. However, due to favourable cash flows throughout the financial year, no new loans were secured from the Public Works Loans Board during the year. The pool rate of interest on long term loans has therefore remained static, at **4.26%**.

A summary of the Prudential Indicators and investment and borrowing levels is provided in **Appendix H** (see pages ___54 and ___55).

1.7 2012/13 issues

Given the provisional outturn position for 2011/12, and the heavy toll the recent weather has taken on the County's highway network, it is proposed that additional funding is allocated in 2012/13 as follows:

- **£3m** of revenue funding for highways maintenance, to be financed by a withdrawal of **£2m** from the Highways Maintenance Reserve, with the balance of **£1m** being withdrawn from the General Balance.
- **£8m** increase to the Highways and Transportation portfolio's capital programme starts approval and capital payments guideline, to be financed from the unsupported borrowing not utilised due to capital programme under spends in 2011/12.

Further, it is proposed that **£2.850m** is allocated to support ongoing programmes of work, such as community budgets and the systematic review, during 2012/13. It is proposed that this additional expenditure is financed by a withdrawal from the General Balance of **£2.850m**.

2. Portfolio commentary - Revenue

Commentary on those portfolios forecasting a revenue budget variance equal to, or greater than, **£500,000** or **5%** of their budget, is provided in the following paragraphs.

2.1 Adult Social Care - £1.748m under spend

The budgets for care and support were over spent by **£4.429m** as a result of an under recovery in client contributions for residential and nursing care, and as a consequence of higher than anticipated older people client numbers. For clients with physical and sensory impairments, the over spend was the result of higher than expected client numbers receiving personal budgets. This reflects a change in policy to empower clients to source their own care.

The over spend in relation to Care and Support was however offset by various under spends, realised as a consequence of staff vacancies, the receipt of additional income, and as a consequence of management actions taken to realise savings.

It is proposed that **£1.667m** is carried forward to help mitigate budget pressures in 2012/13. The remainder of the under spend (**£81,000**) will be returned to general balances.

2.2 Children's Services - £3.711m under spend

Dedicated Schools Budget - £188,000 under spent

Spending on early years and child care was **£6.650m** less than budgeted, as a result of reduced demand for free entitlement to nursery provision for three and four year olds. This under spend has, in the main, been offset by a corresponding transfer to the Schools' reserve.

Non Dedicated Schools Budget - £3.523m under spent

Although the Non Dedicated Schools budget was under spent, there was an inherent pressure of **£3.139m** directly attributable to the number of children in care. These pressures were however mitigated this year by savings in relation to commissioned services and from staff vacancies and slippage in projects.

Approval is sought to carry **£2.546m** of the under spend forward into 2012/13, to mitigate pressures in relation to residential children's home provision, intensive family support and home to school transport.

The remainder of the under spend will partially be allocated to offset additional spending by other portfolios, with the rest being returned to general balances.

2.3 Highways and Transportation - £2.317m under spend

The under spend primarily results from savings in business support and management costs, and as a consequence of actions taken to generate savings to support activity in 2012/13.

It is proposed that **£1.389m** of the under spend is carried forward for pothole repairs, and to support other projects during 2012/13; the remaining **£928,000** is being allocated to offset additional spending by other portfolios.

2.4 Economic Growth and Waste and Recycling - £915,000 under spend

The majority of the under spend (**£855,000**) resulted from reduced tonnages of waste coming into the system for disposal and as a consequence of delays in implementation of the Waste Strategy.

The remainder of the under spend (**£60,000**) primarily results from the Enterprise Centres generating additional income.

Approval is sought to:

- Allocate **£653,000** of the portfolio's under spend to support spending by other portfolios;
- Carry **£105,000** forward for use in 2012/13; and
- Appropriate **£60,000** into the Waste Reserve.

The remainder of the under spend (**£97,000**) will be returned to general balances.

2.5 Education and Lifelong Learning - £6.573m under spend

Dedicated Schools Budget - £2.675m under spent

This under spend mainly reflects the fact that individual schools did not fully utilise the budgets delegated to them in the year. This under spend is not available for use by the Council, and has therefore been carried into schools' reserves.

Non Dedicated Schools Budget - £3.806m under spent

The net under spend results from staff vacancies, early exits, the rescheduling of property commitments, from achieving efficiencies in service delivery and from securing additional external funding.

Approval is sought to carry **£1.970m** of the under spend forward into 2012/13, to mitigate pressures arising in relation to home to school transport, the Youth Service and from schools converting to 'academy' status.

Approval is also sought to appropriate **£675,000** (net) into the PFI reserves to ensure that the impact of fluctuations in contract payments and government support can be mitigated effectively over the life of these projects.

It is proposed that the remainder of the portfolio's under spend is partially applied to support spending by other portfolios, with the rest being returned to general balances.

Lee Valley Park and 2012 Games - £92,000 under spend

An under spend on Lee Valley park, which amounts to **£120,000**, will be returned to the General Balance. Partially offsetting this under spend, it is proposed that an over spend of **£28,000** on sports development is financed from under spends reported elsewhere.

2.6 Health and Wellbeing - £810,000 under spend

The under spend primarily relates to Children and Adolescent Mental Health Services, as a consequence of keeping posts vacant, pending the outcome of a restructure of this service, and as a result of delayed start up of the Healthwatch initiative.

It is proposed that **£261,000** of the under spend is carried forward to support activity in 2012/13. The remainder of the under spend (**£549,000**) will be returned to general balances.

2.7 Customer Services, Environment and Culture - £620,000 under spend

The Library Service implemented a range of initiatives in the year that were intended to produce savings to mitigate the impact, in 2012/13, of not securing contracts for provision of library services to other authorities. As a result of these plans, the Service realised an under spend of **£598,000** in 2011/12.

Further under spends totalling **£332,000** were realised in respect of heritage and cultural services, the built environment, environmental strategy and country parks as a consequence of savings realised from holding posts vacant and from generating additional income. These under spends were partly offset by over spends amounting to **£310,000**, in relation to the historic and natural environment, as a consequence of a change programme intended to develop these services into professional consultancy services.

It is proposed the under spend of **£620,000** is carried forward, together with under spends of **£228,000** which have been realised by other portfolios, to support the portfolio's 2012/13 budget.

2.8 Leader - £832,000 under spend

The under spend primarily results from savings arising from a restructure of the Strategic Services Directorate, from slippage in the Essex Link project and from lower than budgeted spend on consultancy services.

It is proposed that:

- **£241,000** of the portfolio's under spend is applied to offset additional spending by other portfolios;
- **£440,000** is carried forward, to support activity in 2012/13;
- **£5,000** is appropriated into the Reserve for Future Capital Funding, to provide additional capital financing for the Hadleigh Fire Station acquisition.

The remainder of the Portfolio's under spend (**£146,000**) will be returned to the General Balance.

2.9 Communities and Planning - £632,000 under spend

The under spend principally resulted from slippage in projects. It is proposed that **£213,000** of this under spend is allocated to offset additional spending by other portfolios, and that **£259,000** is carried forward to support activity in 2012/13. The remainder (**£160,000**) will be returned to general balances.

2.10 Finance and Transformation - £24,000 under spend

The budgets for shared use and surplus properties were over spent by **£293,000** due to reduced activity and unaccomplished income targets. It is proposed that this over spend is addressed by utilising under spends by Essex Property and Facilities which are reported against other portfolios' budgets.

The over spend on shared use and surplus properties is offset by an under spend of **£317,000** which primarily results from a reduction to the general provision for bad debts and from an under spend by the Coroners' Courts Service. It is proposed that this under spend is returned to general balances.

2.11 Recharged strategic support services - £544,000 over spend

Overall, the Recharged Strategic Support Services are over spent by **£544,000**. Comments on each Service's outturn position are as follows:

Highways and Transportation

- **Transport Coordination Centre – £159,000 under spend**

The under spend results from staff vacancies; approval is sought to carry this under spend forward for use in 2012/13.

- **Car Provision Scheme - £54,000 under spend**

Approval is sought to carry the under spend on this scheme forward for use in 2012/13.

Economic Growth, Waste and Recycling

- **Democratic Services - £67,000 under spend**

It is proposed that this under spend is returned to the General Balance.

Customer Services, Environment and Culture

- **Customer Services – on line**

Leader

- **Communications and customer relations - £207,000 under spend**

This under spend primarily resulted from slippage in the programme of campaigns. It is proposed that **£66,000** of the under spend is carried forward, together with a **£4,000** under spend that is reported elsewhere, for use in 2012/13, and that the remainder (**£141,000**) is returned to the General Balance.

- **Equality and Diversity - £63,000 under spend**

It is proposed that this under spend is returned to the General Balance.

Finance and Transformation

- **Facilities Management - £3.787m over spend**

£1.378m of the over spend results from recognition of the liability the Council has under the Carbon Reduction Commitment Scheme for the 2011/12 financial year. The remainder of the over spend results from implementation of the Property and Facilities Management Services contract and from related property transformation project costs.

It is proposed that under spends of **£4.117m** reported by other portfolios and services are applied to mitigate this over spend. This leaves an underlying under spend of **£330,000** which it is proposed is carried forward for use in 2012/13.

- **Finance - £345,000 under spend**

The under spend results from staff vacancies, lower costs of developing the Cognos system and from generating income from the provision of risk services to schools gaining Academy status.

It is proposed that **£338,000** is applied to offset additional costs incurred elsewhere and that **£7,000** is appropriated into the Reserve for Future Capital Funding, to provide capital financing for the e-payroll project.

- **Information Services - £1.642m under spend**

The under spend results from a re-profiling of spend on the ICT Modernisation Programme into subsequent years, savings on third party contracts, staff vacancies and the receipt of additional income.

Approval is sought to appropriate **£1.2m** into the Reserve for Future Capital Funding, to provide funding for the future refresh of IT equipment. It is proposed that the remainder (**£442,000**) is applied to offset costs incurred by the Transformation Support Unit and in respect of employee communications.

- **Human Resources - £65,000 under spend**

This under spend primarily results from staff vacancies. It is proposed that this under spend is carried forward for use in 2012/13.

- **Transformation Support Unit - £1.028m over spend**

The over spend results from spending on transformation projects, for which the funding sits elsewhere. It is therefore proposed that this over spend is funded from under spends reported elsewhere.

- **Procurement – on line**

- **Insurance Cost Recovery Account – on line**

- **Asset Management - £1.630m under spend**

The under spend largely results from a significant rebate of non domestic rates. It is proposed that **£1.621m** is applied towards the over spend by Facilities Management and that **£9,000** is appropriated into the Reserve for Future Capital Funding to provide additional capital financing for the Harlow Youth scheme.

- **Performance - £39,000 under spend**

It is proposed that this under spend is returned to the General Balance.

- **Corporate Law and Governance – on line**

2.12 Building Maintenance - £850,000 under spend

The Building Maintenance budget was under spent as a consequence of a change in the service delivery model for property management. The reported under spend should therefore be viewed alongside the provisional outturn for Facilities Management reported above.

2.13 Other Operating Costs (interest, capital financing and dividends) - £213,000 under spend

The under spend primarily relates to the receipt of a dividend payment from Essex Cares Ltd, which exceeded the budget by **£250,000**. Partially offsetting this under spend were minor over spends against the interest and capital financing budgets due to slight variations in cash flows and investment returns.

3. Portfolio commentary – Capital

Commentary on portfolios' provisional outturn positions are provided in the following paragraphs.

3.1 Adult Social Care – On line

The Portfolio's capital programme included provision for the re-development of Shaftesbury Court, and various other partnership schemes; contributions to partners were in line with the capital payments approval for each project.

3.2 Children's Services - £987,000 under spend

The under spend primarily results from slippage in the following schemes:

- Disabled Children's short breaks - **£881,000**;
- Integrated Children's System - **£149,000**;
- Minor works schemes - **£48,000**.

Approval is sought to re-profile payment approvals for these schemes (totalling **£1.078m**) from 2011/12 and into 2012/13.

The Willowbrook Family Centre scheme is over spent by **£121,000**. It is proposed that this over spend is partially offset by reductions to other minor works schemes and that the remainder (**£92,000**) is carried forward, to be addressed in 2012/13 by reductions to the scheme and payment approvals for other schemes.

3.3 Highways and Transportation - £4.617m under spend

The under spend primarily results from slippage in schemes, as follows:

- Colchester Northern Approaches Road - **£1.018m**;
- Roscommon Way - **£355,000**;
- Braintree Freeport footbridge - **£329,000**;
- Harlow A414 dualling and Eastern Access improvements - **£328,000**;
- Sandon and Chelmer Valley Park and Ride - **£147,000**;
- Hadleigh Farm access improvements - **£141,000**;
- Colchester park and ride (Cuckoo Farm) - **£92,000**;
- Colchester Parking - **£45,000**;
- A13 passenger transport corridor - **£44,000**;
- Hadleigh Town Centre - **£41,000**;
- Canvey Town Centre - **£25,000**;
- Colchester St Botolphs - **£23,000**;
- Minor works schemes - **£2.087m**.

Approval is sought to re-profile payment approvals for these schemes (totalling **£4.675m**) from 2011/12; **£4.497m** of which will be re-profiled into 2012/13, and the remainder (**£178,000**) will be re-profiled into subsequent years.

Partially offsetting the slippage in the above schemes, approval is sought to bring forward payments approval of **£198,000** from 2012/13 for the following schemes:

- Sadler's Farm - **£77,000**;
- South Essex rapid transit - **£50,000**;
- Colchester Town Centre - **£26,000**;
- Epping Forest Transport Plan - **£21,000**;
- Computing College - **£11,000**;
- Other smaller schemes - **£13,000**.

Approval is sought to increase the scheme and payment approvals for schemes which are over spent in 2011/12 as follows:

- Harlow A414 capacity improvements - **£234,000**;
- Pitsea Flyover - **£94,000**;
- Various bridge schemes - **£209,000**;

- Vehicle Location System – **£90,000**;
- Berechurch Road Improvements - **£73,000**;
- Various Bus Station and Train Station Access Schemes - **£62,000**;
- South Essex rapid transit - **£23,000**;
- Other smaller scheme additions - **£65,000**.

It is intended to finance the additional expenditure in 2011/12 by reducing the scheme and payment approvals for the following schemes:

- Harlow Eastern Access improvements - **£210,000**;
- Harlow Cycle Town scheme - **£152,000**;
- Tackling Congestion schemes - **£93,000**;
- Traffic Signal Refurbishment schemes - **£89,000**;
- Private Street Works schemes - **£61,000**;
- Traffic Management Improvement schemes - **£52,000**;
- Witham Station Footbridge Extension - **£46,000**;
- Various County Roads Maintenance Schemes - **£40,000**;
- Surface Water Alleviation Schemes - **£34,000**;
- Public Rights of Way Improvement Schemes - **£33,000**;
- A130 Bypass - **£24,000**;
- Other minor schemes - **£156,000**

After adjusting the scheme and payment approvals as proposed, there is an underlying under spend of **£140,000**.

3.4 Economic Growth and Waste and Recycling - £3.457m under spend

The under spend primarily results from slippage in the following schemes:

- Waste transfer station - **£2.897m**;
- Leachate treatment at Martin's Farm closed landfill site - **£53,000**;
- Waste receptacles scheme - **£30,000**;
- Support for District and Borough councils' recycling schemes - **£331,000**;
- Other waste management schemes - **£74,000**;
- Jaywick regeneration - **£11,000**;

Approval is sought to re-profile payment approvals for these schemes (totalling **£3.396m**) from 2011/12 and into 2012/13.

Partially offsetting the slippage in the above schemes, approval is sought to bring payments approval of **£2,000** forward from 2012/13 for waste management schemes.

Finally, approval is sought to increase the scheme and payment guideline for the Saffron Walden Civic Amenity project by **£12,000**; this increase will be funded by reductions across a number of other civic amenity schemes.

After increasing the above scheme and payment approval there is an underlying under spend of **£63,000**.

3.5 Education and Lifelong Learning - £8.585m under spend

The under spend primarily results from slippage in the following schemes:

- Canvey Vocational Centre - **£1.257m**;
- James Hornsby School - **£854,000**;
- Education Capital Maintenance - **£753,000**;
- Basildon Academies - **£570,000**;
- Basic Need Programmes - **£354,000**;
- Building Schools for the Future - **£249,000**;
- Primary Capital Programme - **£247,000**;
- Bradwell Outdoors Centre - **£226,000**;
- Hadleigh Farm - **£194,000**;
- Capitalised Building Maintenance - **£183,000**;
- Chelmer Valley High - **£170,000**;
- Asset Management Planning - **£147,000**;
- St John's Secondary re-organisation - **£144,000**;
- Schools Access Initiative - **£125,000**;
- Millhouse Junior and Infants - **£84,000**;
- Childrens Centre Schemes - **£45,000**;
- Other Projects - **£1.113m**.

Approval is sought to re-profile payment approvals for these schemes (totalling **£6.715m**) from 2011/12 into 2012/13.

Partially offsetting the slippage in the above schemes, approval is sought to bring forward payments approval of **£1.795m** from 2012/13 for schemes which have progressed ahead of schedule, as follows:

- St John's Primary Buckhurst Hill - **£323,000**;
- Queen Boudica (Phase 3) - **£321,000**;
- Essex Academies (Witham) - **£244,000**;
- Purfords Green - **£215,000**;
- Hylands School - **£173,000**;
- Colchester Primary Review - **£92,000**;
- Upland School - **£71,000**;
- Stansted additional places - **£67,000**;
- Building Schools for the Future - **£46,000**;
- Other smaller advanced works - **£243,000**.

Approval is sought to increase the scheme and payment approvals for schemes which are over spent in 2011/12 as follows:

- Extended Schools - **£2.728m**;
- Early years and childcare - **£758,000**;
- Capitalised Building Maintenance (prior years) - **£472,000**;
- Temporary Accommodation - **£258,000**;
- Harlow Passmores - **£238,000**;
- Devolved capital funding – **£233,000**;
- Capitalised maintenance - **£217,000**;
- White Notley Primary School - **£169,000**;
- Holy Trinity Halstead - **£140,000**;
- Fordhall All Saints - **£82,000**;
- Kendall Primary - **£74,000**;
- Felsted New Primary – **£61,000**;
- Buckhurst Hill Primary - **£48,000**;
- Other projects - **£402,000**.

These increases will be financed by reducing the scheme and payment approvals for the following schemes:

- Early Years and pre-school projects - **£3.914m**;
- Formula Capital to schools - **£1.891m**;

- Primary Capital Programme - **£603,000**;
- School Kitchen Dining - **£548,000**;
- Education capital maintenance - **£472,000**;
- Priors Green - **£304,000**;
- Felmores Primary - **£299,000**;
- Formula Capital Grant - **£252,000**;
- Willowbrook Primary - **£249,000**;
- Joint Fund Initiative - **£223,000**;
- Down Hall Rayleigh – **£235,000**;
- Coopersale & Theydon Garnon Primary - **£129,000**;
- Other projects - **£427,000**.

3.6 Customer Services, Environment and Culture - £316,000 under spend

The under spend results from slippage in the following schemes:

- Self service library scheme - **£262,000**;
- Springfield library - **£46,000**
- Other - **£8,000**

Approval is sought to re-profile payment approvals for these schemes (totalling **£316,000**) from 2011/12 and into 2012/13.

Approval is sought to increase the scheme and payment approval of Springfield Library by **£76,000**; this increase will be funded by a reduction to the Dunmow Library scheme and payments approval.

3.7 Communities and Planning - £363,000 under spend

The under spend results from slippage in the following schemes:

- Community Initiatives Fund - **£211,000**;
- Severalls Lane gypsy site improvements - **£120,000**;
- Sandiacres gypsy site improvements - **£17,000**;
- Other gypsy site improvement schemes - **£15,000**

Approval is sought to re-profile payment approvals for these schemes (totalling **£363,000**) from 2011/12 and into 2012/13.

3.8 Finance and Transformation - £3.231m under spend

The under spend primarily results from slippage in the following schemes:

- Office strategy - **£894,000**;
- Property transformation / refurbishment - **£801,000**;
- Hadleigh 2012 legacy scheme - **£399,000**;
- IT infrastructure scheme - **£389,000**;
- Other Information Services schemes - **£420,000**;
- IS modernisation - **£292,000**;
- Harlow Office (phase 2) - **£50,000**;
- Other schemes - **£37,000**.

Approval is sought to re-profile payment approvals for these schemes (totalling **£3.282m**) from 2011/12 and into 2012/13.

Partially offsetting the slippage in the above schemes, approval is sought to bring forward payments approval of **£2,000** from 2012/13 for a minor works scheme, which has progressed ahead of schedule.

Approval is also sought to increase the scheme and payments approval for the E-Payroll scheme by **£55,000**; this increase will partially be funded by a reduction of **£47,000** in the scheme and payment approvals for the Oracle Upgrade scheme, with the remainder (**£8,000**) being financed by a withdrawal from the Reserve for Future Capital Funding.

Approval is also sought to increase the scheme and payment approvals for two ICT schemes by **£10,000**; this increase will be funded by a reduction of **£10,000** to the ICT Stabilisation scheme.

Finally, approval is sought to increase the scheme and payment approvals for capitalised building maintenance schemes by **£44,000**, this is partially funded by a **£3,000** reduction to another asset management scheme, with the balance of **£41,000** being carried forward as an overspend into 2012/13.

REVENUE SUMMARY

APPENDIX A

2010/11 Actual		2011/12					RAG status
		Original Budget	Final Estimate	Provisional Outturn	Variance	%	
£000		£000	£000	£000	£000	%	
352,804	Adults Social Care	333,457	333,138	331,390	(1,748)	(0.52%)	●
	Children's Services						
31,621	Dedicated Schools Budget	29,372	(381)	(569)	(188)	49.34%	●
132,074	Non Dedicated Schools Budget	164,291	162,558	159,035	(3,523)	(2.17%)	●
82,401	Highways and Transportation	85,997	96,604	94,287	(2,317)	(2.40%)	●
61,537	Economic Growth and Waste and Recycling	64,047	63,371	62,456	(915)	(1.44%)	●
	Education and Lifelong Learning						
(30,496)	Dedicated Schools Budget	(32,219)	1,918	(757)	(2,675)	(139.47%)	●
72,933	Non Dedicated Schools Budget	65,754	72,190	68,384	(3,806)	(5.27%)	●
2,850	Lee Valley Park and 2012 Games	2,746	2,906	2,814	(92)	(3.17%)	■
24,187	Health and Wellbeing	23,365	23,685	22,875	(810)	(3.42%)	●
23,368	Customer Services, Environment and Culture	19,315	16,761	16,141	(620)	(3.70%)	●
11,906	Leader	10,117	9,239	8,407	(832)	(9.01%)	●
6,216	Communities and Planning	5,837	5,855	5,223	(632)	(10.79%)	●
4,591	Finance and Transformation	4,662	4,237	4,213	(24)	(0.57%)	■
	Recharged Support Services						
	Highways and Transportation						
1,410	Transport Coordination Centre	1,296	1,296	1,137	(159)	(12.27%)	●
(247)	Car Provision Scheme	(300)	(17)	(71)	(54)	317.65%	●
	Economic Growth and Waste and Recycling						
875	Democratic Services	888	750	683	(67)	(8.93%)	●
	Customer Services, Environment and Culture						
4,351	Customer Services	3,049	5,239	5,239	-	-	■
	Leader						
2,107	Communications & Customer Relations	2,024	2,581	2,374	(207)	(8.02%)	●
-	Equality and Diversity	-	212	149	(63)	(29.72%)	●
	Finance and Transformation						
14,074	Facilities Management Service	10,797	15,899	19,686	3,787	23.82%	◆
15,969	Finance	13,566	15,734	15,389	(345)	(2.19%)	■
18,131	Information Services	11,990	11,833	10,191	(1,642)	(13.88%)	●
8,066	Human Resources	6,427	6,685	6,620	(65)	(0.97%)	■
5,420	Transformation Support Unit	4,147	4,630	5,658	1,028	22.20%	◆
5,956	Procurement	2,092	4,076	4,076	-	-	■
558	Insurance Cost Recovery Account	4,685	3,112	3,112	-	-	■
3,710	Asset Management	2,640	4,154	2,524	(1,630)	(39.24%)	●
-	Performance	-	1,717	1,678	(39)	(2.27%)	■
3,936	Corporate Law and Governance	356	410	410	-	-	■
2,689	Building Maintenance	3,960	3,960	3,110	(850)	(21.46%)	●
862,997	Net cost of services (Portfolios)	844,358	874,352	855,864	(18,488)	(2.11%)	●
	Other operating costs						
40,996	Interest, capital financing and dividends	51,020	42,806	42,593	(213)	(0.50%)	■
-	Emergency Contingency	8,000	3,515	-	(3,515)	(100.00%)	●
13,562	Appropriations to/(from) earmarked revenue reserves	12,890	9,334	15,240	5,906	63.27%	◆
(94,412)	General government grant	(60,448)	(79,444)	(80,476)	(1,032)	1.30%	●
823,143	Net expenditure	855,820	850,563	833,221	(17,342)	(2.04%)	●
	General Balance - contribution / (withdrawal)						
-	Amounts to be carried forward	-	-	10,163	10,163	-	◆
(1,080)	Underlying under spend	8,425	13,682	20,861	7,179	52.47%	◆
822,063	Net Expenditure	864,245	864,245	864,245	-	-	■
	Financed by						
(31,281)	Revenue Support Grant	(66,990)	(66,990)	(66,990)	-	-	■
(215,423)	National non-domestic rates	(216,724)	(216,724)	(216,724)	-	-	■
(574,956)	Council tax precept	(578,685)	(578,685)	(578,685)	-	-	■
(403)	Collection fund surpluses	(1,846)	(1,846)	(1,846)	-	-	■
(822,063)	Total Financing	(864,245)	(864,245)	(864,245)	-	-	■

REVENUE VARIANCE PLAN

	Provisional Outturn Variance (Under) / Over spend £000	Proposed mitigating actions				Total of mitigating actions £000
		Reallocation of under spends	Under spends to be carried forward	Appropriations to / (from) other reserves	Transfers to / (from) General Balance	
		£000	£000	£000	£000	
Adults Social Care	(1,748)	-	1,667	-	81	1,748
Children's Services						
Dedicated Schools Budget	(188)	188	-	-	-	188
Non Dedicated Schools Budget	(3,523)	154	2,546	-	823	3,523
Highways and Transportation	(2,317)	928	1,389	-	-	2,317
Economic Growth and Waste and Recycling	(915)	653	105	60	97	915
Education and Lifelong Learning						
Dedicated Schools Budget	(2,675)	(188)	-	2,940	(77)	2,675
Non Dedicated Schools Budget	(3,806)	258	1,970	675	903	3,806
Lee Valley Park and 2012 Games	(92)	(28)	-	-	120	92
Health and Wellbeing	(810)	-	261	-	549	810
Customer Services, Environment and Culture	(620)	(228)	848	-	-	620
Leader	(832)	241	440	5	146	832
Communities and Planning	(632)	213	259	-	160	632
Finance and Transformation	(24)	(293)	-	-	317	24
Recharged Support Services						
Highways and Transportation						
Transport Coordination Centre	(159)	-	159	-	-	159
Car Provision Scheme	(54)	-	54	-	-	54
Economic Development and Waste and Recycling						
Democratic Services	(67)	-	-	-	67	67
Customer Services, Environment and Culture						
Customer Services	-	-	-	-	-	-
Leader						
Communications & Customer Relations	(207)	(4)	70	-	141	207
Equality and Diversity	(63)	-	-	-	63	63
Finance and Transformation						
Facilities Management Service	3,787	(4,117)	330	-	-	(3,787)
Finance	(345)	338	-	7	-	345
Information Services	(1,642)	442	-	1,200	-	1,642
Human Resources	(65)	-	65	-	-	65
Transformation Support Unit	1,028	(1,028)	-	-	-	(1,028)
Procurement	-	-	-	-	-	-
Insurance Cost Recovery Account	-	-	-	-	-	-
Asset Management	(1,630)	1,621	-	9	-	1,630
Performance	(39)	-	-	-	39	39
Corporate Law and Governance	-	-	-	-	-	-
Building Maintenance	(850)	850	-	-	-	850
Net cost of services (Portfolios)	(18,488)	-	10,163	4,896	3,429	18,488
Other operating costs						
Interest, capital financing & dividends	(213)	-	-	-	213	213
Appropriations to / from earmarked reserves	5,906	-	-	(5,906)	-	(5,906)
Emergency contingency	(3,515)	-	-	-	3,515	3,515
General government grant	(1,032)	-	-	1,010	22	1,032
Net expenditure	(17,342)		10,163	-	7,179	17,342
General Balance	17,342		(10,163)		(7,179)	(17,342)
Net Expenditure	-	-	-	-	-	-

REVENUE – TRADING ACTIVITIES

2010/11		2011/12				Rag Status
Actual		Original Budget	Final Budget	Provisional Outturn	Variance	
£000		£000	£000	£000	£000	%
(16,526)	Income	(21,347)	(24,802)	(28,970)	(4,168)	16.81%
15,598	Expenditure	20,519	24,006	27,153	3,147	13.11%
-	Financing Items	-	-	-	-	-
(928)	(Surplus)/Deficit	(828)	(796)	(1,817)	(1,021)	128.27%
2,077	Appropriations	-	269	172	(97)	(36.06%)
1,149	Net (increase) / decrease in revenue reserves	(828)	(527)	(1,645)	(1,118)	212.14%
Analysis of net (increase) / decrease in Trading Activities reserves						
83	School Improvement & Advisory Service	(765)	(433)	(1,027)	(594)	137.18%
449	School Support - Finance	(24)	(55)	(160)	(105)	190.91%
(22)	School staffing insurance scheme	-	-	(104)	(104)	-
673	Essex Equipment Service	-	-	-	-	-
-	Library Services Trading	-	-	(154)	(154)	-
-	Legal Services Trading	-	-	(157)	(157)	-
(34)	Smarte East	(39)	(39)	(1)	38	(97.44%)
-	Information Services infrastructure	-	-	(42)	(42)	-
1,149	Net (increase) / decrease in revenue reserves	(828)	(527)	(1,645)	(1,118)	212.14%
2010/11 Closing Balance		2011/12				
				Opening Balance	Closing Balance	
£000				£000	£000	
(1,736)	Total Reserves Balance			(1,736)	(3,381)	

CAPITAL – SUMMARY OF PAYMENTS AND FINANCING

	Original Approval	Final approval	Actual	Variance	RAG
	£000	£000	£000	£000	
Adult Social Care	2,953	2,788	2,788	-	■
Children's Services	492	1,561	575	(987)	●
Highways and Transportation	84,881	83,977	79,359	(4,617)	●
Economic Growth and Waste and Recycling	9,854	6,383	2,926	(3,457)	●
Education and Lifelong Learning					
Schools	102,045	97,821	90,971	(6,850)	●
Other	12,562	7,908	6,172	(1,736)	●
Customer Services, Environment & Culture	1,373	2,710	2,394	(316)	■
Communities and Planning	3,161	3,226	2,863	(364)	●
Finance and Transformation	3,726	9,728	6,497	(3,231)	●
Total payments to be financed in 2011/12	221,047	216,102	194,545	(21,558)	●
Financed by					
Supported borrowing	-			-	■
Unsupported borrowing	43,391	41,044	8,730	(32,315)	●
Grants and contributions	171,658	166,987	156,694	(10,293)	●
Capital receipts	5,998	5,487	23,121	17,634	◆
Earmarked reserves					■
Reserve for future capital funding		2,584	6,000	3,416	◆
Trading accounts				-	
Other				-	
Total financing	221,047	216,102	194,545	(21,558)	●

CAPITAL VARIANCE PLAN

	2011/12				2011/12	2012/13
	Additions	Reductions	Advanced works	Slippage	Changes	Changes
	£000	£000	£000	£000	£000	£000
Adult Social Care	-	-	-	(0)	(0)	0
Children's Services	31	(31)	-	(987)	(987)	987
Highways and Transportation	850	(990)	198	(4,675)	(4,617)	4,477
Economic Growth and Waste and Recycling	12	(75)	2	(3,396)	(3,457)	3,394
Education and Lifelong Learning						
Schools	4,896	(7,984)	1,747	(4,506)	(5,847)	2,759
Special Schools	966	(1,560)	2	(208)	(800)	206
Building Schools for the Future	-	-	46	(249)	(203)	203
Schools	5,862	(9,544)	1,795	(4,964)	(6,851)	3,168
Other	18	(2)	-	(1,752)	(1,735)	1,752
Customer Services, Environment & Culture	76	(76)	-	(316)	(316)	316
Communities and Planning	-	-	-	(363)	(363)	363
Finance and Transformation	68	(60)	2	(3,241)	(3,231)	3,239
Total payments to be financed in 2011/12	6,917	(10,778)	1,997	(19,694)	(21,558)	17,696
Financed by						
Supported borrowing					-	-
Unsupported borrowing	1,296	(1,903)	58	(9,625)	(10,174)	9,566
Grants and contributions	5,599	(8,872)	1,939	(9,169)	(10,503)	7,230
Capital receipts		(3)		(853)	(856)	853
Earmarked reserves				(47)	(47)	47
Reserve for future capital funding	22				22	-
Trading accounts					-	-
Other					-	-
Total financing	6,917	(10,778)	1,997	(19,694)	(21,558)	17,696

RESERVES AND BALANCES

EARMARKED RESERVES

Earmarked Revenue Reserves	Balance 1 April 2011	2011/12 movement in Reserves			Balance 31 March 2012
		Contributions	Withdrawals	Net Movement	
	£000	£000	£000	£000	£000
General reserves					
Building Maintenance reserve	713	-	-	-	713
Capital receipts pump priming	964	543	(546)	(3)	961
Carbon Reduction reserve	1,536	-	-	-	1,536
Carry Forwards Reserve	13,801	-	(13,801)	(13,801)	-
Children's Reserve	-	-	-	-	-
Developing Partnerships	1,500	-	(1,500)	(1,500)	-
ESF reserve	2,935	-	(130)	(130)	2,805
Essex Art Fund	258	-	(258)	(258)	-
Essex Pledges	-	-	-	-	-
Essex Transport Reserve	1,321	-	(904)	(904)	417
Health and Safety Reserve	1,087	-	(118)	(118)	969
IMT development	212	-	(212)	(212)	-
Insurance	2,616	7,008	(2,741)	4,267	6,883
LAA Performance	4,241	-	(2,408)	(2,408)	1,833
Life Raft Pledge reserve	728	-	(728)	(728)	-
Newton bequest reserve	119	-	-	-	119
Personal care reserve	1,800	-	(1,800)	(1,800)	-
Procurement reserve	24	-	-	-	24
Quadrennial Elections reserve	571	-	(65)	(65)	506
Redundancy reserve	-	6,901	(3,301)	3,600	3,600
Section 75 reserve	674	-	(674)	(674)	-
Severe weather reserve	252	-	-	-	252
Street Lighting reserve	476	-	-	-	476
Tendring PPP	422	-	-	-	422
Transformation	877	17,300	(1,171)	16,129	17,006
Future capital funding					
General	2,789	6,845	(6,000)	845	3,634
Bellhouse landfill	61	-	-	-	61
Historic Buildings Reserve	120	-	-	-	120
Equalisation reserves					
PFI equalisation reserves					
A130 PFI	57,337	62	-	62	57,399
Clacton secondary schools' PFI	4,887	18	(1,081)	(1,063)	3,824
Debden PFI	5,154	174	(645)	(471)	4,683
Building Schools for the Future PFI	-	2,185	-	2,185	2,185
Waste reserve	42,491	5,821	(4,258)	1,563	44,054
Grants equalisation reserve	8,201	4,372	(2,425)	1,947	10,148
Schools	47,380	2,940	-	2,940	50,320
Partnerships	1,826	792	(552)	240	2,066
Trading activities	1,736	1,645	-	1,645	3,381

RESERVES AND BALANCES

GENERAL BALANCE

	£000
Actual Balance 31 March 2011	(31,991)
2011/12 planned contribution	(8,425)
Actual Balance 1 April 2011	(40,416)
Subsequent movements	(5,257)
Estimated balance at 31st March 2012	(45,673)
Under spends to be returned to the General Balance	
Emergency contingency	(3,515)
Other	(3,664)
Amounts requested as 'carry forwards' into 2012/13	(10,163)
Actual balance at 31 March 2012	(63,015)
2012/13 planned withdrawal	2,356
Proposed withdrawals	
Highways maintenance	1,000
Community budgets and the systematic review	2,850
Actual balance at 1 April 2012	(56,809)

EMERGENCY CONTINGENCY

	£000
Actual Balance 1 April 2011	(8,000)
Approved Withdrawals	
AHCW - Strengthening Commissioning	124
Transformation projects	1,419
Trading Standards - Third Qtr Report	76
Service Improvement	546
Asset Management	36
Contribution to Reserve for Future Capital Funding	2,284
Balance remaining at 31 March 2012	(3,515)
Appropriation to the General Balance	3,515
Closing balance	-

PRUDENTIAL INDICATORS

		Approved Indicator	Latest Estimate
1 Affordability			
Incremental impact on Council Tax	£	5.69	n/a
Ratio of financing costs to net revenue streams	%	6.1%	5.1%
2 Prudence			
Net borrowing v Capital Financing Requirement			Net borrowing is well within the medium term forecast of the Capital Financing Requirement.
3 Capital Expenditure			
Capital expenditure	£m	220	195
Capital financing requirement (including credit arrangements)	£m	967	913
4 External Debt			
Authorised limit (borrowing only)	£m	630	n/a
Operational boundary (borrowing only)	£m	510	n/a
Actual external borrowing (maximum level of debt during year to date)	£m	n/a	384
5 Treasury Management			
Interest rate exposures :			
Upper limit for exposure to fixed rates			
Debt		100%	100%
Investments		100%	66%
Upper limit for exposure to variable rates			
Debt		30%	6%
Investments		100%	75%
Maturity structure of borrowing (upper limit)			
Under 12 months	%	40%	0%
12 months & within 24 months	%	40%	6%
24 months & within 5 years	%	60%	16%
5 years & within 10 years	%	60%	9%
10 years & within 25 years	%	60%	7%
25 years & within 40 years	%	60%	13%
40 years & within 50 years	%	60%	49%
50 years & above	%	40%	0%
Total sums invested for more than 364 days			
Authorised limit	£m	50	n/a
Actual sums invested (maximum position during year to date)	£m	n/a	5
6 Summary			
All Treasury Management activities have been undertaken in accordance with approved policies and procedures.			
External debt is within prudent and sustainable limits.			
Credit arrangements have been undertaken within approved indicators			
Maturity Structure of borrowing : the maturity dates for market loans are based on the next review date, not the final maturity date.			

TREASURY MANAGEMENT

	Opening Balance 1 April £000	Raised £000	Repaid £000	Balance at 31 March £000	Movement £000	Interest payable / (earned) £000
Borrowing						
Long Term	360,702	-	(1,083)	359,619	(1,083)	15,349
Temporary	2,504	29,745	(29,012)	3,237	733	19
	363,206	29,745	(30,095)	362,856	(350)	15,368
Investments						
Long Term	(5,000)	-	5,000	-	5,000	(82)
Temporary	(74,400)	(76,484)	584	(150,300)	(75,900)	(1,821)
	(79,400)	(76,484)	5,584	(150,300)	(70,900)	(1,903)
Net indebtedness	283,806	(46,739)	(24,511)	212,556	(71,250)	13,465
Borrowing						
Average long term borrowing over period (£000)						360,138
Opening pool rate at 1 April 2011						4.26%
Weighted average rate of interest on new loans secured in 2011/12						n/a
Average pool rate for year to date						4.26%
Investments						
Average daily cash balance over period (£000)						179,276
Average interest earned over period						1.06%
Benchmark rate - average local authority 7 day rate						0.38%