

Report title: 2018/19 Provisional Outturn Report	
Report to: Cabinet	
Report author: Margaret Lee, Executive Director for Corporate and Customer Services and Section 151 Officer	
Date: 28 May 2019	For: Decision
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County Divisions affected: All Essex	

1. Purpose of report

- 1.1 The purpose of this report is to present and provide commentary on the provisional outturn position for 2018/19 prior to formal closure of the accounts. The report also explains the key movements since the third quarter report (presented to Cabinet on 22 January 2019) and the year end position.
- 1.2 The report sets out an under spend on revenue of **£8.875m (1%)** against a budget of **£865.251m**. This is after adjusting for proposals to carry under spends forward for use in 2019/20 and other reserve movements. It is proposed that the underlying under spend is appropriated into the General Balance (**£2.375m**) (see 2.1) and the Transformation Reserve (**£6.500m**) (see 2.3). This is an increase in the under spend of **£7.561m** on the position reported at the Third Quarter stage, the single biggest reason for the movement being due to not requiring the emergency contingency (**£3.561m** inclusive of the under use of the emergency contingency).
- 1.3 The report also shows an under spend on capital of **£8.813m** against the final approved budget of **£263.409m** – this is a **97%** delivery against the final approved budget, or **85%** against the original budget.
- 1.4 BDO, Essex County Council's external auditor for the 2018/19 financial year, will carry out their audit of the Council's 2018/19 Statement of Accounts during the summer, and it is possible that changes may be made to the Accounts during this period which may alter the position presented within this report. The results of the external audit will be reported to the Audit, Governance and Standards Committee on **29 July 2019**, at which stage that Committee is expected to approve the 2018/19 Statement of Accounts for publication. The Statement of Accounts will then be published on the Council's website.

2. Recommendations

Approval is sought for the following in relation to the 2018/19 outturn position:

- 2.1 That a net amount of **£2.375m** is returned to the General Balance, as detailed below:

	£000
Unused Emergency Contingency	4,000
General under spends	842
Transfer to General Balance	4,842
Transfer to Transformation Reserve (Essex Pay)	(1,977)
Transfer to Carry Forwards Reserve (Staffing Efficiencies)	(490)
Net transfer to General Balance	2,375

- 2.2 Of the total amount returned to the General Balance, that **£1.575m** is applied to offset technical accounting adjustments relating to implementation of **International Financial Reporting Standard 9 Financial Instruments** (IFRS 9). IFRS 9 is designed to provide more transparency for gains and losses arising from financial assets and to be more pessimistic about potential credit losses. Further details are provided in paragraph (3.1.7).
- 2.3 That the remainder of the underlying under spend of **£6.500m** is appropriated into the Transformation Reserve.
- 2.4 That under spends are allocated between portfolios as set out within the 'Transfers of under / over spends between Portfolios' column of **Appendix B**.
- 2.5 That the following amounts are appropriated to / from restricted and other revenue reserves:

Restricted Funds

- **Private Finance Initiative (PFI) Reserves**
 - Building Schools for the Future - **£50,000** contribution (Appendix D 6iii)
 - Clacton Secondary Schools - **£9,000** contribution (Appendix D 6iii)
 - Debden School - **£307,000** contribution (Appendix D 6iii)
 - A130 Road - **£10,000** withdrawal (Appendix D 10iv)
- **Waste Reserve - £260,000** withdrawal per the Joint Working Agreement with Southend in relation to the Waste Infrastructure Grant (Appendix D 7iii)
- **Schools - £3.623m** net withdrawal from the Schools' reserve, in line with additional spending against the 'individual schools budget' in 2018/19 (Appendix D 5i)

- **Grants equalisation - £12,000** withdrawal in relation to funding no longer required for the purpose it was set aside for
- **Partnership reserves**
 - Safeguarding Adults Partnership Reserve - **£23,000** contribution (Appendix D 9vi)
 - Public Sector Reform Partnership Reserve - **£19,000** contribution (Appendix D 1iii)
- **Trading activities**
 - EES for Schools – **£1.183m** contribution (Appendix F 1ii)
 - Music Services - **£63,000** withdrawal (Appendix F 2ii)
 - Schools Sickness Insurance Scheme - **£834,000** contribution (Appendix F 3ii)
 - Place Services - **£60,000** contribution (Appendix F 5ii)
 - Information Services Infrastructure - **£682,000** withdrawal (Appendix F 4ii)

Capital funding

- **Capital funding - £6.188m** withdrawal to transfer capital financing resources to revenue in respect of:
 - Pothole repairs (**£3.179m**) (Appendix D 10iv);
 - South Essex Rapid Transit Named Highways scheme (**£3.009m**) (Appendix D 10iv)

Other reserves

- **Carry Forwards - £8.908m** contribution, in respect of revenue budget under spends that it is proposed are carried forward for use in 2019/20. The proposals for utilising this Reserve in 2018/19 are set out in **Appendix C** of this report
- **Adults Digital Programme - £3.156m** contribution due to delays in the programme and to continue projects already underway (Appendix D 9vi)
- **Capital Receipts Pump Priming Reserve - £21,000** withdrawal to fund costs associated with preparing surplus assets for sale (Appendix D 12iii)
- **Carbon Reduction Reserve - £303,000** withdrawal to meet the carbon emissions element of the Council's energy bill (Appendix D 12iii)
- **Community Initiatives Reserve - £1.011m** withdrawal to provide financing for community initiatives and to support expenditure incurred on communities in support (Appendix D 2iii and 11iii)

- **Health and Safety Reserve - £250,000** contribution to be used in 2019/20 for emergency repairs relating to works previously undertaken on Seax House (Appendix D 12iii)
 - **Transformation Reserve - £11.876m** net contribution, due to unspent funds, including Technology Services Portfolio for use in 2019/20 to continue their programme of works, partially offset by costs relating to redundancy and organisation design (*note: this is before the proposal to appropriate the underlying under spend of £6.500m into the Transformation Reserve (as per recommendation 2.3 above)*).
- 2.6 That the financing of capital payments in 2018/19 is approved on the basis set out within **Appendix G** to this report.
- 2.7 Capital payment budgets, and associated capital financing, of **£7.856m** are re-profiled into subsequent financial years, in respect of slippage in schemes (as shown in the 'Slippage' column of **Appendix H**).
- 2.8 Capital payment budgets, and associated capital financing, of **£3.222m** are brought forward from 2019/20 in respect of schemes that have progressed ahead of schedule (as shown in the 'Advanced works' column of **Appendix H**).
- 2.9 Portfolios' 2018/19 capital payments budgets are reduced by **£8.413m** (as shown in the 'Reductions' column of **Appendix H**), with increases of **£4.234m** to other schemes (as shown in the 'Additions' column of **Appendix H**), to reflect achieved activity in 2018/19.

Approval is also sought for the following in relation to the 2019/20 budget:

- 2.10 To increase the approval for redundancy costs from the Transformation Reserve from **£8m** to **£10m**, as set out in paragraph 3.1.5.
- 2.11 To close the Schools Sickness Insurance Scheme Trading Activity upon closure of the 2018/19 Accounts (Appendix F 3i).
- 2.12 **£23.2m** is released from the Carry Forwards Reserve in 2019/20 for the purposes detailed in **Appendix C** of this report, as well as those approved in the Half Year report (FP/085/02/18) and Third Quarter report (FP/084/02/18).

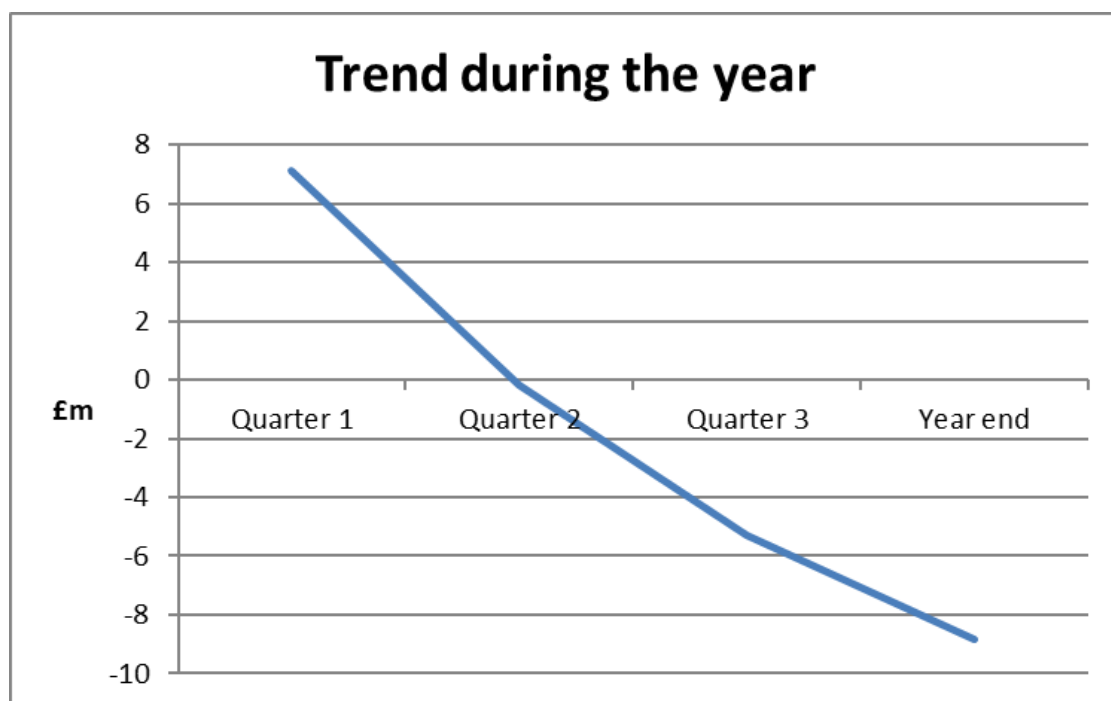
3. Executive Summary

3.1 Overview - Revenue

- 3.1.1 Through careful financial planning and management, Essex County Council has delivered a moderate under spend of **£8.875m (1%)** against a very challenging backdrop; close to half of this is due to the Emergency Contingency not being required in 2018/19. The latter should be seen in the

context of a mild winter which reduces extreme pressures on social care and universal services.

- 3.1.2 At Quarter 1, the financial position for Essex County Council was a forecast over spend of **£7.118m**, primarily driven by pressures in Adult Social Care and Home to School Transport, but targeted management action to manage risk and reduce over spends has enabled the recovery of that position.



The graph above shows the reported position. Quarter 1 and 2 assume utilisation of the Emergency Contingency. From Quarter 3, it was assumed that the Emergency Contingency would not be utilised.

- 3.1.3 The net under spend of **£8.875m** reflects:
- A net under spend by services of **£7.942m**. This is concentrated in the Health and Adult Social Care portfolio.
 - The Emergency Contingency of **£4m** not being needed.
 - A net under spend of **£798,000** on interest, capital financing and dividends, largely due to deferring further external borrowing until 2019/20 (see paragraph 15 of Appendix D for further details);
 - The receipt of more income from general government grants, council tax and national non domestic rates than budgeted **£1.384m**, notably higher than budgeted income from Business Rates Pooling.
 - Proposals to appropriate **£8.003m** (net) into earmarked revenue reserves.

These under spends are partly offset by a withdrawal from the General Fund of **£1.575m** resulting from implementation of International Financial Reporting Standard 9 *Financial Instruments* (see paragraph 3.1.7 for further details).

3.1.4 However, there remain some significant underlying issues that require focus in the short and medium term to ensure financial sustainability, notably:

- Home to School Transport, where there is a cost pressure of circa **£2.1m** from 2020/21, driven by increased number and complexity of clients, specifically Special Educational Needs and Disabilities (SEND). This position is consistent with the national trend. Work is ongoing to review the SEND offer.
- A significant pressure around high needs block within Dedicated Schools Grant. There is a total offset against future grant of **£3.019m** to mitigate the in year pressure and deficit brought forward from 2017/18. A recovery plan is being prepared and will be reviewed by Schools' Forum.

3.1.5 In the 2017/18 Provisional Outturn Report (FP/088/02/18), approval was given to withdraw up to **£1.649m** from the Transformation Reserve in 2018/19 for redundancy costs arising from an Organisation Design programme. To date, **£1.256m** has been drawn down for this purpose. A further **£2.135m** of redundancy (including pension strain) costs have been reflected in the 2018/19 outturn position. Approval is sought to draw down an additional **£1.742m** in 2018/19 and approve a further draw down of **£258,000** in 2019/20 to cover the any further costs. This will bring the total approval to **£10m**. The Organisation Design programme is in the final stages and to date, annual savings of circa **£9.7m** have been agreed.

3.1.6 During 2018/19, we have made good progress towards delivering our strategic aims and priorities. More detail can be found in the Organisation Plan 2019/20: www.essex.gov.uk/Your-Council/Strategies-Policies/Documents/Essex-Organisation-Plan-2019-20.pdf

3.1.7 The Council is required to maintain its accounts in compliance with the CIPFA Code of Practice on Local Authority Accounting (the Code). The version of the Code applicable for 2018/19 requires the Council to adopt and comply with International Financial Reporting Standard 9 (IFRS 9) on Financial Instruments. IFRS 9 is a highly complex accounting standard designed to provide more transparency for gains and losses arising from financial assets (including investments and trade debtors etc) and to be more pessimistic about potential credit losses. The technical accounting adjustments relating to adoption of the requirements of IFRS 9 that have resulted in a net reduction in the General Balance of **£1.575m**:

- i. A reduction of **£2.695m** due to a requirement to adopt a more pessimistic approach to setting the provision for doubtful debts than our existing policy, notably provision for current debt.
- ii. A reduction of **£117,000** due to a new requirement to provide for possible credit losses on our investments.
- iii. An increase of **£1.237m** due to a requirement to adopt a different approach to charging the costs and fees incurred in relation to “modified loans” to the Revenue Account.

It is proposed that **£1.575m** of the 2018/19 under spend is applied to replenish the General Balance.

- 3.1.8 Commentary on the provisional outturn position for each portfolio is provided in **Appendix D** of the report.

3.2 Trading activities

- 3.2.1 The Council's activities that operate on a trading account basis have collectively achieved a net surplus for the year of **£1.950m** against a turnover of **£25.646m**, an **8%** margin, this compares to the budgeted margin of **12%**, a **£1.743m** adverse variance in net return overall. This compares to a forecast position of **£3.943m** surplus (**14%**) at Quarter 3. The shortfall against the Quarter 3 position is mainly relates to EES driven by an under achievement of training packages income and costs associated with the proposed sale.
- 3.2.2 The trading activities have appropriated **£2.714m** (net) into the County Revenue Account, however this is **£1.336m** less than budgeted.
- 3.2.3 The impact of the reduction in the net surplus and the change in the appropriation to the County Revenue Account means a gross reduction in their revenue reserves of **£764,000** during 2018/19 after the proposed adjustments set out in recommendation 2.5.
- 3.2.4 Commentary on the provisional outturn position for each Trading Activity is provided in **Appendix F** of the report.

3.3 Capital

- 3.3.1 Capital delivery of **97%** against latest budget has been achieved in 2018/19.
- 3.3.2 The original budget for the capital programme was **£298.595m**. During the year this has been revised to allow for revisions to project delivery plans. The final approved total capital programme budget (including Property Investment) amounted to **£263.409m**. Actual capital expenditure amounted to **£254.596m**, resulting in an under spend of **£8.813m**.

3.3.3 During 2018/19 almost **500** schemes were undertaken. Our residents have benefited from and will continue to benefit from a wide range of new investment including:

- Over **180 miles** of road length was treated reflecting the significant investment the Council continues to make in this area
- Circa **4,000** new school places were delivered across Essex through completed school expansions including two new school builds, Beaulieu Park School and Newhall School, which completed each creating **420** new school places
- The 2018/19 Flood programme was successful in generating **£1.6m** in grant funding (36% of their annual budget) which has contributed towards projects that have enabled **383** residential properties to benefit from reduced surface water flood risk
- In relation to the Broadband extension programmes, in total **120,000** premises have been upgraded to Superfast speeds using public funds. During 2018/19 BT Openreach enabled an additional **90** cabinets giving **8,905** premises access to Superfast speeds for the first time. BT Openreach also completed an additional **120** full fibre projects giving **3,240** properties access to speeds of over 300Mb. Gigaclear have mobilised their new contracts and started build work to provide of a full fibre 1,000Mb service to **8,500** homes and businesses in Uttlesford, Braintree and Colchester areas.

3.3.4 Approval is sought to:

- Re-profile capital payment budgets of **£7.206m**, from 2018/19 into 2019/20 and **£650,000** from 2018/19 into 2020/21, as a consequence of slippage in schemes;
- Bring capital payment budgets of **£3.222m** forward in respect of schemes that have progressed ahead of schedule; and
- Realign scheme and payment approvals to reflect actual activity in 2018/19 – this results in payment approvals for some schemes being reduced by **£8.413m**, with increases of **£4.234m** to a number of other schemes.

3.3.5 **Appendix G** provides a comparison of approved and forecast outturn capital payments by portfolio and **Appendix H** summarises the proposed variance plan. Commentary on the provisional outturn position for each portfolio is provided in **Appendix I**.

3.4 Reserves and balances

3.4.1 The final approved budget for 2018/19 included provision for appropriations to or from various revenue reserves and restricted funds, and an assumed

contribution to the General Balance. Proposals are presented throughout this report which further impact on the Council's reserves and balances.

3.4.2 **Appendix J** shows the position on the restricted funds and revenue reserves, assuming the proposals contained within this report are accepted. These reserves represent funds set aside for specific policy purposes and contingencies, and are necessary to ensure the Council's continued financial resilience to future financial challenges and known pressures.

3.4.3 **Appendix K** summarises the position on the General Balance at 31st March 2019. This sum is sufficient to fund **22** days of operating expenditure.

3.5 **Prudential indicators and treasury management**

3.5.1 Summaries of the Prudential Indicators and investment and borrowing levels are provided in **Appendix L** and **Appendix M** respectively.

4. **Policy context and Outcomes Framework**

4.1 This report provides an assessment of the financial position of the Council at the end of the 2018/19 financial year, and as such, provides a financial representation of the corporate plan. The Organisation Plan and Budget were approved in parallel in February 2018.

5. **Financial Implications**

5.1 **Finance and Resources Implications (Section 151 Officer)**

All actions proposed within this report are within the available funding. There are appropriate actions to deal with variances arising.

6. **Legal Implications**

6.1 The Council is responsible for setting the budget each year. Once agreed the executive then have to implement the policy framework and keep within the budget, subject to the limits set by Financial Regulations.

7. **Staffing and other resource implications**

7.1 There are no staffing or other resource implications associated with this report.

8. Equality and Diversity implications

- 8.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when the Council makes decisions it must have regard to the need to:
- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act
 - (b) Advance equality of opportunity between people who share a protected characteristic and those who do not.
 - (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.
- 8.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.
- 8.3 The equality implications are assessed as part of budget setting process and as part of individual schemes.
- 8.4 There are no equality and diversity, or other resource implications associated with this report.

9. List of Appendices

Appendix A – Revenue Outturn Summary
Appendix B – Revenue Variance Plan
Appendix C – Overview of revenue carry forward requests
Appendix D – Revenue Position – Detailed commentary
Appendix E – Trading Activities
Appendix F – Trading Activities – Detailed commentary
Appendix G – Capital Payments and Financing Summary
Appendix H – Capital Variance Plan
Appendix I – Capital Position – Detailed commentary
Appendix J – Restricted use and other revenue reserves
Appendix K – General Balance
Appendix L – Prudential Indicators
Appendix M – Treasury Management Summary

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

10. List of Background Papers

Budgetary control reports

Appendix A – Revenue Outturn Summary

2017/18		2018/19					
Actual		Original Budget	Final Budget	Provisional Outturn	Variance		RAG status
£000		£000	£000	£000	£000	%	
115,151	Children and Families	115,670	116,477	116,200	(277)	(0.2%)	■
14,890	Customer and Corporate	14,706	13,220	13,067	(153)	(1.2%)	■
5,507	Economic Development	5,007	5,762	5,449	(313)	(5.4%)	●
	Education						
6,799	Dedicated Schools Budget	(3,063)	2,159	5,782	3,623	167.8%	◆
74,494	Non Dedicated Schools Budget	79,381	74,329	75,485	1,156	1.6%	◆
78,303	Environment and Waste	81,516	86,237	86,903	666	0.8%	◆
408,971	Health and Adult Social Care	411,107	409,260	399,310	(9,950)	(2.4%)	●
44,799	Infrastructure	47,236	50,531	54,295	3,764	7.4%	◆
5,318	Culture and Communities	2,877	3,664	4,489	825	22.5%	◆
9,911	Leader	7,809	7,603	6,934	(669)	(8.8%)	●
14,886	Finance, Commercial and Traded Services	16,195	14,488	13,225	(1,263)	(8.7%)	●
	Recharged Support Services						
	Customer and Corporate						
7,947	Business Support	8,892	7,669	7,527	(142)	(1.9%)	■
1,932	Customer Services	1,930	1,686	2,104	418	24.8%	◆
936	Democratic Services and Governance	759	763	748	(15)	(2.0%)	■
5,884	Human Resources	3,975	7,257	6,206	(1,051)	(14.5%)	●
21,063	Information Services	15,144	25,868	22,285	(3,583)	(13.9%)	●
5,447	Legal Services	4,554	4,346	4,178	(168)	(3.9%)	■
14,394	Property and Facilities Management Service	13,841	14,186	14,141	(45)	(0.3%)	■
624	Risk	440	407	325	(82)	(20.1%)	●
	Finance, Commercial and Traded Services						
1,331	Capital Programme Implementation and Delivery	1,018	1,058	1,047	(11)	(1.0%)	■
26	Car Provision Scheme	53	53	(126)	(179)	(337.7%)	●
11,638	Finance	7,559	9,278	9,597	319	3.4%	●
3,846	Insurance Cost Recovery Account	3,594	4,597	4,539	(58)	(1.3%)	■
4,487	Procurement	3,279	3,527	3,423	(104)	(2.9%)	■
	Leader						
2,313	Communications and Customer Relations	2,318	2,001	1,831	(170)	(8.5%)	●
133	Equality and Diversity	137	395	292	(103)	(26.1%)	●
4,687	Performance and Commissioning Support	3,914	2,368	2,450	82	3.5%	●
3,197	Transformation Support Unit	3,337	4,756	4,297	(459)	(9.7%)	●
868,914	Net cost of services (Portfolios)	853,185	873,945	866,003	(7,942)	(0.9%)	●
	Other operating costs						
-	Emergency Contingency	4,000	4,000	-	(4,000)	(100.0%)	●
36,780	Interest, capital financing and dividends	46,804	41,977	41,179	(798)	(1.9%)	●
	Appropriations to/(from) restricted funds and other revenue reserves						
9,760	Carry Forwards reserve	(8,100)	(2,053)	6,855	8,908	(433.9%)	◆
(6,270)	Restricted funds	218	(2,460)	(4,624)	(2,164)	88.0%	●
8,370	Capital financing	4,074	10,326	4,138	(6,188)	(59.9%)	●
	Transformation Reserve						
(10,724)	Budgeted / proposed appropriations	15,512	(8,699)	(3,323)	5,376	(61.8%)	◆
-	Underlying under spend	-	-	6,500	6,500	-	◆
4,848	Other revenue reserves	(280)	(2,220)	(149)	2,071	(93.3%)	◆
911,678	Net expenditure	915,413	914,816	916,579	1,763	0.2%	◆
(59,585)	General government grant	(50,162)	(50,162)	(53,438)	(3,276)	6.5%	●
(87)	General Balance - contribution / (withdrawal)	-	597	2,972	2,375	397.8%	◆
852,006	Budget Requirement	865,251	865,251	866,113	862	0.1%	◆
	Financed by						
(73,876)	Revenue Support Grant	(45,739)	(45,739)	(45,739)	-	-	■
(168,530)	National non-domestic rates	(174,489)	(174,489)	(175,351)	(862)	0.5%	●
(596,478)	Council tax precept	(635,552)	(635,552)	(635,552)	-	-	■
(13,122)	Collection fund surpluses	(9,471)	(9,471)	(9,471)	-	-	■
(852,006)	Total Financing	(865,251)	(865,251)	(866,113)	(862)	0.1%	●

Key

- ◆ Over spend equal to, or greater than, £500,000 or 5% of the Budget
- Over spend of less than £500,000 or 5% of the Budget OR under spend equal to, or greater than, £500,000 or 5% of the Budget
- Under spend of less than £500,000 or 5% of the Budget

Appendix B – Revenue Variance Plan

	Provisional Outturn Variance (Under) / Over spend	Proposed mitigating actions				Total of mitigating actions
		Transfers of under / over spends between portfolios	Under spends to be carried forward into 2019/20	Appropriations to/(from) other reserves	Underlying under / (over) spends	
	£000	£000	£000	£000	£000	£000
Children and Families	(277)	(25)	-	176	126	277
Customer and Corporate	(153)	264	286	(397)	-	153
Economic Development	(313)	236	215	(130)	(8)	313
Education and Skills						
Dedicated Schools Budget	3,623	-	-	(3,623)	-	(3,623)
Non Dedicated Schools Budget	1,156	(1,935)	40	601	138	(1,156)
Environment and Waste	666	(252)	-	(414)	-	(666)
Health and Adults Social Care	(9,950)	(133)	2,743	4,121	3,219	9,950
Culture and Communities	825	42	70	(867)	(70)	(825)
Infrastructure	3,764	1,959	275	(5,998)	-	(3,764)
Leader	(669)	927	298	(693)	137	669
Finance, Commercial and Traded Services	(1,263)	(721)	581	509	894	1,263
Recharged Support Services						
Customer and Corporate						
Business Support	(142)	117	25	-	-	142
Customer Services	418	(248)	-	(170)	-	(418)
Democratic Services and Governance	(15)	-	-	-	15	15
Human Resources	(1,051)	-	239	812	-	1,051
Information Services	(3,583)	(60)	195	3,418	30	3,583
Legal Services	(168)	375	-	(220)	13	168
Property and Facilities Management Service	(45)	61	108	(124)	-	45
Risk Management	(82)	-	-	-	82	82
Finance, Commercial and Traded Services						
Capital Programme Implementation and Delivery	(11)	11	-	-	-	11
Car Provision Scheme	(179)	37	-	-	142	179
Finance	319	(353)	375	(341)	-	(319)
Insurance Cost Recovery Account	(58)	-	-	-	58	58
Procurement	(104)	(134)	214	-	24	104
Leader						
Communications and Customer Relations	(170)	-	-	-	170	170
Equality and Diversity	(103)	-	-	-	103	103
Performance and Commissioning Support	82	(82)	-	-	-	(82)
Transformation Support Unit	(459)	42	-	417	-	459
Net cost of services (Portfolios)	(7,942)	128	5,664	(2,923)	5,073	7,942
Other operating costs						
Interest, capital financing and dividends	(798)	(128)	-	-	926	798
Emergency contingency	(4,000)	-	-	-	4,000	4,000
Appropriations to / from restricted funds and other revenue reserves						
Restricted funds	(2,164)	-	-	2,205	(41)	2,164
Capital financing	(6,188)	-	-	6,188	-	6,188
Other revenue reserves						
Carry Forwards reserve	8,908	-	(8,418)	-	(490)	(8,908)
Transformation Reserve	11,876	-	-	(3,399)	(8,477)	(11,876)
Other reserves	2,071	-	-	(2,071)	-	(2,071)
General government grant	(3,276)	-	2,754	-	522	3,276
Financing	(862)	-	-	-	862	862
Net expenditure	(2,375)		-	-	2,375	2,375
General Balance	2,375	-	-	-	(2,375)	(2,375)
Net Total	-	-	-	-	-	-

Appendix C – Overview of revenue carry forward requests

SUMMARY OF CARRY FORWARD REQUESTS	
	Total £000
Culture and Communities	
Visit Essex	70
Sub total	70
Customer and Corporate	
Customer Services efficiency and service improvement projects	195
Egress licence costs	90
Sub total	285
Economic Development	
International Trade	215
Sub total	215
Education and Skills (non Dedicated Schools Budget)	
Transport infrastructure	40
Sub total	40
Finance, Commercial and Traded Services	
Commercial Stretch Savings Target	547
Equipment purchases	34
Sub total	581
Health and Adult Social Care	
Better Care Fund - Protection of Social Care	142
Adults Transformation Programme	1,000
Winter Pressures scheme	1,500
Dementia App	101
Sub total	2,743
Infrastructure	
Highways Depot refurbishment	100
Caseworking for licencing	70
Street Lighting Illumination Project	60
Public Rights of Way Coastal Project	45
Sub total	275
Leader	
Innovation Fund (Gavin's Den)	198
Teleconferencing	100
Sub total	298
Corporate and Customer Recharged Strategy Support Services	
Car parking spaces	108
Whiteboards	25
Change management software	133
Workforce Strategy programme	106
Fujitsu and Microsoft Enterprise agreement licences	195
Sub total	567
Finance and Commercial Recharged Strategic Support Services	
Learning and Development Procurement Project	80
PARIS system replacement	250
TCS development	25
Sourcing spike in Corporate Services	120
E-Procurement system	15
New corporate and financial system	100
Sub total	590
Operating Costs	
Levy Account Surplus Grant	2,666
Brexit funding	88
Staffing Efficiencies Stretch	490
Sub total	3,244
Net Total	8,908

Appendix D – Revenue Position – Detailed commentary

Comments are included below on the most significant of the variances against budget at a portfolio level:

1. Children and Families - £277,000 (0.2%) under spend

- i. The provisional outturn of **£116.200m** was **0.2%** lower than the final approved budget of **£116.477m**. After proposed adjustments this is a favourable movement of **£779,000** when compared to the position reported at the third quarter.
- ii. Within this position it should be noted that children in care placements and the workforce are the key pressures. However, since third quarter, work has been ongoing to mitigate through freezing spend elsewhere in the portfolio, and through utilising funds previously intended to be held for future years, including the use of grant funding for specific services plus a drawdown from the Youth Offending Partnership Reserve.
- iii. Approval is sought to the following actions as a consequence of the provisional outturn position for 2018/19:
 - **£157,000** to the Transformation Reserve in respect of the Essex Fostering business case, which reflects lower than predicted spend in the year
 - **£19,000** to the Public sector reform partnership reserve, which reflects lower than predicted spend in the year

2. Culture and Communities - £825,000 (22.5%) over spend

- i. The provisional outturn of **£4.489m** is **22.5%** higher than the final approved budget of **£3.664m**. After proposed adjustments, there is a favourable movement of **£114,000** since the position reported at third quarter.
- ii. The higher spend is mainly due to expenditure incurred on Community Initiatives Fund (**£686,000**) and Local Projects (**£131,000**) since third quarter. This is a technical over spend as these are managed through drawdowns. The remainder relates to lower than budgeted income within Tourism (**£74,000**), due to private sector membership targets not being met and the loss of big investors and delays in the go live of Ancestry.com within Essex Records Office (**£79,000**). This was offset with an under spend of **£126,000** in Travellers resulting from lower than anticipated premises costs.
- iii. Approval is sought to the following actions as a consequence of the provisional outturn position for 2018/19:
 - Carry forward **£70,000** to the service, as set out in **Appendix C**.
 - **£817,000** from the Community Initiatives Fund reserve to cover revenue expenditure incurred since third quarter.

3. Customer and Corporate - £153,000 (1.2%) under spend

- i. The provisional outturn of **£13.067m** is **1.2%** lower than the final approved budget of **£13.220m**. After proposed adjustments, there is a favourable movement of **£264,000** since the position reported at third quarter.
- ii. The under spend is mainly due to higher than budgeted income within Registrars (**£317,000**), lower than budgeted activity within Coroners partly as a consequence of a mild winter period (**£122,000**), and vacancies within Emergency Planning (**£96,000**). This is offset by redundancy costs following organisation redesigns of **£309,000** and income pressures within the Library Service (**£64,000**) and Deputyships (**£45,000**).
- iii. Approval is sought to the following actions as a consequence of the provisional outturn position for 2018/19:
 - Carry forward **£285,000** to the service, as set out in **Appendix C**.
 - **£397,000** from the Transformation Reserve to fund redundancy costs following organisation redesigns in Registrars (£319,000) and the Libraries Service (£78,000).

4. Economic Development - £313,000 (5.4%) under spend

- i. The provisional outturn of **£5.449m** is **5.4%** lower than the final approved budget of **£5.762m**. After proposed adjustments, there is an adverse movement of **£278,000** since the position reported at third quarter.
- ii. The under spend is mainly due to staffing under spends following Organisational Design and higher income resulting from planning application fees received specifically at Dollymans Farm and the Newport Chalk Quarry.
- iii. Approval is sought to the following actions as a consequence of the provisional outturn position for 2018/19:
 - Carry forward **£215,000** to the service, as set out in **Appendix C**.
 - **£161,000** from the Transformation reserve to cover redundancy costs incurred in the closure of the Brussels Office
 - **£31,000** to the Transformation reserve, relating to approved Housing schemes, for use in 2019/20

5. Education and Skills Dedicated Schools Grant (DSG) - £3.623m over spend

- i. The over spend relates to the change in school balances, which have reduced as a consequence of schools converting to academy status. **£3.623m** has been withdrawn from the Schools reserve to offset this over spend.

- ii. It should be noted however that excluding schools, DSG has, in year, over spent by **£632,000 (0.4%** of High Needs block), which is after the additional funding provided by the Department for Education of **£3.3m** announced in December 2018. The main reason for this over spend is due to:
 - Increased demand for the use of Independent school placements
 - Unprecedented growth of Education Health Care Plans which has resulted in increased top up funding for special schools
 - Increase in the number of pupils requiring Individual Pupil Resourcing Agreements (IPRA) and Medical funding.
- iii. There is a total offset against future grant of **£3.019m** to mitigate the in year pressure outlined above, and the deficit brought forward from 2017/18. A recovery plan is being prepared to address this demand led pressure.

6. Education and Skills Non Dedicated Schools Grant - **£1.156m (1.6%) over spend**

- i. The provisional outturn of **£75.485m** was **1.6%** higher than the final approved budget of **£74.329m**. After proposed adjustments, there is an adverse movement of **£453,000** since the position reported at third quarter.
- ii. This over spend is due to Home to School Transport (**£2.039m**) and the costs associated with increased numbers of children with Special Educational Needs and Disabilities requiring transport.
- iii. Approval is sought to the following actions as a consequence of the provisional outturn position for 2018/19:
 - Carry forward **£40,000** to the service, as set out in **Appendix C**.
 - **£536,000** from the Transformation reserve to fund redundancy costs following organisation design.
 - Appropriate unspent Private Finance Initiative (PFI) credits of **£307,000** to the Debden Park PFI Reserve, **£50,000** to the Building Schools for the Future PFI Reserve and **£9,000** to the Clacton Secondary Schools PFI Reserve
 - **£834,000** to Schools Sickness Insurance Scheme Trading Activity to offset pressures due to increased levels of claims which are in excess of premiums paid (see Appendix 3i)

7. Environment and Waste - **£666,000 (0.8%) over spend**

- i. The provisional outturn of **£86.903m** is **0.8%** higher than the final approved budget of **£86.237m**. After proposed adjustments there is a favourable movement of **£76,000** since the position reported at the third quarter

- ii. This over spend is as a result of lower than budgeted income due to Country Parks receiving an unfavourable planning application decision relating to the Notley Zip Wire and a delay in the installation of Belhus Woods play area, which has now gone live. Car park and attraction revenue were adversely affected due to last summer's extreme heat although visitor numbers across the parks remains high. There were also one off costs for repairs and security at Cudmore Grove Park, new car parking terminals for General Data Protection Regulation compliance and emergency tree works. These pressures are being partially mitigated through in-year staffing under spends across other policy lines. Income targets will be continually monitored during 2019/20.
- iii. Approval is sought to the following actions as a consequence of the provisional outturn position for 2018/19:
 - **£154,000** from the Transformation Reserve to cover redundancy costs following organisation design
 - **£260,000** from the Waste Reserve to cover the annual payment to Southend Unitary Authority relating to the Waste PFI contract

8. Finance, Commercial and Traded Services- £1.263m (8.7%) under spend

- i. The provisional outturn of **£13.225m** is **8.7%** lower than the final approved budget of **£14.488m**. After proposed adjustments there is an adverse movement of **£15,000** since the position reported at the third quarter.
- ii. The under spend is mainly due to one-off income from the sale of IP addresses (**£884,000**) and reduced staff cost and consultancy spend in Traded Strategy. Part of the under spend will be carried forward to mitigate the Commercial Stretch target in 2019/20.
- iii. Approval is sought to the following actions as a consequence of the provisional outturn position for 2018/19:
 - Carry forward **£581,000** to the service, as set out in **Appendix C**.
 - **£509,000** to EES Trading Activity to offset pressures

9. Health and Adult Social Care - £9.950m (2.4%) under spend

- i. After the **£2.500m** carry forward to support the 2019/20 Adults Transformation Programme (**£1m**) and continuation of the schemes that were put in place over the winter to deal with peaks in hospital discharge activity, as these pressures are seasonal not just in the winter (**£1.5m**), the portfolio has under spent by **£7.450m** which is **1.1%** of the gross budget of **£660.920m**.
- ii. After proposed adjustments, there is an increase in the under spend of **£3.046m** since the position reported at third quarter, mainly due to reduced take up of cash payments as a method of arranging an individual's care package and

increased return of unused funds on these accounts (**£2.426m**) and a reduction in volumes on day care (**£1.083m**).

- iii. The main drivers for the under spend are within Care and Support (**£1.872m**) due to a reduction in cash payments made, lower domiciliary and respite care placements, together with higher than budgeted income on non-residential care due to an increase in volumes of chargeable individuals and from health partners in relation to Continuing Health Care (CHC).
- iv. There is also an under spend within Other Social Care (**£805,000**) largely due to lower third sector contract payments, for Advocacy where the service was recommissioned from July, and delays to implementation of other Learning Disability contracts while the review of Learning Disability services was undertaken.
- v. Though having no impact overall, Public Health has under spent by **£717,000** which is **1.2%** of the grant for 2018/19. This position comprises of minor under spends within Children and Families and Adult Social Care, including lower than expected carer support grant payments. The unspent grant has been transferred to the Grants Equalisation Reserve and is available to spend in 2019/20.
- vi. Approval is sought to:
 - Carry forward **£2.743m** to the service, as set out in **Appendix C**
 - **£3.156m** to the Digital Reserve in respect of slippage in projects to be transferred to the service budget in 2019/20
 - **£942,000** to the Transformation Reserve in respect of slippage in projects to be transferred to the service budget in 2019/20 to fund the continuation of the Debt Recovery team and continued Sustainability work
 - **£23,000** to the Partnership Reserve for Safeguarding Board contributions from Partners.

10. Infrastructure – £3.764m (7.4%) over spend

- i. The provisional outturn of **£54.295** is **7.4%** higher than the approved final budget of **£50.531m**. After proposed adjustments, there is a favourable movement of **£388,000** since the position reported at third quarter.
- ii. There is an over spend due to abortive costs primarily relating to the South Essex Rapid Transit Named Highways scheme (**£3.009m**). However, this is offset by a proposed draw-down from the Reserve for Future Capital Funding, as provision had been made for this project within the Capital Programme.
- iii. There is a technical accounting adjustment required to transfer capital funding received for pothole repairs for which the spend is incurred through the revenue

account. A drawdown from the Reserve for Future Capital Funding, will offset this (**£3.179m**).

- iv. The Council received £3.9m capital grant funding during 2018/19 to address the repair of potholes. There was further funding of £10.9m received during March 2019 to address additional highways pressures (such as potholes). The Council will seek to utilise this during 2019/20 across a range of services.
- v. The underlying under spend is mainly due to lower than anticipated overheads relating to the Ringway Jacobs contract (**£2.135m**), Roads and Footways where delays to the commissioning of task orders occurred in order for the service to ensure the most effective use of its resources (**£1.197m**) and the recovery of additional licence and enforcement income (**£1.911m**). This is offset by a one off over spend within Development Management (**£1.755m**) following a reduced draw down of developer contributions in order to align the balance of contributions received with future years work activities, and within Street Lighting (**£1.264m**) due to increased street lighting energy costs and supplier issues in respect of LED Phase 3.
- vi. Approval is sought to the following actions as a consequence of the provisional outturn position for 2018/19:
 - Carry forward **£275,000** to the service, as set out in **Appendix C**.
 - **£200,000** to the Transformation Reserve relating to the £1m additional one-off funding awarded to Highways in respect to Devolution work stream for use in 2019/20
 - **£3.179m** from the Reserve for Future Capital Funding to fund highways maintenance work which was revenue in nature, for which capital funding had been made available in respect of the Department for Transport pothole grant and a technical accounting change in the way we draw down this capital grant
 - **£3.009m** from the Reserve for Future Capital Funding to cover costs primarily relating to the South Essex Rapid Transit Named Highways scheme for which capital programme provision had been allocated.
 - **£10,000** from the A130 PFI Reserve to cover the additional costs of the estimated final 2018/19 payment.

11. Leader – £669,000 (8.8%) under spend

- i. The provisional outturn of **£6.934m** is **8.8%** lower than the final approved budget of **£7.603m**. After proposed adjustments there is a favourable movement of **£586,000** since the position reported at the third quarter.
- ii. The under spend is mainly due to vacancies within Service Design (**£835,000**) due to the delay in the service becoming fully operational.

- iii. Approval is sought to the following actions as a consequence of the provisional outturn position for 2018/19:
 - Carry forward **£298,000** to the service, as set out in **Appendix C**.
 - **£343,000** from the Transformation reserve to fund costs associated with Transformation Challenge Award within Corporate Policy
 - **£194,000** from the Community Initiatives Fund reserve to fund the Essex Challenge Prize
 - **£156,000** from the Transformation reserves to fund redundancy costs within Corporate Policy.

12. Customer and Corporate Recharged Support Services - £4.668m (7.5%) under spend

- i. The provisional outturn of **£57.514m** is **7.5%** lower than the final approved budget of **£62.182m**. After proposed adjustments there is a favourable movement of **£339,000** since the position reported at the third quarter.
- ii. The under spend is mainly due to project under spends, reductions in third party spend and non-staffing budgets being withheld within Technology Services (**£3.553m**) and due to slippage to the start of the Workforce Strategy project in the current financial year (**£767,000**), and some slippage on some aspects of the Organisation Design project (**£151,000**).
- iii. Approval is sought to the following actions as a consequence of the provisional outturn position for 2018/19:
 - Carry forward **£567,000** to the service, as set out in **Appendix C**.
 - **£3.403m** to the Transformation reserve due to slippage in a number of Technology Services projects
 - **£661,000** to the Transformation reserve due to slippage in the Workforce Strategy projects
 - **£303,000** from the Carbon Reduction reserve to meet energy costs incurred
 - **£250,000** to the Health and Safety reserve to be used in 2019/20 for emergency repairs relating to works previously undertaken on Seax House
 - **£220,000** from the Transformation reserve to fund redundancy costs following organisation design for Legal Services
 - **£170,000** from the Transformation reserve to fund redundancy costs following organisation design for Customer Services
 - **£151,000** to the Transformation reserve due to slippage in the Organisation Design project
 - **£50,000** from the Transformation reserve to fund Property Transformation costs

- **£21,000** from the Capital Receipts Pump Priming reserve to fund costs associated with the Capital Receipts team
- **£15,000** to the Transformation reserve due to slippage in Broadband UK project

13. Finance, Commercial and Traded Services Recharged Support Services £33,000 (0.2%) under spend

- The provisional outturn of **£18.480m** is **0.2%** lower than the final approved budget of **£18.513m**. After proposed adjustments there is a favourable movement of **£90,000** since the position reported at the third quarter.
- Approval is sought to the following actions as a consequence of the provisional outturn position for 2018/19:
 - Carry forward **£590,000** to the service, as set out in **Appendix C**.
 - **£341,000** from the Transformation reserve to fund redundancy costs following organisation design

14. Leader Recharged Support Services - £650,000 (6.8%) under spend

- The provisional outturn of **£8.870m** is **6.8%** lower than the final approved budget of **£9.520m**. After proposed adjustments, there is adverse movement of **£154,000** since the position reported at third quarter.
- The under spend is mainly due to a pause in the Medium Term Areas of Focus project (**£417,000**) and spend being withheld within Communication and Publications budget (**£170,000**).
- Approval is sought to the following actions as a consequence of the provisional outturn position for 2018/19:
 - **£417,000** to the Transformation reserve will be returned due to a pause in the Medium Term Areas of Focus project, to be used in 2019/20.

15. Other Operating Costs (interest and capital financing) - £798,000 (1.9%) under spend

- The provisional outturn of **£41.179m** is **1.9%** lower than the final approved budget of **£41.977m**. After proposed adjustments, there is a favourable movement of **£42,000** since the position reported at third quarter.
- The under spend results from deferring further external borrowing until 2019/20.

16. Other Operating Costs (Emergency Contingency) - £4m (100%) under spend

- i. The emergency contingency is unutilised during 2018/19. It is proposed that the unspent emergency contingency will be returned to the General Balance.

17. Other Operating Costs (General Government Grants) - £3.276m (6.5%) in excess of funding budget

- i. The higher than budgeted grant funding is due to early receipt of Levy Surplus grant (**£2.666m**), higher than anticipated grant income of **£522,000** and unutilised Brexit funding of **£88,000**
- ii. Approval is sought to the following actions as a consequence of the provisional outturn position for 2018/19:
 - Carry forward **£2.754m** to the service, as set out in **Appendix C**.

18. Other Operating Costs (Funding) - £862,000 (0.1%) in excess of funding budget

- i. The higher than expected funding is due to increased benefit from Business Rates pooling of **£862,000**.

Appendix E – Trading Activities

Trading Activities Summary							
2017/18		2018/19					Rag Status
Actual		Original Budget	Final Budget	Provisional Outturn	Variance	Variance	
£000		£000	£000	£000	£000	%	
(31,616)	Income	(31,132)	(30,065)	(25,646)	4,419	(14.7%)	♦
29,678	Expenditure	25,863	26,372	23,696	(2,676)	(10.1%)	♦
-	Financing Items	-	-	-	-	-	■
(1,938)	(Surplus)/Deficit	(5,269)	(3,693)	(1,950)	1,743	(47.2%)	♦
3,897	Appropriations	4,629	4,050	2,714	(1,336)	(33.0%)	♦
1,959	Net (increase) / decrease in revenue reserves	(640)	357	764	407	114.0%	♦
Analysis of net (increase) / decrease in Trading Activities reserves							
706	EES for Schools	(606)	118	321	203	172.0%	♦
105	Music Services	-	-	(168)	(168)	-	■
650	School staffing insurance scheme	-	263	263	-	-	■
33	Library Services	-	-	-	-	-	■
143	Smarte East	-	-	-	-	-	■
319	Essex Legal Services	-	-	-	-	-	■
(101)	Information Services infrastructure	-	-	538	538	-	♦
104	Place Services	(34)	(24)	(190)	(166)	691.7%	♦
1,959	Net (increase) / decrease in revenue reserves	(640)	357	764	407	114.0%	♦
2017/18				2018/19			
Closing Balance				Opening Balance	Closing Balance		
£000				£000	£000		
(1,415)	Total Reserves Balance			(1,415)	(651)		

Appendix F – Trading Activities – Detailed commentary

Comments on the performance of individual trading activities are set out below.

1. EES for Schools

- i. The trading activity has returned a surplus of **£2.423m**, which is a shortfall of **£1.386m** against target. The shortfall is due to cost pressures associated with the proposed sale of the business and shortfall in income.
- ii. The deficit position on the reserve of **£1.183m** will be offset by:
 - To appropriate **£509,000** from Finance, Commercial and Traded services, and into the EES reserve
 - To transfer **£674,000** from the General Balance and into the EES reserve.

2. Music Services

- i. The trading activity has returned a surplus of **£296,000** due to lower than anticipated tutor costs for 2018/19.
- ii. Approval is sought to:
 - return **£63,000** to the General Fund to replenish the loss incurred in 2017/18;

3. Schools Sickness Insurance Scheme

- i. The trading activity has incurred a **£1.097m** deficit due to the scheme continuing to receive claims in excess of the value of premiums paid. Therefore, the decision was taken to cease operating the scheme from 1st April 2019 and all schools have been notified.
- ii. Approval is sought to appropriate **£834,000** from Education Non Dedicated Support Grant portfolio, and into the Schools Sickness Insurance reserve.

4. Information Services

- i. The trading activity budgeted to break even, but actually achieved a surplus of **£144,000**, which, when added to its revenue reserves leaves a residual reserve balance of **£682,000**.
- ii. Approval is sought to use the reserve balance of **£682,000** to offset the residual deficit balance in the EES reserve, via the General Fund

5. Place Services

- i. The trading activity reports a net surplus of **£184,000** against its target, this is due to tenders won and new service level agreements secured with local planning authorities.

- ii. Approval is sought to reduce the appropriation to the General Fund by **£60,000** to pay for office refurbishment.

Appendix G – Capital Payments and Financing Summary

	Original Approval	Final Approval	Actual	Variance
	£000	£000	£000	£000
Children and Families	590	690	515	(175)
Culture and Communities	1,910	1,799	944	(855)
Customer and Corporate	6,304	6,191	5,335	(856)
Deputy Leader and Infrastructure	139,591	125,047	121,971	(3,076)
Economic Development	19,452	19,651	17,341	(2,310)
Education and Skills				-
Local Authority Controlled	103,651	94,447	93,984	(463)
Schools Controlled	1,600	1,476	1,080	(396)
Environment and Waste	4,950	5,093	4,604	(489)
Finance, Commercial and Traded Services	343	414	281	(133)
Health & Adult Social Care	3,169	1,925	1,870	(55)
Property Investment	17,035	6,676	6,671	(5)
Total payments to be financed	298,595	263,409	254,596	(8,813)
Financed by				
Unsupported borrowing	175,634	117,239	101,133	(16,106)
Grants and contributions	104,118	136,596	143,889	7,293
Capital receipts	10,000	4,520	4,536	16
Reserve for future capital funding	8,843	5,054	5,038	(16)
Total financing	298,595	263,409	254,596	(8,813)

Appendix H – Capital Variance Plan (Summary)

	Slippage	2018/19			2018/19 Changes	2019/20 Changes
		Additions	Reductions	Advanced Works		
	£000	£000	£000	£000	£000	£000
Children and Families	(75)	-	(100)	-	(175)	75
Culture and Communities	(1,000)	195	(50)	-	(855)	1,000
Customer and Corporate	(535)	14	(335)	-	(856)	535
Deputy Leader and Infrastructure	(1,900)	2,011	(5,700)	2,513	(3,076)	(613)
Economic Development	(2,334)	-	(20)	44	(2,310)	1,640
Education and Skills						
Local Authority Controlled	(987)	2,001	(2,142)	665	(463)	322
Schools Controlled	(395)	-	-	-	(395)	395
Environment and Waste	(489)	-	-	-	(489)	489
Finance, Commercial and Traded Services	(134)	-	-	-	(134)	134
Health & Adult Social Care	(7)	13	(61)	-	(55)	7
Property Investment	-	-	(5)	-	(5)	-
Total payments to be financed	(7,856)	4,234	(8,413)	3,222	(8,813)	3,984
Financed by						
Unsupported borrowing					(16,106)	
Grants and contributions					7,293	
Capital receipts					16	
Reserve for future capital funding					(16)	
Total financing					(8,813)	

Appendix I – Capital Position – Detailed commentary

Comments are included below on the most significant of the variances against budget at a portfolio level:

1. Children and Families - £175,000 (25%) under spend

- i. The provisional outturn of **£515,000** was **£175,000** less than the final approved budget of **£690,000**. This is due to the Adaptations programme, where funding has been committed from successful applications for grant funding, however it has not been possible for **£75,000** of that to be delivered in 2018/19 and therefore approval is sought to re-profile this into 2019/20. The remaining uncommitted budget is no longer required and therefore approval is sought for a reduction to the capital programme of **£100,000**.

2. Culture and Communities – £855,000 (48%) under spend

- i. The provisional outturn of **£944,000** was **£855,000** less than the final approved budget of **£1.799m**. This mainly relates to Mercury Theatre (**£1.000m**), which is being delivered by third parties and as such process is outside of the Council's control.

3. Customer and Corporate - £856,000 (14%) under spend

- i. The provisional outturn of **£5.335m** was **£856,000** less than the final approved budget of **£6.191m**. The main reasons for the under spend are set out below:
- ii. **Digital Foundations - £400,000** under spend relating to Modernising Technology to Enable Change (MTEC), where procurement will be undertaken, and the tools received in 2019/20. Approval is sought to re-profile the **£400,000** into 2019/20
- iii. **Capitalised Building Maintenance - £240,000** under spend due to various projects being classified as revenue, therefore a reduction is sought.

4. Deputy Leader and Infrastructure - £3.076m (2.5%) under spend

- i. The provisional outturn of **£121.971m** was **£3.076m** less than the final approved budget of **£125.047m**. The main reasons for the under spend are set out below:
- ii. **South Essex Rapid Transit - £2.830m** under spend due to costs being written off to revenue due to this scheme no longer being pursued and therefore deemed abortive. Therefore a reduction is sought.
- iii. **LED Rollout - £1.785m** under spend due to **£1.500m** savings being realised, a reduction is sought to the capital programme as a result, whilst **£285,000** is requested to be re-profiled into 2019/20.

- iv. **M11 Junction 7A and Gilden Way Upgrading - £925,000** over spend where the scheme as progressed ahead of schedule. Therefore, approval is sought to re-profile this budget into 2018/19.

5. **Economic Development - £2.310m (12%) under spend**

The provisional outturn of **£17.341m** was **£2.310m** less than the final approved budget of **£19.651m**. The main reasons for the under spend is set out below.

- i. **Colchester Northern Gateway - £1.350m** under spend and **STEM Innovation Campus Braintree - £440,000** under spend, both of which are South East Local Enterprise Partnership (SELEP) funded projects being delivered by a third party and as such the Council has no control over the expenditure incurred. Therefore, approval is sought to re-profile the **£1.790m** into 2019/20
- ii. **Housing - £333,000** under spend across several sites, approval is sought to re-profile **£358,000** into 2019/20, bring forward **£25,000** from 2019/20.
- iii. Overall, approval is sought to re-profile **£2.334m** into future years, reduce scheme budgets by **£20,000** and bring forward **£44,000** into 2018/19

6. **Education - £463,000 (0.5%) under spend**

The provisional outturn of **£93.984m** was **£463,000** less than the final approved budget of **£94.447m**. The main reasons for the under spend is set out below

- i. **Basic Need Programme: £132,000** over spend due to some delays in delivery have occurred, specifically West Hatch. However the unused capital allocation has been managed by progressing other schemes such as Brightside,
- ii. **Early Years** has under spent by **£518,000** due to delivery of a number of schemes being delayed until 2019/20. The most significant relates to the Play to Learn scheme at Great Chesterfield, which has had numerous issues but is currently on hold while discussions conclude with the provider and Department for Education on funding arrangements; and the scheme at Mayflower where the contractor appointed by Mitie has withdrawn which has delayed the start date.
- iii. Overall, approval is sought in this report to re-profile **£987,000** into future years, to add **£2.001m**, funded by reductions of **£2.142m** and finally to advance **£665,000** from future years

7. **Environment and Waste - £489,000 (10%) under spend**

The provisional outturn of **£4.604m** was **£489,000** less than the final approved budget of **£5.093m**. The main reasons for the position are set out below:

- i. **Country Parks - £313,000** under spend relating to the purchase and conversion of the catering vans, which has also impacted the purchase of the events screens. These delays will potentially have an adverse impact on revenue generation in 2019/20. Approval is sought to re-profile **£313,000** into 2019/20.
- ii. **Flood Management - £177,000** under spend which relates to abortive schemes, approval is sought to re-profile the **£177,000** into 2019/20.

8. Finance, Commercial and Traded Services - £138,000 (2%) under spend

- i. The provisional outturn of **£6.952m** was **£139,000** less than the final approved budget of **£7.09m**, which relates to Essex Outdoors Centres, where there has been a delay in delivery of cabins at two sites. Approval is sought to re-profile the **£134,000** into 2019/20.

9. Health and Adult Social Care - £55,000 (3%) under spend

- i. The provisional outturn of **£1.870m** was **£55,000** less than the final approved budget of **£1.925m**, which relates to the Adults with Disabilities Housing Schemes, primarily Thistley Evegate, where a reduction of **£50,000** is sought.

10. Controlled Elsewhere – £396,000 (27%) under spend

- i. Approval is sought to re-profile **£396,000** into 2019/20 in relation to the Schools Devolved Formula Capital grant and schools cash balances, which the authority holds on behalf of Essex Schools and have no control over the spend, for transactions that do not meet the capitalisation criteria.

Appendix J – Restricted use and other revenue reserves

Restricted use funds				
	Balance at 1 April 2018	2018/19 movements		Balance at 31 March 2019 as at
	£000	Contributions to reserves £000	Withdrawals from reserves £000	£000
Restricted use				
Grants equalisation reserve	10,786	4,610	(2,760)	12,636
PFI equalisation reserves				
A130 PFI	45,247	773	(3,884)	42,136
Clacton secondary schools' PFI	2,836	23	(341)	2,518
Debden PFI	3,814	325	(506)	3,633
Building Schools for the Future PFI	1,870	60	337	2,267
Waste reserve	99,733	8,776	(4,878)	103,631
Schools	41,648	5,924	(9,547)	38,025
Partnerships	1,771	66	(216)	1,621
Trading activities	1,415	359	(1,123)	651
	209,120	20,916	(22,918)	207,118

Future Capital Funding and other revenue reserves				
	Balance at 1 April 2018	2018/19 movements		Balance at 31 March 2019 as at
	£000	Contributions to reserves £000	Withdrawals from reserves £000	£000
Future capital funding	10,061	7,038	(5,038)	12,061
Other revenue reserves				
Adults Digital programme	6,900	3,156	(4,800)	5,256
Capital receipts pump priming	2,325	1,000	(121)	3,204
Carbon Reduction reserve	2,606	-	(303)	2,303
Carry Forwards Reserve	16,395	23,250	(16,395)	23,250
Collection Fund investment risk reserve	1,412	-	-	1,412
Community Initiatives Reserve	796	2,370	(2,013)	1,153
Digital Infrastructure reserve	-	5,000	(1,947)	3,053
Insurance	9,061	-	(1,000)	8,061
Transformation	22,015	29,969	(26,791)	25,193
Other reserves	4,306	1,376	(2,868)	2,814
	65,816	66,121	(56,238)	75,699

Appendix K – General Balance

GENERAL BALANCE	
	£000
Actual Balance 31 March 2018	55,212
Restatement of opening balance	
Reassessment of impairment loss allowances - sundry debtors	(2,695)
Provision for impairment loss allowances - investments	(117)
Restatement of modified loans	1,237
Actual Balance 1 April 2018	53,637
2018/19 Original Budget withdrawal	-
Opening Balance 1 April 2018	53,637
Subsequent movements	597
Budgeted balance at 31st March 2019	54,234
2018/19 Provisional Outturn proposals	
Non utilisation of the Emergency Contingency	4,000
Other under spends	842
Transfer to Transformation Reserve (for Essex Pay)	(1,977)
Transfer to Carry Forwards Reserve	(490)
	2,375
Actual balance at 31 March 2019	56,609

Appendix L – Prudential Indicators

		Approved Indicator	Provisional Outturn
1 Affordability			
Incremental impact on Council Tax of 2018/19 and earlier years' 'starts'	£	£92.68	£86.24
Ratio of financing costs to net revenue streams (excl. gen. govnt. grant)	%	7.3%	8.2%
Ratio of financing costs to net revenue streams (incl. gen. govnt. grants)	%	6.9%	7.8%
2 Prudence		Net borrowing is well within the medium term forecast of the Capital Financing Requirement.	
Net borrowing and Capital Financing Requirement			
3 Capital Expenditure			
Capital expenditure	£m	299	255
Capital Financing Requirement (<i>excluding credit arrangements</i>)	£m	990	924
4 External Debt			
Authorised limit (borrowing only)	£m	910	N/A
Operational boundary (borrowing only)	£m	800	N/A
Actual external borrowing (maximum level of debt during year)	£m	N/A	540
5 Treasury Management			
Interest rate exposures			
Upper limit for exposure to fixed rates			
Net exposure	£m	910	514
Debt		100.0%	100.0%
Investments		100.0%	40.4%
Upper limit for exposure to variable rates			
Net exposure	£m	273	291
Debt		30.0%	0.9%
Investments		100.0%	100.0%
Maturity structure of borrowing (upper limit)			
Under 12 months	%	40.0%	0.5%
12 months & within 24 months	%	40.0%	0.6%
24 months & within 5 years	%	40.0%	8.0%
5 years & within 10 years	%	40.0%	10.1%
10 years & within 25 years	%	60.0%	31.2%
25 years & within 40 years	%	40.0%	30.9%
40 years & within 50 years	%	20.0%	3.9%
50 years & above	%	20.0%	14.9%
Total sums invested for more than 364 days			
Authorised limit	£m	50	N/A
Actual sums invested (maximum position during year)	£m	N/A	10
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: maturity dates for market loans are based on the next review date, not the final maturity date.			

Appendix M – Treasury Management Summary

TREASURY MANAGEMENT SUMMARY - 2018/19						
	Actual Balance 1 April £000	Movements			Balance at 31 March £000	Interest payable / (earned) to date £000
		Raised	Repaid	Net movement		
		£000	£000	£000		
Borrowing						
Long Term	515,487	1,292	(2,406)	(1,114)	514,373	12,674
Temporary	-	408	-	408	408	9
Total External Borrowing (A)	515,487	1,700	(2,406)	(706)	514,781	12,683
Investments						
Long Term	11,000	-	(1,000)	(1,000)	10,000	(490)
Temporary	245,480	13,531	(11)	13,520	259,000	(2,463)
Total External Investments (B)	256,480	13,531	(1,011)	12,520	269,000	(2,953)
Net indebtedness (A-B)	259,007	(11,831)	(1,395)	(13,226)	245,781	9,730
Borrowing						
Average long term borrowing over period to date (£000)						466,454
Opening pool rate at 1 April 2018						4.06%
Weighted average rate of interest on new loans secured to date						N/A
Average pool rate for year						4.06%
Investments						
Average daily cash balance over period to date (£000)						312,124
Average interest earned over period						0.96%
Benchmark rate - average 7 day LIBID rate						0.51%