

Report title: 2017/18 Provisional Outturn Report	
Report to: Cabinet	
Report author: Margaret Lee, Executive Director for Corporate and Customer Services	
Date: 22 May 2018	For: Decision
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County Divisions affected: All Essex	

1. Purpose of report

Quarter stage (**£4.102m** inclusive of the under use of the emergency contingency).

- 1.1 The purpose of this report is to present and provide commentary on the provisional outturn position for 2017/18 prior to formal closure of the accounts. The report also explains key movements since the third quarter report approved at Cabinet on 23 January 2018.
- 1.2 The report sets out an under spend on revenue of **£4.893m (0.6%)** against a budget of **£851.963m**. This is after adjusting for proposals to carry under spends forward for use in 2018/19 and other reserve movements. It is proposed that the underlying under spend of **£4.893m** is appropriated into the Transformation Reserve. This is an improvement of (**£791,000**) on the position reported at the Third

- 1.3 The report also shows an under spend on capital of **£11.454m** against the final approved budget of **£279.477m** – this is a **96%** delivery against the final approved budget, or **91%** against the original budget.
- 1.4 Ernst and Young, Essex County Council's external auditor for the 2017/18 financial year, will carry out their audit of the Council's 2017/18 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 **30 July 2018**, at which stage that Committee is expected to approve the 2017/18 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 2017/18 outturn position:

- 2.1 That the underlying under spend of **£4.893m** is appropriated into the Transformation Reserve.
- 2.2 That approval is given to allocate under spends between portfolios (as set out within the 'Transfers of under / over spends between Portfolios' column of **Appendix B**).
- 2.3 That the following amounts are appropriated to / from restricted and other revenue reserves:

Restricted Funds

i. Private Finance Initiative (PFI) Reserves

- Building Schools for the Future - **£93,000** contribution
- Clacton Secondary Schools - **£27,000** contribution
- Debden School - **£187,000** withdrawal
- A130 Road - **£128,000** withdrawal

- ii. **Waste Reserve - £722,000** withdrawal per the Joint Working Agreement with Southend in relation to the Waste Infrastructure Grant.
- iii. **Schools - £5.656m** withdrawal from the Schools' reserve, in line with additional spending against the 'individual schools budget' in 2017/18.
- iv. **Partnership reserves**
 - Safeguarding Adults Partnership Reserve - **£58,000** contribution
 - Public Sector Reform Partnership Reserve - **£18,000** withdrawal
- v. **Trading activities**
 - EES for Schools – **£663,000** contribution
 - Music Services - **£62,000** contribution
 - Smarte East - **£143,000** withdrawal
 - Library Services - **£25,000** withdrawal

Capital funding

- vi. **Capital funding - £5.410m** contribution to support financing of the 2018/19 capital programme and to provide funding for community initiatives.

Other reserves

- vii. **Carry Forwards - £16.395m** contribution, in respect of revenue budget under spends that it is

proposed are carried forward for use in 2018/19. The proposals for utilising this Reserve in 2018/19 are set out in **Appendix C** of this report.

- viii. **Community Initiatives Reserve - £449,000** withdrawal to provide capital financing for community initiatives and to support expenditure incurred by the Environment and Waste portfolio on communities in support.
- ix. **Health and Safety Reserve - £500,000** contribution to support expenditure on Health and Safety initiatives in subsequent years.
- x. **Innovation Reserve - £66,000** withdrawal to fund costs associated with Essex Challenge Prize initiative.
- xi. **Local Projects Reserve - £133,000** withdrawal to meet costs incurred in relation to communities in support.
- xii. **Insurance Reserve - £705,000** contribution, to be used to deliver a one-off saving built into the 2018/19 budget.
- xiii. **Transformation Reserve - £1.234m** net withdrawal, to fund redundancy and organisation design costs, partly offset by unspent project funding and a contribution from the general under spends against the revenue budget (*note: this is before the proposal to appropriate the underlying under spend of £4.893m into the Transformation Reserve (as per recommendation 2.1 above)*).

- 2.4 That the following Trading Accounts are closed:
 - Library Services
 - Smarte East
- 2.5 That the financing of capital payments in 2017/18 is approved on the basis set out within **Appendix G** to this report.
- 2.6 Capital payment budgets, and associated capital financing, of **£13.208m** are re-profiled into subsequent financial years, in respect of slippage in schemes (as shown in the 'Slippage' column of **Appendix H**).
- 2.7 Capital payment budgets, and associated capital financing, of **£1.962m** are brought forward from 2018/19 in respect of schemes that have progressed ahead of schedule (as shown in the 'Advanced works' column of **Appendix H**).
- 2.8 Portfolios' 2017/18 capital payments budgets are reduced by **£21.002m** (as shown in the 'Reductions' column of **Appendix H**), with increases of **£20.794m** to other schemes (as shown in the 'Additions' column of **Appendix H**), to reflect achieved activity in 2017/18.

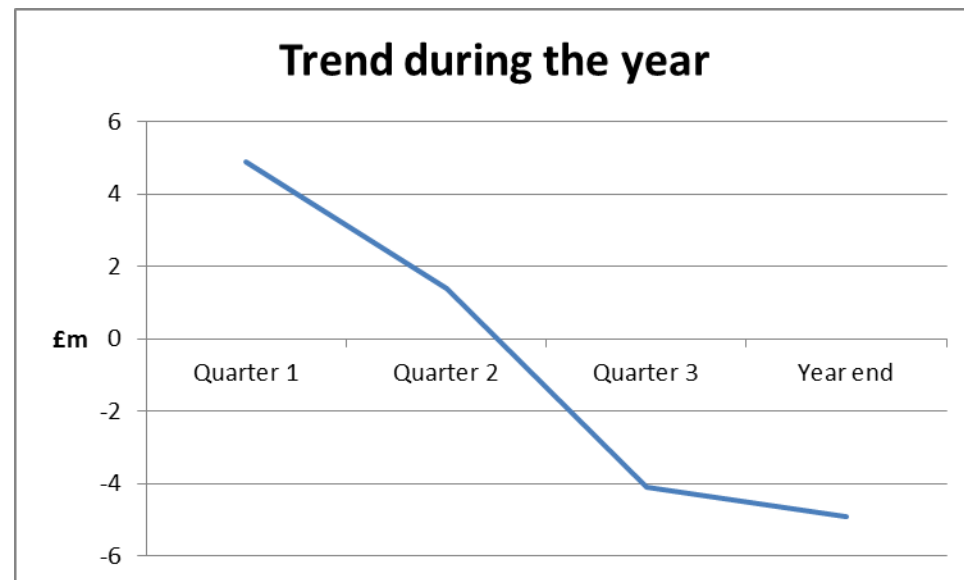
Approval is also sought for the following in relation to the 2018/19 budget:

- 2.9 To increase the approval for redundancy costs from the Transformation Reserve from **£5m** to **£8m**, as set out in paragraph 3.1.5.
- 2.10 To withdraw **£330,000** from the Transformation Reserve to provide one off funding for the Divisional Based Intervention Team which is specifically focused on the reunification of children in care under the age of 10, which is part of the sustainability programme within Childrens and Families.

3. Executive Summary

3.1 Overview - Revenue

- 3.1.1 Through careful financial planning and strong management action, where appropriate, Essex County Council has delivered a moderate under spend of **£4.893m (0.6%)** against a very challenging backdrop.
- 3.1.2 At Quarter 1, the financial position for Essex County Council was a forecast over spend of **£4.881m**, primarily driven by pressures in Adult Social Care, 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 **£4.893m** reflects:

- A net under spend by services of **£10.084m** (*increasing to **£16.384m** when the Dedicated Schools budget is excluded*). This is concentrated in the Health and Social Care and Resources portfolios.
- The Emergency Contingency of **£4m** not being needed.

- A net under spend of **£6.924m** on interest, capital financing and dividends, largely as a result of revising the Council's policy for the repayment of debt (see *paragraph 15 of Appendix D* for further details);
- The receipt of less income from general government grants, council tax and non domestic rates than budgeted **£964,000**).
- Proposals to appropriate **£15.151m** (net) into earmarked revenue reserves.

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

- A **£5.229m** over spend in Children's and Families, driven by increased numbers and complexity of placements. As previously reported, a sustainability programme has been put in place to support Children's and Families.
- A significant pressure around high need children in Education, funded by the Dedicated Schools Grant (which is over spent by **£5.1m**). This is under review with Education and the Schools' Forum.

3.1.5 In the Half Year Report (**FP/745/02/17**), approval was given to withdraw up to **£5m** from the Transformation Reserve for redundancy costs arising from the Organisation Design. To date, **£3.4m** has been withdrawn from the Transformation Reserve for this purpose. A further **£2.9m** is included within this report.

Further redundancy costs are anticipated in 2018/19, and so approval is sought to withdraw up to **£1.7m** from the Transformation Reserve in 2018/19 to fund redundancy costs arising from Organisation Design, subject to services not being able to mitigate this expenditure. This would make the overall approval **£8m** for redundancy costs. The Organisation Design programme is in the final stages and to date, annual savings of circa **£9m** have been agreed.

3.1.6 During 2017/18, we have made good progress towards delivering our strategic aims and priorities. More detail can be found in the Organisation Plan 2018/19: <http://www.essex.gov.uk/Your-Council/Strategies-Policies/Documents/ORGANISATION%20PLAN.pdf>

3.1.7 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 trading activities have collectively achieved a net surplus for the year of **£1.939m** against a turnover of **£31.617m**, a **6%** margin, this compares to the budgeted margin of **15%**, a **£2.854m** adverse variance in net return overall. This compares to a forecast position of **£4.150m** surplus (**14%**) at Quarter 3. The shortfall against the Quarter 3 position is mainly due to a drop off in sales to multi-academy trusts as they become more self-sufficient, slower than expected payback of software investments and a much larger

amount of claims against the schools staff insurance scheme in the final part of the year.

3.2.2 The trading activities have still appropriated **£4.698m** (net) into the County Revenue Account, which is **£556,000** less than budgeted.

3.3.3 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 by **£1.958m** during 2017/18 after the proposed adjustments set out in recommendation 2.3 v.

3.2.3 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 has improved for 2017/18, achieving **91%** delivery compared to the original budget. Considerable effort has been put into delivering the capital programme over the past few years. This has seen the level of the capital programme increase alongside its successful delivery.

3.3.2 During 2017/18 the Council created a Property Investment Portfolio which has added **£27.4m** to the 2017/18 capital programme. This increases delivery of

the total capital programme to **96%** compared to the latest budget.

3.3.3 The original budget for the capital programme was **£263.356m**. 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 **£279.477m**. Actual capital expenditure amounted to **£268.023m**, resulting in an under spend of **£11.454m**.

3.3.4 During 2017/18 over **500** schemes were undertaken. Our residents have benefited from and will continue to benefit from a wide range of new investment including:

- Over **500** miles (further than from London to Edinburgh) of road length was treated reflecting the significant investment the Authority has made in this area;
- Circa **3,000** new school places were delivered across Essex through completed school expansions and the relocation and new build of Glenwood Special School which has created **95** new school places for children with special needs;
- The Council has provided grant funding to **11** providers to create **327** new early years and childcare places across the county;
- Under our Broadband programme (Phase 2a), BT Openreach enabled an additional **162** cabinets giving **17,132** premises access to Superfast speeds for the first time and completed the first **17** full fibre

projects giving **539** properties access to speeds of over 300Mb;

- Under Phase 2b, Gigaclear have deployed their 1,000Mb service to an additional **2,072** homes and businesses in the Epping Forest DC area; and
- Work has started on the Knowledge Gateway in Colchester, which will open in early 2019 and will provide space and hands-on start-up support for 50 businesses and organisations as part of the Knowledge Gateway business park development at the Colchester campus.

3.3.5 Approval is sought to:

- Re-profile capital payment budgets of **£13.208m** from 2017/18 into 2018/19, as a consequence of slippage in schemes;
- Bring capital payment budgets of **£1.962m** forward in respect of schemes that have progressed ahead of schedule; and
- Realign scheme and payment approvals to reflect actual activity in 2017/18 – this results in payment approvals for some schemes being reduced by **£21.002m**, with increases of **£20.794m** to a number of other schemes.

3.3.6 **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 2017/18 included provision for appropriations to or from various revenue reserves and restricted funds, and assumed a small withdrawal from 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 2018. 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 2017/18 financial year, and as such, provides a financial representation of the corporate plan. The budget and corporate plan were approved in parallel in February 2017.

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
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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

2016/17		2017/18					
Actual		Original Budget	Final Budget	Provisional Outturn	Variance		RAG status
£000		£000	£000	£000	£000	%	
113,358	Children and Families	113,213	109,108	114,337	5,229	4.8%	🔴
20,656	Culture, Communities and Customer	18,642	19,593	19,576	(17)	(0.1%)	🟢
7,752	Economic Growth, Skills, Infrastructure and Digital Economy	6,984	7,825	7,640	(185)	(2.4%)	🟢
	Education						
4,824	Dedicated Schools Budget	(3,063)	1,143	6,799	5,656	494.8%	🔴
78,620	Non Dedicated Schools Budget	77,404	72,516	73,457	941	1.3%	🔴
76,777	Environment and Waste	75,383	77,249	78,493	1,244	1.6%	🔴
434,793	Health and Adults Social Care	421,823	425,510	409,107	(16,403)	(3.9%)	🟡
43,499	Highways	42,828	42,287	41,367	(920)	(2.2%)	🟡
3,374	Housing, Property and Planning	4,003	3,646	3,594	(52)	(1.4%)	🟢
7,911	Leader	6,611	10,189	9,911	(278)	(2.7%)	🟢
18,713	Resources	15,775	16,420	14,749	(1,671)	(10.2%)	🟡
	Recharged Support Services						
	Culture, Communities and Customer						
1,843	Customer Services	2,003	1,980	1,932	(48)	(2.4%)	🟢
	Resources						
7,907	Business Support	8,630	8,787	7,947	(840)	(9.6%)	🟡
1,257	Capital Programme Implementation and Delivery	1,255	1,262	1,331	69	5.5%	🔴
(43)	Car Provision Scheme	53	52	26	(26)	(50.0%)	🟡
847	Democratic Services and Governance	783	937	936	(1)	(0.1%)	🟢
11,878	Finance	7,913	13,595	11,845	(1,750)	(12.9%)	🟡
4,001	Human Resources	1,332	6,311	6,301	(10)	(0.2%)	🟢
6,619	Insurance Cost Recovery Account	4,541	4,663	3,846	(817)	(17.5%)	🟡
19,008	Information Services	15,246	21,852	21,063	(789)	(3.6%)	🟡
161	Legal Services	389	5,243	5,447	204	3.9%	🟡
5,265	Procurement	4,798	4,620	4,487	(133)	(2.9%)	🟢
14,769	Property and Facilities Management Service	13,073	14,222	14,394	172	1.2%	🟡
	Leader						
2,881	Communications and Customer Relations	2,459	2,329	2,313	(16)	(0.7%)	🟢
134	Equality and Diversity	138	141	133	(8)	(5.7%)	🟡
4,903	Performance and Commissioning Support	5,088	4,520	4,687	167	3.7%	🟡
5,331	Project Management Office	3,023	2,998	3,196	198	6.6%	🔴
897,038	Net cost of services (Portfolios)	850,327	878,998	868,914	(10,084)	(1.1%)	🟡
	Other operating costs						
-	Emergency Contingency	4,000	4,000	-	(4,000)	(100.0%)	🟡
41,874	Interest, capital financing and dividends	44,855	43,707	36,783	(6,924)	(15.8%)	🟡
	Appropriations to/(from) restricted funds and other revenue reserves						
(2,422)	Carry Forwards reserve	-	(6,635)	9,760	16,395	(247.1%)	🔴
(1,381)	Restricted funds	(1,856)	(294)	(6,271)	(5,977)	2033.0%	🟡
6,902	Capital financing	2,042	2,960	8,370	5,410	182.8%	🔴
	Transformation Reserve						
1,046	Budgeted / proposed appropriations	5,422	(14,385)	(15,619)	(1,234)	8.6%	🟡
-	Underlying under spend	-	-	4,893	4,893	-	🔴
(797)	Other revenue reserves	7,866	4,291	4,848	557	13.0%	🔴
942,260	Net expenditure	912,656	912,642	911,678	(964)	(0.1%)	🟡
(55,496)	General government grant	(60,694)	(60,592)	(59,585)	1,007	(1.7%)	🔴
(24,432)	General Balance - contribution / (withdrawal)	-	(87)	(87)	-	-	🟢
862,332	Budget Requirement	851,962	851,963	852,006	43	0.0%	🟡
	Financed by						
(117,938)	Revenue Support Grant	(73,876)	(73,876)	(73,876)	-	-	🟢
(162,853)	National non-domestic rates	(167,829)	(167,829)	(168,531)	(702)	0.4%	🟡
(570,201)	Council tax precept	(597,135)	(597,136)	(596,477)	659	(0.1%)	🔴
(11,340)	Collection fund surpluses	(13,122)	(13,122)	(13,122)	-	-	🟢
(862,332)	Total Financing	(851,962)	(851,963)	(852,006)	(43)	-	🟢

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				
		Transfers of under / over spends between portfolios	Under spends to be carried forward into 2018/19	Appropriations to/(from) other reserves	Underlying under / (over) spends	Total of mitigating actions
		£000	£000	£000	£000	£000
Children and Families	5,229	98	-	-	(5,327)	(5,229)
Culture, Communities and Customer	(17)	(190)	733	(526)	-	17
Economic Growth, Skills, Infrastructure and the Digital Economy	(185)	(5)	387	(272)	75	185
Education						
Dedicated Schools Budget	5,656	-	-	(5,656)	-	(5,656)
Non Dedicated Schools Budget	941	34	693	(513)	(1,155)	(941)
Environment and Waste	1,244	(433)	-	(802)	(9)	(1,244)
Health and Adults Social Care	(16,403)	628	7,787	7	7,981	16,403
Housing, Property and Planning	(52)	52	-	-	-	52
Highways	(920)	(224)	552	(128)	720	920
Leader	(278)	196	264	(182)	-	278
Resources	(1,671)	370	200	-	1,101	1,671
Recharged Support Services						
Culture, Communities and Customer						
Customer Services	(48)	48	-	-	-	48
Resources						
Business Support	(840)	(45)	1,126	(241)	-	840
Capital Programme Implementation and Delivery	69	(69)	-	-	-	(69)
Car Provision Scheme	(26)	26	-	-	-	26
Democratic Services and Governance	(1)	(135)	136	-	-	1
Finance	(1,750)	43	1,653	190	(136)	1,750
Human Resources	(10)	-	250	16	(256)	10
Insurance Cost Recovery Account	(817)	-	-	705	112	817
Information Services	(789)	91	124	442	132	789
Legal Services	204	(204)	-	-	-	(204)
Property and Facilities Management Service	172	(172)	-	-	-	(172)
Procurement	(133)	(198)	351	(20)	-	133
Leader						
Communications and Customer Relations	(16)	43	89	(116)	-	16
Equality and Diversity	(8)	8	-	-	-	8
Performance and Commissioning Support	167	37	-	(204)	-	(167)
Project Management Office	198	1	50	(249)	-	(198)
Net cost of services (Portfolios)	(10,084)	-	14,395	(7,549)	3,238	10,084
Other operating costs						
Interest, capital financing and dividends	(6,924)	-	2,000	5,000	(76)	6,924
Emergency contingency	(4,000)	-	-	-	4,000	4,000
Appropriations to / from restricted funds and other revenue reserves						
Restricted funds	(5,977)	-	-	5,870	107	5,977
Capital financing	5,410	-	-	(5,410)	-	(5,410)
Other revenue reserves						
Carry Forwards reserve	16,395	-	(16,395)	-	-	(16,395)
Transformation Reserve	3,659	-	-	2,146	(5,805)	(3,659)
Other reserves	557	-	-	(57)	(500)	(557)
General government grant	1,007	-	-	-	(1,007)	(1,007)
Financing	(43)	-	-	-	43	43
Net expenditure	-	-	-	-	-	-
General Balance	-	-	-	-	-	-
Net Total	-	-	-	-	-	-

Appendix C – Overview of revenue carry forward requests

	Total £000
Culture, Communities and Customer	
Support Services Project (SSP)	497
Case management system – Coroners	160
Public Health social media programme	76
Sub total	733
Economic Growth, Skills, Infrastructure and the Digital Economy	
Harlow in Poverty project	160
Organisation design	129
Employment and Skills Board projects	98
Sub total	387
Education (non Dedicated Schools Budget)	
Transport infrastructure	500
Support Services Project (SSP)	193
Sub total	693
Health and Adult Social Care	
Adult Social Care sustainability project	6,129
Better Care Fund – Protection of Social Care	268
Safeguarding	500
Gavin's Den	102
Support Services Project (SSP)	378
Organisation Design	410
Sub total	7,787
Highways	
Essex Highways Commissioning	496
Park and Ride sites	56
Sub total	552
Leader	
Gavin's Den	204
Digital Strategy project	60
Sub total	264
Resources	
Car Parking – Rainsford Road	200
Sub total	200
Resources Recharged Strategic Support Services	
Support Services Project	2,781
Leadership development	250
Electronic Whiteboards project	200
Delivery of Category Strategies	100
Other	309
Sub total	3,640
Leader Recharged Strategic Support Services	
Estate brading	70
Purchase to Pay – consultancy skills	50
Intranet Project	19
Sub total	139
Operating Costs	
Support for the 2018/19 budget	2,000
Sub total	2,000
Net Total	16,395

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 - £5.229m (4.8%) over spend

- i. The provisional outturn of **£114.337m** was **4.8%** higher than the final approved budget of **£109.108m**. This is a minimal movement compared to the reported position at the third quarter stage.
- ii. The over spend is driven by Placements (**£5.1m**), primarily as a result of an increase in the number of placements required compared to the number assumed in the budget. This is due to children re-entering the care system, an increase in the number of sibling groups requiring support and increased volumes of children with complex needs. There are also increases in the price of some packages, in particular within a residential setting where 2:1 care is required.

2. Culture, Communities and Customer - £17,000 (0.1%) under spend

- i. The provisional outturn of **£19.576m** is **0.1%** lower than the final approved budget of **£19.593m**. After proposed adjustments, there is an adverse movement of **£287,000** since the position reported at

third quarter, due to a review of orders and activity within the Coroners Services (**£223,000**), and a shortfall in external income within Heritage and Cultural Services (**£129,000**).

- ii. The under spend is a net position comprising materially of an over spend of **£381,000** on Libraries due to redundancy costs associated with ongoing service restructure (**£166,000**) and other operational pressures (**£200,000**) mainly relating to lower income than expected. This is offset by an under spend of **£421,000** on Customer Services and Member Enquiries due to reduced staffing following a successful programme of work to reduce volumes, particularly avoidable contacts.
- iii. Approval is sought to the following actions as a consequence of the provisional outturn position for 2017/18:
 - Carry forward **£733,000** to the service, as set out in **Appendix C**.
 - To withdraw **£393,000** from the Transformation reserve to fund redundancy costs in Libraries (**£165,000**) and Customer Services and Member Enquiries (**£228,000**).
 - To withdraw **£133,000** from the Local Project Reserve to fund costs incurred in relation to communities in support.

3. Economic Growth, Skills, Infrastructure & the Digital Economy - £185,000 (2.4%) under spend

- i. The provisional outturn of **£7.640m** is **2.4%** lower than the final approved budget of **£7.825m**. After proposed adjustments, there is an adverse movement of **£127,000** since the position reported at third quarter, due to additional activity incurred within Transport Strategy as a result of major schemes feasibility work being undertaken which should help support bids for external technology and innovation pots in future years.
- ii. The under spend is driven by staffing vacancies and unutilised project budgets within Skills (**£573,000**) and an under spend within Traded Strategy largely due to staffing vacancies (**£186,000**). This is offset by over spends within Economic Regeneration relating to additional costs incurred due to the delayed exit from the Basildon and Clacton Enterprise Centres and severance costs incurred as part of the Organisational Design (**£478,000**), and major schemes feasibility work within Transport Strategy (**£111,000**).
- iii. Approval is sought to the following actions as a consequence of the provisional outturn position for 2017/18:
 - Carry forward **£387,000** to the service, as set out in **Appendix C**.
 - To withdraw **£272,000** from the Transformation reserve to support Organisation Design costs.

4. Education Dedicated Schools Grant (DSG) - £5.656m over spend

- i. The over spend relates to the change in the total of school balances, which have reduced as a consequence of schools converting to academy status. **£5.656m** has been withdrawn from the Schools reserve to offset this over spend.
- ii. The Dedicated Support Grant is over spent by **£5.1m**, primarily due to historic under funding of three and four-year-old early years' provision and increased volume and complexity of pupils with special educational needs. The over spend will be carried forward to the schools budget for 2018/19 or the subsequent year, and a recovery plan has been put in place to address this going forward.

5. Education Non Dedicated Schools Grant - £941,000 (1.3%) over spend

- i. The provisional outturn of **£73.457m** was **1.3%** higher than the final approved budget of **£72.516m**. After proposed adjustments, there is an adverse movement of **£240,000** since the position reported at third quarter, mainly due to pressures within Home to School and College Transport.
- ii. This overspend is largely due to Home to School and College Transport (**£1.4m**) 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 2017/18:
- Carry forward **£693,000** to the service, as set out in **Appendix C**.
 - To withdraw **£446,000** from the Transformation reserve to fund organisation design restructuring costs.
 - Appropriate unspent Private Finance Initiative (PFI) credits of **£93,000** to the Building Schools for the Future PFI Reserve and **£27,000** to the Clacton Secondary Schools PFI Reserve.
 - Withdraw PFI credits of **£187,000** from the Debden Park PFI Reserve

6. Environment and Waste - £1.244m (1.6%) over spend

- i. The provisional outturn of **£78.493m** is **1.6%** higher than the final approved budget of **£77.249m**. This is a minimal movement compared to the reported position at the third quarter stage.
- ii. This over spend resulted from a payment to Southend Council for PFI credits in relation to Waste Management (**£722,000**) and under achievement of income within Country Parks (**£164,000**) and Outdoor Education mainly due to slippage in the delivery of

the capital investment of cabins at Mersea and Danbury (**£386,000**).

- iii. Approval is also sought to draw down **£802,000** from reserves to cover the following:
- **£722,000** from the Waste Reserve in respect of Southend PFI;
 - **£39,000** from the Communities Initiatives Fund to Communities in support for costs incurred;
 - **£34,000** from the EES for Schools Traded Reserve in support of Outdoor Education costs incurred for Furniture, Fittings and Equipment as part of the enhancement of activity stations and facilities.
 - **£7,000** from the Transformation Reserve to support the Country Parks car parking project.

7. Health and Adult Social Care - £16.403m (3.9%) under spend

- i. After the **£6.1m** carry forward to support the 2018/19 budget challenges the portfolio has under spent by **£10.3m** which is **1.6%** of the gross budget of **£647.709m**.
- ii. After proposed adjustments, there is an improvement of **£5.370m** since the position reported at third quarter, mainly due to a change to the debt provision policy (**£2.7m**), increased Income for Non Residential Care (**£1m**) and a reduction in volumes on reablement and domiciliary care (**£2.6m**).

- iii. The main drivers for the under spend are within Care and Support (**£11m**) are Working Age Adults (**£7.3m**) and Older People (**£3.7m**) due to higher than budgeted income on non-residential care and from health partners in relation to Continuing Health Care (CHC), together with a reduction in direct payments made and lower residential, individual budgets and respite care placements.
- iv. There is also an under spend within Service Management (**£4.6m**) largely due to staffing vacancies across the service which have been on a reducing trend across the year (**£2.1m**), together with a budget for the contribution to the bad debt provision in respect of Non-Residential charges that was not required (**£1.2m**), together with lower costs in relation to Safeguarding Assessments (**£1m**).
- v. Approval is sought to:
 - Carry forward **£7.787m** to the service, as set out in **Appendix C**;
 - Appropriate **£110,000** into the Transformation Reserve in respect of slippage in projects to be transferred to the service budget in 2018/19 to fund the continuation of the following projects:
 - **£39,000** Extra Care Housing;
 - **£34,000** Social Care Income project.
 - **£17,000** Increasing Independence;
 - **£14,000** Sustainability Project;
 - **£6,000** Transforming Care programme.

- To withdraw **£161,000** from the Transformation Reserve to fund additional costs incurred in relation to the Technology in Care programme
- Appropriate **£58,000** to the Partnership Reserve for Safeguarding Board contributions from Partners.

8. Highways – **£920,000 (2.2%) under spend**

- i. The provisional outturn of **£41.367m** is **2.2%** lower than the approved final budget of **£42.287m**. After proposed adjustments, there is an improvement of **£368,000** since the position reported at third quarter.
- ii. The under spend is primarily due to lower than expected staffing costs (**£1.2m**), a rebate from our highways contractors for 2016/17 (**£522,000**) and an over recovery of income largely from bus lane enforcement (**£250,000**). This is offset by an over spend on Winter service (**£924,000**) as a result of adverse weather conditions experienced, which has been contained within the service.
- iii. Approval is sought to the following actions as a consequence of the provisional outturn position for 2017/18:
 - Carry forward **£552,000** to the service, as set out in **Appendix C**.
 - To withdraw **£128,000** from the A130 PFI reserve to cover the additional costs incurred due to delays in the programme with the third lane

opening, resulting in expected performance targets not being achieved.

9. Housing, Planning and Property – £52,000 (1.4%) under spend

- i. The provisional outturn of **£3.594m** is **1.4%** lower than the final approved budget of **£3.646m**. This is a minimal movement compared to the reported position at the third quarter stage.
- ii. This under spend is primarily due to in year staffing efficiencies, partially offset by an over spend of **£86,000** within Travellers relating to revenue costs incurred on the Fernhill site since it became operational.

10. Leader – £278,000 (2.7%) under spend

- i. The provisional outturn of **£9.911m** is **2.7%** lower than the final approved budget of **£10.189m**. After proposed adjustments, there is an improvement of **£184,000** since the position reported at third quarter, mainly due to Initiatives and Partnerships where staff costs are less than previously anticipated.
- ii. The under spend is mainly attributable to Gavin's Den (**£205,000**), Initiatives and Partnerships (**£157,000**) where staff costs are less than previously anticipated, and Digital (**£60,000**) due to staffing under spends. This is offset by a pressure in Corporate Policy (**£257,000**) mainly comprising of costs associated

with the Essex Challenge Prize initiative (**£66,000**) and redundancy costs (**£67,000**).

- iii. Approval is sought to the following actions as a consequence of the provisional outturn position for 2017/18:

- Carry forward **£264,000** to the service, as set out in **Appendix C**.
- To withdraw **£66,000** from the Innovation reserve to Corporate Policy to fund costs associated with Essex Challenge Prize initiative
- To withdraw **£98,000** from the Transformation reserve to fund redundancy costs
- To appropriate **£18,000** into the Public Sector Reform partnership reserve.

11. Resources - £1.671m (10.2%) under spend

- i. The provisional outturn of **£14.749m** is **10.2%** lower than the final approved budget of **£16.420m**. After proposed adjustments, there is an improvement of **£976,000** since the position reported at third quarter, mainly due to a reduced provision within Deputyships held for the Office of the Public Guardian, income generated from Property Investment initiative and a number of one off financing adjustments.
- ii. This under spend is predominantly due to a reduction in the share back of income under the Council Tax Sharing scheme (**£923,000**), and the receipt of additional income (**£500,000**).

- iii. Approval is sought to appropriate **£200,000** into the Carry Forward Reserve as detailed in **Appendix C**.

12. Culture, Communities and Customer Recharged Support Services - £48,000 (2.4%) under spend

- i. No material variances to budget

13. Leader Recharged Support Services - £341,000 (3.4%) over spend

- i. The provisional outturn of **£10.329m** is **3.4%** higher than the final approved budget of **£9.988m**. After proposed adjustments, there is an improvement of **£101,000** since the position reported at third quarter, mainly due to lower than budgeted printing and publication costs and vacancies within Communications and Customer Relations, and additional Better Care Fund income within Performance and Commissioning Support.
- ii. The over spend is due to redundancy costs within Communications and Customer Relations (**£122,000**), Performance and Commissioning Support (**£204,000**) and Project Management Office (**£314,000**). This is partially offset by vacancies across the portfolio.
- iii. Approval is sought to the following actions as a consequence of the provisional outturn position for 2017/18:

- Carry forwards **£139,000** to the service, as set out in **Appendix C**.
- To withdraw **£640,000** from the Transformation Reserve to fund redundancy costs and to return **£71,000** to the same reserve in respect of unused project funding in the Project Management Office (**£65,000**) and the Communications Project (**£6,000**).

14. Resources Recharged Support Services - £3.921m (4.8%) under spend

- i. The provisional outturn of **£77.623m** is **4.8%** lower than the final approved budget of **£81.544m**. After proposed adjustments, there is an adverse movement of **£529,000** since the position reported at third quarter, mainly due to a reduction in the under spend across the wider Property function, and as a result the draw down from the Capital Receipts reserve will not be taken. A carry forward is now required to support procurement activity in 2018/19 and a realignment of the under spends across the Corporate and Customer function, that cross a number of portfolios. The carry forward is required to mitigate the organisation design savings within Corporate and Customer services on a one-off basis while changes are implemented.
- ii. This under spend is predominantly due to:
 - High level of vacancies in Finance (**£1.8m**) and Business Support (**£840,000**) prior to organisation design

- Insurance Cost Recovery Account (**£817,000**) mainly due to a significant reduction in the total value of claims paid in 2017/18, recovery of costs in relation to John Ray Infants School, and a review of insurance liabilities
- Digital Foundations Programme (**£679,000**) due to a review of the planned scope of the project.

iii. Approval is sought to the following actions as a consequence of the provisional outturn position for 2017/18:

- Carry forward **£3.640m**, as set out in **Appendix C**.
- To withdraw **£999,000** from the Transformation Reserve for the following purposes:
 - **£748,000** to fund redundancy costs across the portfolio
 - **£251,000** to support spend associated with the Digital Channels (**£246,000**) and Superfast Broadband (**£5,000**) projects
- Appropriate **£693,000** into the Transformation Reserve in respect of the Digital Foundations Programme (**£679,000**) and Social Care Case Management Project (**£14,000**) as costs will now be incurred in 2018/19.
- Appropriate **£347,000** to the EES Traded Reserve to adjust balances between that trading account and Essex Legal Services.

- Appropriate **£705,000** into the Insurance Reserve following a one-off credit from Mitie's insurers following the fire at John Ray Infants School.

15. Other Operating Costs (interest and capital financing) - **£6.924m (15.8%) under spend**

- The provisional outturn of **£36.792m** is **15.8%** lower than the final approved budget of **£43.716m**. After proposed adjustments, there is an adverse movement of **£3.250m** since the position reported at third quarter, mainly due to a proposed appropriation to the Reserve for Future Capital Funding.
- £5.430m** of the under spend relates to Capital Financing, and largely results from the Council revising its policy for making provision for the repayment of debt at the start of 2017/18.
- The remainder of the under spend (**£1.494m**) arises because it was not necessary to secure external loans during the year and because higher returns were achieved on amounts invested.
- Approval is sought to the following actions as a consequence of the provisional outturn position for 2017/18:
 - Appropriate **£2m** into the Carry Forwards Reserve to support delivery of the 2018/19 budget.
 - Appropriate **£5m** into the Reserve for Future Capital Funding to support the financing of the 2018/19 Capital Programme.

Appendix E – Trading Activities

	2017/18					Rag Status
	Original Budget	Final Budget	Provisional Outturn	Variance	Variance	
	£000	£000	£000	£000	%	
Income	(42,822)	(33,001)	(31,617)	1,384	(4.2%)	♦
Expenditure	35,429	28,208	29,678	1,470	5.2%	♦
Financing Items	-	-	-	-	-	■
(Surplus)/Deficit	(7,393)	(4,793)	(1,939)	2,854	(59.5%)	♦
Appropriations	6,787	4,303	3,897	(406)	(9.4%)	●
Net (increase) / decrease in revenue reserves	(606)	(490)	1,958	2,448	(499.6%)	♦
Analysis of net (increase) / decrease in Trading Activities reserves						
EES for Schools	(606)	(744)	705	1,449	(194.8%)	♦
Music Services	-	-	103	103	-	●
School staffing insurance scheme	-	-	650	650	-	♦
Library Services	-	-	33	33	-	●
Smarte East	-	-	143	143	-	●
Essex Legal Services	-	253	320	67	26.5%	♦
Information Services infrastructure	-	-	(101)	(101)	-	■
Place Services	-	1	105	104	10400.0%	♦
Net (increase) / decrease in revenue reserves	(606)	(490)	1,958	2,448	(499.6%)	♦
				2017/18		
				Opening Balance	Closing Balance	
				£000	£000	
Total Reserves Balance				(3,373)	(1,415)	

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 planned to increase its revenue reserves by **£744,000** in 2017/18. In comparison, its revenue reserves have been depleted by **£705,000** (an adverse variance from the latest approved financial target of **£1.449m**). The adverse position was due to a number of contributing factors:
 - Anticipated sales from a new product (SE+) not materialising;
 - Multi-Academy Trusts (MATs) being increasingly able to support themselves;
 - Schools scaling back their spending.
- ii. The net movement in the EES for Schools trading reserves assumes that the following proposals are approved:
 - To appropriate **£679,000** into the Trading Account from the General Fund for redundancy costs relating to the Organisation Design, and to reimburse the trading account for amounts previously allocated to the Essex Legal Services trading account; and
 - To transfer **£34,000** from the Trading Account, and into the General Fund, for expenditure on outdoor education.

2. Music Services

- i. The trading activity failed to achieve its income target in 2017/18, and had insufficient revenue reserves to fully mitigate its loss of **£103,000**. Approval is therefore sought to appropriate **£62,000** from the General Fund to bring the trading account back into a neutral position, on the basis that the Service will replenish the General Fund in 2018/19.

3. Schools Staff Insurance Scheme

- i. The trading activity incurred a deficit of **£650,000** due to an unprecedented increase in claims in the Spring Term. It has sufficient revenue reserves to absorb this loss.

4. Library Services

- i. Library Services is no longer trading. This account relates to library services provided to Slough. It is therefore proposed that this account is closed, and that the residual revenue reserves (totalling **£25,000**) are appropriated into the General Fund.

5. Smarte East

- i. Smarte East is no longer trading. It is therefore proposed that this account is closed, and that the

residual revenue reserves (totalling **£143,000**) are appropriated into the General Fund.

6. Information Services

- i. The trading activity budgeted to break even, but actually achieved a surplus of **£101,000**, which has been added to its revenue reserves.

7. Place Services

- i. The trading activity planned to reduce its revenue reserves by **£105,000** in 2017/18, due to the aggressive programme of income growth expected following the services involvement in the business accelerator programme process. Actual performance was broadly in line with this target.

Appendix G – Capital Payments and Financing Summary

	Original Approval	Final Approval	Actual	Variance
	£000	£000	£000	£000
Children and Families	550	500	351	(149)
Culture, Communities and Customer	1,701	862	305	(557)
Economic Growth, Skills, Infrastructure and Digital Economy	42,682	37,444	35,801	(1,643)
Education				-
Local Authority Controlled	86,314	79,010	75,095	(3,915)
Schools Controlled	1,832	1,380	1,122	(258)
Environment and Waste	6,897	7,615	8,052	437
Health & Adult Social Care	4,591	4,818	3,546	(1,272)
Highways	102,325	106,757	103,785	(2,972)
Housing, Property and Planning	9,113	6,664	6,184	(480)
Leader	-	-	-	-
Resources	7,351	7,024	6,602	(422)
Property Investment	-	27,403	27,180	(223)
Total payments to be financed	263,356	279,477	268,023	(11,454)
Financed by				
Unsupported borrowing	107,087	121,661	117,093	(4,568)
Grants and contributions	121,003	135,522	128,226	(7,296)
Capital receipts	15,000	7,862	7,878	16
Earmarked reserves	-	0	-	
Reserve for future capital funding	20,266	14,432	14,826	394
Total financing	263,356	279,477	268,023	(11,454)

Appendix H – Capital Variance Plan (Summary)

	Slippage	2017/18		Advanced Works	2017/18 Changes	2018/19 Changes
		Additions	Reductions			
	£000	£000	£000	£000	£000	£000
Children and Families	(100)	-	(49)	-	(149)	100
Culture, Communities and Customer	(550)	-	(7)	-	(557)	550
Economic Growth, Skills, Infrastructure and Digital Economy	(3,386)	4,291	(3,881)	1,334	(1,642)	2,052
Education						
Local Authority Controlled	(3,752)	5,752	(5,966)	51	(3,915)	3,701
Schools Controlled	-	397	(656)	-	(259)	-
Environment and Waste	(363)	1,099	(689)	389	436	(26)
Health & Adult Social Care	(1,193)	3	(82)	-	(1,272)	1,193
Highways	(2,848)	3,118	(3,429)	188	(2,971)	2,660
Housing, Property and Planning	(665)	5,964	(5,779)	-	(480)	665
Leader	-	-	-	-	-	-
Resources	(127)	170	(464)	-	(421)	127
Property Investment	(224)	-	-	-	(224)	224
Total payments to be financed	(13,208)	20,794	(21,002)	1,962	(11,454)	11,246
Financed by						
Unsupported borrowing					(4,568)	
Grants and contributions					(7,296)	
Capital receipts					16	
Reserve for future capital funding					394	
Total financing					(11,454)	

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 - £149,000 (30%) under spend

- i. The provisional outturn of **£351,000** was **£149,000** less than the final approved budget of **£500,000**. This is due to the Adaptations programme, where **£194,000** has been committed from successful applications for grant funding, however it has not been possible for **£100,000** of that to be delivered in 2017/18 and therefore approval is sought to re-profile this into 2018/19. The remaining uncommitted budget is no longer required and therefore approval is sought for a reduction to the capital programme of **£49,000**.

2. Culture, Communities and Customer – £557,000 (65%) under spend

- i. The provisional outturn of **£305,000** was **£557,000** less than the final approved budget of **£862,000**. The main reasons for the under spend is Mercury Theatre (**£500,000**), where Colchester Borough Council are unable to confirm that the required milestones have been met in order to release payment, furthermore due to a number of delays, delivery timelines have slipped.

3. Economic Growth, Skills, Infrastructure and the Digital Economy - £1.643m (4%) under spend

The provisional outturn of **£35.801m** was **£1.643m** less than the final approved budget of **£37.444m**. The main reasons for the under spend is set out below.

- i. **Harlow MedTech - £1m under spend**; although the scheme is in delivery and costs are being incurred the milestone for awarding the grant will not be triggered until the developer agreement is signed, which is expected to take place in the first quarter of 2018/19, therefore approval is sought to re-profile **£1m** into 2018/19;
- ii. **Chelmsford Station (Station Square/Mill Yard) £738,000 under spend**; This is a Chelmsford City Council led project for which the Council has no control over delivery and completion has now slipped to July 2018 therefore approval is sought to re-profile **£738,000** into 2018/19; and
- iii. **Harlow Enterprise Zone (HEZ) & A414 Pinch Point Package one £582,000 over spend**; The final account from the contractor has resulted in an over spend of **£582,000** and approval is sought for an addition to the capital programme. This is to be funded partly by advancing **£487,000** Local Growth funding from 2019/20 on the A414 Harlow to Chelmsford scheme which is going to cost less than originally anticipated, the remainder is to be funded from the Ringway Jacobs Year 5 credit.

4. Education - £3.915m (5%) under spend

The provisional outturn of **£75.095m** was **£3.915m** less than the final approved budget of **£79.010m**. The main reasons for the under spend is set out below

- i. **Basic Need Programme:** The under spend is primarily due to New Hall Farm Primary where adverse weather has caused delays to the external work of the scheme. In addition the scheme at Roding Valley High School is now 7 weeks behind schedule which has resulted in a larger proportion of the spend profile slipping into 2018/19 than originally expected;
- ii. Overall, approval is sought in this report to re-profile **£3.4m** into future years, to add **£5.8m**, funded by reductions of **£6m** and finally to advance **£51,000** from future; and
- iii. **Early Years, £317,000** under spend; due to a number of schemes where planning has not been achieved as early as anticipated. Furthermore the S106 funded element of the Great Chesterford Play to Learn scheme has slipped as the terms of the second milestone payment were not reached in time to allow payment in 2017/18.

5. Environment and Waste - £437,000 (6%) over spend

The provisional outturn of **£8.052m** was **£437,000** higher than the final approved budget of **£7.615m**. The main reasons for the position are set out below:

- i. **Flood Management £271,000** over spend; in order to mitigate delays on 2017/18 planned projects, alternative high priority works have been brought forward from 2018/19 resulting in an over spend of **£271,000**. Approval is sought to advance funding from 2018/19;
- ii. **Country Parks £359,000** under spend; the Management Agreement with Thurrock is still outstanding which means the play equipment at Belhus Country Park cannot be installed in 2017/18. Therefore, approval is sought to re-profile **£100,000** into 2018/19. The remaining under spend relates to the extension of the car park at Thorndon which requires planning permission before work can commence and this has slipped into 2018/19; and
- iii. **Community Initiatives £410,000** over spend; this over spend arose in the final quarter of the year in relation to grants awarded to third parties. Approval is sought to withdraw **£410,000** from the Community Initiatives Reserve, and to appropriate this into the Reserve for Future Capital Funding, to provide to additional capital financing to cover expenditure.

6. Health and Adult Social Care - £1.272m (26%) under spend

The provisional outturn of **£3.546m** was **£1.272m** less than the final approved budget of **£4.818m**. The main reasons for the under spend is set out below.

- i. **Transforming Care Adults with Disabilities Thistley Evegate, £532,000** under spend; the scheme has encountered a number of issues including the need to remove bats from the site and having to make amendments to the internal layout which has resulted in **£532,000** needing to be re-profiled into 2018/19; and
- ii. **Pollysfield, £648,000** under spend; the scheme has been delayed while the developers seek to close their funding gap. Approval is sought to re-profile **£648,000** into 2018/19.

7. Highways - £2.972m (3%) under spend

- i. The provisional outturn of **£103.785m** was **£2.972m** less than the final approved budget of **£106.757m**. This is primarily due to favourable negotiations with Ringway Jacobs on the closure of the Year 5 (2016/17) final account which has resulted in a net **£1.4m** credit coming back to the authority across the whole Highways Maintenance programme. Approval is sought for a budget reduction of this value, to fund various over spends such as Harlow Enterprise Zone and Colchester Integrated Transport Package within the Deputy Leader and Economic Growth, Skills, Infrastructure and the Digital Economy Portfolio.
- ii. **Bridges, £689,000** under spend - **£141,000** relates to the Year 5 credit as described above, however **£548,000** relates to 2017/18 scheme delivery. There have been delays on two schemes, Catholic Bridge and Victoria Road Bridge, due to issues with Network Rail granting access to work on/near the

railway. The schemes commenced in 2017/18 and **£408,000** is required to allow them to complete in 2018/19 therefore approval is sought to re-profile this amount into 2018/19.

- iii. **Safety Barrier Replacement £1.2m** under spend – delays to delivery for two rail containment schemes has resulted in an under spend of **£1.2m. £761,000** of this is required to allow the schemes to complete in 2018/19, the remainder will be a reduction to the capital programme.

8. Housing, Planning and Property - £480,000 (7%) under spend

- i. The provisional outturn of **£6.184m** was **£480,000** less than the final approved budget of **£6.664m**. The main reasons for the under spend is set out below:
- ii. **Maldon Friary £262,000** under spend – due to various amendments required by the planning authority causing the planning application to be re-submitted and delivery to slip into 2018/19; and
- iii. **Essex Housing Block - £220,000** under spend, **£53,000** of which will offset over spends on Moulsham Lodge and Goldlay Gardens. **£167,000** will be requested as slippage, which is primarily the result of delays to the Shernbroke project and issues arising on Saxon Way, such as the Community Group currently using the site.

9. Resources – £422,000 (6%) under spend

The provisional outturn of **£6.602m** was **£422,000** less than the final approved budget of **£7.024m**. The main reasons for the under spend is set out below

- i. **New Corporate Systems, £168,000** over spend; there was no remaining budget in 2017/18 as the scheme had completed, however an accrual was raised in 2016/17 for change requests outstanding with the contractor, the actual cost is **£168,000** greater and so approval for a budget addition is requested;
- ii. **Next Generation Networks, £178,000** under spend; the contractor delayed the capital works for this scheme while the direction of the Digital Foundation Programme was considered. As a result, only a small amount of capital works were carried out in 2017/18, but a higher level of revenue work was completed instead. Due to the revenue budget being under spent it is proposed that this unused budget is reduced from the capital programme;
- iii. **Digital Foundations, £168,000** under spend; this relates to unutilised contingency. Approval is now sought to reduce the budget by **£168,000**; and
- iv. **Property Investment, £224,000** under spend; the budget allocated in 2017/18 was based on estimated costs in relation to the two property purchases that have taken place this year. Actual costs have been lower and therefore the remaining budget will be slipped into 2018/19 to be used on future property transactions

10. **Controlled Elsewhere – £258,000 (19%) under spend**

- i. Approval is sought for an addition of **£397,000** and a reduction of **£656,000** in relation to the Schools Devolved Formula Capital grant, 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 2017	2017/18 movements		Balance at 31 March 2018 as at
	£000	Contributions to reserves £000	Withdrawals from reserves £000	£000
Restricted use				
Grants equalisation reserve	11,127	5,511	(5,852)	10,786
PFI equalisation reserves				
A130 PFI	48,908	102	(3,763)	45,247
Clacton secondary schools' PFI	3,426	30	(620)	2,836
Debden PFI	4,418	7	(611)	3,814
Building Schools for the Future PFI	1,545	325	-	1,870
Waste reserve	90,890	10,618	(1,775)	99,733
Schools	47,304	5,318	(10,974)	41,648
Partnerships	1,540	352	(121)	1,771
Trading activities	3,373	101	(2,059)	1,415
	212,531	22,364	(25,775)	209,120

Future Capital Funding and other revenue reserves

	Balance at 1 April 2017	2017/18 movements		Balance at 31 March 2018 as at
	£000	Contributions to reserves £000	Withdrawals from reserves £000	£000
Future capital funding	5,060	19,827	(14,826)	10,061
Other revenue reserves				
Adults Digital programme	-	7,000	(100)	6,900
Capital receipts pump priming	2,757	-	(432)	2,325
Carbon Reduction reserve	2,984	-	(378)	2,606
Carry Forwards Reserve	6,635	16,395	(6,635)	16,395
Collection Fund investment risk reserve	1,412	-	-	1,412
Community Initiatives Reserve	2,097	-	(1,301)	796
Insurance	8,356	705	-	9,061
Innovation	1,861	-	(66)	1,795
Local Projects reserve	-	1,000	(133)	867
Pension Fund Deficit reserve	840	-	(634)	206
Quadrennial Elections reserve	1,475	500	(1,857)	118
Transformation	32,741	11,346	(22,072)	22,015
Other reserves	775	545	-	1,320
	61,933	37,491	(33,608)	65,816

Appendix K – General Balance

GENERAL BALANCE

	£000
Actual Balance 31 March 2017	55,299
2017/18 Original Budget withdrawal	-
Actual Balance 1 April 2017	55,299
Subsequent movements	
Approved withdrawals	
Essex Lottery	(80)
Supporting Local Plan Delivery	(105)
	(185)
Contributions	
Hadleigh castle carry forward - transfer to General Balance	5
Supporting Local Plan Delivery - return unused funding	93
	98
Subsequent movements	(87)
Budgeted balance at 31st March 2018	55,212
2017/18 Provisional Outturn proposals	-
Actual balance at 31 March 2018	55,212

Appendix L – Prudential Indicators		Approved Indicator	Provisional Outturn
1 Affordability			
Incremental impact on Council Tax of 2017/18 and earlier years' 'starts'		£	£83.32
Ratio of financing costs to net revenue streams (excl. gen. govnt. grant)		%	8.0%
Ratio of financing costs to net revenue streams (incl. gen. govnt. grants)		%	7.5%
2 Prudence		<i>Net borrowing is well within the medium term forecast of the Capital Financing Requirement.</i>	
Net borrowing and Capital Financing Requirement			
3 Capital Expenditure			
Capital expenditure		£m	263
Capital Financing Requirement (<i>excluding credit arrangements</i>)		£m	858
4 External Debt			
Authorised limit (borrowing only)		£m	760
Operational boundary (borrowing only)		£m	590
Actual external borrowing (maximum level of debt during year)		£m	N/A
5 Treasury Management			
Interest rate exposures			
Upper limit for exposure to fixed rates			
Net exposure		£m	760
Debt			100.0%
Investments			100.0%
Upper limit for exposure to variable rates			
Net exposure		£m	228
Debt			30.0%
Investments			100.0%
Maturity structure of borrowing (upper limit)			
Under 12 months		%	40.0%
12 months & within 24 months		%	40.0%
24 months & within 5 years		%	40.0%
5 years & within 10 years		%	40.0%
10 years & within 25 years		%	60.0%
25 years & within 40 years		%	40.0%
40 years & within 50 years		%	20.0%
50 years & above		%	20.0%
Total sums invested for more than 364 days			
Authorised limit		£m	50
Actual sums invested (maximum position during year)		£m	N/A
6 Summary			
<i>All Treasury Management activities have been undertaken in accordance with approved policies and procedures.</i>			
<i>External debt is within prudent and sustainable limits.</i>			
<i>Credit arrangements have been undertaken within approved indicators</i>			
<i>Maturity Structure of borrowing: maturity dates for market loans are based on the next review date, not the final maturity date.</i>			

Appendix M – Treasury Management Summary

TREASURY MANAGEMENT - 2017/18						
	Actual Balance 1 April	Movements			Balance at 31 March	Interest payable / (earned) to date
	£000	Raised £000	Repaid £000	Net movement £000	£000	£000
Borrowing						
Long Term	513,174	5,583	(3,270)	2,313	515,487	16,372
Temporary	-	11	-	11	11	2
	513,174	5,594	(3,270)	2,324	515,498	16,374
Investments						
Long Term	(11,000)	-	1,000	1,000	(10,000)	(520)
Temporary	(302,112)	-	45,643	45,643	(256,469)	(2,050)
	(313,112)	-	46,643	46,643	(266,469)	(2,570)
Net indebtedness	200,062	5,594	43,373	48,967	249,029	13,804
Borrowing						
Average long term borrowing over period to date (£000)						507,848
Opening pool rate at 1 April 2017						3.73%
Weighted average rate of interest on new loans secured to date						N/A
Average pool rate for year						3.74%
Investments						
Average daily cash balance over period to date (£000)						382,714
Average interest earned over period						0.64%
Benchmark rate - average 7 day LIBID rate						0.22%