

**AGENDA ITEM 6  
ES/29/10**

<b>Committee</b>	Executive Scrutiny Committee	
<b>Date:</b>	26 October 2010	

**2010/11 Financial Review as at the half – year stage**

Enquiries to	Extn	Telephone no
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The attached report (CAB/021/10) was considered at Cabinet on 19 October 2010. The report is being submitted to the Committee given that one of its specified roles is “scrutinising the revenue and capital outturns”.

*Issues for the Committee to consider*

Some potential questions are set out below, which the Committee might find useful in its scrutiny role. (They have been deliberately framed in such a way as to make them applicable to a review of all outturn reports rather than being specifically tailored to this particular report.)

1. Does the report provide an adequate summary of the authority’s financial stewardship?
2. Do the report and the decisions taken by the Cabinet Member demonstrate that the policy aims of the Council are being met – has the link been made between policy and spend?
3. Are there any issues where further information or clarification is necessary in order to understand what has occurred and its implications?
4. Does the report highlight any issues that raise concerns about the financial control and financial standing of the authority?
5. Are there any issues that have potential ongoing significance?
6. In the light of the above questions does the Committee require a more detailed review and associated report on any issues?

<b>Cabinet</b>	<b>CAB / 021 / 10</b>
<b>Date: 19 October 2010</b>	

## 2010/11 FINANCIAL OVERVIEW AS AT THE HALF YEAR STAGE

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

### Enquiries to:

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### Purpose and recommendations

The purpose of this report is to provide an updated assessment of the financial position of the Council in 2010/11, based upon the position at the half year stage.

### Recommendations

- (i) That Cabinet Members note the current revenue and capital outturn forecasts (which are for a net over spend for the year of **£8.474m** on the Revenue Budget and an under spend of **£25.092m** against the approved capital payments guideline) and the explanatory comments that are provided in the Executive Summary (starting on page 3) and the subsequent sections and appendices of the Report.
- (ii) That **£670,000** is returned to the General Balance in respect of savings necessary to mitigate the impact of the withdrawal of revenue grant funding for road safety (see paragraph 2.4 on page 6).
- (iii) That approval is given to supplementary estimate requests, amounting to **£8.518m** which it is proposed are financed from the Emergency Contingency, or from Earmarked Revenue Reserves, as follows:

	Financing Source							Total
	Emergency contingency	Future Capital Funding	Service Improvement Reserve	ExDRA reserve	Children's Reserve	Essex Transport Reserve	Trading Activities' Reserve	
	£000	£000	£000	£000	£000	£000	£000	
	<b><u>Portfolio / RSSS requesting funds</u></b>							
Children's Services	-	-	-	-	3,929	-	-	3,929
Education & 2012 Games	-	-	-	-	-	-	780	780
Highways and Transportation	-	-	-	-	-	60	-	60
Leader	-	-	353	733	-	-	-	1,086
Recharged Support Services								
Facilities Management Service	174	-	-	-	-	-	-	174
Essex Legal Services	1,124	-	-	-	-	-	-	1,124
Information Services	322	200	-	-	-	-	-	522
Asset Management	93	-	-	-	-	-	-	93
Building Maintenance	-	750	-	-	-	-	-	750
<b>Total</b>	<b>1,713</b>	<b>950</b>	<b>353</b>	<b>733</b>	<b>3,929</b>	<b>60</b>	<b>780</b>	<b>8,518</b>

(iv) That Revenue under spends of **£5.315m** are retained by Services at this stage.

(v) That Portfolios' 2010/11 capital payments guideline and financing assumptions are:

- Increased by **£17.489m**, to take account of new, self financed, schemes;
- Reduced by **£25.415m**, with a corresponding increase in the payments guideline for 2011/12 and subsequent years, to reflect the impact of slippage in schemes; and
- Reduced by **£17.166m** to remove provision for schemes that will no longer be progressed or which have been completed below budget.

The impact upon Portfolios' capital payment guidelines of making these changes is summarised in **Appendix E**.

# 1. Executive summary

## 1.1 Revenue

A preliminary assessment of the Revenue Budget at the First Quarter stage indicated a net over spend for the year of **£12.770m**. However, after adjusting this forecast for proposed mitigation and the under spends that Services indicated they wished to retain, the underlying forecast was for an over spend of **£19.234m**.

An updated assessment of the Revenue Budget, as at the Half Year stage, suggests some improvement to this position. A net over spend for the year of **£8.474m** is now forecast. Reflected within this total are proposals for mitigating actions, as follows:

- **£670,000** is to be returned to the General Balance, by the Highways and Transportation portfolio, to reflect the impact of a loss of grant funding for road safety.
- Supplementary funding of **£8.518m** is allocated to portfolios, to be financed from the Emergency Contingency (**£1.713m**) or by withdrawals from earmarked revenue reserves (**£6.805m**).

The position after adjusting for these mitigating actions, and after taking account of under spends amounting to **£5.315m** which services have indicated they wish to retain, is underlying forecast over spend of **£14.459m** (which is **£4.775m** less than forecast at the First Quarter stage). Recovery plans are being progressed to mitigate this position.

Area Based, Performance Reward and other grants previously awarded to the Council have been withdrawn as part of a programme of national funding cuts announced by the Government in June 2010. In some cases, budgets have already been adjusted in line with the revised grant allocations. In other cases, expenditure plans have yet to be correspondingly reduced, and are therefore incorporated within this report as budget pressures.

**Appendix A** provides a summary, by portfolio, of the current forecast outturn on the Revenue Budget, and **Appendix B** summarises the mitigation proposed, the under spends that it is proposed are retained and the underlying outturn forecast by portfolio. Commentary on those portfolios that are forecasting a revenue budget variance equal to, or greater than, **£500,000** or **5%** of their approved budget, is provided in section 2, which commences on page 6 of the report.

## 1.2 Trading activities

At this stage, it is anticipated that the Trading Activities' revenue reserves will decrease from **£2.885m** to **£2.867m**, as summarised in **Appendix C**.

Included within this forecast are proposals for appropriating **£780,000** from the accumulated revenue reserves of the Education and 2012 Games portfolio's trading activities, to partially mitigate revenue budget pressures. Also incorporated is a forecast deficit by the IS Infrastructure Trading Activity of **£513,000**. Consideration is currently being given to ways of mitigating this position, as the trading activity has no accumulated reserves from which to fund the deficit.

The underlying position is net surplus of **£1.275m**, which is **£416,000** more than assumed in the approved financial targets for 2010/11.

### 1.3 Capital

Capital payment approvals for 2010/11 originally amounted to **£383.921m** but, after adjusting this total to reflect the proposals contained within the First Quarter Report and various Cabinet Member decisions, the latest approved capital payments guideline amounts to **£354.572m**. Capital expenditure is currently forecast to be **£25.092m** below this guideline, primarily as a consequence of slippage in schemes, although the forecast also takes account of proposals to increase starts and payment approvals in respect of new schemes and to remove the underlying under spend from the Capital Programme.

In summary, approval is sought to:

- Re-profile payment approvals of **£25.415m** into 2011/12, or a subsequent financial year, as a consequence of slippage in schemes;
- Reduce scheme and payment approvals by **£17.166m** as a consequence of under spends or to reflect decisions not to proceed with schemes; and
- Increase the starts and payment approvals in 2010/11 by **£17.489m** in respect of schemes subject to grant funding.

The net effect of these changes is to reduce the approved capital payments guideline to **£329.480m**.

**Appendix D** provides a comparison of approved and forecast outturn capital payments by portfolio, and **Appendix E** sets out the variance plan which summarise the proposals for addressing the forecast budget variances. Commentary on those portfolios that are forecasting variances equal to, or greater than, **£500,000** or **5%** of their approved payments guideline, is provided in Section 3, which commences on page 9 of the report.

### 1.4 Reserves and balances

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

- **£670,000** will be returned to the General Balance by the Highways and Transportation portfolio, to reduce budget provision for road safety, following the loss of grant funding for this activity;

- **£1.713m** of the Emergency Contingency will be allocated to fund additional expenditure by Legal Services, Information Services and Facilities Management;
- **£3.929m** will be withdrawn from the Children's Reserve to partially mitigate the budget pressures forecast by the Children's Services portfolio;
- **£780,000** will be withdrawn from the accumulated revenue reserves of the Education and 2012 Games portfolio's trading activities, to partially mitigate the portfolio's revenue budget pressures;
- **£60,000** will be withdrawn from the Essex Transport Reserve to finance residual costs incurred by the Highways and Transportation portfolio in relation to the Coval Lane site;
- **£353,000** will be taken from the Service Improvement Reserve to provide funding for the supporting diverse communities project;
- **£733,000** will be withdrawn from the ExDRA Reserve to meet costs related to the European Social Fund.
- **£950,000** will be taken from the Reserve for Future Capital Funding to meet revenue costs associated with schemes in the capital programme.

**Appendix F** (which commences on page 19) provides an estimate of the position on the General Balance, the Emergency Contingency and earmarked revenue reserves as at 31<sup>st</sup> March 2011, after incorporating the above proposals.

## 1.5 Prudential indicators and Treasury Management

Activities have remained within the boundaries established by the approved prudential indicators and treasury management strategy during the year to date and it is envisaged that they will continue to do so during the remainder of the financial year as well.

A return of **1.28%** has been achieved on sums invested during the year to date. This compares favourably with the benchmark Local Authority Seven Day rate, which has averaged at **0.38%** over the same period.

The long term borrowing requirement for 2010/11 was originally assessed at **£167m** but, as a consequence of changes to capital financing assumptions, is currently estimated at **£133m**. In comparison, **£40m** of new loans have been secured from the Public Works Loans Board during the year to date. The pool rate of interest on long term loans has been reduced marginally, to **4.26%**, as a consequence of securing these new loans.

A summary of the Prudential Indicators and investment and borrowing levels is provided in **Appendix G** (see pages 21 and 22).

## **2. Portfolio commentary - Revenue**

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

### **2.1 Adults, Health and Community Wellbeing - £4.729m over spend**

A net over spend of **£4.729m** is forecast as a consequence of demand pressures relating to care costs for older people and those with physical and sensory impairments, partially offset by lower than forecast demand within Learning Disabled service users, principally those requiring residential care. The options for mitigating this position are being considered, and include a review of back office functions and staffing structures.

### **2.2 Children's Services - £7.195m over spend**

The forecast over spend primarily relates to assessment and family support for vulnerable children, where additional staff have been required to meet the target timescales for completion of initial and core assessments and ensure the case load per worker does not exceed an acceptable level. In addition, there has been an increase in the numbers of looked after children that need to be placed with external providers and additional costs related to implementation of the improvement plan project.

Approval is sought for supplementary funding of **£3.929m**, to be financed from the Children's Reserve, to partially fund these additional costs; the Children's Reserve was established specifically for this purpose. Management actions are being taken to mitigate the remainder of the forecast over spend of **£3.266m**.

### **2.3 Education and 2012 Games - £1.939m over spend**

The forecast over spend results from a reduction in area based and other grant funding, mainly impacting upon the Youth Service.

Approval is sought for supplementary funding of **£780,000**, to be financed by a withdrawal from the revenue reserves of the Portfolio's trading activities, to partially mitigate the forecast over spend. Management actions are being taken to mitigate the remainder of the forecast over spend of **£1.159m**.

### **2.4 Highways and Transportation - £431,000 over spend**

It is proposed that **£670,000** of the Portfolio's budget is returned to the General Balance, to reflect a reduction in spending on road safety following a loss of grant funding. The effect of this adjustment is to increase the underlying over spend to **£1.101m**. This position primarily results from a restructuring of the Service and as a consequence of a shortfall of Traffic Management Act income.

Approval is sought for supplementary funding of **£60,000**, to be financed from the Essex Transport Reserve, to partly mitigate this position. Savings of **£1.041m** are required to offset the remainder of the forecast over spend.

## **2.5 Chief Whip and Environment and Waste - £805,000 under spend**

An under spend on Waste Management of **£790,000** primarily results from funding set aside for potential investment in recycling facilities in Colchester, no longer being required, partially offset by costs arising in relation to the lease of Courtauld Road.

The remainder of the net under spend (**£15,000**) results from under spends as a consequence of staff vacancies and additional income, partially offset by the costs of restructuring services as part of the transformation programme.

It is proposed that the net under spend is retained, at this stage, to mitigate budget pressures in the current and next financial year.

## **2.6 Heritage, Culture and the Arts - £340,000 over spend**

The forecast over spend principally relates to Adult Community Learning, where the service has seen significant reductions in external funding streams. Actions are being taken to mitigate the impact of the funding losses, but it may be necessary to manage the current over spend over the current and next financial year.

## **2.7 Leader - £731,000 over spend**

Approval is sought for supplementary funding of **£1.086m** to finance expenditure on specific projects, as follows:

- Supporting diverse communities incentive - **£353,000** (to be financed by a withdrawal from the Service Improvement Reserve); and
- European Social Fund - **£733,000** (to be financed by a withdrawal from the ExDRA reserve).

The underlying position, after adjusting for these requests, is a net under spend of **£355,000**, which results from staff vacancies and lower levels of discretionary spend. It is proposed that this under spend is retained, at this stage, to mitigate budget pressures in the current and next financial year.



## **2.8 Major Projects and Commercial Services - £54,000 over spend**

A net over spend of **£54,000** is forecast as a result of a restructuring of the Registration of Births, Deaths and Marriages Service and from the Coroners' Courts' Service working to clear a backlog of inquests. Over spends in these two areas are partially offset by the receipt of additional income from shared use buildings.

## **2.9 Recharged strategic support services - £1.676m over spend**

Overall, the Recharged Strategic Support Services are forecasting a net over spend of **£1.676m**. Comments on those Services which are forecasting a variance equal to, or greater than, **£500,000** or **5%** of their budget, are as follows:

### **Highways and Transportation**

- **Car Provision Scheme - £187,000 under spend**

The under spend is forecast as a consequence of additional income being generated on a one off basis this year.

### **Chief Whip and Environment and Waste**

- **Democratic Services - £89,000 under spend**

This under spend mainly results from staff vacancies and from the service incurring less discretionary spend.

### **Major Projects and Commercial Services**

- **Facilities Management Service - £1.836m over spend**

The forecast over spend results from the Service being unable to achieve the level of savings assumed in the budget and as a consequence of a significant increase in business rates and electricity costs. Approval is sought for supplementary funding of **£174,000**, to be financed from the Emergency Contingency, to fund the addition electricity costs. The Service has implemented a financial recovery plan targeting the full **£1.662m** of the forecast over spend. There is a high risk that up to **£650,000** may remain at the year end.

- **Legal Service - £1.124m over spend**

The over spend results from employing agency staff to cope with an increase in demand for legal services, mainly in relation to child care cases. Approval is sought for supplementary funding to mitigate this position, to be financed from the Emergency Contingency.

- **Asset Management - £299,000 under spend**

The net under spend results from the receipt of additional income, partly offset by additional costs of ensuring that the Council's freehold and leasehold properties are valued, under a rolling five year programme, in compliance with statutory accounting requirements.

Approval is sought for supplementary funding of **£93,000**, to be financed from the Emergency Contingency, to meet the additional valuation costs.

- **Procurement - £126,000 over spend**

The over spend results from a combination of staffing pressures and an inability to achieve the level of savings assumed in the budget. Actions are being considered for mitigating this position.

**Deputy Leader**

- **Customer Services - £827,000 under spend**

Lower costs of the first phase of the Customer Services Web transformation project account for the majority of this under spend. Staff vacancies have also contributed to this position. It is proposed that the Service retains this under spend to support the next phase of the Web transformation.

- **Information Services - £522,000 over spend**

**£200,000** of the forecast over spend relates to maintenance costs of the LAN infrastructure scheme. Approval is sought to reduce the capital programme provision for this scheme, and to release capital financing resources, via the Reserve for Future Capital Funding, to provide additional revenue funding for these costs.

The remaining **£322,000** of the forecast over spend relates to consultancy fees on the Havret project. Approval is sought for supplementary funding, from the Emergency Contingency, to meet these costs.

## **2.10 Building Maintenance - £750,000 over spend**

Due to the nature of the building maintenance work required this year, it is anticipated that the revenue budget will be over spent, but that there will be a corresponding under spend on the capitalised building maintenance budget. Approval is therefore sought to reduce the capital programme provision for this work, and to release capital financing resources, via the Reserve for Future Capital Funding, to provide additional revenue funding for building maintenance of **£750,000**.

## **3. Portfolio commentary – Capital**

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

### **3.1 Children's Services**

Approval is sought to increase scheme and payment guidelines for Other Special Needs projects (**£48,000**) and other projects (**£85,000**) and to correspondingly reduce the Special School improvement programme (**£133,000**).

### 3.2 Education and 2012 Games - £3.765m under spend

The under spend of **£3.765m** represents the net effect of slippage and/or reductions to schemes (**£19.153m**), partially offset by proposals for additions to the Capital Programme of **£15.388m**.

Approval is sought to re-profile the capital payments guideline from 2010/11 due to slippage in the following schemes:

- Hutton Willowbrook Primary School - **£1.527m**;
- Witham Chipping Hill School - **£335,000**;
- Essex Academies in Witham - **£3.053m**;
- Stansted Rochford Nurseries **£1.212m**;
- Primary Capital Programme schemes - **£4.413m**;
- Extended schools **£743,000**;
- Various other schools capital projects - **£2.413m**;
- Building Schools for the Future - **£370,000**;
- Mersea Outdoors site facility - **£116,000**; and
- Danbury extension to the Outdoors site - **£734,000**

In addition, it is proposed that the scheme and payment approvals are reduced, as a consequence of reductions to government funding or to enable other schemes to be progressed, for the following schemes:

- Extended Schools Programme - **£619,000**;
- Building Schools for the Future - **£732,000**;
- Youth Capital Fund - **£307,000**;
- Witham Chipping Hill - **£1.032m**;
- Various other schools capital projects - **£1.547m**;

Partially offsetting the above reductions, approval is sought to increase the scheme and payments approval for the following schemes:

- Queen Boudica Primary school - **£1.032m**;
- Primary Capital Programme - **£397,000**; and
- Various other schools capital projects - **£1.051m**.

It is proposed that the additional capital payments are financed from the resources originally set aside for other schemes.

Finally, approval is sought to add scheme and payments guideline of **£12.908m** in relation to grant funded Devolved Formula Capital.

### 3.3 Adults, Health and Community Wellbeing - £1.713m under spend

The under spend results from slippage in the LD Residential re-provision scheme. Approval is sought to re-profile the capital payments guideline for this scheme into 2011/12.

### 3.4 Highways and Transportation - £7.750m under spend

It is proposed that scheme and payment approvals are reduced, as a consequence of Department for Transport (DfT) funding reductions, as follows:

- Integrated Transport grant - **£3.490m**;
- Essex Casualty Reduction grant - **£560,000**; and
- Colchester Cycle Town grant - **£425,000**.

Approval is also sought to minor reductions to scheme and payment approvals for various Section 106 schemes (totalling **£12,000**), the Great Notley By-pass duelling (**£210,000**), unallocated scheme funding (**£43,000**) and the Harlow Eastern Access Improvements (**£10,000**).

Approval is sought to re-profile capital payment guidelines of **£4.073m** into 2011/12 as a consequence of slippage in the following programmes:

- DfT Integrated Transport - **£2.145m**;
- ECC funded capital - **£1.668m**; and
- Other schemes - **£260,000**.

Approval is sought to increase the scheme and payment approvals for the following schemes:

- Chelmsford North East Design - **£15,000**;
- Integrated package for Heart of Essex and Haven Gateway - **£10,000**;
- Chelmsford parking and land use model - **£10,000**;
- Canvey and Hadleigh Town Centres - **£8,000**;
- Epping Forest transport plan - **£46,000**;
- Major new infrastructure - **£164,000**;

It is proposed that the additional capital payments are financed from the resources originally set aside for other schemes.

Finally, approval is sought to increase the scheme and payment approval for the Chelmer Valley Park and Ride (**£800,000**) and Harwich Quay (**£200,000**), on the basis that additional grants and contributions are available to finance this expenditure and, therefore, that there will be no direct burden on the Council's own capital financing resources

### **3.5 Chief Whip, Environment and Waste - £3.899m under spend**

**£1.957m** of the forecast under spend results from a decision not to proceed with the re-development of Marsh Farm Country Park. The scheme and payment approvals for this scheme will therefore be withdrawn.

The remainder of the under spend (**£1.942m**) results from a re-prioritisation of waste recycling and waste strategy schemes. Approval is therefore sought to re-profile the capital payments guideline into 2011/12. In addition, approval is sought to reduce the capital payments guideline for the Transfer Stations project by **£410,000** and to use this provision to finance preliminary work on a Biowaste scheme which it is anticipated will be undertaken in 2011/12 (i.e. dependent upon financing being available).

### **3.6 Communities and Planning - £1.622m under spend**

Following a review of Community and Youth Community Initiatives, approval is sought to re-profile capital payments guideline of **£1.392m** into 2011/12.

Approval is also sought to reduce the scheme and payments approval for Travellers' schemes by **£230,000** following the withdrawal of grant funding for these schemes.

### **3.7 Heritage, Culture and the Arts - £1.793m under spend**

An under spend of **£360,000** results from a decision not to proceed with a major part of the Sadler's Farm public art project. The scheme and payment approvals for this scheme will therefore be withdrawn.

The remainder of the under spend (**£1.433m**) relates to the Springfield Library and 'Self Service in Libraries' projects, and primarily results from slippage in the schemes. Approval is sought to re-profile capital payments guideline of **£1.379m** into 2011/12 and to reduce the overall scheme approval by **£54,000**.

### **3.8 Deputy Leader, Finance and Transformation - £3.980m under spend**

**£3.180m** of the forecast under spend relates to Information Services Schemes that will no longer be progressed. It is proposed that the scheme and payments approval are therefore reduced by this amount.

As referred to in paragraph 2.9, it is proposed that the scheme and payment approvals for the LAN infrastructure project are reduced by **£200,000** in order to release capital financing resources that can be applied to meet the maintenance costs associated with this project.

Finally, it is proposed that scheme and payment approvals for various finance projects are reduced by **£600,000**.

### **3.9 Building Maintenance - £750,000 under spend**

As referred to in paragraph 2.10 (on page 9), it is proposed that the capital payments provision for capitalised building maintenance is reduced by **£750,000** in order to release capital financing resources that can be applied to finance additional revenue expenditure on building maintenance.

## REVENUE SUMMARY

2009-10 Actual		2010/11					
		Original Budget	Latest Estimate	Forecast Outturn	Variance		RAG status
£000		£000	£000	£000	£000	%	
341,437	Adults, Health and Community Wellbeing	375,048	376,522	381,251	4,729	1.26%	🔴
	Children's Services						
276	Dedicated Schools Budget	7,987	(10,673)	(10,673)	-	-	🟢
150,277	Non Dedicated Schools Budget	137,540	146,977	154,172	7,195	4.90%	🔴
	Education and 2012 Games						
12,844	Dedicated Schools Budget	721	7,730	7,730	-	-	🟢
32,852	Non Dedicated Schools Budget	52,990	48,155	50,055	1,900	3.95%	🔴
2,548	Lee Valley Park and 2012 Games	2,508	2,508	2,547	39	1.56%	🟡
72,638	Highways and Transportation	73,987	73,892	74,323	431	0.58%	🟡
62,179	Chief Whip and Environment and Waste	65,092	64,846	64,041	(805)	(1.24%)	🟡
22,496	Heritage, Culture and the Arts	21,518	21,216	21,556	340	1.60%	🟡
16,609	Leader	17,364	19,523	20,254	731	3.74%	🔴
4,932	Communities and Planning	5,001	5,078	5,030	(48)	(0.95%)	🟢
1,962	Major Projects and Commercial Services	1,882	1,039	1,093	54	5.20%	🔴
1,742	Deputy Leader, Finance and Transformation	2,676	2,646	2,646	-	-	🟢
	Recharged Support Services						
	Highways and Transportation						
1,304	Transport Coordination Centre	1,415	1,415	1,413	(2)	(0.14%)	🟢
288	Car Provision Scheme	(300)	(300)	(487)	(187)	62.33%	🟡
	Chief Whip and Environment and Waste						
904	Democratic Services	918	896	807	(89)	(9.93%)	🟡
	Leader						
1,877	Communications & Customer Relations	2,275	2,304	2,304	-	-	🟢
2,269	Customer Services	2,278	2,614	1,787	(827)	(31.64%)	🟡
	Major Projects and Commercial Services						
14,847	Facilities Management Service	12,970	12,902	14,738	1,836	14.23%	🔴
4,344	Essex Legal Services	2,622	3,069	4,193	1,124	36.62%	🔴
2,765	Asset Management	2,672	1,670	1,371	(299)	(17.90%)	🟡
2,830	Procurement	1,989	2,026	2,152	126	6.22%	🔴
	Deputy Leader, Finance and Transformation						
7,562	Human Resources	7,830	8,427	8,207	(220)	(2.61%)	🟢
30,553	Information Services	15,807	16,705	17,227	522	3.12%	🔴
21,719	Finance	7,140	13,730	13,626	(104)	(0.76%)	🟢
2,072	Transformation Support Unit	6,019	4,763	4,559	(204)	(4.28%)	🟢
7,845	Insurance Cost Recovery Account	5,354	4,685	4,685	-	-	🟢
5,939	Building Maintenance	2,652	2,652	3,402	750	28.28%	🔴
829,910	Net cost of services (Portfolios)	835,955	837,017	854,009	16,992	2.03%	🔴
	Operating costs						
(33,856)	Appropriations	12,985	6,041	(764)	(6,805)	(112.65%)	🟡
60,572	Other operating costs	55,154	54,529	52,816	(1,713)	(3.14%)	🟡
856,626	Net Cost of Services	904,094	897,587	906,061	8,474	0.94%	🔴
(60,065)	General government grant	(82,031)	(75,172)	(75,172)	-	-	🟢
796,561	Net Expenditure	822,063	822,415	830,889	8,474	1.03%	🔴
6,611	General balance - contribution / (withdrawal)	-	(352)	318	670	(190.34%)	🔴
-	Net savings required to offset pressures	-	-	(14,459)	(14,459)	-	🟡
-	Under spends earmarked for future spend	-	-	5,315	5,315	-	🔴
803,172	Budget Requirement	822,063	822,063	822,063	-	-	🟢
	Financed by						
(44,800)	Revenue Support Grant	(31,281)	(31,281)	(31,281)	-	-	🟢
(194,095)	National non-domestic rates	(215,423)	(215,423)	(215,423)	-	-	🟢
(561,419)	Council tax precept	(574,956)	(574,956)	(574,956)	-	-	🟢
(2,858)	Collection fund surpluses	(403)	(403)	(403)	-	-	🟢
(803,172)	Total Financing	(822,063)	(822,063)	(822,063)	-	-	🟢

## REVENUE VARIANCE PLAN

	Provisional Outturn Variance (Under) / over spend  £000	Proposed mitigating actions			Under spends to be retained  £000	Underlying Outturn Variance (Under) / over spend  £000
		Returns to / (from) General Balance  £000	Withdrawals from Emergency Contingency  £000	Appns to / (from) earmarked reserves  £000		
Adults, Health and Community Wellbeing	4,729	-	-	-	-	4,729
Children's Services						
Dedicated Schools Budget	-	-	-	-	-	-
Non Dedicated Schools Budget	7,195	-	-	(3,929)	-	3,266
Education and 2012 Games						
Dedicated Schools Budget	-	-	-	-	-	-
Non Dedicated Schools Budget	1,900	-	-	(780)	1,296	2,416
Lee Valley Park and 2012 Games	39	-	-	-	5	44
Highways and Transportation	431	670	-	(60)	-	1,041
Chief Whip and Environment and Waste	(805)	-	-	-	1,008	203
Heritage, Culture and the Arts	340	-	-	-	45	385
Leader	731	-	-	(1,086)	540	185
Communities and Planning	(48)	-	-	-	146	98
Major Projects and Commercial Services	54	-	-	-	49	103
Deputy Leader, Finance and Transformation	-	-	-	-	-	-
Recharged Support Services						
Highways and Transportation						
Transport Coordination Centre	(2)	-	-	-	2	-
Car Provision Scheme	(187)	-	-	-	187	-
Chief Whip and Environment and Waste						
Democratic Services	(89)	-	-	-	89	-
Leader						
Communications & Customer Relations	-	-	-	-	-	-
Customer Contact Centre	(827)	-	-	-	827	-
Major Projects and Commercial Services						
Facilities Management Service	1,836	-	(174)	-	-	1,662
Essex Legal Services	1,124	-	(1,124)	-	-	-
Asset Management	(299)	-	(93)	-	483	91
Procurement	126	-	-	-	-	126
Deputy Leader, Finance and Transformation						
Human Resources	(220)	-	-	-	220	-
Information Services	522	-	(322)	(200)	-	-
Finance	(104)	-	-	-	214	110
Transformation Support Unit	(204)	-	-	-	204	-
Insurance Cost Recovery Account	-	-	-	-	-	-
Building Maintenance	750	-	-	(750)	-	-
<b>Net cost of services (Portfolios)</b>	<b>16,992</b>	<b>670</b>	<b>(1,713)</b>	<b>(6,805)</b>	<b>5,315</b>	<b>14,459</b>
Operating costs						
Appropriations	(6,805)	-	-	6,805	-	-
Other operating costs	(1,713)	-	1,713	-	-	-
<b>Net Cost of Services</b>	<b>8,474</b>	<b>670</b>	<b>-</b>	<b>-</b>	<b>5,315</b>	<b>14,459</b>
General government grant	-	-	-	-	-	-
<b>Net Expenditure</b>	<b>8,474</b>	<b>670</b>	<b>-</b>	<b>-</b>	<b>5,315</b>	<b>14,459</b>



## REVENUE – TRADING ACTIVITIES

2009/10		2010/11			Variance	Variance	Rag Status
Actual		Original Budget	Latest Budget	Forecast Outturn			
£000		£000	£000	£000	£000	%	
(20,434)	Income	(15,308)	(15,402)	(16,731)	(1,329)	8.63%	●
19,508	Expenditure	14,967	14,543	15,969	1,426	9.81%	◆
-	Financing Items	-	-	-	-	-	■
(926)	<b>(Surplus)/Deficit</b>	<b>(341)</b>	<b>(859)</b>	<b>(762)</b>	<b>97</b>	<b>(11.29%)</b>	●
605	Appropriations	-	-	780	780	-	◆
(321)	<b>Net (increase) / decrease in revenue reserves</b>	<b>(341)</b>	<b>(859)</b>	<b>18</b>	<b>877</b>	<b>(102.10%)</b>	◆
<b>Net(increase)/decrease in Trading Activities reserves</b>							
-	School Improvement & Advisory Service	(246)	(765)	(431)	334	(43.66%)	●
-	School Support - Finance	(26)	(25)	423	448	(1792.00%)	●
-	Schools: Other	(1)	(1)	(1)	-	-	■
(399)	School staffing insurance scheme	-	-	(418)	(418)	-	■
83	Essex Equipment Service	-	-	-	-	-	■
(5)	Smarte East	(68)	(68)	(68)	-	-	■
-	Viking Community Transport	-	-	-	-	-	■
-	Essex Transport	-	-	-	-	-	■
-	Information Services infrastructure	-	-	513	513	-	◆
-	Reprographics	-	-	-	-	-	■
(321)	<b>Net (increase) / decrease in revenue reserves</b>	<b>(341)</b>	<b>(859)</b>	<b>18</b>	<b>877</b>	<b>(102.10%)</b>	◆
					2010/11		
2009/10					Opening	Closing	
Closing					Balance	Balance	
Balance							
£000					£000	£000	
(2,885)	<b>Total Reserves Balance</b>				(2,885)	(2,867)	

## CAPITAL – SUMMARY OF PAYMENTS AND FINANCING

	2010-11				RAG status
	Original Budget	Latest Budget	Outturn Forecast	Forecast variance	
	£000	£000	£000	£000	
Education and 2012 Games					
Schools	109,877	113,897	112,391	(1,506)	●
Building Schools for the Future	44,834	3,162	2,060	(1,102)	●
Youth service	10,075	2,474	1,317	(1,157)	■
2012 Games	700	1,957	1,957	-	■
Children's Services	27,692	39,006	39,006	-	■
Adults, Health and Community Wellbeing	10,185	5,073	3,360	(1,713)	●
Highways and Transportation					
DFT Capital Maintenance	20,959	20,959	20,959	-	●
DFT Integrated Transport	20,257	21,700	16,065	(5,635)	●
DFT Direct Grants	31,613	34,170	33,185	(985)	●
ECC Funded Capital	29,748	29,653	27,985	(1,668)	●
Community Infrastructure Grant	23,690	23,490	23,490	-	■
All other highways capital schemes	8,036	11,856	12,574	718	●
Chief Whip, Environment and Waste	14,146	10,802	6,903	(3,899)	●
Leader	4,416	6,821	6,821	-	■
Communities & Planning	3,830	5,047	3,425	(1,622)	●
Heritage, Culture and the Arts	7,273	5,961	4,168	(1,793)	●
Deputy Leader, Finance & Transformation Programme	11,825	14,325	10,345	(3,980)	●
Major Projects & Commercial Services	3,465	3,102	3,102	-	■
Building Maintenance	1,300	1,117	367	(750)	●
<b>Total payments to be financed in 2010/11</b>	<b>383,921</b>	<b>354,572</b>	<b>329,480</b>	<b>(25,092)</b>	●
<b>Financed by</b>					
Supported borrowing	(51,545)	(51,545)	(51,545)	-	■
Unsupported borrowing	(92,534)	(74,746)	(59,036)	15,710	●
Grants and contributions	(238,176)	(225,459)	(217,037)	8,422	●
Capital receipts	-	(1,931)	(1,931)	-	■
Reserve for future capital funding	(1,666)	(891)	69	960	●
<b>Total Financing</b>	<b>(383,921)</b>	<b>(354,572)</b>	<b>(329,480)</b>	<b>25,092</b>	●

## CAPITAL VARIANCE PLAN

	Outturn Forecast Variance	Additions	Slippage	2010/11 Underspend
	£000	£000	£000	£000
Education and 2012 Games				
Schools	(1,506)	(15,388)	13,696	(3,198)
Building Schools for the Future	(1,102)	-	370	(732)
Youth Service	(1,157)	-	850	(307)
2012 Games	-	-	-	-
Children's Services	-	(133)	-	(133)
Adults, Health and Community Wellbeing	(1,713)	-	1,713	-
Highways and Transportation				
DFT Capital Maintenance	-	-	-	-
DFT Integrated Transport	(5,635)	-	2,145	(3,490)
DFT Direct Grants	(985)	-	-	(985)
ECC Funded Capital	(1,668)	-	1,668	-
Community Infrastructure Grant	-	-	-	-
All other highways capital schemes	718	(1,253)	260	(275)
Chief Whip and Environment and Waste	(3,899)	(430)	1,942	(2,387)
Leader	-	-	-	-
Communities & Planning	(1,622)	-	1,392	(230)
Heritage, Culture and the Arts	(1,793)	-	1,379	(414)
Deputy Leader, Finance & Transformation Program	(3,980)	(285)	-	(4,265)
Major Projects & Commercial Services	-	-	-	-
Building Maintenance	(750)	-	-	(750)
<b>Total Variance</b>	<b>(25,092)</b>	<b>(17,489)</b>	<b>25,415</b>	<b>(17,166)</b>
<b>Financed by</b>				
Supported borrowing	-	-	-	-
Unsupported borrowing	15,710	968	(8,817)	7,861
Grants and contributions	8,422	16,521	(16,598)	8,345
Capital receipts	-	-	-	-
Reserve for future capital funding	960	-	-	960
	<b>25,092</b>	<b>17,489</b>	<b>(25,415)</b>	<b>17,166</b>

## RESERVES AND BALANCES

## EARMARKED RESERVES

	2010/11 estimate				2010/11 Movements	
	Balance at 1 April 2010	2010/11 movements		Balance at 31 March 2011	Estimated Balance at 31 March 2011 at 1st Qtr Stage	(Increase) / decrease in reserves since 1st Qtr Stage
		Contributions to reserves	Withdrawals from reserves			
	£000	£000	£000	£000	£000	£000
<b>General reserves</b>						
Service improvements	(5,164)	7	4,345	(812)	(1,165)	353
Essex Pledges	(7,526)	-	7,526	-	-	-
Quadrennial Elections reserve	(594)	-	-	(594)	(594)	-
Capital receipts pump priming	(866)	-	-	(866)	(866)	-
IMT development	(1,947)	-	1,735	(212)	(212)	-
Partnerships	(968)	-	-	(968)	(968)	-
Insurance	(467)	-	132	(335)	(335)	-
Essex Art Fund	(258)	-	-	(258)	(258)	-
LAA Performance	(1,873)	(5,722)	7,595	-	-	-
Health and Safety Reserve	(1,087)	-	-	(1,087)	(1,087)	-
ExDRA partnership	(4,221)	-	733	(3,488)	(4,221)	733
Carbon Reduction reserve	(1,536)	-	-	(1,536)	(1,536)	-
Essex on-line partnership	(248)	-	-	(248)	(248)	-
Children's Reserve	-	(4,400)	4,269	(131)	(4,060)	3,929
Essex Transport Reserve	(1,398)	-	76	(1,322)	(1,382)	60
Carry Forwards Reserve	(6,044)	-	1,426	(4,618)	(6,034)	1,416
Developing Partnerships	(1,500)	-	-	(1,500)	(1,500)	-
Life Raft Pledge reserve	(728)	-	-	(728)	(728)	-
Newton bequest reserve	(118)	-	-	(118)	(118)	-
Personal Care reserve	-	(1,800)	-	(1,800)	(1,800)	-
Severe weather reserve	(252)	-	-	(252)	(252)	-
Tendring PPP	(429)	-	-	(429)	(429)	-
Trading activities	(2,885)	18	-	(2,867)	(3,430)	563
	<b>(40,109)</b>	<b>(11,897)</b>	<b>27,837</b>	<b>(24,169)</b>	<b>(31,223)</b>	<b>7,054</b>
<b>Future capital funding</b>						
General	(3,517)	568	631	(2,318)	(2,712)	394
Bellhouse landfill	(61)	-	-	(61)	(61)	-
Historic Building Reserve	(120)	-	-	(120)	(120)	-
	<b>(3,698)</b>	<b>568</b>	<b>631</b>	<b>(2,499)</b>	<b>(2,893)</b>	<b>394</b>
<b>Equalisation reserves</b>						
PFI equalisation reserves						
A130 PFI	(51,863)	(1,915)	-	(53,778)	(53,778)	-
Clacton secondary schools' PFI	(4,685)	(172)	-	(4,857)	(4,857)	-
Debden PFI	(5,533)	(96)	-	(5,629)	(5,629)	-
Waste reserve	(35,428)	(18,630)	-	(54,058)	(59,418)	5,360
Landfill allowances equalisation	-	-	-	-	-	-
	<b>(97,509)</b>	<b>(20,813)</b>	<b>-</b>	<b>(118,322)</b>	<b>(123,682)</b>	<b>5,360</b>
<b>Schools</b>	<b>(48,551)</b>	<b>-</b>	<b>-</b>	<b>(48,551)</b>	<b>(48,551)</b>	<b>-</b>
<b>Total</b>	<b>(189,867)</b>	<b>(32,142)</b>	<b>28,468</b>	<b>(193,541)</b>	<b>(206,349)</b>	<b>12,808</b>

## RESERVES AND BALANCES

## GENERAL BALANCE

	£000
<b>Actual Balance 31 March 2010</b>	<b>(33,070)</b>
Repayment of over spends in 2009/10	(314)
2010/11 planned contribution	-
<b>Actual Balance 1 April 2010</b>	<b>(33,384)</b>
<b>Subsequent movements</b>	
Savings recognised at First Quarter stage to offset grant losses	(6,666)
Withdrawals at First Quarter stage to compensate for grant losses	7,332
<b>Estimated balance at 31st March 2011</b>	<b>(32,718)</b>
<b>Half Year Report Proposals</b>	
<b>Contributions</b>	
Highways and Transportation - Road safety grant reduction	(670)
<b>Updated estimated balance at 31 March 2011</b>	<b>(33,388)</b>

## EMERGENCY CONTINGENCY

	£000
<b>Actual Balance 1 April 2010</b>	<b>(8,000)</b>
<b>Approved Withdrawals</b>	<b>625</b>
<b>Estimated balance at 31 March 2011</b>	<b>(7,375)</b>
<b>Half Year report - proposed withdrawals</b>	
Essex Legal Services	1,124
Information Services - Project Havret	322
Facilities Management Service - Electricity costs	174
Asset Management - asset valuation fees	93
<b>Updated estimated balance at 31 March 2011</b>	<b>(5,662)</b>

## PRUDENTIAL INDICATORS

		Approved Indicator	Latest Estimate
<b>1 Affordability</b>			
Incremental impact on Council Tax	£	4.87	n/a
Ratio of financing costs to net revenue streams	%	5.7%	5.5%
<b>2 Prudence</b>			
Net borrowing v Capital Financing Requirement			Net borrowing is well within the medium term forecast of the Capital Financing Requirement.
<b>3 Capital Expenditure</b>			
Capital expenditure	£m	384	330
Capital financing requirement (excluding credit arrangements)	£m	784	736
<b>4 External Debt</b>			
Authorised limit (borrowing)	£m	670	n/a
Operational boundary (borrowing)	£m	550	n/a
Actual external borrowing ( <b>maximum level of debt during year to date</b> )	£m	n/a	367
<b>5 Treasury Management</b>			
Interest rate exposures :			
Upper limit for exposure to fixed rates			
Debt		100%	100%
Investments		100%	55%
Upper limit for exposure to variable rates			
Debt		30%	2%
Investments		100%	79%
Maturity structure of borrowing (upper limit)			
Under 12 months	%	20%	0%
12 months & within 24 months	%	40%	0%
24 months & within 5 years	%	60%	2%
5 years & within 10 years	%	80%	2%
10 years & within 25 years	%	100%	12%
25 years & within 40 years	%	100%	15%
40 years & within 50 years	%	100%	55%
50 years & above	%	40%	24%
Total sums invested for more than 364 days			
Authorised limit	£m	50	n/a
Actual sums invested ( <b>maximum position during year to date</b> )	£m	n/a	10

## TREASURY MANAGEMENT

	Opening Balance	Raised	Repaid	Balance	Movement	Interest payable / earned £000
	£000	£000	£000	£000	£000	£000
<b>Borrowing</b>						
Long Term	321,744	40,000	513	361,231	39,487	7,612
Temporary	1,618	8,105	6,845	2,878	1,260	5
	<b>323,362</b>	<b>48,105</b>	<b>7,358</b>	<b>364,109</b>	<b>40,747</b>	<b>7,617</b>
<b>Investments</b>						
Long Term	10,000	-	5,000	5,000	(5,000)	262
Temporary	91,979	10,550	368	102,161	10,182	747
	<b>101,979</b>	<b>10,550</b>	<b>5,368</b>	<b>107,161</b>	<b>5,182</b>	<b>1,009</b>
<b>Net indebtedness</b>	<b>221,383</b>	<b>37,555</b>	<b>1,990</b>	<b>256,948</b>	<b>35,565</b>	<b>6,608</b>

**Borrowing**

Average long term borrowing over period (£000)	356,099
Opening pool rate at 1 April 2010	4.28%
Weighted average rate of interest on new loans secured in 2010/11	4.11%
Average pool rate for year to date	4.26%

**Investments**

Average daily cash balance over period (£000)	148,440
Average interest earned over period	1.28%
Benchmark rate - average local authority 7 day rate	0.38%

## ERRATUM

### Recommendations (page 2):

- (v) That Portfolios' 2010/11 capital payments guideline and financing assumptions are:
- Increased by **£17.489m** (*previously shown as £17.539m*), to take account of new, self financed, schemes;
  - Reduced by **£25.415m**, with a corresponding increase in the payments guideline for 2011/12 and subsequent years, to reflect the impact of slippage in schemes; and
  - Reduced by **£17.166m** (*previously shown as £16.704m*) to remove provision for schemes that will no longer be progressed or which have been completed below budget.

The impact upon Portfolios' capital payment guidelines of making these changes is summarised in **Appendix E**.

### 1.3 Capital (page 4) (second paragraph)

In summary, approval is sought to:

- Re-profile payment approvals of **£25.415m** into 2011/12, or a subsequent financial year, as a consequence of slippage in schemes;
- Reduce scheme and payment approvals by **£17.166m** (*previously shown as £16.704m*) as a consequence of under spends or to reflect decisions not to proceed with schemes; and
- Increase the starts and payment approvals in 2010/11 by **£17.489m** (*previously shown as £17.539m*) in respect of schemes subject to grant funding.

The net effect of these changes is to reduce the approved capital payments guideline to **£329.480m**.