

Executive Scrutiny Committee	ES/010/12
Date: 24 July 2012	

2012/13 FINANCIAL OVERVIEW AS AT THE FIRST QUARTER 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 2012/13, based upon the position at the first quarter stage.

The impact upon the capital payment profile of making these changes is summarised in **Appendix C**.

1. Financial Overview

1.1 Revenue

An assessment of the Revenue budget, at the first quarter of the 2012/13 financial year, shows a net residual over spend of **£1.577m**.

Comments are included below on the most significant of the variances reported:

Health and Wellbeing - £555,000 over spend

The reported net over spend is attributable primarily to Mental Health due to risks identified against the anticipated delivery program efficiencies during 2012/13.

Adult Social Care – £866,000 under spend

Within the Adult Social Care portfolio, there is risk of over spend due to the delivery of the program of £50m of efficiencies during 2012/13. The position currently shown includes mitigation from other opportunities identified, but the position should be seen in this context.

Children’s Services - £1.604m over spend

The reported net over spend is mainly due to the Intensive Family Support (IFS) service implementing proactive and innovative preventative services / strategies, to divert cases on the edge of care away from the care system.

Education and 2012 Games - £3.070 over spend

The reported net over spend is primarily attributable to Home to School Transport through increased routes and other changes to a range of contract variables prior to the commencement of the 2011-12 academic term. These pressures are particularly attributable to Primary mainstream and SEN transport, where there was a change in the mixture of transport packages.

Other operating costs - £4.567m under spend

A combination of reduced borrowing to support the 2011/12 capital programme and higher than expected cash balances has lead to lower net borrowing costs.

Approval is sought in relation to the following actions:

To draw down funds from reserves as follows:

- Customer Services, Environment and Culture - **£64,000** from the Grants Equalisation Reserve, in relation to County Parks, to complete outstanding works from 2011/12.
- Deputy Leader - **£76,000** from the redundancy reserve in relation to the redundancy costs within Finance.

To appropriate funds to reserves as follows:

- Adult Social Care - **£1.083m** to the Personal Care Reserve in relation to additional funding received from the Department of Health

To withdraw funds from the General Balance as follows:

- Deputy Leader - **£1.040m** in respect of the Property Transformation revenue investment project.

To return funds to the General Balance as follows:

- Deputy Leader - **£1.546m** relating to a number of smaller adjustments to align budgets to reflect final funding settlements since the budget was set and approved in February 2012.

Appendix A provides a summary, by portfolio, of the current forecast outturn on the revenue budget, and summarises the mitigation proposed regarding the under and over spends that it is proposed are retained and the underlying outturn forecast by portfolio.

1.2 Trading activities

At this stage, it is anticipated that the Trading Activities' will achieve their plan as shown in **Appendix B**.

1.3 Capital

The projected under spend on the capital programme, after accounting for funding adjustments agreed at the close of 2011/12, totals **£26.055m**. Of this, £11.303m relates to technical adjustments which need to be made, leaving the projected variance relating to capital delivery itself as an under spend of **£14.752m (7.4%)**. After accounting for other proposed amendments to the programme the residual variance is a projected under spend of **£3.253m** against the latest capital budget of **£199.296m (1.6%)**.

Technical adjustments required are as follows:

Economic Growth, Waste & Recycling

- Waste Strategy – the payment approvals are being amended and revised, approval is sought to reduce this scheme by **£16.288m**.

Education and 2012 Games

- Devolved Formula Capital - **£4.985m** is requested to be added to the capital programme for Devolved Formula Capital. This relates to the 2012/13 portion of the 2011/12 Devolved Formula Capital allocation.

The key points to note are:

Education and 2012 Games

- Schools – slippage is requested, including **£9.000m** relating to capital works at schools wholly funded by S106, due to the legal agreements and planning permission not yet being formalised.

Highways and Transportation

- Highway Maintenance – a request was made in the provisional outturn report for an additional **£8.0m** to be added to the capital programme for capital works, due to the heavy toll that the recent weather has taken on the county highways network.

It is to be funded from unsupported borrowing not utilised due to capital programme under spends occurring in 2011/12.

- South Essex Rapid Transit (SERT) – forecast outturn of £24,000 (under spend against latest budget of £3.2m) reflects only the costs that will need to be incurred to provide additional information requested by the DfT. Overall funding for the scheme has yet to be confirmed.
- A CMA has been prepared which will significantly alter the allocation of the 2012/13 Highways & Transportation Budget. In particular, approval would be given to the allocation of **£8.000m** to Local Highways Panels.

Approval is sought for other requests, totalling **£2.500m** for slippage and approved changes.

Appendix C provides a comparison of approved and forecast outturn capital payments by Directorate and sets out the variance plan which summarise the proposals for addressing the forecast budget variances.

1.4 Balance Sheet

1.4.1 Reserves

Appendix D provides a year end estimate of the position on the General Balance, the Emergency Contingency and earmarked revenue reserves as at the end of May 2012.

1.4.2 Treasury Management and Prudential Indicators

A summary of the investment and borrowing levels is provided in **Appendix E**. A full report including the Prudential Indicators will be included in the second quarter's finance report

APPENDIX A

REVENUE

	2012/13		Budget Movement			Forecast Outturn			RAG Status
	Year to Date		Variance	Original		Latest Budget	Outturn Forecast	Forecast Variance	
	Latest Budget	Actual		Budget	Movement				
	£000	£000	£000	£000	£000	£000	£000	£000	
Health and Wellbeing	3,940	3,442	(498)	22,848	381	23,229	23,784	555	❖
Adults Social Care	52,865	50,499	(2,366)	318,826	357	319,183	318,317	(866)	■
Children's Services									
Dedicated Schools Budget	4,144	6,354	2,210	29,387	(4,522)	24,865	26,090	1,225	❖
Non dedicated Schools Budget	25,138	23,095	(2,043)	155,616	(5,192)	150,424	152,028	1,604	❖
Education and 2012 Games									
Dedicated Schools Budget	(4,725)	133,144	137,869	(32,171)	3,864	(28,307)	(30,046)	(1,739)	◆
Non dedicated Schools Budget	7,464	9,702	2,238	56,013	2,107	58,120	61,190	3,070	◆
Lee Valley Park and 2012 Games	550	1,715	1,165	3,302	-	3,302	3,550	248	◆
Highways and Transportation	15,096	15,097	1	90,651	(187)	90,464	90,936	472	❖
Economic Growth & Waste & Recycling	10,758	7,382	(3,376)	64,813	(147)	64,666	64,779	113	❖
Customer Services, Environment and Culture	2,241	3,062	821	13,726	(1,171)	12,555	13,039	484	❖
Leader	1,614	1,345	(269)	7,986	1,699	9,685	9,721	36	❖
Communities and Planning	1,025	867	(158)	6,238	(90)	6,148	6,339	191	❖
Fire Reinstatement Works	-	(334)	(334)	-	-	-	-	-	■
Deputy Leader	3,070	4,141	1,071	17,965	458	18,423	19,324	901	❖
Recharged Support Services									
Highways and Transportation									
Car Provision Scheme	-	227	227	(5)	5	-	-	-	■
Transport Coordination Centre	205	132	(73)	1,228	-	1,228	1,160	(68)	●
Customer Services, Environment and Culture									
Customer Services	990	1,043	53	3,366	2,571	5,937	5,934	(3)	■
Leader									
Communications and Customer Relatic	409	668	259	1,954	569	2,523	2,640	117	❖
Equality and Diversity	34	24	(10)	209	(4)	205	205	-	■
Deputy Leader									
Asset Management	369	453	84	2,283	(68)	2,215	1,972	(243)	●
Democratic Services	99	107	8	592	-	592	629	37	◆
Essex Legal Services	101	79	(22)	609	-	609	607	(2)	■
Facilities Management Services	3,083	3,402	319	18,421	80	18,501	19,159	658	❖
Finance	2,052	2,694	642	11,452	522	11,974	12,194	220	❖
Human Resources	825	1,482	657	6,407	(258)	6,149	6,075	(74)	■
Information Services	2,625	4,366	1,741	11,712	4,038	15,750	15,747	(3)	■
Insurance Cost Recovery Account	774	1,705	931	4,644	-	4,644	4,644	-	■
Performance	375	351	(24)	1,524	725	2,249	2,213	(36)	■
Procurement	482	291	(191)	2,184	711	2,895	2,895	-	■
Transformation Support Unit	489	743	254	2,275	659	2,934	2,847	(87)	■
Other Operating Costs	18,945	2,096	(16,849)	113,852	(9,851)	104,001	99,434	(4,567)	■
Net Expenditure	155,037	279,374	124,337	937,907	(2,744)	935,163	937,406	2,243	■
DSG offset								514	
ECC Projected Outturn								2,757	■
Financed by									
General government grant				(79,764)	-	(79,764)	(79,764)	-	
General Balance - contribution/(withdrawal)				(2,356)	2,744	388	388	-	
Revenue Support Grant				(5,226)	-	(5,226)	(5,226)	-	
National non-domestic rates				(269,574)	-	(269,574)	(269,574)	-	
Council tax precept				(581,611)	-	(581,611)	(581,611)	-	
Collection fund surpluses				624	-	624	624	-	
Total Financing				(937,907)	2,744	(935,163)	(935,163)	-	

■	Under spend of less than 5% of the budget
●	Under spend of greater than 5% of the budget
❖	Over spend of less than 5% of the budget
◆	Over spend of greater than 5% of the budget

APPENDIX A

REVENUE VARIANCE PLAN

	Unadjusted Variance £000	Virement Requests £000	Amounts (to) / from reserve £000	Residual Variance £000
Health and Wellbeing	555			555
Adults Social Care	(866)			(866)
Children's Services				
Non dedicated Schools Budget	1,604			1,604
Education and 2012 Games				
Non dedicated Schools Budget	3,070			3,070
Lee Valley Park and 2012 Games	248			248
Highways and Transportation	472			472
Economic Growth & Waste & Recycling	113			113
Customer Services, Environment and Culture Leader	484		64	420
	36			36
Communities and Planning	191			191
Fire Reinstatement Works Deputy Leader	-			-
	901		1,040	(139)
Recharged Support Services				
Highways and Transportation				
Car Provision Scheme	-			-
Transport Coordination Centre	(68)			(68)
Customer Services, Environment and Culture Leader	(3)			(3)
Communications and Customer Relations	117			117
Equality and Diversity	-			-
Deputy Leader				
Asset Management	(243)			(243)
Democratic Services	37			37
Essex Legal Services	(2)			(2)
Facilities Management Services	658			658
Finance	220		76	144
Human Resources	(74)			(74)
Information Services	(3)			(3)
Insurance Cost Recovery Account	-			-
Performance	(36)			(36)
Procurement	-			-
Transformation Support Unit	(87)			(87)
Total	7,324	-	1,180	6,144
Other Operating Costs	(4,567)			(4,567)
Total (including Other Operating Costs)	2,757	-	1,180	1,577

REVENUE

TRADING ACTIVITIES

2011/12 Actual		Original Budget	Latest Budget	2012/13 Outturn Forecast	Variance	Forecast Variance
£000		£000	£000	£000	£000	%
(24,389)	Income	(18,218)	(21,545)	(23,214)	(1,669)	8%
22,871	Expenditure	16,303	19,630	21,299	1,669	9%
(1,518)	(Surplus) / Deficit	(1,915)	(1,915)	(1,915)	-	-
	Appropriations					
(23)	to County Revenue Account	1,876	1,876	1,876	-	-
1,541	to Trading Activity Reserves	39	39	39	-	-
-	Net movement on the reserve	-	-	-	-	-

C

CAPITAL

2012/13

	Year to date		Original Budget	Budget Movement			Outturn forecast	Forecast outturn		RAG status
	Actual	% spend vs forecast		Approved changes	Approved changes	Revised Budget		Forecast variance	Forecast variance	
	£000	%		£000	£000	£000		£000	%	
				from 2011/12 (Q1 to Q3)						
Adult Social Care	-	-	5,200	353	-	5,553	5,553	-	-	■
Children's Services	20	1.4%	-	521	-	521	1,479	958	183.8%	◆
Communities & Planning	195	10.2%	1,500	50	-	1,550	1,913	363	23.4%	◆
Customer Services, Environment & Culture	8	0.4%	625	1,006	-	1,631	1,947	316	19.4%	◆
Economic Growth, Waste & Recycling	35	0.2%	21,339	7,621	-	28,960	16,071	(12,889)	(44.5%)	●
Education, Lifelong Learning & 2012 Games	3,394	6.0%	40,773	23,745	-	64,518	56,807	(7,711)	(12.0%)	●
Finance & Transformation	(180)	(1.1%)	10,550	1,120	1,839	13,509	16,738	3,229	23.9%	◆
Highways & Transportation	4,700	6.2%	52,594	21,765	-	74,359	75,845	1,486	2.0%	✦
Leader	-	-	2,000	7	-	2,007	2,007	-	-	■
sub-total ECC Capital Programme	8,171	4.6%	134,581	56,188	1,839	192,608	178,360	(14,248)	(7.4%)	●
School Balances										
Cash balance held by schools	-	-	-	-	-	-	2,236	2,236	-	■
Devolved formula capital	1,161	11.2%	-	3,724	2,964	6,688	10,343	3,655	54.7%	◆
sub-total School Balances	1,161	9.2%	-	3,724	2,964	6,688	12,579	5,891	88.1%	◆
Total ECC & Schools Capital Programmes	9,332	4.9%	134,581	59,912	4,803	199,296	190,939	(8,357)	(4.2%)	■
Financed by										
ECC Capital Programme										
Grants			76,891	25,890	-	102,781				
Reserves			1,255	9	-	1,264				
Developer contributions			18,875	5,874	-	24,749				
Capital receipts			-	619	-	619				
Unsupported borrowing			37,560	23,796	1,839	63,195				
sub-total ECC Capital Programme			134,581	56,188	1,839	192,608				
School Balances										
Grants			-	3,724	2,964	6,688				
sub-total School Balances			-	3,724	2,964	6,688				
Total ECC & Schools Capital Funding			134,581	59,912	4,803	199,296				

Variance plan

Directorate	Approved changes					Variance Plan					
	Slippage	Additions	Reductions	Advanced Works	2012/13 Approved changes	Slippage	Additions	Reductions	Advanced Works	Q4 adjustments pending	Total Variance
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Adult Social Care	-	-	-	-	-	-	-	-	-	-	-
Children's Services	-	-	-	-	-	-	167	(196)	-	987	958
Communities & Planning	-	-	-	-	-	-	-	-	-	363	363
Customer Services, Environment & Culture	-	-	-	-	-	-	-	-	-	316	316
Economic Growth, Waste & Recycling	-	-	-	-	-	-	-	(16,287)	-	3,396	(12,891)
Education, Lifelong Learning & 2012 Games	-	-	-	-	-	(10,835)	1,990	(2,982)	102	4,014	(7,710)
Finance & Transformation	-	1,839	-	-	1,839	-	-	(9)	-	3,239	3,230
Highways & Transportation	-	-	-	-	-	(117)	1,446	(4,319)	-	4,477	1,487
Leader	-	-	-	-	-	-	-	-	-	-	-
Total ECC Capital Programme	-	1,839	-	-	1,839	(10,952)	3,603	(23,793)	102	16,792	(14,248)
School Balances											
Cash balance held by schools	-	-	-	-	-	-	-	-	-	2,236	2,236
Devolved formula capital	-	2,964	-	-	2,964	-	4,985	-	-	(1,330)	3,655
Total School Balances	-	2,964	-	-	2,964	-	4,985	-	-	906	5,891
Total ECC & Schools Capital Programmes	-	4,803	-	-	4,803	(10,952)	8,588	(23,793)	102	17,698	(8,357)

Rag Status

- Under spend of less than 5% of the budget
- Under spend of greater than 5% of the budget
- ✦ Over spend of less than 5% of the budget
- ◆ Over spend of greater than 5% of the budget

APPENDIX C

CAPITAL PROGRAMME DETAILED VARIANCE PLAN

Portfolio & Scheme	Slippage £000	Additions £000	Reductions £000	Advanced Works £000	2012/13 Changes £000
Children's Services					
Basildon Willowbrook	-	122	-	-	122
Minor Works Family Centres	-	-	(151)	-	(151)
	-	122	(151)	-	(29)
Economic Growth, Waste & Recycling					
Waste Strategy	-	-	(16,288)	-	(16,288)
	-	-	(16,288)	-	(16,288)
Education, Lifelong Learning & 2012 Games					
Beaulieu Park New School	(1,007)	-	-	-	(1,007)
Brentwood Endeavour School	(451)	-	-	-	(451)
Broomfield Primary School	(323)	-	-	-	(323)
St John's Primary School	-	-	(278)	-	(278)
Colchester Primary Review	(909)	348	(769)	-	(1,330)
Harlow New Hall Farm Primary	(4,473)	-	-	-	(4,473)
Harlow Primary Additional Places	-	-	(907)	-	(907)
St John's Abbeyfield Primary	(2,007)	-	-	-	(2,007)
Takeley Primary School	(22)	-	(416)	-	(438)
Asset Management Planning	-	191	-	-	191
Basic Need	(1,641)	1,167	(123)	-	(597)
Temporary Accommodation	-	236	(489)	-	(253)
Other Projects	-	100	-	-	100
	(10,833)	2,042	(2,982)	-	(11,773)
Finance & Transformation					
Asset Management	-	-	(9)	-	(9)
	-	-	(9)	-	(9)
Highways & Transportation					
Basildon Enterprise Corridor	-	50	-	-	50
Harlow A414 Capacity Improvements	-	750	-	-	750
Epping Forest Transport Plan	(120)	-	(368)	-	(488)
	(120)	800	(368)	-	312
Sub-Total ECC Capital Programme	(10,953)	2,964	(19,798)	-	(27,787)
School Balances					
Devolved Formula Capital	-	4,985	-	-	4,985
Sub-Total School Balances	-	4,985	-	-	4,985
TOTAL APPROVAL REQUESTS	(10,953)	7,949	(19,798)	-	(22,802)

APPENDIX D

BALANCE SHEET

EARMARKED RESERVES

2012/13

	Balance at 1 April 2012	2012/13 movements						Net Movement	Balance at 31 March 2013 as at 11 June 2012
		Contributions agreed	Contributions proposed	Contributions to reserves	Withdrawals agreed	Withdrawals proposed	Withdrawals from reserves		
	£000	£000	£000	£000			£000	£000	
General reserves									
Transformation	(17,006)	(12,997)		(12,997)	9,275		9,275	(3,722)	(20,728)
Quadrennial Elections reserve	(506)	(500)		(500)			-	(500)	(1,006)
Capital receipts pump priming	(961)	(1,000)		(1,000)			-	(1,000)	(1,961)
Partnerships	(2,066)	186		186			-	186	(1,880)
Insurance	(6,883)			-			-	-	(6,883)
LAA Performance	(1,833)			-			-	-	(1,833)
Health and Safety Reserve	(969)			-			-	-	(969)
ESF Reserve	(2,805)			-			-	-	(2,805)
Carbon Reduction reserve	(1,536)	(1,419)		(1,419)			-	(1,419)	(2,955)
Highways Maintenance reserve	-	(2,000)		(2,000)	2,000		2,000	-	-
Essex Transport Reserve	(417)			-			-	-	(417)
Carry Forwards Reserve	-			-			-	-	-
Newton bequest reserve	(119)			-			-	-	(119)
Personal Care reserve	-	(2,400)	(1,083)	(3,483)			-	(3,483)	(3,483)
Severe weather reserve	(252)			-			-	-	(252)
Street Lighting reserve	(476)			-			-	-	(476)
Energy Inflation reserve	-	(1,200)		(1,200)			-	(1,200)	(1,200)
Building maintenance reserve	(713)			-			-	-	(713)
Procurement reserve	(24)			-			-	-	(24)
Redundancy reserve	(3,600)	(8,500)		(8,500)		76	76	(8,424)	(12,024)
Tending PPP	(422)			-			-	-	(422)
Trading activities	(3,381)	(829)		(829)			-	(829)	(4,210)
	(43,969)	(30,659)	(1,083)	(31,742)	11,275	76	11,351	(20,391)	(64,360)
Future capital funding									
General	(3,634)	(8,475)		(8,475)			-	(8,475)	(12,109)
Bellhouse landfill	(61)			-			-	-	(61)
Historic Building Reserve	(120)			-			-	-	(120)
	(3,815)	(8,475)	-	(8,475)	-	-	-	(8,475)	(12,290)
Equalisation reserves									
PFI equalisation reserves									
A130 PFI	(57,399)			-	634		634	634	(56,765)
Clacton secondary schools' PFI	(3,824)	(188)		(188)			-	(188)	(4,012)
1000 Debden PFI	(4,683)			-	251		251	251	(4,432)
Building schools for the future PFI	(2,185)			-			-	-	(2,185)
Waste reserve	(44,054)	(17,550)		(17,550)	350		350	(17,200)	(61,254)
Grants equalisation reserve	(10,148)			-		64	64	64	(10,084)
	(122,293)	(17,738)	-	(17,738)	1,235	64	1,299	(16,439)	(138,732)
Schools	(50,320)	-	-	-	-	-	-	-	(50,320)
Total	(220,397)	(56,872)	(1,083)	(57,955)	12,510	140	12,650	(45,305)	(265,702)

GENERAL BALANCE - Movement Analysis	
	£000
Actual Balance 31 March 2012	(63,015)
2012/13 Planned Withdrawal	2,356
Proposed Withdrawals	
Highways Maintenance	1,000
Community Budgets and the systematic review	2,850
Actual Balance 1 April 2012	(56,809)
Subsequent movements	
Estimated balance at 31st March 2013	(56,809)
Proposals	
Contributions	
Grant Variations	(1,546)
Withdrawals	
Property Transformation Revenue Investment	1,040
Updated Estimated Balance at 31 March 2013	(57,315)

Emergency Contingency	
	£000
Actual Balance 1 April 2012	(8,000)
Previously Approved Proposed Utilisation	
Assumed Withdrawals	
Estimated balance at 31 March 2013	(8,000)

APPENDIX E

TREASURY MANAGEMENT - 2012/13

	Opening Balance 1 April £000	Raised £000	Repaid £000	Balance at 31 May £000	Movement £000	Interest payable / (earned) £000
Borrowing						
Long Term	359,620	-	(296)	359,324	(296)	2,560
Temporary	3,237	622	(1,104)	2,755	(482)	2
	362,857	622	(1,400)	362,079	(778)	2,562
Investments						
Long Term	-	-	-	-	-	-
Temporary	(150,300)	(44,550)	-	(194,850)	(44,550)	(364)
	(150,300)	(44,550)	-	(194,850)	(44,550)	(364)
Net indebtedness	212,557	(43,928)	(1,400)	167,229	(45,328)	2,198

Borrowing	
Average long term borrowing over period (£000)	359,460
Opening pool rate at 1 April 2012	4.26%
Weighted average rate of interest on new loans secured to date	n/a
Average pool rate for year to date	4.26%

Investments	
Average daily cash balance over period (£000)	198,802
Average interest earned over period	1.10%
Benchmark rate - average local authority 7 day rate	0.33%