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2010/11 FINANCIAL OVERVIEW AS AT THE THIRD QUARTER STAGE

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

Enquiries to:

Margaret Lee Director for Finance

Extn: 21010

Tel. No: 01245 431010

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 third quarter 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 **£2.117m** on the Revenue Budget (*i.e. after taking account of the proposals within this report for the utilisation of reserves and balances*) and an under spend of **£23.587m** against the approved capital payments guideline) and the explanatory comments that are provided in the Executive Summary (starting on page 4) and the subsequent sections and appendices of the Report.
- (ii) That **£2.825m** is returned to the General Balance in respect of under spends by the Leader and Adults, Health and Community Wellbeing portfolios and in relation to financing costs and precept payments in the Finance and Transformation portfolio.
- (iii) That the following amounts are appropriated into earmarked revenue reserves:
 - Reserve for Future Capital Funding - **£60,000**;
 - Trading activities (IS Infrastructure) - **£43,000**; and
 - LAA Performance Reward Reserve - **£7.103m** (to be offset by a saving of **£2.669m** by the Leader portfolio, an anticipated allocation of additional performance reward grant (**£1.412m**) and a withdrawal from the Emergency Contingency, as per recommendation (v) below).

- (iv) That approval is given to a supplementary estimate of **£3.398m**, to meet the costs associated with the restructuring of various services, as follows:

	£000
Adults, Health and Community Wellbeing	239
Children's Services	404
Education & 2012 Games	531
Highways and Transportation	1,425
Heritage, Culture and the Arts	344
Recharged Support Services	
Transport Coordination Centre	27
Facilities Management Service	232
Finance	120
Human Resources	76
Total	3,398

It is proposed that this supplementary estimate request is financed by a withdrawal from the General Balance (**£2.825m**), with the balance being financed from the Waste Reserve (**£573,000**).

Note: In the event that supplementary funding is not allocated for this purpose, the net over spend referred to in Recommendation (i) will be **£3.398m** higher.

- (v) That approval is given to other supplementary estimate requests, amounting to **£4.310m**, which it is proposed are financed from the Emergency Contingency, the Children's reserve and from the accumulated revenue reserves of the Education and 2012 Games portfolio's trading activities, as follows:

	Financing Source			Total
	Emergency contingency	Trading Reserves	Children's Reserve	
Portfolio / RSSS requesting funds	£000	£000	£000	£000
Children's Services	-	-	131	131
Education & 2012 Games	-	671	-	671
Heritage, Culture and the Arts	343	-	-	343
Major Projects and Commercial Services	100	-	-	100
Operating costs - Appropriations				
LAA Performance Reward Reserve	3,022	-	-	3,022
IS Infrastructure trading activity	43	-	-	43
Total	3,508	671	131	4,310

- (vi) That Revenue under spends of **£6.512m** are retained by Services at this stage; the treatment of these under spends will be confirmed at the Provisional Outturn stage, once the actual position is confirmed.

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

- Increased by **£5.6m**, to take account of new, self financed, schemes;
- Reduced by **£21.060m**, 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 **£8.127m** 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

The assessment of the Revenue Budget at the Half Year stage indicated a net over spend for the year of **£8.474m**. However, after adjusting this forecast for proposed mitigation (i.e. appropriations to/from earmarked revenue reserves, movements to/from the General Balance and withdrawals from the Emergency Contingency) and the under spends that Services indicated they wished to retain, the underlying forecast was for an over spend of **£14.459m**. An updated assessment of the Revenue Budget, as at the Third Quarter stage, suggests an improvement to this position.

A net over spend for the year of **£2.117m** is now forecast. Reflected within this total are proposals for:

- Returning **£2.825m** to the General Balance, as a consequence of lower financing costs (i.e. interest and debt repayments) and precept payments (Finance and Transformation portfolio), and savings by the Leader and Adults, Health and Community Wellbeing portfolios.
- Allocating supplementary funding of **£3.508m** from the Emergency Contingency.
- Appropriating a net balance of **£6.404m** into various earmarked revenue reserves (see page 6 for further details).

However, the underlying position, after taking account of under spends amounting to **£6.512m** which services have indicated they wish to retain, is for a forecast over spend of **£8.629m** (which is **£5.830m** less than forecast at the Half Year stage). Recovery plans are being progressed to mitigate this position.

In addition to the position outlined above, approval is sought to allocate supplementary funding of **£3.398m**, to be financed by withdrawals from the General Balance (**£2.825m**) and the Waste Reserve (**£573,000**), to meet costs arising as a consequence of the restructuring of various services. In the event that supplementary funding is not allocated for this purpose, the underlying over spend will amount to **£12.027m** (compared with the current forecast of **£8.629m**).

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 7 of the report.

1.2 Trading activities

At this stage, it is anticipated that the Trading Activities' revenue reserves will decrease from **£2.885m** at 1 April 2010 to **£1.751m** at 31 March 2011, as summarised in **Appendix C**. The net reduction in these reserves (**£1.134m**) results from:

- Surpluses being forecast for 2010/11 by various of the trading activities, amounting to **£991,000**;
- A deficit being forecast in respect of the IS Infrastructure Trading Activity (**£43,000**); as this trading activity has no accumulated revenue reserves against which to offset this loss, approval is sought for supplementary funding, to be financed from the Emergency Contingency, to offset this loss.
- Expenditure of **£674,000** in relation to the former Essex Equipment Service trading activity, which represents the payment of the trading activity's accumulated revenue reserves to partners.
- Proposals to appropriate **£1.451m** of the revenue reserves of various trading activities to the General Fund Balance; this is **£671,000** in excess of the budgeted appropriation, and reflects a proposal to further utilise the revenue reserves of the School Improvement and Advisory Service to partially mitigate the revenue budget pressures of the Education and 2012 Games portfolio.

1.3 Capital

The latest approved capital payments guideline amounts to **£327.278m**. Capital expenditure is currently forecast to be **£23.587m** 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 **£21.060m** into 2011/12, or a subsequent financial year, as a consequence of slippage in schemes;
- Reduce scheme and payment approvals by **£8.127m** 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 **£5.6m** in respect of schemes subject to grant funding or to take account of schemes progressing ahead of schedule.

The net effect of these changes is to reduce the approved capital payments guideline to **£303.691m**.

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 12 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:

- **£2.825m** will be added to the General Balance as a consequence of lower financing costs (i.e. interest and debt repayments) and precept payments (Finance and Transformation portfolio), and as a consequence of savings identified by the Leader and Adults, Health and Community Wellbeing portfolios. It is proposed that this amount is utilised to partially fund the restructuring costs referred to in Recommendation (iv) of this report.
- **£3.508m** of the Emergency Contingency will be allocated to fund additional expenditure by the Major Projects and Commercial Services and Heritage, Culture and the Arts portfolios, to offset an over commitment against the LAA Performance Reward Reserve and to mitigate the deficit forecast by the IS Infrastructure Trading Activity. The remainder of the Emergency Contingency will be retained, in order to help mitigate the underlying over spends identified elsewhere within this Report.
- **£6.404m** (net) will be appropriated into earmarked revenue reserves; this takes account of proposals to:
 - Appropriate **£7.103m** into the LAA Performance Reward Reserve, as a consequence of over commitments against the Reserve, following the loss of grant funding;
 - Appropriate **£43,000** to the IS Infrastructure trading activity, to mitigate a forecast deficit;
 - Appropriate **£60,000** into the Reserve for Future Capital Funding, to provide additional capital financing for an Information Sharing System.
 - Withdraw **£131,000** from the Children's Reserve, to partially mitigate budget pressures in respect of Children's Services; and
 - Withdraw **£671,000** from the revenue reserves of the Education and 2012 Games portfolio's trading activities, to partially mitigate the portfolio's revenue budget pressures.

Partially offsetting these proposals, it is intended that **£573,000** is appropriated from the Waste Reserve, to help finance the restructuring costs referred to in Recommendation (iv) of this report. It is intended to replenish the Waste Reserve through the 2011/12 Revenue Budget and Medium Term Financial Strategy.

Appendix F (which commences on page 22) provides an estimate of the position on the General Balance, the Emergency Contingency and earmarked revenue reserves as at 31st 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 **0.37%** 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 **£127m**. 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 24 and 25).

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 - £1.224m over spend

An over spend of **£4.876m** is forecast as a consequence of demand pressures relating to residential and non residential care services for older people and those with physical and sensory impairments, partially offset by lower than forecast demand by learning disabled service users.

Under spends amounting to **£3.652m** have been achieved in relation to service management, access, assessment and care management, mental health, supporting people and other social care that partly mitigate this position. However, it is proposed that **£670,000** of this under spend is returned to the General Balance, as it results from the achievement of savings to compensate for the loss of Area Based Grant funding earlier this year.

The underlying position is for a net over spend of **£1.894m**, which represents a significant improvement on that forecast at the Half Year stage (i.e. **£4.729m** over spend); actions are continuing, to mitigate the remaining position and to support the 2011/12 budget.

The outturn forecast excludes restructuring costs of **£239,000**, as it is proposed that these will be financed by withdrawals from the General Balance and the Waste Reserve (as outlined in Recommendation (iv) of the Report).

2.2 Children's Services - £1.829m over spend

A net over spend of **£2.323m** is forecast in relation to Children's social care, where additional staff have been required in the early part of the year to meet the target timescales for completion of initial and core assessments of vulnerable children. There has also been a significant increase in the number of looked after children since the budget was set. The budget pressures in this area have been partly mitigated through the maximisation of grant funding. Approval is sought for supplementary funding of **£131,000**, to be financed by a withdrawal from the Children's Reserve, to further mitigate the forecast over spend in this area.

Other over spends, amounting to **£161,000**, are forecast as a consequence of disaggregating the Teams Around Schools, Children and Communities and other minor pressures; these are partly mitigated by under spends of **£655,000** in relation to home to school transport and Children and Young Persons' strategic partnerships.

The current forecast compares favourably with the position reported at the Half Year stage (i.e. which was for an underlying over spend of **£3.266m**). Management actions continue to mitigate the remaining over spend.

The outturn forecast excludes restructuring costs of **£404,000**, as it is proposed that these will be financed by withdrawals from the General Balance and the Waste Reserve (as outlined in Recommendation (iv) of the Report).

2.3 Education and 2012 Games - £2.291m over spend

Non Dedicated Schools budget

A net over spend of **£2.257m** is forecast in relation to the Non Dedicated Schools budget, which represents over spends by the Youth Service, as a result of losses of grant funding, and in respect of Home to School transport, partly offset by under spends on school improvement and strategic development.

Approval is sought for supplementary funding of **£671,000**, to be financed by a withdrawal from the accumulated revenue reserves of the portfolio's trading activities, to partly mitigate this position. The underlying position, after allowing for this supplementary estimate request, shows an over spend of **£1.630m**. Management actions are continuing to mitigate this position.

The outturn forecast excludes restructuring costs of **£531,000**, as it is proposed that these will be financed by withdrawals from the General Balance and the Waste Reserve (as outlined in Recommendation (iv) of the Report).

Lee Valley Park and 2012 Games

An underlying over spend of **£44,000** is forecast in relation to Lee Valley Park and 2012 Games, as a result of a loss of grant funding. Actions are being taken to mitigate this position.

2.4 Highways and Transportation - £780,000 under spend

The forecast under spend of **£780,000** represents the net effect of under spends in respect of street lighting, congestion and passenger transport, partially offset by a forecast over spend in relation to winter gritting and snow clearance.

There remains a significant risk associated with the forecast for winter gritting and snow clearance (where an over spend of **£600,000** is currently forecast), as the weather is traditionally at its worst during the months of January and February.

It is proposed that the forecast under spend is retained by the Service at this stage; the treatment will be determined at the Provisional Outturn stage, once the actual position is known.

The outturn forecast excludes restructuring costs of **£1.425m**, as it is proposed that these will be financed by withdrawals from the General Balance and the Waste Reserve (as outlined in Recommendation (iv) of the Report).

2.5 Environment and Waste - £965,000 under spend

An under spend on Waste Management of **£837,000** primarily results from a saving of **£1m** in the Inter Authority Agreement (IAA) payment to Colchester Borough Council, as they have decided not to sign up to the IAA. This sum was included in the Budget on the assumption that Colchester would sign up as all other Districts have done but will not now be paid. This is partly offset by pressures from the expected early completion of the enablement works at Courtauld Road, meaning the lease payments are due earlier than budgeted, and a potential liability related to landfill activity undertaken in the 1980's. Lower than budget landfill volumes are more than offset by higher composting and recycling tonnages.

A net under spend of **£128,000** is forecast across the remainder of the Portfolio's policy budgets. This reflects:

- Under spends amounting to **£216,000**, resulting from staff vacancies and additional income; and
- An under recovery of income by Marsh Farm of **£88,000**; a programme is in place to mitigate the current over spend on Marsh Farm in future years.

Approval is sought to appropriate **£10,000** of the under spend into the Reserve for Future Capital Funding, to provide capital financing for an Information Sharing System. It is proposed that the remainder is retained by the Portfolio at this stage, pending further consideration of the position at the Provisional Outturn stage.

2.6 Leader - £3.549m under spend

Of the total under spend, **£2.669m** results from recouping funds from partners, which were previously distributed in expectation of receiving Local Area

Agreement (LAA) Performance Reward Grant from the government. It is proposed that this amount is utilised to reduce the budgeted withdrawal from the LAA Performance Reward Reserve. Of the total amount recovered from partners, a commitment has been made to redistribute **£1.381m** to partners to support other projects.

Approval is sought to appropriate **£50,000** into the Reserve for Future Capital Funding, to provide additional capital financing for an Information Sharing project, and it is proposed that **£250,000** is returned to the General Balance, in respect of savings identified in respect of Essex Initiatives.

The underlying position, after adjusting for these requests, is a net under spend of **£580,000**, which results from staff vacancies and lower levels of discretionary spend. It is proposed that this under spend is retained at this stage, pending further consideration of the position at the Provisional Outturn stage.

2.7 Major Projects and Commercial Services - £163,000 over spend

Approval is sought for supplementary funding of **£100,000**, to be financed from the Emergency Contingency, to mitigate the impact on the Registration of Births, Deaths and Marriages Service of employing additional temporary staff.

A further over spend of **£63,000** is forecast, primarily related to the Coroners' Courts' Service, as a consequence of increased demand for medical and toxicology reports. Management actions continue to mitigate this position.

2.8 Recharged strategic support services - £673,000 under spend

Overall, the Recharged Strategic Support Services are forecasting a net over spend of **£673,000**. 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 - £467,000 over spend**

The forecast over spend results from incurring additional vehicle charges and from lower income forecasts. Actions continue to mitigate this position.

Leader

- **Communications and customer relations - £161,000 under spend**

This under spend mainly results from staff vacancies. It is proposed that this under spend is retained by the Service at this stage, pending further consideration at the Provisional Outturn stage.

- **Customer Services - £473,000 under spend**

An under spend of **£482,000** is currently forecast in relation to the Customer Services Web Transformation Project, where development and support costs are anticipated to be lower than originally forecast; the under spend will be returned to the Waste Reserve at the year end, once the actual outturn position is confirmed.

This under spend is partially offset by a minor over spend of **£9,000**; actions continue, to mitigate this position.

Major Projects and Commercial Services

- **Facilities Management - £650,000 over spend**

The over spend of **£650,000** results from an unexpected increase in business rates, a car parking income scheme not being implemented and unachievable security savings.

The outturn forecast incorporates savings already achieved as a consequence of the financial recovery plan put in place by the Service; further, opportunities have been identified to mitigate the remainder of the current forecast within the current financial year.

The outturn forecast excludes restructuring costs of **£232,000**, as it is proposed that these will be financed by withdrawals from the General Balance and the Waste Reserve (as outlined in Recommendation (iv) of the Report).

- **Asset Management - £380,000 under spend**

The net under spend results from the receipt of additional income, a reduction in consultants' spend and property disposal costs and as a consequence of the recent government action to curtail the Building Schools for the Future programme, partly offset by an inability to capitalise staff costs to the budgeted level.

Finance and Transformation

- **Human Resources - £584,000 under spend**

Under spends are forecast as a consequence of staff vacancies, lower volumes of Criminal Records Bureau applications and in relation to the People and Change Management Transformation Project. It is proposed that the under spend is retained by the Service, pending further consideration of the position at the Provisional Outturn stage.

The outturn forecast excludes restructuring costs of **£76,000**, as it is proposed that these will be financed by withdrawals from the General Balance and the Waste Reserve (as outlined in Recommendation (iv) of the Report).

- **Transformation Support Unit - £268,000 under spend**

The under spend is forecast as a consequence of staff vacancies. It is proposed that the under spend is retained by the Service, pending further consideration of the position at the Provisional Outturn stage.

- **Information Services**

There is a risk that ICT costs may experience pressures over the remainder of the year of up to **£1m**. Management actions are in place to mitigate this risk.

2.9 Other Operating Costs - £1.891m under spend

The under spend is forecast on the interest and capital financing budgets, principally as a result of deferring further external borrowing and slippage in capital schemes. It is proposed that this amount is returned to the General Balance.

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 - £2.578m under spend

The under spend of **£2.578m** represents the net effect of slippage and/or reductions to schemes (**£2.738m**), partially offset by proposals for additions to the Capital Programme of **£160,000**.

Approval is sought to re-profile the capital payments guideline of **£281,000** from 2010/11 due to slippage in the Ramsden Hall Food Technology project. This is a grant funded project, and the grant is available until August 2011.

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:

- Children's Centres - **£1.126m**;
- Early Years - **£705,000**;
- Family Centres - **£20,000**;
- Residential Homes - **£35,000**; and
- Aiming Higher for Disabled Children - **£571,000**.

Finally, approval is sought to increase the scheme and payment approvals for the following schemes:

- Specialist School grant funded projects - **£105,000**; and
- Willowbrook Family Centre - **£55,000**.

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

3.2 Education and 2012 Games - £3.661m under spend

The under spend of **£3.661m** represents the net effect of slippage and/or reductions to schemes (**£4.638m**), partially offset by proposals for additions to the Capital Programme of **£977,000**.

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

- Hutton Willowbrook Primary School - **£928,000**;
- Colchester Queen Boudica Primary (Phase II) - **£550,000**;
- Witham Chipping Hill Primary - **£581,000**;
- Braintree White Court Primary - **£75,000**;
- Burnham on Crouch Primary - **£131,000**;
- Buckhurst Hill - **£707,000**;
- Targeted capital for school kitchens and dining - **£595,000**;
- Food technology scheme - **£214,000**;
- Adizones - **£150,000**;
- Hadleigh 2012 Games - **£143,000**; and
- Bradwell Outdoor Centre (DDA works) - **£49,000**.

In addition, it is proposed that the scheme and payment approvals are reduced by **£515,000** in relation to primary school halls to enable other schemes to be progressed.

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

- Extended schools - **£3,000**;
- Playing for success grant - **£43,000**;
- James Hornsby projects - **£1.515m** (of which **£250,000** will be spent in 2010/11, with the remainder being spent in 2011/12);
- Post 16 - **£515,000**; and
- Youth Capital Fund - **£166,000**.

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

3.3 Adults, Health and Community Wellbeing - £2.773m under spend

Approval is sought to re-profile payments approval of **£2.773m** into 2011/12, mainly as a consequence of slippage in the Shaftsbury Housing Association scheme.

3.4 Highways and Transportation - £7.4m under spend

The under spend of **£7.4m** represents the net effect of slippage and/or reductions to schemes (**£11.554m**), partially offset by proposals for additions to the Capital Programme of **£4.154m**.

It is proposed that scheme and payment approvals are reduced as follows:

- **DfT funded projects:**
 - Sadler's Farm - **£67,000**;
 - Integrated Transport Schemes - **£705,000**;
 - Chelmsford Park and Ride Sandon Expansion - **£61,000**.
- **ECC funded projects:**
 - Chelmsford North East Design - **£23,000**;
 - Integrated Package for Haven Gateway - **£155,000**;
 - Integrated Package for Heart of Essex - **£155,000**;
 - Colchester Town Centre - **£355,000**;
 - Unallocated Carry Forwards - **£164,000**;
 - First Avenue Harlow - **£16,000**;
 - Sadler's Farm - **£524,000**;
 - Colchester Key Bus Corridors - **£35,000**;
 - Basildon Enterprise Corridor - **£922,000**.
- **Community Infrastructure Grant funded projects:**
 - Harlow A414 Dualling, **£1.2m**.
- **Projects funded from other sources:**
 - Colchester Northern Approach Road **£269,000**.

In addition, approval is sought to re-profile capital payment guidelines of **£6.946m** into 2011/12 as a consequence of slippage in the following programmes:

- Harlow Cycle Town - **£200,000**;
- Moulsham Street Improvements - **£300,000**;
- Chelmer Valley Park and Ride - **£50,000**;
- Basildon Enterprise Corridor - **£115,000**;
- Castle Point A13 Passenger Transport Corridor - **£1.513m**;
- Springwood Avenue, Braintree - **£98,000**;
- Colchester A134 St Botolph's roundabout - **£250,000**;
- Epping Forest Transport Plan - **£420,000**;
- Colchester Northern Approach Road - **£4.0m**.

Approval is sought to increase scheme and payment approvals to be funded by grants and contributions:

- Colchester Town Centre - **£200,000**;
- Colchester A12 Junction 28 - **£253,000**;

- Colchester Northern Approach Road - **£500,000**;
- Harlow Eastern Access Improvements - **£10,000**;
- Canvey, Roscommon Way, **£2,381,000**;
- Harlow A414 Dualling, **£776,000**; and
- Other schemes - **£34,000**.

Finally, approval is sought to bring forward payment guidelines of **£43,000** from 2011/12 for Witham Station Second Access Footbridge to finance advance works.

3.5 Environment and Waste - £50,000 under spend

Approval is sought to re-profile capital payment guidelines of **£50,000** into 2011/12 as a consequence of slippage on the Shalford Waste scheme, due to a delay in planning permission. In addition, approval is sought to transfer scheme and payment approvals, amounting to **£56,000**, from the 'transfer stations' Waste Strategy scheme to those for the Biowaste project (**£6,000**) and improvements at the Courtauld Road site (**£50,000**).

3.6 Leader - £4.436m under spend

Approval is sought to re-profile capital payment guidelines of **£4.496m**, as a consequence of slippage in the Canvey Vocational Centre and Jaywick Regeneration schemes. Partially offsetting this, approval is sought to add scheme and payment approvals of **£60,000** to the programme for Essex Insight Information Services, to be financed from the Reserve for Future Capital Funding (i.e. on the basis of an additional revenue contribution being made to this Reserve).

3.7 Communities and Planning - £1.770m under spend

Approval is sought to re-profile payment approvals of **£1.770m** for the Severalls Gypsy Site into 2011/12, as further work on this site has been delayed until April 2011. This scheme is funded by Communities and Local Government grant, and the awarding body have agreed the roll forward of the project.

3.8 Heritage, Culture and the Arts - £98,000 under spend

It is proposed that scheme and payment approvals of **£98,000** for Community Grants is transferred to the Major Projects and Commercial Services portfolio, as the allocation of grant funding is determined by Asset Management.

3.9 Finance and Transformation

An over spend of **£150,000** is forecast in respect of an IS Development scheme, as a consequence of a revision to the scope of the project. As this project is closely aligned with the ICT modernisation scheme, approval is sought to transfer scheme and payments guideline between these two projects.

3.10 Major Projects and Commercial Services – £821,000 under spend

Approval is sought to re-profile capital payment approvals of **£621,000** into 2011/12 as a consequence of slippage in the following projects:

- Office strategy enabling scheme - **£371,000**; and
- Hadleigh Farm build - **£250,000**.

In addition, it is proposed that scheme and payment approvals are reduced, as the following projects will no longer be undertaken:

- DDA projects - **£197,000**; and
- Various Facilities Management schemes - **£101,000**.

Partially offsetting these reductions, it is proposed that scheme and payment approvals are increased by **£98,000** in respect of Community Grants; scheme and payment approvals are being transferred from the Heritage, Culture and the Arts portfolio to cover this.

REVENUE SUMMARY

	2010/11			Variance	
	Original Budget	Latest Estimate	Forecast Outturn		
	£000	£000	£000	£000	%
Adults, Health and Community Wellbeing	375,807	378,817	380,041	1,224	0.32%
Children's Services					
Dedicated Schools Budget	7,987	(12,395)	(12,395)	-	-
Non Dedicated Schools Budget	137,610	151,377	153,206	1,829	1.21%
Education and 2012 Games					
Dedicated Schools Budget	721	10,905	10,905	-	-
Non Dedicated Schools Budget	52,920	44,651	46,908	2,257	5.05%
Lee Valley Park and 2012 Games	2,508	2,508	2,542	34	1.36%
Highways and Transportation	73,987	73,602	72,822	(780)	(1.06%)
Environment and Waste	64,333	64,452	63,487	(965)	(1.50%)
Heritage, Culture and the Arts	21,518	21,444	21,848	404	1.88%
Leader	17,364	20,303	16,754	(3,549)	(17.48%)
Communities and Planning	5,001	5,510	5,271	(239)	(4.34%)
Major Projects and Commercial Services	1,882	1,586	1,749	163	10.28%
Finance and Transformation	2,676	2,646	2,640	(6)	(0.23%)
Recharged Support Services					
Highways and Transportation					
Transport Coordination Centre	1,415	1,415	1,415	-	-
Car Provision Scheme	(300)	(487)	(20)	467	(95.89%)
Environment and Waste					
Democratic Services	918	897	867	(30)	(3.34%)
Leader					
Communications & Customer Relations	2,275	2,502	2,341	(161)	(6.43%)
Customer Services	2,278	4,644	4,171	(473)	(10.19%)
Major Projects and Commercial Services					
Facilities Management Service	12,970	13,076	13,726	650	4.97%
Essex Legal Services	2,622	4,193	4,238	45	1.07%
Asset Management	2,672	4,279	3,899	(380)	(8.88%)
Procurement	1,989	9,877	9,917	40	0.40%
Finance and Transformation					
Human Resources	7,830	8,542	7,958	(584)	(6.84%)
Information Services	15,807	17,105	17,105	-	-
Finance	7,140	16,729	16,758	29	0.17%
Transformation Support Unit	6,019	4,728	4,460	(268)	(5.67%)
Insurance Cost Recovery Account	5,354	4,685	4,677	(8)	(0.17%)
Building Maintenance	2,652	3,402	3,402	-	-
Net cost of services (Portfolios)	835,955	860,993	860,692	(301)	(0.03%)
Other operating costs - interest and capital financing	47,154	43,731	41,840	(1,891)	(4.32%)
General government grant	(82,031)	(75,172)	(76,584)	(1,412)	1.88%
Net expenditure (prior to utilisation of Reserves & Balances)	801,078	829,552	825,948	(3,604)	(0.43%)
Appropriations to/(from) earmarked revenue reserves	12,985	(13,459)	(7,055)	6,404	(47.58%)
Emergency Contingency	8,000	5,652	2,144	(3,508)	(62.07%)
General balance - contribution / (withdrawal)	-	318	3,143	2,825	888.36%
Net Expenditure	822,063	822,063	824,180	2,117	0.26%
Net savings required to offset pressures	-	-	(8,629)	(8,629)	-
Under spends earmarked for future spend	-	-	6,512	6,512	-
Budget Requirement	822,063	822,063	822,063	-	-
Financed by					
Revenue Support Grant	(31,281)	(31,281)	(31,281)	-	-
National non-domestic rates	(215,423)	(215,423)	(215,423)	-	-
Council tax precept	(574,956)	(574,956)	(574,956)	-	-
Collection fund surpluses	(403)	(403)	(403)	-	-
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	1,224	670	-	-	-	1,894
Children's Services						
Dedicated Schools Budget	-	-	-	-	-	-
Non Dedicated Schools Budget	1,829	-	-	(131)	655	2,353
Education and 2012 Games						
Dedicated Schools Budget	-	-	-	-	-	-
Non Dedicated Schools Budget	2,257	-	-	(671)	-	1,586
Lee Valley Park and 2012 Games	34	8	-	-	2	44
Highways and Transportation	(780)	-	-	-	1,393	613
Environment and Waste	(965)	-	-	10	1,049	94
Heritage, Culture and the Arts	404	-	(343)	-	334	395
Leader	(3,549)	250	-	2,719	580	-
Communities and Planning	(239)	-	-	-	255	16
Major Projects and Commercial Services	163	-	(100)	-	-	63
Finance and Transformation	(6)	6	-	-	-	-
Recharged Support Services						
Highways and Transportation						
Transport Coordination Centre	-	-	-	-	-	-
Car Provision Scheme	467	-	-	-	-	467
Environment and Waste						
Democratic Services	(30)	-	-	-	30	-
Leader						
Communications & Customer Relations	(161)	-	-	-	161	-
Customer Contact Centre	(473)	-	-	-	482	9
Major Projects and Commercial Services						
Facilities Management Service	650	-	-	-	-	650
Essex Legal Services	45	-	-	-	-	45
Asset Management	(380)	-	-	-	711	331
Procurement	40	-	-	-	-	40
Finance and Transformation						
Human Resources	(584)	-	-	-	584	-
Information Services	-	-	-	-	-	-
Finance	29	-	-	-	-	29
Transformation Support Unit	(268)	-	-	-	268	-
Insurance Cost Recovery Account	(8)	-	-	-	8	-
Building Maintenance	-	-	-	-	-	-
Net cost of services (Portfolios)	(301)	934	(443)	1,927	6,512	8,629
Other operating costs	(1,891)	1,891	-	-	-	-
General government grant	(1,412)	-	-	1,412	-	-
Net expenditure (prior to utilisation of reserves & balances)	(3,604)	2,825	(443)	3,339	6,512	
Operating costs						
Appropriations to / from earmarked reserves	6,404	-	(3,065)	(3,339)	-	-
Emergency contingency	(3,508)	-	3,508	-	-	-
General Balance	2,825	(2,825)	-	-	-	-
Net Expenditure	2,117	-	-	-	6,512	8,629

REVENUE – TRADING ACTIVITIES

2009/10		2010/11			Variance	Variance
Actual		Original Budget	Latest Budget	Forecast Outturn		
£000		£000	£000	£000	£000	%
(20,434)	Income	(15,308)	(15,342)	(16,353)	(1,011)	6.59%
19,508	Expenditure	14,967	14,484	16,079	1,595	11.01%
-	Financing Items	-	-	-	-	-
(926)	(Surplus)/Deficit	(341)	(858)	(274)	584	(68.07%)
605	Appropriations	-	780	1,408	628	80.51%
(321)	Net (increase) / decrease in revenue reserves	(341)	(78)	1,134	1,212	(1553.85%)
	Net(increase)/decrease in Trading Activities reserves					
-	School Improvement & Advisory Service	(246)	(433)	309	742	(171.36%)
-	School Support - Finance	(26)	423	416	(7)	(1.65%)
-	Schools: Other	(1)	-	-	-	-
(399)	School staffing insurance scheme	-	-	(247)	(247)	-
83	Essex Equipment Service	-	-	674	674	-
(5)	Smarte East	(68)	(68)	(18)	50	(73.53%)
-	Viking Community Transport	-	-	-	-	-
-	Essex Transport	-	-	-	-	-
-	Information Services infrastructure	-	-	-	-	-
-	Reprographics	-	-	-	-	-
(321)	Net (increase) / decrease in revenue reserves	(341)	(78)	1,134	1,212	(1553.85%)
2009/10		2010/11				
Closing					Opening	Closing
Balance					Balance	Balance
£000					£000	£000
(2,885)	Total Reserves Balance				(2,885)	(1,751)

CAPITAL – SUMMARY OF PAYMENTS AND FINANCING

	Original Approval	Latest Approval	Forecast Outturn	Forecast Variance	
	£000	£000	£000	£000	%
Education and 2012 Games					
Schools	109,877	109,751	106,266	(3,485)	(3.2%)
Building Schools for the Future	44,834	2,060	2,060	-	-
Youth Service	10,075	1,368	1,485	117	8.6%
2012 Games	700	1,957	1,664	(293)	(15.0%)
Children's Services					
Special Schools	21,985	35,808	33,801	(2,007)	(5.6%)
Children & Families	5,707	3,214	2,643	(571)	(17.8%)
Adults, Health & Community Well-Being	10,185	3,360	587	(2,773)	(82.5%)
Highways and Transportation					
DFT Capital Maintenance	20,959	20,888	20,888	-	-
DFT Integrated Transport	20,257	18,291	18,091	(200)	(1.1%)
DFT Direct Grants	31,613	33,275	33,208	(67)	(0.2%)
ECC Funded Capital	29,748	26,138	23,995	(2,143)	(8.2%)
Community Infrastructure Grant	23,690	23,490	22,366	(1,124)	(4.8%)
All other highways capital schemes	8,036	12,669	8,803	(3,866)	(30.5%)
Environment and Waste	14,146	6,903	6,853	(50)	(0.7%)
Leader	4,416	6,699	2,263	(4,436)	(66.2%)
Communities and Planning	3,830	3,425	1,655	(1,770)	(51.7%)
Heritage, Culture & the Arts					
Heritage, & Culture	3,253	3,810	3,810	-	-
Adult Education	1,149	114	16	(98)	(86.0%)
Libraries and Information Services	2,871	244	244	-	-
Finance & Transformation Programme	11,825	10,345	10,345	-	-
Major Projects & Commercial Services	3,465	3,102	2,281	(821)	(26.5%)
Minor capitalised building maintenance	1,300	367	367	-	-
Total payments to be financed in 2010/11	383,921	327,278	303,691	(23,587)	(7.2%)
Financed by					
Supported borrowing	(51,545)	(51,545)	(51,545)	-	-
Unsupported borrowing	(92,534)	(65,079)	(66,485)	(1,406)	2.2%
Grants and contributions	(238,176)	(208,904)	(183,601)	25,303	(12.1%)
Capital receipts	-	(1,931)	(2,181)	(250)	12.9%
Reserve for future capital funding	(1,666)	181	121	(60)	(33.1%)
Total financing	(383,921)	(327,278)	(303,691)	23,587	(7.2%)

CAPITAL VARIANCE PLAN

	2010/11					2010/11	2011/12	2012/13
	Additions	Reductions	Advanced works	Slippage	Transfer	Changes	Changes	Changes
	£000	£000	£000	£000	£000	£000	£000	£000
Education and 2012 Games								
Schools	811	(515)	-	(3,781)	-	(3,485)	5,046	-
Building Schools for the Future	-	-	-	-	-	-	-	-
Youth Service	166	-	-	(49)	-	117	49	-
2012 Games	-	-	-	(293)	-	(293)	293	-
Children's Services								
Special Schools	105	(1,831)	-	(281)	-	(2,007)	281	-
Children & Families	55	(626)	-	-	-	(571)	-	-
Adults, Health & Community Well-Being	-	-	-	(2,773)	-	(2,773)	2,753	20
Highways and Transportation								
DFT Capital Maintenance	-	-	-	-	-	-	-	-
DFT Integrated Transport	766	(766)	-	(200)	-	(200)	200	-
DFT Direct Grants	-	(67)	-	-	-	(67)	-	-
ECC Funded Capital	2,359	(2,349)	43	(2,196)	-	(2,143)	2,153	-
Community Infrastructure Grant	76	(1,200)	-	-	-	(1,124)	-	-
All other highways capital schemes	953	(269)	-	(4,550)	-	(3,866)	4,550	-
Environment and Waste	56	(56)	-	(50)	-	(50)	50	-
Leader	60	-	-	(4,496)	-	(4,436)	4,496	-
Communities and Planning	-	-	-	(1,770)	-	(1,770)	1,770	-
Heritage, Culture & the Arts								
Heritage, & Culture	-	-	-	-	-	-	-	-
Adult Education	-	-	-	-	(98)	(98)	-	-
Libraries and Information Services	-	-	-	-	-	-	-	-
Finance & Transformation Programme	150	(150)	-	-	-	-	-	-
Major Projects & Commercial Services	-	(298)	-	(621)	98	(821)	621	-
Minor capitalised building maintenance	-	-	-	-	-	-	-	-
Total payments to be financed in 2010/11	5,557	(8,127)	43	(21,060)	-	(23,587)	22,262	20
Financed by								
Supported borrowing	-	-	-	-	-	-	-	-
Unsupported borrowing	(2,620)	(5,292)	(43)	6,549	-	(1,406)	(6,486)	(20)
Grants and contributions	(2,627)	13,419	-	14,511	-	25,303	(14,511)	-
Capital receipts	(250)	-	-	-	-	(250)	(1,265)	-
Reserve for future capital funding	(60)	-	-	-	-	(60)	-	-
Total financing	(5,557)	8,127	(43)	21,060	-	23,587	(22,262)	(20)

RESERVES AND BALANCES

EARMARKED RESERVES

	2010/11 estimate				2010/11 Movements	
	Balance at	2010/11 movements		Balance at	Estimated	(Increase
	1 April 2010	Contributions to reserves	Withdrawals from reserves	31 March 2011	Balance at 31 March 2011 at Half Yr Stage	/ decrease in reserves since Half Yr Stage
	£000	£000	£000	£000	£000	£000
General reserves						
Service improvements	(5,164)	(411)	4,698	(877)	(812)	(65)
Essex Pledges	(7,526)	-	7,526	-	-	-
Quadrennial Elections reserve	(594)	-	24	(570)	(594)	24
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)	(7,103)	7,595	(1,381)	-	(1,381)
Health and Safety Reserve	(1,087)	-	-	(1,087)	(1,087)	-
ExDRA partnership	(4,221)	-	733	(3,488)	(3,488)	-
Carbon Reduction reserve	(1,536)	-	-	(1,536)	(1,536)	-
Essex on-line partnership	(248)	-	-	(248)	(248)	-
Children's Reserve	-	(4,400)	4,400	-	(131)	131
Essex Transport Reserve	(1,398)	-	76	(1,322)	(1,322)	-
Carry Forwards Reserve	(6,044)	-	2,784	(3,260)	(4,618)	1,358
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)	-
Tendering PPP	(429)	-	-	(429)	(429)	-
Trading activities	(2,885)	1,134	-	(1,751)	(2,867)	1,116
	(40,109)	(12,580)	29,703	(22,986)	(24,169)	1,183
Future capital funding						
General	(3,517)	671	-	(2,846)	(2,318)	(528)
Bellhouse landfill	(61)	-	-	(61)	(61)	-
Historic Building Reserve	(120)	-	-	(120)	(120)	-
	(3,698)	671	-	(3,027)	(2,499)	(528)
Equalisation reserves						
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)	6,740	-	(28,688)	(54,058)	25,370
Landfill allowances equalisation	-	-	-	-	-	-
	(97,509)	4,557	-	(92,952)	(118,322)	25,370
Schools	(48,161)	-	-	(48,161)	(48,551)	390
Total	(189,477)	(7,352)	29,703	(167,126)	(193,541)	26,415

RESERVES AND BALANCES

GENERAL BALANCE

	£000	£000
Actual Balance 31 March 2010		(33,070)
Repayment of over spends in 2009/10		(314)
2010/11 planned contribution		-
Actual Balance 1 April 2010		(33,384)
Subsequent movements		
Withdrawals at First Quarter stage to compensate for grant losses		7,332
Savings recognised at First Quarter stage to offset grant losses		(6,666)
Savings recognised at Half Year stage to offset grant losses		(670)
Estimated balance at 31st March 2011		(33,388)
Third Quarter Report Proposals		
Contributions		
Operating costs - financing budgets	(1,891)	
Leader - Essex Initiatives	(250)	
Finance and Transformation - Precepts	(6)	
Adults, Health and Community Wellbeing - saving to offset grant loss	(670)	
Education and 2012 Games - Precepts	(8)	
		(2,825)
Withdrawals		
Restructuring costs		2,825
Updated estimated balance at 31 March 2011		(33,388)

EMERGENCY CONTINGENCY

	£000
Actual Balance 1 April 2010	(8,000)
Approved Withdrawals	2,348
Estimated balance at 31 March 2011	(5,652)
Third Quarter report - proposed withdrawals	
Major Projects and Commercial Services - Registrar BDM	100
Heritage and Cultural Services - Heritage and Cultural Services	343
Operating costs - appropriations (LAA Performance Reward)	3,022
Operating costs - appropriations (IS Infrastructure Trading Account)	43
Updated estimated balance at 31 March 2011	(2,144)

PRUDENTIAL INDICATORS

		Approved Indicator	Latest Estimate
1 Affordability			
Incremental impact on Council Tax	£	4.87	n/a
Ratio of financing costs to net revenue streams	%	5.7%	5.1%
2 Prudence			
Net borrowing v Capital Financing Requirement			Net borrowing is well within the medium term forecast of the Capital Financing Requirement.
3 Capital Expenditure			
Capital expenditure	£m	384	304
Capital financing requirement (excluding credit arrangements)	£m	784	743
4 External Debt			
Authorised limit (borrowing)	£m	670	n/a
Operational boundary (borrowing)	£m	550	n/a
Actual external borrowing (maximum level of debt during year to date)	£m	n/a	367
5 Treasury Management			
Interest rate exposures :			
Upper limit for exposure to fixed rates			
Debt		100%	100%
Investments		100%	56%
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 (maximum position during year to date)	£m	n/a	10

TREASURY MANAGEMENT

	Opening Balance	Raised	Repaid	Balance	Movement	Interest payable / earned £000
	£000	£000	£000	£000	£000	£000
Borrowing						
Long Term	321,744	40,000	792	360,952	39,208	11,491
Temporary	1,618	5,951	4,745	2,824	1,206	9
	323,362	45,951	5,537	363,776	40,414	11,500
Investments						
Long Term	10,000	-	5,000	5,000	(5,000)	348
Temporary	91,979	-	19,428	72,551	(19,428)	1,041
	101,979	-	24,428	77,551	(24,428)	1,389
Net indebtedness	221,383	45,951	(18,891)	286,225	64,842	10,111

Borrowing

Average long term borrowing over period (£000)	357,747
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)	137,914
Average interest earned over period	1.28%
Benchmark rate - average local authority 7 day rate	0.37%